

**REDWOOD EMPIRE
SCHOOLS' INSURANCE GROUP**
Windsor, California

FINANCIAL STATEMENTS
June 30, 2025 and 2024

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
Windsor, California

FINANCIAL STATEMENTS
June 30, 2025 and 2024

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS:	
STATEMENTS OF NET POSITION	9
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION.....	10
STATEMENTS OF CASH FLOWS.....	11
NOTES TO FINANCIAL STATEMENTS	12
REQUIRED SUPPLEMENTARY INFORMATION:	
SCHEDULE OF THE GROUP'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	32
SCHEDULE OF THE GROUP'S CONTRIBUTIONS	33
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT	34
CLAIMS DEVELOPMENT INFORMATION.....	38
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	43
SUPPLEMENTARY INFORMATION:	
COMBINING STATEMENTS OF NET POSITION	44
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION	46
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 THE STATE CONTROLLER'S MINIMUM AUDIT REQUIREMENTS FOR CALIFORNIA SPECIAL DISTRICTS AND GOVERNMENT AUDITING STANDARDS	48

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Members
Redwood Empire Schools' Insurance Group
Windsor, California

Report on the Audit of the Financial Statements***Opinion***

We have audited the financial statements of Redwood Empire Schools' Insurance Group as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise Redwood Empire Schools' Insurance Group's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Redwood Empire Schools' Insurance Group, as of June 30, 2025 and 2024, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the *State Controller's Minimum Audit Requirements for California Special Districts* and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Redwood Empire Schools' Insurance Group, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Redwood Empire Schools' Insurance Group's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

(Continued)

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8, the Schedule of the Group's Proportionate Share of the Net Pension Liability on page 32, the Schedule of the Group's Contributions on page 33, the Reconciliation of Claims Liabilities by Type of Contract on pages 34 through 37, the Claims Development Information on pages 38 through 42 and the Notes to Required Supplementary Information on page 43 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise Redwood Empire Schools' Insurance Group's basic financial statements. The Combining Statements of Net Position and Combining Statements of Revenues, Expenses and Change in Net Position are presented on pages 44 through 47 for purposes of additional analysis and are not a required part of the basic financial statements.

The information has not been subjected to the auditing procedures applied in audits of the financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2026 on our consideration of Redwood Empire 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 the effectiveness of Redwood Empire Schools' Insurance Group'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 Redwood Empire Schools' Insurance Group's internal control over financial reporting and compliance.



Crowe LLP

West Hartford, Connecticut
January 16, 2026

**REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

This section of the Redwood Empire Schools' Insurance Group (RESIG) annual financial report presents The Management's Discussion and Analysis (MD&A) of RESIG's financial performance during the fiscal years ended June 30, 2025, and 2024. The intent of this discussion and analysis is to look at the financial performance of RESIG. To provide a complete understanding of RESIG's financial performance, please read in conjunction with the Independent Auditor's Report, notes to the basic financial statements, and RESIG's financial statements, which immediately follow this section.

The Management's Discussion and Analysis is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34. Certain comparative information is required and included to provide a more meaningful comparative analysis of the government-wide data.

FINANCIAL HIGHLIGHTS Fiscal Years 2024/2025 and 2023/2024

- ✓ Total operating revenues were \$29 million in 2024/25, a decrease of 5% from operating revenues collected in 2023/24. Total operating revenues were \$30.6 million in 2023/24, an increase of 5.3% from operating revenues collected in 2022/23.
- ✓ Total investment income in RESIG's managed investment portfolio (PFM) increased by \$2.1 million from 2023/24. The CAMP Term account increased by \$621,482 at June 30, 2025. Investment income with the county treasury increased by \$393,493 in 2024/25 from 2023/24, with an average return of 3.88% and 3.13% respectively. Rental income from facilities increased by \$900 over 2023/24 with a total annual income of \$48,248.
- ✓ The new pension reporting requirements under GASB 68 were implemented with the 2014/2015 financials. The net pension liability on June 30, 2025, is \$4,629,293, a decrease of \$44,098 from \$4,673,391 on June 30, 2024.
- ✓ In April of 2020 RESIG was notified by Schools Excess Liability (SELF) that the members would be assessed in anticipation of claims related to AB 218; the extension of the statute of limitations for child molestation. This is a three year look back and expires on December 31, 2022. RESIG participated in the SELF liability program from 1986 - 2007 resulting in a total assessment of \$509,922. The payment plan is in three installments of \$169,974. The first payment was paid in March 2021, second payment paid in FY 21/22 and third payment was paid in FY 22/23. SELF anticipates ongoing claims development and financial exposure. In June 2022, the SELF Board declared a second assessment will be necessary to provide additional funding for AB 218 claims. In January 2023, RESIG received an invoice from SELF for an additional assessment in the amount of \$1,123,776. In June 2023, RESIG's Board of Directors approved an equity distribution from the Workers' Compensation program in the amount of \$3,340,057 with full payment to SELF on behalf of the members from these proceeds in the amount of \$1,123,776. The balance of equity distribution, \$2,216,280, went back to the members via transfer in June 2023. In May of 2024, SELF informed RESIG of a third AB218 assessment payable in 2024/25 in the amount of \$1,449,375. This amount was again paid on behalf of the members from the workers' compensation return of equity in the amount of \$3,808,504 with the balance returned to the members in the amount of \$2,359,129 in November 2024.
- ✓ In fiscal year 2024/25, the RESIG Joint Powers Board approved the return of equity from the Workers' Compensation Program in the amount of \$3,808,504 according to policy and to help assist with the SELF assessment. In April 2025, RESIG did receive notice from SELF that a fourth assessment would be coming for fiscal years, 2025/26, and 2026/27. The total assessment amount is projected to be \$4.5 million. This potential ongoing assessment and obligation for RESIG members will be discussed each year to determine if RESIG can continue with payment assistance on behalf of the members, or if the SELF assessment will be paid directly by the members.

(Continued)

**REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

Provisions for claims and claim adjustment expenses in the Workers' Compensation Program and Property & Liability program increased considerably at year end. The provision for outstanding claims and unallocated loss adjustment expense is established based on actuarial calculations. The table below reflects the changes in actuarial and examiner estimates of claims liabilities as of June 30, 2025.

Workers' Compensation	June 30, 2025	June 30, 2024	Increase (Decrease)
Discounted Reserves	11,392,455	10,728,441	664,014
IBNR	6,076,718	5,698,820	377,898
ULAE	1,484,608	1,437,905	46,703
Total	\$18,953,781	\$17,865,166	\$1,088,615

Property & Liability	June 30, 2025	June 30, 2024	Increase (Decrease)
Discounted Reserves	4,240,880	3,993,991	246,889
IBNR	1,998,521	2,120,740	(122,219)
ULAE	438,668	429,027	9,641
Total	\$6,678,069	\$6,543,758	\$134,311

The net effect of the actuarial estimates and program operations is an increase in liabilities of \$1,088,615 in the Workers' Compensation Program and an increase in liabilities in the Property & Liability Program of \$134,311; with net position of \$41,959,135 and \$3,435,835 respectively as of June 30, 2025.

Description of the Basic Financial Statements

RESIG financial statements are prepared in conformity with the generally accepted accounting principles and necessarily include amounts based upon reliable estimates and judgments. The *Statement of Net Position*, *Statement of Revenues, Expenses and Change in Net Assets*, and the *Statement of Cash Flows* are included along with *Notes to Financial Statements* to clarify unique accounting policies and financial information.

The *Statement of Net Position* provides information on all RESIG program assets and liabilities with the difference reported as Net Position. The *Statement of Revenues, Expenses and Change in Net Position* presents information showing total revenues versus total expenses and the resulting effect on Net Position. Budgetary Information presents the final adopted budget for fiscal year 2024/25 and the actual budget that includes budget updates executed during the year and the actual expenditures at the close of the fiscal year.

Combined statements are provided with supplementary information and reflect financial information separated by the specific program to which it relates. RESIG's accounting system is organized so that each program can be accounted for and evaluated independently. Separate governmental funds are operated for all RESIG's programs: Workers' Compensation, Property & Liability, Dental, Vision, Health, Skylane Facility, Post-retirement Benefits and General Administration. The assets, liabilities, revenues, and expenses for all funds are reported on a full accrual basis.

Bay Actuarial Consulting provides independent actuarial review of the Workers' Compensation and Property & Liability Programs on at least an annual basis. Actuarial reviews affirm the adequacy and reasonableness of the liabilities recorded as outstanding claim reserves for those programs.

Crowe LLP has performed an independent audit examination of the financial statements in accordance with generally accepted auditing standards. Crowe LLP's opinion is included in the financial section of this report.

(Continued)

**REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

RESIG maintains eight separate funds for each of its programs, Workers' Compensation, Property & Liability, Dental, Vision, Health, Skylane Facility, General Administration, and Post-retirement Benefits. Factors of significance involving some of these funds are as follows:

Workers' Compensation Program

This program has a self-insured retention of \$1 million per claim and statutory limits. RESIG has been self-insured since 1979 and claims have been self-administered since 1990. RESIG's net position in this program on June 30, 2025, is \$41,959,135. In accordance with applicable accounting rules, outstanding claims liabilities are booked at the expected level and funding margins are accounted for as program equity.

Property & Liability Program

RESIG self-funds the first \$250,000 of each property loss and the first \$250,000 of each liability claim. RESIG's net position in this program on June 30, 2025, is \$3,435,835. RESIG participates in Bay Area Schools Insurance Cooperative (BASIC) and Schools Program Alliance (SPA) for excess coverage up to \$32,000,000 for general liability, auto liability and property excess coverage up to \$100,000,000.

Health and Dental Programs

RESIG has a group purchase program providing health and dental plans to its members. Current carriers are provided to RESIG through Self-Insured Schools of California (SISC). SISC provides coverage with Kaiser Permanente and Blue Shield of California. RESIG provides dental coverage through Delta Dental of California. To better serve our members, beginning in July 2008, RESIG brought the member services in-house for these plans. These services include active employees, COBRA and retiree eligibility, billing, and premium collection. We have 33 member districts in the medical pool as of June 30, 2025.

RESIG self-funds a dental plan for 29-member districts providing coverage for approximately 3,220 subscribers plus dependents. As of June 30, 2025, the net position in the Dental Program is \$5,116,123.

Skylane Facility

RESIG purchased its office building in January 2003, financing \$3,000,000 for the property and building improvements. The loan agreement is for 20 years at an interest rate of 4.743% with an annual payment of \$230,319. In July 2013, the interest rate was adjusted to 0.8935% with an annual payment of \$189,055. The last payment on the building loan was paid in July 2022. The total of the JPA's fixed assets, (land, building and equipment) is \$3,648,238 on June 30, 2025, with a net book value (after depreciation) of \$1,124,343.

Change in Accounting Method

In 2024/25, GASB 101, Compensated Absences, and GASB 102, Certain Risk Disclosures, were adopted and implemented into RESIG's 2024/25 financial statement. The implementation of these new pronouncements did not have a material impact to RESIG's 2024/25 financials. See Note 1, Summary of Significant Accounting Policies for details.

Contacting Redwood Empire Schools' Insurance Group Management

This financial report is designed to provide our citizens, taxpayers, members, and creditors with a general overview of RESIG's finances and to demonstrate the JPA's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact RESIG's Business Office at: Redwood Empire Schools' Insurance Group, 5760 Skylane Blvd. Suite 100, Windsor, CA 95492, Phone: 707.836.0779.

