



**HEALTH BENEFITS  
BOARD OF DIRECTORS MEETING  
APRIL 16, 2026  
1:00 P.M.**

**AGENDA**

**I. Consent Agenda**

- A. Approval of Minutes for March 2026 Board of Directors Meeting Dave Ostash
- B. Report of Activity for the Month of March 2026 and the Ratification of Payment as follows: Dave Ostash

DELTA DENTAL CLAIMS		11,923,950.96	
DELTA DENTAL ASO		696,358.48	
ANTHEM DENTAL CLAIMS		282,213.44	
ANTHEM DENTAL ASO		15,094.80	
		TOTAL DENTAL	12,917,617.68
VSP CLAIMS		1,624,516.61	

EYE MED CLAIMS		102,614.70	
VSP ASO		130,584.34	
EYEMED ASO		11,986.68	
		TOTAL VISION	1,869,702.33
ANTHEM BLUE CROSS HEALTH CLAIMS		117,799,842.01	
BLUE SHIELD HEALTH CLAIMS		26,613,574.61	
ANTHEM BC COMPANION CARE RETIREE CLAIMS		1,005,498.97	
	TOTAL HEALTH CLAIMS	145,418,915.59	
ANTHEM BLUE CROSS ASO		4,556,069.90	
BLUE SHIELD PPO ASO		780,403.73	
PROACTIVE CARE PPO ASO		55,210.10	
ANTHEM BC COMPANION CARE RETIREE ASO		135,237.15	
FOUNDATION CLMS PROCESSING ASO		714,317.77	
	TOTAL HEALTH ASO	6,241,238.65	
		TOTAL HEALTH	151,660,154.24
NAVITUS RX CLAIMS		57,303,604.57	
NAVITUS RX ASO		662,985.22	
		TOTAL RX	57,966,589.79
INSURED PRODUCTS			
ANTHEM BC HMO CLAIMS		10,944,419.48	
ANTHEM BC HMO ADMIN FEE		985,245.13	
ANTHEM BC EAP		378,248.00	
ANTHEM VIVITY		2,780,326.46	
ANTHEM HMO CAPITATION		6,541,818.65	
BLUE SHIELD HMO CLAIMS		3,528,431.54	
BLUE SHIELD HMO ADMIN FEE		5,668,295.00	
KAISER HMO		95,538,316.91	
SIMNSA		752,555.00	
DELTACARE/PMI DENTAL		36,546.48	
EYEMED-FULLY INSURED		78,621.90	
XP HEALTH VISION		37,666.07	

BLUE SHIELD MEDICARE ADVANTAGE		26,690.00	
LINCOLN FINANCIAL LIFE INSURANCE		465,916.72	
		TOTAL INSURED	127,763,097.34
WELLNESS			78,300.05
ALL OTHER			4,354,942.07
		TOTAL III PAYMENTS	356,610,403.50

Moved \_\_\_\_\_ 2<sup>nd</sup> \_\_\_\_\_

Yes \_\_\_\_\_ No \_\_\_\_\_ Abstain \_\_\_\_\_ Roll Call Vote \_\_\_\_\_

## II. Public Comment

### III. Action Items

- A. Financial Report – Presentation of Financial Statements for the Month of March 2026 Will Be Submitted for Approval

Kim Sloan

Moved \_\_\_\_\_ 2<sup>nd</sup> \_\_\_\_\_

Yes \_\_\_\_\_ No \_\_\_\_\_ Abstain \_\_\_\_\_ Roll Call Vote \_\_\_\_\_

- B. Request Approval of the 2024-2025 Independent Financial Audit

Megan Hanson

Moved \_\_\_\_\_ 2<sup>nd</sup> \_\_\_\_\_

Yes \_\_\_\_\_ No \_\_\_\_\_ Abstain \_\_\_\_\_ Roll Call Vote \_\_\_\_\_

### IV. Information and Discussion Items

- A. Review Monthly Budget-to-Actual through March 2026

John Stenerson

- B. Health Benefits Operations Update

Nicole Mata

- C. Comments from the Board of Directors Will Be Heard

Dave Ostash

- D. Next Meeting:

Thursday, May 21, 2026

1:00 p.m.

SISC Board Room, 4th Floor – Larry E. Reider Education Center

2000 K Street, Bakersfield, CA 93301

Dave Ostash

E. Adjournment

Dave Ostash

Moved \_\_\_\_\_ 2nd \_\_\_\_\_

Yes \_\_\_\_\_ No \_\_\_\_\_ Abstain \_\_\_\_\_ Roll Call Vote \_\_\_\_\_

Any materials required by law to be made available to the public prior to a meeting of the Governing Board of the SISC III JPA can be inspected at the following address during normal business hours at:

2000 K Street, Bakersfield, CA. 93301

For more information regarding how, to whom, and when a request for disability-related modification or accommodation, including auxiliary aids or services, may be made by a person with a disability who requires a modification or accommodation to participate in the public meeting, please contact Kristy Comstock at 661-636-4682 or [krcomstock@siscschools.org](mailto:krcomstock@siscschools.org)

\*The number of Board Members needed to form a quorum for this meeting is eight

## HEALTH BENEFITS TERMINOLOGY

**Adjudication:** Refers to the process of paying claims submitted or denying them after comparing claims to the benefit or coverage requirements.

**Administrative Services Only (ASO):** An arrangement under which an insurance carrier or an independent organization will, for a fee, handle the administration of claims, benefits and other administrative functions for a self-insured group but does not assume any financial risk for the payment of benefits.

**Balance bill:** The amount you could be responsible for (in addition to any co-payments, deductibles or coinsurance) if you use an out-of-network provider and the fee for the particular service exceeds the allowable charge.

**Calendar Year Deductible:** The dollar amount for covered services that must be paid during the calendar year (January 1 – December 31) by members before any benefits are paid by the Plan.

**Centers of Medical Excellence (CME):** Health care providers designated as a selected facility for specified medical services. Providers participating in a CME network have an agreement to accept an agreed upon amount as payment in full for covered services.

**Coinsurance:** An arrangement under which the member pays a fixed percentage of the cost of medical care after the deductible has been paid. For example, an insurance plan might pay 80% of the allowable charge, with the member responsible for the remaining 20%, which is then referred to as the coinsurance amount.

**Coordination of Benefits:** This is the process by which a health insurance company determines if it should be the primary or secondary payer of medical claims for a patient who has coverage from more than one health insurance policy.

**Co-Payment:** A specific charge that a health plan may require a member to pay for a specific medical service or supply, after which the insurance company pays the remainder of the charge.

**Deductible:** An amount the covered person must pay before payments for covered services begin. The deductible is usually a fixed amount. For example, an insurance plan might require the insured to pay the first \$250 of covered expense during a calendar year.

**Dependent:** Person, (spouse or child), other than the subscriber who is covered under the subscriber's benefit certificate.

**Employee Assistance Program (EAP):** A program that is designed to provide employees and their dependents with access to resources to support various life situations. It also provides confidential, short-term counseling by qualified practitioners, in person or virtually.

**Explanation of Benefits (EOB):** A form sent to the covered person after a claim for payment has been processed by the carrier that explains the action taken on that claim. This explanation might include the amount that will be paid, the benefits available, reasons for denying payment, or the claims appeal process.

**Flexible Spending Account:** Financial account that allows employees to set aside pre-tax money from their paycheck toward premiums or costs not covered by their health plan, such as co-payments. Generally, all the money must be used within the plan year or it is lost.

**Health Assessment:** A health screening that provides participants with basic health results and actionable steps for improving them.

**Health Insurance Portability and Accountability Act (HIPAA):** A federal health benefits law passed in 1996, effective July 1, 1997, which among other things, protects the privacy rights of health plan participants.

**Health Maintenance Organization (HMO):** A plan that offers a wide range of health care services through a network of providers who agree to provide services to members at a pre-negotiated rate. Members of an HMO choose a primary care physician who manages all healthcare and refers to specialists as needed.

**Health Savings Account:** A tax advantaged savings account to be used in conjunction with certain high-deductible (low premium) health insurance plans to pay for qualifying medical expenses, such as deductibles. Contributions may be made to the account on a tax-free basis. Funds remain in the account from year to year and may be invested at the discretion of the individual owning the account. Interest or investment returns accrue tax-free. Penalties may apply when funds are withdrawn to pay for anything other than qualifying medical expenses. Employers can also fund such plans.

**ID Card/Identification Card:** A card issued by a carrier to a covered person, which allows the individual to identify himself or his covered dependents to a provider for health care services.

**IBNR:** An acronym for "incurred but not reported". This is an accounting estimate used by health plans to accrue for care that was provided "incurred" in one accounting period, but not paid or "reported" until another accounting period.

**In-Network:** Refers to the use of providers who participate in the carrier's provider network. Many benefit plans encourage covered persons to use participating (in-network) providers to reduce the individual's out of pocket expense.

**Medical Tourism:** To have medical care outside the United States.

**Medigap:** Refers to various private health insurance plans sold to supplement Medicare.

**Negotiated Rate:** The amount participating providers agree to accept as payment in full for covered services. It is usually lower than their normal charge. Negotiated rates are determined by Participating Provider Agreements.

**Open Enrollment:** A time period during which eligible employees can select among the plans offered by their employer as well as make any other dependent changes.

**Out-Of-Network:** The use of health care providers who have not contracted with the carrier to provide services. Members are generally not reimbursed if they go out-of-network except in emergency situations.

**Out-Of-Pocket:** The most a member would pay for covered medical expenses in a plan year through copays, deductibles and coinsurance before your insurance plan begins to pay 100 percent of the covered medical expense.

**Participating Provider:** A physician, hospital, pharmacy, laboratory or other appropriately licensed provider of health care services or supplies, that has entered into an agreement with a managed care entity to provide such services or supplies to a patient enrolled in a health benefit plan.

**Pre-Authorization:** A procedure used to review and assess the medical necessity and appropriateness of elective hospital admissions and non-emergency outpatient services before the services are provided.

**Preferred Provider Organization (PPO):** A type of managed care organization that has a panel of preferred providers who are paid according to a discounted fee schedule. The enrollees do have the option to go to out-of-network providers at a higher level of cost sharing.

**Reasonable and Customary:** This refers to the standard or most common charge for a particular medical service when rendered in a particular geographic area. Also known as Usual, Customary and Reasonable (UCR).

**Skilled Nursing Facility:** An inpatient healthcare facility with the staff and equipment to provide skilled care, rehabilitation and other related health services to patients who need nursing care, but do not require hospitalization.

**Subscriber:** The individual in whose name a contract is issued or the employee covered under an employer's group health contract.

**Transparency:** The ability for patients to have easy access to understandable information about the cost and quality of their health care options. They should be able to obtain this information from their health plan and medical providers prior to the time of treatment.



**SISC**

Self-Insured Schools  
of California

*Schools Helping Schools*

**HEALTH BENEFITS  
BOARD OF DIRECTORS MEETING  
MARCH 19, 2026  
1:00 P.M.**

**MINUTES**

The Regular Meeting of the Board of Directors of SISC III Health Benefits Program was called to order by Director Ostash at 1:01 p.m. on Thursday, March 19, 2026 in the SISC Room at the Larry E. Reider Building, 2000 K Street, Bakersfield, CA 93301. The following individuals were in attendance:

**MEMBERS PRESENT:**

Dave Ostash  
Jason Hodgson  
Ty Bryson  
Rhonda Phinney  
Katie Gonzalez  
Dr. Mike Zulfa  
Kimberly McAbee  
Steve Torres  
Helio Brasil  
Eduardo Martinez  
Robert Hughes

**ALTERNATES PRESENT:**

Bryan Auld  
Fernie Marroquin

**OTHERS PRESENT:**

Kim Sloan  
Megan Hanson  
Kristy Comstock  
Fred Bayles  
Rich Edwards  
John Stenerson  
Nicole Mata  
Lola Nickell  
Alex Fisher  
Shawna Smith  
Frank Impastato  
Maria Stout  
Carmen Gonzales  
Robert Hunter  
Alex Brum  
Susan Wooden  
Annette Charlton  
Debbie Hankins  
Sarah Vermillion  
Darlene Rusitanonta

## **Consent Agenda**

Motion was made by Director Hughes seconded, by Director Gonzalez and by roll call vote of 12-Yes, 0-No, and 0 Abstentions (12-0-0) to approve the Consent Agenda as follows:

## **Minutes**

Approval of minutes for February 2026 Board of Directors Meeting.

