

SCHOOL EXCESS LIABILITY FUND
Financial Statements
June 30, 2021 and 2020
With Independent Auditor's Reports

School Excess Liability Fund
Table of Contents
June 30, 2021 and 2020

Independent Auditor's Report	1-2
Financial Statements	
Balance Sheets	3
Statements of Revenue, Expenses and Changes in Fund Surplus	4
Statements of Cash Flows	5
Notes to Financial Statements	6-11
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12-13
Supplemental Information	
Ten Years Claims Development Information	14
Schedule of Changes in Claim Liabilities by Line of Coverage	15
Schedule of Changes in Fund Surplus (Deficit) for Fund Years 2005 through 2021	16
Cumulative Operating Results Analysis for Fund Years 2005 through 2021	17
2005 Fund Year - Cumulative Operating Results Analysis	18
2006 Fund Year - Cumulative Operating Results Analysis	19
2007 Fund Year - Cumulative Operating Results Analysis	20
2008 Fund Year - Cumulative Operating Results Analysis	21
2009 Fund Year - Cumulative Operating Results Analysis	22
2010 Fund Year - Cumulative Operating Results Analysis	23
2011 Fund Year - Cumulative Operating Results Analysis	24
2012 Fund Year - Cumulative Operating Results Analysis	25
2013 Fund Year - Cumulative Operating Results Analysis	26
2014 Fund Year - Cumulative Operating Results Analysis	27
2015 Fund Year - Cumulative Operating Results Analysis	28
2016 Fund Year - Cumulative Operating Results Analysis	29
2017 Fund Year - Cumulative Operating Results Analysis	30
2018 Fund Year - Cumulative Operating Results Analysis	31
2019 Fund Year - Cumulative Operating Results Analysis	32
2020 Fund Year - Cumulative Operating Results Analysis	33
2021 Fund Year - Cumulative Operating Results Analysis	34
Cumulative Administrative Expense Analysis for Fund Years Ended June 30, 2020 and 2021	35
Comments and Recommendations	36

INDEPENDENT AUDITOR'S REPORT

To the Fund Commissioners,
School Excess Liability Fund:

Report on the Financial Statements

We have audited the accompanying financial statements of School Excess Liability Fund (the "Fund"), which comprise the balance sheets as of June 30, 2021 and 2020, the related statements of revenue, expenses, and changes in fund surplus and cash flows for the years then ended, and the related notes to the financial statements.

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; 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. 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.

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 School Excess Liability Fund as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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 16, 2021 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.

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

November 16, 2021

School Excess Liability Fund
Balance Sheets
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash	\$ 12,621,910	\$ 8,095,501
Investments	13,147,241	13,263,019
Accrued interest income	58,853	58,062
Due from School Alliance Insurance Fund	-	97,874
Due from reinsurer, net	2,459,243	2,613,960
Prepaid expenses	<u>3,325</u>	<u>4,580</u>
	<u>\$ 28,290,572</u>	<u>\$ 24,132,996</u>
Liabilities and Fund Surplus		
Liabilities		
Loss reserves		
Case reserves	\$ 10,369,350	\$ 10,169,397
IBNR reserves	<u>9,253,373</u>	<u>7,919,836</u>
Total loss reserves	19,622,723	18,089,233
Other		
Administrative expenses payable	91,355	85,941
Insurance and reinsurance premiums payable	<u>2,201,372</u>	<u>105,244</u>
Total liabilities	21,915,450	18,280,418
Fund surplus	<u>6,375,122</u>	<u>5,852,578</u>
	<u>\$ 28,290,572</u>	<u>\$ 24,132,996</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue		
Underwriting income - regular contributions	\$ 22,919,335	\$ 17,845,779
Expenses		
Claims		
Paid	2,671,608	2,847,411
Increase in case reserves	199,953	1,285,407
Increase in IBNR reserves	<u>1,333,537</u>	<u>1,261,852</u>
Claims - net	4,205,098	5,394,670
Insurance and reinsurance premiums	17,981,162	13,312,279
Administrative expenses	<u>163,759</u>	<u>196,778</u>
Total expenses	<u>22,350,019</u>	<u>18,903,727</u>
Operating income (loss)	<u>569,316</u>	<u>(1,057,948)</u>
Investment income (loss)		
Investment and other income, net	249,883	376,299
Change in fair value of investments	<u>(296,655)</u>	<u>409,903</u>
Investment income (loss), net	<u>(46,772)</u>	<u>786,202</u>
Net income (loss)	522,544	(271,746)
Fund surplus		
Beginning of year	<u>5,852,578</u>	<u>6,124,324</u>
End of year	<u>\$ 6,375,122</u>	<u>\$ 5,852,578</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating activities		
Underwriting income - regular contributions	\$ 22,919,335	\$ 17,845,779
Claims paid	(2,671,608)	(2,847,411)
Insurance and reinsurance premiums paid	(15,632,443)	(13,042,980)
Administrative expenses paid	(157,089)	(185,297)
Net cash provided by operating activities	<u>4,458,195</u>	<u>1,770,091</u>
Investing activities		
Sale/maturity of investment securities	2,614,629	2,827,056
Purchase of investment securities	(2,797,238)	(3,099,343)
Investment income	250,823	358,224
Net cash provided by investing activities	<u>68,214</u>	<u>85,937</u>
Net change in cash	4,526,409	1,856,028
Cash		
Beginning of year	<u>8,095,501</u>	<u>6,239,473</u>
End of year	<u>\$ 12,621,910</u>	<u>\$ 8,095,501</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ 569,316	\$ (1,057,948)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Change in assets and liabilities		
Prepaid expenses	1,255	(4,580)
Due from School Alliance Insurance Fund	97,874	(97,874)
Due from members	-	1,143
Due from reinsurer	154,717	327,503
Case and IBNR reserves	1,533,490	2,547,259
Administrative expenses payable	5,414	16,062
Insurance and reinsurance premiums payable	2,096,129	38,526
Net cash provided by operating activities	<u>\$ 4,458,195</u>	<u>\$ 1,770,091</u>