(Continued)

**REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

Statement of Revenues, Expenses & Change in Net Position

	June 30,	2025	2024	2023	Percentage Change from June 30, 2024 to June 30, 2025
<u>Operating revenues</u>					
Member Contributions		\$ 28,459,416	\$ 30,039,077	\$ 28,532,492	-5.3%
Other		503,824	522,586	495,595	-3.6%
Total operating revenues		28,963,240	30,561,663	29,028,087	-5.2%
<u>Operating expenses</u>					
Provision for claims and claims adjustment expense		12,888,863	13,638,618	8,088,688	-6%
Member Dividends		3,808,504	-	3,340,427	100%
Insurance		10,732,074	10,515,967	8,802,707	2%
Contract Fees Admin		666,805	286,014	286,600	133%
Assessments		165,537	155,130	108,210	7%
Salaries and benefits		4,465,145	4,301,534	3,382,076	4%
Legal, consult, audit		644,715	401,122	538,863	61%
Safety credits		417,882	368,648	345,283	-12%
Meeting Expense		44,496	34,566	34,207	29%
Rents and leases		21,762	20,300	18,918	7%
Operations cost		837,237	860,458	841,337	-3%
Travel, conference		125,959	103,815	77,279	21%
Debt Service		-	-	1,688	0%
Depreciation		171,383	174,177	175,009	-2%
Total operating expenses		34,990,362	30,860,349	26,041,292	13%
Operating income		(6,027,122)	(298,686)	2,986,795	
<u>Non-operating revenues</u>					
Investment income		4,133,166	3,133,342	776,049	32%
Rental income		48,248	47,353	45,198	2%
Total non-operating revenues		4,181,414	3,180,695	821,247	
Change in net position		(1,845,708)	2,882,009	3,808,042	
Net position, beginning of year		54,715,806	51,833,797	48,025,755	6%
Net position - end of year June 30,		\$ 52,870,098	\$ 54,715,806	\$ 51,833,797	-3%

(Continued)

**REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

Budgetary Information

Each year RESIG's Executive Committee approves a budget and adopts rates and funding levels for all programs. The preliminary budget is presented in April, with a final budget presented no later than June 30. The final budget incorporates any changes in assumptions or projections that have been made subsequent to the approval of the preliminary budget. Other budget revisions made during the fiscal year are presented to the Executive Committee for approval before execution.

Below is a summary of the budget information for fiscal year 2024/2025 with a comparison of budget to actual.

REVENUES	FINAL	ACTUAL	Variance	Percentage Change
Workers' Comp	\$ 14,083,007	\$ 14,101,809	\$ 18,802	0.1%
Property & Liability	14,081,111	14,025,980	(55,131)	-0.4%
Dental	3,688,000	3,960,178	272,178	7.4%
Health	843,272	845,948	2,676	0.3%
Skylane Facility	324,000	335,150	11,150	3.4%
General Admin	2,172,308	2,175,479	3,171	0.1%
Vision Plan	248,700	249,193	493	0.2%
Total	\$ 35,440,398	\$ 35,693,737	Net \$ 253,339	0.7%

EXPENDITURES	FINAL	ACTUAL	Variance	Percentage Change
Workers' Comp	\$ 15,388,011	\$ 13,732,194	(1) \$ (1,655,817)	-10.8%
Property & Liability	14,288,297	14,869,185	580,888	4.1%
Dental	3,536,272	3,756,459	220,187	6.2%
Health	686,234	693,401	7,167	1.0%
Skylane Facility	378,315	358,673	(19,642)	-5.2%
General Admin	2,256,696	2,279,011	22,315	1.0%
Vision Plan	222,198	229,755	7,557	3.4%
Total	\$ 36,756,023	\$ 35,918,675	Net \$ (837,345)	-2.3%

(1) Workers' Comp claims budgeted lower than actual expense (based on actuarial report).

(Continued)

**REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

Statements of Net Position

	June 30,	2025	2024	2023	Percentage Change from June 30, 2024 to June 30, 2025
<u>ASSETS</u>					
Current assets		\$ 80,999,430	\$ 51,570,396	\$ 44,756,725	57%
Capital assets (Net of Depreciation)		1,124,343	1,295,726	1,469,904	-13%
Investments maturing after one year		853,645	30,543,660	30,297,196	
Total assets		<u>82,977,418</u>	<u>83,409,782</u>	<u>76,523,825</u>	-1%
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Deferred outflows of resources - pension		1,486,657	1,909,896	1,900,192	
<u>LIABILITIES</u>					
Current liabilities		7,511,955	6,827,741	5,513,087	10%
Long term liabilities		19,371,588	18,897,914	16,425,972	3%
Net pension liability		4,629,293	4,673,391	4,317,572	-1%
Total liabilities		<u>31,512,836</u>	<u>30,399,046</u>	<u>26,256,631</u>	4%
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred inflows of resources - pension		81,141	204,826	333,589	
Net investment in capital assets		1,124,343	1,295,726	1,469,904	
Unrestricted		51,995,755	53,420,080	50,363,893	
Total net position		<u>\$ 52,870,098</u>	<u>\$ 54,715,806</u>	<u>\$ 51,833,797</u>	-3%

TOTAL ASSETS BY PROGRAM

	June 30,	2025	2024	2023
Fund 63 Skylane Facility		\$ 1,637,058	\$ 1,647,263	\$ 1,665,322
Fund 64 General Administration		669,187	541,357	351,015
Fund 66 Vision Plan		72,881	-	-
Fund 67 Workers' Compensation		62,730,573	63,029,658	57,550,276
Fund 68 Health		1,600,963	1,475,271	1,296,844
Fund 69 Property & Liability		10,369,499	11,065,092	10,390,006
Fund 70 Dental		5,545,055	5,277,430	4,926,129
Fund 20 Post-Retirement Benefits		352,202	373,711	344,233
Total assets		<u>\$ 82,977,418</u>	<u>\$ 83,409,782</u>	<u>\$ 76,523,825</u>

FINANCIAL STATEMENTS

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
STATEMENTS OF NET POSITION
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 76,101,729	\$ 45,584,054
Investments (Notes 3 and 4)	3,802,237	2,029,583
Receivables	<u>1,095,464</u>	<u>3,956,759</u>
Total current assets	80,999,430	51,570,396
Noncurrent assets:		
Investments maturing after one year (Notes 3 and 4)	853,645	30,543,660
Non-depreciable premises and equipment (Note 5)	250,000	250,000
Depreciable capital assets, net of accumulated depreciation (Note 5)	<u>874,343</u>	<u>1,045,726</u>
Total assets	82,977,418	83,409,782
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pension (Note 9)	1,486,657	1,909,896
LIABILITIES		
Current liabilities:		
Accounts payable	882,800	992,843
Accrued vacation	193,893	173,888
Current portion of unpaid claims and claim adjustment expenses (Note 8)	<u>6,435,262</u>	<u>5,661,010</u>
Total current liabilities	7,511,955	6,827,741
Noncurrent liabilities:		
Unpaid claims and claim adjustment expenses, net of current portion (Note 8)	19,371,588	18,897,914
Net pension liability (Note 9)	<u>4,629,293</u>	<u>4,673,391</u>
Total liabilities	31,512,836	30,399,046
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pension (Note 9)	81,141	204,826
NET POSITION		
Net position:		
Net investment in capital assets	1,124,343	1,295,726
Unrestricted	<u>51,745,755</u>	<u>53,420,080</u>
Total net position	<u>\$ 52,870,098</u>	<u>\$ 54,715,806</u>

See accompanying notes to financial statements.

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating revenues:		
Member contributions	\$ 28,459,416	\$ 30,039,077
Other	<u>503,824</u>	<u>522,586</u>
Total operating revenues	28,963,240	30,561,663
Operating expenses:		
Provision for claims and claim adjustment expenses (Note 8)	12,888,863	13,638,618
Insurance premiums	10,732,074	10,515,967
Assessments (Note 6)	165,537	155,130
Contract fee administration	666,805	286,014
Member dividends	3,808,504	-
General and administrative expenses (Note 10)	<u>6,728,579</u>	<u>6,264,620</u>
Total operating expenses	<u>34,990,362</u>	<u>30,860,349</u>
Operating loss	(6,027,122)	(298,686)
Non-operating revenues:		
Investment income	4,133,166	3,133,342
Rental income	<u>48,248</u>	<u>47,353</u>
Total non-operating revenues	<u>4,181,414</u>	<u>3,180,695</u>
Change in net position	(1,845,708)	2,882,009
Net position, beginning of year	<u>54,715,806</u>	<u>51,833,797</u>
Net position, end of year	<u><u>\$ 52,870,098</u></u>	<u><u>\$ 54,715,806</u></u>

See accompanying notes to financial statements.

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Cash received from members and others	\$ 31,824,535	\$ 28,913,063
Cash payments for claims	(11,640,937)	(10,326,367)
Cash payments for insurance premiums and excess insurance	(10,897,611)	(10,671,187)
Cash payments to members for dividends	(3,808,504)	-
Cash payments to employees for services	(4,189,684)	(4,084,808)
Cash payments to suppliers for goods and services	(2,868,899)	(1,599,862)
Net cash (used in) provided by operating activities	(1,581,100)	2,230,839
Cash flows from investing activities:		
Investment income received	4,133,166	3,133,342
Purchase of investments	(1,462,995)	(15,230,638)
Sale of investments	29,380,356	14,096,445
Rental income	48,248	47,353
Net cash provided by investing activities	32,098,775	2,046,502
Net increase in cash and cash equivalents	30,517,675	4,277,341
Cash and cash equivalents, beginning of year	45,584,054	41,306,713
Cash and cash equivalents, end of year	<u>\$ 76,101,729</u>	<u>\$ 45,584,054</u>
Reconciliation of operating loss to net cash (used in) provided by operating activities:		
Operating loss	\$ (6,027,122)	\$ (298,686)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:		
Depreciation expense	171,383	174,177
Decrease (increase) in:		
Receivables	2,861,295	(1,648,600)
Deferred outflows of resources - pension	423,239	(9,704)
(Decrease) increase in:		
Accounts payable	(110,043)	475,061
Accrued vacation	20,005	(626)
Deficit assessment	-	(90)
Unpaid claims and claim adjustment expenses	1,247,926	3,312,251
Net pension liability	(44,098)	355,819
Deferred inflows of resources - pension	(123,685)	(128,763)
Total adjustments	4,446,022	2,529,525
Net cash (used in) provided by operating activities	<u>\$ (1,581,100)</u>	<u>\$ 2,230,839</u>
Supplemental Information:		
Change in fair value of investments	<u>\$ 708,711</u>	<u>\$ 972,438</u>

See accompanying notes to financial statements.

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: Redwood Empire Schools' Insurance Group ("RESIG" or the "Group") was established by a Joint Powers Agreement on July 1, 1979, in accordance with Title I, Division 7, Chapter 5, Article I Sections 6500, et.seq., of the California Government Code. The purpose is for the operation of a common risk management and insurance program for member school districts related to workers' compensation, property/liability, dental and health benefits for member governmental agencies. Effective July 1, 2025, the Group began providing vision coverage to their members. RESIG also purchases excess insurance and provides risk management services.

