HEALTH BENEFITS
BOARD OF DIRECTORS MEETING
MARCH 17, 2022
1:00 P.M.

AGENDA

I. Consent Agenda

A. Approval of Minutes for February 2022 Board of Directors Meeting — Nick Kouklis

B. Report of Activity for the Month of February 2022 and the Ratification of Payment as follows: — Nick Kouklis

DELTA DENTAL CLAIMS		11,287,984.30	
DELTA DENTAL ASO		659,218.09	
ANTHEM DENTAL CLAIMS		249,583.47	
ANTHEM DENTAL ASO		9,400.00	
		TOTAL DENTAL	12,206,185.86
VSP CLAIMS		1,464,722.40	
MES CLAIMS		116,459.27	

VSP ASO		145,338.03	
MES ASO		13,101.38	
		TOTAL VISION	1,739,621.08
ANTHEM BLUE CROSS HEALTH CLAIMS		93,678,345.10	
BLUE SHIELD HEALTH CLAIMS		25,619,677.81	
ANTHEM BC COMPANION CARE RETIREE CLAIMS		714,832.16	
	TOTAL HEALTH CLAIMS	120,012,855.07	
ANTHEM BLUE CROSS ASO		4,618,781.39	
BLUE SHIELD PPO ASO		610,770.30	
ANTHEM BC COMPANION CARE RETIREE ASO		117,807.96	
FOUNDATION CLMS PROCESSING ASO		570,647.96	
	TOTAL HEALTH ASO	5,918,007.61	
		TOTAL HEALTH	125,930,862.68
EXPRESS SCRIPTS CLAIMS		7,107,769.18	
NAVITUS RX CLAIMS		27,395,214.90	
EXPRESS SCRIPTS ASO		334,136.13	
NAVITUS RX ASO		779,251.73	
RX N GO		37,113.59	
		TOTAL RX	35,653,485.53
INSURED PRODUCTS			
ANTHEM BC HMO CLAIMS		6,136,601.69	
ANTHEM BC HMO ADMIN FEE		892,224.46	
ANTHEM BC EAP		301,941.35	
ANTHEM VIVITY		88,550.78	
ANTHEM HMO CAPITATION		6,569,899.30	
BLUE SHIELD HMO CLAIMS		2,055,653.49	
BLUE SHIELD HMO ADMIN FEE		3,659,455.79	
KAISER HMO		47,578,850.80	
SIMNSA		375,338.00	
DELTACARE/PMI DENTAL		33,381.99	
MES-FULLY INSURED		73,376.14	
BLUE SHIELD MEDICARE ADVANTAGE		27,449.00	
LINCOLN FINANCIAL LIFE INSURANCE		342,198.87	

		TOTAL INSURED	68,134,921.66
WELLNESS			103,669.04
ALL OTHER			1,291,329.40
		TOTAL III PAYMENTS	245,060,075.25

Moved____________________2nd_____________________

Yes_____No______Abstain______Roll Call Vote__________

II. Public Comment

III. Action Items

A. Financial Report – Presentation of Financial Statements for the Month of February 2022 Will Be Submitted for Approval — Kim Sloan

Moved_______________________2nd_____________________

Yes______No______Abstain______Roll Call Vote____________

B. Request Approval of the 2020-2021 Independent Financial Audit — Megan Hanson

Moved_______________________2nd_____________________

Yes______No______Abstain______Roll Call Vote____________

IV. Information and Discussion Items

A. Review Monthly Budget-to-Actual through February 2022 — John Stenerson

B. Comments from the Board of Directors Will Be Heard — Nick Kouklis

C. Next Meeting: — Nick Kouklis
Thursday, April 21, 2022
1:00 p.m.
Room 204, 2nd Floor – Larry E. Reider Education Center
2000 K Street, Bakersfield, CA 93301

D. Adjournment — Nick Kouklis

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@kern.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. Refers to the leftover sum that a provider bills to the patient after insurance has only partially paid the charge that was initially billed.

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.

Condition Care: Helps promote and improve the overall health status and quality of life of members and helps promote and/or prevent disease progression and avoid and/or prevent the complications associated with the conditions.

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 assist in the identification and resolution of productivity problems associated with personal concerns of employees. The program provides employees and their dependents with access to confidential, short-term counseling by qualified practitioners, in person or over the phone.

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: Accounts that let workers set aside pre-tax money from their paycheck toward premiums or costs not covered by their health plan, such as co-payments. All the money must be used within the plan year or it is lost.

Health Assessment: More companies are asking workers to fill out such assessments, which give health improvement tips. Companies can give workers financial incentives to do so.

Health Insurance Portability and Accountability Act (HIPAA): A federal health benefits law passed in 1996, effective July 1, 1997, which among other things, restricts pre-existing condition exclusion periods to ensure portability of health-care coverage between plans, group and individual; requires guaranteed issue and renewal of insurance coverage; prohibits plans from charging individuals higher premiums, co-payments, and/or deductibles based on health status.

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 will provide most of the health care and refer members to HMO 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. The card is subsequently used by the provider to determine benefit levels and to prepare billing statement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

HEALTH BENEFITS
BOARD OF DIRECTORS MEETING
FEBRUARY 24, 2022
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, February 24, 2022 in room 204, 2nd floor of the Larry E. Reider Building, 2000 K Street, Bakersfield, California 93301. The following individuals were in attendance:

MEMBERS PRESENT:
Nick Kouklis
Erica Andrews
Mike McGrath
Sherry Gladin
Dr. Mike Zulfa
Jackie Martin
Dena Rhoades
Bill Ridgeway
Eva Chavez
John Rodriguez

ALTERNATES PRESENT:
Dan Weirather
Kimberly McAbee

OTHERS PRESENT:
Kim Sloan
Megan Hanson
Kristy Comstock
Rich Edwards
Fred Bayles
John Stenerson
Nicole Henry
Lola Nickell
Kim Lyon
Armando Cabrera
Lauri Phillips
Cassady Clifton
Bobbie Wellwood
Kimberly Winn
Alex Brum
Bob Hunter
Kristin Koehler
Connie Cervantes
Roy Marchetti

Lisa Macias
JoeAnna Todd
Sheila Amiri
Yvonne Trawinski
Kristyn Nelm
Annette Charlton
Debbie Hankins
Monica Matallana
Nivalda Pinguet
Cathy Huynh
John Astwood
Debra Despain

Consent Agenda

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

DELTA DENTAL CLAIMS		11,315,496.47	
DELTA DENTAL ASO		660,755.22	
ANTHEM DENTAL CLAIMS		163,157.81	
ANTHEM DENTAL ASO		9,400.00	
		TOTAL DENTAL	12,148,809.50
VSP CLAIMS		1,774,519.98	
MES CLAIMS		112,231.91	
VSP ASO		145,141.38	
MES ASO		13,154.16	
		TOTAL VISION	2,045,047.43
ANTHEM BLUE CROSS HEALTH CLAIMS		89,780,548.77	
BLUE SHIELD HEALTH CLAIMS		24,801,429.03	
ANTHEM BC COMPANION CARE RETIREE CLAIMS		533,478.90	
	TOTAL HEALTH CLAIMS	115,115,456.70	
ANTHEM BLUE CROSS ASO		2,764,088.33	
BLUE SHIELD PPO ASO		620,094.92	
ANTHEM BC COMPANION CARE RETIREE ASO		114,319.32	
FOUNDATION CLMS PROCESSING ASO		555,579.45	
	TOTAL HEALTH ASO	4,054,082.02	
		TOTAL HEALTH	119,169,538.72