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

School Excess Liability Fund
Notes to Financial Statements
June 30, 2021 and 2020

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 comprised 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 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, or SIR, for claims is limited to the following coverage and amounts:

	<u>Fund Year(s)</u>	<u>Loss Type</u>	<u>Per Occurrence</u>	
			<u>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 2020/2021	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	\$ 808,021
	2009/2010	Loss & ALAE	\$ 150,000	\$ 799,300
	2010/2011	Loss & ALAE	\$ 150,000	\$ 890,767
	2011/2012	Loss & ALAE	\$ 150,000	\$ 874,700
	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)	\$ 4,625,000	

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

School Excess Liability Fund
Notes to Financial Statements
June 30, 2021 and 2020

Beginning with the 2020/2021 fund year, SEL has two loss corridor reimbursement arrangements, which are included in reinsurance expense and liability, as follows:

1. For school board legal liability, once the first \$200,000 of each claim has been paid by either of SEL's members, SEL will pay an aggregate loss corridor of \$900,000 across all claims before the excess carrier commences payment.
2. For auto and property liability, once SEL's excess layer of \$400,000, as noted in the above table, has been paid, SEL 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 ("GASB") 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 the current year. 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.

Investments

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

School Excess Liability Fund

Notes to Financial Statements

June 30, 2021 and 2020

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 Fund Administrator (“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 of 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.

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.

School Excess Liability Fund
Notes to Financial Statements
June 30, 2021 and 2020

3. CASH

At June 30, 2021 and 2020, cash consisted of deposits in operating checking accounts with various financial institutions. The carrying amount was \$12,621,910 and \$8,095,501 and the bank balance of the above accounts was \$12,608,219 and \$8,348,097 as of June 30, 2021 and 2020, 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, 2021 and 2020, 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 10/31/2021 to 2/28/2026 as of June 30, 2021 and from 4/30/2021 to 4/30/2025 as of June 30, 2020. 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, 2021 and 2020, 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 at June 30 each year. The amounts are as follows:

	<u>2021</u>	<u>2020</u>
Face value	\$ 12,690,000	\$ 12,655,000
Unamortized premium, net	214,116	68,239
Unrealized gain, net	<u>243,125</u>	<u>539,780</u>
Fair value	<u>\$ 13,147,241</u>	<u>\$ 13,263,019</u>

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

	<u>2021</u>	<u>2020</u>
Interest income	\$ 251,613	\$ 363,150
Amortization of (premium) discount, net	(26,986)	9,578
Realized gain using amortized cost	<u>25,256</u>	<u>3,571</u>
Investment return	<u>\$ 249,883</u>	<u>\$ 376,299</u>

**School Excess Liability Fund
Notes to Financial Statements
June 30, 2021 and 2020**

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:

	2021			
	Basis for Valuation			
	Quoted	Observable	Unobservable	
	Prices in	Measurement	Measurement	
Total	Active	Criteria	Criteria	
Markets	Criteria	Criteria	Criteria	
Investments - US Treasury Notes	<u>\$ 13,147,241</u>	<u>\$ 13,147,241</u>	<u>\$ -</u>	<u>\$ -</u>

	2020			
	Basis for Valuation			
	Quoted	Observable	Unobservable	
	Prices in	Measurement	Measurement	
Total	Active	Criteria	Criteria	
Markets	Criteria	Criteria	Criteria	
Investments - US Treasury Notes	<u>\$ 13,263,019</u>	<u>\$ 13,263,019</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, 2021 and 2020.

