

SCHOOL EXCESS LIABILITY FUND
Financial Statements
June 30, 2022 and 2021
With Independent Auditor's Reports

School Excess Liability Fund
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June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Fund Commissioners,
School Excess Liability Fund:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of School Excess Liability Fund, which comprise the balance sheets as of June 30, 2022 and 2021, and the related statements of revenue, expenses, and changes in fund surplus and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of School Excess Liability Fund as of June 30, 2022 and 2021, and the changes in fund surplus and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements as prescribed by the State of New Jersey, Departments of Community Affairs and Banking and Insurance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of School Excess Liability Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about School Excess Liability Fund's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the audit requirements as prescribed by the State of New Jersey, Departments of Community Affairs and Banking and Insurance will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements as prescribed by the State of New Jersey, Departments of Community Affairs and Banking and Insurance, we:

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

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

Other Matters

Required Supplementary Information

The Fund has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is required to be part of the basic financial statements.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2022 on our consideration of School Excess Liability Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of School Excess Liability Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School Excess Liability Fund's internal control over financial reporting and compliance.

Withum Smith + Brown, PC

November 8, 2022

**School Excess Liability Fund
Balance Sheets
June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Assets		
Cash	\$ 17,339,289	\$ 12,621,910
Investments	12,632,768	13,147,241
Accrued interest income	47,795	58,853
Due from reinsurer, net	2,271,215	2,459,243
Prepaid expenses	<u>-</u>	<u>3,325</u>
	<u>\$ 32,291,067</u>	<u>\$ 28,290,572</u>
Liabilities and Fund Surplus		
Liabilities		
Loss reserves		
Case reserves	\$ 11,697,794	\$ 10,369,350
IBNR reserves	<u>11,448,952</u>	<u>9,253,373</u>
Total loss reserves	23,146,746	19,622,723
Other		
Administrative expenses payable	97,073	91,355
Insurance and reinsurance premiums payable	<u>4,643,218</u>	<u>2,201,372</u>
Total liabilities	27,887,037	21,915,450
Fund surplus	<u>4,404,030</u>	<u>6,375,122</u>
	<u>\$ 32,291,067</u>	<u>\$ 28,290,572</u>

The Notes to Financial Statements are an integral part of these statements.

School Excess Liability Fund
Statements of Revenue, Expenses and Changes in Fund Surplus
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue		
Underwriting income - regular contributions	\$ 27,345,431	\$ 22,919,335
Expenses		
Claims		
Paid	2,927,432	2,671,608
Increase in case reserves	1,328,444	199,953
Increase in IBNR reserves	<u>2,195,579</u>	<u>1,333,537</u>
Claims - net	6,451,455	4,205,098
Insurance and reinsurance premiums	22,263,460	17,981,163
Administrative expenses	<u>49,872</u>	<u>163,758</u>
Total expenses	<u>28,764,787</u>	<u>22,350,019</u>
Operating income (loss)	<u>(1,419,356)</u>	<u>569,316</u>
Investment return and other income (loss)		
Investment return and other income, net	236,193	249,883
Change in fair value of investments	<u>(787,929)</u>	<u>(296,655)</u>
Investment loss, net	<u>(551,736)</u>	<u>(46,772)</u>
Net income (loss)	(1,971,092)	522,544
Fund surplus		
Beginning of year	<u>6,375,122</u>	<u>5,852,578</u>
End of year	<u>\$ 4,404,030</u>	<u>\$ 6,375,122</u>

The Notes to Financial Statements are an integral part of these statements.

School Excess Liability Fund
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating activities		
Underwriting income - regular contributions	\$ 27,345,431	\$ 22,919,335
Claims paid	(2,927,432)	(2,671,608)
Insurance and reinsurance premiums paid	(19,633,586)	(15,632,443)
Administrative expenses paid	(40,829)	(157,089)
Net cash provided by operating activities	<u>4,743,584</u>	<u>4,458,195</u>
Investing activities		
Sale/maturity of investment securities	3,096,492	2,614,629
Purchase of investment securities	(3,378,456)	(2,797,238)
Investment income	255,759	250,823
Net cash provided by (used in) investing activities	<u>(26,205)</u>	<u>68,214</u>
Net change in cash	4,717,379	4,526,409
Cash		
Beginning of year	<u>12,621,910</u>	<u>8,095,501</u>
End of year	<u>\$ 17,339,289</u>	<u>\$ 12,621,910</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (1,419,356)	\$ 569,316
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Change in assets and liabilities		
Due from School Alliance Insurance Fund	-	97,874
Due from reinsurer	188,028	154,717
Prepaid expenses	3,325	1,255
Case and IBNR reserves	3,524,023	1,533,490
Administrative expenses payable	5,718	5,414
Insurance and reinsurance premiums payable	2,441,846	2,096,129
Net cash provided by operating activities	<u>\$ 4,743,584</u>	<u>\$ 4,458,195</u>

The Notes to Financial Statements are an integral part of these statements.

School Excess Liability Fund
Notes to Financial Statements
June 30, 2022 and 2021

1. OPERATIONS

The School Excess Liability Fund (the "Fund") is a joint insurance fund which was formed effective July 1, 2004 under the provisions of N.J.S.A. 18A:18B-1 et seq. The Fund membership is open to all qualified joint insurance funds. The Fund's membership is currently composed of School Alliance Insurance Fund and Diploma Joint Insurance Fund. The Fund's general objective is to provide members with an alternative to the excess insurance market.

The bylaws of the Fund, as supplemented by the Risk Management Plan, set forth the various procedures which are to be followed in the organization, administration, and operation of the Fund.

Fund members are subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund liabilities. The Fund considers investment income when determining deficiencies.

The Fund's administrator (the "Administrator") is responsible for the overall administration of the Fund. Fees paid to the Administrator cover all administrative costs; accordingly, the Fund does not maintain any fixed assets nor incur any employee payroll expense.

The Fund offers its members coverage for excess property, excess general and auto liability, excess workers' compensation, and employers' liability.