EXPRESS SCRIPTS CLAIMS		6,815,048.95	
NAVITUS RX CLAIMS		27,849,801.21	
EXPRESS SCRIPTS ASO		391,021.98	
NAVITUS RX ASO		806,001.16	
RX N GO		48,238.97	
		TOTAL RX	35,910,112.27
INSURED PRODUCTS			
ANTHEM BC HMO CLAIMS		5,618,705.43	
ANTHEM BC HMO ADMIN FEE		907,489.51	
ANTHEM BC EAP		302,177.01	
ANTHEM VIVITY		87,534.12	
ANTHEM HMO CAPITATION		6,920,391.63	
BLUE SHIELD HMO CLAIMS		2,235,310.27	
BLUE SHIELD HMO ADMIN FEE		3,706,828.66	
KAISER HMO		48,118,787.66	
SIMNSA		363,116.00	
DELTACARE/PMI DENTAL		33,461.79	
MES-FULLY INSURED		73,536.58	
BLUE SHIELD MEDICARE ADVANTAGE		28,650.00	
LINCOLN FINANCIAL LIFE INSURANCE		345,540.64	
		TOTAL INSURED	68,741,529.30
WELLNESS			20,436.62
ALL OTHER			2,140,200.27
		TOTAL III PAYMENTS	240,175,674.11

Public Comment
None

Action Items

Financial Report
Kim Sloan reviewed with the Board the Financial Report for the period ending January 31, 2022. Kim reported the LAIF rate for the month of January 2022 increased to 0.23% from last month at 0.21%. After discussion, motion was made by Director Chavez, seconded by Director McGrath and by roll call vote of 11-0-0, approving the Financial Reports as submitted.

Request Approval of the 2022-2023 Vision Renewal
John Stenerson reviewed with the Board the 2022-2023 Vision Renewal. After discussion, motion was made by Director Rhoades, seconded by Director Andrews and by roll call vote of 10-0-1 (abstention by Director Gladin), approving the 2022-2023 Vision Renewal as presented.

Request Approval of the 2022-2023 Dental Renewal
John Stenerson reviewed with the Board the 2022-2023 Vision Renewal. After discussion, motion was made by Director Andrews, seconded by Director Ridgeway and by roll call vote of 11-0-0, approving the 2022-2023 Dental Renewal as presented.

Request Approval of the 2022-2023 Pharmacy Renewal
John Stenerson reviewed with the Board the 2022-2023 Pharmacy Renewal. After discussion, motion was made by Director Chavez, seconded by Director Weirather and by roll call vote of 11-0-0, approving the 2022-2023 Pharmacy Renewal as presented.

Request Approval of the 2022-2023 Medical Renewal
John Stenerson reviewed with the Board the 2022-2023 Medical Renewal. After discussion, motion was made by Director Chavez, seconded by Director Rhoades and by roll call vote of 11-0-0, approving the 2022-2023 Medical Renewal as presented.

Information and Discussion Items

Review Monthly Budget-to-Actual through January 2022
John Stenerson reviewed the monthly budget-to-actual with the Board for the month of January 2022.

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

Comments from the Board of Directors
Director Chavez and Director Andrews discussed the need for more communication of all the point solutions that SISC offers. Director Kouklis informed the board that the nomination ballots will be sent out on March 1st via email by Kristy Comstock.

Adjournment
There being no further business to come before the Board, motion was made by Director Ridgeway, seconded by Director Andrews, and by roll call vote of 11-0-0, adjourning the meeting at 2:31 p.m.

Next Meeting
The next meeting of the Board of Directors will be held **Thursday, March 17th at** 1:00 p.m. in Room 204 on the 2nd Floor-Larry E. Reider Education Center, 2000 K Street, Bakersfield, CA 93301

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Eva Chavez, Secretary

SISC III
INCOME STATEMENT
FEBRUARY 2022

		BUDGET	YEAR-TO-DATE	CURRENT MONTH
REVENUES				
8660.00	Interest-County Treasurer	$1,500,000.00	$604,956.38	$0.00
8660.03	LAIF	$359.00	$137.81	$0.00
8660.04	Investments	$2,663,837.00	($2,134,017.17)	$0.00
8660.05	Bank	$320,000.00	$94,143.07	$1,734.60
8674.03	Premiums-PPO Medical	$1,581,491,066.00	$635,981,440.76	$128,041,014.03
8674.04	Dental	$142,277,599.00	$62,157,677.64	$11,738,100.29
8674.08	Pharmacy	$340,911,430.00	$153,847,216.43	$30,609,619.34
8674.25	Vision	$21,120,065.00	$8,993,629.28	$1,585,327.47
8674.05	HMO	$790,027,549.00	$336,528,927.81	$68,415,764.00
8674.06	Life	$3,780,374.00	$1,621,896.02	$334,531.04
8674.09	Insured Retiree Progams	$3,268,764.00	$141,250.00	$20,898.00
8674.10	Insured Vision	$846,924.00	$363,656.49	$73,260.66
8674.18	Insured Dental	$388,296.00	$164,273.24	$33,187.72
8699.00	IRC 125 Flex Plan Contributions	$0.00	$539,908.30	$222,887.67
8699.07	Administration Fees	$210,095.00	$93,511.43	$16,114.24
8699.08	Penalities/Late Fees	$200,000.00	$69,412.59	($55,697.82)
8699.10	SISC Access Fee	$1,375,931.00	$545,244.33	$109,473.40
TOTAL REVENUES		$2,890,382,289.00	$1,199,613,264.41	$241,146,214.64
EXPENSES				
3900.00	Benefits Paid - IRC 125 Flex Plan	$0.00	$0.00	$0.00
4300.00	Supplies	$70,000.00	$67,639.08	$12,928.94
5200.00	Travel/Conference	$50,000.00	$37,810.51	($2,300.12)
5300.00	Dues and Membership	$15,500.00	$19,600.00	$3,000.00
5450.03	E & O Insurance	$134,000.00	$0.00	$0.00
5450.05	Premiums - HMO	$702,162,849.00	$296,633,229.73	$58,754,658.97
5450.08	Insured Dental	$388,296.00	$165,966.78	$33,381.99
5450.09	Insured Retiree Progams	$3,268,764.00	$143,796.00	$27,449.00
5450.10	Insured Vision	$846,924.00	$362,351.44	$73,376.14
5450.21	Life	$3,731,113.00	$1,636,077.78	$342,198.87
5800.00	Miscellaneous	$25,000.00	($941.00)	$59.00
5800.02	Audit	$31,115.00	$250.00	$0.00
5800.10	Consulting	$565,993.00	$189,955.26	$30,602.02
5800.32	Bank Fees	$320,000.00	$86,251.23	$0.00
5800.33	Government Fees	$664,278.00	$0.00	$0.00
5800.35	Admin Fees	$71,820.00	$29,350.50	$6,117.45
5800.40	Wellness Program	$2,500,000.00	$353,778.32	$291,323.56
5800.41	Healthcare Specialists	$5,000,000.00	$1,397,829.72	$522,420.38
5800.50	Administration - KCSOS	$8,137,851.00	$2,895,967.44	$549,424.91
5800.60	Claims - PPO Medical	$1,449,704,528.00	$640,327,439.49	$114,978,843.63
5800.61	Claims - Dental	$129,386,452.00	$52,163,080.47	$11,537,567.77
5800.63	Claims - Vision	$18,957,636.00	$7,331,709.96	$1,578,300.67
5800.64	Claims - HMO Flex	$89,701,413.00	$39,213,882.61	$7,640,301.85
5800.68	Claims - Pharmacy	$311,693,901.00	$128,678,402.49	$22,629,360.67
5800.70	Admin - PPO Medical	$54,802,614.00	$22,194,024.10	$5,194,348.75
5800.71	Admin - Claims Processing	$6,619,763.00	$2,897,660.92	$570,647.96
5800.72	Admin - Dental	$7,556,169.00	$3,037,151.21	$668,618.09
5800.73	Admin - Vision	$1,791,544.00	$786,554.41	$157,840.01
5800.75	Admin - Pharmacy	$8,101,758.00	$4,832,989.18	$1,045,589.94
5800.79	EAP Expense	$3,149,088.00	$1,507,958.80	$301,941.35
5800.94	Other Distributions/Contributions	$5,400,000.00	$2,388,718.50	$461,768.90
5800.95	Unpaid Claims Liability Adjustment	$11,502,673.00	$4,792,780.44	$958,556.08
TOTAL EXPENSES		$2,826,351,042.00	$1,214,171,265.37	$228,368,326.78
CHANGE IN NET ASSETS		$64,031,247.00	($14,558,000.96)	$12,777,887.86
NET ASSETS - BEGINNING		$788,796,620.83	$788,796,620.83	$761,460,732.01
NET ASSETS - ENDING		$852,827,867.83	$774,238,619.87	$774,238,619.87