DELTA DENTAL CLAIMS		13,490,802.53	
DELTA DENTAL ASO		787,863.11	
ANTHEM DENTAL CLAIMS		325,975.63	
ANTHEM DENTAL ASO		15,111.60	
		TOTAL DENTAL	14,619,752.87
VSP CLAIMS		1,944,112.86	
EYE MED CLAIMS		126,548.77	
VSP ASO		130,398.08	
EYEMED ASO		11,981.91	
		TOTAL VISION	2,213,041.62
ANTHEM BLUE CROSS HEALTH CLAIMS		107,420,721.49	
BLUE SHIELD HEALTH CLAIMS		23,130,929.68	
ANTHEM BC COMPANION CARE RETIREE CLAIMS		1,146,730.05	
	TOTAL HEALTH CLAIMS	131,698,381.22	
ANTHEM BLUE CROSS ASO		4,476,050.67	
BLUE SHIELD PPO ASO		788,047.51	
PROACTIVE CARE PPO ASO		53,402.80	
ANTHEM BC COMPANION CARE RETIREE ASO		135,499.72	
FOUNDATION CLMS PROCESSING ASO		721,034.99	
	TOTAL HEALTH ASO	6,174,035.69	
		TOTAL HEALTH	137,872,416.91
NAVITUS RX CLAIMS		52,311,038.15	
NAVITUS RX ASO		638,804.55	
		TOTAL RX	52,949,842.70
INSURED PRODUCTS			
ANTHEM BC HMO CLAIMS		6,880,675.19	
ANTHEM BC HMO ADMIN FEE		986,818.52	
ANTHEM BC EAP		378,064.00	
ANTHEM VIVITY		2,776,000.86	

ANTHEM HMO CAPITATION		6,641,987.13	
BLUE SHIELD HMO CLAIMS		3,081,556.83	
BLUE SHIELD HMO ADMIN FEE		5,927,437.32	
KAISER HMO		87,733,983.19	
SIMNSA		760,135.00	
DELTACARE/PMI DENTAL		36,284.15	
EYEMED-FULLY INSURED		79,588.58	
XP HEALTH VISION		37,451.74	
BLUE SHIELD MEDICARE ADVANTAGE		27,944.00	
LINCOLN FINANCIAL LIFE INSURANCE		471,601.76	
		TOTAL INSURED	115,819,528.27
WELLNESS			460,358.25
ALL OTHER			1,862,028.04
		TOTAL III PAYMENTS	325,796,968.66

### **Public Comment**

None

### **Action Items**

#### **Financial Report**

Kim Sloan reviewed with the Board the Financial Report for the period ending February 28, 2026. Kim reported the LAIF rate for the month of February 2026 dropped to 3.87% from last month at 3.93%. After discussion, motion was made by Director Hodgson, seconded by Director Torres and by roll call vote of 12-0-0, approving the Financial Reports as submitted.

### **Information and Discussion Items**

#### **Review Monthly Budget-to-Actual through February 2026**

John Stenerson reviewed the monthly budget-to-actual and the large claim by month summary with the Board for the month of February 2026.

#### **Health Benefits Operations Update**

Nicole Mata gave updates to the Board on Health Benefits Operations, SISC Membership Growth and Customer Satisfaction Survey Results.

#### **Comments from the Board**

No Comments

#### **Adjournment**

There being no further business to come before the Board, motion was made by Director Brasil, seconded by Director Gonzalez, and by roll call vote of 12-0-0, adjourning the meeting at 1:31 p.m.

**Next Meeting**

The next meeting of the Board of Directors will be held **Thursday, April 16<sup>th</sup> at 1:00 p.m.** in the SISC Board Room, 4th Floor – Larry E. Reider Education Center, 2000 K Street, Bakersfield, CA 93301.

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Ramon Hendrix, Secretary

**SISC III  
INCOME STATEMENT  
MARCH 2026**

	BUDGET	YEAR-TO-DATE	CURRENT MONTH	
<b><u>REVENUES</u></b>				
8660.00	Interest-County Treasurer	\$3,750,000.00	(\$3,031.42)	\$0.00
8660.03	LAIF	\$11,620.00	\$2,863.09	\$0.00
8660.04	Investments	\$15,092,738.00	\$3,302,461.85	\$0.00
8660.05	Bank	\$4,800,000.00	\$2,431,252.44	\$393,956.66
8674.03	Premiums-PPO Medical	\$1,692,015,606.00	\$852,512,883.29	\$142,613,450.65
8674.04	Dental	\$134,192,807.00	\$67,619,579.71	\$11,312,344.61
8674.08	Pharmacy	\$418,762,561.00	\$208,203,412.93	\$34,959,657.99
8674.25	Vision	\$21,357,661.00	\$10,816,643.05	\$1,808,509.73
8674.05	HMO	\$1,276,233,861.00	\$644,050,264.14	\$107,047,802.04
8674.06	Life	\$5,342,945.00	\$2,756,861.53	\$467,263.57
8674.09	Insured Retiree Programs	\$294,132.00	\$167,415.00	\$27,944.00
8674.10	Insured Vision	\$1,276,626.00	\$693,413.47	\$116,479.20
8674.18	Insured Dental	\$371,153.00	\$225,502.43	\$36,510.94
8699.00	IRC 125 Flex Plan Contributions	\$0.00	\$562,345.22	\$41,168.90
8699.07	Administration Fees	\$288,304.00	\$120,224.88	\$20,912.65
8699.08	Penalties/Late Fees	\$350,000.00	\$171,196.04	(\$6,839.38)
8699.10	SISC Access Fee	\$495,437.00	\$224,132.26	\$46,788.26
TOTAL REVENUES	\$3,574,635,451.00	\$1,793,857,419.91	\$298,885,949.82	
<b><u>EXPENSES</u></b>				
3900.00	Benefits Paid - IRC 125 Flex Plan	\$0.00	\$0.00	\$0.00
4300.00	Supplies	\$120,000.00	\$122,157.48	\$1,567.68
5200.00	Travel/Conference	\$150,000.00	\$411,982.57	\$99,153.48
5300.00	Dues and Membership	\$46,000.00	\$32,145.81	\$919.91
5450.03	E & O Insurance	\$131,850.00	\$0.00	\$0.00
5450.05	Premiums - HMO	\$1,117,496,109.00	\$586,168,875.12	\$103,930,284.22
5450.08	Insured Dental	\$371,153.00	\$226,285.34	\$36,546.48
5450.09	Insured Retiree Programs	\$294,132.00	\$170,416.80	\$26,690.00
5450.10	Insured Vision	\$1,276,626.00	\$695,162.93	\$116,287.97
5450.21	Life	\$5,262,598.00	\$2,758,498.30	\$465,916.72
5800.00	Miscellaneous	\$25,000.00	\$0.00	\$0.00
5800.01	Professional Services	\$50,000.00	\$1,935.00	\$0.00
5800.02	Audit	\$36,815.00	\$22,250.00	\$15,000.00
5800.10	Consulting	\$749,105.00	\$530,838.85	\$171,070.83
5800.32	Bank Fees	\$0.00	\$0.00	\$0.00
5800.33	Government Fees	\$982,635.00	\$0.00	\$0.00
5800.35	Admin Fees	\$96,635.00	\$47,417.25	\$8,190.60
5800.40	Wellness Program	\$2,000,000.00	\$622,493.85	\$78,300.05
5800.41	Healthcare Specialists	\$7,611,060.00	\$5,517,471.23	\$2,337,907.64
5800.50	Administration - KCSOS	\$10,105,591.00	\$4,804,334.46	\$800,089.23
5800.60	Claims - PPO Medical	\$1,769,071,216.00	\$894,047,477.43	\$140,535,486.34
5800.61	Claims - Dental	\$126,617,332.00	\$60,489,745.22	\$9,183,941.41
5800.63	Claims - Vision	\$19,806,260.00	\$9,194,533.18	\$1,490,975.12
5800.64	Claims - HMO Flex	\$140,201,068.00	\$61,169,475.24	\$13,891,093.93
5800.68	Claims - Pharmacy	\$409,546,805.00	\$191,046,371.31	\$23,589,072.95
5800.70	Admin - PPO Medical	\$70,138,088.00	\$32,043,006.29	\$5,344,859.97
5800.71	Admin - Claims Processing	\$8,275,800.00	\$3,305,680.10	\$544,589.44
5800.72	Admin - Dental	\$7,394,452.00	\$3,513,963.06	\$534,455.57
5800.73	Admin - Vision	\$1,689,600.00	\$769,189.64	\$125,619.29
5800.75	Admin - Pharmacy	\$7,385,386.00	\$3,826,172.18	\$634,334.23
5800.79	EAP Expense	\$4,113,048.00	\$2,247,634.00	\$378,136.00
5800.94	Other Distributions/Contributions	\$6,889,153.00	\$3,974,223.44	\$679,973.31
5800.95	Unpaid Claims Liability Adjustment	(\$43,061,886.00)	(\$52,380,942.00)	\$1,553,176.00
TOTAL EXPENSES	\$3,674,871,631.00	\$1,815,378,794.08	\$306,573,638.37	
CHANGE IN NET ASSETS	(\$100,236,180.00)	(\$21,521,374.17)	(\$7,687,688.55)	
NET ASSETS - BEGINNING	\$413,839,428.10	\$413,839,428.10	\$400,005,742.48	
NET ASSETS - ENDING	\$313,603,248.10	\$392,318,053.93	\$392,318,053.93	

**SISC III  
BALANCE SHEET  
March 31, 2026**

	October 1, 2025 BALANCE	March 31, 2026 BALANCE
<b><u>ASSETS</u></b>		
9110.00 Cash in County Treasury	\$57,001,926.86	\$41,776,898.86
9120.00 Bank Account-Health Claims	\$229,538,272.95	\$213,657,261.21
9150.01 Local Agency Investment Fund	\$267,850.78	\$273,639.82
9150.03 Investments	\$321,541,855.15	\$324,844,317.00
9200.00 Accounts Receivable	\$188,275,869.24	\$120,586,464.87
9330.00 Prepaid Expenditures	\$315,944.96	\$62,066.00
9335.00 Reserve Fund	\$16,062,525.81	\$16,062,525.81
TOTAL ASSETS	\$813,004,245.75	\$717,263,173.57
 <b><u>LIABILITIES</u></b>		
9500.00 Current Liabilities	\$107,269,565.08	\$85,273,792.03
9650.00 Deferred Income	\$2,058,946.57	\$2,215,963.61
9668.00 Unpaid Claims Liability	\$289,836,306.00	\$237,455,364.00
TOTAL LIABILITIES	\$399,164,817.65	\$324,945,119.64
 NET ASSETS - Funding Stabilization Reserves	 \$413,839,428.10	 \$392,318,053.93
TOTAL LIABILITIES AND NET ASSETS	\$813,004,245.75	\$717,263,173.57

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AUTHORIZED SIGNATURE

PREPARED BY: Nancy Russo

**SISC III  
Investments  
March 31, 2026**

**24-HOUR LIQUID FUNDS**

SISC III maintains much of its cash in the Kern County Treasury and Local Agency Investment Fund. Both agencies pool these funds with those of other entities in the state. These pooled funds are carried at cost which approximates market value

AGENCY	BALANCE	RETURN	PERIOD	DATES
COUNTY OF KERN	\$41,776,898.86	X.XX 2.08%	LAST QUARTER 5 YEAR AVERAGE	OCT-DEC 2025 JAN 2021 - DEC 2025
LOCAL AGENCY INVESTMENT FUND	\$273,639.82	3.83% 4.20% 2.74%	CURRENT MONTH LAST QUARTER 5 YEAR AVERAGE	March, 2026 OCT-DEC 2025 JAN 2021 - DEC 2025

**INVESTMENT MANAGEMENT ACCOUNTS**

The investment securities portfolio is comprised of securities carried at fair market value.