Losses in excess of the amounts below are covered by reinsurance and excess insurance contracts. Effective 2012/13, the Fund has an additional per occurrence \$150,000 self-insured retention ("SIR") on property for named storm systems that does not accrue to the aggregate. The Fund's liability, self-insured retention ("SIR"), for claims is limited to the following coverage and amounts:

	<u>Fund Year(s)</u>	<u>Loss Type</u>	<u>Per Occurrence SIR</u>	<u>Aggregate SIR</u>
Workers' Compensation and Employers' Liability	2004/2005 through 2010/2011	Loss & ALAE	\$ 250,000	None
	2011/2012 through 2015/2016	Loss & ALAE	\$ 150,000	None
	2016/2017 through 2021/2022	Loss & ALAE	\$ 250,000	None
Property and Liability	2006/2007	Loss & ALAE	\$ 150,000	\$ 813,956
	2007/2008	Loss & ALAE	\$ 150,000	\$ 857,901
	2008/2009	Loss & ALAE	\$ 150,000	\$ 950,000
	2009/2010	Loss & ALAE	\$ 150,000	\$ 810,000
	2010/2011	Loss & ALAE	\$ 150,000	\$ 900,000
	2011/2012	Loss & ALAE	\$ 150,000	\$ 900,000
	2012/2013	Loss & ALAE	\$ 150,000	\$ 900,000
	2013/2014	Loss & ALAE	\$ 150,000	\$ 900,000
	2014/2015	Loss & ALAE	\$ 150,000	\$ 900,000
	2015/2016	Loss & ALAE	\$ 150,000	\$ 1,134,148
	2016/2017	Loss & ALAE	\$ 150,000	\$ 1,100,000
	2017/2018	Loss & ALAE	\$ 150,000	\$ 1,166,000
	2018/2019	Loss & ALAE	\$ 150,000	\$ 1,239,548
2019/2020	Loss & ALAE	\$ 150,000	\$ 1,225,348	
2020/2021	Loss & ALAE	(a)	\$ 4,844,848	
2021/2022	Loss & ALAE	(a)	\$ 4,600,000	

(a) Property \$150,000/Liability \$400,000.

School Excess Liability Fund
Notes to Financial Statements
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The Fund has two loss corridor reimbursement arrangements, which are included in reinsurance expense and liability, as follows:

1. Effective for the 2020/2021 fund year, for school board legal liability, once the first \$200,000 of each claim has been paid by either of the Fund's members, the Fund will pay an aggregate loss corridor of \$900,000 across all claims before the excess carrier commences payment. Effective for the 2021/2022 fund year, for school board legal liability, once the first \$300,000 of each claim has been paid by either of the Fund's members, the Fund will pay an aggregate loss corridor of \$1,000,000 across all claims before the excess carrier commences payment
2. Beginning with fund year 2020/2021 for auto and property liability, once the Fund's excess layer of \$400,000, as noted in the above table, has been paid, the Fund will pay an aggregate loss corridor of \$2,000,000 across all occurrences before the excess carrier commences payment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund are prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units, where applicable. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

Government Accounting Standards Board Codification Section 2100, *Defining Financial Reporting Entity*, establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards, and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The Fund has determined that there were no additional entities required to be included in the reporting entity under the criteria as described above. In addition, the Fund is not includable in any other reporting entity on the basis of such criteria.

Basis of Accounting

The Fund utilizes the accrual basis of accounting whereby revenue is recorded as earned and expenses reflected as incurred. Fund surplus (deficit), or net position, reflects the excess (deficit) of total assets over total liabilities.

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 revenue and expenses during the reporting period. In addition, certain actuarial assumptions have been made in the preparation of these financial statements. Actual results could differ from those estimates. Significant estimates included in these financial statements are fair market value of investments, case reserves, and incurred but not reported ("IBNR") reserves.

Cash

The Fund considers all highly liquid investments with maturities of less than three months at the time of purchase to be cash.

School Excess Liability Fund

Notes to Financial Statements

June 30, 2022 and 2021

Investments

The investments in government backed fixed maturities are carried at fair value. Fair value has been supplied by the custodian.

Revenue Recognition

The Fund offers annual coverage to its members. Member assessments (contributions) are recorded on the accrual basis. The member assessments are determined by the Administrator and then certified by vote of the Fund's Board of Trustees. There are no advance sums collected for the revenue streams except any prepayments recorded as a liability. Revenue is recognized in the year the coverage is in effect and is recognized ratably over the period the service is provided.

Claims Liabilities

The Fund establishes claims liabilities for the Fund's SIR loss and claim adjustment expense based on estimates of the ultimate cost of claims that have been reported but not settled, and claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims cost depends on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability. 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 and historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. The Fund does not discount claim liabilities. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. Subrogation and other recoverable claim amounts are recognized as a reduction of claim payments upon the receipt of cash or are accrued for if the recoverable amount is known.

Reinsurance

The Fund purchases reinsurance contracts in accordance with the Risk Management Plan. Although reinsurance does not discharge the primary liability of the Fund as direct insurer of the risk of loss, the Fund does not report the claim payments or liabilities under reinsurance contracts unless it is probable that those liabilities will not be covered by reinsurers. A contingent liability may exist with respect to reinsurance which would become an actual liability in the event any of the insurance companies might be unable to meet their obligations to the Fund.

Income Taxes

The Fund is a tax-exempt organization and is not subject to either federal or state income taxes.

Fair Value of Financial Instruments

According to professional standards, the Fund measures its fair value under accounting principles generally accepted in the United States of America and provides disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation techniques use a fair value hierarchy and are based on three levels of inputs as noted below:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

School Excess Liability Fund
Notes to Financial Statements
June 30, 2022 and 2021

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

3. CASH

At June 30, 2022 and 2021, cash consisted of deposits in operating checking accounts with various financial institutions. The carrying amount was \$17,339,289 and \$12,621,910 and the bank balance of the above accounts was \$17,339,289 and \$12,608,219 as of June 30, 2022 and 2021, respectively.

The bank balance has been deposited in public depositories and is fully insured up to \$250,000 per depository by the Federal Deposit Insurance Corporation (“FDIC”); the excess over the FDIC limit is fully collateralized by the bank or institution through the Government Unit Deposit Protection Act. The Fund considers all highly liquid investments with maturities of less than three months from date of investment to be cash.

4. INVESTMENTS

At both June 30, 2022 and 2021, the Fund invested only in notes backed by the federal government and triple A rated (AAA) by Moody’s with various interest rates and maturity dates. The maturity dates range from September 30, 2022 to September 30, 2026 as of June 30, 2022 and from October 31, 2021 to February 28, 2026 as of June 30, 2021. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments that are in the possession of an outside party. At June 30, 2022 and 2021, all of the Fund’s investments are under the custody of New Jersey Asset and Rebate Management Program, who is the Fund’s investment advisor.

