TRI-COUNTY SCHOOLS INSURANCE GROUP

FINANCIAL STATEMENTS
June 30, 2017 and 2016

TRI-COUNTY SCHOOLS INSURANCE GROUP
Yuba City, California

FINANCIAL STATEMENTS
June 30, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Members
Tri-County Schools Insurance Group
Yuba City, California

Report on the Financial Statements

We have audited the accompanying financial statements of Tri-County Schools Insurance Group as of and for the years ended June 30, 2017 and 2016, and the notes to the financial statements, which collectively comprise Tri-County Schools Insurance Group's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *State Controller's Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit 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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tri-County Schools Insurance Group, as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11, the Reconciliation of Claims Liability by Type of Contract on page 28, the Claims Development Information on pages 29 through 33 the Schedule of the Group's Proportionate Share of the Net Pension Liability on page 34 and the Schedule of the Group's Contributions on page 35 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Tri-County Schools Insurance Group's financial statements. The Combining Statement of Net Position and Combining Statement of Revenues, Expenses and Change in Net Position are presented for purposes of additional analysis and are not a required part of the financial statements.

The Combining Statement of Net Position and Combining Statement of Revenues, Expenses and Change in Net Position are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 Combining Statement of Net Position and Combining Statement of Revenues, Expenses and Change in Net Position are fairly stated, in all material respects, in relation to the financial statements as a whole.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 26, 2017 on our consideration of Tri-County Schools Insurance Group's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tri-County Schools Insurance Group's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
October 26, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Group – An Overview

The Tri-County Schools Insurance Group (TCSIG), Joint Powers Authority (JPA), is a non-federal governmental self-insurance pool that was formed in 1983 for the purpose of establishing and maintaining quality programs for our public entity members at a reasonable cost. Programs include Property & Liability, Medical, Dental, Vision, and Life benefits.

TCSIG is a public entity operating in accordance with the Ralph M. Brown Act. TCSIG is governed by a Board of Directors comprised of representatives from each member public entity. Employee input is provided by the Employee Benefits Advisory Committee (EBAC) at meetings throughout the year. Two of the EBAC representatives sit as ex-officio members of the Executive Committee. The Executive Committee is comprised of seventeen (17) Board members. The twelve (12) largest contributors are appointed to the Executive Committee and five (5) members are elected. The Executive Committee elects a President, Vice President, and Secretary as its officers.

The Executive Committee hires an Executive Director to administer TCSIG's day-to-day operations. The Executive Director is responsible for the administration of policies as set forth by the JPA Agreement, Bylaws, the Board of Directors, and the Executive Committee.

Description of Basic Financial Statements

Individual program accounting is maintained in-house and is provided as supplemental information to the Statements of Net Position, Statements of Revenues, Expenses and Change in Net Position, and the Statements of Cash Flows. The Statements of Net Position provide information about the financial position of TCSIG as of June 30, 2017 and 2016. The Statements of Revenues, Expenses and Change in Net Position reports the operations of the organization for the years ended June 30, 2017 and 2016. The Statements of Cash Flows are presented in the direct method to reflect the operations of TCSIG for the years ended June 30, 2017 and 2016 based on the inflow and outflow of cash.

The notes to the financial statements provide information on TCSIG's accounting policies such as development of estimates of incurred but not reported liabilities and the provision for claim adjustment expenses.

For information regarding the Management's Discussion and Analysis contact Matt Evans, Administrator; 1176 Live Oak Boulevard, Suite A, Yuba City, CA 95991; (530)822-5283.

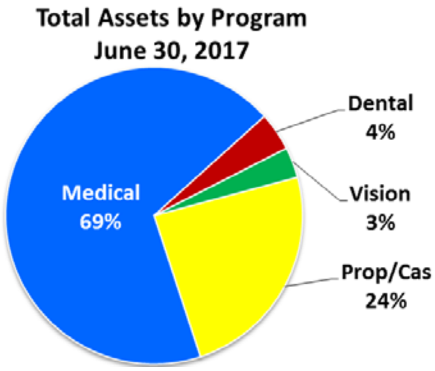
TRI-COUNTY SCHOOLS INSURANCE GROUP

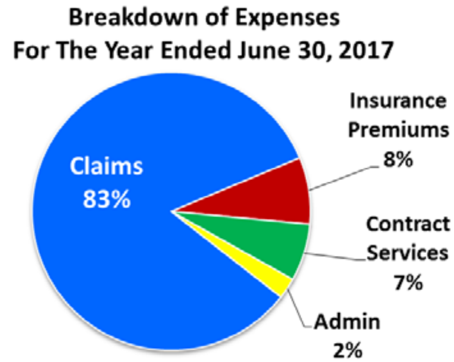
CONDENSED FINANCIAL INFORMATION
Statements of Net Position
June 30, 2017, 2016 and 2015

	2017	2016	2015
ASSETS			
Current assets	$ 18,211,172	$ 14,697,106	$ 13,845,992
Deposit with SUPERIOR	-	910,530	910,530
Capital assets, net	511,661	523,147	540,535
Total assets	18,722,833	16,130,783	15,297,057
DEFERRED OUTFLOWS			
Deferred Outflows of resources-pensions	183,953	60,734	69,327
LIABILITIES			
Current liabilities	7,140,341	8,451,461	10,345,042
Long-term liabilities	2,224,816	1,738,565	1,870,672
Total liabilities	9,365,157	10,190,026	12,215,714
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources-pensions	19,160	50,321	135,426
NET POSITION			
Invested in capital assets, net	511,661	523,147	540,535
Unrestricted, designated	8,485,418	4,500,464	2,039,015
Unrestricted, undesignated	525,390	927,559	435,694
Total net position	$ 9,522,469	$ 5,951,170	$ 3,015,244

Statements of Revenues, Expenses and Change in Net Position
For the Years Ended June 30, 2017, 2016 and 2015

	2017	2016	2015
REVENUES			
Member contributions	$ 42,870,151	$ 52,421,272	$ 65,583,573
EXPENSES			
Operating expenses:			
Provision for claims and claim adjustment expenses	32,875,783	41,763,784	57,056,299
Insurance premiums	3,065,737	3,121,569	3,989,377
Contract services	2,635,788	3,636,288	4,326,768
General and administrative expenses	890,638	1,057,067	920,500
Total operating expenses	39,467,946	49,578,708	66,292,944
Operating income (loss)	3,402,205	2,842,564	(709,371)
OTHER INCOME			
Interest	169,094	93,362	104,653
Total other income	169,094	93,362	104,653
Increase (decrease) in net position	3,571,299	2,935,926	(604,718)
NET POSITION, beginning of year	5,951,170	3,015,244	3,619,962
NET POSITION, end of year	$ 9,522,469	$ 5,951,170	$ 3,015,244





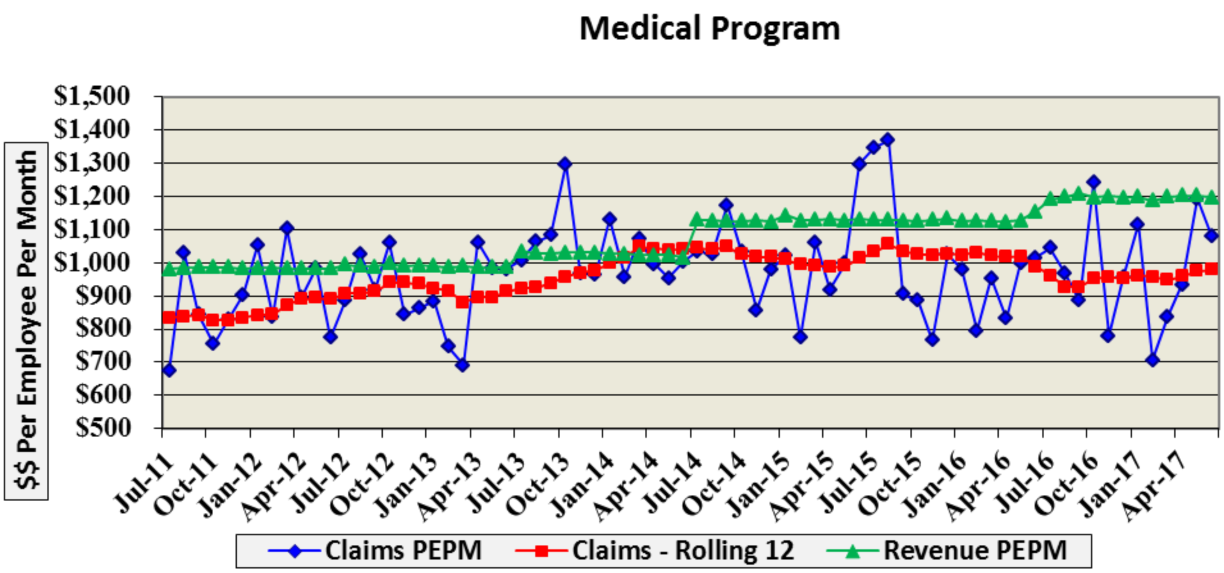
Analysis of Overall Financial Position and Results of Operations

Total assets increased $2.6M and total liabilities decreased $800k from June 20, 2016 to June 30, 2017. As a result of these changes in assets and liabilities, the total net position increased again this year by $3.6M from June 30, 2016 to June 30, 2017. The above pie chart shows the breakdown between the programs. These changes were mainly due to the group's continued effort to beat trend. The main way of controlling the dollars spent is by propagating the culture of health and wellness, thereby empowering our members to self-educate and improve themselves to better health.

