SISC
Self-Insured Schools of California
Schools Helping Schools

HEALTH BENEFITS
BOARD OF DIRECTORS MEETING
MARCH 21, 2024
1:00 P.M.

AGENDA

I. Consent Agenda

A. Approval of Minutes for February 2024 Board of Directors Meeting — Dave Ostash

B. Report of Activity for the Month of February 2024 and the Ratification of Payment as follows: — Dave Ostash

DELTA DENTAL CLAIMS		15,023,713.81	
DELTA DENTAL ASO		877,384.73	
ANTHEM DENTAL CLAIMS		342,123.46	
ANTHEM DENTAL ASO		12,504.00	
			16,255,726.00
VSP CLAIMS		1,606,243.86	

EYE MED CLAIMS		105,343.59	
VSP ASO		159,825.15	
EYEMED ASO		11,886.58	
		TOTAL VISION	1,883,299.18
ANTHEM BLUE CROSS HEALTH CLAIMS		115,868,026.71	
BLUE SHIELD HEALTH CLAIMS		31,333,056.14	
ANTHEM BC COMPANION CARE RETIREE CLAIMS		876,534.26	
	TOTAL HEALTH CLAIMS	148,077,617.11	
ANTHEM BLUE CROSS ASO		4,783,151.37	
BLUE SHIELD PPO ASO		731,742.98	
AMERIBEN PPO ASO		86,767.68	
ANTHEM BC COMPANION CARE RETIREE ASO		126,898.46	
FOUNDATION CLMS PROCESSING ASO		647,815.27	
	TOTAL HEALTH ASO	6,376,375.76	
		TOTAL HEALTH	154,453,992.87
EXPRESS SCRIPTS CLAIMS		8,978,843.92	
NAVITUS RX CLAIMS		39,984,292.99	
EXPRESS SCRIPTS ASO		468,317.86	
NAVITUS RX ASO		586,651.50	
RX N GO		40,117.11	
		TOTAL RX	50,058,223.38
INSURED PRODUCTS			
ANTHEM BC HMO CLAIMS		6,764,872.93	
ANTHEM BC HMO ADMIN FEE		1,781,973.24	
ANTHEM BC EAP		337,694.00	
ANTHEM VIVITY		2,259,802.88	
ANTHEM HMO CAPITATION		7,073,796.00	
BLUE SHIELD HMO CLAIMS		2,665,812.41	
BLUE SHIELD HMO ADMIN FEE		4,953,003.94	
KAISER HMO		65,670,667.31	
SIMNSA		587,551.00	

DELTACARE/PMI DENTAL		32,229.62	
EYEMED-FULLY INSURED		76,018.04	
BLUE SHIELD MEDICARE ADVANTAGE		20,797.30	
LINCOLN FINANCIAL LIFE INSURANCE		424,845.95	
		TOTAL INSURED	92,649,064.62
WELLNESS			35,282.00
ALL OTHER			1,475,343.47
		TOTAL III PAYMENTS	316,810,931.52

Moved_____________________2nd______________________

Yes_____No______Abstain______Roll Call Vote__________

II. Public Comment

III. Action Items

A. Financial Report – Presentation of Financial Statements for the Month of February 2024 Will Be Submitted for Approval — Kim Sloan

Moved________________________2nd______________________

Yes______No______Abstain______Roll Call Vote____________

B. Request Approval of the 2022-2023 Independent Financial Audit — Megan Hanson

Moved________________________2nd______________________

Yes______No______Abstain______Roll Call Vote____________

IV. Information and Discussion Items

A. Review Monthly Budget-to-Actual through February 2024 — John Stenerson

B. Health Benefits Operations Update — Nicole Henry

C. Comments from the Board of Directors Will Be Heard — Dave Ostash

D. Next Meeting: Dave Ostash

Thursday, April 18, 2024
1:00 p.m.
SISC Board Room, 4th Floor – Larry E. Reider Education Center
2000 K Street, Bakersfield, CA 93301

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

*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 heath 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.

HEALTH BENEFITS
BOARD OF DIRECTORS MEETING
FEBRUARY 29, 2024
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 1:00 p.m. on Thursday, February 29, 2024 in the SISC Board Room of the Larry E. Reider Building, 2000 K Street, Bakersfield, California 93301. The following individuals were in attendance:

MEMBERS PRESENT:
Dave Ostash
Ty Bryson
Rhonda Phinney
Stacey Larson-Everson
Sherry Gladin
Dr. Mike Zulfa
Steve Torres
Robert Hughes
Jordan Aquino

ALTERNATES PRESENT:
Christian Shannon
Dr. Sheldon Smith
Kimberly McAbee

OTHERS PRESENT:
Kim Sloan
Megan Hanson
Kristy Comstock
Rich Edwards
Fred Bayles
Nicole Henry
John Stenerson
Lola Nickell
Frank Impastato
Lauri Phillips
Shawna Smith
Armando Cabrera
Bob Hunter
Roy Marchetti
Alex Brum
Kristin Koehler
Connie Cervantes
Sarah Campbell
Susan Wooden
JoeAnna Todd
Sheila Amiri
Kristyn Nelms

Annette Charlton
Debbie Hankins
Brent Boyd
Tiffany Garcia
Monica Matallana
Tara Hernandez
Cathy Huynh
Laurinda Newell
Dave Koop
Justin Cao
Gus Fausto

Consent Agenda

Motion was made by Director Smith seconded, by Director Bryson and by roll call vote of 11-Yes, 0-No, and 0 Abstentions (11-0-0) to approve the Consent Agenda as follows:

Minutes

Approval of minutes for January 2024 Board of Directors Meeting.

DELTA DENTAL CLAIMS		13,318,429.17	
DELTA DENTAL ASO		777,794.62	
ANTHEM DENTAL CLAIMS		320,402.65	
ANTHEM DENTAL ASO		12,524.00	
			14,429,150.44
VSP CLAIMS		2,150,404.19	
EYE MED CLAIMS		175,626.11	
VSP ASO		159,351.48	
EYEMED ASO		12,507.24	
		TOTAL VISION	2,497,889.02
ANTHEM BLUE CROSS HEALTH CLAIMS		115,206,851.76	
BLUE SHIELD HEALTH CLAIMS		32,961,965.00	
ANTHEM BC COMPANION CARE RETIREE CLAIMS		732,541.72	
	TOTAL HEALTH CLAIMS	148,901,358.48	