RESIG is governed by a Board consisting of one representative from each member entity. The Board maintains non-voting members as well. Membership and the programs that they participate in at June 30, 2025 were as follows presenting voting and non-voting membership, respectively:

<u>Workers'</u> <u>Compensation</u>	<u>Property/</u> <u>Liability</u>	<u>Dental</u>	<u>Health</u>	<u>Vision</u>
<u>47/2</u>	<u>47/2</u>	<u>29/1</u>	<u>33/1</u>	<u>23/1</u>

Admission and Withdrawal of Members: Entities applying for membership must be approved by a majority vote of the Board members. Entities may pay a quotation fee and the current premium contribution as determined by the Joint Powers Board.

Entities may withdraw from any program after having completed three consecutive years as members upon written notification to the Board by the dates specified in the bylaws. The effect of withdrawal (or termination) from the pooling programs does not terminate the responsibility of the entity to continue paying its share of assessments or other financial obligations incurred by reason of its previous participation.

Reporting Entity: The reporting entity includes all activities considered to be part of RESIG. This includes financial activity relating to all of the membership years of RESIG.

In determining the reporting entity, RESIG considered all governmental units that were members of RESIG since inception. The criteria do not require the inclusion of these entities in RESIG's financial statements principally because RESIG does not exercise oversight responsibility over any members.

Basis of Accounting: The accompanying financial statements are presented as a proprietary fund on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

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. Operating revenues include member contributions net of any applicable rate credits, member assessments and excess insurance recoveries. Operating expenses include the provision for claims and claim adjustment expenses, insurance premiums, premium rebates, and general and administrative expenses. All other revenues and expenses are considered non-operating.

(Continued)

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting: The accounts of RESIG are organized on the basis of funds. The programs of RESIG have been combined for the presentation of the financial statements, with one reported fund for the Group. 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 RESIG are allocated to each fund on a pro-rata basis. The seven funds include:

1. Workers' Compensation Fund – The Workers' Compensation Fund was established on July 1, 1979 to account for the payment of workers' compensation claims and administrative costs. Funding is based on contributions established by the Joint Powers Board. The program is self-insured for the first \$1,000,000 with an excess coverage layer up to statutory limits.
2. Property/Liability Fund – The self-insured Property/Liability Fund was established on July 1, 1986. Funding is based on contributions established by the Joint Powers Board. The program is self-insured for the first \$250,000 in property and liability losses. Member deductibles vary by member. Excess liability coverage is purchased up to \$32,500,000 per occurrence. Excess property coverage is purchased for replacement costs up to \$125,000,000 per occurrence, subject to policy terms.
3. Dental Fund – The Dental Fund was established as of July 1, 1989. This fund handles the dental program for member agencies. Funding is accomplished through contributions established by the Joint Powers Board. This program is fully self-insured for maximum claims of \$1,550 - \$2,500 per insured individual on a calendar year basis.
4. Vision Fund – The Vision Fund was established as of July 1, 2024. This fund handles the vision program for member agencies. Funding is accomplished through contributions established by the Joint Powers Board. The program is fully self-insured for maximum claims as follows: \$130-\$200 per insured individual every 12-24 months for frames or contacts. Exams are covered per insured individual every 12 months up to contracted rates, which varies by provider. Lenses are covered per insured individual every 12-24 months up to contracted rates, which varies by providers.
5. Health Benefits Fund – The Health Benefits Fund was established July 1, 1992 for the purpose of operating and maintaining a fully-insured group purchase health plan. RESIG does not have any exposure in this program beyond the monthly premiums. The program offers HMO plans and an HSA plan through Kaiser and PPO plans through Blue Shield provided through Self-Insured Schools of California (SISC). Effective July 1, 2008, RESIG established an in-house benefits department that provides administration services to its members relative to health, dental, retiree and COBRA benefits. RESIG receives revenue from its broker, Alliant Insurance Services, due to the additional administration services provided by RESIG on behalf of Kaiser and SISC.
6. General Administration Fund – The General Administration Fund is used to account for the capital assets and administrative expenses of RESIG. Expenses are allocated on a pro-rata basis to each program.
7. Post-Retirement Benefits Fund – The Post-retirement Benefits Fund is used to account for funds designated for the payment of retiree medical benefits.
8. Skylane Facility Fund – The Skylane Facility Fund is used to account for the revenues and expenses related to the building owned by RESIG.

Cash and Cash Equivalents: For purposes of the statements of cash flows, RESIG considers all highly liquid assets with a maturity of three months or less when purchased to be cash and cash equivalents.

(Continued)

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Investments: The Group records its investment securities at fair values. Changes in fair value are reported as revenue in the statements of revenues, expenses and change in net position.

Capital Assets: Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at historical cost or estimated historical cost. Depreciation and amortization are computed on the straight-line method. The estimated useful lives used for buildings is thirty years. The estimated useful life for furniture and equipment range from three to five years. The software is depreciated over five 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. Contributed assets are reported at acquisition value for the contributed asset.

Deferred Outflows/Inflows of Resources: In addition to assets, the statements of net position include 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. RESIG has recognized a deferred outflow of resources related to recognition of the pension liability reported in the statements of net position.

In addition to liabilities, the statements 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. RESIG has recognized a deferred inflow of resources related to the pension liability reported which is in the statements of net position.

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 2.5% 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.

Accrued Vacation: RESIG's vacation policy provides for the accumulation of earned vacation leave. A liability for accrued vacation has been computed and recorded based on unused vacation hours at the current rate of pay.

Sick Leave: RESIG's sick leave policy provides for an unlimited accumulation of earned sick leave. Since RESIG has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Income Taxes: RESIG is exempt from federal income taxes under Internal Revenue Code Section 115, which excludes income derived from the exercise of any essential governmental function and accruing to a state political subdivision. As a public agency, RESIG is also exempt from California state taxes. Accordingly, no provision for federal or state income taxes has been made in the accompanying financial statements.

(Continued)

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

Provision for Unpaid Claims and Claim Adjustment Expenses: RESIG's policy is to establish claims liabilities 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 salvage, subrogation and insurance recoverable on unpaid claims are deducted from the liability for unpaid claims. RESIG increases the liability for allocated and unallocated claims adjustment expenses. Because actual claims costs depend on such complex factors as inflation, changes in doctrine of legal liability and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the period in which they are made. The portion of claims considered currently payable has been actuarially determined.

Net Position: A portion of net position has been designated by the Board in conjunction with the Capital Target policy. The policy designates a confidence margin of 85% to ensure RESIG is adequately funded. The Capital Target is the excess of the 85% confidence level over the expected level of ultimate claim losses as determined by the Actuary.

For the Workers' Compensation program, the Capital Targets were \$1,747,000 and \$1,643,000 for the years ended June 30, 2025 and 2024, respectively. For the Property/Liability program, the Capital Targets are \$888,000 and \$795,000, respectively, for the years ended June 30, 2025 and 2024, respectively. The Group met the Capital Targets for the Workers' Compensation and Property/Liability programs for the years ended June 30, 2025 and 2024.

Excess Insurance: RESIG enters into excess insurance agreements whereby it cedes various amounts of risk to other insurance companies. RESIG does not report excess insured risk as a liability unless it is probable that a risk will not be covered by excess insurers. Settlements have not exceeded insurance coverage in each of the past three years. There have been no significant reductions in insurance coverage from coverage in the prior year.

Revenue Recognition: Contributions are recognized as revenue when earned based upon the coverage period of the related insurance. Contributions received in advance are recorded as deferred revenue and are recognized over the effective coverage period. To the extent that allocated losses exceed contributions previously paid, interest and other income, RESIG can assess its members' additional contributions. Supplemental assessments are recognized as income in the period assessed. Operating revenues and expenses include all activities necessary to achieve the objectives of RESIG. Non-operating revenues and expenses include investment activities, rental income and other non-essential activity. Operating and non-operating revenues are recognized as revenue when earned.

(Continued)

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends: RESIG's Board annually reviews the available net assets and the appropriate actuarial information to determine if a contribution refund should be declared. Each member's pro rata share of the contributions refund shall be calculated in the same proportion as their contribution paid during the fiscal year for which the contribution refund is declared. The Group did not declare dividends during the year ended June 30, 2024. The group declared and paid dividends in the amount of \$3,808,504 during the year ended June 30, 2025 a portion of which was used to pay deficit assessments on behalf of members as more fully disclosed in Note 6.

New Accounting Pronouncements: In June 2022, GASB issued Statement No. 101, "*Compensated Absences*" (GASB 101), which is effective for the Group for the fiscal year ending June 30, 2025. The Group adopted GASB 101 as of July 1, 2024. GASB 101 requires entities to enhance the recognition and disclosure of compensated absences by establishing a unified model for measuring unused leave that is expected to be paid or settled. The adoption of GASB 101 did not have a material impact on the Group's financial position, results of operations, or cash flows.

In June 2023, GASB issued Statement No. 102, "*Certain Risk Disclosures*" (GASB 102), which is effective for the Group for the fiscal year ending June 30, 2025. The Group adopted GASB 102 as of July 1, 2024. GASB 102 requires entities to disclose information about certain concentrations, constraints, and vulnerabilities that could have a significant impact on financial position, results of operations, or cash flows.

Subsequent Events: The Group has reviewed all events occurring from June 30, 2025 through January 16, 2026, the date the financial statements were available to be issued. No subsequent events were identified that require recognition or disclosure in the accompanying financial statements, except as described below.

Subsequent to year end, RESIG capitalized a Utah domiciled non-profit captive insurance company, Reinsurance Captive for Stable Schools (ReCSS), as its sole owner. The purpose of ReCSS is to provide reinsurance for prior and ongoing claim liabilities of RESIG. ReCSS will be presented as a blended component unit of RESIG beginning in fiscal year 2026.

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2025 and 2024 consisted of the following:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents:		
Cash in bank	\$ 835,159	\$ 818,159
CAMP Trust	13,303,705	13,025,704
Cash in county treasury	<u>61,962,865</u>	<u>31,740,191</u>
 Total cash and cash equivalents	 <u>\$ 76,101,729</u>	 <u>\$ 45,584,054</u>

Custodial Credit Risk: RESIG limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2025 and 2024, the carrying amount of RESIG's accounts was \$835,159 and \$818,159, respectively, and the bank balance was \$1,186,736 and \$930,839, respectively. The carrying values and the bank balances differ due to deposits in transit and outstanding checks. As of June 30, 2025 and 2024, \$850,892 and \$566,093 was not insured by the FDIC, respectively.

(Continued)

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

Pooled Funds: In accordance with Education Code Section 41001, the Group maintains substantially all of its cash in the interest-bearing Sonoma County Treasurer's Pooled Investment Fund. The Group is considered to be a voluntary participant in an external investment pool. The fair value of the Group's investment in the pool is reported in the financial statements at amounts based upon the Group's proportionate share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. At June 30, 2025 and 2024, RESIG had no significant interest rate risk related to cash and investments held.

Credit Risk: *California Government Code* Section 53601 limits investments in commercial paper to "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO) and limits investments in medium-term notes to a rating of A or better. RESIG has no investment policy that would further limit its investment choices. The county investment pool does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk: *California Government Code* Section 53635 places the following concentration limits on the state investment pool and the county investment pool:

- No more than 40% may be invested in eligible commercial paper; no more than 10% may be invested in the outstanding commercial paper of any single issuer; and no more than 10% of the outstanding commercial paper of any single issuer may be purchased.