Total assets increased $800k and total liabilities decreased $2M from June 30, 2015 to June 30, 2016. As a result of these changes in assets and liabilities, the total net position increased $3M from June 30, 2015 to June 30, 2016. These changes were mainly due to a better than projected utilization in claims of the medical program. TCSIG continues to increase its strong financial position which makes it possible to increase benefits in selected medical plans.

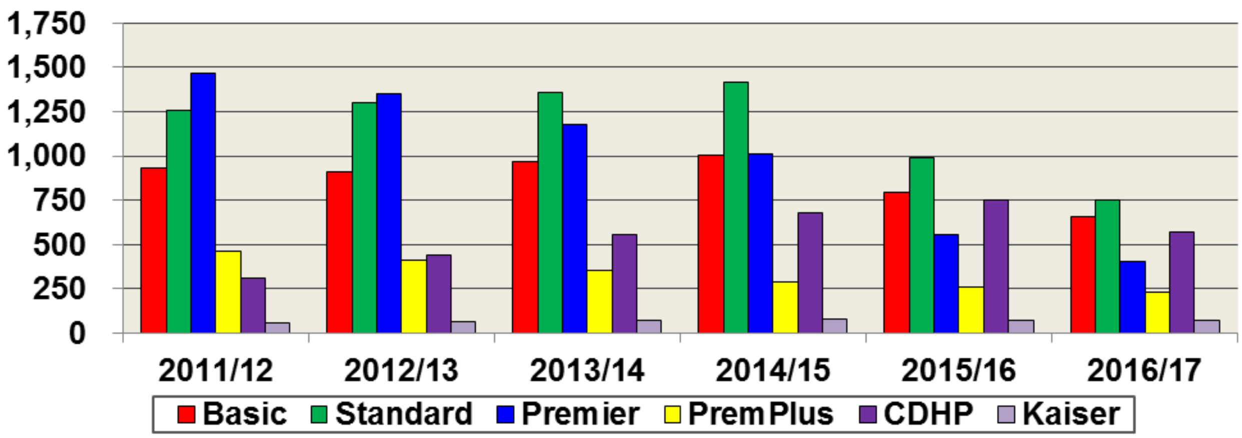
While Property/Casualty premium rates had remained unchanged for 9 years, it had a 9% increase in FY 2016/17, due to Excess Carriers' rates increasing. The program still remains strong with a healthy reserve and excellent coverage for our members. The Employee Benefit premium rates had an increase for FY 2016/17, facilitating the growth in TCSIG's designated retained earnings for Rate Stabilization. Claims decreased $9M in FY 2016/17 due to the termination of a few high utilization member groups; this also affected all other related expenses, which decreased by over $1M for FY 2016/17. The corresponding revenue in the Employee Benefit programs decreased $10M also due to the few high utilization member groups terminating. All of these factors have contributed to TCSIG being in a much better financial position. The above pie chart illustrates the breakdown of expenses by major category.

The chart below shows the Medical Program's revenue and claims increase over the last six years on a per employee per month basis. The blue line shows the monthly paid claims, which can vary tremendously from month to month based on actual claims paid for the month. The red line smooths the monthly paid claims out to show on the average claims over the year. The green line is the average monthly revenue. As the red claims paid line indicates, the average claim per member decreased from the prior year, which allowed TCSIG to maintain premium rates at the same level for the next fiscal year, and increase benefits in one of the most popular plans.



Membership in the employee benefit programs decreased approximately 20% from FY 2015/16 to FY 2016/17 due to a few high utilization groups terminating from TCSIG. The termination of these groups, along with the TCSIG culture of wellness, has contributed to the decrease in the average claim per member. There is a wide variety of plans for employees to make choices that fit their needs. Standard and Basic Plans are the most popular of the medical programs. The Consumer Driven Health Plan (CDHP), a federally qualified high deductible plan, continues to have an increasing enrollment, ending the year with greater enrollment than the Premier and Premier Plus Plans. The CDHP allows members to save for future medical costs exempt from federal tax. The chart on the next page shows the medical program enrollment by year over the last seven years.

Medical Plan Enrollment Migration



Preventive medical care continues to be encouraged with 100% of the cost being paid by the medical program for routine in-network preventive care. Also, free comprehensive health screenings are performed at the employee's place of work, or on demand, to help employees understand their own health condition. In addition, there are on-line tools available for members to get and stay healthy. Utilization of the TCSIG Wellness Center, which opened January 2013, is an additional benefit for members. It is staffed with Nurse Practioners and Medical Assistants, all overseen by a Collaborating Physician. Members are able to receive primary and preventive care free of charge at the Wellness Center. Members with chronic conditions receive personalized care and help with management and control of their condition. The Wellness Center is centrally located in Yuba City, where a majority of the membership resides. TCSIG expanded the Wellness Center services to include tele-medicine through a web-based application for all members and especially benefiting the outlying membership. These initiatives are believed to have a long term impact on claims cost, which will benefit the member agencies by curbing the premium rate increases.

In the Property/Casualty program, proactive steps were made to keep rates from increasing. Due to the financial stability of the program, the formation of a Joint Powers Authority was possible. TCSIG along with another JPA, Schools Insurance Group (SIG) pooled their resources in order to form Superior California Excess Liability Pool (SUPERIOR), which could cover another layer of self-insured retention, thereby keeping the cost of excess insurance to a minimum. This JPA was formed to provide an alternative to commercial re-insurance for the $250,000 to $1,000,000 layer of liability coverage. Due to continual changes in the differences in self-insured retentions between TCSIG and SIG, the decision was made to dissolve SUPERIOR during the current year, FY 2016/17. TCSIG share of SUPERIOR funds were returned in the FY 2016/17. TCSIG continues to take proactive steps to curb excess carrier re-insurance rates in the Property/Casualty program by conducting seminars for Safe Schools, thereby decreasing claims and by building more reserves to cover another layer of self-insured retention.

Comparison of Budget to Actual
For the Year Ended June 30, 2017

	ACTUAL	BUDGET	DOLLAR VARIANCE	PERCENTAGE VARIANCE
REVENUES				
Contributions	$ 42,870,151	$ 41,996,115	$ 874,036	2.1%
Other Income	169,094	85,000	84,094	98.9%
Total Revenues	$ 43,039,245	$ 42,081,115	$ 958,130	2.3%
EXPENSES				
Provision for Claims And Claim Adjustment	$ 32,875,783	$ 34,921,400	$ (2,045,617)	(5.9)%
Insurance Premiums	3,065,737	2,957,605	108,132	3.7%
Contract Services	2,635,788	2,255,500	380,288	16.9%
General and Administrative	890,638	911,600	(20,962)	5.2%
Total Expenses	39,467,946	41,046,105	(1,578,159)	(3.7)%
Change in net position	$ 3,571,299	$ 1,035,010	$ 2,536,289	238.5%

The increase in budgeted to actual Contributions is minimal and due to various migrations in enrollment across the plans.

The increase in Other Income was caused by more than anticipated return on investment funds.

The decrease in Provision for Claims and Claim Adjustment expense is due to high utilization groups terming from TCSIG and the increased utilization of the Wellness Center.

The increase in Insurance Premiums expense is due a slightly larger increase in rate in the medical HMO plan than originally anticipated. The HMO plan is a flow-through insurance program.

The change in General and Administrative is due to the increased utilization of consultants in order to help take proactive steps to curb the raising trends of the medical claims.