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, 2021 and 2020. 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.

School Excess Liability Fund
Notes to Financial Statements
June 30, 2021 and 2020

Loss reserves at June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Case reserves	\$ 10,369,350	\$ 10,169,397
Reserves for losses incurred but not reported	<u>9,253,373</u>	<u>7,919,836</u>
	<u>\$ 19,622,723</u>	<u>\$ 18,089,233</u>

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

	<u>2021</u>	<u>2020</u>
Unpaid claim liabilities, beginning of year	<u>\$ 18,089,233</u>	<u>\$ 15,541,974</u>
Incurred claims		
Provision for insured events of the current year	4,773,764	4,307,885
Increase (decrease) in provision for insured events of prior years	<u>(568,666)</u>	<u>1,086,785</u>
Total increase in incurred claims	<u>4,205,098</u>	<u>5,394,670</u>
Payments		
Payments - net on claims for insured events of the current year	571,349	488,916
Payments - net on claims for insured events of prior years	<u>2,100,259</u>	<u>2,358,495</u>
Total payments	<u>2,671,608</u>	<u>2,847,411</u>
Unpaid claim liabilities, end of year	<u>\$ 19,622,723</u>	<u>\$ 18,089,233</u>

7. CONCENTRATION OF RISK

For the years ended June 30, 2021 and 2020, the Fund's underwriting income is derived from two members. The larger of the two members accounted for approximately 86% and 89% of income for the years ended June 30, 2021 and 2020, 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. CONTINGENCY

Management is currently evaluating the potential impact of the COVID-19 virus to the Fund. While any impact is not readily determinable as of the date of these financial statements, management continues to monitor and will keep the Fund's members apprised of any potential impact as it is known.

9. SUBSEQUENT EVENTS

The Fund has evaluated subsequent events occurring after the balance sheet date through November 16, 2021, 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, which comprise the balance sheet as of June 30, 2021, 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 16, 2021.

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.

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

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

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 16, 2021

SUPPLEMENTAL INFORMATION

**School Excess Liability Fund
Ten Years Claims Development Information
June 30, 2021 and 2020**

	<u>2012</u>	<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>
Underwriting income - regular contributions	\$ 9,929,999	\$ 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
Interest and other income (loss)	<u>26,344</u>	<u>41,992</u>	<u>37,776</u>	<u>108,194</u>	<u>208,533</u>	<u>309,491</u>	<u>276,354</u>	<u>253,394</u>	<u>108,538</u>	<u>(14,476)</u>
	<u>\$ 9,956,343</u>	<u>\$ 11,609,357</u>	<u>\$ 13,938,765</u>	<u>\$ 15,727,438</u>	<u>\$ 17,341,217</u>	<u>\$ 17,747,261</u>	<u>\$ 17,755,375</u>	<u>\$ 17,229,485</u>	<u>\$ 17,954,316</u>	<u>\$ 22,904,859</u>
Insurance and reinsurance premiums	\$ 7,040,292	\$ 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
Administrative expenses	<u>150,832</u>	<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>141,061</u>
	<u>\$ 7,191,124</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>\$ 18,122,223</u>
Estimated incurred claims, end of policy year	\$ 2,554,743	\$ 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
Cumulative paid claims as of										
End of policy year	616,337	760,565	823,202	797,619	302,125	311,670	380,361	824,343	488,916	558,119
One year later	1,100,730	1,181,162	1,716,722	1,279,556	771,142	677,108	855,959	931,015	909,028	
Two years later	1,446,537	1,674,019	2,324,329	1,698,051	1,014,091	903,899	1,307,520	1,287,491		
Three years later	1,839,191	2,041,566	2,871,994	2,201,361	1,692,053	1,185,258	1,772,914			
Four years later	1,896,509	2,717,174	3,318,911	2,441,905	2,090,391	1,310,229				
Five years later	2,022,736	2,843,311	3,899,877	2,728,043	2,323,746					
Six years later	2,117,645	3,036,252	4,369,897	2,786,590						
Seven years later	2,173,004	3,223,089	4,574,618							
Eight years later	2,305,317	3,347,652								
Nine years later	2,306,440									
Cumulative incurred claims as of										
End of policy year	2,554,743	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
One year later	3,392,661	4,250,000	4,100,000	4,250,001	3,764,999	2,245,000	4,182,508	5,129,502	3,388,618	
Two years later	3,175,000	4,400,001	4,890,001	3,475,000	3,623,147	2,166,817	3,961,588	4,558,845		
Three years later	3,000,000	3,690,000	5,068,999	3,383,208	3,525,185	2,116,115	3,866,799			
Four years later	2,895,000	3,741,000	5,029,218	3,672,016	3,709,268	2,223,150				
Five years later	2,812,000	3,850,611	5,031,061	3,918,291	3,677,804					
Six years later	2,743,000	3,742,213	5,195,861	3,758,958						
Seven years later	2,792,862	3,707,064	5,847,711							
Eight years later	2,660,524	4,067,678								
Nine years later	<u>2,628,493</u>									
Increase (decrease) in cumulative incurred claims from end of policy year	<u>\$ 73,750</u>	<u>\$ 647,460</u>	<u>\$ 2,487,711</u>	<u>\$ 458,958</u>	<u>\$ (45,344)</u>	<u>\$ 1,841,850</u>	<u>\$ 399,201</u>	<u>\$ (32,683)</u>	<u>\$ 919,267</u>	<u>\$ -</u>