California Government Code Section 53601 places the following concentration limits on RESIG's investments:

- No more than 5% may be invested in the securities of any one issuer, except the obligations of the U.S. government, U.S. government agencies and U.S. government-sponsored enterprises; no more than 10% may be invested in any one mutual fund; no more than 25% may be invested in commercial paper; no more than 10% of the outstanding commercial paper of any single issuer may be purchased; no more than 30% may be invested in the bankers acceptances of any one commercial bank; no more than 30% may be invested in negotiable certificates of deposit; no more than 20% may be invested in repurchase agreements or reverse repurchase agreements; and no more than 30% may be invested in medium-term notes.

Managed Investment Pools: The Group is a voluntary participant in the CAMP Trust (Trust), which was established as a nontaxable investment portfolio under provisions of the California Joint Exercise of Powers Act to provide California Public Agencies with comprehensive investment management services. There are no minimum deposit requirements or limits on deposits and withdrawals. Dividends from net investment income are declared on a daily basis and paid on the last day of the month. Dividends paid are automatically reinvested in each account by the purchase of additional shares. The contract creating the Trust specifies the types of investments that can be made by the investment portfolio with available cash; U.S. government securities, securities of federally sponsored agencies, repurchase agreements, banker's acceptances, negotiable certificates of deposit, and commercial paper.

(Continued)

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 3 - FAIR VALUE MEASUREMENTS

Fair Value Hierarchy: Fair value is the exchange price that would be received for an asset or paid to transfer a liability (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. There are three levels of inputs that may be used to measure fair values:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices 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.

Level 3 – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

As of June 30, 2025 and 2024, the carrying amounts of cash and cash equivalents, receivables and accounts payable approximate fair value because of the relatively short maturities of these financial instruments or the associated variable rates of interest.

Assets Recorded at Fair Value: The following tables present information about the Group's assets measured at fair value on a recurring basis as of June 30, 2025.

	Fair Value Measurements at June 30, 2025 Using			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
CAMP Trust	\$ 13,303,705	\$ 13,303,705	\$ -	\$ -
Investment securities:				
U.S. treasury bonds	2,050,439	-	2,050,439	-
Certificates of deposit	573,795	-	573,795	-
Corporate notes	149,919	-	149,919	-
Federal agency bonds	1,054,112	-	1,054,112	-
Municipal bonds	360,000	-	360,000	-
Asset-backed securities	279,850	-	279,850	-
Federal agency collateralized mortgage obligations	187,767	-	187,767	-
Total	<u>\$ 17,959,587</u>	<u>\$ 13,303,705</u>	<u>\$ 4,655,882</u>	<u>\$ -</u>

(Continued)

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

The following tables present information about the Group's assets measured at fair value on a recurring basis as of June 30, 2024.

	Fair Value Measurements at June 30, 2024, Using			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
CAMP Trust	\$ 13,025,704	\$ 13,025,704	\$ -	\$ -
Investment securities:				
U.S. treasury bonds	11,457,928	-	11,457,928	-
Certificates of deposit	1,387,296	-	1,387,296	-
Corporate notes	8,324,562	-	8,324,562	-
Federal agency bonds	1,254,631	-	1,254,631	-
Municipal bonds	917,953	-	917,953	-
Asset-backed securities	4,141,806	-	4,141,806	-
Federal agency collateralized mortgage obligations	<u>5,089,067</u>	<u>-</u>	<u>5,089,067</u>	<u>-</u>
Total	<u>\$ 45,598,947</u>	<u>\$ 13,025,704</u>	<u>\$ 32,573,243</u>	<u>\$ -</u>

Fair value for these investment securities was provided by a third-party pricing source which generally uses models or matrices to price these types of investments. The significant inputs used to determine valuation for these types of assets, listed in approximate order of priority for use when available, include benchmark yields, reported trades, broker/dealer quotes, issuer spreads and reference data including market research publications (Level 2).

(Continued)

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 4 - INVESTMENTS

Investment Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from changes in interest rates, the Group's investment policy mandates that investment maturities will be no more than five years from purchase date to maturity date. Investment maturities are based on a review of cash flow forecasts and are scheduled so as to permit the Group to meet all projected obligations.

Maturities of investments held at June 30, 2025 and 2024, consist of the following:

<u>2025</u>	Maturity		
	<u>Fair Value</u>	<u>Less Than One Year</u>	<u>One Year Through Five Years</u>
Investment securities:			
U.S. treasury bonds	\$ 2,050,439	\$ 2,050,439	\$ -
Certificates of deposit	573,795	-	573,795
Corporate notes	149,919	149,919	-
Federal agency bonds	1,054,112	1,054,112	-
Municipal bonds	360,000	360,000	-
Asset-backed securities	279,850	-	279,850
Federal agency collateralized mortgage obligations	187,767	187,767	-
	<u>\$ 4,655,882</u>	<u>\$ 3,802,237</u>	<u>\$ 853,645</u>

<u>2024</u>	Maturity		
	<u>Fair Value</u>	<u>Less Than One Year</u>	<u>One Year Through Five Years</u>
Investment securities:			
U.S. treasury bonds	\$ 11,457,928	\$ 1,388,358	\$ 10,069,570
Certificates of deposit	1,387,296	240,495	1,146,801
Corporate notes	8,324,562	53,929	8,270,633
Federal agency bonds	1,254,631	248,703	1,005,928
Municipal bonds	917,953	91,533	826,420
Asset-backed securities	4,141,806	-	4,141,806
Federal agency collateralized mortgage obligations	5,089,067	6,565	5,082,502
	<u>\$ 32,573,243</u>	<u>\$ 2,029,583</u>	<u>\$ 30,543,660</u>

(Continued)

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 4 - INVESTMENTS (Continued)

Investments Authorized by the California Code and RESIG's Investment Policy: The table below identifies the investment types authorized by the Group's investment policy, and in accordance with the California Government Code.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum in Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Government Treasuries	5 years	N/A	None	None
U.S. Government Agencies	5 years	N/A	None	None
Agency Mortgage-Backed Securities	5 years	N/A	None	None
Supranational Obligations	5 years	"AA"	30%	None
Corporate Notes	5 years	"A"	30%	5% regardless of sector
Asset-Backed Securities	5 years	"AAA"	20%	5% regardless of sector
Negotiable CDs	5 years	"A" or "A-1"	30%	5% regardless of sector
Commercial Paper	270 days	270 days	25%	5% regardless of sector
Municipal Obligations	5 years	5 years	None	5%
Bankers Acceptances	180 days	N/A	40%	30%
Time Certificates of Deposit	5 years	*	None	\$250,000
Local Government Investment Pools (CAMP)	N/A	N/A	None	None
Sonoma County Investment Pool	N/A	N/A	None	N/A
Money Market Fund	N/A	AAA**	20%	10%

*Collateralization must comply with statutory requirements

**Highest rating provided by not less than two nationally recognized statistical rating organizations

Disclosures Relating to Credit Risk: It is the Group's general policy to apply the "prudent investor standard" to investing, which states, in part, that "all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies" are trustees and that as such, "when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence." As described above, the Group's investment policy establishes stringent minimum credit quality and diversification standards, which are in compliance with California Government Code. In the event a security held is subject to a rating change that brings it below the minimum credit ratings specified in the Investment Policy, the Executive Director should notify the Executive Committee of the change. If the Group has engaged the services of an Investment Advisor or a broker/dealer, the Investment Advisor or broker/dealer shall notify the Executive Director of such change and shall recommend a course of action.

(Continued)

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 4 - INVESTMENTS (Continued)

Presented below are the actual ratings, as of June 30, 2025 and 2024, for each investment type as provided by Standard & Poor's Financial Services LLC, a NRSRO.

<u>Type</u>	<u>Rating as of Year End</u>						
	Fair <u>Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>A-1</u>	<u>BBB*</u>	Not <u>Rated *</u>
U.S. treasury bonds	\$ 2,050,439	\$ -	\$ 2,050,439	\$ -	\$ -	\$ -	\$ -
Certificates of deposit	573,795	-	-	573,795	-	-	-
Corporate notes	149,919	-	-	-	149,919	-	-
Federal agency bonds	1,054,112	-	1,054,112	-	-	-	-
Municipal bonds	360,000	-	360,000	-	-	-	-
Asset-backed securities	279,850	181,061	-	-	-	-	98,789
Federal agency collateralized mortgage obligations	187,767	-	187,767	-	-	-	-
Total	\$ 4,655,882	\$ 181,061	\$ 3,652,318	\$ 573,795	\$ 149,919	\$ -	\$ 98,789

*The corporate notes rated BBB are also rated in the category of "A" or better by another NRSRO and are in compliance with the Group's investment policy and California Government Code. The asset-backed securities that are "Not Rated by S&P" are also rated in the "AAA" category by another NRSRO and are in compliance with the Group investment policy and California Government Code.

<u>Type</u>	<u>Rating as of Year End</u>						
	Fair <u>Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>A-1</u>	<u>BBB*</u>	Not <u>Rated *</u>
U.S. treasury bonds	\$ 11,457,928	\$ -	\$ 11,457,928	\$ -	\$ -	\$ -	\$ -
Certificates of deposit	1,387,296	-	-	1,146,802	-	-	240,494
Corporate notes	8,324,562	-	1,581,783	3,846,514	2,156,063	740,202	-
Federal agency bonds	1,254,631	-	1,254,631	-	-	-	-
Municipal bonds	917,953	172,510	651,908	-	-	-	93,535
Asset-backed securities	4,141,806	3,523,971	-	-	-	-	617,835
Federal agency collateralized mortgage obligations	5,089,067	-	5,089,067	-	-	-	-
Total	\$ 32,573,243	\$ 3,696,481	\$ 20,035,317	\$ 4,993,316	\$ 2,156,063	\$ 740,202	\$ 951,864

*The corporate notes rated BBB are also rated in the category of "A" or better by another NRSRO and are in compliance with the Group's investment policy and California Government Code. The asset-backed securities that are "Not Rated by S&P" are also rated in the "AAA" category by another NRSRO and are in compliance with the Group investment policy and California Government Code.

Concentration of Investment Credit Risk: The Group limits the amount that can be invested in corporate obligations to no more than 25% of the Group's investment portfolio. No more than 10% of the Group's total investment portfolio will be invested in a single type or with a single financial institution, excluding instruments issued by the U.S. Treasury or Federal Agency. At June 30, 2025 and 2024, the Group had the following investments that represent more than 5% of the Group's net investments:

	<u>2025</u>	<u>2024</u>
United States Treasury	66%	35%
Medium Term Note	5%	0%
Certificate of Deposit	7%	0%

(Continued)

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 5 - CAPITAL ASSETS

A schedule of changes in capital asset for the years ended June 30, 2025 and 2024, are shown below.