Comparison of Budget to Actual
For the Year Ended June 30, 2016

	ACTUAL	BUDGET	DOLLAR VARIANCE	PERCENTAGE VARIANCE
REVENUES				
Contributions	$ 52,421,272	$ 55,314,300	$ (2,893,028)	-5.2%
Other Income	93,362	200,000	(106,638)	-53.3%
Total Revenues	$ 52,514,634	$ 55,514,300	$ (2,999,666)	-5.4%
EXPENSES				
Provision for Claims And Claim Adjustment	$ 41,763,784	$ 47,083,700	$ (5,319,916)	-11.3%
Insurance Premiums	3,121,569	3,023,600	97,969	3.2%
Contract Services	3,636,288	3,595,700	40,588	1.1%
General and Administrative	1,057,067	901,600	155,467	17.2%
Total Expenses	49,578,708	54,604,600	(5,025,892)	-9.2%
Change in net position	$ 2,935,926	$ 909,700	$ 2,026,226	222.7%

The decrease in budgeted to actual Contributions is due a migration in enrollment to lower premium plans.

The decrease in Other Income was caused by less than anticipated return on investment funds.

The decrease in Provision for Claims and Claim Adjustment expense is due to high utilization groups terming from TCSIG and the increased utilization of the Wellness Center.

The increase in Insurance Premiums expense is due a slightly larger enrollment in the medical HMO plan than originally anticipated.

The increase in General and Administrative is due to the increased utilization of consultants in order to help take proactive steps to curb the raising trends of the medical claims.

Comparison of Budget to Actual
For the Year Ended June 30, 2015

	ACTUAL	BUDGET	DOLLAR VARIANCE	PERCENTAGE VARIANCE
REVENUES				
Contributions	$ 65,583,573	$ 68,693,593	$ (3,110,020)	-4.5%
Other Income	104,653	200,000	(95,347)	-47.7%
Total Revenues	$ 65,688,226	$ 68,893,593	$ (3,205,367)	-4.7%
EXPENSES				
Provision for Claims And Claim Adjustment	$ 57,056,299	$ 58,390,000	$ (1,333,701)	-2.3%
Insurance Premiums	3,989,377	4,189,202	(199,825)	-4.8%
Contract Services	4,326,768	3,868,000	458,768	11.9%
General and Administrative	920,500	830,050	90,450	10.9%
Total Expenses	66,292,944	67,277,252	(984,308)	-1.5%
Change in net position	$ (604,718)	$ 1,616,341	$ (2,221,059)	137.4%

The decrease in budgeted to actual Contributions is due to a small shift in enrollment to lower cost plans.

The decrease in Other Income was caused by less than anticipated return on investment funds.

The decrease in Provision for Claims and Claim Adjustment expense is due to the increased utilization of the wellness center and a shift to lower benefit plans.

The decrease in Insurance Premiums expense is due obtaining a competitive rate on the medical reinsurance policy.

The increase in contract services is due to the increased utilization of the wellness center. The decrease in claims more than offsets the increase for the wellness center.

FINANCIAL STATEMENTS

TRI-COUNTY SCHOOLS INSURANCE GROUP
STATEMENTS OF NET POSITION
June 30, 2017 and 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 15,802,061	$ 12,198,086
Receivables (Note 3)	783,391	1,300,852
Vendor deposits	50,000	50,000
Prepaid expenses	1,575,720	1,148,168
Total current assets	18,211,172	14,697,106
Noncurrent assets:		
Deposit with Superior California Excess Liability Pool (Note 7)	-	910,530
Non-depreciable capital assets (Note 4)	120,000	120,000
Depreciable capital assets, net of accumulated depreciation (Note 4)	391,661	403,147
Total assets	18,722,833	16,130,783
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources – pensions (Note 6)	183,953	60,734
LIABILITIES		
Current liabilities:		
Accounts payable	215,084	340,297
Due to member districts	167,256	188,810
Claims payable	545,584	658,984
Unearned revenue	34,417	7,993
Current portion of unpaid claims and claim adjustment expenses (Note 5)	6,178,000	7,255,377
Total current liabilities	7,140,341	8,451,461
Due to member districts, less current portion	44,330	44,330
Net pension liability (Note 6)	580,486	494,235
Unpaid claims and claim adjustment expenses less current portion (Note 5)	1,600,000	1,200,000
Total liabilities	9,365,157	10,190,026
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources – pensions (Note 6)	19,160	50,321
NET POSITION		
Net investment in capital assets	511,661	523,147
Unrestricted	9,010,808	5,428,023
Total net position	$ 9,522,469	$ 5,951,170

See accompanying notes to financial statements.

TRI-COUNTY SCHOOLS INSURANCE GROUP
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
For the Years Ended June 30, 2017 and 2016

	2017	2016
Operating revenues:		
Member contributions	$ 42,870,151	$ 52,421,272
Expenses:		
Operating expenses:		
Provision for claims and claim adjustment expenses (Note 5)	32,875,783	41,763,784
Insurance premiums	3,065,737	3,121,569
Contract services	2,635,788	3,636,288
Total operating expenses	38,577,308	48,521,641
General and administrative expenses	890,638	1,057,067
Total expenses	39,467,946	49,578,708
Operating income	3,402,205	2,842,564
Non-operating revenue:		
Interest	169,094	93,362
Change in net position	3,571,299	2,935,926
Net position, July 1, 2016	5,951,170	3,015,244
Net position, June 30, 2017	$ 9,522,469	$ 5,951,170

See accompanying notes to financial statements.

TRI-COUNTY SCHOOLS INSURANCE GROUP
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Cash received for premium contributions	$ 43,133,893	$ 52,788,050
Cash received for deposit with Superior California Excess Liability Pool	910,530	-
Cash paid for insurance claims	(33,666,560)	(43,142,655)
Cash paid for insurance premiums	(3,206,395)	(2,963,232)
Cash paid to employees, member districts and vendors	(3,729,836)	(5,101,836)
Net cash provided by operating activities	3,441,632	1,580,327
Cash flows provided by investing activities:		
Interest received	162,343	83,113
Net increase in cash and cash equivalents	3,603,975	1,663,440
Cash and cash equivalents, beginning of year	12,198,086	10,534,646
Cash and cash equivalents, end of year	$ 15,802,061	$ 12,198,086
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 3,402,205	$ 2,842,564
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	11,486	17,388
Decrease in receivables	524,212	983,734
Decrease in vendor deposits	-	29,913
(Increase) in prepaid expenses	(427,552)	(191,072)
Decrease in reinsurance deposit	910,530	-
(Increase) decrease in deferred outflows	(123,219)	8,593
(Decrease) in accounts payable	(125,213)	(186,433)
(Decrease) in due to member districts	(21,554)	(293,342)
(Decrease) increase in claims payable	(113,400)	58,979
Increase (decrease) in unearned revenue	26,424	(267,547)
Increase in net pension liability	86,251	100,505
(Decrease) in unpaid claims and claims adjustment expenses	(677,377)	(1,437,850)
(Decrease) in deferred inflows	(31,161)	(85,105)
Net cash provided by operating activities	$ 3,441,632	$ 1,580,327

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Tri-County Schools Insurance Group (the "Group"), is a Joint Powers Authority (JPA) established by a Joint Powers Agreement in 1983 for the purpose of providing property, casualty and health benefits coverages (Program Coverages) to its members. Members are public entities including school districts, county offices of education and community colleges.

Basis of Accounting: The accompanying financial statements are presented on the accrual basis of accounting in accordance with governmental accounting principles generally accepted in the United States of America. Under the accrual basis, revenues and the related assets are recognized when earned, and expenses and related liabilities are recognized when the obligation is incurred.

Fund Accounting: The accounts of the Group are organized on the basis of funds, each of which is considered to be a separate accounting entity. These Proprietary funds have been combined for the presentation of the financial statements. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, net position, revenues and expenses. The general and administrative accounts of the Group are allocated to each program on a pro-rata basis. The four funds include:

1. *Property and Casualty* - The Property and Casualty Program was established for the purpose of operating and maintaining a self-insurance or group insurance program. The Property and Casualty fund is established and maintained for Member contributions, to be used for the payment of, but not limited to, the following: self-insured claim payments, insurance premiums, claims administration expenses, investigative costs, legal costs, expert witness fees, audit costs, broker fees, property appraisal fees and miscellaneous.

2. *Medical Fund* - The Medical Program was established for the purpose of operating and maintaining a self-insurance or group insurance program. The Medical fund is established and maintained for Member contributions, to be used for the payment of, but not limited to, the following: self-insured claim payments, life and medical insurance premiums, claims administration expenses, investigative costs, legal costs, audit costs, and miscellaneous.