ANTHEM BLUE CROSS ASO		4,668,065.56	
BLUE SHIELD PPO ASO		702,667.97	
AMERIBEN PPO ASO		86,793.14	
ANTHEM BC COMPANION CARE RETIREE ASO		127,042.54	
FOUNDATION CLMS PROCESSING ASO		649,555.13	
	TOTAL HEALTH ASO	6,234,124.34	
		TOTAL HEALTH	155,135,482.82
EXPRESS SCRIPTS CLAIMS		8,490,432.04	
NAVITUS RX CLAIMS		46,217,880.10	
EXPRESS SCRIPTS ASO		593,316.12	
NAVITUS RX ASO		660,891.42	
RX N GO		30,423.87	
		TOTAL RX	55,992,943.55
INSURED PRODUCTS			
ANTHEM BC HMO CLAIMS		8,954,848.60	
ANTHEM BC HMO ADMIN FEE		0.00	
ANTHEM BC EAP		338,772.00	
ANTHEM VIVITY		0.00	
ANTHEM HMO CAPITATION		7,037,756.86	
BLUE SHIELD HMO CLAIMS		2,721,122.96	
BLUE SHIELD HMO ADMIN FEE		4,913,442.78	
KAISER HMO		136,599,652.98	
SIMNSA		572,989.00	
DELTACARE/PMI DENTAL		33,335.51	
EYEMED-FULLY INSURED		75,967.32	
BLUE SHIELD MEDICARE ADVANTAGE		22,882.80	
LINCOLN FINANCIAL LIFE INSURANCE		435,606.09	
		TOTAL INSURED	161,706,376.90
WELLNESS			18,123.50
ALL OTHER			2,361,546.14
		TOTAL III PAYMENTS	392,141,512.37

Public Comment

None

Action Items

Financial Report
Kim Sloan reviewed with the Board the Financial Report for the period ending January 31, 2024. Kim reported the LAIF rate for the month of January 2024 increased to 4.01% from last month at 3.93%. After discussion, motion was made by Director Torres, seconded by Director Smith and by roll call vote of 11-0-0, approving the Financial Reports as submitted.

Request Approval of the 2024-2025 Vision Renewal
John Stenerson reviewed with the Board the 2024-2025 Vision Renewal. After discussion, motion was made by Director Smith, seconded by Director Hughes and by roll call vote of 11-0-0, approving the 2024-2025 Vision Renewal as presented.

Request Approval of the 2024-2025 Dental Renewal
John Stenerson reviewed with the Board the 2024-2025 Dental Renewal. After discussion, motion was made by Director McAbee, seconded by Director Smith and by roll call vote of 11-0-0, approving the 2024-2025 Dental Renewal as presented.

Request Approval of the 2024-2025 Pharmacy Renewal
John Stenerson reviewed with the Board the 2024-2025 Pharmacy Renewal. After discussion, motion was made by Director Torres, seconded by Director Gladin and by roll call vote of 11-0-0, approving the 2024-2025 Pharmacy Renewal as presented.

Request Approval of the 2024-2025 Medical Renewal
John Stenerson reviewed with the Board the 2024-2025 Medical Renewal. After discussion, motion was made by Director Bryson, seconded by Director McAbee and by roll call vote of 11-0-0, approving the 2024-2025 Medical Renewal as presented.

Information and Discussion Items

Review Monthly Budget-to-Actual through January 2024
John Stenerson reviewed the monthly budget-to-actual with the Board for the month of January 2024.

Review of Background Related to the Renewal
John Stenerson discussed the background related to the renewal with the Board.

Comments from the Board
Dave Ostash informed the Board that the Nomination Ballots will be sent out to all Member District Superintendents only on March 1st. Dave also informed the Board on which Board Members are up for election.

Adjournment
There being no further business to come before the Board, motion was made by Director Torres, seconded by Director Hughes, and by roll call vote of 11-0-0, adjourning the meeting at 2:46 p.m.

Next Meeting
The next meeting of the Board of Directors will be held **Thursday, March 21st 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
FEBRUARY 2024

		BUDGET	YEAR-TO-DATE	CURRENT MONTH
REVENUES				
8660.00	Interest-County Treasurer	$6,300,000.00	$388,653.62	$0.00
8660.03	LAIF	$9,617.00	$2,491.32	$0.00
8660.04	Investments	$23,683,954.00	$12,198,916.71	$0.00
8660.05	Bank	$675,000.00	$246,177.13	$20,035.98
8674.03	Premiums-PPO Medical	$1,926,624,492.00	$767,705,166.13	$156,381,837.41
8674.04	Dental	$148,765,232.00	$65,311,978.14	$13,359,272.11
8674.08	Pharmacy	$409,177,100.00	$179,639,291.32	$36,950,001.44
8674.25	Vision	$22,469,995.00	$9,279,321.64	$1,730,447.18
8674.05	HMO	$1,086,474,675.00	$449,747,275.16	$92,277,308.07
8674.06	Life	$4,739,736.00	$2,051,388.24	$419,856.23
8674.09	Insured Retiree Progams	$399,024.00	$126,954.00	$20,781.00
8674.10	Insured Vision	$872,803.00	$379,941.66	$75,919.27
8674.18	Insured Dental	$377,627.00	$164,112.00	$32,584.70
8699.00	IRC 125 Flex Plan Contributions	$0.00	$263,042.79	$30,793.45
8699.07	Administration Fees	$231,983.00	$102,258.20	$21,143.36
8699.08	Penalities/Late Fees	$225,000.00	$114,767.61	($3,877.65)
8699.10	SISC Access Fee	$1,468,892.00	$575,430.50	$113,475.00
TOTAL REVENUES		$3,632,495,130.00	$1,488,297,166.17	$301,429,577.55
EXPENSES				
3900.00	Benefits Paid - IRC 125 Flex Plan	$0.00	$0.00	$0.00
4300.00	Supplies	$100,000.00	$111,973.46	$30,530.26
5200.00	Travel/Conference	$120,000.00	$267,618.61	$15,982.48
5300.00	Dues and Membership	$35,000.00	$27,394.00	$0.00
5450.03	E & O Insurance	$140,627.00	$0.00	$0.00
5450.05	Premiums - HMO	$919,613,821.00	$396,609,261.56	$81,115,767.93
5450.08	Insured Dental	$377,627.00	$165,851.29	$32,229.62
5450.09	Insured Retiree Progams	$399,024.00	$147,784.10	$20,797.30
5450.10	Insured Vision	$872,803.00	$380,604.20	$76,018.04
5450.21	Life	$4,675,003.00	$2,068,353.28	$424,845.95
5800.00	Miscellaneous	$25,000.00	$0.00	$0.00
5800.02	Audit	$35,185.00	$7,000.00	$6,500.00
5800.10	Consulting	$617,800.00	$213,413.30	$34,362.83
5800.32	Bank Fees	$372,000.00	$94,999.70	$595.00
5800.33	Government Fees	$824,547.00	$0.00	$0.00
5800.35	Admin Fees	$84,548.00	$36,217.65	$7,468.95
5800.40	Wellness Program	$1,300,000.00	$77,555.50	$35,432.00
5800.41	Healthcare Specialists	$5,931,338.00	$1,692,022.50	$419,637.76
5800.50	Administration - KCSOS	$8,185,292.00	$3,706,469.97	$593,169.88
5800.60	Claims - PPO Medical	$1,803,236,543.00	$762,809,628.54	$144,648,164.30
5800.61	Claims - Dental	$137,622,374.00	$60,302,456.17	$15,365,837.27
5800.63	Claims - Vision	$19,812,115.00	$8,187,013.79	$1,709,887.45
5800.64	Claims - HMO Flex	$150,614,347.00	$49,267,014.18	$8,828,503.11
5800.68	Claims - Pharmacy	$392,829,631.00	$187,163,702.16	$33,969,958.04
5800.70	Admin - PPO Medical	$64,242,742.00	$24,583,560.62	$5,062,542.10
5800.71	Admin - Claims Processing	$8,400,000.00	$3,545,686.58	$647,815.27
5800.72	Admin - Dental	$8,037,147.00	$3,494,500.10	$889,888.73
5800.73	Admin - Vision	$1,988,812.00	$854,276.11	$171,111.52
5800.75	Admin - Pharmacy	$15,374,636.00	$5,242,539.76	$1,300,424.53
5800.79	EAP Expense	$3,608,950.00	$1,666,256.00	$337,694.00
5800.94	Other Distributions/Contributions	$6,660,880.00	$2,525,215.45	$497,013.31
5800.95	Unpaid Claims Liability Adjustment	$20,248,153.00	$8,436,731.00	$1,687,346.00
TOTAL EXPENSES		$3,576,385,945.00	$1,523,685,099.58	$297,929,523.63
CHANGE IN NET ASSETS		$56,109,185.00	($35,387,933.41)	$3,500,053.92
NET ASSETS - BEGINNING		$698,568,274.65	$698,568,274.65	$659,680,287.32
NET ASSETS - ENDING		$754,677,459.65	$663,180,341.24	$663,180,341.24