SISC III

BALANCE SHEET

February 28, 2022

		October 1, 2021 BALANCE	February 28, 2022 BALANCE
ASSETS			
9110.00	Cash in County Treasury	$327,062,846.66	$264,331,429.64
9120.00	Bank Account-Health Claims	$182,259,115.49	$177,698,500.94
9130.00	Revolving Fund	$1,500.00	$1,500.00
9150.01	Local Agency Investment Fund	$239,227.12	$239,510.60
9150.03	Investments	$401,451,488.99	$474,317,471.82
9200.00	Accounts Receivable	$80,245,349.44	$52,233,520.51
9330.00	Prepaid Expenditures	$0.00	$0.00
9335.00	Reserve Fund	$29,397,357.00	$30,347,357.00
TOTAL ASSETS		$1,020,656,884.70	$999,169,290.51
LIABILITIES			
9500.00	Current Liabilities	$57,234,064.66	$44,753,573.07
9650.00	Deferred Income	$2,846,860.21	$3,604,978.13
9668.00	Unpaid Claims Liability	$171,779,339.00	$176,572,119.44
TOTAL LIABILITIES		$231,860,263.87	$224,930,670.64
NET ASSETS - Funding Stabilization Reserves		$788,796,620.83	$774,238,619.87
TOTAL LIABILITIES AND NET ASSETS		$1,020,656,884.70	$999,169,290.51

AUTHORIZED SIGNATURE

PREPARED BY: Nancy Russo

SISC III
Investments
February 28, 2022

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	$264,331,429.64	0.84%	LAST QUARTER	OCT-DEC 2021
		1.53%	5 YEAR AVERAGE	JAN 2017 - DEC 2021
LOCAL AGENCY INVESTMENT FUND	$239,510.60	0.28%	CURRENT MONTH	February, 2022
		0.23%	LAST QUARTER	OCT-DEC 2021
		1.40%	5 YEAR AVERAGE	JAN 2017 - DEC 2021

INVESTMENT MANAGEMENT ACCOUNTS

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

The fair market value of the investment securities available for sale at December 31, 2021 was:

INVESTMENT FIRM	MARKET VALUE	QUARTERLY RETURN	ANNUALIZED RETURN	PERIOD	DATES
REINHART PARTNERS	$51,854,258.00	-0.60%	-2.39%	LAST QUARTER	OCT-DEC 2021
(SISC INVESTMENT POOL)			1.47%	5 YEAR AVERAGE	JAN 2017 - DEC 2021
			0.84%	YIELD TO MATURITY	AS OF DEC 31, 2021
MORGAN STANLEY	$175,249,229.77	-0.37%	-1.48%	LAST QUARTER	OCT-DEC 2021
(FRED BAYLES)			1.43%	5 YEAR AVERAGE	JAN 2017 - DEC 2021
			0.63%	YIELD TO MATURITY	AS OF DEC 31, 2021
WELLS FARGO ADVISORS	$172,213,984.05	-0.67%	-2.67%	LAST QUARTER	OCT-DEC 2021
(RICH EDWARDS)			1.30%	5 YEAR AVERAGE	JAN 2017 - DEC 2021
			0.78%	YIELD TO MATURITY	AS OF DEC 31, 2021
	$399,317,471.82				

5-YEAR HISTORY OF RETURNS

Quarter Ending:	Co of Kern	LAIF	Investment Pool	Fred Morgan Stanley	Rich Wells Fargo	Combined Weighted Average Return
12/31/2021	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%
3/31/2018	1.51%	1.51%	-1.16%	-0.89%	-1.75%	0.49%
12/31/2017	1.38%	1.20%	-0.38%	-0.41%	-1.37%	0.51%
9/30/2017	1.32%	1.07%	1.01%	1.11%	0.69%	1.15%
6/30/2017	1.20%	0.93%	1.49%	1.76%	1.85%	1.40%
3/31/2017	1.15%	0.78%	1.07%	1.58%	1.46%	1.26%
5-Yr Average	1.53%	1.40%	1.47%	1.43%	1.30%	1.44%

SISC DEFINED BENEFIT PLAN and GASB 45 TRUST A

Investment Returns

As of : 12-31-2021

SISC DEFINED BENEFIT PLAN (DBP)

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

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

Morgan Stanley Return on Investment (net of all fees & expenses)				Benchmark Comparison Morgan Stanley Moderate Growth & Income
Current Quarter:	Oct-Dec 2021	5.54%	VS.	4.88%
Calendar Yr-To-Date:	Jan-Dec 2021	15.33%	VS.	13.29%
Rolling 4 Quarters:	Jan-Dec 2021	15.33%		

5-Year History of Returns:		
	2021	15.33%
	2020	17.56%
	2019	25.08%
	2018	-8.53%
	2017	18.02%

