SISC
Self-Insured Schools of California
Schools Helping Schools

HEALTH BENEFITS
BOARD OF DIRECTORS MEETING
JULY 20, 2023
1:00 P.M.

AGENDA

I. Consent Agenda

A. Approval of Minutes for June 2023 Board of Directors Meeting — Dave Ostash

B. Report of Activity for the Month of June 2023 and the Ratification of Payment as follows: — Dave Ostash

DELTA DENTAL CLAIMS		13,128,347.34	
DELTA DENTAL ASO		766,695.32	
ANTHEM DENTAL CLAIMS		284,204.69	
ANTHEM DENTAL ASO		10,836.00	
		TOTAL DENTAL	14,190,083.35
VSP CLAIMS		1,495,701.63	
EYE MED CLAIMS		109,565.86	
VSP ASO		152,164.35	

EYEMED ASO		12,488.43	
		TOTAL VISION	1,769,920.27
ANTHEM BLUE CROSS HEALTH CLAIMS		116,044,875.32	
BLUE SHIELD HEALTH CLAIMS		32,531,181.82	
ANTHEM BC COMPANION CARE RETIREE CLAIMS		728,326.13	
	TOTAL HEALTH CLAIMS	149,304,383.27	
ANTHEM BLUE CROSS ASO		4,109,799.97	
BLUE SHIELD PPO ASO		708,698.44	
AMERIBEN PPO ASO		84,492.96	
ANTHEM BC COMPANION CARE RETIREE ASO		125,280.30	
FOUNDATION CLMS PROCESSING ASO		602,021.35	
	TOTAL HEALTH ASO	5,630,293.02	
		TOTAL HEALTH	154,934,676.29
EXPRESS SCRIPTS CLAIMS		11,871,429.02	
NAVITUS RX CLAIMS		42,654,326.70	
EXPRESS SCRIPTS ASO		736,406.61	
NAVITUS RX ASO		656,441.47	
RX N GO		32,438.66	
		TOTAL RX	55,951,042.46
INSURED PRODUCTS			
ANTHEM BC HMO CLAIMS		7,270,135.13	
ANTHEM BC HMO ADMIN FEE		810,835.52	
ANTHEM BC EAP		321,104.00	
ANTHEM VIVITY		462,575.62	
ANTHEM HMO CAPITATION		7,114,207.14	
BLUE SHIELD HMO CLAIMS		2,660,463.34	
BLUE SHIELD HMO ADMIN FEE		3,987,178.67	
KAISER HMO		115,152,653.71	
SIMNSA		501,891.00	
DELTACARE/PMI DENTAL		32,123.22	
EYEMED-FULLY INSURED		73,468.10	
BLUE SHIELD MEDICARE ADVANTAGE		35,348.00	
LINCOLN FINANCIAL LIFE INSURANCE		238,077.25	

		TOTAL INSURED	138,660,060.70
WELLNESS			140,486.40
ALL OTHER			1,985,985.85
		TOTAL III PAYMENTS	367,632,255.32

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 June 2023 Will Be Submitted for Approval — Kim Sloan

Moved_________________________2nd_______________________

Yes______No______Abstain______Roll Call Vote____________

B. Request Approval of the 2023-2024 GASB 45 Budget — Kim Sloan

Moved_________________________2nd_______________________

Yes______No______Abstain______Roll Call Vote____________

C. Request Approval of the Defined Benefit Audit for the Year Ended December 31, 2022 — Megan Hanson

Moved_________________________2nd_______________________

Yes______No______Abstain______Roll Call Vote____________

D. Election of a Vice Chairman (1 year term remaining) — Dave Ostash

Moved_________________________2nd_______________________

Yes______No______Abstain______Roll Call Vote____________

E. Election of a Secretary (1 year term remaining) — Dave Ostash

Moved_________________________2nd_______________________

Yes______No______Abstain______Roll Call Vote____________

IV. Information and Discussion Items

A. Review Monthly Budget-to-Actual through June 2023 — John Stenerson

B. Operations Update — Nicole Henry

C. SISC Flu Shot Program Updates — Nicole Henry

D. Discussion Regarding Application of Government Code 6509 — Dave Ostash

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

F. Next Meeting: — Dave Ostash
Thursday, August 24, 2023
1:00 p.m.
SISC Board Room, 4th Floor – Larry E. Reider Education Center
2000 K Street, Bakersfield, CA 93301

G. 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.

SISC
Self-Insured Schools of California
Schools Helping Schools

HEALTH BENEFITS
BOARD OF DIRECTORS MEETING
JUNE 15, 2023
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 Kouklis at 1:01 p.m. on Thursday, June 15, 2023 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:	ALTERNATES PRESENT:	OTHERS PRESENT:
Nick Kouklis	Dan Weirather	Kim Sloan
Ty Bryson	Kimberly McAbee	Megan Hanson
Glenn Imke	Chris Meyer	Kristy Comstock
Ramon Hendrix		Rich Edwards
Sherry Gladin		Fred Bayles
Steve Torres		John Stenerson
Eva Chavez		Nicole Henry
Robert Hughes		Lola Nickell
		Christian Shannon
		Brad Pawlowski
		Shawna Smith
		Frank Impastato
		Bob Hunter
		Carmen Gonzales
		Roy Marchetti
		Paola Ferruzo
		Annette Charlton
		Debbie Hankins
		Brent Boyd
		Tara Hernandez
		Nivalda Pinguet

Consent Agenda

Motion was made by Director Bryson seconded, by Director Hendrix and by roll call vote of 10-Yes, 0-No, and 0 Abstentions (10-0-0) to approve the Consent Agenda as follows:

DELTA DENTAL CLAIMS		10,105,718.24	
DELTA DENTAL ASO		590,173.66	
ANTHEM DENTAL CLAIMS		230,086.48	
ANTHEM DENTAL ASO		10,732.00	
		TOTAL DENTAL	10,936,710.38
VSP CLAIMS		1,249,613.09	
EYE MED CLAIMS		106,968.65	
VSP ASO		152,078.85	
EYEMED ASO		12,452.59	
		TOTAL VISION	1,521,113.18
ANTHEM BLUE CROSS HEALTH CLAIMS		90,472,752.06	
BLUE SHIELD HEALTH CLAIMS		35,733,128.16	
ANTHEM BC COMPANION CARE RETIREE CLAIMS		617,852.21	
	TOTAL HEALTH CLAIMS	126,823,732.43	
ANTHEM BLUE CROSS ASO		4,284,996.70	
BLUE SHIELD PPO ASO		693,032.16	
AMERIBEN PPO ASO		84,097.44	
ANTHEM BC COMPANION CARE RETIREE ASO		125,775.06	
FOUNDATION CLMS PROCESSING ASO		607,649.21	
	TOTAL HEALTH ASO	5,795,550.57	
		TOTAL HEALTH	132,619,283.00
EXPRESS SCRIPTS CLAIMS		8,536,984.77	
NAVITUS RX CLAIMS		40,288,108.59	
EXPRESS SCRIPTS ASO		749,858.39	
NAVITUS RX ASO		527,052.12	
RX N GO		35,341.42	
		TOTAL RX	50,137,345.29
INSURED PRODUCTS			
ANTHEM BC HMO CLAIMS		6,501,332.33	

ANTHEM BC HMO ADMIN FEE		0.00	
ANTHEM BC EAP		320,936.00	
ANTHEM VIVITY		0.00	
ANTHEM HMO CAPITATION		7,042,888.63	
BLUE SHIELD HMO CLAIMS		3,179,550.36	
BLUE SHIELD HMO ADMIN FEE		4,043,915.81	
KAISER HMO		0.00	
SIMNSA		494,233.00	
DELTACARE/PMI DENTAL		31,997.27	
EYEMED-FULLY INSURED		73,713.42	
BLUE SHIELD MEDICARE ADVANTAGE		35,348.00	
LINCOLN FINANCIAL LIFE INSURANCE		574,531.10	
		TOTAL INSURED	22,298,445.92
WELLNESS			118,086.40
ALL OTHER			1,578,505.17
		TOTAL III PAYMENTS	219,209,489.34

Public Comment
None

Action Items

Financial Report
Kim Sloan reviewed with the Board the Financial Report for the period ending May 31, 2023. Kim reported the LAIF rate for the month of May 2023 increased to 2.99% from last month at 2.87%. After discussion, motion was made by Director Chavez, seconded by Director Gladin and by roll call vote of 10-0-0, approving the Financial Reports as submitted.