See Independent Auditor's Report.

School Excess Liability Fund
Schedule of Changes in Claim Liabilities by Line of Coverage
June 30, 2021 and 2020

	2021			2020		
	<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	\$ 18,089,233	\$ 16,366,448	\$ 1,722,785	\$ 15,541,974	\$ 14,217,775	\$ 1,324,199
Incurred claims						
Provision for insured events of current year	4,773,764	2,691,997	2,081,767	4,307,885	3,067,544	1,240,341
Increase (decrease) in provision for insured events of prior years	<u>(568,666)</u>	<u>(217,063)</u>	<u>(351,603)</u>	<u>1,086,785</u>	<u>1,076,452</u>	<u>10,333</u>
Increase in incurred claims	<u>4,205,098</u>	<u>2,474,934</u>	<u>1,730,164</u>	<u>5,394,670</u>	<u>4,143,996</u>	<u>1,250,674</u>
Claim payments						
Payments-net on claims for insured events of current year	571,349	95,107	476,242	488,916	26,378	462,538
Payments-net on claims for insured events of prior years	<u>2,100,259</u>	<u>1,637,246</u>	<u>463,013</u>	<u>2,358,495</u>	<u>1,968,945</u>	<u>389,550</u>
Total payments	<u>2,671,608</u>	<u>1,732,353</u>	<u>939,255</u>	<u>2,847,411</u>	<u>1,995,323</u>	<u>852,088</u>
Claim liabilities, end of year	\$ <u>19,622,723</u>	\$ <u>17,109,029</u>	\$ <u>2,513,694</u>	\$ <u>18,089,233</u>	\$ <u>16,366,448</u>	\$ <u>1,722,785</u>

See Independent Auditor's Report.

School Excess Liability Fund
Schedule of Changes in Fund Surplus (Deficit) for the Fund Years 2005 through 2021
June 30, 2021

<u>Fund Year</u>	<u>Fund Surplus (Deficit) July 1, 2020</u>	<u>Net Income (Loss)</u>	<u>Fund Surplus (Deficit) June 30, 2021</u>
2005	\$ 762,709	\$ (637)	\$ 762,072
2006	642,801	(111,682)	531,119
2007	842,222	(3,674)	838,548
2008	1,172,533	(45,216)	1,127,317
2009	562,082	(9,664)	552,418
2010	67,133	(11,439)	55,694
2011	603,689	36,872	640,561
2012	119,884	16,842	136,726
2013	(595,237)	(360,614)	(955,851)
2014	(1,929,136)	(651,850)	(2,580,986)
2015	(464,013)	157,795	(306,218)
2016	329,146	28,003	357,149
2017	3,001,821	(112,585)	2,889,236
2018	941,965	89,768	1,031,733
2019	(402,466)	568,458	165,992
2020	197,445	923,295	1,120,740
2021	-	8,872	8,872
	<u>\$ 5,852,578</u>	<u>\$ 522,544</u>	<u>\$ 6,375,122</u>

See Independent Auditor's Report.

School Excess Liability Fund
Cumulative Operating Results Analysis for Fund Years 2005 through 2021
June 30, 2021

Revenue	
Underwriting income - regular contributions	<u>\$ 205,114,482</u>
Expenses	
Claims	
Paid	29,006,792
Case reserves	10,369,351
IBNR reserves	<u>9,253,373</u>
	48,629,516
Insurance and reinsurance premiums	150,438,028
Administrative expenses	<u>2,100,818</u>
	<u>201,168,362</u>
Operating income	<u>3,946,120</u>
Other income	2,078
Interest income	<u>2,426,924</u>
Fund surplus	<u><u>\$ 6,375,122</u></u>

See Independent Auditor's Report.