SISC III
BALANCE SHEET
February 29, 2024

		October 1, 2023 BALANCE	February 29, 2024 BALANCE
ASSETS			
9110.00	Cash in County Treasury	$110,780,738.98	$140,667,751.44
9120.00	Bank Account-Health Claims	$162,963,108.78	$92,720,690.14
9130.00	Revolving Fund	$1,500.00	$1,500.00
9150.01	Local Agency Investment Fund	$245,771.10	$250,478.68
9150.03	Investments	$518,909,265.11	$531,108,181.82
9200.00	Accounts Receivable	$126,494,090.92	$78,454,701.17
9330.00	Prepaid Expenditures	$60,980,164.28	$67,690,531.58
9335.00	Reserve Fund	$13,722,357.00	$14,087,525.81
TOTAL ASSETS		$994,096,996.17	$924,981,360.64
LIABILITIES			
9500.00	Current Liabilities	$80,350,572.36	$38,911,243.37
9650.00	Deferred Income	$7,580,704.23	$6,855,600.10
9668.00	Unpaid Claims Liability	$207,597,444.93	$216,034,175.93
TOTAL LIABILITIES		$295,528,721.52	$261,801,019.40
NET ASSETS - Funding Stabilization Reserves		$698,568,274.65	$663,180,341.24
TOTAL LIABILITIES AND NET ASSETS		$994,096,996.17	$924,981,360.64

AUTHORIZED SIGNATURE

PREPARED BY: Nancy Russo

SISC III
Investments
February 29, 2024

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	$140,667,751.44	3.15%	LAST QUARTER	OCT-DEC 2023
		1.75%	5 YEAR AVERAGE	JAN 2019 - DEC 2023
LOCAL AGENCY INVESTMENT FUND	$250,478.68	4.12%	CURRENT MONTH	February, 2024
		4.00%	LAST QUARTER	OCT-DEC 2023
		1.70%	5 YEAR AVERAGE	JAN 2019 - DEC 2023

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, 2023 was:

INVESTMENT FIRM	MARKET VALUE	QUARTERLY RETURN	ANNUALIZED RETURN	PERIOD	DATES
MADISON INVESTMENTS (SISC INVESTMENT POOL)	$67,841,201.00	2.77%	10.98%	LAST QUARTER	OCT-DEC 2023
			1.34%	5 YEAR AVERAGE	JAN 2019 - DEC 2023
			4.49%	YIELD TO MATURITY	AS OF DEC 31, 2023
MORGAN STANLEY (FRED BAYLES)	$235,614,120.44	2.06%	8.18%	LAST QUARTER	OCT-DEC 2023
			1.37%	5 YEAR AVERAGE	JAN 2019 - DEC 2023
			4.54%	YIELD TO MATURITY	AS OF DEC 31, 2023
WELLS FARGO ADVISORS (RICH EDWARDS)	$227,652,860.38	2.53%	10.02%	LAST QUARTER	OCT-DEC 2023
			0.89%	5 YEAR AVERAGE	JAN 2019 - DEC 2023
			4.55%	YIELD TO MATURITY	AS OF DEC 31, 2023
	$531,108,181.82				

5-YEAR HISTORY OF RETURNS

Quarter Ending:	Co of Kern	LAIF	Investment Pool	Fred Morgan Stanley	Rich Wells Fargo	Combined Weighted Average Return
12/31/2023	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%
12/31/2020	1.16%	0.63%	0.18%	0.03%	0.19%	0.46%
9/30/2020	1.30%	0.84%	0.43%	0.43%	0.53%	0.91%
6/30/2020	1.70%	1.47%	2.89%	2.95%	3.26%	2.28%
3/31/2020	2.10%	2.03%	8.05%	6.39%	5.47%	4.11%
12/31/2019	2.13%	2.29%	1.12%	1.63%	1.98%	1.93%
9/30/2019	2.03%	2.45%	2.85%	2.47%	2.51%	2.31%
6/30/2019	2.03%	2.57%	4.84%	3.95%	5.12%	3.24%
3/31/2019	2.12%	2.55%	4.25%	3.79%	4.49%	3.10%
5-Yr Average	1.75%	1.70%	1.34%	1.37%	0.89%	1.47%

SISC DEFINED BENEFIT PLAN and GASB 45 TRUST A
Investment Returns
As of : 12-31-2023

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: Prudential Retirement

Morgan Stanley Return on Investment (net of all fees & expenses)				Benchmark Comparison Morgan Stanley Moderate Growth & Income
Current Quarter:	Oct-Dec 2023	10.73%	VS.	10.35%
Calendar Yr-To-Date:	Jan-Dec 2023	19.05%	VS.	17.51%
Rolling 4 Quarters:	Jan-Dec 2023	19.05%		

5-Year History of Returns:	2023	19.05%
	2022	-18.94%
	2021	15.33%
	2020	17.56%
	2019	25.08%

SISC GASB 45 TRUST A

As of : 12-31-2023

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 2023	6.49%	VS.	10.35%
Calendar Yr-to-Date:	Jan-Dec 2023	10.11%	VS.	17.51%
Fiscal Year-To-Date:	Jul-Dec 2023	4.25%		
Rolling 4 Quarters:	Jan-Dec 2023	10.11%		

5-Year History of Returns:	2022-23	10.83%
	2021-22	-9.71%
	2020-21	29.13%
	2019-20	-0.02%
	2018-19	6.17%


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Feb 29
Mar 8
Mar 15

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

Report to the Board of Directors
March 11, 2024

DANIELLS PHILLIPS
VAUGHAN & BOCK
CPAs and Advisors

DANIELLS PHILLIPS
VAUGHAN & BOCK
CPAs and Advisors

An independently owned member RSM US Alliance

Member of AICPA Division for Firms
Private Companies Practice Section

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

Attention: Erica Andrews, 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 30,2023. 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 Directors and is not intended to be and should not be used by anyone other than this specified party. 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

March 11, 2024

Contents

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.