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Non-depreciable:				
Land	\$ 250,000	\$ -	\$ -	\$ 250,000
Depreciable:				
Buildings	2,900,617	-	-	2,900,617
Equipment	497,621	-	-	497,621
Totals, at cost	3,648,238	-	-	3,648,238
Less accumulated depreciation:				
Buildings	(2,052,634)	-	-	(2,052,634)
Equipment	(299,878)	(171,383)	-	(471,261)
Total accumulated depreciation	(2,352,512)	(171,383)	-	(2,523,895)
Capital assets, net	<u>\$ 1,295,726</u>	<u>\$ (171,383)</u>	<u>\$ -</u>	<u>\$ 1,124,343</u>
	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024
Non-depreciable:				
Land	\$ 250,000	\$ -	\$ -	\$ 250,000
Depreciable:				
Buildings	2,900,617	-	-	2,900,617
Equipment	497,621	-	-	497,621
Totals, at cost	3,648,238	-	-	3,648,238
Less accumulated depreciation:				
Buildings	(1,937,155)	(115,479)	-	(2,052,634)
Equipment	(241,179)	(58,699)	-	(299,878)
Total accumulated depreciation	(2,178,334)	(174,178)	-	(2,352,512)
Capital assets, net	<u>\$ 1,469,904</u>	<u>\$ (174,178)</u>	<u>\$ -</u>	<u>\$ 1,295,726</u>

(Continued)

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 6 - DEFICIT ASSESSMENT

RESIG was a member of Schools Excess Liability Fund (SELF). The Group was notified in April 2020 by SELF that each current participating member, as well as former members, would be assessed in anticipation of claims related to AB 218, the extension of the statute of limitations for child molestation known as the AB 218 Revived Liability Funding Program, or the AB 218 RLFP.

In 2024, SELF declared an assessment for the 2024/2025 program year totaling \$1,449,375. In September 2024, the Board approved a return of equity on the Workers' Compensation program with a resolution that the assessment due would be paid by RESIG on behalf of the membership from the Workers' Compensation equity distribution. RESIG paid the two-year assessment of \$1,449,375 in September 2024.

NOTE 7 - CERTAIN RISKS AND UNCERTAINTIES

The Group is subject to certain concentrations, constraints, and vulnerabilities that could materially impact its financial position, results of operations, or cash flows. A substantial portion of the Group's resources is derived from member contributions across its Workers' Compensation, Property & Liability, Health, Dental and Vision programs, as well as investment income from the Sonoma County Treasurer's Pooled Investment Fund and the CAMP Trust. This creates exposure to shifts in public-sector funding, market interest-rate conditions, and the operational or economic environment of California K-12 school districts, which constitute the Group's entire membership base. The Group's ability to diversify revenue sources is limited by its Joint Powers Agreement.

The Group also faces vulnerabilities due to long-tail claims development patterns, reliance on external excess insurance pools (BASIC and SPA), and the continued potential for SELF-related assessments associated with AB 218 (Note 6). These conditions may affect reserve sufficiency, liquidity, and future member funding requirements. As of the date the financial statements were available to be issued, management is not aware of specific conditions expected to materially impact the Group within the next 12 months; however, changes in claim experience, market conditions, or legislative activity could affect future operations.

(Continued)

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 8 - UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

As discussed in Note 1, RESIG establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. The following represents changes in those aggregate liabilities during the years ended June 30, 2025, 2024 and 2023:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Unpaid claims and claim adjustment expenses, beginning of fiscal year	\$ 24,558,924	\$ 21,246,673	\$ 22,421,728
Incurring claims and claim adjustment expenses:			
Provision for covered events of the current year	12,398,499	11,325,372	10,223,154
Change in provision for covered events of prior years	<u>490,364</u>	<u>2,313,246</u>	<u>(2,134,466)</u>
Total incurred claims and claim adjustment expenses	12,888,863	13,638,618	8,088,688
Payments:			
Claims and claim adjustment expenses attributable to covered events of the current year	5,562,388	5,237,376	4,999,291
Claims and claims adjustment expenses attributable to covered events of prior years	<u>6,078,549</u>	<u>5,088,991</u>	<u>4,264,452</u>
Total payments	<u>11,640,937</u>	<u>10,326,367</u>	<u>9,263,743</u>
 Total unpaid claims and claim adjustment expenses, end of fiscal year	 <u>\$ 25,806,850</u>	 <u>\$ 24,558,924</u>	 <u>\$ 21,246,673</u>

The components of the unpaid claims and claim adjustment expenses as of June 30, 2025, 2024 and 2023 were as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Claims reserves	\$ 15,633,335	\$ 14,722,432	\$ 12,259,233
Claims incurred but not reported (IBNR)	8,250,239	7,969,560	7,498,990
Unallocated loss adjustment expenses (ULAE)	<u>1,923,276</u>	<u>1,866,932</u>	<u>1,488,450</u>
	<u>\$ 25,806,850</u>	<u>\$ 24,558,924</u>	<u>\$ 21,246,673</u>

The current and long-term portions were \$6,435,262 and \$19,371,588, respectively, as of June 30, 2025, \$5,661,010 and \$18,897,914, respectively, as of June 30, 2024 and \$4,820,791 and \$16,425,882, respectively, as of June 30, 2023. At June 30, 2025, 2024 and 2023, the liability was reported at the present value using an expected future investment yield assumption of 3.0% for the Workers' Compensation Program and 2.5% for the Property and Liability Program. The undiscounted liability as of June 30, 2025, 2024 and 2023 was \$29,650,093, \$28,233,817, and \$24,838,138, respectively.

(Continued)

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 8 - UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES (Continued)

The incurred claims and claim adjustment expenses presented above indicate that reserves recorded by RESIG developed unfavorably during the year ended June 30, 2025. This subsequent development is generally the result of ongoing analysis for which original estimates are increased or decreased as additional information becomes known regarding individual claims. Due to changes in estimates of insured events in prior years, incurred losses and loss adjustment expenses increased (decreased) by \$490,364, \$2,313,246, and (\$2,134,466), during the years ended June 30, 2025, 2024 and 2023, respectively, which was primarily due to loss development on RESIG's retained losses in the Workers' Compensation Program.

NOTE 9 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT FUND

General Information about the Public Employer's Retirement Fund

Plan Description: RESIG contributes to the Miscellaneous 2.5% at 55 Risk Pool under the California Public Employees' Retirement System (CalPERS) California Employer's Retirement Fund C (PERF 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 separate comprehensive annual financial report, which can be obtained at <https://www.calpers.ca.gov>.

Benefits Provided: The benefits for the defined benefit plans are based on plan members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible plan members or beneficiaries. Plan 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 plan members and employers, and earnings from investments. Plan member and employer contributions are a percentage of applicable plan member compensation. Plan 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 years ended June 30, 2025 and 2024 were as follows:

Plan Members – The plan member contribution rate for Classic Members was 9.696 and 10.438 percent of applicable plan member earnings for fiscal years 2024-25 and 2023-24, respectively, and the contribution rate for PEPRA Members was 7.250 percent and 8.250 percent of applicable plan member earnings for fiscal years 2024-25 and 2023-24, respectively.

Employers – The employer contribution rate was 27.500 and 24.500 percent of applicable plan member earnings for Classic members and 8.180 percent and 8.000 percent for PEPRA members' applicable plan member earnings for the years ended June 30, 2025 and 2024, respectively.

(Continued)

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 9 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT FUND (Continued)

The Group's contribution to CalPERS for the fiscal years ended June 30, 2025, 2024 and 2023, were \$662,355, \$582,960, and \$559,387, 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, 2025, RESIG reported a liability of \$4,629,293 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023. The joint powers agreement's (JPA) proportion of the net pension liability was based on RESIG's share of contributions to the pension plan relative to the contributions of all participating agencies. At June 30, 2025, RESIG's proportion was 0.096 percent, which was an increase of 0.003 percent from its proportion measured as of June 30, 2024.

At June 30, 2024, RESIG reported a liability of \$4,673,391 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The JPA's proportion of the net pension liability was based on RESIG's share of contributions to the pension plan relative to the contributions of all participating agencies. At June 30, 2024, RESIG's proportion was 0.093 percent, which was an increase of 0.001 percent from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, RESIG recognized pension expense of \$914,360. At June 30, 2025, RESIG reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 118,982	\$ -
Difference between expected and actual experience	400,245	15,617
Net differences between projected and actual earnings on investments	266,503	-
Changes in proportion and differences between JPA contributions and proportionate share of contributions	38,572	65,524
Contributions made subsequent to measurement date	662,355	-
Total	<u>\$ 1,486,657</u>	<u>\$ 81,141</u>

(Continued)

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 9 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT FUND (Continued)

As of June 30, 2025, \$662,355 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, 2025.

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,		
2026	\$	221,713
2027	\$	603,874
2028	\$	8,903
2029	\$	(91,327)

For the year ended June 30, 2024, RESIG recognized pension expense of \$799,876. At June 30, 2024, RESIG reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2024	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 282,154	\$ -
Difference between expected and actual experience	238,742	37,035
Net differences between projected and actual earnings on investments	756,664	-
Changes in proportion and differences between JPA contributions and proportionate share of contributions	49,376	167,791
Contributions made subsequent to measurement date	<u>582,960</u>	<u>-</u>
Total	<u>\$ 1,909,896</u>	<u>\$ 204,826</u>

As of June 30, 2024, \$582,960 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, 2024.

(Continued)

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 9 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT FUND (Continued)

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, 2025 and 2024 measurement dates. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments, changes in assumptions and changes in proportion are netted and amortized over a closed 5-year period.

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, 2023, and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2023
Experience Study	2000 to 2019
Actuarial Cost Method	Varies by entry age and service
Investment Rate of Return	6.90%
Consumer Price Inflation	2.30%
Post-retirement Benefit Increases	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2000 to 2019. Pre-retirement mortality rates include projected mortality improvement using scales published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report.

All other actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from 2000 to 2019, 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.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Rate of Return Years 1-10**</u>
Global equity - cap-weighted	30.00%	4.45%
Global equity - non-cap-weighted	12.00	3.84
Private equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed securities	5.00	0.50
Investment grade corporates	10.00	1.56
High yield	5.00	2.27
Emerging market debt	5.00	2.48
Private debt	5.00	3.57
Real assets	15.00	3.21
Leverage	(5.00)	(0.59)

** An expected inflation of 2.30% used for this period.

(Continued)

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 9 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT FUND (Continued)

Discount rate: At June 30, 2025 and 2024, the discount rate used to measure the total pension liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of RESIG's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: For the years ended June 30, 2025 and 2024, the following presents RESIG's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what RESIG's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

2025			
	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Group's proportionate share of the net pension liability	\$ 7,285,417	\$ 4,629,293	\$ 2,442,915
2024			
	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Group's proportionate share of the net pension liability	\$ 7,087,910	\$ 4,673,391	\$ 2,686,035

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

(Continued)

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 10 - GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended June 30, 2025 and 2024, are as follows:

	<u>2025</u>	<u>2024</u>
Salaries and benefits	\$ 4,465,145	\$ 4,301,534
Safety credits	417,882	368,648
Operations costs	837,237	860,458
Legal, consultant and audit	644,715	401,122
Travel/conference/memberships	125,959	103,815
Meetings	44,496	34,566
Rent/lease	21,762	20,300
Depreciation expense	<u>171,383</u>	<u>174,177</u>
Total	<u>\$ 6,728,579</u>	<u>\$ 6,264,620</u>

NOTE 11 - CONTINGENCIES

RESIG is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of RESIG.