School Excess Liability Fund
2005 Fund Year - Cumulative Operating Results Analysis
June 30, 2021

Revenue	
Underwriting income - regular contributions	\$ 1,523,220
Expenses	
Claims	
Paid	321,598
Case reserves	178,402
IBNR reserves	<u>2,993</u>
Claims - net	<u>502,993</u>
Other	
Insurance and reinsurance premiums	397,607
Administrative expenses	<u>87,712</u>
Total other expenses	<u>485,319</u>
Total expenses	<u>988,312</u>
Operating income	534,908
Interest income	<u>227,164</u>
Net fund surplus	<u>\$ 762,072</u>

See Independent Auditor's Report.

School Excess Liability Fund
2006 Fund Year - Cumulative Operating Results Analysis
June 30, 2021

Revenue	
Underwriting income - regular contributions	<u>\$ 1,640,585</u>
Expenses	
Claims	
Paid	509,467
Case reserves	315,187
IBNR reserves	<u>4,545</u>
Claims - net	<u>829,199</u>
Other	
Insurance and reinsurance premiums	411,864
Administrative expenses	<u>78,978</u>
Total other expenses	<u>490,842</u>
Total expenses	<u>1,320,041</u>
Operating income	320,544
Interest income	<u>210,575</u>
Net fund surplus	<u>\$ 531,119</u>

See Independent Auditor's Report.

School Excess Liability Fund
2007 Fund Year - Cumulative Operating Results Analysis
June 30, 2021

	<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	761,367	813,956	-	1,575,323
Case reserves	159,284	-	-	159,284
IBNR reserves	10,777	-	-	10,777
Claims - net	<u>931,428</u>	<u>813,956</u>	<u>-</u>	<u>1,745,384</u>
Other				
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>1,864,969</u>	<u>5,131,444</u>	<u>109,554</u>	<u>7,105,967</u>
Operating income	<u>517,005</u>	<u>53,100</u>	<u>20,946</u>	<u>591,051</u>
Interest income	183,131	58,113	6,250	247,494
Miscellaneous income	-	-	3	3
Total other	<u>183,131</u>	<u>58,113</u>	<u>6,253</u>	<u>247,497</u>
Net fund surplus	<u>\$ 700,136</u>	<u>\$ 111,213</u>	<u>\$ 27,199</u>	<u>\$ 838,548</u>

See Independent Auditor's Report.

School Excess Liability Fund
2008 Fund Year - Cumulative Operating Results Analysis
June 30, 2021

	<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	169,178	857,901	-	1,027,079
Case reserves	270,636	-	-	270,636
IBNR reserves	13,981	-	-	13,981
Claims - net	<u>453,795</u>	<u>857,901</u>	<u>-</u>	<u>1,311,696</u>
Other				
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>969,245</u>	<u>5,678,818</u>	<u>121,469</u>	<u>6,769,532</u>
Operating income	<u>864,000</u>	<u>65,756</u>	<u>4,231</u>	<u>933,987</u>
Interest income	162,173	30,084	1,071	193,328
Miscellaneous income	-	-	2	2
Total other	<u>162,173</u>	<u>30,084</u>	<u>1,073</u>	<u>193,330</u>
Net fund surplus	<u>\$ 1,026,173</u>	<u>\$ 95,840</u>	<u>\$ 5,304</u>	<u>\$ 1,127,317</u>

See Independent Auditor's Report.

School Excess Liability Fund
2009 Fund Year - Cumulative Operating Results Analysis
June 30, 2021

	<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	428,254	950,000	-	1,378,254
Case reserves	265,119	-	-	265,119
IBNR reserves	7,148	-	-	7,148
Claims - net	<u>700,521</u>	<u>950,000</u>	<u>-</u>	<u>1,650,521</u>
Other				
Insurance and reinsurance premiums	1,423,848	4,539,620	-	5,963,468
Administrative expenses	-	-	138,851	138,851
Total other expenses	<u>1,423,848</u>	<u>4,539,620</u>	<u>138,851</u>	<u>6,102,319</u>
Total expenses	<u>2,124,369</u>	<u>5,489,620</u>	<u>138,851</u>	<u>7,752,840</u>
Operating income (loss)	572,000	(64,679)	(10,339)	496,982
Interest income	<u>52,061</u>	<u>2,559</u>	<u>816</u>	<u>55,436</u>
Net fund surplus (deficit)	<u>\$ 624,061</u>	<u>\$ (62,120)</u>	<u>\$ (9,523)</u>	<u>\$ 552,418</u>

See Independent Auditor's Report.