Request Approval of the 2023-2024 Board Meeting Times, Dates and Places
Director Kouklis discussed the meeting times, dates and places for the upcoming year. He noted the meetings in August and February are scheduled a week later than normal and the October meeting will be at Lucia Mar Unified School District. After discussion motion was made by Director Chavez, seconded by Director Hendrix and by roll call vote of 10-0-0, approving the board meeting schedule for 2023-2024.

Information and Discussion Items

Review Monthly Budget-to-Actual through May 2023
John Stenerson reviewed the monthly budget-to-actual with the Board for the month of May 2023.

Comments from the Board of Directors
Director Kouklis announced all retirees and those leaving the board starting July 1, 2023.

Adjournment
There being no further business to come before the Board, motion was made by Director Chavez, seconded by Director Torres, and by roll call vote of 10-0-0, adjourning the meeting at 1:25 p.m.

Next Meeting
The next meeting of the Board of Directors will be held **Thursday, July 20th at** 1:00 p.m. in the SISC Board Room, 4th Floor-Larry E. Reider Education Center, 2000 K Street, Bakersfield, CA 93301

____

Eva Chavez, Secretary

SISC III
INCOME STATEMENT
JUNE 2023

		BUDGET	YEAR-TO-DATE	CURRENT MONTH
REVENUES				
8660.00	Interest-County Treasurer	$4,500,000.00	$1,954,658.68	$0.00
8660.03	LAIF	$3,611.00	$2,891.45	$0.00
8660.04	Investments	$6,914,159.00	$11,633,112.68	$0.00
8660.05	Bank	$320,000.00	$471,634.99	$36,155.31
8674.03	Premiums-PPO Medical	$1,736,238,916.00	$1,261,149,305.67	$142,643,286.22
8674.04	Dental	$151,170,224.00	$119,326,763.60	$13,495,363.85
8674.08	Pharmacy	$352,612,285.00	$287,661,337.17	$32,673,424.23
8674.25	Vision	$22,367,116.00	$17,266,220.10	$1,977,741.47
8674.05	HMO	$907,435,247.00	$696,569,591.14	$80,175,658.45
8674.06	Life	$4,307,621.00	$3,495,641.96	$397,378.94
8674.09	Insured Retiree Progams	$365,856.00	$279,453.00	$33,005.00
8674.10	Insured Vision	$860,532.00	$664,815.93	$73,587.63
8674.18	Insured Dental	$387,915.00	$292,699.82	$32,222.98
8699.00	IRC 125 Flex Plan Contributions	$0.00	$466,162.85	($42,975.94)
8699.07	Administration Fees	$222,698.00	$178,603.09	$20,589.90
8699.08	Penalities/Late Fees	$175,000.00	$154,285.40	$26,340.69
8699.10	SISC Access Fee	$1,392,564.00	$1,006,447.76	$114,914.01
TOTAL REVENUES		$3,189,273,744.00	$2,402,573,625.29	$271,656,692.74
EXPENSES				
3900.00	Benefits Paid - IRC 125 Flex Plan	$0.00	$0.00	$0.00
4300.00	Supplies	$100,000.00	$78,146.63	$758.91
5200.00	Travel/Conference	$50,000.00	$84,066.25	($30,777.88)
5300.00	Dues and Membership	$21,600.00	$31,098.76	$1,232.99
5450.03	E & O Insurance	$133,322.00	$0.00	$0.00
5450.05	Premiums - HMO	$821,435,666.00	$613,982,295.28	$70,113,061.58
5450.08	Insured Dental	$387,915.00	$289,803.90	$32,123.22
5450.09	Insured Retiree Progams	$365,856.00	$285,117.00	$32,483.00
5450.10	Insured Vision	$860,532.00	$661,381.92	$73,468.10
5450.21	Life	$4,245,058.00	$3,533,809.92	$238,077.25
5800.00	Miscellaneous	$25,000.00	$559.10	$0.00
5800.02	Audit	$31,820.00	$29,570.00	$0.00
5800.10	Consulting	$656,000.00	$404,679.35	$32,545.03
5800.32	Bank Fees	$320,000.00	$185,535.36	$0.00
5800.33	Government Fees	$735,061.00	$701,115.30	$701,115.30
5800.35	Admin Fees	$78,120.00	$59,759.25	$6,308.70
5800.40	Wellness Program	$1,000,000.00	$1,170,200.31	$140,486.40
5800.41	Healthcare Specialists	$5,000,000.00	$2,927,693.18	$380,820.81
5800.50	Administration - KCSOS	$8,185,292.00	$5,620,417.42	$702,157.46
5800.60	Claims - PPO Medical	$1,699,266,418.00	$1,206,352,473.25	$146,293,187.04
5800.61	Claims - Dental	$138,223,372.00	$103,397,241.48	$13,412,552.03
5800.63	Claims - Vision	$20,086,952.00	$13,842,925.73	$1,604,806.49
5800.64	Claims - HMO Flex	$130,008,467.00	$82,653,566.23	$9,598,032.36
5800.68	Claims - Pharmacy	$343,436,758.00	$292,305,663.56	$34,811,481.80
5800.70	Admin - PPO Medical	$59,187,177.00	$42,689,848.69	$4,780,886.16
5800.71	Admin - Claims Processing	$7,738,632.00	$6,167,833.29	$685,150.35
5800.72	Admin - Dental	$8,072,245.00	$6,024,330.74	$777,531.32
5800.73	Admin - Vision	$1,898,525.00	$1,466,782.38	$163,763.43
5800.75	Admin - Pharmacy	$12,082,845.00	$11,095,830.57	$1,375,196.38
5800.79	EAP Expense	$3,580,596.00	$2,848,980.00	$321,104.00
5800.94	Other Distributions/Contributions	$5,909,252.00	$5,099,628.01	$497,246.71
5800.95	Unpaid Claims Liability Adjustment	$19,421,224.00	$14,565,919.00	$1,618,435.00
TOTAL EXPENSES		$3,292,543,705.00	$2,418,556,271.86	$288,363,233.94
CHANGE IN NET ASSETS		($103,269,961.00)	($15,982,646.57)	($16,706,541.20)
NET ASSETS - BEGINNING		$698,830,764.36	$698,830,764.36	$699,554,658.99
NET ASSETS - ENDING		$595,560,803.36	$682,848,117.79	$682,848,117.79

SISC III
BALANCE SHEET
June 30, 2023

		October 1, 2022 BALANCE	June 30, 2023 BALANCE
ASSETS			
9110.00	Cash in County Treasury	$293,571,207.45	$137,260,479.81
9120.00	Bank Account-Health Claims	$97,906,040.56	$173,692,921.73
9130.00	Revolving Fund	$1,500.00	$1,500.00
9150.01	Local Agency Investment Fund	$240,148.11	$243,856.70
9150.03	Investments	$454,040,120.84	$515,673,233.52
9200.00	Accounts Receivable	$112,353,992.35	$58,522,234.87
9330.00	Prepaid Expenditures	$0.00	$57,424,307.21
9335.00	Reserve Fund	$13,572,357.00	$13,722,357.00
TOTAL ASSETS		$971,685,366.31	$956,540,890.84
LIABILITIES			
9500.00	Current Liabilities	$73,512,875.15	$57,647,864.82
9650.00	Deferred Income	$2,619,609.44	$4,756,871.87
9668.00	Unpaid Claims Liability	$196,722,117.36	$211,288,036.36
TOTAL LIABILITIES		$272,854,601.95	$273,692,773.05
NET ASSETS - Funding Stabilization Reserves		$698,830,764.36	$682,848,117.79
TOTAL LIABILITIES AND NET ASSETS		$971,685,366.31	$956,540,890.84

AUTHORIZED SIGNATURE

PREPARED BY: Nancy Russo

SISC III
Investments
June 30, 2023

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	$137,260,479.81	2.42%	LAST QUARTER	JAN-MAR 2023
		1.58%	5 YEAR AVERAGE	APR 2018 - MAR 2023
LOCAL AGENCY INVESTMENT FUND	$243,856.70	3.17%	CURRENT MONTH	June, 2023
		2.74%	LAST QUARTER	JAN-MAR 2023
		1.49%	5 YEAR AVERAGE	APR 2018 - MAR 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 March 31, 2023 was:

INVESTMENT FIRM	MARKET VALUE	QUARTERLY RETURN	ANNUALIZED RETURN	PERIOD	DATES
MADISON INVESTMENTS (SISC INVESTMENT POOL)	$65,769,133.00	1.49%	6.06%	LAST QUARTER	JAN-MAR 2023
			1.04%	5 YEAR AVERAGE	APR 2018 - MAR 2023
			4.33%	YIELD TO MATURITY	AS OF MAR 31, 2023
MORGAN STANLEY (FRED BAYLES)	$228,589,918.92	1.44%	5.83%	LAST QUARTER	JAN-MAR 2023
			1.07%	5 YEAR AVERAGE	APR 2018 - MAR 2023
			4.40%	YIELD TO MATURITY	AS OF MAR 31, 2023
WELLS FARGO ADVISORS (RICH EDWARDS)	$221,314,181.60	1.52%	6.15%	LAST QUARTER	JAN-MAR 2023
			0.63%	5 YEAR AVERAGE	APR 2018 - MAR 2023
			4.54%	YIELD TO MATURITY	AS OF MAR 31, 2023
	$515,673,233.52				

5-YEAR HISTORY OF RETURNS

Quarter Ending:	Co of Kern	LAIF	Investment Pool	Fred Morgan Stanley	Rich Wells Fargo	Combined Weighted Average Return
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%
12/31/2018	1.92%	2.40%	4.30%	3.46%	4.65%	2.86%
9/30/2018	1.77%	2.16%	1.09%	1.55%	0.83%	1.50%
6/30/2018	1.69%	1.90%	1.00%	1.06%	0.64%	1.32%
5-Yr Average	1.58%	1.49%	1.04%	1.07%	0.63%	1.19%

SISC DEFINED BENEFIT PLAN and GASB 45 TRUST A
Investment Returns
As of : 3-31-2023

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:	Jan-Mar 2023	6.01%	VS.	5.68%
Calendar Yr-To-Date:	Jan-Mar 2023	6.01%	VS.	5.68%
Rolling 4 Quarters:	Apr 2022-Mar 2023	-6.78%		

5-Year History of Returns:	2022	-18.94%
	2021	15.33%
	2020	17.56%
	2019	25.08%
	2018	-8.53%

SISC GASB 45 TRUST A

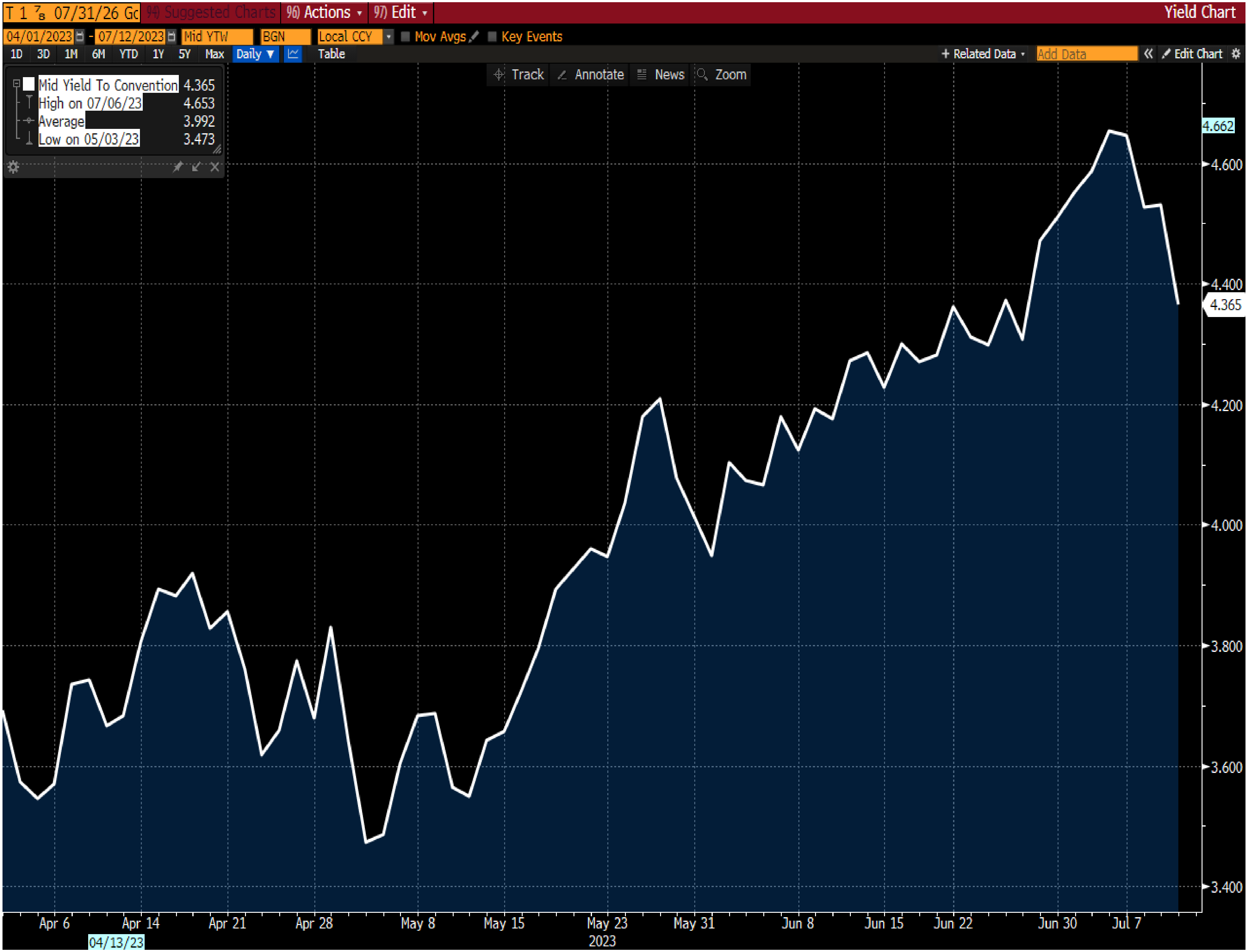
As of : 3-31-2023

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:	Jan-Mar 2023	2.84%	VS.	5.68%
Calendar Yr-to-Date:	Jan-Mar 2023	2.84%	VS.	5.68%
Fiscal Year-To-Date:	Jul 2022-Mar 2023	7.90%		
Rolling 4 Quarters:	Apr 2022-Mar 2023	-3.05%		

5-Year History of Returns:	2021-22	-9.71%
	2020-21	29.13%
	2019-20	-0.02%
	2018-19	6.17%
	2017-18	8.36%



T 1 ⅞ 07/31/26 Gc
94) Suggested Charts
96) Actions
97) Edit
Yield Chart
04/01/2023 - 07/12/2023
Mid YTW
BGN
Local CCY
Mov Avgs
Key Events
1D 3D 1M 6M YTD 1Y 5Y Max Daily
Table
Related Data
Add Data
Edit Chart
Track
Annotate
News
Zoom
Mid Yield To Convention 4.365
High on 07/06/23 4.653
Average 3.992
Low on 05/03/23 3.473
4.662
4.600
4.400
4.365
4.200
4.000
3.800
3.600
3.400
Apr 6
Apr 14
Apr 21
Apr 28
May 8
May 15
May 23
May 31
Jun 8
Jun 15
Jun 22
Jun 30
Jul 7
04/13/23
2023

SISC OPEB (GASB 45) TRUST
2023-24 BUDGET

7/13/2023

OBJECT CODE	DESCRIPTION	July 1, 2022	July 1, 2022	Projected July 1, 2023
ASSETS & LIABILITIES				
9110.00	CASH - COUNTY TREASURER	$919,312.27	$919,312.27	$1,084,069.13
9120.11	BANK ACCOUNT	$3,223.44	$3,223.44	$1,355.58
9150.00	INVESTMENTS-TRUST A	$296,176,323.84	$296,176,323.84	$335,877,482.50
9200.00	ACCOUNTS RECEIVABLE	$53,268.17	$53,268.17	$58,456.00
9500.00	CURRENT LIAB-TRUST A	($296,176,323.84)	($296,176,323.84)	($335,877,482.50)
9510.00	CURRENT LIAB-Other	($3,424.51)	($3,424.51)	($4,213.00)
NET ASSETS - BEGINNING		**$972,379.37**	**$972,379.37**	**$1,139,667.71**