REQUIRED SUPPLEMENTARY INFORMATION

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
SCHEDULE OF THE GROUP'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Year Ended June 30, 2025

	Public Employer's Retirement Fund C Last 10 Fiscal Years									
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Group's proportion of the net pension liability	0.105%	0.093%	0.087%	0.088%	0.089%	0.089%	0.112%	0.092%	0.093%	0.096%
Group's proportionate share of the net pension liability	\$ 2,573,308	\$ 3,218,200	\$ 3,428,065	\$ 3,313,328	\$ 3,543,994	\$ 3,775,326	\$ 2,124,794	\$ 4,317,572	\$ 4,673,391	\$ 4,629,293
Group's covered-employee payroll	\$ 1,845,100	\$ 2,022,000	\$ 2,068,600	\$ 1,993,900	\$ 2,145,500	\$ 2,358,800	\$ 2,473,000	\$ 2,556,000	\$ 2,750,000	\$ 2,925,000
Group's proportionate share of the net pension liability as a percentage of its covered-employee payroll	139.47%	159.16%	165.72%	166.17%	165.18%	160.05%	85.92%	168.92%	169.94%	158.27%
Plan fiduciary net position as a percentage of the total pension liability	79.90%	75.90%	75.40%	77.69%	76.60%	75.10%	88.29%	76.68%	76.21%	78.08%

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

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
SCHEDULE OF THE GROUP'S CONTRIBUTIONS
Year Ended June 30, 2025

	Public Employer's Retirement Fund C Last 10 Fiscal Years									
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Contractually required contribution	\$ 315,544	\$ 333,281	\$ 364,614	\$ 421,456	\$ 484,778	\$ 552,664	\$ 548,497	\$ 559,387	\$ 582,960	\$ 662,355
Contributions in relation to the contractually Required contribution	<u>(315,544)</u>	<u>(333,281)</u>	<u>(364,614)</u>	<u>(421,456)</u>	<u>(484,778)</u>	<u>(552,664)</u>	<u>(548,497)</u>	<u>(559,387)</u>	<u>(582,960)</u>	<u>(662,355)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Group's covered-employee payroll	\$ 2,022,000	\$ 2,068,600	\$ 1,993,900	\$ 2,145,500	\$ 2,358,800	\$ 2,473,000	\$ 2,556,000	\$ 2,750,000	\$ 2,925,000	\$ 3,008,000
Contributions as a percentage of covered-employee payroll	15.61%	16.11%	18.29%	19.64%	20.55%	22.35%	21.46%	20.34%	19.93%	22.02%

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
WORKERS' COMPENSATION PROGRAM
Years Ended June 30, 2025, 2024 and 2023

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Unpaid claims and claim adjustment expenses, beginning of fiscal year	\$ 17,865,166	\$ 16,598,798	\$ 17,585,267
Incurred claims and claim adjustment expenses:			
Provision for covered events of the current year	4,924,464	4,551,470	4,237,939
Change in provision for covered events of prior years	<u>1,431,645</u>	<u>1,817,460</u>	<u>(1,482,173)</u>
Total incurred claims and claim adjustment expenses	6,356,109	6,368,930	2,755,766
Payments:			
Claims and claim adjustment expenses attributable to covered events of the current year	1,388,355	1,549,771	1,150,251
Claims and claims adjustment expenses attributable to covered events of prior years	<u>3,879,139</u>	<u>3,552,791</u>	<u>2,591,984</u>
Total payments	<u>5,267,494</u>	<u>5,102,562</u>	<u>3,742,235</u>
Total unpaid claims and claim adjustment expenses, end of fiscal year	<u><u>\$ 18,953,781</u></u>	<u><u>\$ 17,865,166</u></u>	<u><u>\$ 16,598,798</u></u>

The components of the unpaid claims and claim adjustment expenses as of June 30, 2025, 2024 and 2023 were as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Claims reserves	\$ 11,392,455	\$ 10,728,441	\$ 9,704,676
Claims incurred but not reported (IBNR)	6,076,718	5,698,820	5,675,642
Unallocated loss adjustment expenses (ULAE)	<u>1,484,608</u>	<u>1,437,905</u>	<u>1,218,480</u>
	<u><u>\$ 18,953,781</u></u>	<u><u>\$ 17,865,166</u></u>	<u><u>\$ 16,598,798</u></u>

(Continued)

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
PROPERTY/LIABILITY PROGRAM
Years Ended June 30, 2025, 2024 and 2023

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Unpaid claims and claim adjustment expenses, beginning of fiscal year	\$ 6,543,758	\$ 4,497,875	\$ 4,686,461
Incurred claims and claim adjustment expenses:			
Provision for covered events of the current year	3,830,160	3,735,934	2,914,859
Change in provision for covered events of prior years	<u>(752,359)</u>	<u>474,573</u>	<u>(676,069)</u>
Total incurred claims and claim adjustment expenses	3,077,801	4,210,507	2,238,790
Payments:			
Claims and claim adjustment expenses attributable to covered events of the current year	923,637	799,637	928,684
Claims and claims adjustment expenses attributable to covered events of prior years	<u>2,019,853</u>	<u>1,364,987</u>	<u>1,498,692</u>
Total payments	<u>2,943,490</u>	<u>2,164,624</u>	<u>2,427,376</u>
Total unpaid claims and claim adjustment expenses, end of fiscal year	<u>\$ 6,678,069</u>	<u>\$ 6,543,758</u>	<u>\$ 4,497,875</u>

The components of the unpaid claims and claim adjustment expenses as of June 30, 2025, 2024 and 2023 were as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Claims reserves	\$ 4,240,880	\$ 3,993,991	\$ 2,554,557
Claims incurred but not reported (IBNR)	1,998,521	2,120,740	1,673,348
Unallocated loss adjustment expenses (ULAE)	<u>438,668</u>	<u>429,027</u>	<u>269,970</u>
	<u>\$ 6,678,069</u>	<u>\$ 6,543,758</u>	<u>\$ 4,497,875</u>

(Continued)

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
DENTAL PROGRAM
Years Ended June 30, 2025, 2024 and 2023

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Unpaid claims and claim adjustment expenses, beginning of fiscal year	\$ 150,000	\$ 150,000	\$ 150,000
Incurred claims and claim adjustment expenses:			
Provision for covered events of the current year	3,446,751	3,037,968	3,070,356
Change in provision for covered events of prior years	<u>(188,922)</u>	<u>21,213</u>	<u>23,776</u>
Total incurred claims and claim adjustment expenses	3,257,829	3,059,181	3,094,132
Payments:			
Claims and claim adjustment expenses attributable to covered events of the current year	3,078,272	2,887,968	2,920,356
Claims and claims adjustment expenses attributable to covered events of prior years	<u>179,557</u>	<u>171,213</u>	<u>173,776</u>
Total payments	<u>3,257,829</u>	<u>3,059,181</u>	<u>3,094,132</u>
Total unpaid claims and claim adjustment expenses, end of fiscal year	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>

The components of the unpaid claims and claim adjustment expenses as of June 30, 2025, 2024 and 2023 were as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Claims incurred but not reported (IBNR)	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>

(Continued)

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
VISION PROGRAM
Year Ended June 30, 2025

	<u>2025</u>
Unpaid claims and claim adjustment expenses, beginning of fiscal year	\$ -
Incurred claims and claim adjustment expenses:	
Provision for covered events of the current year	197,124
Change in provision for covered events of prior years	<u>-</u>
Total incurred claims and claim adjustment expenses	197,124
Payments:	
Claims and claim adjustment expenses attributable to covered events of the current year	172,124
Claims and claims adjustment expenses attributable to covered events of prior years	<u>-</u>
Total payments	<u>172,124</u>
Total unpaid claims and claim adjustment expenses, end of fiscal year	<u><u>\$ 25,000</u></u>

The components of the unpaid claims and claim adjustment expenses as of June 30, 2025, were as follows:

	<u>2025</u>
Claims incurred but not reported (IBNR)	<u><u>\$ 25,000</u></u>

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
CLAIMS DEVELOPMENT INFORMATION
Years Ended June 30, 2025 and 2024

The tables that follow illustrate how RESIG's earned revenues (net of excess insurance) and investment income compared to related costs of loss and other expenses assumed by RESIG 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 deposit and investment revenue, amounts of excess insurance premiums paid, and net earned contribution revenue and reported investment revenue.
- (2) Each fiscal year's other operating costs of the program, including overhead and loss adjustment expenses not allocable to individual claims.
- (3) Program's gross incurred losses and allocated loss adjustment expense, losses assumed by excess insurers, and net incurred losses and loss adjustment expense (both paid and accrued) as originally reported at the end of the year in which the event that triggered coverage occurred (called fiscal year).
- (4) Cumulative net amounts paid as of the end of successive years for each fiscal year.
- (5) Latest reestimated amount of losses assumed by the excess insurers for each fiscal year.
- (6) Each fiscal year's net incurred losses increases or decreases as of the end of successive years. This annual reestimation results from new information received on known losses, reevaluation of existing information on known losses, and emergence of new losses not previously known.
- (7) Compares the latest reestimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally thought. As data for individual fiscal years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature fiscal years.

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

(Continued)