School Excess Liability Fund
2010 Fund Year - Cumulative Operating Results Analysis
June 30, 2021

	<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	898,103	810,000	-	1,708,103
Case reserves	386,951	-	-	386,951
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				
Insurance and reinsurance premiums	1,883,994	4,636,299	-	6,520,293
Administrative expenses	-	-	133,245	133,245
Total other expenses	<u>1,883,994</u>	<u>4,636,299</u>	<u>133,245</u>	<u>6,653,538</u>
Total expenses	<u>3,227,672</u>	<u>5,446,299</u>	<u>133,245</u>	<u>8,807,216</u>
Operating income (loss)	<u>(50,545)</u>	<u>75,443</u>	<u>(4,737)</u>	<u>20,161</u>
Interest income	29,131	5,384	718	35,233
Miscellaneous income	-	-	300	300
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>\$ (3,719)</u>	<u>\$ 55,694</u>

See Independent Auditor's Report.

School Excess Liability Fund
2011 Fund Year - Cumulative Operating Results Analysis
June 30, 2021

	<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	773,992	536,149	-	1,310,141
Case reserves	253,909	-	-	253,909
IBNR reserves	80,175	-	-	80,175
Claims - net	<u>1,108,076</u>	<u>536,149</u>	<u>-</u>	<u>1,644,225</u>
Other				
Insurance and reinsurance premiums	1,960,628	4,412,062	-	6,372,690
Administrative expenses	<u>-</u>	<u>-</u>	<u>110,517</u>	<u>110,517</u>
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>3,068,704</u>	<u>4,948,211</u>	<u>110,517</u>	<u>8,127,432</u>
Operating income	122,463	396,775	17,995	537,233
Interest income	<u>57,758</u>	<u>43,752</u>	<u>1,818</u>	<u>103,328</u>
Net fund surplus	<u>\$ 180,221</u>	<u>\$ 440,527</u>	<u>\$ 19,813</u>	<u>\$ 640,561</u>

See Independent Auditor's Report.

School Excess Liability Fund
2012 Fund Year - Cumulative Operating Results Analysis
June 30, 2021

	<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	1,403,661	902,779	-	2,306,440
Case reserves	117,561	-	-	117,561
IBNR reserves	204,492	-	-	204,492
Claims - net	<u>1,725,714</u>	<u>902,779</u>	<u>-</u>	<u>2,628,493</u>
Other				
Insurance and reinsurance premiums	2,655,968	4,384,324	-	7,040,292
Administrative expenses	-	-	150,832	150,832
Total other expenses	<u>2,655,968</u>	<u>4,384,324</u>	<u>150,832</u>	<u>7,191,124</u>
Total expenses	<u>4,381,682</u>	<u>5,287,103</u>	<u>150,832</u>	<u>9,819,617</u>
Operating income (loss)	139,773	(12,714)	(16,677)	110,382
Interest income	<u>24,761</u>	<u>938</u>	<u>645</u>	<u>26,344</u>
Net fund surplus (deficit)	<u>\$ 164,534</u>	<u>\$ (11,776)</u>	<u>\$ (16,032)</u>	<u>\$ 136,726</u>

See Independent Auditor's Report.

School Excess Liability Fund
2013 Fund Year - Cumulative Operating Results Analysis
June 30, 2021

	<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	2,588,241	759,411	-	3,347,652
Case reserves	370,628	200	-	370,828
IBNR reserves	349,198	-	-	349,198
Claims - net	<u>3,308,067</u>	<u>759,611</u>	<u>-</u>	<u>4,067,678</u>
Other				
Insurance and reinsurance premiums	2,995,265	5,384,804	-	8,380,069
Administrative expenses	-	-	117,461	117,461
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>6,303,332</u>	<u>6,144,415</u>	<u>117,461</u>	<u>12,565,208</u>
Operating income (loss)	(1,185,947)	170,213	17,891	(997,843)
Interest income	<u>27,672</u>	<u>13,855</u>	<u>465</u>	<u>41,992</u>
Net fund surplus (deficit)	<u>\$ (1,158,275)</u>	<u>\$ 184,068</u>	<u>\$ 18,356</u>	<u>\$ (955,851)</u>

See Independent Auditor's Report.

School Excess Liability Fund
2014 Fund Year - Cumulative Operating Results Analysis
June 30, 2021

	<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	3,674,618	900,000	-	4,574,618
Case reserves	717,296	-	-	717,296
IBNR reserves	555,797	-	-	555,797
Claims - net	<u>4,947,711</u>	<u>900,000</u>	<u>-</u>	<u>5,847,711</u>
Other				
Insurance and reinsurance premiums	3,101,913	7,448,776	-	10,550,689
Administrative expenses	-	-	121,351	121,351
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>8,049,624</u>	<u>8,348,776</u>	<u>121,351</u>	<u>16,519,751</u>
Operating income (loss)	<u>(2,764,621)</u>	<u>130,543</u>	<u>15,316</u>	<u>(2,618,762)</u>
Other				
Interest income	21,921	13,698	377	35,996
Miscellaneous income	1,780	-	-	1,780
Total other	<u>23,701</u>	<u>13,698</u>	<u>377</u>	<u>37,776</u>
Net fund surplus (deficit)	<u>\$ (2,740,920)</u>	<u>\$ 144,241</u>	<u>\$ 15,693</u>	<u>\$ (2,580,986)</u>

See Independent Auditor's Report.