Area	Comments
Our Responsibilities with regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated October 30, 2023. 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.
Overview of the Planned Scope and Timing of the Financial Statement Audit	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.
Accounting Policies and Practices	**Preferability of Accounting Policies and Practices** 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. **Adoption of, or Change in, Accounting Policies** Management has the ultimate responsibility for the appropriateness of the accounting policies used by the **SISC III**. **SISC III** did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period. **Significant or Unusual Transactions** 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. **Management's Judgments and Accounting Estimates** 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".

Area	Comments
Audit Adjustments	There were no audit adjustments made to the original trial balance presented to us to begin our audit.
Uncorrected Misstatements	There were no uncorrected misstatements other than those that were clearly trivial.
Disagreements with Management	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.
Consultations with Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed with Management	No significant issues arising from the audit were discussed with or were the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Certain Written Communications Between Management and Our Firm	Copies of significant written communications between our firm and the management of **SISC III**, 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, 2023

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 estimate reflected in **SISC III**'s September 30, 2023 financial statements:

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

Exhibit A
Representation Letter

SISC
Self-Insured Schools of California
Schools Helping Schools

March 11, 2024

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

This representation letter is provided in connection with your audit of the basic financial statements of **Self-Insured Schools of California Health and Welfare Benefits Program (SISC III)**, as of and for the years ended September 30, 2023 and 2022 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 March 11, 2024:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 30, 2023, 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.

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 no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

13. 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 basic financial statements such as records, documentation and other matters.

    b. Additional information that you have requested from us for the purpose of the audit.

    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.

14. All transactions have been recorded in the accounting records and are reflected in the basic financial statements.

15. We have disclosed to you the results of our assessment of risk that the basic financial statements may be materially misstated as a result of fraud.

16. It is our responsibility to establish and maintain internal control over financial reporting. One of the components of an entity's system of internal control is risk assessment. We hereby represent that our risk assessment process includes identification and assessment of risks of material misstatement due to fraud. We have shared with you our fraud risk assessment, including a description of the risks, our assessment of the magnitude and likelihood of misstatements arising from those risks, and the controls that we have designed and implemented in response to those risks.

17. We have no knowledge of allegations of fraud or suspected fraud affecting the Entity's basic 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 basic financial statements.

18. We have no knowledge of any allegations of fraud or suspected fraud affecting the Entity's basic 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 and claims 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 audit, 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 basic financial statements as a whole:

    e. We acknowledge our responsibility for the presentation of such information.

    f. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.

    g. 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 basic financial statements:

    h. We acknowledge our responsibility for the presentation of such required supplementary information.

    i. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.

    j. 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.

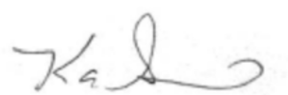
33. Has a process to track the status of audit findings and recommendations.

34. Has identified for the auditor previous audits, attestation engagements and other studies related to the objectives of the audit and whether related recommendations have been implemented.

35. Has identified for the auditor any investigations or legal proceedings that have been initiated with respect to the period under audit.

36. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

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



Kim Sloan,
Chief Financial Officer

Dr. David Ostash,
Chief Executive Officer

SISC
Self-Insured Schools of California
Schools Helping Schools

HEALTH AND WELFARE BENEFITS PROGRAM (SISC III)

FINANCIAL REPORT

September 30, 2023

DANIELLS PHILLIPS VAUGHAN & BOCK
CPAs and Advisors

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT

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

Opinion
We have audited the financial statements of **Self-Insured Schools of California Health and Welfare Benefits Program (SISC III)** as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise **SISC III**'s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **SISC III** as of September 30, 2023 and 2022, 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 one year after the date that the financial statements are issued or available to be issued.

300 New Stine Road – Bakersfield, CA 93309 – Tel. 661.834.7411 – Fax.661.834.4389 – www. dpvb.com

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 20 and schedule of three year trend data on page 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2024 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
March 11, 2024

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, 2023. 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 $3,215,135,078, an increase of 11.59% from the previous year or $333,806,278. The change in revenues is attributable to:

  a. An increase in premiums of 10.17%. The increase is a result of an increase in medical rates and subscribers. Premiums account for 99.63% of budgeted revenues for the SISC III program.

  b. An increase in investment income of $38,719,596 is due to higher rates of return in the bond market. The average rate of return in 2022/2023 was 2.83% versus -3.40% in 2021/2022.

- Total expenses were $3,215,218,121, an increase of 8.22% from the previous year or $244,096,292. 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. A disbursement to a member JPA was $850,000. This number will fluctuate depending on requests received.

  c. Administrative services increased 9.38% or $1,298,118. This is mainly due to an increase in rent and administrative expenses.

  d. The adjustment to the unpaid claims liability was lower than the previous year by $14,067,450 or -56.40%. SISC III has a new actuarial study performed every three years.

- The Balance Sheet reflects the following changes:

  a. Total assets were up $22,590,916 from 2022 to 2023 or 2.32%. This increase is due to an increase in investments, receivables, and prepaid expenditures combined with a decrease in cash. The October 2023 monthly Kaiser HMO invoice was paid in September 2023 leading to a prepaid expense. There was also a combined decrease in cash and investments due to an increase in claims paid. $50 million was transferred from cash to investments during the fiscal year.

  b. Receivables increased due to an increase in pharmacy rebates.

  c. Liabilities increased $22,673,959 from 2022 to 2023 or 8.31%. This is due to an increase in the unpaid claims liability. An actuarial study was performed as of September 30, 2021. Accounts payable also increased $6,637,536 due to an increase in claims and premium payable. Deferred revenue increased $4,961,095 due to premiums from a member JPA being paid early.

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 is 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, 2023 is provided in the Independent Auditor's Report.

Balance Sheet

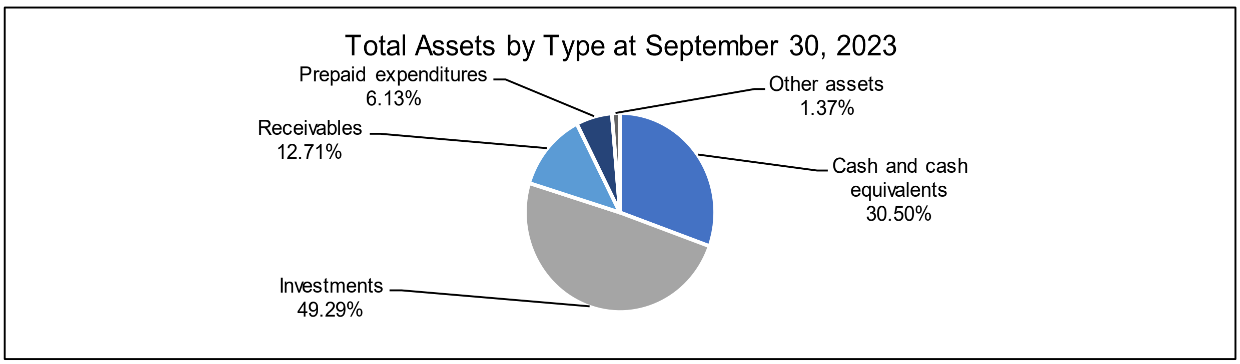
There was an increase in total assets in the current year of 2.32% or $22,590,916. This increase in assets is due to program growth and a difference in timing of the Kaiser HMO invoice payment. Transfers from cash to investments in the amount of $50 million were made during the fiscal year causing an increase in investments. Receivables also increased $14,145,758 due to additional pharmacy rebates.