The fair market value of the investment securities available for sale at December 31, 2025 was:

INVESTMENT FIRM	MARKET VALUE	QUARTERLY RETURN	ANNUALIZED RETURN	PERIOD	DATES
MADISON INVESTMENTS (SISC INVESTMENT POOL)	\$74,356,424.00	1.00%	3.95% 1.96% 3.70%	LAST QUARTER 5 YEAR AVERAGE YIELD TO MATURITY	OCT-DEC 2025 JAN 2021 - DEC 2025 AS OF DEC 31, 2025
MORGAN STANLEY (FRED BAYLES)	\$124,510,488.85	1.07%	4.23% 2.11% 3.02%	LAST QUARTER 5 YEAR AVERAGE YIELD TO MATURITY	OCT-DEC 2025 JAN 2021 - DEC 2025 AS OF DEC 31, 2025
WELLS FARGO ADVISORS (RICH EDWARDS)	\$125,977,404.15	1.01%	3.99% 1.47% 3.41%	LAST QUARTER 5 YEAR AVERAGE YIELD TO MATURITY	OCT-DEC 2025 JAN 2021 - DEC 2025 AS OF DEC 31, 2025
	<u>\$324,844,317.00</u>				

**5-YEAR HISTORY OF RETURNS**

Quarter Ending:	Co of Kern	LAIF	Investment Pool	Fred Morgan Stanley	Rich Wells Fargo	Combined Weighted Average Return
12/31/2025	X.XX	4.20%	3.95%	4.23%	3.99%	X.XX
9/30/2025	X.XX	4.34%	4.63%	4.29%	4.27%	X.XX
6/30/2025	3.41%	4.40%	5.25%	4.69%	4.55%	4.42%
3/31/2025	3.75%	4.48%	7.48%	6.17%	6.41%	5.73%
12/31/2024	3.56%	4.62%	-0.76%	-0.21%	0.11%	0.82%
9/30/2024	3.53%	4.71%	11.61%	10.53%	9.81%	9.26%
6/30/2024	3.46%	4.55%	3.67%	4.10%	3.96%	3.89%
3/31/2024	3.37%	4.30%	1.19%	2.68%	2.16%	2.45%
12/31/2023	3.15%	4.00%	10.98%	8.18%	10.02%	8.11%
9/30/2023	2.91%	3.53%	2.14%	3.48%	2.33%	2.83%
6/30/2023	2.65%	3.15%	-0.66%	0.45%	-1.03%	0.30%
3/31/2023	2.42%	2.74%	6.06%	5.83%	6.15%	5.43%
12/31/2022	2.16%	2.07%	3.47%	3.55%	3.49%	3.16%
9/30/2022	1.06%	1.35%	-4.79%	-5.11%	-8.00%	-3.40%
6/30/2022	1.00%	0.75%	-2.22%	-2.09%	-3.28%	-1.12%
3/31/2022	0.95%	0.32%	-9.06%	-6.20%	-11.03%	-4.35%
12/31/2021	0.84%	0.23%	-2.39%	-1.48%	-2.67%	-0.65%
9/30/2021	1.24%	0.24%	-0.20%	0.03%	-0.24%	0.50%
6/30/2021	1.00%	0.33%	0.80%	0.31%	-0.04%	0.51%
3/31/2021	1.07%	0.44%	-1.86%	-1.15%	-1.49%	-0.32%
5-Yr Average	2.08%	2.74%	1.96%	2.11%	1.47%	1.88%

**SISC DEFINED BENEFIT PLAN and GASB 45 TRUST A**  
**Investment Returns**  
**As of : 12-31-2025**

**SISC DEFINED BENEFIT PLAN (DBP)**

The SISC Defined Benefit Plan was established to provide a retirement benefit for part-time, temporary and seasonal employees. The Defined Benefit Plan portfolio will focus on growth and income through a balanced account of equities and fixed income. Funds may be invested with the County Treasurer and Local Agency Investment Fund (LAIF), however a majority of the assets are in a portfolio managed by Morgan Stanley/Graystone Consulting and held by the trustee, Prudential Retirement.

Investment Consultant: Fredric S. Bayles, III, Executive Director-Institutional Consulting Director, Morgan Stanley  
Trustee/Custodian of Assets: Empower

Morgan Stanley Return on Investment (net of all fees & expenses)			Benchmark Comparison Morgan Stanley Moderate Growth & Income		
Current Quarter:	Oct-Dec 2025	1.60%	VS.		2.38%
Calendar Yr-To-Date:	Jan-Dec 2025	14.82%	VS.		16.51%
Rolling 4 Quarters:	Jan-Dec 2025	14.82%			

5-Year History of Returns:	2025	14.82%
	2024	14.83%
	2023	19.05%
	2022	-18.94%
	2021	15.33%

**SISC GASB 45 TRUST A**

**As of : 12-31-2025**

The GASB 45 Trust program was established to provide a mechanism for pre-funding Other Post-Employment (OPEB) liabilities. The GASB 45 Trust portfolios will focus on growth and income through a balanced account of equities and fixed income. Funds may be invested with the County Treasurer and Local Agency Investment Fund (LAIF), however a majority of the assets are in a portfolio managed by Morgan Stanley/Graystone Consulting and held at U.S. Bank.

Investment Consultant: Fredric S. Bayles, III, Executive Director-Institutional Consulting Director, Morgan Stanley  
Trustee/Custodian of Assets: U.S. Bank

Morgan Stanley Return on Investment (net of all fees & expenses)			Benchmark Comparison Morgan Stanley Moderate Growth & Income		
Current Quarter:	Oct-Dec 2025	2.02%	VS.		2.38%
Calendar Yr-to-Date:	Jan-Dec 2025	12.01%	VS.		16.51%
Fiscal Year-To-Date:	Jul 2025-Dec 2025	7.20%			
Rolling 4 Quarters:	Jan-Dec 2025	12.01%			

5-Year History of Returns:	2024-25	9.03%
	2023-24	10.75%
	2022-23	10.83%
	2021-22	-9.71%
	2020-21	29.13%

04/13/2025 ▾ - 04/13/2026 ▾ Last Px BGN Local CCY ▾ Mov Avgs ▾ Key Events

1D 3D 1M 6M YTD 1Y 5Y Max Daily ▾ Table + Related Data ▾ Add Data << Edit Chart ⚙

Last Price 3.784  
High on 05/14/25 4.053  
Average 3.678  
Low on 02/27/26 3.378

Track Annotate News Zoom



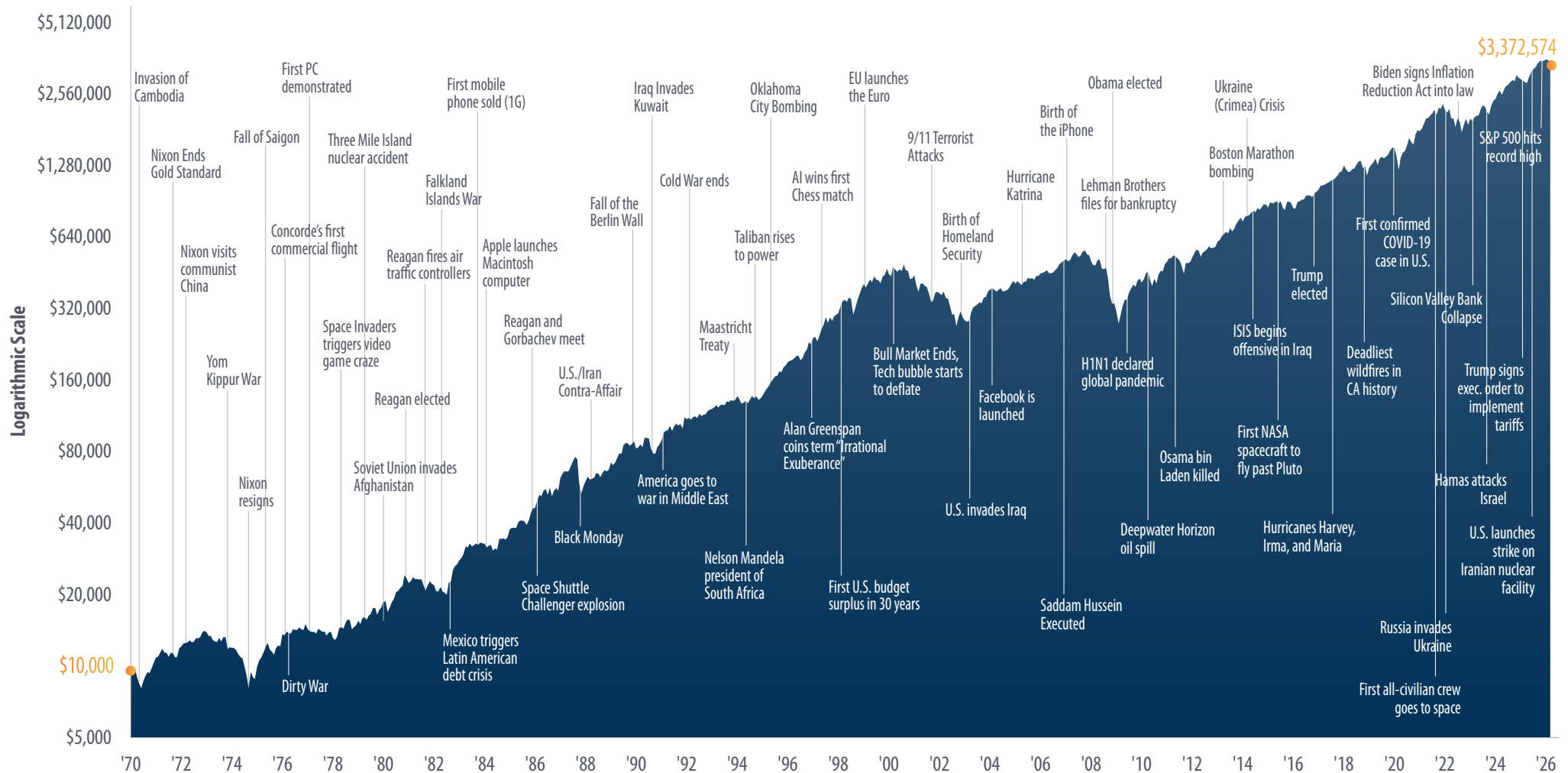
Apr 15 Apr 30 May 15 May 30 Jun 16 Jun 30 Jul 15 Jul 31 Aug 15 Aug 29 Sep 15 Sep 30 Oct 15 Oct 31 Nov 14 Nov 28 Dec 15 Dec 31 Jan 15 Jan 30 Feb 13 Feb 27 Mar 16 Mar 31 Apr 15  
2025 10/08/25 2026

# Crises and Events

S&P 500 Index: Since 1970

This chart shows the growth of \$10,000 based on S&P 500 Index performance over the last several decades. We believe looking at the market's overall resiliency through major crises and events helps to gain a fresh perspective on the benefits of investing for the long-term.

**The average annual total return of the S&P 500 Index for the period shown below was 10.9%.**



Source: First Trust, Bloomberg. Data from 12/31/1969 - 3/31/2026. **Past performance is no guarantee of future results.** This chart is for illustrative purposes only and not indicative of any actual investment. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. Stocks are not guaranteed and have been more volatile than the other asset classes. These returns were the result of certain market factors and events which may not be repeated in the future.

The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory framework. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.

**SELF-INSURED SCHOOLS OF CALIFORNIA  
HEALTH AND WELFARE BENEFITS  
PROGRAM (SISC III)**

Report to the Board of Directors  
April 9, 2026

Board of Directors  
**Self-Insured Schools of California  
Health and Welfare Benefits Program (SISC III)**

Attention: Sherry Gladin, Treasurer

We are pleased to present this report related to our audit of the financial statements of **Self-Insured Schools of California Health and Welfare Benefits Program (SISC III)** for the year ended September 30, 2025. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for **Self-Insured Schools of California Health and Welfare Benefits Program (SISC III)**'s financial reporting process.

This report is intended solely for the information and use of the Board of and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to **Self-Insured Schools of California Health and Welfare Benefits Program (SISC III)**.