SISC GASB 45 TRUST A

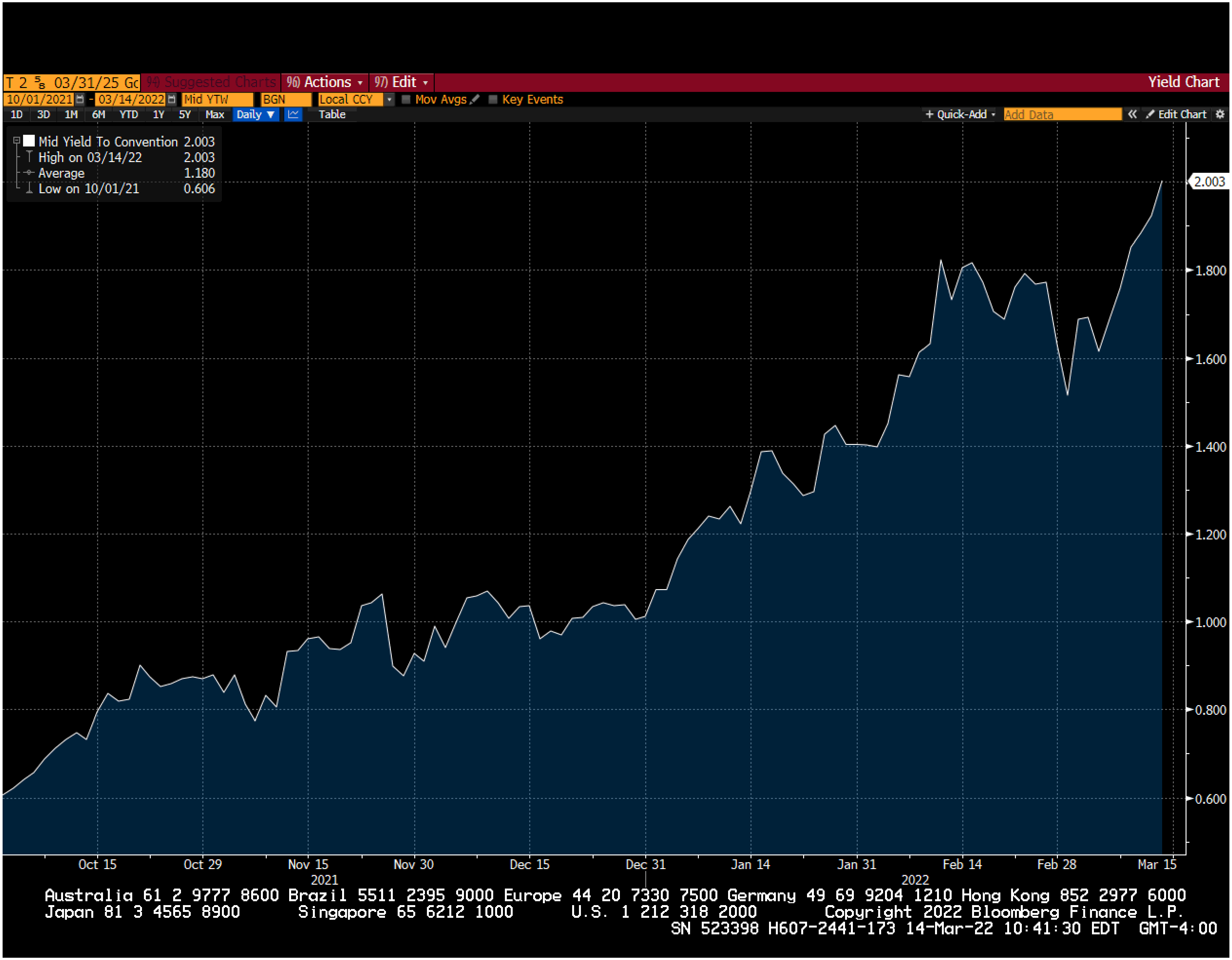
As of : 12-31-2021

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

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

Morgan Stanley Return on Investment (net of all fees & expenses)				Benchmark Comparison Morgan Stanley Moderate Growth & Income
Current Quarter:	Oct-Dec 2021	3.80%	VS.	4.88%
Calendar Yr-to-Date:	Jan-Dec 2021	14.67%	VS.	13.29%
Fiscal Year-To-Date:	Jul-Dec 2021	4.43%		
Rolling 4 Quarters:	Jan-Dec 2021	14.67%		

5-Year History of Returns:		
	2020-21	29.13%
	2019-20	-0.02%
	2018-19	6.17%
	2017-18	8.36%
	2016-17	11.94%



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94) Suggested Charts
96) Actions
97) Edit
Yield Chart
10/01/2021 - 03/14/2022
Mid YTW
BGN
Local CCY
Mov Avgs
Key Events
1D 3D 1M 6M YTD 1Y 5Y Max Daily
Table
+ Quick-Add
Add Data
Edit Chart
Mid Yield To Convention 2.003
High on 03/14/22 2.003
Average 1.180
Low on 10/01/21 0.606
2.003
1.800
1.600
1.400
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1.000
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Oct 15
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Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 4565 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2022 Bloomberg Finance L.P.
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SELF-INSURED SCHOOLS OF CALIFORNIA HEALTH AND WELFARE BENEFITS PROGRAM (SISC III)

Report to the Board of Directors

March 10, 2022

DANIELLS PHILLIPS
VAUGHAN & BOCK
CPAs and Advisors

An independently owned member RSM US Alliance

Member of AICPA Division for Firms
Private Companies Practice Section

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

Attention: Erica Andrews, Treasurer

We are pleased to present this report related to our audit of the financial statements of **Self-Insured Schools of California Health and Welfare Benefits Program (SISC III)** for the year ended September 30, 2021. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for **Self-Insured Schools of California Health and Welfare Benefits Program (SISC III)**'s financial reporting process.

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

Daniells Phillips Vaughan & Bock

March 10, 2022

300 New Stine Road – Bakersfield, CA 93303 – Tel. 661.834.7411 – Fax.661.834.4389 – www. dpvb.com

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 23, 2021. 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 SISC III. SISC III did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period. **Significant or Unusual Transactions** We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. **Management's Judgments and Accounting Estimates** Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Significant Accounting Estimates".

Area	Comments
Audit Adjustments	There were no audit adjustments made to the original trial balance presented to us to begin our audit.
Uncorrected Misstatements	We are not aware of any uncorrected misstatements other than those 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 SISC III, including the representation letter provided to us by management, are attached as Exhibit A.

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

Summary of Significant Accounting Estimates
Year Ended September 30, 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. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in SISC III's September 30, 2021, financial statements:

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

Exhibit A
Representation Letter

SISC
Self-Insured Schools of California
Schools Helping Schools

March 10, 2022

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

This representation letter is provided in connection with your audits of the basic financial statements of **Self-Insured Schools of California Health and Welfare Benefits Program (SISC III)**, as of and for the years ended September 30, 2021 and 2020 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of March 10, 2022:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated December 23, 2021, 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 internal control to prevent and detect fraud.

4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.

5. Related-party transactions have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

6. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.

7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

8. 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.

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

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

11. With respect to assessing the impact of new accounting standards 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 basic 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 basic financial statements.

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

15. It is our responsibility to establish and maintain internal control over financial reporting. One of the components 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 basic financial statements involving:

    a. Management.

    b. Employees who have significant roles in internal control.

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

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

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 significant deficiencies, including 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.

Supplementary Information

24. With respect to supplementary information presented in relation to the basic 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.

25. With respect to management's discussion and analysis and the reconciliation of claims liability by type of contract presented as required by accounting principles generally accepted in the United States of America to supplement the basic financial statements:

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

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

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

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, regulations, contracts, and grant agreements 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 attentions 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 laws, regulations, rules and provisions of contracts or grant agreements that have a direct and material effect on other financial data significant to audit objectives.

30. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of violations (and possible violations) of laws, regulations, rules and provisions of contracts or grant agreements whose effects should be considered for disclosure in the auditor's report on noncompliance.

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

37. Has provided views on the auditor's reported findings, conclusions and recommendations, as well as management's planned corrective actions, for the report.

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

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

Kim Sloan, Chief Financial Officer

Megan Hanson, Coordinator II

SISC

Self-Insured Schools of California

Schools Helping Schools

HEALTH AND WELFARE BENEFITS PROGRAM (SISC III)

FINANCIAL REPORT

September 30, 2021

SELF-INSURED SCHOOLS OF CALIFORNIA

HEALTH AND WELFARE BENEFITS PROGRAM (SISC III)

FINANCIAL REPORT

September 30, 2021

C O N T E N T S

PATRICK W. PAGGI

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of **Self-Insured Schools of California Health and Welfare Benefits Program (SISC III)**, as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise **SISC III**'s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

300 New Stine Road – Bakersfield, CA 93303 – Tel. 661.834.7411 – Fax.661.834.4389 – www. dpvb.com

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **SISC III** as of September 30, 2021 and 2020, and the changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-9, reconciliation of claims liabilities by type of contract on page 21 and schedule of three year trend data on page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2022 on our consideration of **SISC III**'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **SISC III**'s internal control over financial reporting and compliance.