Investments are stated at fair value. The difference between fair value and amortized cost is recorded as unrealized gain each year. The amounts are as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Face value	\$ 13,135,000	\$ 12,690,000
Unamortized premium, net	42,572	214,116
Unrealized gain (loss), net	<u>(544,804)</u>	<u>243,125</u>
Fair value	<u>\$ 12,632,768</u>	<u>\$ 13,147,241</u>

Investment income consisted of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Interest income	\$ 244,701	\$ 251,613
Amortization of premium, net	(28,473)	(26,986)
Realized gain using amortized cost	<u>19,965</u>	<u>25,256</u>
Investment return, net	<u>\$ 236,193</u>	<u>\$ 249,883</u>

School Excess Liability Fund
Notes to Financial Statements
June 30, 2022 and 2021

5. FAIR VALUE ACCOUNTING

Recurring Fair Value Measurements

The Fund has provided fair value disclosure information for relevant assets and liabilities in these financial statements. The following tables summarize assets which have been accounted for at fair value on a recurring basis as of June 30 along with the basis for the determination of fair value:

	2022			
	Basis for Valuation			
	Quoted	Observable	Unobservable	
	Prices in	Measurement	Measurement	
	Active	Criteria	Criteria	
Total	Markets	Criteria	Criteria	
Investments - U.S. Treasury Notes	<u>\$ 12,632,768</u>	<u>\$ 12,632,768</u>	<u>\$ -</u>	<u>\$ -</u>
	2021			
	Basis for Valuation			
	Quoted	Observable	Unobservable	
	Prices in	Measurement	Measurement	
	Active	Criteria	Criteria	
Total	Markets	Criteria	Criteria	
Investments - U.S. Treasury Notes	<u>\$ 13,147,241</u>	<u>\$ 13,147,241</u>	<u>\$ -</u>	<u>\$ -</u>

For applicable assets and liabilities subject to this pronouncement, the Fund will value such assets and liabilities using quoted market prices in active markets for identical assets and liabilities to the extent possible. To the extent that such market prices are not available, the Fund will next attempt to value such assets and liabilities using observable measurement criteria, including quoted market prices of similar assets and liabilities in active and inactive markets and other corroborated factors. In the event that quoted market prices in active markets and other observable measurement criteria are not available, the Fund will develop measurement criteria based on the best information available.

U.S. Government backed fixed rate notes are valued at the closing price reported on the active market on which individual securities are traded along with comparable bond ratings under Moody's and S&P.

The valuation methods for these investments are consistent for the years ended June 30, 2022 and 2021.

School Excess Liability Fund
Notes to Financial Statements
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6. LOSS RESERVES

The liability for unpaid losses and loss adjustment expenses represents an estimate of the ultimate net cost of all losses and loss adjustment expenses incurred but not yet paid as of June 30, 2022 and 2021. This estimate is based on the estimated ultimate cost of settling the claims considering the historical experience of the members, various other industry statistics, including the effects of inflation and other societal or economic factors, and the Fund's self-insured retention level. Management believes that the liability for unpaid losses is adequate to cover the ultimate cost of reported and unreported claims incurred but not yet paid. However, the ultimate cost may be more or less than the estimated liability. The Fund has created a loss reserve for any reported and potential unreported losses which have taken place but in which the Fund has not received notices or reports of losses incurred but not reported. Loss reserves have been estimated by the claims servicing organizations of the members (less member deductibles) and the Fund's actuary.

Loss reserves are as follows at June 30:

	<u>2022</u>	<u>2021</u>
Case reserves	\$ 11,697,794	\$ 10,369,350
Reserves for losses incurred but not reported	<u>11,448,952</u>	<u>9,253,373</u>
	<u>\$ 23,146,746</u>	<u>\$ 19,622,723</u>

The following represents changes in the aggregate reserves and claim adjustment expenses for the Fund during the years ended June 30:

	<u>2022</u>	<u>2021</u>
Unpaid claim liabilities, beginning of year	<u>\$ 19,622,723</u>	<u>\$ 18,089,233</u>
Incurred claims		
Provision for insured events of the current year	6,053,392	4,773,764
Increase (decrease) in provision for insured events of prior years	<u>398,063</u>	<u>(568,666)</u>
Total increase in incurred claims	<u>6,451,455</u>	<u>4,205,098</u>
Payments		
Payments - net on claims for insured events of the current year	734,949	571,349
Payments - net on claims for insured events of prior years	<u>2,192,483</u>	<u>2,100,259</u>
Total payments	<u>2,927,432</u>	<u>2,671,608</u>
Unpaid claim liabilities, end of year	<u>\$ 23,146,746</u>	<u>\$ 19,622,723</u>

School Excess Liability Fund
Notes to Financial Statements
June 30, 2022 and 2021

7. CONCENTRATION OF RISK

For the years ended June 30, 2022 and 2021, the Fund's underwriting income is derived from two members. The larger of the two members accounted for approximately 87% and 86% of income for the years ended June 30, 2022 and 2021, respectively. The significant concentration presents a risk that if one of the members withdraws from the Fund it will then fail to meet the requirements as a "Fund" defined under statute. The Fund would be required to advise the New Jersey Department of Banking and Insurance of its plan to bring the Fund in compliance or cease to exist. The Fund does not foresee this occurring and is actively seeking additional members. The Fund is currently in compliance with all terms and conditions set forth by the Fund.

8. SUBSEQUENT EVENTS

The Fund has evaluated subsequent events occurring after the balance sheet date through November 8, 2022, which is the date the financial statements were available to be issued. Based on this evaluation, the Fund has determined that no subsequent events have occurred which require adjustment to or disclosure in the financial statements.

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

INDEPENDENT AUDITOR'S REPORT

To the Fund Commissioners,
School Excess Liability Fund:

We have audited 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, and the audit requirements as prescribed by the State of New Jersey, Division of Local Government Services, Department of Community Affairs, and Department of Banking and Insurance, the financial statements of School Excess Liability Fund (the "Fund"), which comprise the balance sheet as of June 30, 2022, the related statements of revenue, expenses, and changes in fund surplus and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated November 8, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 and significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of the 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.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC". The signature is written in a cursive, flowing style.

November 8, 2022

SUPPLEMENTARY INFORMATION

School Excess Liability Fund
Ten Years Claims Development Information
June 30, 2022