*Daniells Phillips Vaughan & Bock*

April 9, 2026

# Contents

Required Communications.....	1-2
Summary of Significant Accounting Estimates.....	3
Exhibit A – Representation Letter.....	4-7

# Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

<b>Area</b>	<b>Comments</b>
<b>Our Responsibilities with regard to the Financial Statement Audit</b>	Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated August 28, 2025. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
<b>Overview of the Planned Scope and Timing of the Financial Statement Audit</b>	We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.
<b>Accounting Policies and Practices</b>	<p><b>Preferability of Accounting Policies and Practices</b> Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.</p> <p><b>Adoption of, or Change in, Accounting Policies</b> Management has the ultimate responsibility for the appropriateness of the accounting policies used by <b>SISC III</b>. <b>SISC III</b> did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period.</p> <p><b>Significant or Unusual Transactions</b> We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p><b>Management's Judgments and Accounting Estimates</b> Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Significant Accounting Estimates".</p>

<b>Area</b>	<b>Comments</b>
<b>Audit Adjustments</b>	There were no audit adjustments made to the original trial balance presented to us to begin our audit.
<b>Uncorrected Misstatements</b>	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
<b>Disagreements with Management</b>	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
<b>Consultations with Other Accountants</b>	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
<b>Significant Issues Discussed with Management</b>	No significant issues arising from the audit were discussed with or were the subject of correspondence with management.
<b>Significant Difficulties Encountered in Performing the Audit</b>	We did not encounter any significant difficulties in dealing with management during the audit.
<b>Certain Written Communications Between Management and Our Firm</b>	Copies of significant written communications between our firm and the management of <b>SISC III</b> , including the representation letter provided to us by management, are attached as Exhibit A.

**Self-Insured Schools of California  
Health and Welfare Benefits Program (SISC III)**

**Summary of Significant Accounting Estimates  
Year Ended September 30, 2025**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management’s current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in **SISC III**’s September 30, 2025 financial statements:

<b>Estimate</b>	<b>Accounting Policy</b>	<b>Management’s Estimation Process</b>	<b>Basis for Our Conclusions on Reasonableness of Estimate</b>
<b>Unpaid Claims Liability</b>	Accrue estimated unpaid claims.	Amounts estimated based upon actuarial valuations.	Method is acceptable and fluctuates with claim history.

**Exhibit A**  
**Representation Letter**



April 9, 2026

Daniells Phillips Vaughan & Bock  
300 New Stine Road  
Bakersfield, California 93309

This representation letter is provided in connection with your audit of the financial statements of **Self-Insured Schools of California Health and Welfare Benefits (SISC III)** as of and for the years ended September 30, 2025 and 2024 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of April 9, 2026:

### **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 28, 2025 for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation and maintenance of controls to prevent and detect fraud.
4. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP, and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. Management has followed applicable laws and regulations in adopting, approving and amending budgets.
9. Risk disclosures associated with deposit and investment securities and derivative transactions are presented in accordance with GASB requirements.

P.O. Box 1847, Bakersfield, CA 93303-1847  
2000 K St. • Larry E. Reider Education Center, Bakersfield, CA 93301  
ph: 661.636.4710 fx: 661.636.4156 • [sisc.kern.org](http://sisc.kern.org)

*A Joint Powers Authority administered by the Kern County Superintendent of Schools Office, John G. Mendiburu, Ed.D., Superintendent*

10. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, or to special assessment bond holders, that is not disclosed in the financial statements.
11. We have complied with all aspects of laws, regulations and provisions of contracts and agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
12. We have reviewed the GASB Statements effective for the fiscal year ending September 30, 2024, and concluded the implementation of the following Statements did not have a material impact on the basic financial statements
  - a. GASB Statement No. 102, *Certain Risk Disclosures*
13. We have no knowledge of any uncorrected misstatements in the financial statements.

#### **Information Provided**

14. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.
  - b. Additional information that you have requested from us for the purpose of the audits.
  - c. Unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
15. All transactions have been recorded in the accounting records and are reflected in the financial statements.
16. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
17. We have no knowledge of fraud or suspected fraud affecting the Entity's financial statements involving:
  - a. Management.
  - b. Employees who have significant roles in internal control.
  - c. Others where the fraud could have a material effect on the financial statements.
18. We have no knowledge of any allegations of fraud or suspected fraud affecting the Entity's financial statements received in communications from employees, former employees, analysts, regulators, or others.
19. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.
20. We have disclosed to you all known actual or possible litigation, claims or assessments; unasserted claims or assessments that are probable of assertion and must be disclosed in accordance with Government Accounting Standards Board (GASB) Codification Section C50, Claims and Judgments;

and other matters, including gain or loss contingencies, whose effects should be considered when preparing the financial statements.

21. We have disclosed to you the identity of all of the Entity's related parties and all the related-party relationships and transactions of which we are aware.
22. We are aware of no deficiencies in internal control over financial reporting, including significant deficiencies or material weaknesses, in the design or operation of internal controls that could adversely affect the Entity's ability to record, process, summarize and report financial data.
23. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
24. We believe that the actuarial assumptions and methods used by the actuary for funding purposes and for determining accumulated plan benefits are appropriate in the circumstances. We did not give instructions, or cause any instructions to be given, to the actuary with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the plan's actuary.
25. During the course of your audits, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

#### **Supplementary Information**

26. With respect to supplementary information presented in relation to the financial statements as a whole:
  - a. We acknowledge our responsibility for the presentation of such information.
  - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
27. With respect to management's discussion and analysis and the reconciliation of claims liability by type of contract presented as accounting principles generally accepted in the United States of America to supplement the financial statements:
  - a. We acknowledge our responsibility for the presentation of such required supplementary information.
  - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.

#### **Compliance Considerations**

In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:

28. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.

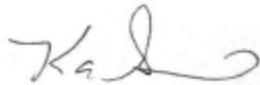
29. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the auditee.
30. Is not aware of any instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements.
31. Is responsible 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.
32. Acknowledges its responsibility for the design, implementation and maintenance of controls to prevent and detect fraud.
33. Has a process to track the status of audit findings and recommendations.

**Self-Insured Schools of California Health and Welfare Benefits Program (SISC III)**



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Dr. David Ostash,  
Chief Executive Officer



---

Kim Sloan,  
Chief Financial Officer



**SISC**

Self-Insured Schools  
of California

*Schools Helping Schools*

## **HEALTH AND WELFARE BENEFITS**

### **PROGRAM (SISC III)**

FINANCIAL REPORT

September 30, 2025



**DANIELLS PHILLIPS  
VAUGHAN & BOCK**  
CPAs and Advisors

## CONTENTS

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INDEPENDENT AUDITOR'S REPORT	1-3
------------------------------	-----

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FINANCIAL STATEMENTS	
Management's discussion and analysis	4-9
Balance sheets	10
Statements of revenues, expenses and changes in net position	11
Statements of cash flows	12
Notes to financial statements	13-22

---

REQUIRED SUPPLEMENTARY INFORMATION	
Reconciliation of claims liabilities by type of contract	23
Schedule of three year trend data	24

---

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 <i>Government Auditing Standards</i>	25-26

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
**Self-Insured Schools of California**  
**Health and Welfare Benefits Program (SISC III)**  
Bakersfield, California

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the financial statements of **Self-Insured Schools of California Health and Welfare Benefits Program (SISC III)**, which comprise the balance sheets as of September 30, 2025 and 2024, the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **SISC III** as of September 30, 2025 and 2024, and the changes in its net 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 **SISC III** 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 **SISC III'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 GAAS 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 GAAS 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 **SISC III**'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 **SISC III**'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 on pages 4-9, reconciliation of claims liabilities by type of contract on page 23, and schedule of three year trend data on page 24 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2026 on our consideration of **SISC III**'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 **SISC III**'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 **SISC III**'s internal control over financial reporting and compliance.

*Daniells Phillips Vaughan & Bock*

Bakersfield, California

April 9, 2026

# SELF-INSURED SCHOOLS OF CALIFORNIA HEALTH AND WELFARE BENEFITS PROGRAM (SISC III) MANAGEMENT'S DISCUSSION AND ANALYSIS

**SEPTEMBER 30, 2025**

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The following report reflects on the financial condition of SELF-INSURED SCHOOLS OF CALIFORNIA HEALTH AND WELFARE BENEFITS PROGRAM (SISC III) for the fiscal year ended September 30, 2025. It is provided in order to enhance the information in the financial audit, and should be reviewed in conjunction with that report.

## Financial Highlights

- Total revenues were \$3,845,263,311, an increase of 5.66% from the previous year or \$206,012,733. The change in revenues is attributable to:
  - a. An increase in premiums of 6.04%. The increase is a result of an increase in medical and pharmacy rates and subscribers. Premiums account for 99.09% of budgeted revenues for the SISC III program.
  - b. A decrease in investment income of \$11,599,815 is due to lower rates of return in the bond market. The average rate of return in 2024/2025 was 3.79% versus 9.26% in 2023/2024.
- Total expenses were \$4,044,514,780, an increase of 8.60% from the previous year or \$320,264,257. The change is a result of the following:
  - a. An increase in claims paid, purchased insurance, and outside professional managers. These expenses increased due to program growth and rising medical costs.
  - b. Disbursements to districts were \$6,298,958. This number will fluctuate depending on requests received.
  - c. The adjustment to the unpaid claims liability was lower than the previous year by \$34,032,317 or -58.54%. A new actuarial study was performed as of September 30, 2024. SISC III has a new actuarial study performed every three years.
- The Balance Sheet reflects the following changes:
  - a. Total assets were down \$162,036,284 from the previous year or -16.59%. This decrease is due to a decrease in investments and cash combined with an increase in receivables and other assets. Investments and cash decreased due to higher expenses and using cash reserves to cover expenses.
  - b. Receivables increased due to higher rebate payments and premiums due from member districts.
  - c. Liabilities increased \$37,215,185 from the previous year or 10.28%. This is due to an increase in the unpaid claims liability and accounts payable. An actuarial study was performed as of September 30, 2024. Accounts payable also increased \$14,847,971 due to an increase in claims payable. Deferred revenue decreased \$1,980,763 due to timing differences in receipt of district payments.

# **SELF-INSURED SCHOOLS OF CALIFORNIA HEALTH AND WELFARE BENEFITS PROGRAM (SISC III) MANAGEMENT'S DISCUSSION AND ANALYSIS**

**SEPTEMBER 30, 2025**

---

## **Overview of the Financial Statements**

The SISC III financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and necessarily include amounts based upon reliable estimates and judgments. Balance Sheets, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows are included along with Notes to the Financial Statements to clarify unique accounting policies and financial information.

The Balance Sheet provides information regarding SISC III Assets and Liabilities, with the difference reported as Net Position. Net Position may be an indicator of the overall financial changes across years. The Statement of Revenues, Expenses and Changes in Net Position presents information showing total revenues versus total expenses and the resulting outcome on Net Position. The Statement of Cash Flows reports cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Daniells Phillips Vaughan & Bock (DPV&B) performed an independent audit of our financial statements in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. An opinion from DPV&B regarding the financial position of SISC III at September 30, 2025 is provided in the Independent Auditor's Report.

## **Balance Sheet**

There was a decrease in total assets in the current year of -16.59% or \$162,036,284. This decrease in assets is due to a combination of program growth and use of cash and investments to pay claims. The money market balance at September 30, 2024 was \$61,996,146 and at September 30, 2025 was \$36,108,776. This amount is reclassified from investments to cash at year end. Funds were taken from the money market account throughout the year to cover higher claims payments. Receivables also increased due to additional pharmacy rebates and premiums due.