Daniells Phillips Vaughan & Bock

Bakersfield, California
March 10, 2022

The following report reflects on the financial condition of SELF-INSURED SCHOOLS OF CALIFORNIA HEALTH AND WELFARE BENEFITS PROGRAM (SISC III) for the fiscal year ended September 30, 2021. It is provided in order to enhance the information in the financial audit, and should be reviewed in conjunction with that report.

Financial Highlights

- Total revenues were $2,725,489,512, an increase of 3.25% from the previous year or $85,772,740. The change in revenues is attributable to:
    a. An increase in premiums of 3.71%. The increase is a result of an increase in medical and pharmacy rates and the addition of new districts. Premiums account for 99.93% of total revenues for the SISC III program.
    b. A decrease in investment income of $11,766,938 or -86.15% due to lower rates of return in the bond market. The average rate of return in 2020/2021 was .29% versus 2.31% in 2019/2020.
- Total expenses were $2,620,106,815, an increase of 5.54% from the previous year or $137,617,326. The change is a result of the following:
    a. An increase in claims paid of $122,489,321 or 6.90%. This is related to program growth and rising medical costs.
    b. Disbursements to credible districts were $272,796. This number will fluctuate depending on district requests.
    c. Administrative services increased 32.20% or $3,985,023. This is due to program growth and the addition of supporting wellness programs.
    d. The adjustment to the unpaid claims liability increased $22,342,291 or 6830.92%. This large adjustment was due to a new actuarial study being performed as of September 30, 2021. SISC III has a new actuarial study performed every three years.
- The Balance Sheet reflects the following changes:
    a. Total assets are up $127,130,000 from 2020 to 2021 or 14.22%. This increase is mainly due to claims paid being less than expected and premiums collected being more than expected, leading to using less cash than anticipated. $101.5 million was transferred from cash to investments during the fiscal year.
    b. Receivables increased due to an increase in pharmacy rebates.
    c. Liabilities increased $21,747,303 from 2020 to 2021 or 10.35%. This is due to an increase in the unpaid claims liability. An actuarial study was performed as of September 30, 2021.

Overview of the Financial Statements

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

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

Daniells Phillips Vaughan & Bock (DPV&B) performed an independent audit of our financial statements in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. An opinion from DPV&B regarding the financial position of SISC III at September 30, 2021 is provided in the Independent Auditor's Report.

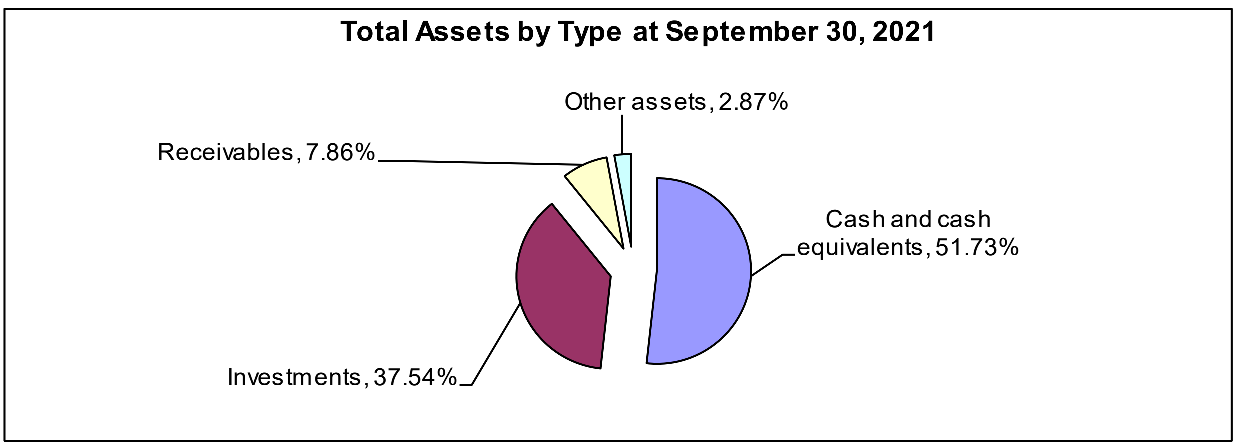
Balance Sheet

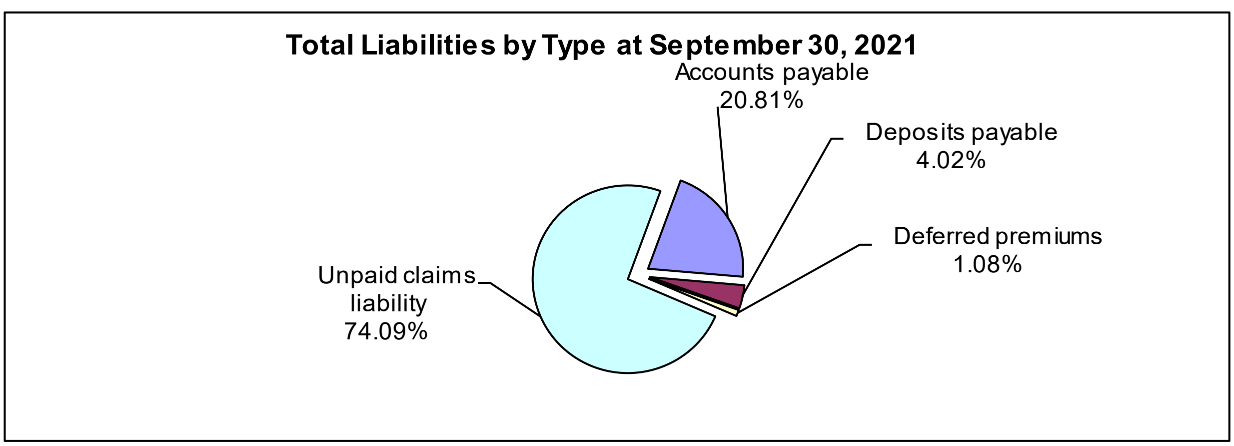
There was an increase in total assets in the current year of 14.22% or $127,130,000. This increase in assets is mainly due to claims payments being less than anticipated. Transfers from cash to investments in the amount of $101.5 million were made during the fiscal year causing an increase in investments. Receivables also increased $1,380,255 due to additional pharmacy rebates.

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

Total liabilities increased from $210,116,678 at September 30, 2020 to $231,863,981 at September 30, 2021. The increase is attributable to a new actuarial study being performed as of September 30, 2021. The new study includes an adjustment in medical claims for deferred utilization because of the COVID-19 pandemic. It is expected that there will be increasing medical costs due to people catching up on medical procedures not performed during the height of the pandemic.