3. *Dental Fund* - The Dental Program was established for the purpose of operating and maintaining a self-insurance or group insurance program. The Dental fund is established and maintained for Member contributions, to be used for the payment of, but not limited to, the following: self-insured claim payments, claims administration expenses, the Group operating expenses, eligibility expenses, and miscellaneous. District contribution rates are based on amounts that adequately cover anticipated claims and attendant expenses of the program.

4. *Vision* - The Vision Program was established for the purpose of operating and maintaining a self-insurance or group insurance program. The Vision fund is established and maintained for Member contributions, to be used for the payment of, but not limited to, the following: self-insured claim payments, insurance premiums, claims administration expenses, investigative costs, legal costs, audit costs, and miscellaneous.

Cash and Cash Equivalents: Cash and cash equivalents consist of cash and investments readily convertible into known amounts of cash with original maturities at date of purchase of less than three months.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vendor Deposits: During 2015-16, the Group entered into a contract with Acorn Health Solutions to manage the wellness center and provided a $50,000 deposit.

Capital Assets: Capital assets purchased with an original cost of $5,000 or more is recorded at historical cost. Depreciation is computed on the straight-line method with useful lives of three to thirty-nine years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The Group has recognized a deferred outflow of resources related to the recognition of the pension liability reported in the statement of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The Group has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the statement of net position.

Provision for Unpaid Claims and Claim Adjustment Expenses: The Group's policy is to establish unpaid claims and claim adjustment expenses 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. Estimated amounts of subrogation and reinsurance recoverable on unpaid claims are deducted from the liability. The Group increases the liability for allocated and unallocated claim adjustment expenses. Because actual claims costs depend on such complex factors as inflation, changes in the doctrine of legal liability, and damage awards, the process used in computing unpaid claims and claim adjustment expenses does not necessarily result in an exact amount, particularly for coverages such as general liability. Unpaid claims and claim adjustment expenses are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, other economic and social factors and estimated payment dates. Adjustments to unpaid claims and claim adjustment expenses are charged or credited to expense in the period in which they are made. The current portion of unpaid claims and claim adjustment expenses is estimated based on current year payments and known claims information at the end of the period.

Excess Insurance: The Group purchases specific occurrence excess insurance from excess or reinsurance providers for the Medical and Property/Casualty programs. For the year ended June 30, 2017, the specific excess insurance for medical claims provides coverage on a claims-paid basis for policy year losses related to individual members over $325,000. The Group provides the property/casualty program with a self-insured retention of $100,000 for property and $250,000 for liability excess insurance from this level up to $25,000,000 per occurrence. Settlements have not exceeded insurance coverage in each of the past two years.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Miscellaneous 2.7% at 55 Risk Pool under the California Public Employees' Retirement System (CalPERS) Public Employers Retirement Fund C and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Pool. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Member Contributions and Revenue Recognition: Member contributions are recognized as revenues in the period for which insurance protection is provided. Amounts not yet recovered from members are reported as contributions receivable and amounts received in advance as unearned revenue. If the Group's Board of Directors determines that the insurance funds for a program are insufficient to pay losses, the Group may impose a supplemental assessment on all participating members. Supplemental assessments are recognized as income in the period assessed. The contributions for the Group's Medical, Dental and Vision programs were based on an actuarial study which included estimated administrative expenses. Operating revenues and expenses include all activities necessary to achieve the objectives of the Group. Non-operating revenues and expenses include investment activities and other non-essential activity.

Entities applying for membership must be approved by a majority vote of the Executive Committee members present and voting, and must pay an appropriate entry fee or charge as established by the Executive Committee. Members may withdraw from the Group upon advance written notice subject to the participation agreement of each program. The effect of withdrawal (or termination) for the pooling programs does not terminate the responsibility of the member to continue paying its share of assessments or other financial obligations incurred by reason of its previous participation.

Wellness Center: The Group contracted with outside parties to manage a Wellness Center for the use of Group Members. Healthstat Inc. was paid a management fee of $166,535 and reimbursed for operating expenses in the amount of $464,822 from July 1, 2015 through January 2016. Beginning in January 2016 through June 30, 2016, Acorn Health Solutions managed the Wellness Center and was paid a management fee of $84,000 and was reimbursed for operating expenses in the amount of $255,359.

Designated Net Position: The Board has designated a stabilization reserve at a 95% confidence interval for the Medical program and an amount not less than seven times the current specific stop loss of $250,000 in the Property and Casualty program. The stabilization reserve at June 30, 2017 and 2016 was $6,384,532 and $2,750,461, respectively for the Medical program. The stabilization reserve at June 30, 2017 and 2016 was $1,750,000 for Property and Casualty. Any net position in the Dental and Vision programs are undesignated.

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. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Material estimates that are particularly susceptible to significant changes in the near term relate to the determination of the unpaid claims and claim adjustment expenses.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes: The Group is an organization comprised of public agencies, and is exempt from Federal income and California franchise taxes. Accordingly, no provision for Federal or State income taxes has been made in the accompanying financial statements.

Reclassifications: Certain prior year balances have been reclassified to conform with current year financial statement presentation. Reclassification had no effect on prior year change in net assets or net position.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2017 and 2016 consisted of the following:

	2017	2016
Cash in Yuba County Treasury	$ 15,788,754	$ 12,923,570
Cash on hand and in banks	58,351	95,943
Claims disbursement account	(45,044)	(821,427)
Total cash and cash equivalents	$ 15,802,061	$ 12,198,086

Cash in County Treasury: The Group maintains substantially all of its cash in the interest bearing Yuba County Treasurer's Pooled Investment Fund. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool. In accordance with applicable state laws, the Yuba County Treasury may invest in derivative securities with the State of California. However, at June 30, 2017 the Yuba County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Because the Group's deposits are maintained in a recognized Pooled Investment Fund (Fund) under the care of a third party and the Group's share of the pool does not consist of specific, identifiable investment securities owned by the Group, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

The Group's deposits in the Fund are considered to be highly liquid. Interest earned is deposited quarterly into participating funds.

Custodial Credit Risk: Interest-bearing cash balances held in banks are insured up to $250,000 and non-interest bearing cash balances held in banks are fully insured by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2017, the carrying amount of the Group's accounts was $58,351 and the bank balances were $499,803. $279,195 of the bank balance was FDIC insured and $220,608 was uninsured. At June 30, 2016, the carrying amount of the Group's accounts was $95,943 and the bank balances were $207,910. All of the bank balances were covered by FDIC insurance. The carrying value and the bank balance differ due to deposits in transit and outstanding checks.

(Continued)

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

Investment Interest Rate Risk: The Group has adopted the Yuba County Investment Pool policy does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2017 and 2016, the Group had no significant interest rate risk related to cash and cash equivalents held.

Investment Credit Risk: The Group has adopted the Yuba County Investment Pool policy does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Investment Credit Risk: The Group does not place limits on the amount it may invest in any one issuer. At June 30, 2017 and 2016, the Group had no concentration of credit risk.

NOTE 3 –RECEIVABLES

Accounts receivable at June 30, 2017 and 2016 consisted of the following:

	2017	2016
Contributions receivable	$ 302,119	$ 190,013
Excess insurance receivable	89,689	376,583
Interest receivable	36,999	30,248
Other receivable	350,855	177,612
Due from member agencies	3,729	526,396
	$ 783,391	$ 1,300,852

(Continued)

NOTE 4 – CAPITAL ASSETS

A schedule of changes in capital assets for the years ended June 30, 2017 and 2016, is shown below.