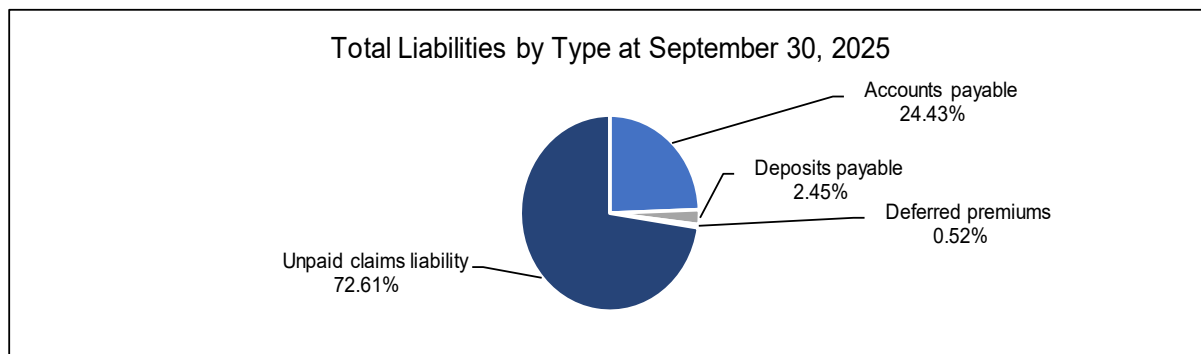
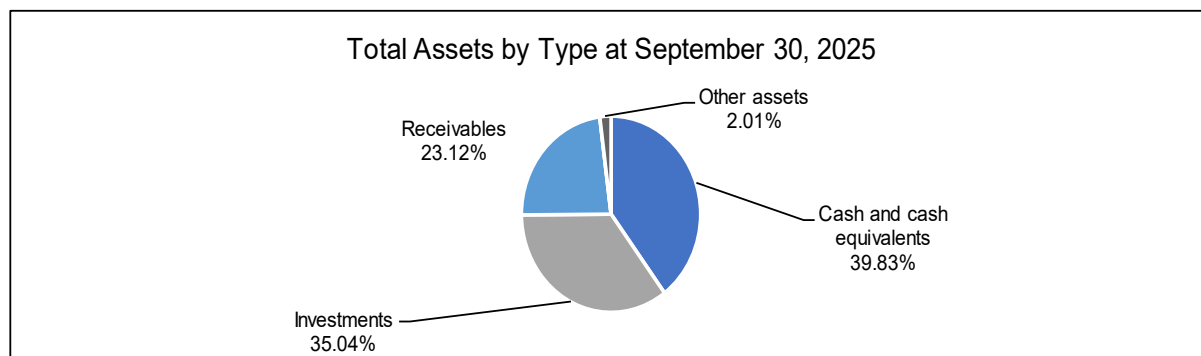
The SISC III program is fiscally healthy with funds in both cash and longer-term investments. Investment revenues are used to offset program costs wherever possible and reduce the required member contributions. SISC III invests those funds not immediately necessary for the payment of claims in order to optimize the rate of return. Funds are invested in a manner that will protect principal, allow for cash flow needs and optimize returns, and are in conformity with all federal, state and local statutes governing such investment of public funds. Current investment instruments include the Kern County Treasury, Local Agency Investment Fund (LAIF), a Wells Fargo Advisors managed account, a Morgan Stanley managed account, and the SISC Investment Pool managed by Madison Investments.

Total liabilities increased from \$361,954,138 at September 30, 2024 to \$399,169,323 at September 30, 2025. The increase is attributable to an increase in the unpaid claims liability due to an increase in claims paid. A new actuarial study was performed as of September 30, 2024. Also, accounts payable increased due to program growth.

**SELF-INSURED SCHOOLS OF CALIFORNIA  
HEALTH AND WELFARE BENEFITS PROGRAM (SISC III)  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**SEPTEMBER 30, 2025**

	As of September 30, 2025		As of September 30, 2024		As of September 30, 2023	
	\$	%	\$	%	\$	%
<b>ASSETS</b>						
Current Assets						
Cash and cash equivalents	\$ 324,498,170	39.83%	\$ 359,254,551	36.78%	\$ 303,506,417	30.50%
Investments	285,433,079	35.04%	465,613,897	47.67%	490,530,635	49.29%
Receivables	188,316,974	23.12%	137,707,004	14.10%	126,502,189	12.71%
Prepaid expenditures	-	0.00%	-	0.00%	60,980,164	6.13%
Other assets	16,378,471	2.01%	14,087,526	1.45%	13,722,357	1.37%
<b>Total assets</b>	<b>\$ 814,626,694</b>	<b>100.00%</b>	<b>\$ 976,662,978</b>	<b>100.00%</b>	<b>\$ 995,241,762</b>	<b>100.00%</b>
<b>LIABILITIES AND NET POSITION</b>						
Current Liabilities						
Accounts payable	\$ 97,513,286	24.43%	\$ 82,665,315	22.84%	\$ 70,838,748	23.97%
Deposits payable	9,760,785	2.44%	9,516,080	2.62%	9,516,080	3.21%
Deferred premiums	2,058,946	0.52%	4,039,709	1.12%	7,580,704	2.57%
Unpaid claims liability	289,836,306	72.61%	265,733,034	73.42%	207,597,445	70.25%
<b>Total liabilities</b>	<b>399,169,323</b>	<b>100.00%</b>	<b>361,954,138</b>	<b>100.00%</b>	<b>295,532,977</b>	<b>100.00%</b>
Net Position	415,457,371	100.00%	614,708,840	100.00%	699,708,785	100.00%
<b>Total liabilities and net position</b>	<b>\$ 814,626,694</b>	<b>100.00%</b>	<b>\$ 976,662,978</b>	<b>100.00%</b>	<b>\$ 995,241,762</b>	<b>100.00%</b>



**SELF-INSURED SCHOOLS OF CALIFORNIA  
HEALTH AND WELFARE BENEFITS PROGRAM (SISC III)  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**SEPTEMBER 30, 2025**

**Revenues and Expenses**

Revenues increased from \$3,639,250,578 to \$3,845,263,311 or 5.66%, caused by an increase in medical rates combined with decreasing rates of return in the bond market. Revenues consist almost entirely of premiums received from members. Investment income decreased by \$11,599,815, due to lower rates of return in the bond investment accounts.

Expenses consist almost entirely of claims payments. Total expenses increased 8.60% from \$3,724,250,523 in 2023-2024 to \$4,044,514,780 in 2024-2025. This is a result of an increase in claims paid, purchased insurance, and outside professional managers due to program growth.

Expenses exceeded revenues by \$199,251,469 in 2024-2025 and \$84,999,945 in 2023-2024.

	Fiscal Year Ended September 30, 2025	Fiscal Year Ended September 30, 2024	Fiscal Year Ended September 30, 2023
<b>REVENUES:</b>			
Premiums	\$ 3,819,061,259	\$ 3,601,448,711	\$ 3,195,882,663
Investment income	26,202,052	37,801,867	19,252,415
<b>Total revenues</b>	<b>3,845,263,311</b>	<b>3,639,250,578</b>	<b>3,215,135,078</b>
<b>EXPENSES:</b>			
Claims paid	2,819,590,152	2,598,011,931	2,245,242,452
Purchased insurance	1,078,369,304	953,086,222	853,474,966
Outside professional managers	97,564,486	93,341,914	89,636,866
Unpaid claims liability adjustment	24,103,272	58,135,589	10,875,328
Rent, administrative and other	18,588,608	18,327,484	15,138,509
Distributions	6,298,958	3,347,383	850,000
<b>Total expenses</b>	<b>4,044,514,780</b>	<b>3,724,250,523</b>	<b>3,215,218,121</b>
<b>Change in net position</b>	<b>(199,251,469)</b>	<b>(84,999,945)</b>	<b>(83,043)</b>
<b>Net position, beginning</b>	<b>614,708,840</b>	<b>699,708,785</b>	<b>699,791,828</b>
<b>Net position, ending</b>	<b>\$ 415,457,371</b>	<b>\$ 614,708,840</b>	<b>\$ 699,708,785</b>

**SELF-INSURED SCHOOLS OF CALIFORNIA  
HEALTH AND WELFARE BENEFITS PROGRAM (SISC III)  
MANAGEMENT’S DISCUSSION AND ANALYSIS**

**SEPTEMBER 30, 2025**

**Budgetary Highlights**

Each year the SISC III Board of Directors approves a budget and establishes rates and funding levels for all programs and services. The fiscal year for the SISC III – Health Benefits program is October to September. The budget is brought to the Board in September for approval. The budget incorporates various fiscal and economic factors such as insurance trends, claims history, administrative costs, level of reinsurance coverage, and investment performance. Below is a summary of the 2024-2025 budget information with a comparison to actual results.

**Budget Comparison**

Discussion follows regarding significant changes between the final budget and actual results.

	Budget	Actual Results	\$ Variance	% Variance
<b>REVENUES</b>				
Premiums	\$3,869,525,974	\$3,819,061,259	\$ (50,464,715)	-1.30%
Investment income	35,377,006	26,202,052	(9,174,954)	-25.93%
<b>Total revenues</b>	<b>3,904,902,980</b>	<b>3,845,263,311</b>	<b>(59,639,669)</b>	<b>-1.53%</b>
<b>EXPENSES</b>				
Claims paid	2,793,914,771	2,819,590,152	25,675,381	0.92%
Purchased insurance	1,062,711,455	1,078,369,304	15,657,849	1.47%
Outside professional managers	105,072,964	97,564,486	(7,508,478)	-7.15%
Unpaid claims liability adjustment	13,161,878	24,103,272	10,941,394	83.13%
Rent, administrative and other	19,927,799	18,588,608	(1,339,191)	-6.72%
Distributions	-	6,298,958	6,298,958	100.00%
<b>Total expenses</b>	<b>3,994,788,867</b>	<b>4,044,514,780</b>	<b>49,725,913</b>	<b>1.24%</b>
<b>Change in net position</b>	<b>(89,885,887)</b>	<b>(199,251,469)</b>	<b>(109,365,582)</b>	<b>121.67%</b>
<b>Net position, beginning</b>	<b>614,708,840</b>	<b>614,708,840</b>	<b>-</b>	
<b>Net position, ending</b>	<b>\$ 524,822,953</b>	<b>\$ 415,457,371</b>	<b>\$(109,365,582)</b>	

- Premiums make up 99.09% of revenues. They were 1.30% less than budget.
- Investment income was \$9,174,954 less than budgeted. The rate of return in the bond accounts was lower than anticipated.
- Claims paid were 0.92% higher than budgeted due to medical trend being higher than anticipated.
- Purchased insurance was \$15,657,849 more than budgeted due to increasing medical costs, particularly in the HMO products.
- Payments to outside professional managers were 7.15% less than budgeted, due to admin rates being lower than anticipated.
- The unpaid claims liability adjustment is determined by the actuary. A new study is performed every three years. The adjustment was higher than budgeted due to higher program growth and increasing medical costs.
- Rent and administrative expenses were 6.72% less than budgeted, due to lower technology spending and unfilled/vacant positions.
- Distributions to districts will vary from year to year and are not known ahead of time.

# **SELF-INSURED SCHOOLS OF CALIFORNIA HEALTH AND WELFARE BENEFITS PROGRAM (SISC III) MANAGEMENT'S DISCUSSION AND ANALYSIS**

**SEPTEMBER 30, 2025**

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## **Factors Bearing on SISC III's Future**

SISC III is somewhat insulated from changes in the economy as we set the rates for health insurance for member districts with the assistance of independent actuaries. Legislative changes could possibly have an impact on SISC III's operations.

## **Other Information**

A Joint Powers Agreement created SISC III in October 1979, in accordance with California Government Code Sections 53200, etc. seq. Our philosophy is "Schools Helping Schools".

The purpose of SISC III is to pool resources and provide a means of combining the administration of claims and obtain lower insurance rates for the benefit of public schools, colleges or other educational agencies. SISC III provides a very cost effective rate environment which reflects its commitment to preventing losses and controlling expenditures. SISC III continues to make every effort to manage the cost of claims through the implementation of creative and innovative programs. Member employers are allowed to choose from a variety of plans to meet current employee, economic, and fiscal needs. Underwriting and rate-setting policies have been established after consultation with independent actuaries.

SISC III is funded by its member districts. Members include educational agencies throughout the state of California. SISC III also has agreements with PRISM and ASCIP to provide our cost-effective programs to cities, counties, school districts and other government agencies. These agreements also bring in additional income to help offset other expenses for our members. The program is governed by a Board of Directors that is elected from and by representatives of member districts.