		As of September 30, 2021	%		As of September 30, 2020	%
ASSETS						
Cash and cash equivalents	$	528,349,704	51.73%	$	493,468,103	55.18%
Investments		383,456,428	37.54%		292,585,784	32.72%
Receivables		80,245,349	7.86%		78,865,094	8.82%
Other assets		29,397,357	2.87%		29,399,857	3.28%
Total assets	$	1,021,448,838	100.00%	$	894,318,838	100.00%
LIABILITIES AND NET POSITION						
Liabilities						
Accounts payable	$	48,275,873	20.81%	$	47,320,953	22.52%
Deposits payable		9,316,080	4.02%		9,316,080	4.43%
Deferred premiums		2,492,689	1.08%		3,715,521	1.77%
Unpaid claims liability		171,779,339	74.09%		149,764,124	71.28%
Total liabilities		231,863,981	100.00%		210,116,678	100.00%
Net Position		789,584,857	100.00%		684,202,160	100.00%
Total liabilites and net position	$	1,021,448,838	100.00%	$	894,318,838	100.00%





Revenues and Expenses

Revenues increased from $2,639,716,772 to $2,725,489,512 or 3.25%, caused by a slight increase in medical and pharmacy rates. Revenues consist almost entirely of premiums received from members. Investment income decreased by $11,766,938, due to lower rates of return in the Kern County Treasury, LAIF and bond investment accounts.

Expenses consist almost entirely of claims payments. Total expenses increased 5.54% from $2,482,489,489 in 2019-2020 to $2,620,106,815 in 2020-2021. For the most part, this is a result of an increase in claims paid and an increase in the unpaid claims liability adjustment. One credible district requested refunds from their account totaling $272,796.

Revenues exceeded expenses by $105,382,697 in 2020-2021 and $157,227,283 in 2019-2020.

	Fiscal Year Ended September 30, 2021	Fiscal Year Ended September 30, 2020	$ Change	% Change
REVENUES:				
Premiums	$ 2,723,597,102	$ 2,626,057,424	$ 97,539,678	3.71%
Investment income	1,892,410	13,659,348	(11,766,938)	-86.15%
Total revenues	2,725,489,512	2,639,716,772	85,772,740	3.25%
EXPENSES:				
Claims paid	1,896,515,458	1,774,026,137	122,489,321	6.90%
Purchased insurance	609,186,144	612,690,644	(3,504,500)	-0.57%
Outside professional managers	75,757,435	72,595,760	3,161,675	4.36%
Unpaid claims liability adjustment	22,015,215	(327,076)	22,342,291	6830.92%
Rent, administrative and other	16,359,767	12,374,744	3,985,023	32.20%
Distributions	272,796	11,129,280	(10,856,484)	-97.55%
Total expenses	2,620,106,815	2,482,489,489	137,617,326	5.54%
Change in net position	105,382,697	157,227,283	(51,844,586)	
Net position, beginning	684,202,160	526,974,877	157,227,283	
Net position, ending	$ 789,584,857	$ 684,202,160	$ 105,382,697	

Budgetary Highlights

Each year the SISC III Board of Directors approves a budget and establishes rates and funding levels for all programs and services. The fiscal year for the SISC III – Health Benefits program is October to September. The budget is brought to the Board in September for approval. The budget incorporates various fiscal and economic factors such as insurance trends, claims history, administrative costs, level of reinsurance coverage, and investment performance. Below is a summary of the 2020-2021 budget information with a comparison to actual results.

Budget Comparison

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

	Budget	Actual Results	$ Variance	% Variance
REVENUES				
Premiums	$2,694,644,548	$2,723,597,102	$ 28,952,554	1.07%
Investment income	7,491,265	1,892,410	(5,598,855)	-74.74%
Total revenues	2,702,135,813	2,725,489,512	23,353,699	0.86%
EXPENSES				
Claims paid	1,905,333,394	1,896,515,458	(8,817,936)	-0.46%
Purchased insurance	662,344,889	609,186,144	(53,158,745)	-8.03%
Outside professional managers	74,846,168	75,757,435	911,267	1.22%
Unpaid claims liability adjustment	9,180,270	22,015,215	12,834,945	139.81%
Rent, administrative and other	13,057,609	16,359,767	3,302,158	25.29%
Distributions	-	272,796	272,796	100.00%
Total expenses	2,664,762,330	2,620,106,815	(44,655,515)	-1.68%
Change in net position	37,373,483	105,382,697	68,009,214	181.97%
Net position, beginning	684,202,160	684,202,160	-	
Net position, ending	$ 721,575,643	$ 789,584,857	$ 68,009,214	

- Premiums make up more than 99% of revenues. The variance of 1.07% over budget is due to a greater increase in subscribers than anticipated.
- Investment income was $5,598,855 less than budgeted. The rate of return in the bond accounts was considerably lower than anticipated.
- Claims paid were slightly less than budgeted.
- Purchased insurance was $53,158,745 less than budgeted due to lower costs than expected, particularly in the HMO products.
- Payments to outside professional managers were $911,267 more than budgeted.
- The unpaid claims liability adjustment is determined by the actuary. The variance in budget and actual is due to a new study performed as of September 30, 2021. A new study is performed every three years.
- Rent and administrative expenses were 25.29% more than budgeted. SISC has brought back some of its wellness programs that were discontinued due to the COVID-19 pandemic.
- Distributions to credible districts will vary from year to year and are not known ahead of time.

Factors Bearing on SISC III's Future

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

Other Information

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

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

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

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

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

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

Contacting SISC III's Management

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

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

BALANCE SHEETS
September 30, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents (Note 2)	**$ 528,349,704**	$ 493,468,103
Investments (Note 3)	**383,456,428**	292,585,784
Receivables (Note 4)	**80,245,349**	78,865,094
Other assets (Note 5)	**29,397,357**	29,399,857
	$ 1,021,448,838	$ 894,318,838
LIABILITIES AND NET POSITION		
Liabilities		
Accounts payable	**$ 48,275,873**	$ 47,320,953
Deposits payable (Note 6)	**9,316,080**	9,316,080
Deferred premiums	**2,492,689**	3,715,521
Unpaid claims liability (Note 9)	**171,779,339**	149,764,124
	231,863,981	210,116,678
Contingencies (Note 8)		
Net Position	**789,584,857**	684,202,160
	$ 1,021,448,838	$ 894,318,838

See Notes to Financial Statements.

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended September 30, 2021 and 2020

	2021	2020
Operating revenues:		
Premiums	**$ 2,723,597,102**	$ 2,626,057,424
Investment income	**1,892,410**	13,659,348
	2,725,489,512	2,639,716,772
Operating expenses:		
Claims paid	**1,896,515,458**	1,774,026,137
Purchased insurance	**609,186,144**	612,690,644
Outside professional managers	**75,757,435**	72,595,760
Distributions	**272,796**	11,129,280
Unpaid claims liability adjustments	**22,015,215**	(327,076)
Rent and administrative expenses (Note 7)	**6,849,563**	7,555,787
Other	**9,510,204**	4,818,957
	2,620,106,815	2,482,489,489
Change in net position	**105,382,697**	157,227,283
Net position, beginning	**684,202,160**	526,974,877
Net position, ending	**$ 789,584,857**	$ 684,202,160

See Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS
Years Ended September 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Receipts from districts	**$ 2,712,568,088**	$ 2,627,061,266
Receipts from others	**861,948**	148,350
Claims paid	**(1,888,655,151)**	(1,803,458,807)
Payments to suppliers (purchased insurance)	**(609,186,144)**	(612,690,644)
Payments to outside professional managers	**(75,804,985)**	(72,475,545)
Payments for administration services	**(16,475,847)**	(12,237,646)
Payments of district reserves	**(272,796)**	(11,129,280)
Investment income	**9,042,295**	11,147,273
Net cash provided by operating activities	**132,077,408**	126,364,967
Cash Flows from Investing Activities		
Purchase of investment securities	**(306,517,940)**	(210,617,602)
Proceeds from sale and maturities of investment securities	**209,322,133**	167,333,199
Net cash (used in) investing activities	**(97,195,807)**	(43,284,403)
Net increase in cash and cash equivalents	**34,881,601**	83,080,564
Balances, beginning of year	**493,468,103**	410,387,539
Balances, end of year	**$ 528,349,704**	$ 493,468,103
Reconciliation of change in net position to net cash provided by operating activities:		
Change in net position	**$ 105,382,697**	$ 157,227,283
Realized and unrealized (gains) losses on investments	**6,325,163**	(2,845,173)
Adjustments to reconcile change in net position to net cash provided by operating activities:		
(Increase) decrease in:		
Receivables	**(1,380,255)**	(17,827,975)
Other assets	**2,500**	(3,200,000)
Increase (decrease) in:		
Accounts payable	**954,920**	(5,054,404)
Deposits payable	**-**	580,000
Deferred premiums	**(1,222,832)**	(2,187,688)
Unpaid claims liability	**22,015,215**	(327,076)
Net cash provided by operating activities	**$ 132,077,408**	$ 126,364,967

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Description of the Program and Significant Accounting Policies

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

SISC III is fully funded by its members and comprised of the following Pools and Credible School Districts: Bakersfield City School District, Kern High School District, Visalia Unified School District, Santa Maria Bonita School District, SET-TC, Shasta-Trinity Schools Insurance Group (STSIG), and the Statewide Pool. These are comprised of 459 member districts. The "Statewide Pool" encompasses rate pools by county and region for active employees and early retirees and a statewide pool for retirees over age 65. **SISC III** is governed by a Board of Directors that is elected from and by representatives of member districts, with one director designated by the Kern County Superintendent of Schools. Districts may be admitted with approval of the Executive Committee. Districts may withdraw from **SISC III** at the beginning of the fiscal year by giving notice by the preceding August 15th. Fund underwriting and rate-setting policies have been established after consultation with independent actuaries. There are also an additional 15 districts and 2 pools (Coastal Schools Employee Benefits Organization and Santa Clara County Schools' Insurance Group) that are coalition participants with Dental, Vision, or Life benefits only and are not Joint Powers Authority (JPA) members.

The Alliance of Schools for Cooperative Insurance Programs (ASCIP), a JPA that provides insurance and other programs for its members, is a participating member of the **SISC III** medical insurance program with respect to administrative costs and is assessed claims which are incurred and paid under the SISC pooling threshold of $150,000. Six of ASCIP's member districts were participating in this agreement as of September 30, 2021.

Public Risk, Innovation, Solutions and Management (PRISM) a JPA that provides insurance and other programs for its members, is contracted with the **SISC III** medical insurance program pool with respect underwriting and risk sharing. PRISM is comprised of 44 governmental agencies.

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

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

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

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

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

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

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

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

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

Global Pandemic: On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public spaces and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical areas in which **SISC III** operates. While it is unknown how long these conditions will last and what the complete financial effect will be to **SISC III**, to date, **SISC III** has not experienced any negative impact. Significant volatility in financial markets make it reasonably possible that **SISC III** is vulnerable to the risk of a near-term severe impact.

Reclassifications: Certain items in the 2020 financial statements have been reclassified to conform to the 2021 presentation, with no effect on the change in net position.

Subsequent Events: **SISC III** has evaluated subsequent events through March 10, 2022, the date on which the financial statements were available to be issued. There were no subsequent events identified by management which would require disclosure in the financial statements.

Note 2. Cash and Cash Equivalents

Cash and cash equivalents at September 30, 2021 and 2020 consisted of the following:

	2021	2020
Deposits		
Cash in SISC revolving fund account	$ 1,500	$ 1,500
Cash in SISC consolidated account	182,318,774	127,186,986
Money market funds	17,995,061	8,530,181
Pooled Funds		
Cash in County Treasury	327,795,142	352,023,670
Local agency investment fund	239,227	5,725,766
	$ 528,349,704	$ 493,468,103

The bank balance of deposits at September 30, 2021 and 2020 was $182,320,274 and $127,188,486, respectively. Deposits were insured or collateralized by the pledging bank's trust department in **SISC III**'s name.

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

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

NOTES TO FINANCIAL STATEMENTS

Note 3. Investments

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

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

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

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

SISC III has the following fair value measurements as of September 30, 2021 and 2020:

		Fair Value Measurements Using		
	9/30/2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. Treasury securities	$ 150,290,708	$ 150,290,708	$ -	$ -
U.S. agencies mortgage passthrough	7,269,590	-	7,269,590	-
Corporate bonds	78,289,167	-	78,289,167	-
Negotiable certificates of deposit	752,498	-	752,498	-
U.S. agencies	146,854,465	-	146,854,465	-
Total investments by fair value level	$ 383,456,428	$ 150,290,708	$233,165,720	$ -

	9/30/2020	(Level 1)	(Level 2)	(Level 3)
Investments by fair value level				
Debt securities				
U.S. Treasury securities	$ 108,765,712	$ 108,765,712	$ -	$ -
U.S. agencies mortgage passthrough	5,206,674	-	5,206,674	-
Corporate bonds	73,516,776	-	73,516,776	-
Negotiable certificates of deposit	3,514,408	-	3,514,408	-
U.S. agencies	101,582,214	-	101,582,214	-
Total investments by fair value level	$ 292,585,784	$ 108,765,712	$183,820,072	$ -

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

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

Disclosures Relating to Interest Rate Risk
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The **SISC III** investment policy limits investments in U.S. Treasury obligations and Federal agency securities to ten years, corporate medium-term notes, mortgage pass-through securities and consumer receivable pass-through certificates to five years, commercial paper to 270 days, bankers acceptances to 180 days and negotiable certificates of deposit to ten years.

Disclosures Relating to Credit Risk
Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. **SISC III**'s investment policy requires that investments in corporate securities have to be rated at least 'A' by Moody's and 'A' by Standard and Poor's rating agencies. If a security rating drops below 'A,' the security will be evaluated by the SISC Finance Department for continuance in the portfolio. A report of the downgrade and the course of action taken will be presented to the SISC Board at the next regularly scheduled meeting. The investment policy also limits investments in corporate medium-term notes to thirty percent, investments in mortgage pass-through securities and consumer receivable pass-through securities to twenty percent, commercial paper to ten percent, bankers acceptances to forty percent and negotiable certificates of deposit to thirty percent of the total investment portfolio.

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

The California Government Code and **SISC III**'s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the Trust deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and **SISC III**'s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4. Receivables

Receivables consist of the following at September 30, 2021 and 2020:

	2021	2020
Claims refunds	$ 62,267,542	$ 67,370,642
Premiums	16,778,520	8,681,486
Accrued interest	966,404	1,791,125
ASO refunds	232,883	198,462
RDS subsidy	-	823,379
	$ 80,245,349	$ 78,865,094

Note 5. Other Assets

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

Pre-funding deposits consist of the following at September 30, 2021 and 2020:

	2021	2020
SISC Anthem PPO medical claims	$ 15,800,000	$ 15,800,000
SISC Blue Shield PPO and HMO medical claims	5,200,000	5,200,000
PRISM Blue Shield PPO and HMO medical claims	3,275,000	3,275,000
PRISM Anthem PPO medical claims	2,900,000	2,900,000
SISC Anthem HMO medical claims	1,991,145	1,991,145
PRISM Anthem HMO medical claims	231,212	231,212
PRISM DHS PPO medical claims	-	2,500
	$ 29,397,357	$ 29,399,857

Note 6. Deposits Payable

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

Note 7. Transactions With Related Party

SISC III is related to the Kern County Superintendent of Schools (KCSOS) through common management. KCSOS provides office space, equipment and administrative personnel to **SISC III**. **SISC III** reimburses the KCSOS monthly for the costs incurred by KCSOS on **SISC III**'s behalf. Amounts reimbursed during the years ended September 30, 2021 and 2020 were $6,849,563 and $7,555,787, respectively.