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Underwriting income - regular contributions	\$ 11,567,365	\$ 13,900,989	\$ 15,619,244	\$ 17,132,684	\$ 17,437,770	\$ 17,479,021	\$ 16,976,091	\$ 17,845,778	\$ 22,919,335	\$ 27,345,431
Interest and other income (loss)	<u>46,594</u>	<u>37,776</u>	<u>92,690</u>	<u>176,907</u>	<u>251,075</u>	<u>231,977</u>	<u>202,455</u>	<u>72,606</u>	<u>(102,244)</u>	<u>(138,314)</u>
	<u>\$ 11,613,959</u>	<u>\$ 13,938,765</u>	<u>\$ 15,711,934</u>	<u>\$ 17,309,591</u>	<u>\$ 17,688,845</u>	<u>\$ 17,710,998</u>	<u>\$ 17,178,546</u>	<u>\$ 17,918,384</u>	<u>\$ 22,817,091</u>	<u>\$ 27,207,117</u>
Insurance and reinsurance premiums	\$ 8,380,069	\$ 10,550,689	\$ 12,147,166	\$ 13,176,313	\$ 12,504,817	\$ 12,724,132	\$ 12,368,495	\$ 13,311,575	\$ 17,981,162	\$ 22,263,462
Administrative expenses	<u>117,461</u>	<u>121,351</u>	<u>127,532</u>	<u>129,951</u>	<u>130,058</u>	<u>132,711</u>	<u>136,153</u>	<u>133,383</u>	<u>136,225</u>	<u>143,687</u>
	<u>\$ 8,497,530</u>	<u>\$ 10,672,040</u>	<u>\$ 12,274,698</u>	<u>\$ 13,306,264</u>	<u>\$ 12,634,875</u>	<u>\$ 12,856,843</u>	<u>\$ 12,504,648</u>	<u>\$ 13,444,958</u>	<u>\$ 18,117,387</u>	<u>\$ 22,407,149</u>
Estimated incurred claims, end of policy year	\$ 3,420,218	\$ 3,360,000	\$ 3,300,000	\$ 3,723,148	\$ 4,065,000	\$ 4,266,000	\$ 4,526,162	\$ 4,307,885	\$ 4,773,764	\$ 6,053,392
Cumulative paid claims as of										
End of policy year	760,565	823,202	797,619	302,125	311,670	380,361	824,343	488,916	558,119	734,949
One year later	1,181,162	1,716,722	1,279,556	771,142	677,108	855,959	931,015	909,028	862,098	
Two years later	1,674,019	2,324,329	1,698,051	1,014,091	903,899	1,307,520	1,287,491	1,106,411		
Three years later	2,041,566	2,871,994	2,201,361	1,692,053	1,185,258	1,772,914	1,646,316			
Four years later	2,717,174	3,318,911	2,441,905	2,090,391	1,310,229	2,238,638				
Five years later	2,843,311	3,899,877	2,728,043	2,323,746	1,428,578					
Six years later	3,036,252	4,369,897	2,786,590	2,513,798						
Seven years later	3,223,089	4,574,618	2,884,156							
Eight years later	3,347,652	4,780,310								
Nine years later	3,527,994									
Cumulative incurred claims as of										
End of policy year	3,420,218	3,360,000	3,300,000	3,723,148	4,065,000	4,266,000	4,526,162	4,307,885	4,773,764	6,053,392
One year later	4,250,000	4,100,000	4,250,001	3,764,999	2,245,000	4,182,508	5,129,502	3,388,618	4,676,820	
Two years later	4,400,001	4,890,001	3,475,000	3,623,147	2,166,817	3,961,588	4,558,845	3,434,501		
Three years later	3,690,000	5,068,999	3,383,208	3,525,185	2,116,115	3,866,799	4,646,472			
Four years later	3,741,000	5,029,218	3,672,016	3,709,268	2,223,150	3,975,738				
Five years later	3,850,611	5,031,061	3,918,291	3,677,804	2,211,286					
Six years later	3,742,213	5,195,861	3,758,958	3,752,425						
Seven years later	3,707,064	5,847,711	3,775,261							
Eight years later	4,067,678	5,931,289								
Nine years later	<u>4,090,119</u>									
Increase (decrease) in cumulative incurred claims from end of policy year	<u>\$ 669,901</u>	<u>\$ 2,571,289</u>	<u>\$ 475,261</u>	<u>\$ 29,277</u>	<u>\$ 1,853,714</u>	<u>\$ 290,262</u>	<u>\$ (120,310)</u>	<u>\$ 873,384</u>	<u>\$ 96,944</u>	<u>\$ -</u>

See Independent Auditor's Report.

School Excess Liability Fund
Schedules of Changes in Claim Liabilities by Line of Coverage
June 30, 2022 and 2021

	<u>2022</u>			<u>2021</u>		
	<u>Total</u>	<u>Workers' Compensation</u>	<u>Package</u>	<u>Total</u>	<u>Workers' Compensation</u>	<u>Package</u>
Claim liabilities, beginning of year	\$ 19,622,723	\$ 17,109,029	\$ 2,513,694	\$ 18,089,233	\$ 16,366,448	\$ 1,722,785
Incurred claims						
Provision for insured events of current year	6,053,392	3,071,340	2,982,052	4,773,764	2,691,997	2,081,767
Increase (decrease) in provision for insured events of prior years	<u>398,063</u>	<u>1,044,534</u>	<u>(646,471)</u>	<u>(568,666)</u>	<u>(217,063)</u>	<u>(351,603)</u>
Increase in incurred claims	<u>6,451,455</u>	<u>4,115,874</u>	<u>2,335,581</u>	<u>4,205,098</u>	<u>2,474,934</u>	<u>1,730,164</u>
Claim payments						
Payments-net on claims for insured events of current year	734,949	41,727	693,222	571,349	95,107	476,242
Payments-net on claims for insured events of prior years	<u>2,192,483</u>	<u>1,724,020</u>	<u>468,463</u>	<u>2,100,259</u>	<u>1,637,246</u>	<u>463,013</u>
Total payments	<u>2,927,432</u>	<u>1,765,747</u>	<u>1,161,685</u>	<u>2,671,608</u>	<u>1,732,353</u>	<u>939,255</u>
Claim liabilities, end of year	\$ 23,146,746	\$ 19,459,156	\$ 3,687,590	\$ 19,622,723	\$ 17,109,029	\$ 2,513,694

See Independent Auditor's Report.

**School Excess Liability Fund
Schedule of Changes in Fund Surplus (Deficit) for the Fund Years 2005 through 2022
June 30, 2022**

<u>Fund Year</u>	<u>Fund Surplus (Deficit) July 1, 2021</u>	<u>Net Income (Loss)</u>	<u>Fund Surplus (Deficit) June 30, 2022</u>
2005	\$ 762,072	\$ (13,941)	\$ 748,131
2006	531,119	(12,370)	518,749
2007	838,548	(12,117)	826,431
2008	1,127,317	9,783	1,137,100
2009	552,418	(44,013)	508,405
2010	55,694	22,406	78,100
2011	640,561	(3,134)	637,427
2012	136,726	(18,574)	118,152
2013	(955,851)	(17,839)	(973,690)
2014	(2,580,986)	(83,578)	(2,664,564)
2015	(306,218)	(31,807)	(338,025)
2016	357,149	(106,247)	250,902
2017	2,889,236	(46,552)	2,842,684
2018	1,031,733	(153,316)	878,417
2019	165,992	(138,566)	27,426
2020	1,120,740	(81,815)	1,038,925
2021	8,872	14,012	22,884
2022	-	(1,253,424)	(1,253,424)
	<u>\$ 6,375,122</u>	<u>\$ (1,971,092)</u>	<u>\$ 4,404,030</u>

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School Excess Liability Fund
Cumulative Operating Results Analysis for Fund Years 2005 through 2022
June 30, 2022