Material estimates that are particularly susceptible to significant change relate to the determination of the unpaid claims liability. In connection with the determination of the unpaid claims liability, management obtains an independent actuarial study. While management uses the actuarial study and other available information to recognize adjustments to the unpaid claims liability, adjustments may be necessary. It is reasonably possible that the allowance for unpaid claims liability may change materially in the near term. SISC III establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expense) that have been reported but not settled, and of claims that have been incurred but not reported (IBNR).

SISC III also offers its members certain value-added services such as COBRA administration and the SISC Flex program (an IRC 125 cafeteria plan). The SISC GASB 45 Trust program was implemented in July 2006 to assist districts with GASB 45 compliance as it relates to other post-employment benefits, and the liability associated with those benefits. We believe these programs assist employers by minimizing administration and costs, while providing the best services at the lowest price.

SISC III believes ethically responsible organizations service not only their members, but also all stakeholders: employees, employers, providers, vendors and local communities. SISC III's commitment is to demand standards of behavior that support professional practices. All decisions must take into account and reflect a concern for the interests of all members.

## **Contacting SISC III's Management**

This financial report is designed to provide the Board and members with a general overview of SISC III's accountability for the assets it receives and manages. If you have questions about this report or need additional information, please contact Kim Sloan, CFO, at 2000 K Street, Bakersfield, California 93301.

**SELF-INSURED SCHOOLS OF CALIFORNIA HEALTH  
AND WELFARE BENEFITS PROGRAM (SISC III)**

**BALANCE SHEETS**

**September 30, 2025 and 2024**

	<b>2025</b>	<b>2024</b>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 324,498,170	\$ 359,254,551
Investments (Note 3)	285,433,079	465,613,897
Receivables (Note 4)	188,316,974	137,707,004
Other Assets (Note 5)	16,378,471	14,087,526
Total assets	<u>\$ 814,626,694</u>	<u>\$ 976,662,978</u>
<b>LIABILITIES AND NET POSITION</b>		
Current Liabilities		
Accounts payable	\$ 97,513,286	\$ 82,665,315
Deposits payable (Note 6)	9,760,785	9,516,080
Deferred premiums	2,058,946	4,039,709
Unpaid claims liability (Note 9)	289,836,306	265,733,034
Total liabilities	<u>399,169,323</u>	<u>361,954,138</u>
Contingencies (Note 8)		
Net Position	<u>415,457,371</u>	614,708,840
	<u>\$ 814,626,694</u>	<u>\$ 976,662,978</u>

See Notes to Financial Statements.

**SELF-INSURED SCHOOLS OF CALIFORNIA HEALTH  
AND WELFARE BENEFITS PROGRAM (SISC III)**

**STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
Years Ended September 30, 2025 and 2024**

	2025	2024
Operating revenues:		
Premiums	\$ 3,819,061,259	\$ 3,601,448,711
Investment income	26,202,052	37,801,867
	<u>3,845,263,311</u>	<u>3,639,250,578</u>
Operating expenses:		
Claims paid	2,819,590,152	2,598,011,931
Purchased insurance	1,078,369,304	953,086,222
Outside professional managers	97,564,486	93,341,914
Distributions	6,298,958	3,347,383
Unpaid claims liability adjustments	24,103,272	58,135,589
Rent and administrative expenses (Note 7)	8,291,093	8,792,223
Other	10,297,515	9,535,261
	<u>4,044,514,780</u>	<u>3,724,250,523</u>
Change in net position	(199,251,469)	(84,999,945)
Net position, beginning	614,708,840	699,708,785
Net position, ending	<u>\$ 415,457,371</u>	<u>\$ 614,708,840</u>

See Notes to Financial Statements.

**SELF-INSURED SCHOOLS OF CALIFORNIA HEALTH  
AND WELFARE BENEFITS PROGRAM (SISC III)**

**STATEMENTS OF CASH FLOWS  
Years Ended September 30, 2025 and 2024**

	2025	2024
<b>Cash Flows from Operating Activities</b>		
Receipts from districts	\$ 3,804,589,989	\$ 3,595,788,314
Claims paid	(2,843,795,109)	(2,596,565,333)
Payments to suppliers (purchased insurance)	(1,078,369,304)	(892,106,058)
Payments to outside professional managers	(97,356,935)	(92,645,492)
Payments for administration services	(16,968,223)	(18,238,849)
Payments of district reserves	(6,298,958)	(3,347,383)
Investment income	21,837,773	21,942,811
<b>Net cash provided by (used in) operating activities</b>	<b>(216,360,767)</b>	<b>14,828,010</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of investment securities	(69,461,497)	(288,026,831)
Proceeds from sale and maturities of investment securities	251,065,883	328,946,955
<b>Net cash provided by investing activities</b>	<b>181,604,386</b>	<b>40,920,124</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(34,756,381)</b>	<b>55,748,134</b>
Balances, beginning of year	359,254,551	303,506,417
Balances, end of year	\$ 324,498,170	\$ 359,254,551
<b>Reconciliation of change in net position to net cash provided by (used in) operating activities:</b>		
Change in net position	\$ (199,251,469)	\$ (84,999,945)
Realized and unrealized (gains) on investments	(1,423,569)	(16,003,386)
Adjustments to reconcile change in net position to net cash provided by (used in) operating activities:		
(Increase) decrease in:		
Receivables	(50,609,970)	(11,204,815)
Prepaid expenditures	-	60,980,164
Other assets	(2,290,945)	(365,169)
Increase (decrease) in:		
Accounts payable	14,847,971	11,826,567
Deposits payable	244,705	-
Deferred premiums	(1,980,762)	(3,540,995)
Unpaid claims liability	24,103,272	58,135,589
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (216,360,767)</b>	<b>\$ 14,828,010</b>

See Notes to Financial Statements.

# SELF-INSURED SCHOOLS OF CALIFORNIA HEALTH AND WELFARE BENEFITS PROGRAM (SISC III)

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Description of the Program and Significant Accounting Policies

The **Self-Insured Schools of California Health and Welfare Benefits Program (SISC III)** was created by a Joint Powers Agreement in October 1979, in accordance with California Government Code Sections 53200, et. seq. The purpose of **SISC III** is to provide a means of combining the administration of claims and obtain lower insurance rates for the benefit of public schools, colleges or other educational agencies.

**SISC III** is fully funded by its members and comprised of the following Pools and Credible School Districts: Bakersfield City School District, Kern High School District, Visalia Unified School District, Santa Maria Bonita School District, SET-TC, Shasta-Trinity Schools Insurance Group (STSIG), and the Statewide Pool. These are comprised of 475 member districts. The “Statewide Pool” encompasses rate pools by county and region for active employees and early retirees and a statewide pool for retirees over age 65. **SISC III** is governed by a Board of Directors that is elected from and by representatives of member districts, with one director designated by the Kern County Superintendent of Schools. Districts may be admitted with approval of the Executive Committee. Districts may withdraw from **SISC III** at the beginning of the fiscal year by giving notice by the preceding August 15<sup>th</sup>. Fund underwriting and rate-setting policies have been established after consultation with independent actuaries. There are also an additional 15 districts and 2 pools (Coastal Schools Employee Benefits Organization and Santa Clara County Schools’ Insurance Group) that are coalition participants with Dental, Vision, or Life benefits only and are not Joint Powers Authority (JPA) members.

The Alliance of Schools for Cooperative Insurance Programs (ASCIP), a JPA that provides insurance and other programs for its members, is a participating member of the **SISC III** medical insurance program with respect to administrative costs and is assessed claims which are incurred and paid under the SISC pooling threshold of \$150,000. Seven of ASCIP’s member districts were participating in this agreement as of September 30, 2025.

Public Risk, Innovation, Solutions and Management (PRISM) a JPA that provides insurance and other programs for its members, is contracted with the **SISC III** medical insurance program pool with respect to underwriting and risk sharing. PRISM is comprised of 49 governmental agencies. PRISM has elected to leave the SISC III JPA as of September 30, 2025 (See Note 8).

A summary of **SISC III**’s significant accounting policies follows:

*Cash, Cash Equivalents and Investments:* Cash and cash equivalents include amounts in demand deposits, as well as short-term investments with a maturity date within three months of the date acquired by **SISC III**.

Investments have been pooled and reported at fair value. See Note 3 for further information regarding valuation of investments. The difference between amortized cost and fair value of investments is not considered material. Cash flows from purchases, sales, and maturities of investments are classified as cash flows from investing activities.

*Premiums:* Premiums are recognized on a pro rata basis over the term of the policy. Premiums applicable to unexpired terms of the policies in force are reported as unearned at the balance sheet date. Districts are required to pay the exact amount of the invoice, known as “pay as billed”.

*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 that 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 those estimates.

# SELF-INSURED SCHOOLS OF CALIFORNIA

## HEALTH AND WELFARE BENEFITS PROGRAM (SISC III)

### NOTES TO FINANCIAL STATEMENTS

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Material estimates that are particularly susceptible to significant change relate to the determination of the unpaid claims liability. In connection with the determination of the unpaid claims liability, management obtains an independent actuarial study. While management uses the actuarial study and other available information to recognize adjustments to the unpaid claims liability, adjustments may be necessary. It is reasonably possible that the allowance for unpaid claims liability may change materially in the near term.

*Unpaid Claims Liability:* **SISC III** establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported (IBNR). The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage, subrogation and excess insurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation and changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

*Premium Deficiency:* **SISC III** recognizes a premium deficiency if the sum of expected claims costs (including IBNR), claim adjustment expenses, and unamortized acquisition costs exceed related premiums and anticipated investment income. Deficiencies resulting from risk-sharing pools are reported as revenue and assessments receivable at the time **SISC III** determines that a deficiency is reasonably estimable.

*Termination or Withdrawal:* Upon termination or withdrawal of any member from the **SISC III** program, the member is entitled to its share of the pool's fund balance, after considering all expected claims costs (including IBNR) and claim adjustment expenses. If the member's share of fund balance is a deficit or outstanding obligations exist, the termination or withdrawal will not be considered effective until the deficit or obligations are discharged.

*Authoritative Pronouncement Adopted:* **SISC III** has adopted all current Statements of Governmental Accounting Standards Board (GASB) that are applicable. For the year ended September 30, 2025, **SISC III** implemented the following new standard issued by GASB:

- In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

This Statement defines a *concentration* as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending.

# SELF-INSURED SCHOOLS OF CALIFORNIA HEALTH AND WELFARE BENEFITS PROGRAM (SISC III)

## NOTES TO FINANCIAL STATEMENTS

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This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:

- The concentration or constraint
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements
- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

*Authoritative Pronouncements Not Yet Adopted:* The following Statements issued by the GASB are effective for year ends after September 30, 2025 and management is evaluating the impact of the implementation of these Statements on their financial statements.

- In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

# SELF-INSURED SCHOOLS OF CALIFORNIA HEALTH AND WELFARE BENEFITS PROGRAM (SISC III)

## NOTES TO FINANCIAL STATEMENTS

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This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.

In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses. Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund's current or future pricing policies, and (3) all other transfers.

This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

- In December 2025, the GASB issued Statement No. 105, *Subsequent Events*. The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users.

This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date of the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed.

This Statement clarifies the subsequent events that constitute recognized and non recognized events and establishes specific note disclosure requirements for nonrecognized events.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter.

*Subsequent Events:* **SISC III** has evaluated subsequent events through April 9, 2026, the date on which the financial statements were available to be issued. There were no subsequent events identified by management which would require disclosure in the financial statements.

**SELF-INSURED SCHOOLS OF CALIFORNIA  
HEALTH AND WELFARE BENEFITS PROGRAM (SISC III)**

**NOTES TO FINANCIAL STATEMENTS**

**Note 2. Cash and Cash Equivalents**

Cash and cash equivalents at September 30, 2025 and 2024 consisted of the following:

	2025	2024
Deposits		
Cash in SISC consolidated account	\$ 229,540,663	\$ 195,298,665
Money market funds	36,108,776	61,996,146
Pooled Funds		
Cash in County Treasury	58,580,880	101,703,729
Local agency investment fund	267,851	256,011
	<u>\$ 324,498,170</u>	<u>\$ 359,254,551</u>

The bank balance of deposits at September 30, 2025 and 2024 was \$229,540,663 and \$195,298,665, respectively. Deposits were insured or collateralized by the pledging bank's trust department in **SISC III's** name.