Note 8. Litigation

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

Note 9. Unpaid Claims Liability

As discussed in Note 1, **SISC III** establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claims adjustment expenses. The following represents changes in those aggregate liabilities during the years ended September 30, 2021 and 2020:

	2021	2020
	(In thousands)	
Unpaid claims and claim adjustment expenses at beginning of year	$ 149,764	$ 150,091
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	1,892,776	1,763,310
Provision for insured events of prior years	25,754	10,389
Total incurred claims and claim adjustment expenses	1,918,530	1,773,699
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	1,720,997	1,613,546
Claims and claim adjustment expenses attributable to insured events of prior years	175,518	160,480
Total payments	1,896,515	1,774,026
Total unpaid claims and claim adjustment expenses at end of year	$ 171,779	$ 149,764

REQUIRED
SUPPLEMENTARY INFORMATION

SELF-INSURED SCHOOLS OF CALIFORNIA
HEALTH AND WELFARE BENEFITS PROGRAM (SISC III)
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
SEPTEMBER 30, 2021 AND 2020

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

	Medical		Dental		Vision		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Unpaid claims and claim adjustment expenses at beginning of year	$ 140,060	$ 138,897	$ 8,895	$ 10,290	$ 809	$ 904	$ 149,764	$ 150,091
Incurred claims and claim adjustment expenses:								
Provision for insured events of the current year	1,741,628	1,626,748	133,206	120,180	17,942	16,382	1,892,776	1,763,310
Provision for insured events of prior years	27,038	14,750	(1,301)	(4,077)	17	(284)	25,754	10,389
Total incurred claims and claim adjustment expenses	1,768,666	1,641,498	131,905	116,103	17,959	16,098	1,918,530	1,773,699
Payments:								
Claims and claim adjustment expenses attributable to insured events of the current year	1,576,818	1,486,689	126,814	111,285	17,365	15,572	1,720,997	1,613,546
Claims and claim adjustment expenses attributable to insured events of prior years	167,097	153,646	7,594	6,213	827	621	175,518	160,480
Total payments	1,743,915	1,640,335	134,408	117,498	18,192	16,193	1,896,515	1,774,026
Total unpaid claims and claim adjustment expenses at end of year	$ 164,811	$ 140,060	$ 6,392	$ 8,895	$ 576	$ 809	$ 171,779	$ 149,764

SELF-INSURED SCHOOLS OF CALIFORNIA
HEALTH AND WELFARE BENEFITS PROGRAM (SISC III)
SCHEDULE OF THREE YEAR TREND DATA
SEPTEMBER 30, 2021

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

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

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

	Fiscal and policy year ended		
	2021	2020 (in thousands)	2019
(1) Net earned required contribution and investment revenues:			
Earned	$ 2,724,109	$ 2,621,889	$ 2,495,814
Less Ceded	-	-	-
Net earned	2,724,109	2,621,889	2,495,814
(2) Unallocated expenses	625,546	625,065	558,871
(3) Estimated incurred claims and expense end of policy year:			
Incurred	1,892,776	1,763,310	1,782,178
Less Ceded	-	-	-
Net incurred	1,892,776	1,763,310	1,782,178
(4) Net paid (cumulative) as of:			
End of policy year	1,720,997	1,613,546	1,632,086
One year later	*	*	*
(5) Reestimated ceded claims and expenses	*	*	*
(6) Reestimated net incurred claims and expense:			
End of policy year	1,892,776	1,763,310	1,782,178
One year later	*	*	*
(7) Increase (decrease) in estimated net incurred claims and expenses from end of policy year	*	*	*

* Data not available in this format

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **Self Insured Schools of California Health and Welfare Benefits Program (SISC III)**, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise **SISC III**'s basic financial statements, and have issued our report thereon dated March 10, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Daniells Phillips Vaughan & Bock

Bakersfield, California
March 10, 2022

SISC III

Comparison of Budget-to-Actual

2021-22

	Revenues Monthly	Revenues YTD Cumulative	Expenses Monthly	Expenses YTD Cumulative	Surplus/Deficit Monthly	Surplus/Deficit YTD Cumulative	Exp/Rev % YTD Cumulative
Budget							
Oct-21	$241,134,503	$241,134,503	$235,714,728	$235,714,728	$5,419,775	$5,419,775	97.8%
Nov-21	$241,134,503	$482,269,006	$225,194,657	$460,909,385	$15,939,846	$21,359,621	95.6%
Dec-21	$241,134,503	$723,403,509	$237,077,338	$697,986,723	$4,057,165	$25,416,786	96.5%
Jan-22	$241,674,867	$965,078,376	$235,004,764	$932,991,486	$6,670,103	$32,086,890	96.7%
Feb-22	**$240,553,818**	**$1,205,632,194**	**$229,404,821**	**$1,162,396,307**	**$11,148,997**	**$43,235,887**	**96.4%**
Mar-22	$240,553,818	$1,446,186,012	$241,535,287	$1,403,931,594	($981,469)	$42,254,418	97.1%
Apr-22	$241,674,867	$1,687,860,879	$232,477,683	$1,636,409,277	$9,197,184	$51,451,603	97.0%
May-22	$240,553,818	$1,928,414,698	$229,764,059	$1,866,173,336	$10,789,759	$62,241,361	96.8%
Jun-22	$240,553,818	$2,168,968,516	$237,859,851	$2,104,033,187	$2,693,967	$64,935,329	97.0%
Jul-22	$239,359,341	$2,408,327,856	$240,324,124	$2,344,357,311	($964,784)	$63,970,545	97.3%
Aug-22	$238,238,292	$2,646,566,148	$247,882,478	$2,592,239,789	($9,644,186)	$54,326,359	97.9%
Sep-22	$243,816,142	$2,890,382,290	$234,111,253	$2,826,351,042	$9,704,889	$64,031,248	97.8%
Actual							
Oct-21	$236,133,043	$236,133,043	$248,446,736	$248,446,736	($12,313,693)	($12,313,693)	105.2%
Nov-21	$238,978,189	$475,111,232	$252,365,310	$500,812,046	($13,387,121)	($25,700,814)	105.4%
Dec-21	$240,937,118	$716,048,350	$259,783,916	$760,595,962	($18,846,798)	($44,547,612)	106.2%
Jan-22	$242,418,700	$958,467,050	$225,206,976	$985,802,939	$17,211,723	($27,335,889)	102.9%
Feb-22	**$241,146,215**	**$1,199,613,264**	**$228,368,327**	**$1,214,171,265**	**$12,777,888**	**($14,558,001)**	**101.2%**

Year End Scenarios

Scenario #1	Revenue based	$2,887,015,787.07	$2,952,241,159	($65,225,372)	102.3%
Scenario #2	on recent revenue	$2,887,015,787	$2,880,778,427	$6,237,360	99.8%
Scenario #3	continuing	$2,887,015,787	$2,895,070,973	($8,055,186)	100.3%

Scenario #1: Expenses based on the pattern of actuals from October through February continuing throughout the year
Scenario #2: Expenses based on the March through September surplus/deficit coming in as originally budgeted
Scenario #3: Expenses based on a mix of Scenario #1 weighted at 20% and Scenario #2 weighted at 80%