Revenue	
Underwriting income - regular contributions	<u>\$ 232,459,913</u>
Expenses	
Claims	
Paid	31,934,225
Case reserves	11,697,792
IBNR reserves	<u>11,448,952</u>
	55,080,969
Insurance and reinsurance premiums	172,701,490
Administrative expenses	<u>2,150,690</u>
	<u>229,933,149</u>
Operating income	2,526,764
Other income	3,902
Investment return	<u>1,873,364</u>
Fund surplus	<u>\$ 4,404,030</u>

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School Excess Liability Fund
2005 Fund Year - Cumulative Operating Results Analysis
June 30, 2022

Revenue	
Underwriting income - regular contributions	<u>\$ 1,523,220</u>
Expenses	
Claims	
Paid	321,598
Case reserves	178,402
IBNR reserves	<u>2,248</u>
Claims - net	<u>502,248</u>
Other expenses	
Insurance and reinsurance premiums	397,607
Administrative expenses	<u>87,712</u>
Total other expenses	<u>485,319</u>
Total expenses	<u>987,567</u>
Operating income	535,653
Investment return	<u>212,478</u>
Net fund surplus	<u>\$ 748,131</u>

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School Excess Liability Fund
2006 Fund Year - Cumulative Operating Results Analysis
June 30, 2022

Revenue	
Underwriting income - regular contributions	<u>\$ 1,640,585</u>
Expenses	
Claims	
Paid	526,507
Case reserves	298,147
IBNR reserves	<u>3,862</u>
Claims - net	<u>828,516</u>
Other expenses	
Insurance and reinsurance premiums	411,864
Administrative expenses	<u>78,978</u>
Total other expenses	<u>490,842</u>
Total expenses	<u>1,319,358</u>
Operating income	321,227
Investment return	<u>197,522</u>
Net fund surplus	<u>\$ 518,749</u>

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School Excess Liability Fund
2007 Fund Year - Cumulative Operating Results Analysis
June 30, 2022

	<u>Workers'</u> <u>Compensation</u>	<u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 2,381,974	\$ 5,184,544	\$ 130,500	\$ 7,697,018
Expenses				
Claims				
Paid	765,486	813,956	-	1,579,442
Case reserves	155,165	-	-	155,165
IBNR reserves	5,682	-	-	5,682
Claims - net	<u>926,333</u>	<u>813,956</u>	<u>-</u>	<u>1,740,289</u>
Other expenses				
Insurance and reinsurance premiums	933,541	4,317,488	-	5,251,029
Administrative expenses	-	-	109,554	109,554
Total other expenses	<u>933,541</u>	<u>4,317,488</u>	<u>109,554</u>	<u>5,360,583</u>
Total expenses	<u>1,859,874</u>	<u>5,131,444</u>	<u>109,554</u>	<u>7,100,872</u>
Operating income	<u>522,100</u>	<u>53,100</u>	<u>20,946</u>	<u>596,146</u>
Other				
Investment return	168,281	56,215	5,786	230,282
Miscellaneous income	-	-	3	3
Total other	<u>168,281</u>	<u>56,215</u>	<u>5,789</u>	<u>230,285</u>
Net fund surplus	<u>\$ 690,381</u>	<u>\$ 109,315</u>	<u>\$ 26,735</u>	<u>\$ 826,431</u>

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School Excess Liability Fund
2008 Fund Year - Cumulative Operating Results Analysis
June 30, 2022

	<u>Workers'</u> <u>Compensation</u>	<u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 1,833,245	\$ 5,744,574	\$ 125,700	\$ 7,703,519
Expenses				
Claims				
Paid	193,283	857,901	-	1,051,184
Case reserves	207,139	-	-	207,139
IBNR reserves	20,137	-	-	20,137
Claims - net	<u>420,559</u>	<u>857,901</u>	<u>-</u>	<u>1,278,460</u>
Other expenses				
Insurance and reinsurance premiums	515,450	4,820,917	-	5,336,367
Administrative expenses	-	-	121,469	121,469
Total other expenses	<u>515,450</u>	<u>4,820,917</u>	<u>121,469</u>	<u>5,457,836</u>
Total expenses	<u>936,009</u>	<u>5,678,818</u>	<u>121,469</u>	<u>6,736,296</u>
Operating income	<u>897,236</u>	<u>65,756</u>	<u>4,231</u>	<u>967,223</u>
Other				
Investment return	140,400	28,492	983	169,875
Miscellaneous income	-	-	2	2
Total other	<u>140,400</u>	<u>28,492</u>	<u>985</u>	<u>169,877</u>
Net fund surplus	<u>\$ 1,037,636</u>	<u>\$ 94,248</u>	<u>\$ 5,216</u>	<u>\$ 1,137,100</u>

See Independent Auditor's Report.

School Excess Liability Fund
2009 Fund Year - Cumulative Operating Results Analysis
June 30, 2022

	<u>Workers'</u> <u>Compensation</u>	<u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 2,696,369	\$ 5,424,941	\$ 128,512	\$ 8,249,822
Expenses				
Claims				
Paid	453,894	950,000	-	1,403,894
Case reserves	271,924	-	-	271,924
IBNR reserves	38,039	-	-	38,039
Claims - net	<u>763,857</u>	<u>950,000</u>	<u>-</u>	<u>1,713,857</u>
Other expenses				
Insurance and reinsurance premiums	1,423,848	4,539,620	-	5,963,468
Administrative expenses	<u>-</u>	<u>-</u>	<u>113,915</u>	<u>113,915</u>
Total other expenses	<u>1,423,848</u>	<u>4,539,620</u>	<u>113,915</u>	<u>6,077,383</u>
Total expenses	<u>2,187,705</u>	<u>5,489,620</u>	<u>113,915</u>	<u>7,791,240</u>
Operating income (loss)	508,664	(64,679)	14,597	458,582
Investment return	<u>46,448</u>	<u>2,559</u>	<u>816</u>	<u>49,823</u>
Net fund surplus (deficit)	<u>\$ 555,112</u>	<u>\$ (62,120)</u>	<u>\$ 15,413</u>	<u>\$ 508,405</u>

See Independent Auditor's Report.