	Balance July 1 2016	Additions	Deletions	Balance June 30 2017
Non-depreciable:				
Land	$ 120,000	$ -	$ -	$ 120,000
Depreciable:				
Building	447,963	-	-	447,963
Equipment	74,218	-	-	74,218
Software	58,598	-	-	58,598
Totals, at cost	700,779	-	-	700,779
Less accumulated depreciation:				
Building	(44,816)	(11,486)	-	(56,302)
Equipment	(74,218)	-	-	(74,218)
Software	(58,598)	-	-	(58,598)
Total accumulated depreciation	(177,632)	(11,486)	-	(189,118)
Furniture and equipment, net	$ 523,147	$ (11,486)	$ -	$ 511,661

	Balance July 1 2015	Additions	Deletions	Balance June 30 2016
Non-depreciable:				
Land	$ 120,000	$ -	$ -	$ 120,000
Depreciable:				
Building	447,963	-	-	447,963
Equipment	74,218	-	-	74,218
Software	58,598	-	-	58,598
Totals, at cost	700,779	-	-	700,779
Less accumulated depreciation:				
Building	(33,330)	(11,486)	-	(44,816)
Equipment	(74,218)	-	-	(74,218)
Software	(52,696)	(5,902)	-	(58,598)
Total accumulated depreciation	(160,244)	(17,388)	-	(177,632)
Furniture and equipment, net	$ 540,535	$ (17,388)	$ -	$ 523,147

(Continued)

NOTE 5 – UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

As discussed in Note 1, the Group established a liability for both reported and unreported insured events for the Program Coverages. The following represents changes in those aggregate liabilities during the years ended June 30, 2017 and 2016:

	2017	2016
Unpaid claims and claim adjustment expenses, beginning of year	$ 8,455,377	$ 9,893,227
Incurred claims and claim adjustment expenses:		
Provision for covered events of the current year	34,755,445	43,327,283
Change in provision for covered events of prior years	(1,879,662)	(1,563,499)
Total incurred claims and claim adjustment expenses	32,875,783	41,763,784
Payments:		
Claims and claim adjustment expenses attributable to covered events of the current year	28,254,769	36,198,562
Claims and claim adjustment expenses attributable to covered events of prior years	5,298,391	7,003,072
Total payments	33,553,160	43,201,634
Total unpaid claims and claim adjustment expenses, end of year	$ 7,778,000	$ 8,455,377

The components of the unpaid claims and claim adjustment expenses as of June 30, 2017 and 2016 were as follows:

	2017	2016
Claims incurred, but not reported (IBNR)	$ 6,443,978	$ 6,626,303
Unallocated loss adjustment expenses (ULAE)	414,000	986,225
Accrued claims reserves	920,022	842,849
Total unpaid claims and claim adjustment expenses	7,778,000	8,455,377
Current portion	(6,178,000)	(7,255,377)
Non-current portion	$ 1,600,000	$ 1,200,000

At June 30, 2017 and 2016, the liability for the property/casualty program was reported at present value using an expected future investment yield assumption of four percent. The undiscounted liability for the property/casualty program was $2,481,538 and $2,039,545 for the years ended June 30, 2017 and 2016, respectively. The discounted liability for the property/casualty program was $2,395,000 and $1,955,377 for the years ended June 30, 2017 and 2016, respectively. The remaining programs are not discounted due to the expected short-term nature of the respective liabilities.

(Continued)

NOTE 6 – NET PENSION LIABILITY

Plan Description: The Group contributes to the Miscellaneous 2.7% at 55 Risk Pool Plan under the California Public Employees' Retirement System (CalPERS) Public Employers Retirement Fund C, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The Plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board approval. CalPERS issues a publicly available annual financial report that can be obtained at https://www.calpers.ca.gov/docs/forms-publications/cafr-2016.pdf.

Benefits provided: The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the Pool, are credited with a market value adjustment in determining contribution rates.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2017 were as follows:

Members – The member contribution rate was 8.0 percent of applicable member earnings for fiscal years 2016-17 and 2016-15.

Employers – The employer contribution rate was 11.634 and 10.958 percent of applicable member earnings, for fiscal years 2017-16 and 2016-15, respectively.

The Group's contributions to CalPERS for the fiscal years ending June 30, 2017, 2016 and 2015 were $54,758, $57,338 and $69,327, respectively, and equal 100% of the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the Group reported a liability of $580,486 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The Group's proportion of the net pension liability was based on the Group's share of contributions to the pension plan relative to the projected contributions of all participating JPAs. At June 30, 2017, the Group's proportion was 0.017 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2016.

(Continued)

NOTE 6 – NET PENSION LIABILITY (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At June 30, 2016, the Group reported a liability of $494,235 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The Group's proportion of the net pension liability was based on the Group's share of contributions to the pension plan relative to the projected contributions of all participating JPAs. At June 30, 2016, the Group's proportion was 0.018 percent, which was an increase of 0.002 percent from its proportion measured as of June 30, 2015.

For the years ended June 30, 2017 and 2016, the Group recognized pension expense of $67,723 and $81,328, respectively. At June 30, 2017, the Group reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,561	$ -
Changes of assumptions		19,160
Net differences between projected and actual earnings on investments	99,722	-
Changes in proportion and differences between Group contributions and proportionate share of contributions	27,912	-
Contributions made subsequent to measurement date	54,758	-
Total	$ 183,953	$ 19,160

(Continued)

NOTE 6 – NET PENSION LIABILITY (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 3,396	$ -
Changes of assumptions	-	32,136
Net differences between projected and actual earnings on investments	-	16,108
Changes in proportion and differences between Group contributions and proportionate share of contributions	-	2,077
Contributions made subsequent to measurement date	57,338	-
Total	$ 60,734	$ 50,321

At June 30, 2017, $54,758 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ended June 30,	
2018	$ 13,004
2019	$ 14,043
2020	$ 57,102
2021	$ 25,886

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2016 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

NOTE 6 – NET PENSION LIABILITY (Continued)

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	July 1, 1996, through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.65%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2015 experience study report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Long-Term* Assumed Asset Allocation	Expected Real Rate of Return
Global Equity	51%	5.25%
Global Fixed Income	19	0.99
Inflation Sensitive	6	0.45
Private Equity	10	6.83
Real Estate	10	4.50
Infrastructure & Forestland	2	4.50
Liquidity	2	(0.55)

* 10-year geometric average

Discount Rate: At June 30, 2017 and 2016, the discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

NOTE 6 – NET PENSION LIABILITY (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Sensitivity of the Group's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Group's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the Group's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Group's proportionate share of the net pension liability	$ 904,380	$ 580,486	$ 312,801

	June 30, 2016		
	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Group's proportionate share of the net pension liability	$ 828,868	$ 494,235	$ 217,958

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 7 – JOINT POWERS AGREEMENTS

Participation in Joint Powers Authorities: The Group participates in a joint venture under joint powers agreement (JPA) with North Valley Schools Insurance Group (NVSIG) and Schools Excess Liability Fund (SELF). The relationship between the Group and the JPAs is such that the JPAs are not a component unit of the Group for financial reporting purposes.

The JPAs arrange for and provides the services and other items necessary and appropriate for the establishment, operation, and maintenance of workers' compensation, excess liability, other risk pooling and insured plans. Boards consisting of a representative from each member agency govern the JPAs. The Boards control the operations of the JPAs including approval of operating budgets, independent of any influence by the member agencies beyond their representation on the Board. Each member's agency pays a premium commensurate with the actuarial determination proportionate to their ADA. There have been no significant reductions in insurance coverage from coverage in the prior year.

Condensed financial information for NVSIG and SELF for the year ended June 30, 2015 and 2016, respectively (most recent information available):

	NVSIG	SELF
Total assets	$ 3,475,999	$ 138,820,266
Deferred outflow of resources	$ -	$ 266,414
Total liabilities	$ 1,942,113	$ 117,306,926
Deferred inflow of resources	$ -	$ 245,133
Total net position	$ 1,533,886	$ 21,534,621
Total revenues	$ 11,318,210	$ 13,898,598
Total expenses	$ 11,378,213	$ 24,553,606

Deposit with Superior California Excess Liability Pool: During 2013 Superior California Excess Liability Pool (Superior) amended their bylaws allowing of the return of equity contributions to its member joint powers authorities upon approval of the Superior Board of Directors. The Group recognized a deposit of $910,530 for the probable return of equity contributions paid in prior years to Superior by the Group. During 2017 the deposit was returned to the Group and the Board of Superior voted to dissolve the Pool.