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP

CLAIMS DEVELOPMENT INFORMATION
WORKERS' COMPENSATION PROGRAM
June 30, 2025

	Fiscal and Policy Year Ended June 30,									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
1 Premiums and investment revenue:										
Earned	\$ 11,555,623	\$ 11,836,430	\$ 11,275,229	\$ 11,637,091	\$ 12,232,031	\$ 10,814,773	\$ 10,196,230	\$ 12,739,317	\$ 14,958,738	\$ 14,101,809
Ceded	(310,463)	(337,690)	(310,971)	(357,629)	(307,866)	(288,435)	(295,890)	(345,903)	(285,020)	(454,352)
Net earned	<u>\$ 11,245,160</u>	<u>\$ 11,498,740</u>	<u>\$ 10,964,258</u>	<u>\$ 11,279,462</u>	<u>\$ 11,924,165</u>	<u>\$ 10,526,338</u>	<u>\$ 9,900,340</u>	<u>\$ 12,393,414</u>	<u>\$ 14,673,718</u>	<u>\$ 13,647,457</u>
2 Unallocated expenses	\$ 4,450,822	\$ 4,633,119	\$ 2,132,311	\$ 2,089,488	\$ 2,435,606	\$ 2,362,711	\$ 2,795,149	\$ 2,345,657	\$ 3,243,911	\$ 3,464,736
3 Estimated incurred claims and expenses, end of policy year:										
Incurred	\$ 3,776,180	\$ 3,676,917	\$ 3,494,157	\$ 3,444,130	\$ 5,100,420	\$ 3,143,763	\$ 4,574,703	\$ 4,237,939	\$ 4,551,470	\$ 4,924,464
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	<u>\$ 3,776,180</u>	<u>\$ 3,676,917</u>	<u>\$ 3,494,157</u>	<u>\$ 3,444,130</u>	<u>\$ 5,100,420</u>	<u>\$ 3,143,763</u>	<u>\$ 4,574,703</u>	<u>\$ 4,237,939</u>	<u>\$ 4,551,470</u>	<u>\$ 4,924,464</u>
4 Paid (cumulative) as of:										
End of policy year	\$ 659,396	\$ 669,252	\$ 753,929	\$ 792,390	\$ 1,880,657	\$ 553,687	\$ 1,150,396	\$ 1,150,251	\$ 1,549,771	\$ 1,388,355
One year later	\$ 1,381,092	\$ 1,367,437	\$ 1,710,952	\$ 1,499,138	\$ 2,753,344	\$ 1,368,978	\$ 2,209,295	\$ 2,510,324	\$ 2,938,149	
Two years later	\$ 1,736,958	\$ 1,609,224	\$ 2,189,318	\$ 1,956,463	\$ 3,104,507	\$ 1,955,194	\$ 3,197,688	\$ 3,376,167		
Three years later	\$ 1,980,090	\$ 1,830,806	\$ 2,555,594	\$ 2,237,333	\$ 3,319,462	\$ 2,308,985	\$ 3,788,375			
Four years later	\$ 2,221,921	\$ 2,011,578	\$ 2,890,016	\$ 2,398,538	\$ 3,424,898	\$ 2,628,954				
Five years later	\$ 2,395,941	\$ 2,087,205	\$ 3,032,985	\$ 2,580,823	\$ 3,532,758					
Six years later	\$ 2,422,265	\$ 2,140,614	\$ 3,277,057	\$ 2,756,201						
Seven years later	\$ 2,448,153	\$ 2,164,129	\$ 3,507,507							
Eight years later	\$ 2,512,661	\$ 2,248,358								
Nine years later	\$ 2,517,535									
5 Reestimated ceded losses and expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6 Reestimated incurred claims and expense:										
End of policy year	\$ 3,776,180	\$ 3,676,917	\$ 3,494,157	\$ 3,444,130	\$ 5,100,420	\$ 3,143,763	\$ 4,574,703	\$ 4,237,939	\$ 4,551,470	\$ 4,924,464
One year later	\$ 3,284,336	\$ 3,031,374	\$ 3,968,519	\$ 3,627,372	\$ 4,671,061	\$ 3,111,595	\$ 4,122,034	\$ 4,823,445	\$ 5,730,735	
Two years later	\$ 2,986,396	\$ 2,774,795	\$ 4,230,348	\$ 3,491,527	\$ 4,292,072	\$ 3,567,438	\$ 5,069,653	\$ 5,451,196		
Three years later	\$ 3,170,649	\$ 2,767,047	\$ 3,901,780	\$ 3,222,112	\$ 4,292,225	\$ 3,813,438	\$ 5,459,122			
Four years later	\$ 3,070,145	\$ 2,930,810	\$ 4,331,533	\$ 3,137,737	\$ 4,069,008	\$ 3,968,050				
Five years later	\$ 2,956,508	\$ 2,767,514	\$ 4,228,602	\$ 3,170,548	\$ 4,131,462					
Six years later	\$ 2,821,651	\$ 2,760,273	\$ 4,192,256	\$ 3,240,012						
Seven years later	\$ 2,815,956	\$ 2,760,185	\$ 4,471,187							
Eight years later	\$ 2,825,244	\$ 2,618,913								
Nine years later	\$ 2,738,863									
7 (Decrease) increase in estimated incurred claims and expense from end of policy year	<u>\$ (1,037,317)</u>	<u>\$ (1,058,004)</u>	<u>\$ 977,030</u>	<u>\$ (204,118)</u>	<u>\$ (968,958)</u>	<u>\$ 824,287</u>	<u>\$ 884,419</u>	<u>\$ 1,213,257</u>	<u>\$ 1,179,265</u>	<u>\$ -</u>

(Continued)

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP

CLAIMS DEVELOPMENT INFORMATION
PROPERTY/LIABILITY PROGRAM
June 30, 2025

	Fiscal and Policy Year Ended June 30,									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
1 Premiums and investment revenue:										
Earned	\$ 3,777,748	\$ 4,194,434	\$ 10,740,873	\$ 5,300,206	\$ 7,997,894	\$ 10,097,729	\$ 11,193,559	\$ 12,665,754	\$ 14,142,822	\$ 14,025,981
Ceded	(1,600,458)	(1,982,151)	(2,348,504)	(2,627,871)	(4,954,668)	(6,353,148)	(7,155,316)	(8,456,804)	(10,230,947)	(10,277,722)
Net earned	\$ 2,177,290	\$ 2,212,283	\$ 8,392,369	\$ 2,672,335	\$ 3,043,226	\$ 3,744,581	\$ 4,038,243	\$ 4,208,950	\$ 3,911,875	\$ 3,748,259
2 Unallocated expenses	\$ 655,198	\$ 809,733	\$ 363,051	\$ 362,356	\$ 435,802	\$ 1,004,860	\$ 527,103	\$ 625,204	\$ 769,847	\$ 835,531
3 Estimated incurred claims and expenses, end of policy year:										
Incurred	\$ 1,031,654	\$ 1,664,367	\$ 1,187,736	\$ 1,583,281	\$ 1,592,447	\$ 591,319	\$ 1,898,199	\$ 2,914,859	\$ 3,735,934	\$ 3,830,160
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	\$ 1,031,654	\$ 1,664,367	\$ 1,187,736	\$ 1,583,281	\$ 1,592,447	\$ 591,319	\$ 1,898,199	\$ 2,914,859	\$ 3,735,934	\$ 3,830,160
4 Paid (cumulative) as of:										
End of policy year	\$ 76,427	\$ 246,631	\$ 66,945	\$ 316,700	\$ 351,005	\$ 96,006	\$ 498,708	\$ 928,684	\$ 799,637	\$ 923,637
One year later	\$ 196,851	\$ 755,965	\$ 399,058	\$ 745,876	\$ 661,584	\$ 303,024	\$ 1,090,606	\$ 1,727,292	\$ 1,350,477	
Two years later	\$ 866,731	\$ 1,055,364	\$ 680,535	\$ 939,065	\$ 1,031,123	\$ 699,823	\$ 1,347,318	\$ 2,244,408		
Three years later	\$ 1,430,344	\$ 1,324,227	\$ 589,450	\$ 1,052,880	\$ 1,325,026	\$ 852,956	\$ 1,615,109			
Four years later	\$ 1,430,053	\$ 1,325,703	\$ 589,450	\$ 1,326,247	\$ 1,340,450	\$ 950,918				
Five years later	\$ 1,428,859	\$ 1,320,855	\$ 589,450	\$ 1,322,845	\$ 1,429,898					
Six years later	\$ 1,427,528	\$ 1,320,855	\$ 589,450	\$ 1,322,845						
Seven years later	\$ 1,423,433	\$ 1,320,855	\$ 589,450							
Eight years later	\$ 1,423,433	\$ 1,320,855								
Nine years later	\$ 1,423,433									
5 Reestimated ceded losses and expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6 Reestimated incurred claims and expense:										
End of policy year	\$ 1,031,654	\$ 1,664,367	\$ 1,187,736	\$ 1,583,281	\$ 1,592,447	\$ 591,319	\$ 1,898,199	\$ 2,914,859	\$ 3,735,934	\$ 3,830,160
One year later	\$ 1,357,687	\$ 1,526,703	\$ 1,060,538	\$ 1,711,880	\$ 2,820,607	\$ 1,000,618	\$ 2,251,762	\$ 3,336,075	\$ 3,359,413	
Two years later	\$ 1,830,153	\$ 1,392,941	\$ 1,413,492	\$ 2,025,850	\$ 2,592,500	\$ 1,083,601	\$ 2,079,898	\$ 2,946,287		
Three years later	\$ 1,654,773	\$ 1,443,704	\$ 785,485	\$ 1,863,633	\$ 1,749,991	\$ 1,345,913	\$ 1,885,387			
Four years later	\$ 1,429,859	\$ 1,327,506	\$ 589,450	\$ 1,326,247	\$ 1,800,405	\$ 1,287,693				
Five years later	\$ 1,429,117	\$ 1,321,242	\$ 589,450	\$ 1,322,845	\$ 1,624,699					
Six years later	\$ 1,428,710	\$ 1,320,855	\$ 589,450	\$ 1,322,845						
Seven years later	\$ 1,423,433	\$ 1,320,855	\$ 589,450							
Eight years later	\$ 1,423,433	\$ 1,320,855								
Nine years later	\$ 1,423,433									
7 (Decrease) increase in estimated incurred claims and expense from end of policy year	\$ 391,779	\$ (343,512)	\$ (598,286)	\$ (260,436)	\$ 32,252	\$ 696,374	\$ (12,812)	\$ 31,428	\$ (376,521)	\$ -

(Continued)

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP

CLAIMS DEVELOPMENT INFORMATION
DENTAL PROGRAM
June 30, 2025

	Fiscal and Policy Year Ended June 30,									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
1 Premiums and investment revenue:										
Earned	\$ 2,435,635	\$ 3,492,344	\$ 3,219,575	\$ 3,459,153	\$ 3,478,748	\$ 3,673,170	\$ 3,746,573	\$ 3,821,606	\$ 3,886,245	\$ 3,960,178
Ceded	-	-	-	-	-	-	-	-	-	-
Net earned	\$ 2,435,635	\$ 3,492,344	\$ 3,219,575	\$ 3,459,153	\$ 3,478,748	\$ 3,673,170	\$ 3,746,573	\$ 3,821,606	\$ 3,886,245	\$ 3,960,178
2 Unallocated expenses	\$ 241,188	\$ 243,314	\$ 201,075	\$ 216,158	\$ 191,991	\$ 227,021	\$ 233,902	\$ 240,447	\$ 236,537	\$ 240,357
3 Estimated incurred claims and expenses, end of policy year:										
Incurred	\$ 2,492,738	\$ 2,621,648	\$ 2,661,574	\$ 2,641,107	\$ 2,310,882	\$ 3,014,777	\$ 3,004,595	\$ 3,070,356	\$ 3,037,968	\$ 3,446,751
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	\$ 2,492,738	\$ 2,621,648	\$ 2,661,574	\$ 2,641,107	\$ 2,310,882	\$ 3,014,777	\$ 3,004,595	\$ 3,070,356	\$ 3,037,968	\$ 3,446,751
4 Paid (cumulative) as of:										
End of policy year	\$ 2,342,738	\$ 2,471,648	\$ 2,511,574	\$ 2,491,107	\$ 2,160,882	\$ 2,864,777	\$ 2,854,595	\$ 2,920,356	\$ 2,887,968	\$ 3,078,272
One year later	\$ 2,440,985	\$ 2,623,092	\$ 2,813,017	\$ 2,741,373	\$ 2,325,681	\$ 3,053,385	\$ 2,990,547	\$ 3,079,503	\$ 3,053,017	
Two years later	\$ 2,440,985	\$ 2,623,092	\$ 2,813,017	\$ 2,741,373	\$ 2,325,681	\$ 3,053,385	\$ 2,990,547	\$ 3,079,503		
Three years later	\$ 2,440,985	\$ 2,623,092	\$ 2,813,017	\$ 2,741,373	\$ 2,325,681	\$ 3,053,385	\$ 2,990,547			
Four years later	\$ 2,440,985	\$ 2,623,092	\$ 2,813,017	\$ 2,741,373	\$ 2,325,681	\$ 3,053,385				
Five years later	\$ 2,440,985	\$ 2,623,092	\$ 2,813,017	\$ 2,741,373	\$ 2,325,681					
Six years later	\$ 2,440,985	\$ 2,623,092	\$ 2,813,017	\$ 2,741,373						
Seven years later	\$ 2,440,985	\$ 2,623,092	\$ 2,813,017							
Eight years later	\$ 2,440,985	\$ 2,623,092								
Nine years later	\$ 2,440,985									
5 Reestimated ceded losses and expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6 Reestimated incurred claims and expense:										
End of policy year	\$ 2,492,738	\$ 2,621,648	\$ 2,661,574	\$ 2,641,107	\$ 2,310,882	\$ 3,014,777	\$ 3,004,595	\$ 3,070,356	\$ 3,037,968	\$ 3,446,751
One year later	\$ 2,440,985	\$ 2,623,092	\$ 2,813,017	\$ 2,741,373	\$ 2,325,681	\$ 3,053,385	\$ 2,990,547	\$ 3,079,503	\$ 3,053,017	
Two years later	\$ 2,440,985	\$ 2,623,092	\$ 2,813,017	\$ 2,741,373	\$ 2,325,681	\$ 3,053,385	\$ 2,990,547	\$ 3,079,503		
Three years later	\$ 2,440,985	\$ 2,623,092	\$ 2,813,017	\$ 2,741,373	\$ 2,325,681	\$ 3,053,385	\$ 2,990,547			
Four years later	\$ 2,440,985	\$ 2,623,092	\$ 2,813,017	\$ 2,741,373	\$ 2,325,681	\$ 3,053,385				
Five years later	\$ 2,440,985	\$ 2,623,092	\$ 2,813,017	\$ 2,741,373	\$ 2,325,681					
Six years later	\$ 2,440,985	\$ 2,623,092	\$ 2,813,017	\$ 2,741,373						
Seven years later	\$ 2,440,985	\$ 2,623,092	\$ 2,813,017							
Eight years later	\$ 2,440,985	\$ 2,623,092								
Nine years later	\$ 2,440,985									
7 (Decrease) increase in estimated incurred claims and expense from end of policy year	\$ (51,753)	\$ 1,444	\$ 151,443	\$ 100,266	\$ 14,799	\$ 38,608	\$ (14,048)	\$ 9,147	\$ 15,049	\$ -