		2022-23 BUDGET	PROJECTED YTD @ June 30, 2023	2023-24 BUDGET
REVENUES				
8660.00	Interest-County Auditor	$10,625.00	$17,800.10	$33,250.00
8660.05	Interest-Bank	$5.00	$72.21	$75.00
8699.07	Admin Fees	$203,101.00	$216,023.03	$231,404.00
TOTAL REVENUES		**$213,731.00**	**$233,895.34**	**$264,729.00**
		Bdgt vs Proj 6/30	$20,164.34	
			Higher Admin Fees	
EXPENSES				
4300.00	Supplies	300.00	0.00	300.00
5200.00	Travel/Conference	300.00	0.00	300.00
5800.00	Miscellaneous	200.00	0.00	200.00
5800.02	Audit	9,710.00	9,710.00	10,000.00
5800.10	Consulting	$8,000.00	$6,000.00	8,000.00
5800.32	Bank Fees	0.00	0.00	0.00
5800.50	Admin - KCSOS	46,338.00	50,897.00	51,202.00
TOTAL EXPENSES		**$64,848.00**	**$66,607.00**	**$70,002.00**
		Bdgt vs Proj 6/30	$1,759.00	
		Consulting lower/KCSOS exp higher than expt'd		
CHANGE IN NET ASSETS		**$148,883.00**	**$167,288.34**	**$194,727.00**
NET ASSETS - BEGINNING		$972,379.37	$972,379.37	$1,139,667.71
NET ASSETS - ENDING		$1,121,262.37	**$1,139,667.71**	**$1,334,394.71** *

* **Note: Admin fees are low with intent to be a break-even program, but we do need some reserves to cover:**

1) Expenses when mkt/invest return is down
2) Unexpected expenses; change in laws; consulting; etc.
3) Increase in salary & benefit costs (KCSOS)

SISC DEFINED BENEFIT PLAN

Report to the Board of Directors
July 12, 2023

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
SISC Defined Benefit Plan
P.O. Box 1847
Bakersfield, California 93303-1847

Attention: Nick Kouklis

We are pleased to present this report related to our audit of the financial statements of **SISC Defined Benefit Plan** for the year ended December 31, 2022. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for **SISC Defined Benefit Plan**'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 these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to **SISC Defined Benefit Plan.**

Daniells Phillips Vaughan & Bock

July 12, 2023

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 December 29, 2022. 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 Plan. The Plan 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	We are not aware of any uncorrected misstatements other than misstatements that are 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 the Plan, including the representation letters provided to us by management, are attached as Exhibit A.

SISC Defined Benefit Plan
Summary of Significant Accounting Estimates
Year Ended December 31, 2021

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. There are no significant estimates reflected in December 31, 2022 financial statements.

Exhibit A
Representation Letter

SISC
Self-Insured Schools of California
Schools Helping Schools

July 12, 2023

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

This representation letter is provided in connection with your audits of the financial statements of **SISC Defined Benefit Plan** as of and for the years ended December 31, 2022 and 2021 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 July 12, 2023:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 29, 2022, 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, including those with Self-Insured Schools of California and the Kern County Superintendent of Schools are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, 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. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.

9. 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.

10. We have no knowledge of any uncorrected misstatements in the financial statements.

11. With respect to drafting of the financial statements performed in the course of the audit:

    a. We have made all management decisions and performed all management functions;

    b. We assigned an appropriate individual to oversee the services;

    c. We evaluated the adequacy and results of the services performed, and made an informed judgment on the results of the services performed;

    d. We have accepted responsibility for the results of the services; and

    e. We have accepted responsibility for all significant judgments and decisions that were made.

Information Provided

12. We have provided you with:

    a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.

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

    c. Unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.

    d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

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

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

15. 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.

16. We have no knowledge of allegations of fraud or suspected fraud affecting the Entity's financial statements involving:

    a. Management.

    b. Employees who have significant roles in internal control.

    c. Others where the fraud could have a material effect on the financial statements.

17. We have no knowledge of any allegations of fraud or suspected fraud affecting the Entity's financial statements received in communications from employees, former employees, analysts, regulators, or others.

18. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.

19. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements. We have not consulted legal counsel concerning litigation or claims.

20. 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.

21. 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.

22. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

23. During the course of your audits, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

24. The IRS has determined and informed the Plan Sponsor, by a letter dated August 11, 2014, that the Plan is entitled to be treated as a Governmental plan under section 414(d) of the Internal Revenue Code. That IRS favorable determination letter expired on January 31, 2019, and we believe that the Plan is currently designed and is being operated in compliance with the applicable requirements of the Code. We have operated the Plan and trust in a manner that did not jeopardize this status.

Supplementary Information

25. With respect to supplementary information presented in relation to the financial statements as a whole:

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

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

    c. The methods of measurement or presentation have not changed from those used in the prior period.

Compliance Considerations

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

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

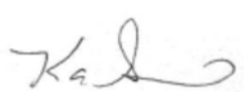
27. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the auditee.

28. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect

on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

29. Has identified and disclosed to the auditor all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts, and grant agreements that have a material effect on the determination of financial statement amounts.
30. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to 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 internal controls to prevent and detect fraud.
33. Has taken timely and appropriate steps to remedy fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements that the auditor reports.
34. Has a process to track the status of audit findings and recommendations.
35. 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.
36. Has provided views on the auditor's reported findings, conclusions and recommendations, as well as management's planned corrective actions, for the report.
37. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including a statement 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.

SISC Defined Benefit Plan



Kim Sloan, Chief Financial Officer

Megan Hanson, Coordinator II

SISC
Self-Insured Schools of California
Schools Helping Schools

SISC DEFINED BENEFIT PLAN
FINANCIAL REPORT

December 31, 2022

DANIELLS PHILLIPS VAUGHAN & BOCK
CPAs and Advisors

C O N T E N T S

DANIELLS PHILLIPS VAUGHAN & BOCK
CPAs and Advisors

An independently owned member RSM US Alliance

Member of AICPA Division for Firms
Private Companies Practice Section

PATRICK W. PAGGI

INDEPENDENT AUDITOR'S REPORT

Board of Directors
SISC Defined Benefit Plan
Bakersfield, California

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of **SISC Defined Benefit Plan** (the Plan), which comprise the statements of fiduciary net position as of December 31, 2022 and 2021, and the related statements of changes in fiduciary net position for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Plan, as of December 31, 2022 and 2021, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audit 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 the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 the Plan's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 the Plan'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 the Plan'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, schedules of changes in net pension liability, schedules of employer contributions, schedules of annual money-weighted returns, and note to required supplementary information on pages 3-7 and 19-27 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2023 on our consideration of the Plan'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 the Plan'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 the Plan's internal control over financial reporting and compliance.

Daniells Phillips Vaughan & Bock

Bakersfield, California
July 12, 2023

SISC DEFINED BENEFIT PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022

The following report reflects on the financial condition of SISC Defined Benefit Plan for the year ended December 31, 2022. 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 additions were ($10,296,509), a decrease of 181.35% from the previous year of $12,657,223. The decrease is related to a combination of lower contributions and lower investment income. Contributions decreased due a decrease in the contribution rate from 3.7% in 2021 to 2.7% in 2022. In 2021, the return on investment was 15.33% compared to (18.94%) in 2022, this led to lower investment returns.

- Total deductions were $4,756,567, a decrease of 9.36% or $491,044. This is mainly due to a decrease in benefits paid. The benefits paid in 2022 are based on the 2021 terminations. There were 2,269 terminations in 2021, versus 2,539 in 2020 and the amount paid decreased from $4,327,499 to $3,774,645. Trustee fees decreased as well due to lower investment balances.

- Total fiduciary net position restricted for pensions decreased $15,053,076 from $72,919,215 in 2021 to $57,866,139 in 2022. This decrease is due to the poor performance in the investment market.