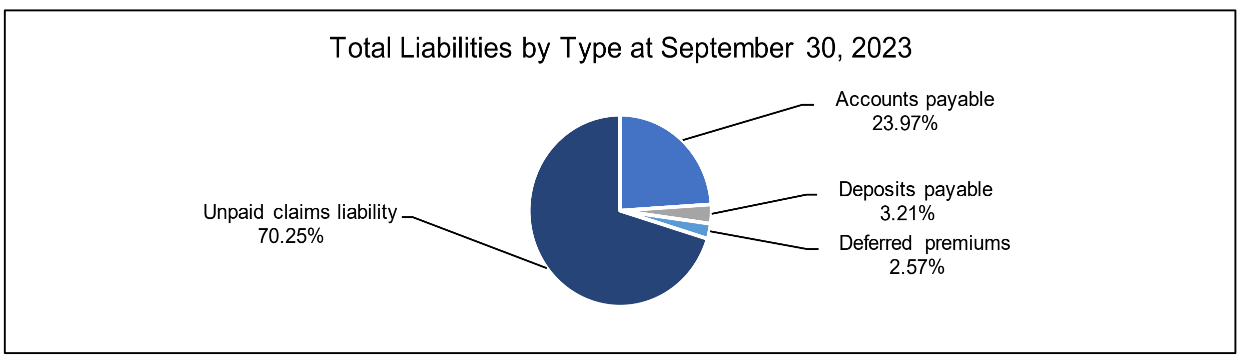
The SISC III program is fiscally healthy with funds in both cash and longer-term investments. Investment revenues are used to offset program costs wherever possible and reduce the required member contributions. SISC III invests those funds not immediately necessary for the payment of claims in order 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 $272,859,018 at September 30, 2022 to $295,532,977 at September 30, 2023. 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, 2021. Also, accounts payable increased due to program growth.

SEPTEMBER 30, 2023

	As of September 30, 2023	%	As of September 30, 2022	%	As of September 30, 2021	%
ASSETS						
Cash and cash equivalents	$ 303,506,417	30.50%	$ 412,419,021	42.40%	$ 528,349,704	51.73%
Investments	490,530,635	49.29%	434,303,037	44.65%	383,456,428	37.54%
Receivables	126,502,189	12.71%	112,356,431	11.55%	80,245,349	7.86%
Prepaid expenditures	60,980,164	6.13%	-	0.00%	-	0.00%
Other assets	13,722,357	1.37%	13,572,357	1.40%	29,397,357	2.87%
Total assets	$ 995,241,762	100.00%	$ 972,650,846	100.00%	$ 1,021,448,838	100.00%
LIABILITIES AND NET POSITION						
Liabilities						
Accounts payable	$ 70,838,748	23.97%	$ 64,201,212	23.53%	$ 48,275,873	20.81%
Deposits payable	9,516,080	3.21%	9,316,080	3.41%	9,316,080	4.02%
Deferred premiums	7,580,704	2.57%	2,619,609	0.96%	2,492,689	1.08%
Unpaid claims liability	207,597,445	70.25%	196,722,117	72.10%	171,779,339	74.09%
Total liabilities	295,532,977	100.00%	272,859,018	100.00%	231,863,981	100.00%
Net Position	699,708,785	100.00%	699,791,828	100.00%	789,584,857	100.00%
Total liabilites and net position	$ 995,241,762	100.00%	$ 972,650,846	100.00%	$ 1,021,448,838	100.00%





Revenues and Expenses

Revenues increased from $2,881,328,800 to $3,215,135,078 or 11.59%, caused by an increase in medical rates combined with increasing rates of return in the bond market. Revenues consist almost entirely of premiums received from members. Investment income increased by $38,719,596, due to higher rates of return in the bond investment accounts.

Expenses consist almost entirely of claims payments. Total expenses increased 8.22% from $2,971,121,829 in 2021-2022 to $3,215,218,121 in 2022-2023. This is a result of an increase in claims paid, purchased insurance, and outside professional managers due to program growth.

Expenses exceeded revenues by $83,043 in 2022-2023 and $89,793,029 in 2021-2022.

	Fiscal Year Ended September 30, 2023	Fiscal Year Ended September 30, 2022	Fiscal Year Ended September 30, 2021
REVENUES:			
Premiums	$ 3,195,882,663	$ 2,900,795,981	$ 2,723,597,102
Investment income (loss)	19,252,415	(19,467,181)	1,892,410
Total revenues	3,215,135,078	2,881,328,800	2,725,489,512
EXPENSES:			
Claims paid	2,245,242,452	2,108,399,129	1,896,515,458
Purchased insurance	853,474,966	731,075,631	609,186,144
Outside professional managers	89,636,866	83,803,786	75,757,435
Unpaid claims liability adjustment	10,875,328	24,942,778	22,015,215
Rent, administrative and other	15,138,509	13,840,391	16,359,767
Distributions	850,000	9,060,114	272,796
Total expenses	3,215,218,121	2,971,121,829	2,620,106,815
Change in net position	(83,043)	(89,793,029)	105,382,697
Net position, beginning	699,791,828	789,584,857	684,202,160
Net position, ending	$ 699,708,785	$ 699,791,828	$ 789,584,857

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 2022-2023 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
REVENUES				
Premiums	$3,171,626,722	$3,195,882,663	$ 24,255,941	0.76%
Investment income	11,737,770	19,252,415	7,514,645	64.02%
Total revenues	3,183,364,492	3,215,135,078	31,770,586	1.00%
EXPENSES				
Claims paid	2,331,021,967	2,245,242,452	(85,779,515)	-3.68%
Purchased insurance	830,875,623	853,474,966	22,599,343	2.72%
Outside professional managers	88,979,424	89,636,866	657,442	0.74%
Unpaid claims liability adjustment	19,421,224	10,875,328	(8,545,896)	-44.00%
Rent, administrative and other	16,336,215	15,138,509	(1,197,706)	-7.33%
Distributions	-	850,000	850,000	100.00%
Total expenses	3,286,634,453	3,215,218,121	(71,416,332)	-2.17%
Change in net position	(103,269,961)	(83,043)	103,186,918	-99.92%
Net position, beginning	699,791,828	699,791,828	-	
Net position, ending	$ 596,521,867	$ 699,708,785	$ 103,186,918	

- Premiums make up more than 99% of revenues. They were 0.76% greater than budget.
- Investment income was $7,514,645 more than budgeted. The rate of return in the bond accounts was considerably higher than anticipated.
- Claims paid were slightly lower than budgeted due to medical trend being lower than anticipated.
- Purchased insurance was $22,599,343 more than budgeted due to program growth, particularly in the HMO products.
- Payments to outside professional managers were 0.74% more than budgeted, this is due to program growth.
- The unpaid claims liability adjustment is determined by the actuary. A new study is performed every three years.
- Rent and administrative expenses were 7.33% less than budgeted, due to KCSOS expenses being over-estimated because of unfilled/vacant positions.
- Distributions to credible districts will vary from year to year and are not known ahead of time.