REQUIRED SUPPLEMENTARY INFORMATION

TRI-COUNTY SCHOOLS INSURANCE GROUP
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
For the Years Ended June 30, 2017 and 2016

	Property and Casualty		Medical Benefits		Dental Benefits		Vision Benefits		Totals	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Unpaid claims and claim adjustment expenses, beginning of year	$ 1,955,377	$ 2,138,227	$ 6,235,000	$ 7,475,000	$ 225,000	$ 240,000	$ 40,000	$ 40,000	$ 8,455,377	$ 9,893,227
Incurred claims and claim adjustment expenses:										
Provision for covered events of the current year	1,318,499	911,810	30,369,645	38,427,706	2,622,000	3,380,590	445,301	607,177	34,755,445	43,327,283
Change in provision for covered events of prior years	(5,884)	(449,289)	(1,762,308)	(1,001,679)	(96,629)	(91,132)	(14,841)	(21,399)	(1,879,662)	(1,563,499)
Total incurred claims and claim adjustment expenses	1,312,615	462,521	28,607,337	37,426,027	2,525,371	3,289,458	430,460	585,778	32,875,783	41,763,784
Payments:										
Claims and claim adjustment expenses attributable to covered events of the current fiscal year	197,320	283,089	25,174,645	32,192,706	2,467,000	3,155,590	415,804	567,177	28,254,769	36,198,562
Claims and claim adjustment expenses attributable to covered events of prior years	675,672	362,282	4,472,692	6,473,321	128,371	148,868	21,656	18,601	5,298,391	7,003,072
Total payments	872,992	645,371	29,647,337	38,666,027	2,595,371	3,304,458	437,460	585,778	33,553,160	43,201,634
Total unpaid claims and claims adjustment expense, end of year	$ 2,395,000	$ 1,955,377	$ 5,195,000	$ 6,235,000	$ 155,000	$ 225,000	$ 33,000	$ 40,000	$ 7,778,000	$ 8,455,377
Claims incurred but not reported	$ 1,421,978	$ 1,071,303	$ 4,860,000	$ 5,335,000	$ 130,000	$ 185,000	$ 32,000	$ 35,000	$ 6,443,978	$ 6,626,303
ULAE	53,000	41,225	335,000	900,000	25,000	40,000	1,000	5,000	414,000	986,225
Accrued claims reserves	920,022	842,849	-	-	-	-		-	920,022	842,849
Total unpaid claims and claims adjustment expense	$ 2,395,000	$ 1,955,377	$ 5,195,000	$ 6,235,000	$ 155,000	$ 225,000	$ 33,000	$ 40,000	$ 7,778,000	$ 8,455,377

The tables that follow illustrate how the Group's earned revenues and investment income compare to related costs of loss and other expenses assumed by the Group as of the end of each of the previous ten years. The rows of the tables are defined as follows:

(1) Total of each fiscal year's gross earned contribution and investment revenues, contribution revenue ceded to reinsurers, and net earned contribution and investment revenues.

(2) Each fiscal year's other operating costs of the Group including overhead and claims expenses not allocable to individual claims (for the medical, dental and vision programs, unallocated loss adjustment expenses are included in lines 3 and 6).

(3) The Group's gross incurred claims and claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).

(4) Cumulative amounts paid as of the end of successive years for each policy year.

(5) The latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.

(6) Each policy year's net incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.

(7) Compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The columns of the tables show data for successive policy years.

(Continued)

TRI-COUNTY SCHOOLS INSURANCE GROUP
CLAIMS DEVELOPMENT INFORMATION
PROPERTY AND CASUALTY
June 30, 2017

	Fiscal and Policy Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1. Required contribution and investment revenue:										
Earned	$ 1,730,423	$ 1,644,978	$ 1,628,575	$ 1,640,178	$ 1,656,659	$ 1,651,409	$ 1,652,844	$ 1,693,848	$ 1,733,439	$ 2,064,990
Ceded	(1,036,739)	(1,014,443)	(1,001,184)	(1,010,207)	(1,052,946)	(933,911)	(994,541)	(1,017,605)	(1,038,572)	(945,037)
Net earned	$ 693,684	$ 630,535	$ 627,391	$ 629,971	$ 603,713	$ 717,498	$ 658,303	$ 676,243	$ 694,867	$ 1,119,953
2. Unallocated expenses	$ 166,706	$ (38,617)	$ 104,083	$ 65,331	$ 82,494	$ 57,721	$ 191,421	$ 82,502	$ 49,412	$ 207,100
3. Estimated incurred claims and expenses, end of policy year:										
Incurred	$ 616,702	$ 446,473	$ 613,881	$ 688,243	$ 580,373	$ 705,659	$ 795,597	$ 828,092	$ 898,555	$ 1,318,499
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	$ 616,702	$ 446,473	$ 613,881	$ 688,243	$ 580,373	$ 705,659	$ 795,597	$ 828,092	$ 898,555	$ 1,306,724
4. Paid (cumulative) as of:										
End of year	$ 191,023	$ 48,595	$ 281,578	$ 247,840	$ 141,845	$ 263,647	$ 233,971	$ 217,164	$ 283,089	$ 197,320
One year later	$ 231,905	$ 115,953	$ 445,589	$ 387,272	$ 182,068	$ 579,097	$ 447,436	$ 254,418	$ 356,699	
Two years later	$ 270,493	$ 233,426	$ 543,011	$ 465,042	$ 297,706	$ 752,692	$ 514,895	$ 342,097		
Three years later	$ 385,827	$ 233,525	$ 550,579	$ 482,395	$ 515,914	$ 937,112	$ 766,458			
Four years later	$ 507,832	$ 233,525	$ 547,376	$ 639,383	$ 601,811	$ 1,175,392				
Five year later	$ 575,667	$ 236,847	$ 546,017	$ 639,383	$ 569,068					
Six years later	$ 598,795	$ 233,525	$ 547,992	$ 639,038						
Seven years later	$ 598,605	$ 233,525	$ 540,780							
Eight years later	$ 598,605	$ 233,525								
Nine years later	$ 599,557									
5. Reestimated ceded claims and expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6. Reestimated net incurred claims and expenses:										
End of year	$ 616,702	$ 446,473	$ 613,881	$ 688,243	$ 580,373	$ 705,659	$ 795,597	$ 828,092	$ 898,555	$ 1,318,499
One year later	$ 648,722	$ 230,367	$ 1,054,645	$ 677,509	$ 598,099	$ 1,100,812	$ 1,133,801	$ 760,897	$ 869,578	
Two years later	$ 544,441	$ 341,496	$ 706,407	$ 684,658	$ 548,867	$ 1,323,944	$ 792,409	$ 761,526		
Three years later	$ 506,151	$ 253,922	$ 714,390	$ 773,679	$ 652,686	$ 1,345,308	$ 789,012			
Four years later	$ 547,292	$ 254,988	$ 587,239	$ 694,770	$ 625,129	$ 1,490,371				
Five year later	$ 539,416	$ 256,937	$ 553,972	$ 694,301	$ 630,902					
Six years later	$ 600,515	$ 253,616	$ 548,958	$ 640,383						
Seven years later	$ 600,529	$ 233,525	$ 544,086							
Eight years later	$ 600,601	$ 233,525								
Nine years later	$ 638,629									
7. (Decrease) increase in estimated incurred claims expense from end of policy year	$ (18,397)	$ (212,948)	$ (69,795)	$ (47,860)	$ 50,529	$ 784,712	$ (6,585)	$ (66,566)	$ (28,977)	$ -

(Continued)