**SISC III** consolidates its cash with the Self-Insured Schools of California Workers Compensation Program (SISC I) and Self-Insured Schools of California Property and Liability Program (SISC II). These three organizations are collectively referred to as SISC. Cash in SISC's consolidated bank account is held by SISC's agent in SISC's name.

**SISC III** maintains cash in the Kern County Treasury which pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly and any investment gains or losses are proportionately shared by all entities in the pool.

**Note 3. Investments**

**SISC III's** investments are measured and reported within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value:

- Level 1 – Investments reflect prices quoted in active markets.
- Level 2 – Investments reflect prices that are based on a similar observable asset, either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 – Investments reflect prices based on unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Debt and equities classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. Assets classified in Level 3, due to lack of an independent pricing source, are valued using an internal fair value as provided by the investment manager.

**SELF-INSURED SCHOOLS OF CALIFORNIA  
HEALTH AND WELFARE BENEFITS PROGRAM (SISC III)**

**NOTES TO FINANCIAL STATEMENTS**

SISC III has the following fair value measurements as of September 30, 2025 and 2024:

	9/30/2025	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
Debt securities				
U.S. Treasury securities	\$ 145,070,768	\$ 145,070,768	\$ -	\$ -
U.S. agencies mortgage passthrough	7,425,224	-	7,425,224	-
Corporate bonds	60,260,452	-	60,260,452	-
U.S. agencies	72,676,635	-	72,676,635	-
Total investments by fair value level	\$ 285,433,079	\$ 145,070,768	\$ 140,362,311	\$ -

	9/30/2024	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
Debt securities				
U.S. Treasury securities	\$ 228,555,944	\$ 228,555,944	\$ -	\$ -
U.S. agencies mortgage passthrough	7,674,012	-	7,674,012	-
Corporate bonds	82,794,463	-	82,794,463	-
U.S. agencies	146,589,478	-	146,589,478	-
Total investments by fair value level	\$ 465,613,897	\$ 228,555,944	\$ 237,057,953	\$ -

SISC III pools a portion of their investments with SISC I, SISC II, and other SISC member districts. SISC III's pro-rata share of the pooled investments have been identified and reported by security type.

Investments Authorized by the Entity's Investment Policy and Concentration of Credit Risk

State of California Government Code 53601 authorizes SISC III to invest in certain investments. The SISC III investment policy further restricts investments to the following: U.S. Treasury obligations, Federal agency securities, corporate medium-term notes, mortgage pass-through securities, consumer receivable pass-through certificates, commercial paper, bankers acceptances, negotiable certificates of deposit, cash equivalent securities, California Local Agency Investment Fund and the local treasury.

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 value to changes in market interest rates. The SISC III investment policy limits investments in U.S. Treasury obligations and Federal agency securities to ten years, corporate medium-term notes, mortgage pass-through securities and consumer receivable pass-through certificates to five years, commercial paper to 270 days, bankers acceptances to 180 days and negotiable certificates of deposit to ten years.

# SELF-INSURED SCHOOLS OF CALIFORNIA

## HEALTH AND WELFARE BENEFITS PROGRAM (SISC III)

### NOTES TO FINANCIAL STATEMENTS

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#### 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. **SISC III's** investment policy requires that investments in corporate securities have to be rated at least 'A' by Moody's and 'A' by Standard and Poor's rating agencies. If a security rating drops below 'A,' the security will be evaluated by the SISC Finance Department for continuance in the portfolio. A report of the downgrade and the course of action taken will be presented to the SISC Board at the next regularly scheduled meeting. The investment policy also limits investments in corporate medium-term notes to thirty percent, investments in mortgage pass-through securities and consumer receivable pass-through securities to twenty percent, commercial paper to ten percent, bankers acceptances to forty percent and negotiable certificates of deposit to thirty percent of the total investment portfolio.

#### Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The California Government Code and **SISC III's** investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, 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 the Trust deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and **SISC III's** investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. 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.

**SISC III** invests in a professionally managed portfolio that contains common shares and bonds of publicly traded companies, U.S. and Canadian Government obligations, mutual funds, and money market funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

**SELF-INSURED SCHOOLS OF CALIFORNIA  
HEALTH AND WELFARE BENEFITS PROGRAM (SISC III)**

**NOTES TO FINANCIAL STATEMENTS**

**Note 4. Receivables**

Receivables consist of the following at September 30, 2025 and 2024:

	2025	2024
Claims refunds	\$ 156,203,842	\$ 121,075,234
Premiums	27,216,125	14,974,613
Accrued interest	3,895,021	576,971
RDS subsidy	604,739	954,311
ASO refunds	397,247	125,875
	<u>\$ 188,316,974</u>	<u>\$ 137,707,004</u>

**Note 5. Other Assets**

**SISC III** has service arrangements with specific carriers in which the carriers will process and pay claims on **SISC III**'s behalf. **SISC III** will reimburse the carriers on a weekly basis for actual claims payments.

Pre-funding deposits consist of the following at September 30, 2025 and 2024:

	2025	2024
SISC Blue Shield PPO and HMO medical claims	\$ 7,125,000	\$ 7,125,000
PRISM Blue Shield PPO and HMO medical claims	6,000,000	4,125,000
SISC Anthem HMO medical claims	1,991,145	1,991,145
PRISM Anthem HMO medical claims	596,381	596,381
AmeriBen out of network medical claims	100,000	100,000
Hinge Select pre-funding	100,000	-
Flex card pre-funding	150,000	150,000
Airbo	315,945	-
	<u>\$ 16,378,471</u>	<u>\$ 14,087,526</u>

**Note 6. Deposits Payable**

**SISC III** has entered into a service contract with a non-member Joint Powers Authority (JPA). **SISC III** will be paid a monthly fee based on both fixed and variable expenses to provide administrative services for Health and Welfare Benefits related to the JPA. Additionally, the JPA was required to initially pre-fund an account established by **SISC III** with a minimum balance equal to approximately one and one half months variable expenses.

**Note 7. Transactions With Related Party**

**SISC III** is related to the Kern County Superintendent of Schools (KCSOS) through common management. KCSOS provides office space, equipment and administrative personnel to **SISC III**. **SISC III** reimburses the KCSOS monthly for the costs incurred by KCSOS on **SISC III**'s behalf. Amounts reimbursed during the years ended September 30, 2025 and 2024 were \$8,291,093 and \$8,792,223, respectively.

**SELF-INSURED SCHOOLS OF CALIFORNIA  
HEALTH AND WELFARE BENEFITS PROGRAM (SISC III)**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 8. Contingencies**

**Litigation**

**SISC III** has claims and pending legal proceedings that involve general business matters. These proceedings are, in the opinion of management, ordinary routine matters incidental to the normal business conducted by **SISC III**. In the opinion of management and **SISC III**'s outside legal counsel, the ultimate disposition of such proceedings are not expected to have a material adverse effect on **SISC III**'s financial position, results of operations or cash flows.

**Gain Contingency**

At September 30, 2025, the **SISC III** identified a potential gain contingency related to a member JPA that withdrew from the pool effective at fiscal year-end.

In accordance with the provisions of the JPA agreement and standard risk pool practices, a withdrawing member's equity in the pool remains subject to the settlement of all known and incurred but not reported (IBNR) claims, loss adjustment expenses, and other obligations attributable to that member's period of participation. Following the satisfaction of these obligations, any remaining surplus attributable to the former member may be retained by **SISC III**.

Because the ultimate resolution of claims and related liabilities may extend over multiple years, the timing and amount of any such surplus is uncertain. Management estimates that the potential gain associated with this matter could range from \$0 to \$10 million.

Consistent with GASB guidance for gain contingencies, no asset or revenue has been recognized in the accompanying financial statements, as realization of the potential gain is not assured. Any amounts ultimately realized will be recognized as revenue in the period in which the underlying claims are resolved and the gain is both measurable and available.

**SELF-INSURED SCHOOLS OF CALIFORNIA  
HEALTH AND WELFARE BENEFITS PROGRAM (SISC III)**

**NOTES TO FINANCIAL STATEMENTS**

**Note 9. Unpaid Claims Liability**

As discussed in Note 1, **SISC III** establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claims adjustment expenses. The following represents changes in those aggregate liabilities during the years ended September 30, 2025 and 2024:

	2025	2024
	(In thousands)	
Unpaid claims and claim adjustment expenses at beginning of year	\$ 265,733	\$ 207,597
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	2,828,989	2,584,607
Provision for insured events of prior years	14,704	71,541
Total incurred claims and claim adjustment expenses	2,843,693	2,656,148
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	2,539,153	2,318,873
Claims and claim adjustment expenses attributable to insured events of prior years	280,437	279,139
Total payments	2,819,590	2,598,012
Total unpaid claims and claim adjustment expenses at end of year	\$ 289,836	\$ 265,733

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**SELF-INSURED SCHOOLS OF CALIFORNIA  
HEALTH AND WELFARE BENEFITS PROGRAM (SISC III)  
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT  
SEPTEMBER 30, 2025 AND 2024**

The schedule below presents (in thousands) the changes in claims liabilities for risk sharing pools for **SISC III**'s three types of contracts: medical, dental and vision.

	Medical		Dental		Vision		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
Unpaid claims and claim adjustment expenses at beginning of year	\$ 257,615	\$ 196,170	\$ 7,492	\$ 10,637	\$ 626	\$ 790	\$ 265,733	\$ 207,597
Incurred claims and claim adjustment expenses:								
Provision for insured events of the current year	2,689,894	2,412,345	121,273	152,401	17,822	19,861	2,828,989	2,584,607
Provision for insured events of prior years	14,575	75,517	68	(4,032)	61	56	14,704	71,541
Total incurred claims and claim adjustment expenses	2,704,469	2,487,862	121,341	148,369	17,883	19,917	2,843,693	2,656,148
Payments:								
Claims and claim adjustment expenses attributable to insured events of the current year	2,410,315	2,154,730	111,757	144,910	17,081	19,233	2,539,153	2,318,873
Claims and claim adjustment expenses attributable to insured events of prior years	272,190	271,687	7,559	6,604	688	848	280,437	279,139
Total payments	2,682,505	2,426,417	119,316	151,514	17,769	20,081	2,819,590	2,598,012
Total unpaid claims and claim adjustment expenses at end of year	\$ 279,579	\$ 257,615	\$ 9,517	\$ 7,492	\$ 740	\$ 626	\$ 289,836	\$ 265,733

**SELF-INSURED SCHOOLS OF CALIFORNIA  
HEALTH AND WELFARE BENEFITS PROGRAM (SISC III)  
SCHEDULE OF THREE YEAR TREND DATA  
SEPTEMBER 30, 2025**

The following table illustrates how **SISC III's** earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by **SISC III** as of the end of each of the last three years. The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
- (2) This line shows each fiscal year's other operating costs of the pool including overhead and claims expense not allocable to individual claims.
- (3) This line shows the pool's incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called "policy year").
- (4) This section shows the cumulative net amounts paid as of the end of successive years for each policy year.
- (5) This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
- (6) This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought.
- (7) This section shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known).