School Excess Liability Fund
2010 Fund Year - Cumulative Operating Results Analysis
June 30, 2022

	<u>Workers'</u> <u>Compensation</u>	<u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 3,177,127	\$ 5,521,742	\$ 128,508	\$ 8,827,377
Expenses				
Claims				
Paid	899,131	810,000	-	1,709,131
Case reserves	385,923	-	-	385,923
IBNR reserves	58,624	-	-	58,624
Claims - net	<u>1,343,678</u>	<u>810,000</u>	<u>-</u>	<u>2,153,678</u>
Other expenses				
Insurance and reinsurance premiums	1,883,994	4,636,299	-	6,520,293
Administrative expenses	<u>-</u>	<u>-</u>	<u>110,839</u>	<u>110,839</u>
Total other expenses	<u>1,883,994</u>	<u>4,636,299</u>	<u>110,839</u>	<u>6,631,132</u>
Total expenses	<u>3,227,672</u>	<u>5,446,299</u>	<u>110,839</u>	<u>8,784,810</u>
Operating income (loss)	<u>(50,545)</u>	<u>75,443</u>	<u>17,669</u>	<u>42,567</u>
Other				
Investment return	29,131	5,384	718	35,233
Miscellaneous income	<u>-</u>	<u>-</u>	<u>300</u>	<u>300</u>
Total other	<u>29,131</u>	<u>5,384</u>	<u>1,018</u>	<u>35,533</u>
Net fund surplus (deficit)	<u>\$ (21,414)</u>	<u>\$ 80,827</u>	<u>\$ 18,687</u>	<u>\$ 78,100</u>

See Independent Auditor's Report.

School Excess Liability Fund
2011 Fund Year - Cumulative Operating Results Analysis
June 30, 2022

	<u>Workers'</u> <u>Compensation</u>	<u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 3,191,167	\$ 5,344,986	\$ 128,512	\$ 8,664,665
Expenses				
Claims				
Paid	778,068	536,149	-	1,314,217
Case reserves	249,834	-	-	249,834
IBNR reserves	66,644	-	-	66,644
Claims - net	<u>1,094,546</u>	<u>536,149</u>	<u>-</u>	<u>1,630,695</u>
Other expenses				
Insurance and reinsurance premiums	1,960,628	4,412,062	-	6,372,690
Administrative expenses	-	-	110,517	110,517
Total other expenses	<u>1,960,628</u>	<u>4,412,062</u>	<u>110,517</u>	<u>6,483,207</u>
Total expenses	<u>3,055,174</u>	<u>4,948,211</u>	<u>110,517</u>	<u>8,113,902</u>
Operating income	135,993	396,775	17,995	550,763
Investment return	<u>48,965</u>	<u>36,220</u>	<u>1,479</u>	<u>86,664</u>
Net fund surplus	<u>\$ 184,958</u>	<u>\$ 432,995</u>	<u>\$ 19,474</u>	<u>\$ 637,427</u>

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School Excess Liability Fund
2012 Fund Year - Cumulative Operating Results Analysis
June 30, 2022

	<u>Workers'</u> <u>Compensation</u>	<u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 4,521,455	\$ 5,274,389	\$ 134,155	\$ 9,929,999
Expenses				
Claims				
Paid	1,405,004	900,000	-	2,305,004
Case reserves	201,076	-	-	201,076
IBNR reserves	179,845	-	-	179,845
Claims - net	<u>1,785,925</u>	<u>900,000</u>	<u>-</u>	<u>2,685,925</u>
Other expenses				
Insurance and reinsurance premiums	2,655,968	4,384,324	-	7,040,292
Administrative expenses	<u>-</u>	<u>-</u>	<u>109,194</u>	<u>109,194</u>
Total other expenses	<u>2,655,968</u>	<u>4,384,324</u>	<u>109,194</u>	<u>7,149,486</u>
Total expenses	<u>4,441,893</u>	<u>5,284,324</u>	<u>109,194</u>	<u>9,835,411</u>
Operating income (loss)	<u>79,562</u>	<u>(9,935)</u>	<u>24,961</u>	<u>94,588</u>
Other				
Investment return	24,761	938	644	26,343
Miscellaneous income	<u>-</u>	<u>-</u>	<u>(2,779)</u>	<u>(2,779)</u>
Total other	<u>24,761</u>	<u>938</u>	<u>(2,135)</u>	<u>23,564</u>
Net fund surplus (deficit)	<u>\$ 104,323</u>	<u>\$ (8,997)</u>	<u>\$ 22,826</u>	<u>\$ 118,152</u>

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School Excess Liability Fund
2013 Fund Year - Cumulative Operating Results Analysis
June 30, 2022

	<u>Workers'</u> <u>Compensation</u>	<u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 5,117,385	\$ 6,314,628	\$ 135,352	\$ 11,567,365
Expenses				
Claims				
Paid	2,763,980	764,014	-	3,527,994
Case reserves	232,394	200	-	232,594
IBNR reserves	329,531	-	-	329,531
Claims - net	<u>3,325,905</u>	<u>764,214</u>	<u>-</u>	<u>4,090,119</u>
Other expenses				
Insurance and reinsurance premiums	2,995,265	5,384,804	-	8,380,069
Administrative expenses	<u>-</u>	<u>-</u>	<u>117,461</u>	<u>117,461</u>
Total other expenses	<u>2,995,265</u>	<u>5,384,804</u>	<u>117,461</u>	<u>8,497,530</u>
Total expenses	<u>6,321,170</u>	<u>6,149,018</u>	<u>117,461</u>	<u>12,587,649</u>
Operating income (loss)	<u>(1,203,785)</u>	<u>165,610</u>	<u>17,891</u>	<u>(1,020,284)</u>
Other				
Investment return	27,671	13,855	465	41,991
Miscellaneous income	<u>-</u>	<u>-</u>	<u>4,603</u>	<u>4,603</u>
Total other	<u>27,671</u>	<u>13,855</u>	<u>5,068</u>	<u>46,594</u>
Net fund surplus (deficit)	<u>\$ (1,176,114)</u>	<u>\$ 179,465</u>	<u>\$ 22,959</u>	<u>\$ (973,690)</u>

See Independent Auditor's Report.

School Excess Liability Fund
2014 Fund Year - Cumulative Operating Results Analysis
June 30, 2022

	<u>Workers'</u> <u>Compensation</u>	<u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 5,285,003	\$ 8,479,319	\$ 136,667	\$ 13,900,989
Expenses				
Claims				
Paid	3,880,310	900,000	-	4,780,310
Case reserves	619,506	-	-	619,506
IBNR reserves	531,473	-	-	531,473
Claims - net	<u>5,031,289</u>	<u>900,000</u>	<u>-</u>	<u>5,931,289</u>
Other expenses				
Insurance and reinsurance premiums	3,101,913	7,448,776	-	10,550,689
Administrative expenses	<u>-</u>	<u>-</u>	<u>121,351</u>	<u>121,351</u>
Total other expenses	<u>3,101,913</u>	<u>7,448,776</u>	<u>121,351</u>	<u>10,672,040</u>
Total expenses	<u>8,133,202</u>	<u>8,348,776</u>	<u>121,351</u>	<u>16,603,329</u>
Operating income (loss)	<u>(2,848,199)</u>	<u>130,543</u>	<u>15,316</u>	<u>(2,702,340)</u>
Other				
Investment return	21,921	13,698	377	35,996
Miscellaneous income	<u>1,780</u>	<u>-</u>	<u>-</u>	<u>1,780</u>
Total other	<u>23,701</u>	<u>13,698</u>	<u>377</u>	<u>37,776</u>
Net fund surplus (deficit)	<u>\$ (2,824,498)</u>	<u>\$ 144,241</u>	<u>\$ 15,693</u>	<u>\$ (2,664,564)</u>

See Independent Auditor's Report.