School Excess Liability Fund
2015 Fund Year - Cumulative Operating Results Analysis
June 30, 2021

	<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	1,886,590	900,000	-	2,786,590
Case reserves	560,411	-	-	560,411
IBNR reserves	411,957	-	-	411,957
Claims - net	<u>2,858,958</u>	<u>900,000</u>	<u>-</u>	<u>3,758,958</u>
Other				
Insurance and reinsurance premiums	3,064,331	9,082,835	-	12,147,166
Administrative expenses	-	-	127,532	127,532
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>5,923,289</u>	<u>9,982,835</u>	<u>127,532</u>	<u>16,033,656</u>
Operating income (loss)	<u>(671,143)</u>	<u>246,401</u>	<u>10,330</u>	<u>(414,412)</u>
Other				
Interest income	96,083	10,548	1,566	108,197
Miscellaneous loss	-	-	(3)	(3)
Total other	<u>96,083</u>	<u>10,548</u>	<u>1,563</u>	<u>108,194</u>
Net fund surplus (deficit)	<u>\$ (575,060)</u>	<u>\$ 256,949</u>	<u>\$ 11,893</u>	<u>\$ (306,218)</u>

See Independent Auditor's Report.

School Excess Liability Fund
2016 Fund Year - Cumulative Operating Results Analysis
June 30, 2021

	<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	1,189,598	1,134,148	-	2,323,746
Case reserves	826,462	-	-	826,462
IBNR reserves	527,596	-	-	527,596
Claims - net	<u>2,543,656</u>	<u>1,134,148</u>	<u>-</u>	<u>3,677,804</u>
Other				
Insurance and reinsurance premiums	3,350,378	9,825,935	-	13,176,313
Administrative expenses	<u>-</u>	<u>-</u>	<u>129,951</u>	<u>129,951</u>
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>5,894,034</u>	<u>10,960,083</u>	<u>129,951</u>	<u>16,984,068</u>
Operating income (loss)	151,335	(10,872)	8,153	148,616
Interest income	<u>170,055</u>	<u>36,810</u>	<u>1,668</u>	<u>208,533</u>
Net fund surplus	<u>\$ 321,390</u>	<u>\$ 25,938</u>	<u>\$ 9,821</u>	<u>\$ 357,149</u>

See Independent Auditor's Report.

School Excess Liability Fund
2017 Fund Year - Cumulative Operating Results Analysis
June 30, 2021

	<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	210,229	1,100,000	-	1,310,229
Case reserves	355,044	-	-	355,044
IBNR reserves	557,877	-	-	557,877
Claims - net	<u>1,123,150</u>	<u>1,100,000</u>	<u>-</u>	<u>2,223,150</u>
Other				
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>4,048,577</u>	<u>10,679,390</u>	<u>130,058</u>	<u>14,858,025</u>
Operating income	2,570,691	3	9,051	2,579,745
Interest income	<u>273,866</u>	<u>34,074</u>	<u>1,551</u>	<u>309,491</u>
Net fund surplus	<u>\$ 2,844,557</u>	<u>\$ 34,077</u>	<u>\$ 10,602</u>	<u>\$ 2,889,236</u>

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School Excess Liability Fund
2018 Fund Year - Cumulative Operating Results Analysis
June 30, 2021

	<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	827,914	945,000	-	1,772,914
Case reserves	990,375	221,000	-	1,211,375
IBNR reserves	<u>882,510</u>	<u>-</u>	<u>-</u>	<u>882,510</u>
Claims - net	<u>2,700,799</u>	<u>1,166,000</u>	<u>-</u>	<u>3,866,799</u>
Other				
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>5,595,751</u>	<u>10,995,180</u>	<u>132,711</u>	<u>16,723,642</u>
Operating income	747,944	1	7,434	755,379
Interest income	<u>224,105</u>	<u>50,562</u>	<u>1,687</u>	<u>276,354</u>
Net fund surplus	<u>\$ 972,049</u>	<u>\$ 50,563</u>	<u>\$ 9,121</u>	<u>\$ 1,031,733</u>

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School Excess Liability Fund
2019 Fund Year - Cumulative Operating Results Analysis
June 30, 2021