Overview of the Financial Statements

The SISC Defined Benefit Plan's 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. The Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position are included along with Notes to Financial Statements to clarify unique accounting policies and financial information.

The Statements of Fiduciary Net Position provide information regarding the SISC Defined Benefit Plan's assets and liabilities, with the difference reported as Net Position Restricted for Pensions. Net Position Restricted for Pensions may be an indicator of the overall financial changes across years. The Statements of Changes in Fiduciary Net Position present information showing total additions versus total deductions and the resulting outcome on Fiduciary Net Position Restricted for Pensions.

Daniells Phillips Vaughan & Bock (DPV&B) performed an independent audit examination of our financial statements in accordance with auditing standards generally accepted in the United States of America. An opinion from DPV&B regarding the financial position of the SISC Defined Benefit Plan at December 31, 2022 is provided in the Independent Auditor's Report.

Assets and Liabilities

Total assets decreased from $72,963,499 at December 31, 2021 to $57,947,147 at December 31, 2022, a decrease of $15,016,352. This is attributable to a decrease in the fair market value of investments at year end. Current cash and investment instruments include the Kern County Treasury and mutual funds held by Empower Retirement.

Total liabilities increased from $44,284 at December 31, 2021 to $81,008 at December 31, 2022. Payables include both trustee fees and KCSOS expenses.

Statements of Fiduciary Net Position

	2022	%	2021	%	2020	%
ASSETS						
Cash and cash equivalents	$ 912,015	1.58%	$ 493,214	0.68%	$ 147,511	0.23%
Receivables						
Employer	117,399	0.20%	108,811	0.15%	157,122	0.24%
Investments	56,917,733	98.22%	72,361,474	99.17%	65,207,275	99.53%
Total assets	57,947,147	100.00%	72,963,499	100.00%	65,511,908	100.00%
LIABILITIES						
Liabilities						
Refunds payable and other	81,008	100.00%	44,284	100.00%	2,305	100.00%
Fiduciary net position restricted for pensions	$ 57,866,139	100.00%	$ 72,919,215	100.00%	$ 65,509,603	100.00%

Additions and Deductions

Additions decreased from $12,657,223 for the year ended December 31, 2021 to ($10,296,509) for the year ended December 31, 2022. This was due to a lower contribution rate and significantly lower investment returns.

Total deductions decreased $491,044 or 9.36%. This was mainly due to a decrease in benefit payments of $500,129. The number of participants requesting benefit payments decreased, and the total amount paid out also decreased. The amount paid out is based on the factors of age and salary.

Statements of Changes in Fiduciary Net Position

	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Additions:			
Contributions, both	$ 2,931,393	$ 3,103,828	$ 2,775,234
Investment income (loss)	(13,227,902)	9,553,395	9,696,527
Total additions	(10,296,509)	12,657,223	12,471,761
Deductions:			
Benefit payments	4,303,503	4,803,632	4,092,020
Administrative expense	360,385	333,278	352,845
Trustee fees	92,679	110,701	34,868
Total deductions	4,756,567	5,247,611	4,479,733
Net increase (decrease) in fiduciary net position	(15,053,076)	7,409,612	7,992,028
Fiduciary net position restricted for pensions			
Beginning of year	72,919,215	65,509,603	57,517,575
End of year	$ 57,866,139	$ 72,919,215	$ 65,509,603

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022

Budgetary Highlights

Each year the SISC Defined Benefit Plan Board of Directors approves the budget set forth by management. The SISC Defined Benefit Plan follows a calendar year. The budget is brought to the Board in December for approval. The budget incorporates various fiscal and economic factors such as investment performance, employer payroll trends, benefit payments, and administrative costs. Below is a summary of the 2022 budget information with a comparison to actual results.

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

	Budget	Actual Results	$ Variance	% Variance
Additions:				
Contributions, both	$ 2,565,000	$ 2,931,393	$ 366,393	14.28%
Investment income	4,829,960	(13,227,902)	(18,057,862)	-373.87%
Total additions	7,394,960	(10,296,509)	(17,691,469)	-239.24%
Deductions:				
Benefit payments	4,784,882	4,303,503	(481,379)	-10.06%
Administrative expense	365,682	360,385	(5,297)	-1.45%
Trustee fees	113,650	92,679	(20,971)	-18.45%
Total deductions	5,264,214	4,756,567	(507,647)	-9.64%
Net increase (decrease) in fiduciary net position	2,130,746	(15,053,076)	(17,183,822)	-806.47%
Fiduciary net position restricted for pensions				
Beginning of year	72,919,215	72,919,215	-	
End of year	$ 75,049,961	$ 57,866,139	$ (17,183,822)	

- Actual contributions were $366,393 higher than budgeted due to payroll being higher than anticipated.
- Market appreciation of investments was $18,057,862 less than budgeted. This was the result of lower market returns than anticipated.
- Benefits paid were $481,379 less than projected due to participant balances paid out being lower on average per participant.
- Administrative expenses were $5,297 less than expected due to KCSOS expenses being slightly under budgeted.
- Trustee fees were $20,971 less than budgeted due to lower than anticipated investment balances. Trustee fees are based on a percentage of the ending investment balance every quarter.

Factors Bearing on SISC Defined Benefit Plan's Future

In addition to historical information, the Management's Discussion and Analysis includes certain forward-looking statements, which involve currently known facts and certain risks and uncertainties. SISC Defined Benefit Plans' actual results, performance, and achievements may differ from the results, performance, and achievements expressed or implied in such forward- looking statements due to a wide range of factors, including changes in interest rates, changes in the securities markets, general economic conditions, legislative changes, and other factors.

Other Information

The SISC Defined Benefit Plan is a 401 (a) qualified pension plan used by employers as an alternative to Social Security. The Defined Benefit Plan falls under the SISC III – Health Benefits umbrella. A Joint Powers Agreement created SISC III in July 1979, in accordance with the California Government Code Sections 53200, etc. seq. Our philosophy is "Schools Helping Schools."

The purpose of the SISC Defined Benefit Plan is to provide a less costly retirement alternative to Social Security for part-time, temporary, and seasonal participants. The participating employers pay the full cost of the Plan for those participants hired before January 1, 2014 and share the cost of the Plan with participants hired on or after January 1, 2014. All employer and employee contributions are held and invested by the Trustee appointed by SISC. Benefits are designed to be paid out at age 65; however, benefits can be paid in cash as a full lump sum distribution after an employee leaves employment with all participating employers or retirees. Benefits are 100% vested beginning on the date of participation.

To be eligible to participate in the Plan, employees must not be participating in any other retirement plan of the employer, county, or state. If an employee becomes eligible for Public Employees' Retirement System (PERS) or State Teachers' Retirement System (STRS), the employer contributions to the SISC Defined Benefit Plan end.

Contacting the Plan's Financial Management

This financial report is designed to provide the Board and participating employers with a general overview of the Plan'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 P.O. Box 1808, Bakersfield, California 93303-1808.

SISC DEFINED BENEFIT PLAN

STATEMENTS OF FIDUCIARY NET POSITION
December 31, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	**$ 912,015**	$ 493,214
Receivables:		
Employer	**117,399**	108,811
Investments:		
Fixed income mutual funds	**9,763,717**	14,688,297
Equity mutual funds	**47,154,016**	57,673,177
Total investments	**56,917,733**	72,361,474
Total assets	**57,947,147**	72,963,499
Liabilities		
Refunds payable and other -		
Total liabilities	**81,008**	44,284
Fiduciary net position restricted for pensions	**$ 57,866,139**	$ 72,919,215

See Notes to Financial Statements.

SISC DEFINED BENEFIT PLAN

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
For the Years Ended December 31, 2022 and 2021

	2022	2021
Additions		
Contributions:		
Employer	**$ 1,746,092**	$ 2,032,002
Member	**1,185,301**	1,071,826
Total contributions	**2,931,393**	3,103,828
Investment income (loss)	**(13,227,902)**	9,553,395
Total additions	**(10,296,509)**	12,657,223
Deductions		
Benefit payments	**4,303,503**	4,803,632
Administrative expense	**360,385**	333,278
Trustee fees	**92,679**	110,701
Total deductions	**4,756,567**	5,247,611
Net increase (decrease) in fiduciary net position	**(15,053,076)**	7,409,612
Fiduciary net position restricted for pensions		
Beginning of year	**72,919,215**	65,509,603
End of year	**$ 57,866,139**	$ 72,919,215

See Notes to Financial Statements.