School Excess Liability Fund
2015 Fund Year - Cumulative Operating Results Analysis
June 30, 2022

	<u>Workers'</u> <u>Compensation</u>	<u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 5,252,146	\$ 10,229,236	\$ 137,862	\$ 15,619,244
Expenses				
Claims				
Paid	1,984,156	900,000	-	2,884,156
Case reserves	446,478	-	-	446,478
IBNR reserves	444,627	-	-	444,627
Claims - net	<u>2,875,261</u>	<u>900,000</u>	<u>-</u>	<u>3,775,261</u>
Other expenses				
Insurance and reinsurance premiums	3,064,331	9,082,835	-	12,147,166
Administrative expenses	<u>-</u>	<u>-</u>	<u>127,532</u>	<u>127,532</u>
Total other expenses	<u>3,064,331</u>	<u>9,082,835</u>	<u>127,532</u>	<u>12,274,698</u>
Total expenses	<u>5,939,592</u>	<u>9,982,835</u>	<u>127,532</u>	<u>16,049,959</u>
Operating income (loss)	<u>(687,446)</u>	<u>246,401</u>	<u>10,330</u>	<u>(430,715)</u>
Other				
Investment return	86,973	4,656	1,064	92,693
Miscellaneous loss	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>(3)</u>
Total other	<u>86,973</u>	<u>4,656</u>	<u>1,061</u>	<u>92,690</u>
Net fund surplus (deficit)	<u>\$ (600,473)</u>	<u>\$ 251,057</u>	<u>\$ 11,391</u>	<u>\$ (338,025)</u>

See Independent Auditor's Report.

School Excess Liability Fund
2016 Fund Year - Cumulative Operating Results Analysis
June 30, 2022

	<u>Workers'</u> <u>Compensation</u>	<u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 6,045,369	\$ 10,949,211	\$ 138,104	\$ 17,132,684
Expenses				
Claims				
Paid	1,379,650	1,134,148	-	2,513,798
Case reserves	741,435	-	-	741,435
IBNR reserves	497,192	-	-	497,192
Claims - net	<u>2,618,277</u>	<u>1,134,148</u>	<u>-</u>	<u>3,752,425</u>
Other expenses				
Insurance and reinsurance premiums	3,350,378	9,825,935	-	13,176,313
Administrative expenses	-	-	129,951	129,951
Total other expenses	<u>3,350,378</u>	<u>9,825,935</u>	<u>129,951</u>	<u>13,306,264</u>
Total expenses	<u>5,968,655</u>	<u>10,960,083</u>	<u>129,951</u>	<u>17,058,689</u>
Operating income (loss)	76,714	(10,872)	8,153	73,995
Investment return	<u>139,270</u>	<u>36,333</u>	<u>1,304</u>	<u>176,907</u>
Net fund surplus	<u>\$ 215,984</u>	<u>\$ 25,461</u>	<u>\$ 9,457</u>	<u>\$ 250,902</u>

See Independent Auditor's Report.

School Excess Liability Fund
2017 Fund Year - Cumulative Operating Results Analysis
June 30, 2022

	<u>Workers'</u> <u>Compensation</u>	<u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 6,619,268	\$ 10,679,393	\$ 139,109	\$ 17,437,770
Expenses				
Claims				
Paid	328,578	1,100,000	-	1,428,578
Case reserves	231,163	-	-	231,163
IBNR reserves	551,545	-	-	551,545
Claims - net	<u>1,111,286</u>	<u>1,100,000</u>	<u>-</u>	<u>2,211,286</u>
Other expenses				
Insurance and reinsurance premiums	2,925,427	9,579,390	-	12,504,817
Administrative expenses	<u>-</u>	<u>-</u>	<u>130,058</u>	<u>130,058</u>
Total other expenses	<u>2,925,427</u>	<u>9,579,390</u>	<u>130,058</u>	<u>12,634,875</u>
Total expenses	<u>4,036,713</u>	<u>10,679,390</u>	<u>130,058</u>	<u>14,846,161</u>
Operating income	2,582,555	3	9,051	2,591,609
Investment return	<u>216,287</u>	<u>33,552</u>	<u>1,236</u>	<u>251,075</u>
Net fund surplus	<u>\$ 2,798,842</u>	<u>\$ 33,555</u>	<u>\$ 10,287</u>	<u>\$ 2,842,684</u>

See Independent Auditor's Report.

School Excess Liability Fund
2018 Fund Year - Cumulative Operating Results Analysis
June 30, 2022

	<u>Workers'</u> <u>Compensation</u>	<u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 6,343,695	\$ 10,995,181	\$ 140,145	\$ 17,479,021
Expenses				
Claims				
Paid	1,072,638	1,166,000	-	2,238,638
Case reserves	938,817	-	-	938,817
IBNR reserves	798,283	-	-	798,283
Claims - net	<u>2,809,738</u>	<u>1,166,000</u>	<u>-</u>	<u>3,975,738</u>
Other expenses				
Insurance and reinsurance premiums	2,894,952	9,829,180	-	12,724,132
Administrative expenses	<u>-</u>	<u>-</u>	<u>132,711</u>	<u>132,711</u>
Total other expenses	<u>2,894,952</u>	<u>9,829,180</u>	<u>132,711</u>	<u>12,856,843</u>
Total expenses	<u>5,704,690</u>	<u>10,995,180</u>	<u>132,711</u>	<u>16,832,581</u>
Operating income	639,005	1	7,434	646,440
Investment return	<u>184,666</u>	<u>45,888</u>	<u>1,423</u>	<u>231,977</u>
Net fund surplus	<u>\$ 823,671</u>	<u>\$ 45,889</u>	<u>\$ 8,857</u>	<u>\$ 878,417</u>

See Independent Auditor's Report.