	<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	360,130	927,361	-	1,287,491
Case reserves	1,823,511	312,187	-	2,135,698
IBNR reserves	<u>1,135,656</u>	<u>-</u>	<u>-</u>	<u>1,135,656</u>
Claims - net	<u>3,319,297</u>	<u>1,239,548</u>	<u>-</u>	<u>4,558,845</u>
Other				
Insurance and reinsurance premiums	2,568,654	9,799,841	-	12,368,495
Administrative expenses	<u>-</u>	<u>-</u>	<u>136,153</u>	<u>136,153</u>
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>5,887,951</u>	<u>11,039,389</u>	<u>136,153</u>	<u>17,063,493</u>
Operating income (loss)	<u>(227,998)</u>	<u>135,455</u>	<u>5,141</u>	<u>(87,402)</u>
Interest income	143,223	107,999	2,178	253,400
Miscellaneous loss	<u>-</u>	<u>-</u>	<u>(6)</u>	<u>(6)</u>
Total other	<u>143,223</u>	<u>107,999</u>	<u>2,172</u>	<u>253,394</u>
Net fund surplus (deficit)	<u>\$ (84,775)</u>	<u>\$ 243,454</u>	<u>\$ 7,313</u>	<u>\$ 165,992</u>

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School Excess Liability Fund
2020 Fund Year - Cumulative Operating Results Analysis
June 30, 2021

	<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	45,233	863,795	-	909,028
Case reserves	810,285	352,278	-	1,162,563
IBNR reserves	<u>1,307,752</u>	<u>9,275</u>	<u>-</u>	<u>1,317,027</u>
Claims - net	<u>2,163,270</u>	<u>1,225,348</u>	<u>-</u>	<u>3,388,618</u>
Other				
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>4,757,872</u>	<u>11,942,321</u>	<u>133,383</u>	<u>16,833,576</u>
Operating income	<u>1,003,002</u>	<u>-</u>	<u>9,200</u>	<u>1,012,202</u>
Interest income	33,569	74,103	865	108,537
Miscellaneous income	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Total other	<u>33,569</u>	<u>74,103</u>	<u>866</u>	<u>108,538</u>
Net fund surplus	<u>\$ 1,036,571</u>	<u>\$ 74,103</u>	<u>\$ 10,066</u>	<u>\$ 1,120,740</u>

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

	<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	95,106	463,013	-	558,119
Case reserves	825,399	257,226	-	1,082,625
IBNR reserves	<u>1,771,492</u>	<u>1,361,528</u>	<u>-</u>	<u>3,133,020</u>
Claims - net	<u>2,691,997</u>	<u>2,081,767</u>	<u>-</u>	<u>4,773,764</u>
Other				
Insurance and reinsurance premiums	2,644,741	15,336,421	-	17,981,162
Administrative expenses	<u>-</u>	<u>-</u>	<u>141,061</u>	<u>141,061</u>
Total other expenses	<u>2,644,741</u>	<u>15,336,421</u>	<u>141,061</u>	<u>18,122,223</u>
Total expenses	<u>5,336,738</u>	<u>17,418,188</u>	<u>141,061</u>	<u>22,895,987</u>
Operating income (loss)	(168,810)	189,317	2,841	23,348
Investment loss, net	<u>(3,272)</u>	<u>(11,114)</u>	<u>(90)</u>	<u>(14,476)</u>
Net fund surplus (deficit)	<u>\$ (172,082)</u>	<u>\$ 178,203</u>	<u>\$ 2,751</u>	<u>\$ 8,872</u>

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School Excess Liability Fund
Cumulative Administrative Expense Analysis for Fund Years 2020 and 2021
June 30, 2021

2021 Fund Year

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
Administrator	\$ 75,000	\$ -	\$ 75,000
Actuary	10,294	-	10,294
Attorney	7,959	2,653	10,612
Auditor	-	6,955	6,955
Treasurer	3,540	-	3,540
Non-contracted expense	6,026	2,234	8,260
Contingency	-	10,000	10,000
Claims service	6,887	9,513	16,400
	<u>\$ 109,706</u>	<u>\$ 31,355</u>	<u>\$ 141,061</u>

2020 Fund Year

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
Administrator	\$ 75,000	\$ -	\$ 75,000
Actuary	10,093	-	10,093
Attorney	10,404	-	10,404
Auditor	6,820	-	6,820
Treasurer	3,468	-	3,468
Non-contracted expense	5,348	-	5,348
Contingency	-	10,000	10,000
Claims service	12,250	-	12,250
	<u>\$ 123,383</u>	<u>\$ 10,000</u>	<u>\$ 133,383</u>

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**School Excess Liability Fund
Comments and Recommendations
June 30, 2021 and 2020**

None