SISC DEFINED BENEFIT PLAN

NOTES TO FINANCIAL STATEMENTS

Note 1. Plan Description

Plan administration: Self-Insured Schools of California (SISC) administers the SISC Defined Benefit Plan (SDBP) which is a cost-sharing, multi-employer defined benefit pension plan that provides benefits for the part-time employees of 63 participating school districts and county offices of education (participating employers).

California Government Code Section 6507 created Self-Insured Schools of California ("SISC"), a Joint Powers Agency with the authority to establish and amend the benefit provisions of the plan.

Management of SDBP is vested in the SISC III Health and Welfare Benefits Program board of directors. As of December 31, 2022 and 2021 the board had 25 members, who are elected from and by representatives of SISC III member districts.

Plan membership: At December 31, 2022 and 2021 pension plan membership consisted of the following:

	2022	2021
Inactive plan members or beneficiaries currently receiving benefits	256	235
Inactive plan members entitled to but not yet receiving benefits	2,169	1,950
Active plan members	118,754	115,025
	121,179	117,210

Benefits provided: Benefits are designed to be paid out as a monthly lifetime benefit after reaching age 65 or older. Participants may choose to cash-out the full value of their benefits after retirement or termination of employment with participating employers. Lump sum distributions from the Plan occur once a year. A participant who has attained at least age 62 by the end of the plan year but has not incurred a termination of employment may be eligible to receive a distribution of the present value of the participant's vested accrued benefit in the form of a lump sum payment only. Participants are not required to retire and receive benefits once they attain age 65.

The Plan document and Internal Revenue Service requires that participants begin to receive benefit payments, also known as the required minimum distribution, when they reach age 70½ and are no longer working. If the present value of the benefit at age 70½ is greater than $5,000, participants will be given the option between an annual lump sum payment or monthly life annuity payments. The annual benefit is calculated as 1.5% of the highest three consecutive calendar years of pay. Credited service begins upon the date of enrollment in the plan. All employment with a participating employer is counted as credited service as long as the participant worked for the employer, received compensation during the calendar year, and was covered by the plan. The maximum service amount a participant can earn is 30 years.

Contributions: Per the state of California Public Employees' Pension Reform Act of 2013 (PEPRA) plan members entering the plan after December 31, 2013 are required to contribute one-half of the normal cost of the plan. For the years ended December 31, 2022 and 2021, the new plan members were required to contribute 1.3 percent and 1.6 percent of their annual pay, respectively. The participating employers' contractually required contribution rates for the year ended December 31, 2022 and 2021, was 2.7 percent and 3.7 percent, respectively. This is less the amount contributed by new members, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. In addition, the administrative costs of the plan are financed by the employers through an adjustment of 0.5 percent to the actuarially determined rate.

Note 2. Summary of Significant Accounting Policies

Basis of accounting: The financial statements of the SISC Defined Benefit Plan are prepared on the accrual basis of accounting.

Investments: Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements. Purchases and sales are recorded at the trade date. The fair value of investments is based on published market prices and quotations from major investment brokers, when available.

The Board utilizes and directs the fund manager to provide whatever investment management and custodial functions the Board has determined best achieves the Plan's investment objectives. The Board monitors overall investment performance and periodically evaluates the performance of the fund manager. The Board has adopted an investment policy including policy related to deposit and investment risks identified in Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Risk Disclosures.

Investment expenses, including fees and commissions related to public equity transactions, are captured within the net asset value for investments as reported in the statements of plan fiduciary net position and the statements of changes in plan fiduciary net position.

Use of estimates: The preparation of the 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 net assets and liabilities, disclosure of contingent liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates.

Authoritative pronouncement not yet adopted: In June 2022, the 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. Earlier application is encouraged.

Subsequent events: The Plan has evaluated subsequent events through July 12, 2023, 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 3. Deposits and Investments

Deposits

SDBP 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.

Investments

Investments of the pension trust funds are reported at fair value. See Note 1 for more details. The Board maintains a formal Statement of Investment Policy, which addresses governing provisions and additional guidelines for the investment process. This includes policies pertaining to asset allocation and risk described in subsequent sections.

Investment Policy: The Administration of SISC shall implement the SDBP's Investment Policy. SDBP assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The policy will be reviewed on an annual basis, and the SISC III Board of Directors must approve any modifications made thereto.

The SDBP investment policy restricts the investment allocation of the plan. It is the guideline of the plan to maintain the following set maximum limits by asset category. Assets will not exceed a maximum allocation percentage by category of: equities - 70%, fixed income - 70% and non-correlating assets - 20% for the years ending December 31, 2022 and 2021. It is also understood that from time to time, this will fluctuate in either direction and can be rebalanced due to market conditions.

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. SDBP's investments in the County of Kern Treasury have a maturity of three months or less and are therefore, classified as cash equivalents.

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. Mutual funds and the County of Kern do not have ratings provided by a nationally recognized statistical rating organization, and they are exempt from disclosure under GASB No. 40 due to credit risk.

Concentration of Credit Risk: The investment policy of SDBP contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. SDBP policy does not require diversification of the investment portfolio in such a manner not to obligate the SDBP toward dependence in one investment instrument.

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 does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unity). 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 District 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 does 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 investments in securities through the use of mutual funds or government investment pools.

Rate of Return: For the years ended December 31, 2022 and 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (18.26%) and 15.73%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 4. Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the SDBP has the ability to access.

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTES TO FINANCIAL STATEMENTS

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31 2022 and 2021.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the SDBP are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the SDBP are deemed to be actively traded.

The following table sets forth by level, within the fair value hierarchy, the SDBP's assets at fair value as of December 31 2022 and 2021:

		Fair Value Measurements Using		
	12/31/2022	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				
Mutual funds				
Fixed Income	$ 9,763,717	$ 9,763,717	$ -	$ -
Large Cap Stock	24,752,352	24,752,352	-	-
Mid Cap Stock	4,863,761	4,863,761	-	-
Small Cap Stock	3,848,279	3,848,279	-	-
Real Estate Stock	1,003,739	1,003,739	-	-
Global / International Stock	6,939,525	6,939,525	-	-
Other	5,746,360	5,746,360	-	-
Total Investments by Fair Value Level	$ 56,917,733	$ 56,917,733	$ -	$ -
	12/31/2021	(Level 1)	(Level 2)	(Level 3)
Investments by Fair Value Level				
Mutual funds				
Fixed Income	$ 14,688,297	$ 14,688,297	$ -	$ -
Large Cap Stock	28,223,593	28,223,593	-	-
Mid Cap Stock	5,998,671	5,998,671	-	-
Small Cap Stock	4,719,296	4,719,296	-	-
Real Estate Stock	1,051,578	1,051,578	-	-
Global / International Stock	9,323,565	9,323,565	-	-
Other	8,356,474	8,356,474	-	-
Total Investments by Fair Value Level	$ 72,361,474	$ 72,361,474	$ -	$ -

The Plan invests in a professionally managed portfolio that contains common shares and bonds of publicly traded companies, U.S. 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 5. Net Pension Liability (Overpayment) of Participating Employers

The components of the net pension liability (overpayment) of the participating employers at December 31, 2022 and 2021 were as follows:

	2022	2021
Total pension liability	$ 70,123,381	$ 64,233,153
Plan fiduciary net position	(57,866,139)	(72,919,215)
Participating employers' net pension (overpayment)	$ 12,257,242	$ (8,686,062)
Plan fiduciary net position as a percentage of the total pension (overpayment)	82.52%	113.52%

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of December 31, 2022 and 2021, using the following actuarial assumptions, applied to all prior periods included in the measurement:

December 31, 2022	
Inflation	2.50 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

December 31, 2021	
Inflation	3.00 percent
Salary increases	3.50 percent, average, including inflation
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the 2014 Employee and Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2022 through December 31, 2022. The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2021 through December 31, 2021.