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, 2023 and 2022

		2023		2022
ASSETS				
Cash and cash equivalents (Note 2)	**$**	**303,506,417**	$	412,419,021
Investments (Note 3)		**490,530,635**		434,303,037
Receivables (Note 4)		**126,502,189**		112,356,431
Prepaid expenditures		**60,980,164**		-
Other assets (Note 5)		**13,722,357**		13,572,357
	$	**995,241,762**	$	972,650,846
LIABILITIES AND NET POSITION				
Liabilities				
Accounts payable	**$**	**70,838,748**	$	64,201,212
Deposits payable (Note 6)		**9,516,080**		9,316,080
Deferred premiums		**7,580,704**		2,619,609
Unpaid claims liability (Note 10)		**207,597,445**		196,722,117
		295,532,977		272,859,018
Contingencies (Note 8)				
Net Position		**699,708,785**		699,791,828
	$	**995,241,762**	$	972,650,846

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, 2023 and 2022

	2023	2022
Operating revenues:		
Premiums	**$ 3,195,882,663**	$ 2,900,795,981
Investment income (loss)	**19,252,415**	(19,467,181)
	3,215,135,078	2,881,328,800
Operating expenses:		
Claims paid	**2,245,242,452**	2,108,399,129
Purchased insurance	**853,474,966**	731,075,631
Outside professional managers	**89,636,866**	83,803,786
Distributions	**850,000**	9,060,114
Unpaid claims liability adjustments	**10,875,328**	24,942,778
Rent and administrative expenses (Note 7)	**7,597,273**	6,882,426
Other	**7,541,236**	6,957,965
	3,215,218,121	2,971,121,829
Change in net position	**(83,043)**	(89,793,029)
Net position, beginning	**699,791,828**	789,584,857
Net position, ending	**$ 699,708,785**	$ 699,791,828

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, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Receipts from districts	**$ 3,206,457,129**	$ 2,899,648,569
Payments to others	**-**	(861,948)
Claims paid	**(2,257,829,849)**	(2,107,212,316)
Payments to suppliers (purchased insurance)	**(914,455,130)**	(731,075,631)
Payments to outside professional managers	**(89,893,649)**	(83,598,020)
Payments for administration services	**(15,086,163)**	(13,604,953)
Payments of district reserves	**(850,000)**	(9,060,114)
Investment income	**16,515,421**	9,260,224
Net cash (used in) operating activities	**(55,142,241)**	(36,504,189)
Cash Flows from Investing Activities		
Purchase of investment securities	**(241,206,196)**	(226,004,450)
Proceeds from sale and maturities of investment securities	**187,435,833**	146,577,956
Net cash (used in) investing activities	**(53,770,363)**	(79,426,494)
Net (decrease) in cash and cash equivalents	**(108,912,604)**	(115,930,683)
Balances, beginning of year	**412,419,021**	528,349,704
Balances, end of year	**$ 303,506,417**	$ 412,419,021
Reconciliation of change in net position to net cash (used in) operating activities:		
Change in net position	**$ (83,043)**	$ (89,793,029)
Realized and unrealized losses on investments	**(2,457,235)**	28,579,885
Adjustments to reconcile change in net position to net cash (used in) operating activities:		
(Increase) decrease in:		
Receivables	**(14,145,758)**	(32,111,082)
Prepaid expenditures	**(60,980,164)**	-
Other assets	**(150,000)**	15,825,000
Increase in:		
Accounts payable	**6,637,536**	15,925,339
Deposits payable	**200,000**	-
Deferred premiums	**4,961,095**	126,920
Unpaid claims liability	**10,875,328**	24,942,778
Net cash (used in) operating activities	**$ (55,142,241)**	$ (36,504,189)

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

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 469 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^{th}. Fund underwriting and rate-setting policies have been established after consultation with independent actuaries. There are also an additional 14 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, 2023.

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 underwriting and risk sharing. PRISM is comprised of 47 governmental agencies.

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.

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 Not Yet Adopted: In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62.* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting --understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Subsequent Events: **SISC III** has evaluated subsequent events through March 11, 2024, 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.

Note 2. Cash and Cash Equivalents

Cash and cash equivalents at September 30, 2023 and 2022 consisted of the following:

	2023	2022
Deposits		
Cash in SISC revolving fund account	$ 1,500	$ 1,500
Cash in SISC consolidated account	162,952,953	97,960,310
Money market funds	5,492,730	19,737,084
US Treasury securities	22,885,900	-
Pooled Funds		
Cash in County Treasury	111,927,563	294,479,979
Local agency investment fund	245,771	240,148
	$ 303,506,417	$ 412,419,021

The bank balance of deposits at September 30, 2023 and 2022 was $162,954,453 and $97,961,810, 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 generally accepted accounting principles. 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.

SISC III has the following fair value measurements as of September 30, 2023 and 2022:

		Fair Value Measurements Using		
	9/30/2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. Treasury securities	$ 231,668,842	$ 231,668,842	$ -	$ -
U.S. agencies mortgage passthrough	8,376,434	-	8,376,434	-
Corporate bonds	92,878,589	-	92,878,589	-
U.S. agencies	157,606,770	-	157,606,770	-
Total investments by fair value level	$ 490,530,635	$ 231,668,842	$ 258,861,793	$ -

		Fair Value Measurements Using		
	9/30/2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. Treasury securities	$ 177,856,672	$ 177,856,672	$ -	$ -
U.S. agencies mortgage passthrough	9,599,047	-	9,599,047	-
Corporate bonds	92,589,604	-	92,589,604	-
Negotiable certificates of deposit	245,246	-	245,246	-
U.S. agencies	154,012,468	-	154,012,468	-
Total investments by fair value level	$ 434,303,037	$ 177,856,672	$ 256,446,365	$ -

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.

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.

Note 4. Receivables

Receivables consist of the following at September 30, 2023 and 2022:

	2023	2022
Claims refunds	$ 107,682,914	$ 92,110,574
Premiums	16,714,244	18,536,757
Accrued interest	1,098,641	818,883
RDS subsidy	699,691	814,741
ASO refunds	306,699	75,476
	$ 126,502,189	$ 112,356,431

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, 2023 and 2022:

	2023	2022
SISC Blue Shield PPO and HMO medical claims	$ 7,125,000	$ 7,125,000
PRISM Blue Shield PPO and HMO medical claims	4,125,000	4,125,000
SISC Anthem HMO medical claims	1,991,145	1,991,145
PRISM Anthem HMO medical claims	231,212	231,212
AmeriBen out of network medical claims	100,000	100,000
Flex card pre-funding	150,000	-
	$ 13,722,357	$ 13,572,357

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, 2023 and 2022 were $7,597,273 and $6,882,426, respectively.