As data for individual policy years mature, the correlation between original estimates and reestimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

	Fiscal and policy year ended		
	2025	2024	2023
	(in thousands)		
(1) Net earned required contribution and investment revenues:			
Earned	\$ 3,794,653	\$ 3,628,046	\$ 3,200,989
Less Ceded	-	-	-
Net earned	<u>3,794,653</u>	<u>3,628,046</u>	<u>3,200,989</u>
(2) Unallocated expenses	1,096,958	971,414	868,613
(3) Estimated incurred claims and expense end of policy year:			
Incurred	2,828,989	2,584,607	2,232,019
Less Ceded	-	-	-
Net incurred	<u>2,828,989</u>	<u>2,584,607</u>	<u>2,232,019</u>
(4) Net paid (cumulative) as of:			
End of policy year	2,539,153	2,318,873	2,024,421
One year later	*	*	*
(5) Reestimated ceded claims and expenses	*	*	*
(6) Reestimated net incurred claims and expense:			
End of policy year	2,828,989	2,584,607	2,232,019
One year later	*	*	*
(7) Increase (decrease) in estimated net incurred claims and expenses from end of policy year	*	*	*

\* Data not available in this format

PATRICK W. PAGGI

**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  
**Self-Insured Schools of California**  
**Health and Welfare Benefits Program (SISC III)**  
Bakersfield, 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 (*Government Auditing Standards*), the financial statements of **Self-Insured Schools of California Health and Welfare Benefits Program (SISC III)**, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise **SISC III's** basic financial statements, and have issued our report thereon dated April 9, 2026.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the **SISC III'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 **SISC III's** internal control. Accordingly, we do not express an opinion on the effectiveness of **SISC III'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 **SISC III** '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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Daniells Phillips Vaughan & Bock*

Bakersfield, California

April 9, 2026

**SISC III**  
**Comparison of Budget-to-Actual**  
**2025-26**

Revenues		Expenses		Surplus/Deficit		Exp/Rev		Act/Bgt
Monthly	YTD Cumulative	Monthly	YTD Cumulative	Monthly	YTD Cumulative	Monthly	YTD	YTD

**Budget**

Oct-25	\$294,160,110	\$294,160,110	\$323,512,314	\$323,512,314	(\$29,352,204)	(\$29,352,204)	110.0%	110.0%
Nov-25	\$294,160,110	\$588,320,220	\$279,772,364	\$603,284,679	\$14,387,746	(\$14,964,459)	95.1%	102.5%
Dec-25	\$294,160,110	\$882,480,330	\$288,491,935	\$891,776,614	\$5,668,175	(\$9,296,284)	98.1%	101.1%
Jan-26	\$302,810,211	\$1,185,290,541	\$315,798,223	\$1,207,574,837	(\$12,988,012)	(\$22,284,296)	104.3%	101.9%
Feb-26	\$296,896,622	\$1,482,187,163	\$299,238,984	\$1,506,813,821	(\$2,342,362)	(\$24,626,657)	100.8%	101.7%
<b>Mar-26</b>	<b>\$296,896,622</b>	<b>\$1,779,083,785</b>	<b>\$299,044,857</b>	<b>\$1,805,858,678</b>	<b>(\$2,148,235)</b>	<b>(\$26,774,893)</b>	<b>100.7%</b>	<b>101.5%</b>
Apr-26	\$302,810,211	\$2,081,893,996	\$308,470,636	\$2,114,329,313	(\$5,660,424)	(\$32,435,317)	101.9%	101.6%
May-26	\$296,896,622	\$2,378,790,618	\$319,222,981	\$2,433,552,294	(\$22,326,359)	(\$54,761,676)	107.5%	102.3%
Jun-26	\$296,896,622	\$2,675,687,240	\$295,737,479	\$2,729,289,773	\$1,159,143	(\$53,602,533)	99.6%	102.0%
Jul-26	\$299,491,149	\$2,975,178,390	\$332,161,608	\$3,061,451,381	(\$32,670,458)	(\$86,272,991)	110.9%	102.9%
Aug-26	\$293,577,560	\$3,268,755,950	\$314,137,009	\$3,375,588,390	(\$20,559,449)	(\$106,832,440)	107.0%	103.3%
Sep-26	\$305,879,502	\$3,574,635,452	\$299,283,241	\$3,674,871,631	\$6,596,261	(\$100,236,179)	97.8%	102.8%

**Actual**

Oct-25	\$297,196,038	\$297,196,038	\$341,585,833	\$341,585,833	(\$44,389,795)	(\$44,389,795)	114.9%	114.9%	104.5%
Nov-25	\$296,372,781	\$593,568,820	\$283,837,089	\$625,422,923	\$12,535,692	(\$31,854,103)	95.8%	105.4%	102.8%
Dec-25	\$296,435,060	\$890,003,880	\$285,723,269	\$911,146,192	\$10,711,791	(\$21,142,312)	96.4%	102.4%	101.3%
Jan-26	\$305,340,065	\$1,195,343,944	\$309,331,378	\$1,220,477,570	(\$3,991,314)	(\$25,133,626)	101.3%	102.1%	100.2%
Feb-26	\$299,627,526	\$1,494,971,470	\$288,327,586	\$1,508,805,156	\$11,299,940	(\$13,833,686)	96.2%	100.9%	99.3%
<b>Mar-26</b>	<b>\$298,885,950</b>	<b>\$1,793,857,420</b>	<b>\$306,573,638</b>	<b>\$1,815,378,794</b>	<b>(\$7,687,689)</b>	<b>(\$21,521,374)</b>	<b>102.6%</b>	<b>101.2%</b>	<b>99.7%</b>

**Year End Scenarios**

Scenario #1	Revenue based	\$3,604,319,472	\$3,694,244,800	(\$89,925,328)	102.5%	99.7%
Scenario #2	on recent revenue	\$3,604,319,472	\$3,699,302,133	(\$94,982,661)	102.6%	99.8%
Scenario #3	continuing	\$3,604,319,472	\$3,697,633,213	(\$93,313,741)	102.6%	99.8%

Scenario #1: Expenses based on the pattern of actuals from October through March continuing throughout the year

Scenario #2: Expenses based on the April through September surplus/deficit coming in as originally budgeted

Scenario #3: Expenses based on a mix of Scenario #1 weighted at 33% and Scenario #2 weighted at 67%

### Individual Claims > \$250,000 by Month

Mo-Yr	Total		Childbirth		Cancer		Circulatory		Other	
	Paid	#	Paid	#	Paid	#	Paid	#	Paid	#
<b>Difference</b>	<b>\$3,296,845</b>		<b>(\$1,275,458)</b>		<b>\$1,051,317</b>		<b>\$918,693</b>		<b>\$2,602,294</b>	
<b>Prior 24Mo Avg</b>	<b>\$13,676,357</b>	<b>26</b>	<b>\$2,609,430</b>	<b>4</b>	<b>\$3,111,891</b>	<b>7</b>	<b>\$2,080,861</b>	<b>4</b>	<b>\$5,874,174</b>	<b>12</b>
Mar-26	\$16,973,202	36	\$1,333,972	2	\$4,163,208	8	\$2,999,555	7	\$8,476,468	19
Feb-26	\$13,078,765	25	\$1,643,032	1	\$3,512,320	7	\$2,812,765	5	\$5,110,648	12
Jan-26	\$15,764,178	40	\$1,343,710	4	\$3,733,860	8	\$3,593,872	9	\$7,092,736	19
Dec-25	\$11,340,037	19	\$1,201,731	2	\$4,892,471	6	\$294,799	1	\$4,951,036	10
Nov-25	\$10,163,223	22	\$843,294	2	\$2,171,502	5	\$1,387,233	3	\$5,761,194	12
Oct-25	\$19,887,850	38	\$2,842,975	7	\$7,338,775	11	\$2,451,963	5	\$7,254,137	15
Sep-25	\$12,790,598	29	\$286,494	1	\$4,572,458	10	\$1,799,691	4	\$6,131,956	14
Aug-25	\$18,373,737	39	\$1,879,896	3	\$3,278,340	7	\$3,003,555	7	\$10,211,946	22
Jul-25	\$10,044,979	15	\$1,775,042	2	\$1,123,893	3	\$1,984,716	3	\$5,161,329	7
Jun-25	\$7,927,394	17	\$1,979,063	3	\$1,346,563	4	\$991,667	3	\$3,610,100	7
May-25	\$14,612,586	28	\$1,048,943	2	\$1,989,596	6	\$2,082,548	5	\$9,491,499	15
Apr-25	\$7,736,673	17	\$2,530,087	5	\$620,380	2	\$1,195,390	3	\$3,390,816	7
Mar-25	\$15,306,429	29	\$2,804,065	5	\$4,439,779	9	\$1,990,579	5	\$6,072,007	10
Feb-25	\$23,408,672	30	\$5,911,655	5	\$3,747,625	7	\$4,479,442	6	\$9,269,950	12
Jan-25	\$16,065,416	33	\$3,148,778	4	\$3,171,532	6	\$3,235,045	6	\$6,510,061	17
Dec-24	\$9,276,829	19	\$337,418	1	\$4,305,235	7	\$1,285,244	3	\$3,348,933	8
Nov-24	\$12,006,617	26	\$3,988,202	5	\$2,275,058	7	\$931,372	2	\$4,811,985	12
Oct-24	\$17,507,016	38	\$2,658,561	5	\$5,380,418	14	\$3,379,801	5	\$6,088,237	14
Sep-24	\$16,879,741	30	\$3,326,125	5	\$2,680,714	6	\$1,456,588	2	\$9,416,315	17
Aug-24	\$16,823,966	33	\$4,394,343	7	\$2,510,970	6	\$3,925,163	8	\$5,993,490	12
Jul-24	\$10,267,979	23	\$1,232,191	1	\$3,108,971	8	\$1,969,517	4	\$3,957,300	10
Jun-24	\$9,648,795	13	\$3,130,370	3	\$1,145,019	3	\$645,626	2	\$4,727,780	5
May-24	\$12,594,113	20	\$6,914,425	6	\$1,343,909	3	\$1,226,126	2	\$3,109,654	9
Apr-24	\$15,311,611	22	\$4,981,696	6	\$2,759,721	4	\$2,252,295	6	\$5,317,900	6
Mar-24	\$11,415,358	26	\$2,424,231	4	\$3,236,280	8	\$1,565,678	4	\$4,189,169	10
Feb-24	\$14,874,651	27	\$4,883,017	4	\$3,293,014	6	\$1,532,914	4	\$5,165,707	13
Jan-24	\$25,661,725	37	\$4,065,236	7	\$3,485,502	6	\$3,075,871	6	\$15,035,116	18
Dec-23	\$23,373,186	46	\$7,466,268	10	\$1,864,919	6	\$2,987,790	7	\$11,054,209	23
Nov-23	\$19,377,051	32	\$2,443,713	4	\$3,361,298	8	\$7,463,414	11	\$6,108,626	9
Oct-23	\$8,434,710	19	\$1,117,939	2	\$1,089,496	3	\$1,609,293	2	\$4,617,983	12
Sep-23	\$5,044,390	14	\$303,576	1	\$681,954	2	\$640,957	2	\$3,417,902	9
Aug-23	\$11,617,846	17	\$2,788,436	3	\$1,158,150	3	\$1,509,549	2	\$6,161,711	9
Jul-23	\$6,420,410	16					\$1,015,283	3	\$5,405,127	13
Jun-23	\$12,717,993	23	\$4,707,863	4	\$705,555	2	\$1,950,660	4	\$5,353,915	13
May-23	\$8,922,983	21	\$2,909,781	5	\$1,304,220	4	\$965,061	3	\$3,743,921	9
Apr-23	\$15,825,196	21	\$1,088,690	2	\$1,184,543	2	\$3,705,072	4	\$9,846,890	13
Apr-25-Mar-26 Avg	\$13,224,435	27	\$1,559,020	3	\$3,228,614	6	\$2,049,813	5	\$6,386,989	13
Apr-24-Mar-25 Avg	\$14,591,432	26	\$3,568,986	4	\$3,072,413	7	\$2,231,400	4	\$5,718,634	11
Apr-23-Mar-24 Avg	\$13,640,458	25	\$3,108,977	4	\$1,942,266	5	\$2,335,129	4	\$6,675,023	13

>=\$16,000

\$11,000-\$15,999

<=\$10,999



# SISC Health Benefits Operations Update

Presented by:  
Nicole Mata, Executive Director of Health Benefits

April 14, 2026

# Operations Update



- ✓ Proactive Care Plan – Upcoming webinar to increase awareness
- ✓ Ongoing review of Primary Care strategy to increase access and optimize services
- ✓ Customer service training for staff
- ✓ District redistribution to assigned SISC Technicians
- ✓ Update to Cancer Screening Benefits October 2026:
  - ✓ Colorectal Cancer – Colonoscopies, whether diagnostic or preventive, to be covered without cost-share for members over 45.
  - ✓ Breast Cancer – All tests in the screening continuum to be covered without cost-share for members over age 40. This includes mammography, ultrasounds, and needle biopsies.