The long-term expected rate of return on pension plan investments was determined using the "Building-Block Method", in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2022 and 2021 (see the discussion of the pension plan's investment policy in Note 3) are summarized in the following table:

December 31, 2022 Asset Class	Long-Term Expected Real Rate of Return
Fixed income mutual funds	1.75%
Equity mutual funds	4.75%
Cash	0.75%

December 31, 2021 Asset Class	Long-Term Expected Real Rate of Return
Fixed income mutual funds	1.75%
Equity mutual funds	4.75%
Cash	0.75%

Discount rate: The discount rate used to measure the total pension liability was 6.50 percent for the years ended December 31, 2022 and 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the participating employers calculated using the discount rate, as well as what the participating employers' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

School districts' net pension liability	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
December 31, 2022	$ 18,085,147	$ 12,257,242	$ 7,181,005

School districts' net pension (overpayment)	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
December 31, 2021	$ (3,382,373)	$ (8,686,062)	$ (13,309,562)

Note 6. Transactions with Related Party

SDBP is related to the Kern County Superintendent of Schools (KCSOS) through common management. KCSOS provides office space, equipment, and administrative personnel to SDBP. SDBP reimbursed KCSOS $209,851 and $203,262 for the years ended December 31, 2022 and 2021, respectively.

REQUIRED
SUPPLEMENTARY INFORMATION

SISC DEFINED BENEFIT PLAN

SCHEDULES OF CHANGES IN NET PENSION LIABILITY
For the Years Ended December 31
(Page 1 of 2)
Last 10 Years *

	2022	2021	2020	2019	2018
Total pension liability					
Service cost	$ 2,608,509	$ 2,843,100	$ 3,139,342	$ 3,033,181	$ 2,916,565
Interest	4,204,844	4,183,240	3,950,992	3,425,187	3,704,768
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	3,380,378	579,957	971,558	1,826,177	(7,017,104)
Changes of assumptions	-	2,111,204	-	-	-
Benefit payments, including refunds of member contributions	(4,303,503)	(4,803,632)	(4,092,020)	(3,732,744)	(3,406,167)
Net change in total pension liability	5,890,228	4,913,869	3,969,872	4,551,801	(3,801,938)
Total pension liability - beginning	64,233,153	59,319,284	55,349,412	50,797,611	54,599,549
Total pension liability - ending (a)	$ 70,123,381	$ 64,233,153	$ 59,319,284	$ 55,349,412	$ 50,797,611
Plan fiduciary net position					
Contributions - employer	$ 1,746,092	$ 2,032,002	$ 1,846,770	$ 2,566,560	$ 2,565,594
Contributions - member	1,185,301	1,071,826	928,464	1,268,264	1,198,785
Net investment income (loss)	(13,227,902)	9,553,395	9,696,527	11,250,371	(4,191,774)
Benefit payments, including refunds of member contributions	(4,303,503)	(4,803,632)	(4,092,020)	(3,732,744)	(3,406,167)
Administrative expense	(360,385)	(333,278)	(352,845)	(304,335)	(265,898)
Trustee fees	(92,679)	(110,701)	(34,868)	(89,922)	(84,040)
Net change in plan fiduciary net position	(15,053,076)	7,409,612	7,992,028	10,958,194	(4,183,500)
Plan fiduciary net position - beginning	72,919,215	65,509,603	57,517,575	46,559,381	50,742,881
Plan fiduciary net position - ending (b)	$ 57,866,139	$ 72,919,215	$ 65,509,603	$ 57,517,575	$ 46,559,381
Net pension (overpayment) liability - ending (a)-(b)	$ 12,257,242	$ (8,686,062)	$ (6,190,319)	$ (2,168,163)	$ 4,238,230

* Historical information is required for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

SISC DEFINED BENEFIT PLAN

SCHEDULES OF CHANGES IN NET PENSION LIABILITY
For the Years Ended December 31
(Page 2 of 2)
Last 10 Years *

	2017	2016	2015	2014
Total pension liability				
Service cost	$ 4,949,289	$ 4,469,584	$ 4,223,724	$ 3,820,933
Interest	3,169,006	2,927,822	2,662,109	2,488,846
Changes of benefit terms	-	-	-	38,338
Differences between expected and actual experience	2,729,553	(1,443,477)	(823,239)	(927,691)
Changes of assumptions	-	-	343,286	-
Benefit payments, including refunds of member contributions	(2,989,088)	(3,093,224)	(2,419,866)	(2,834,380)
Net change in total pension liability	7,858,760	2,860,705	3,986,014	2,586,046
Total pension liability - beginning	46,740,789	43,880,084	39,894,070	37,308,024
Total pension liability - ending (a)	$ 54,599,549	$ 46,740,789	$ 43,880,084	$ 39,894,070
Plan fiduciary net position				
Contributions - employer	$ 2,569,133	$ 3,187,725	$ 2,044,714	$ 2,026,425
Contributions - member	1,090,402	949,991	749,627	468,440
Net investment income (loss)	7,504,148	3,253,782	(230,941)	1,882,417
Benefit payments, including refunds of member contributions	(2,989,088)	(3,093,224)	(2,419,866)	(2,834,380)
Administrative expense	(257,021)	(257,884)	(258,461)	(307,641)
Trustee fees	(80,058)	(69,382)	(65,455)	(65,982)
Net change in plan fiduciary net position	7,837,516	3,971,008	(180,382)	1,169,279
Plan fiduciary net position - beginning	42,905,365	38,934,357	39,114,739	37,945,460
Plan fiduciary net position - ending (b)	$ 50,742,881	$ 42,905,365	$ 38,934,357	$ 39,114,739
Net pension liability - ending (a)-(b)	$ 3,856,668	$ 3,835,424	$ 4,945,727	$ 779,331

* Historical information is required for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

SISC DEFINED BENEFIT PLAN

SCHEDULES OF NET PENSION LIABILITY
December 31
(Page 1 of 2)
Last 10 Years *

	2022	2021	2020	2019	2018
Total pension liability	$ 70,123,381	$ 64,233,153	$ 59,319,284	$ 55,349,412	$ 50,797,611
Plan fiduciary net position	(57,866,139)	(72,919,215)	(65,509,603)	(57,517,575)	(46,559,381)
Net pension (overpayment) liability	$ 12,257,242	$ (8,686,062)	$ (6,190,319)	$ (2,168,163)	$ 4,238,230
Plan fiduciary net position as a percentage of the total pension liability	82.52%	113.52%	110.44%	103.92%	91.66%
Covered-employee payroll	$108,946,395	$84,060,167	$75,042,881	$104,235,082	$101,739,973
Net pension (overpayment) liability as a percentage of covered-employee payroll	11.25%	-10.33%	-8.25%	-2.08%	4.17%

* Historical information is required for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

SISC DEFINED BENEFIT PLAN

SCHEDULES OF NET PENSION LIABILITY
December 31
(Page 2 of 2)
Last 10 Years *

	2017	2016	2015	2014
Total pension liability	$ 54,599,549	$ 46,740,789	$ 43,880,084	$ 39,894,070
Plan fiduciary net position	(50,742,881)	(42,905,365)	(38,934,357)	(39,114,739)
Net pension liability	$ 3,856,668	$ 3,835,424	$ 4,945,727	$ 779,331
Plan fiduciary net position as a percentage of the total pension liability	92.94%	91.79%	88.73%	98.05%
Covered-employee payroll	$98,906,351	$94,039,000	$87,323,156	$80,479,516
Net pension liability as a percentage of covered-employee payroll	3.90%	4.08%	5.66%	0.97%

* Historical information is required for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

SISC DEFINED BENEFIT PLAN

SCHEDULES OF EMPLOYER CONTRIBUTIONS
For the Years Ended December 31
(Page 1 of 2)
Last 10 Years *

	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 1,429,412	$ 1,449,979	$ 1,097,694	$ 3,834,824	$ 2,848,719
Contributions in relation to the actuarially determined contribution	1,746,092	2,032,002	1,846,770	3,834,824	3,764,379
Contribution deficiency (excess)	$ (316,680)	$ (582,023)	$ (749,076)	$ -	$ (915,660)
Covered-employee payroll	$108,946,395	$84,060,167	$75,042,881	$104,235,082	$101,739,973
Contributions as a percentage of covered-employee payroll	1.60%	2.42%	2.46%	3.68%	3.70%

* Historical information is required for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