Note 8. 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.

Note 9. Major Customers

SISC III collected approximately 84% of its revenues from four members for each of the years ended September 30, 2023 and 2022.

Note 10. 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, 2023 and 2022:

	2023	2022
	(In thousands)	
Unpaid claims and claim adjustment expenses at beginning of year	$ 196,722	$ 171,779
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	2,232,019	2,054,306
Provision for insured events of prior years	24,099	79,036
Total incurred claims and claim adjustment expenses	2,256,118	2,133,342
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	2,024,422	1,857,584
Claims and claim adjustment expenses attributable to insured events of prior years	220,821	250,815
Total payments	2,245,243	2,108,399
Total unpaid claims and claim adjustment expenses at end of year	$ 207,597	$ 196,722

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, 2023 AND 2022

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	
	2023	2022	2023	2022	2023	2022	2023	2022
Unpaid claims and claim adjustment expenses at beginning of year	$ 185,742	$ 164,811	$ 10,229	$ 6,392	$ 751	$ 576	$ 196,722	$ 171,779
Incurred claims and claim adjustment expenses:								
Provision for insured events of the current year	2,068,195	1,896,472	144,795	139,746	19,029	18,088	2,232,019	2,054,306
Provision for insured events of prior years	27,943	79,624	(3,852)	(726)	8	138	24,099	79,036
Total incurred claims and claim adjustment expenses	2,096,138	1,976,096	140,943	139,020	19,037	18,226	2,256,118	2,133,342
Payments:								
Claims and claim adjustment expenses attributable to insured events of the current year	1,872,026	1,710,731	134,159	129,517	18,237	17,336	2,024,422	1,857,584
Claims and claim adjustment expenses attributable to insured events of prior years	213,684	244,434	6,376	5,666	761	715	220,821	250,815
Total payments	2,085,710	1,955,165	140,535	135,183	18,998	18,051	2,245,243	2,108,399
Total unpaid claims and claim adjustment expenses at end of year	$ 196,170	$ 185,742	$ 10,637	$ 10,229	$ 790	$ 751	$ 207,597	$ 196,722

SELF-INSURED SCHOOLS OF CALIFORNIA
HEALTH AND WELFARE BENEFITS PROGRAM (SISC III)
SCHEDULE OF THREE YEAR TREND DATA
SEPTEMBER 30, 2023

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 2023	2022 (in thousands)	2021
(1) Net earned required contribution and investment revenues:			
Earned	$ 3,200,989	$ 2,849,218	$ 2,724,109
Less Ceded	-	-	-
Net earned	3,200,989	2,849,218	2,724,109
(2) Unallocated expenses	868,613	744,916	625,546
(3) Estimated incurred claims and expense end of policy year:			
Incurred	2,232,019	2,054,306	1,892,776
Less Ceded	-	-	-
Net incurred	2,232,019	2,054,306	1,892,776
(4) Net paid (cumulative) as of:			
End of policy year	2,024,421	1,857,584	1,720,997
One year later	*	*	*
(5) Reestimated ceded claims and expenses	*	*	*
(6) Reestimated net incurred claims and expense:			
End of policy year	2,232,019	2,054,306	1,892,776
One year later	*	*	*
(7) Increase (decrease) in estimated net incurred claims and expenses from end of policy year	*	*	*

* Data not available in this format

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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, 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, 2023, and the related notes to the financial statements, which collectively comprise **SISC III**'s basic financial statements, and have issued our report thereon dated March 11, 2024.

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.

300 New Stine Road – Bakersfield, CA 93309 – Tel. 661.834.7411 – Fax.661.834.4389 – www. dpvb.com

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
March 11, 2024

SISC III

Comparison of Budget to Actual

2023-24

	Revenues Monthly	Revenues YTD	Expenses Monthly	Expenses YTD	Surplus/Deficit Monthly	Surplus/Deficit YTD	Exp/Rev Monthly	Exp/Rev YTD	Act/Bgt YTD
Budget									
Oct-23	$290,502,388	$290,502,388	$296,759,466	$296,759,466	($6,257,079)	($6,257,079)	102.2%	102.2%	
Nov-23	$293,349,292	$583,851,680	$289,724,378	$586,483,844	$3,624,914	($2,632,165)	98.8%	100.5%	
Dec-23	$293,349,292	$877,200,972	$313,267,310	$899,751,154	($19,918,018)	($22,550,183)	106.8%	102.6%	
Jan-24	$310,750,649	$1,187,951,621	$281,611,717	$1,181,362,871	$29,138,932	$6,588,749	90.6%	99.4%	
Feb-24	**$303,083,506**	**$1,491,035,127**	**$282,506,117**	**$1,463,868,989**	**$20,577,389**	**$27,166,138**	**93.2%**	**98.2%**	
Mar-24	$303,083,506	$1,794,118,633	$294,743,624	$1,758,612,613	$8,339,882	$35,506,021	97.2%	98.0%	
Apr-24	$310,750,649	$2,104,869,282	$300,051,193	$2,058,663,806	$10,699,456	$46,205,476	96.6%	97.8%	
May-24	$303,083,506	$2,407,952,789	$297,590,704	$2,356,254,510	$5,492,803	$51,698,279	98.2%	97.9%	
Jun-24	$303,083,506	$2,711,036,295	$298,846,502	$2,655,101,012	$4,237,004	$55,935,283	98.6%	97.9%	
Jul-24	$307,843,457	$3,018,879,752	$297,367,376	$2,952,468,388	$10,476,081	$66,411,364	96.6%	97.8%	
Aug-24	$300,176,314	$3,319,056,066	$310,746,112	$3,263,214,500	($10,569,797)	$55,841,567	103.5%	98.3%	
Sep-24	$313,439,065	$3,632,495,131	$313,171,445	$3,576,385,945	$267,619	$56,109,186	99.9%	98.5%	
Actual									
Oct-23	$285,608,414	$285,608,414	$285,552,298	$285,552,298	$56,116	$56,116	100.0%	100.0%	97.9%
Nov-23	$292,667,843	$578,276,257	$300,015,641	$585,567,939	($7,347,798)	($7,291,682)	102.5%	101.3%	100.8%
Dec-23	$292,899,192	$871,175,449	$332,325,943	$917,893,882	($39,426,751)	($46,718,433)	113.5%	105.4%	102.7%
Jan-24	$315,692,139	$1,186,867,589	$307,861,694	$1,225,755,576	$7,830,446	($38,887,987)	97.5%	103.3%	103.9%
Feb-24	**$301,429,578**	**$1,488,297,166**	**$297,929,524**	**$1,523,685,100**	**$3,500,054**	**($35,387,933)**	**98.8%**	**102.4%**	**104.3%**
Year End Scenarios									
Scenario #1	Revenue based	$3,625,824,846		$3,722,522,997		($96,698,151)		102.7%	104.3%
Scenario #2	on recent revenue	$3,625,824,846		$3,632,269,732		($6,444,886)		100.2%	101.7%
Scenario #3	continuing	$3,625,824,846		$3,668,371,038		($42,546,192)		101.2%	102.8%