School Excess Liability Fund
2019 Fund Year - Cumulative Operating Results Analysis
June 30, 2022

	<u>Workers'</u> <u>Compensation</u>	<u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 5,659,953	\$ 11,174,844	\$ 141,294	\$ 16,976,091
Expenses				
Claims				
Paid	549,466	1,096,850	-	1,646,316
Case reserves	1,856,950	142,698	-	1,999,648
IBNR reserves	1,000,508	-	-	1,000,508
Claims - net	<u>3,406,924</u>	<u>1,239,548</u>	<u>-</u>	<u>4,646,472</u>
Other expenses				
Insurance and reinsurance premiums	2,568,654	9,799,841	-	12,368,495
Administrative expenses	-	-	136,153	136,153
Total other expenses	<u>2,568,654</u>	<u>9,799,841</u>	<u>136,153</u>	<u>12,504,648</u>
Total expenses	<u>5,975,578</u>	<u>11,039,389</u>	<u>136,153</u>	<u>17,151,120</u>
Operating income (loss)	<u>(315,625)</u>	<u>135,455</u>	<u>5,141</u>	<u>(175,029)</u>
Other				
Investment return	100,751	99,788	1,922	202,461
Miscellaneous loss	-	-	(6)	(6)
Total other	<u>100,751</u>	<u>99,788</u>	<u>1,916</u>	<u>202,455</u>
Net fund surplus (deficit)	<u>\$ (214,874)</u>	<u>\$ 235,243</u>	<u>\$ 7,057</u>	<u>\$ 27,426</u>

See Independent Auditor's Report.

School Excess Liability Fund
2020 Fund Year - Cumulative Operating Results Analysis
June 30, 2022

	<u>Workers'</u> <u>Compensation</u>	<u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 5,760,874	\$ 11,942,321	\$ 142,583	\$ 17,845,778
Expenses				
Claims				
Paid	238,119	868,292	-	1,106,411
Case reserves	836,701	359,664	-	1,196,365
IBNR reserves	1,131,725	-	-	1,131,725
Claims - net	<u>2,206,545</u>	<u>1,227,956</u>	<u>-</u>	<u>3,434,501</u>
Other expenses				
Insurance and reinsurance premiums	2,594,602	10,716,973	-	13,311,575
Administrative expenses	<u>-</u>	<u>-</u>	<u>133,383</u>	<u>133,383</u>
Total other expenses	<u>2,594,602</u>	<u>10,716,973</u>	<u>133,383</u>	<u>13,444,958</u>
Total expenses	<u>4,801,147</u>	<u>11,944,929</u>	<u>133,383</u>	<u>16,879,459</u>
Operating income (loss)	<u>959,727</u>	<u>(2,608)</u>	<u>9,200</u>	<u>966,319</u>
Other				
Investment return	2,413	69,525	667	72,605
Miscellaneous income	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Total other	<u>2,413</u>	<u>69,525</u>	<u>668</u>	<u>72,606</u>
Net fund surplus	<u>\$ 962,140</u>	<u>\$ 66,917</u>	<u>\$ 9,868</u>	<u>\$ 1,038,925</u>

See Independent Auditor's Report.

School Excess Liability Fund
2021 Fund Year - Cumulative Operating Results Analysis
June 30, 2022

	<u>Workers'</u> <u>Compensation</u>	<u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 5,167,928	\$ 17,607,505	\$ 143,902	\$ 22,919,335
Expenses				
Claims				
Paid	327,433	534,665	-	862,098
Case reserves	1,367,983	27,700	-	1,395,683
IBNR reserves	1,550,541	868,498	-	2,419,039
Claims - net	<u>3,245,957</u>	<u>1,430,863</u>	<u>-</u>	<u>4,676,820</u>
Other expenses				
Insurance and reinsurance premiums	2,644,741	15,336,421	-	17,981,162
Administrative expenses	<u>-</u>	<u>-</u>	<u>136,225</u>	<u>136,225</u>
Total other expenses	<u>2,644,741</u>	<u>15,336,421</u>	<u>136,225</u>	<u>18,117,387</u>
Total expenses	<u>5,890,698</u>	<u>16,767,284</u>	<u>136,225</u>	<u>22,794,207</u>
Operating income (loss)	(722,770)	840,221	7,677	125,128
Investment loss, net	<u>(36,714)</u>	<u>(64,968)</u>	<u>(562)</u>	<u>(102,244)</u>
Net fund surplus (deficit)	<u>\$ (759,484)</u>	<u>\$ 775,253</u>	<u>\$ 7,115</u>	<u>\$ 22,884</u>

See Independent Auditor's Report.

School Excess Liability Fund
2022 Fund Year - Cumulative Operating Results Analysis
June 30, 2022

	<u>Workers'</u> <u>Compensation</u>	<u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 5,368,386	\$ 21,833,358	\$ 143,687	\$ 27,345,431
Expenses				
Claims				
Paid	41,727	693,222	-	734,949
Case reserves	1,012,795	935,700	-	1,948,495
IBNR reserves	2,016,818	1,353,130	-	3,369,948
Claims - net	<u>3,071,340</u>	<u>2,982,052</u>	<u>-</u>	<u>6,053,392</u>
Other expenses				
Insurance and reinsurance premiums	2,730,386	19,533,076	-	22,263,462
Administrative expenses	<u>-</u>	<u>-</u>	<u>143,687</u>	<u>143,687</u>
Total other expenses	<u>2,730,386</u>	<u>19,533,076</u>	<u>143,687</u>	<u>22,407,149</u>
Total expenses	<u>5,801,726</u>	<u>22,515,128</u>	<u>143,687</u>	<u>28,460,541</u>
Operating loss	(433,340)	(681,770)	-	(1,115,110)
Investment loss, net	<u>(27,138)</u>	<u>(110,445)</u>	<u>(731)</u>	<u>(138,314)</u>
Net fund deficit	<u>\$ (460,478)</u>	<u>\$ (792,215)</u>	<u>\$ (731)</u>	<u>\$ (1,253,424)</u>

See Independent Auditor's Report.

**School Excess Liability Fund
Cumulative Administrative Expense Analysis for Fund Years 2022 and 2021
June 30, 2022**

2022 Fund Year

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
Administrator	\$ 75,000	\$ -	\$ 75,000
Actuary	10,500	-	10,500
Attorney	9,000	3,000	12,000
Auditor	-	7,094	7,094
Treasurer	3,612	-	3,612
Non-contracted expense	6,101	2,159	8,260
Contingency	-	10,000	10,000
Claims service	12,400	4,821	17,221
	<u>\$ 116,613</u>	<u>\$ 27,074</u>	<u>\$ 143,687</u>

2021 Fund Year

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
Administrator	\$ 75,000	\$ -	\$ 75,000
Actuary	10,294	-	10,294
Attorney	10,612	-	10,612
Auditor	6,955	-	6,955
Treasurer	3,540	-	3,540
Non-contracted expense	6,087	-	6,087
Contingency	-	10,000	10,000
Claims service	13,737	-	13,737
	<u>\$ 126,225</u>	<u>\$ 10,000</u>	<u>\$ 136,225</u>

See Independent Auditor's Report.

**School Excess Liability Fund
Comments and Recommendations
June 30, 2022 and 2021**

None.