TRI-COUNTY SCHOOLS INSURANCE GROUP
CLAIMS DEVELOPMENT INFORMATION
MEDICAL BENEFITS
June 30, 2017

	Fiscal and Policy Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1. Required contribution and investment revenue:										
Earned	$47,632,495	$46,994,397	$45,385,352	$49,473,150	$53,274,710	$52,793,308	$55,324,127	$59,652,397	$46,261,123	$ 37,386,751
Ceded	(1,680,326)	(1,853,309)	(2,011,758)	(1,831,707)	(2,314,859)	(2,456,284)	(2,639,431)	(2,971,772)	(2,082,997)	(2,120,700)
Net earned	$45,952,169	$45,141,088	$43,373,594	$47,641,443	$50,959,851	$50,337,024	$52,684,696	$56,680,625	$44,178,126	$ 35,266,051
2. Unallocated expenses	$ 3,081,258	$ 2,885,418	$ 2,945,221	$ 3,029,152	$ 3,458,588	$ 3,948,467	$ 4,205,282	$ 5,163,063	$ 4,215,653	$ 3,024,294
3. Estimated incurred claims and expenses, end of policy year:										
Incurred	$41,510,561	$43,726,715	$48,795,965	$48,490,173	$51,949,012	$51,418,622	$57,549,698	$55,711,049	$39,690,639	$31,483,857
Ceded	(412,712)	(551,238)	(1,262,786)	(1,544,212)	(1,006,661)	(1,387,854)	(1,008,672)	(744,718)	(1,262,933)	(1,114,212)
Net incurred	$41,097,849	$43,175,477	$47,533,179	$46,945,961	$50,942,351	$50,030,768	$56,541,026	$54,966,331	$38,427,706	$30,369,645
4. Paid (cumulative) as of:										
End of year	$34,072,179	$36,106,386	$39,736,317	$39,127,192	$44,017,017	$42,422,749	$47,712,177	$47,491,331	$32,192,706	$25,174,645
One year later	$39,358,522	$41,244,983	$45,727,569	$43,077,794	$49,102,341	$49,901,703	$53,296,814	$53,964,652	$36,665,398	
Two years later	$39,358,522	$41,244,983	$45,727,569	$43,077,794	$49,102,341	$49,901,703	$53,296,814	$53,964,652		
Three years later	$39,358,522	$41,244,983	$45,727,569	$43,077,794	$49,102,341	$49,901,703	$53,296,814			
Four years later	$39,358,522	$41,244,983	$45,727,569	$43,077,794	$49,102,341	$49,901,703				
Five year later	$39,358,522	$41,244,983	$45,727,569	$43,077,794	$49,102,341					
Six years later	$39,358,522	$41,244,983	$45,727,569	$43,077,794						
Seven years later	$39,358,522	$41,244,983	$45,727,569							
Eight years later	$39,358,522	$41,244,983								
Nine years later	$39,358,522									
5. Reestimated ceded claims and expenses	$ 963,950	$ 1,814,023	$ 2,806,998	$ 1,971,153	$ 2,394,515	$ 2,184,019	$ 1,920,065	$ 2,007,651	$ 2,377,345	$ 1,114,212
6. Reestimated net incurred claims and expenses:										
End of year	$41,097,849	$43,175,477	$47,533,179	$46,945,961	$50,942,351	$53,030,768	$56,541,026	$54,966,331	$38,427,706	$30,369,645
One year later	$39,358,522	$41,244,983	$45,727,596	$43,077,794	$49,102,341	$49,901,703	$53,296,814	$53,964,652	$36,665,398	
Two years later	$39,358,522	$41,244,983	$45,727,596	$43,077,794	$49,102,341	$49,901,703	$53,296,814	$53,964,652		
Three years later	$39,358,522	$41,244,983	$45,727,596	$43,077,794	$49,102,341	$49,901,703	$53,296,814			
Four years later	$39,358,522	$41,244,983	$45,727,569	$43,077,794	$49,102,341	$49,901,703				
Five year later	$39,358,522	$41,244,983	$45,727,569	$43,077,794	$49,102,341					
Six years later	$39,358,522	$41,244,983	$45,727,569	$43,077,794						
Seven years later	$39,358,522	$41,244,983	$45,727,569							
Eight years later	$39,358,522	$41,244,983								
Nine years later	$39,358,522									
7. (Decrease) increase in estimated incurred claims expense from end of policy year	$ (1,739,327)	$ (1,930,494)	$ (1,805,610)	$ (3,868,167)	$ (1,840,010)	$ (129,065)	$ (3,244,212)	$ (1,001,679)	$ (1,762,308)	$ -

(Continued)

TRI-COUNTY SCHOOLS INSURANCE GROUP
CLAIMS DEVELOPMENT INFORMATION
DENTAL BENEFITS
June 30, 2017

	Fiscal and Policy Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1. Required contribution and investment revenue:										
Earned	$ 3,562,357	$ 3,521,175	$ 3,349,556	$ 3,245,648	$ 3,339,747	$ 3,164,691	$ 3,393,867	$ 3,564,258	$ 3,761,711	$ 2,947,151
Ceded	-	-	-	-	-	-	-	-	-	-
Net earned	$ 3,562,357	$ 3,521,175	$ 3,349,556	$ 3,245,648	$ 3,339,747	$ 3,164,691	$ 3,393,867	$ 3,564,258	$ 3,761,711	$ 2,947,151
2. Unallocated expenses	$ 271,142	$ 264,236	$ 266,612	$ 280,006	$ 264,277	$ 259,438	$ 252,763	$ 280,445	$ 255,200	$ 214,054
3. Estimated incurred claims and expenses, end of policy year:										
Incurred	$ 3,328,396	$ 3,503,949	$ 3,518,329	$ 3,719,162	$ 3,606,705	$ 3,727,484	$ 3,571,998	$ 3,472,990	$ 3,380,590	$ 2,622,000
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	$ 3,328,396	$ 3,503,949	$ 3,518,329	$ 3,719,162	$ 3,606,705	$ 3,727,484	$ 3,571,998	$ 3,472,990	$ 3,380,590	$ 2,622,000
4. Paid (cumulative) as of:										
End of year	$ 2,905,546	$ 3,066,741	$ 3,077,759	$ 3,253,717	$ 3,160,782	$ 3,268,008	$ 3,267,697	$ 3,232,990	$ 3,155,590	$ 2,467,000
One year later	$ 3,103,309	$ 3,311,656	$ 3,319,497	$ 3,453,644	$ 3,337,074	$ 3,436,634	$ 3,416,587	$ 3,381,858	$ 3,283,961	
Two years later	$ 3,103,309	$ 3,311,656	$ 3,319,497	$ 3,453,644	$ 3,337,074	$ 3,436,634	$ 3,416,587	$ 3,381,858		
Three years later	$ 3,103,309	$ 3,311,656	$ 3,319,497	$ 3,453,644	$ 3,337,074	$ 3,436,634	$ 3,416,587			
Four years later	$ 3,103,309	$ 3,311,656	$ 3,319,497	$ 3,453,644	$ 3,337,074	$ 3,436,634				
Five year later	$ 3,103,309	$ 3,311,656	$ 3,319,497	$ 3,453,644	$ 3,337,074					
Six years later	$ 3,103,309	$ 3,311,656	$ 3,319,497	$ 3,453,644						
Seven years later	$ 3,103,309	$ 3,311,656	$ 3,319,497							
Eight years later	$ 3,103,309	$ 3,311,656								
Nine years later	$ 3,103,309									
5. Reestimated ceded claims and expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
7. Reestimated net incurred claims and expenses:										
End of year	$ 3,328,396	$ 3,503,949	$ 3,518,329	$ 3,719,162	$ 3,606,705	$ 3,727,484	$ 3,571,998	$ 3,472,990	$ 3,380,590	$ 2,622,000
One year later	$ 3,103,309	$ 3,311,656	$ 3,319,497	$ 3,453,644	$ 3,337,074	$ 3,436,634	$ 3,436,634	$ 3,381,858	$ 3,283,961	
Two years later	$ 3,103,309	$ 3,311,656	$ 3,319,497	$ 3,453,644	$ 3,337,074	$ 3,436,634	$ 3,436,634	$ 3,381,858		
Three years later	$ 3,103,309	$ 3,311,656	$ 3,319,497	$ 3,453,644	$ 3,337,074	$ 3,436,634	$ 3,436,634			
Four years later	$ 3,103,309	$ 3,311,656	$ 3,319,497	$ 3,453,644	$ 3,337,074	$ 3,436,634				
Five year later	$ 3,103,309	$ 3,311,656	$ 3,319,497	$ 3,453,644	$ 3,337,074					
Six years later	$ 3,103,309	$ 3,311,656	$ 3,319,497	$ 3,453,644						
Seven years later	$ 3,103,309	$ 3,311,656	$ 3,319,497							
Eight years later	$ 3,103,309	$ 3,311,656								
Nine years later	$ 3,103,309									
7. (Decrease) increase in estimated incurred-claims expense from end of policy year	$ (225,087)	$ (192,293)	$ (198,832)	$ (265,518)	$ (269,631)	$ (290,850)	$ (135,364)	$ (91,132)	$ (96,629)	$ -

(Continued)