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

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

Scenario #3: Expenses based on a mix of Scenario #1 weighted at 40% and Scenario #2 weighted at 60%

SISC Health Benefits Operations Update

Presented by:
Nicole Henry, Director of Health Benefits

March 15, 2024

Operations Update

- ✓ CMS Annual Rx Reporting - Response required from districts

- ✓ SISC Life Insurance Webinar
  - ✓ February 21st
  - ✓ 76 attendees

- ✓ 2024-2025 SISC Health Benefits Renewal Packet

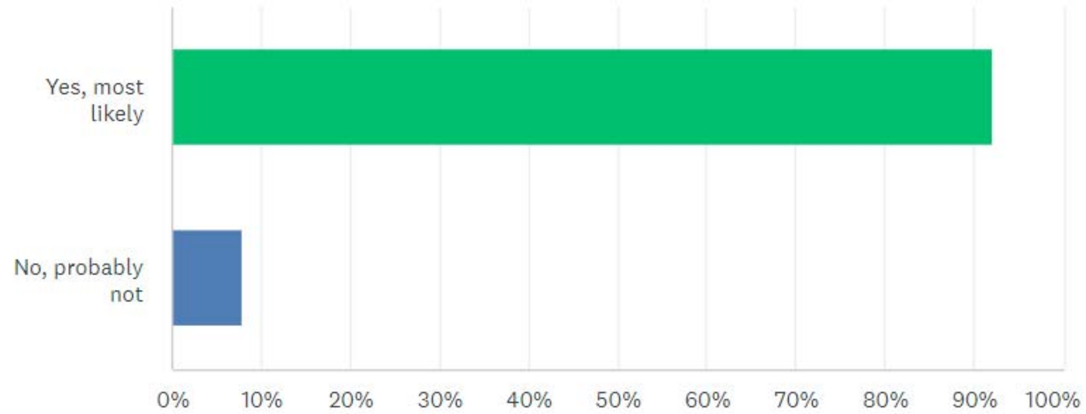
- ✓ Statewide Renewal Webinar – April 5th at 9am

- ✓ SISC Healthcare Symposium
  - ✓ Save the Date: November 7th and 8th
  - ✓ Wyndham Bayside in San Diego
  - ✓ New Pre-Conference Workshop Survey

Operations Update

If SISC provides a pre-conference workshop on the afternoon of Wednesday November 6th, would you attend?

Answered: 101 Skipped: 0



ANSWER CHOICES	RESPONSES	
Yes, most likely	92.08%	93
No, probably not	7.92%	8
TOTAL		101

Operations Update

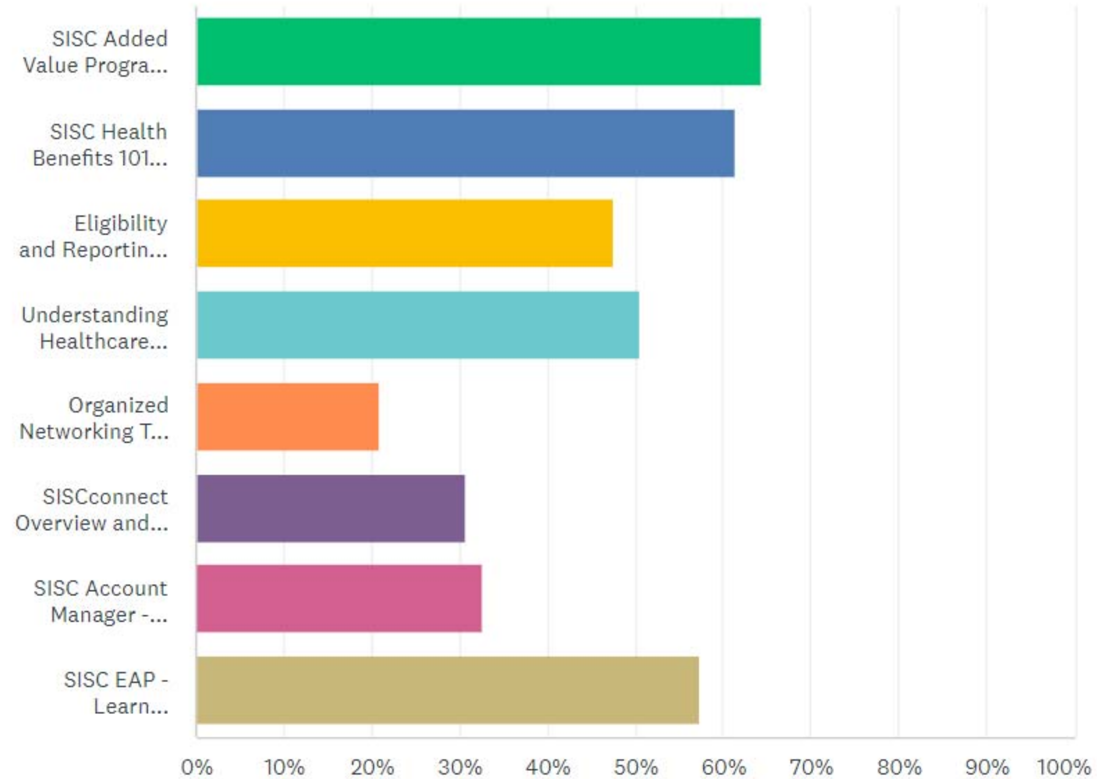
* 2. If you plan to attend, what topics would be of most interest to you? Please select **up to four** of the following topics.

- ☐ SISC Added Value Programs - Learn all about the extra programs SISC has to offer your employees at no additional cost.
- ☐ SISC Health Benefits 101 - Get more informed about the basics of the SISC plan design and benefits. Deductible, co-pays, coinsurance, and various plan design features will be highlighted.
- ☐ Eligibility and Reporting Guidelines - Get an interactive overview of the SISC rules and reporting guidelines. New to SISC benefit reporting? This is for you!
- ☐ Understanding Healthcare Costs - Get informed of the costs associated with an employee health plan so you can be more informed when discussing with employees.
- ☐ Organized Networking Time - Get to know your peers at other districts with a SISC brainstorming and discussion session.
- ☐ SISCconnect Overview and Demo - See a live demo of SISCconnect and all the resources available to you on our website.
- ☐ SISC Account Manager - Connect with your Account Manager and other districts in your region to discuss current employee benefit topics.
- ☐ SISC EAP - Learn everything about the EAP so you can support your employees when they need it most.

Operations Update

If you plan to attend, what topics would be of most interest to you? Please select up to four of the following topics.

Answered: 101 Skipped: 0



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