SISC DEFINED BENEFIT PLAN

SCHEDULES OF EMPLOYER CONTRIBUTIONS
For the Years Ended December 31
(Page 2 of 2)
Last 10 Years *

	2017	2016	2015	2014
Actuarially determined contribution	$ 3,659,535	$ 4,137,716	$ 2,794,341	$ 2,026,425
Contributions in relation to the actuarially determined contribution	3,659,535	4,137,716	2,794,341	2,026,425
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$98,906,351	$94,039,000	$87,323,156	$80,479,516
Contributions as a percentage of covered-employee payroll	3.70%	4.40%	3.20%	2.52%

* Historical information is required for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

SISC DEFINED BENEFIT PLAN

SCHEDULES OF ANNUAL MONEY- WEIGHTED RETURNS
December 31
(Page 1 of 2)
Last 10 Years *

	2022	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expenses	-18.26%	15.73%	17.70%	25.30%	-8.66%

* Historical information is required for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

SISC DEFINED BENEFIT PLAN

SCHEDULES OF ANNUAL MONEY- WEIGHTED RETURNS
December 31
(Page 2 of 2)
Last 10 Years *

	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expenses	18.08%	8.20%	-0.54%	4.79%

* Historical information is required for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

SISC DEFINED BENEFIT PLAN

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Methods and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of participating employers' contributions are calculated as of December 31, 2022 and 2021 one year prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

December 31, 2022	
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar, open period
Remaining amortization period	15 years
Asset valuation method	Fair market value, projected from preceding November 24 with expected contributions, distributions and earnings on investments
Inflation	2.50 percent
Salary increases	3.25 percent
Investment rate of return	6.50 percent, net of pension plan investment expense including inflation

December 31, 2021	
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar, open period
Remaining amortization period	7 years
Asset valuation method	Fair market value, projected from preceding September 30 with expected contributions, distributions and earnings on investments
Inflation	3.00 percent
Salary increases	3.25 percent
Investment rate of return	6.50 percent, net of pension plan investment expense including inflation

DANIELLS PHILLIPS
VAUGHAN & BOCK
CPAs and Advisors

An independently owned member RSM US Alliance

Member of AICPA Division for Firms
Private Companies Practice Section

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
SISC Defined Benefit Plan
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 **SISC Defined Benefit Plan** (the Plan) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated July 12, 2023.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Plan'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 the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan'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 have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan'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
July 12, 2023

SISC III

Comparison of Budget to Actual

2022-23

	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-22	$261,942,257	$261,942,257	$273,956,069	$273,956,069	($12,013,811)	($12,013,811)	104.6%	104.6%	
Nov-22	$261,942,257	$523,884,515	$267,138,267	$541,094,336	($5,196,010)	($17,209,821)	102.0%	103.3%	
Dec-22	$261,942,257	$785,826,772	$286,784,981	$827,879,317	($24,842,723)	($42,052,544)	109.5%	105.4%	
Jan-23	$268,989,721	$1,054,816,493	$261,718,693	$1,089,598,010	$7,271,028	($34,781,517)	97.3%	103.3%	
Feb-23	$266,055,278	$1,320,871,771	$258,976,904	$1,348,574,914	$7,078,374	($27,703,143)	97.3%	102.1%	
Mar-23	$266,055,278	$1,586,927,050	$269,965,562	$1,618,540,476	($3,910,284)	($31,613,426)	101.5%	102.0%	
Apr-23	$268,989,721	$1,855,916,771	$277,941,625	$1,896,482,101	($8,951,904)	($40,565,330)	103.3%	102.2%	
May-23	$266,055,278	$2,121,972,049	$270,773,026	$2,167,255,126	($4,717,747)	($45,283,077)	101.8%	102.1%	
Jun-23	**$266,055,278**	**$2,388,027,327**	**$279,219,544**	**$2,446,474,671**	**($13,164,266)**	**($58,447,343)**	**104.9%**	**102.4%**	
Jul-23	$266,396,563	$2,654,423,890	$280,508,003	$2,726,982,674	($14,111,440)	($72,558,784)	105.3%	102.7%	
Aug-23	$263,462,120	$2,917,886,010	$287,174,276	$3,014,156,949	($23,712,156)	($96,270,939)	109.0%	103.3%	
Sep-23	$271,387,735	$3,189,273,745	$278,386,756	$3,292,543,705	($6,999,021)	($103,269,960)	102.6%	103.2%	
Actual									
Oct-22	$253,774,881	$253,774,881	$263,508,083	$263,508,083	($9,733,202)	($9,733,202)	103.8%	103.8%	99.3%
Nov-22	$255,668,779	$509,443,660	$263,046,437	$526,554,520	($7,377,658)	($17,110,860)	102.9%	103.4%	100.1%
Dec-22	$255,725,624	$765,169,284	$292,733,540	$819,288,059	($37,007,916)	($54,118,776)	114.5%	107.1%	101.6%
Jan-23	$274,382,459	$1,039,551,742	$248,177,627	$1,067,465,687	$26,204,831	($27,913,945)	90.4%	102.7%	99.4%
Feb-23	$269,465,941	$1,309,017,683	$257,389,323	$1,324,855,010	$12,076,618	($15,837,327)	95.5%	101.2%	99.1%
Mar-23	$271,443,236	$1,580,460,919	$285,187,353	$1,610,042,363	($13,744,117)	($29,581,443)	105.1%	101.9%	99.9%
Apr-23	$279,249,885	$1,859,710,804	$258,487,409	$1,868,529,772	$20,762,475	($8,818,968)	92.6%	100.5%	98.3%
May-23	$271,206,129	$2,130,916,933	$261,663,266	$2,130,193,038	$9,542,863	$723,895	96.5%	100.0%	97.9%
Jun-23	**$271,656,693**	**$2,402,573,625**	**$288,363,234**	**$2,418,556,272**	**($16,706,541)**	**($15,982,647)**	**106.1%**	**100.7%**	**98.3%**
Year End Scenarios									
Scenario #1 Revenue based		$3,216,279,310		$3,254,970,233		($38,690,923)		101.2%	98.0%
Scenario #2 on recent revenue		$3,216,279,310		$3,277,084,573		($60,805,263)		101.9%	98.7%
Scenario #3 continuing		$3,216,279,310		$3,266,027,403		($49,748,093)		101.5%	98.4%

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

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

Scenario #3: Expenses based on a mix of Scenario #1 weighted at 50% and Scenario #2 weighted at 50%

SISC Health Benefits Operations Update

July 20, 2023

SISC
Self-Insured Schools of California
Schools Helping Schools

SISC Health Benefits - Operations Update

- ❖ Anthem and Community Health – Agreement Reached
- ❖ New Kaiser Permanente Mental Health Phone Number for Southern CA
- ❖ SISC Life Insurance Webinar
- ❖ SISC Open Enrollment Preparations
- ❖ SISC Symposium Update

2022 SISC Flu Shot Clinics

July 20, 2023

SISC
Self-Insured Schools of California
Schools Helping Schools

2022 SISC Flu Shot Clinics

Year	District Participation
2019	169
2020	115
2021	131
2022	143

SISC once again partnered with Costco to provide onsite Flu Shot clinics to our membership in Fall 2022.

Year	Costco Vaccines	Onsite Wellness Vaccines	Totals
2019	15,893	1,100	16,993
2020	8,092	525	8,617
2021	10,548	694	11,242
2022	8,894	684	9,578

2022 SISC Flu Shots

Who is eligible to receive a flu vaccine at the onsite clinics?

- ✓ All employees included in a SISC bargaining unit, even those not enrolled in a SISC medical plan
- ✓ Dependents age 5 and over who are enrolled in a SISC medical plan
- ✓ Retirees enrolled in a SISC medical plan
- ✓ Includes Anthem, Blue Shield and Kaiser members

How else can SISC members obtain a $0 flu shot this Fall?

- ✓ Flu vaccines are covered when administered as part of a provider visit on all SISC health plans.

- ✓ **SISC Anthem and Blue Shield Members:**
  - ✓ Walk-in flu shots will be available at all Costco pharmacy locations (no membership required) and other network pharmacies such as Rite Aid and CVS.

- ✓ **SISC Kaiser Permanente Members:**
  - ✓ $0 flu shots will be available at many KP facilities starting in September.