TRI-COUNTY SCHOOLS INSURANCE GROUP
CLAIMS DEVELOPMENT INFORMATION
VISION BENEFITS
June 30, 2017

	Fiscal and Policy Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1. Required contribution and investment revenue:										
Earned	$ 779,130	$ 790,560	$ 752,122	$ 734,336	$ 721,166	$ 719,691	$ 776,361	$ 777,723	$ 758,361	$ 640,353
Ceded	-	-	-	-	-	-	-	-	-	-
Net earned	$ 779,130	$ 790,560	$ 752,122	$ 734,336	$ 721,166	$ 719,691	$ 776,361	$ 777,723	$ 758,361	$ 640,353
2. Unallocated expenses	$ 99,597	$ 93,840	$ 93,607	$ 93,266	$ 95,331	$ 98,065	$ 99,154	$ 101,896	$ 98,090	$ 80,978
3. Estimated incurred claims and expenses, end of policy year:										
Incurred	$ 639,422	$ 664,132	$ 650,641	$ 638,847	$ 668,326	$ 676,058	$ 656,660	$ 617,894	$ 607,177	$ 445,301
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	$ 639,422	$ 664,132	$ 650,641	$ 638,847	$ 668,326	$ 676,058	$ 656,660	$ 617,894	$ 607,177	$ 445,301
4. Paid (cumulative) as of:										
End of year	$ 582,082	$ 605,321	$ 593,173	$ 581,997	$ 609,270	$ 616,630	$ 598,923	$ 577,894	$ 567,177	$ 415,804
One year later	$ 603,082	$ 629,811	$ 618,023	$ 606,811	$ 631,062	$ 636,706	$ 626,194	$ 596,495	$ 588,833	
Two years later	$ 603,082	$ 629,811	$ 618,023	$ 606,811	$ 631,062	$ 636,706	$ 626,194	$ 596,495		
Three years later	$ 603,082	$ 629,811	$ 618,023	$ 606,811	$ 631,062	$ 636,706	$ 626,194			
Four years later	$ 603,082	$ 629,811	$ 618,023	$ 606,811	$ 631,062	$ 636,706				
Five year later	$ 603,082	$ 629,811	$ 618,023	$ 606,811	$ 631,062					
Six years later	$ 603,082	$ 629,811	$ 618,023	$ 606,811						
Seven years later	$ 603,082	$ 629,811	$ 618,023							
Eight years later	$ 603,082	$ 629,811								
Nine years later	$ 603,082									
5. Reestimated ceded claims and expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8. Reestimated net incurred claims and expenses:										
End of year	$ 639,422	$ 664,132	$ 650,641	$ 638,847	$ 668,326	$ 676,058	$ 656,660	$ 617,894	$ 607,177	$ 445,301
One year later	$ 603,082	$ 629,811	$ 618,023	$ 606,811	$ 631,062	$ 636,706	$ 626,194	$ 596,495	$ 588,833	
Two years later	$ 603,082	$ 629,811	$ 618,023	$ 606,811	$ 631,062	$ 636,706	$ 626,194	$ 596,495		
Three years later	$ 603,082	$ 629,811	$ 618,023	$ 606,811	$ 631,062	$ 636,706	$ 626,194			
Four years later	$ 603,082	$ 629,811	$ 618,023	$ 606,811	$ 631,062	$ 636,706				
Five year later	$ 603,082	$ 629,811	$ 618,023	$ 606,811	$ 631,062					
Six years later	$ 603,082	$ 629,811	$ 618,023	$ 606,811						
Seven years later	$ 603,082	$ 629,811	$ 618,023							
Eight years later	$ 603,082	$ 629,811								
Nine years later	$ 603,082									
7. (Decrease) increase in estimated incurred claims expense from end of policy year	$ (36,340)	$ (34,321)	$ (32,618)	$ (32,036)	$ (37,264)	$ (39,352)	$ (30,466)	$ (21,399)	$ (18,344)	$ -

Public Employer's Retirement Fund
Last 10 Fiscal Years

	2015	2016	2017
The Group's proportion of the net pension liability	0.016%	0.018%	0.017%
The Group's proportionate share of the net pension liability	$ 393,730	$ 494,235	$ 580,486
The Group's covered payroll	$ 361,281	$ 415,356	$ 318,000
The Group's proportionate share of the net pension liability as a percentage of its covered payroll	108.98%	174.23%	182.54%
Plan fiduciary net position as a percentage of the total pension liability	81.15%	79.89%	78.30%

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

All years prior to 2015 are not available.

TRI-COUNTY SCHOOLS INSURANCE GROUP
SCHEDULE OF THE GROUP'S CONTRIBUTIONS
For the Years Ended June 30, 2017 and 2016

Public Employer's Retirement Fund
Last 10 Fiscal Years

	2015	2016	2017
Contractually required contribution	$ 69,327	$ 57,338	$ 54,758
Contributions in relation to the contractually required contribution	69,327	57,338	54,758
Contribution deficiency (excess)	$ -	$ -	$ -
The Group's covered payroll	$ 415,356	$ 318,000	$ 282,000
Contributions as a percentage of covered payroll	16.69%	18.03%	19.42%

All years prior to 2015 are not available.

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of the Group's Proportionate Share of the Net Pension Liability: The Schedule of the Group's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the Group's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of the Group's Contributions: The Schedule of the Group's Contributions is presented to illustrate the Group's required contributions relating to the pension. There is a requirement to show information for 10 years. However, until a full 10- year trend is compiled, governments should present information for those years for which information is available.

Changes of Benefit Terms: There are no changes in benefit terms reported in the Required Supplementary Information.

Changes of Assumptions: The discount rate for Public Employer's Retirement Fund C was 7.50 percent in the June 30, 2013 and 7.65 percent in the June 30, 2014 and June 30, 2015 actuarial reports, respectively.

SUPPLEMENTARY INFORMATION

TRI-COUNTY SCHOOLS INSURANCE GROUP
COMBINING STATEMENT OF NET POSITION
June 30, 2017

	Property and Casualty	Medical	Dental	Vision	Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 3,181,764	$ 11,264,260	$ 752,939	$ 603,098	$ 15,802,061
Accounts receivable	11,979	763,620	5,845	1,947	783,391
Vendor deposits	-	50,000	-	-	50,000
Prepaid expenses	1,295,808	279,755	98	59	1,575,720
Total current assets	4,489,551	12,357,635	758,882	605,104	18,211,172
Deposit with Superior	-	-	-	-	-
Property and equipment, net	23,871	449,596	23,871	14,323	511,661
Total assets	4,513,422	12,807,231	782,753	619,427	18,722,833
DEFERRED OUTFLOWS					
Deferred outflows of resources – Pensions	9,199	160,037	9,198	5,519	183,953
LIABILITIES					
Current liabilities:					
Accounts payable	2,557	208,436	2,557	1,534	215,084
Due to member districts	-	167,256	-	-	167,256
Claims payable	-	419,296	54,557	71,731	545,584
Unearned revenue	-	33,179	1,000	238	34,417
Current portion of unpaid claims and claims adjustment expenses	795,000	5,195,000	155,000	33,000	6,178,000
Total current liabilities	797,557	6,023,167	213,114	106,503	7,140,341
Due to member districts	-	37,529	5,437	1,364	44,330
Net pension liability	29,025	505,022	29,025	17,414	580,486
Unpaid claims and claim adjustment expenses less current portion	1,600,000	-	-	-	1,600,000
Total liabilities	2,426,582	6,565,718	247,576	125,281	9,365,157
DEFERRED INFLOWS					
Deferred inflows of resources – Pensions	958	16,669	958	575	19,160
NET POSITION					
Net investment in capital assets	23,871	449,596	23,871	14,323	511,661
Unrestricted	2,071,210	5,935,285	519,546	484,767	9,010,808
Total net position	$ 2,095,081	$ 6,384,881	$ 543,417	$ 499,090	$ 9,522,469

TRI-COUNTY
SCHOOLS INSURANCE GROUP
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
For the Year Ended June 30, 2017

	Property and Casualty	Medical	Dental	Vision	Total
Operating revenues:					
Member contributions	$ 2,000,668	$ 37,293,322	$ 2,940,659	$ 635,502	$ 42,870,151
Expenses:					
Operating expenses:					
Provision for claims and claim adjustment expenses	1,312,615	28,607,337	2,525,371	430,460	32,875,783
Insurance premiums	945,037	2,120,700	-	-	3,065,737
Contract services	167,501	2,254,203	165,963	48,121	2,635,788
Total operating expenses	2,425,153	32,982,240	2,691,334	478,581	38,577,308
General and administrative expenses	39,599	770,091	48,091	32,857	890,638
Total expenses	2,464,752	33,752,331	2,739,425	511,438	39,467,946
Operating income	(464,084)	3,540,991	201,234	124,064	3,402,205
Other income:					
Interest	64,322	93,429	6,492	4,851	169,094
Change in net position	(399,762)	3,634,420	207,726	128,915	3,571,299
Net position, July, 1, 2016	2,494,843	2,750,461	335,691	370,175	5,951,170
Net position, June 30, 2017	$ 2,095,081	$ 6,384,881	$ 543,417	$ 499,090	$ 9,522,469

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

To the Board of Directors and Members
Tri-County Schools Insurance Group
Yuba City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the *State Controller's Minimum Audit Requirements for California Special Districts* and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Tri-County Schools Insurance Group as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Tri-County Schools Insurance Group's financial statements, and have issued our report thereon dated October 26, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tri-County Schools Insurance Group's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tri-County Schools Insurance Group's internal control. Accordingly, we do not express an opinion on the effectiveness of Tri-County Schools Insurance Group's internal controls.

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.

(Continued)

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting 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.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
October 26, 2017