(Continued)

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
CLAIMS DEVELOPMENT INFORMATION
VISION PROGRAM
June 30, 2025

	<u>Fiscal and Policy Year Ended</u> <u>30-Jun-25</u>
1 Premiums and investment revenue:	
Earned	\$ 249,195
Ceded	-
Net earned	<u>\$ 249,195</u>
2 Unallocated expenses	\$ 32,632
3 Estimated incurred claims and expenses, end of policy year:	
Incurred	\$ 197,124
Ceded	-
Net incurred	<u>\$ 197,124</u>
4 Paid (cumulative) as of:	
End of policy year	\$ 172,124
5 Reestimated ceded losses and expenses	\$ -
6 Reestimated incurred claims and expense:	
End of policy year	\$ 197,124
7 (Decrease) increase in estimated incurred claims and expense from end of policy year	<u><u>\$ -</u></u>

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2025

NOTE 1 - PURPOSE OF SCHEDULES

A - 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.

B - 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.

NOTE 2 - CHANGES IN BENEFIT TERMS AND ASSUMPTIONS

C - Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

D - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund C was 7.65, 7.65, 7.15, 7.15, 7.15, 7.15, 7.15, 7.15, 6.90, 6.90 and 6.90 percent in the June 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, and 2024 actuarial reports, respectively.

SUPPLEMENTARY INFORMATION

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
COMBINING STATEMENTS OF NET POSITION
June 30, 2025

	Postemployment Benefit Fund	Skylane Facility Fund	General Fund	Vision Fund	Self Insurance Fund	Health Fund	Property & Liability Fund	Dental Fund	Eliminations	Total
ASSETS										
Current assets:										
Cash and cash equivalents	\$ 352,202	\$ 542,895	\$ 648,600	\$ 72,670	\$ 57,395,126	\$ 1,393,921	\$ 10,152,989	\$ 5,543,326	\$ -	\$ 76,101,729
Investments	-	-	-	-	3,802,237	-	-	-	-	3,802,237
Receivables	-	-	20,077	211	654,916	207,042	211,489	1,729	-	1,095,464
Total current assets	352,202	542,895	668,677	72,881	61,852,279	1,600,963	10,364,478	5,545,055	-	80,999,430
Noncurrent assets:										
Investments maturing after one year	-	-	-	-	853,645	-	-	-	-	853,645
Interfund receivable	44,824	-	-	-	-	-	-	-	(44,824)	-
Non-depreciable premises and equipment	-	250,000	-	-	-	-	-	-	-	250,000
Depreciable capital assets, net of accumulated depreciation	-	844,163	510	-	24,649	-	5,021	-	-	874,343
Total assets	397,026	1,637,058	669,187	72,881	62,730,573	1,600,963	10,369,499	5,545,055	(44,824)	82,977,418
DEFERRED OUTFLOWS OF RESOURCES										
Deferred outflows of resources - pension	-	-	594,665	-	639,265	163,533	89,194	-	-	1,486,657
LIABILITIES										
Current liabilities:										
Accounts payable	-	25,729	113,724	28,442	314,329	75,491	46,153	278,932	-	882,800
Accrued vacation	-	-	71,301	-	98,981	11,199	12,412	-	-	193,893
Interfund payable	-	-	17,698	-	18,125	5,392	3,609	-	(44,824)	-
Current portion of unpaid claims and claim adjustment expenses	-	-	-	25,000	4,045,000	-	2,215,262	150,000	-	6,435,262
Total current liabilities	-	25,729	202,723	53,442	4,476,435	92,082	2,277,436	428,932	(44,824)	7,511,955
Noncurrent liabilities:										
Unpaid claims and claim adjustment expenses, net of current portion	-	-	-	-	14,908,781	-	4,462,807	-	-	19,371,588
Net pension liability	-	-	1,851,723	-	1,990,597	509,228	277,745	-	-	4,629,293
Total liabilities	-	25,729	2,054,446	53,442	21,375,813	601,310	7,017,988	428,932	(44,824)	31,512,836
DEFERRED INFLOWS OF RESOURCES										
Deferred inflows of resources - pension	-	-	32,457	-	34,890	8,924	4,870	-	-	81,141
NET POSITION										
Net position:										
Net investment in capital assets	-	1,094,163	510	-	24,649	-	5,021	-	-	1,124,343
Unrestricted	397,026	517,166	(823,561)	19,439	41,934,486	1,154,262	3,430,814	5,116,123	-	51,745,755
Total net position	\$ 397,026	\$ 1,611,329	\$ (823,051)	\$ 19,439	\$ 41,959,135	\$ 1,154,262	\$ 3,435,835	\$ 5,116,123	\$ -	\$ 52,870,098

(Continued)

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
COMBINING STATEMENTS OF NET POSITION
June 30, 2024

	Postemployment Benefit <u>Fund</u>	Skylane Facility <u>Fund</u>	General Fund <u>JPA</u>	Self Insurance <u>Fund</u>	Health <u>Fund</u>	Property & Liability <u>Fund</u>	Dental <u>Fund</u>	<u>Total</u>
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 373,711	\$ 438,785	\$ 536,737	\$ 28,824,847	\$ 1,423,674	\$ 8,710,283	\$ 5,276,017	\$ 45,584,054
Investments	-	-	-	2,029,583	-	-	-	2,029,583
Receivables	-	-	2,579	1,565,266	51,597	2,335,904	1,413	3,956,759
Total current assets	373,711	438,785	539,316	32,419,696	1,475,271	11,046,187	5,277,430	51,570,396
Noncurrent assets:								
Investments maturing after one year	-	-	-	30,543,660	-	-	-	30,543,660
Non-depreciable premises and equipment	-	250,000	-	-	-	-	-	250,000
Depreciable capital assets, net of accumulated depreciation	-	958,478	2,041	66,302	-	18,905	-	1,045,726
Total assets	373,711	1,647,263	541,357	63,029,658	1,475,271	11,065,092	5,277,430	83,409,782
DEFERRED OUTFLOWS OF RESOURCES								
Deferred outflows of resources - pension	-	-	763,961	821,258	210,090	114,587	-	1,909,896
LIABILITIES								
Current liabilities:								
Accounts payable	-	12,412	6,732	360,063	134,551	264,058	215,027	992,843
Accrued vacation	-	-	66,802	83,497	12,484	11,105	-	173,888
Current portion of unpaid claims and claim adjustment expenses	-	-	-	3,664,000	-	1,847,010	150,000	5,661,010
Total current liabilities	-	12,412	73,534	4,107,560	147,035	2,122,173	365,027	6,827,741
Noncurrent liabilities:								
Unpaid claims and claim adjustment expenses, net of current portion	-	-	-	14,201,166	-	4,696,748	-	18,897,914
Net pension liability	-	-	1,869,361	2,009,560	514,079	280,391	-	4,673,391
Total liabilities	-	12,412	1,942,895	20,318,286	661,114	7,099,312	365,027	30,399,046
DEFERRED INFLOWS OF RESOURCES								
Deferred inflows of resources - pension	-	-	81,932	88,074	22,530	12,290	-	204,826
NET POSITION								
Net position:								
Net investment in capital assets	-	1,208,478	2,041	66,302	-	18,905	-	1,295,726
Unrestricted	373,711	426,373	(721,550)	43,378,254	1,001,717	4,049,172	4,912,403	53,420,080
Total net position	\$ 373,711	\$ 1,634,851	\$ (719,509)	\$ 43,444,556	\$ 1,001,717	\$ 4,068,077	\$ 4,912,403	\$ 54,715,806

See accompanying independent auditor's report.

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Year Ended June 30, 2025

	Postemployment Benefit Fund	Skylane Facility Fund	General Fund	Vision Fund	Self Insurance Fund	Health Fund	Property & Liability Fund	Dental Fund	Total
Operating revenues:									
Member contributions	\$ -	\$ -	\$ -	\$ 248,234	\$ 10,884,324	\$ -	\$ 13,567,644	\$ 3,759,214	\$ 28,459,416
Other	9,945	264,000	1,822,652	-	(1,339,224)	692,496	(687,773)	(258,272)	503,824
Total operating revenues	9,945	264,000	1,822,652	248,234	9,545,100	692,496	12,879,871	3,500,942	28,963,240
Operating expenses:									
Provision for claims and claim adjustment expenses	-	-	-	197,124	6,567,072	-	2,866,838	3,257,829	12,888,863
Insurance premiums	-	-	-	-	454,352	-	10,277,722	-	10,732,074
Assessments	-	-	-	-	165,537	-	-	-	165,537
Contract fee administration	-	-	-	32,632	325,404	68,412	-	240,357	666,805
Member dividends	-	-	-	-	3,808,504	-	-	-	3,808,504
General and administrative expenses	-	358,673	1,997,324	-	2,927,092	619,600	825,890	-	6,728,579
Total operating expenses	-	358,673	1,997,324	229,756	14,247,961	688,012	13,970,450	3,498,186	34,990,362
Operating income (loss)	9,945	(94,673)	(174,672)	18,478	(4,702,861)	4,484	(1,090,579)	2,756	(6,027,122)
Non-operating revenues:									
Investment income	13,370	22,903	71,130	961	3,217,440	148,061	458,337	200,964	4,133,166
Rental income	-	48,248	-	-	-	-	-	-	48,248
Total non-operating revenues	13,370	71,151	71,130	961	3,217,440	148,061	458,337	200,964	4,181,414
Change in net position	23,315	(23,522)	(103,542)	19,439	(1,485,421)	152,545	(632,242)	203,720	(1,845,708)
Net position, beginning of year	373,711	1,634,851	(719,509)	-	43,444,556	1,001,717	4,068,077	4,912,403	54,715,806
Net position, end of year	\$ 397,026	\$ 1,611,329	\$ (823,051)	\$ 19,439	\$ 41,959,135	\$ 1,154,262	\$ 3,435,835	\$ 5,116,123	\$ 52,870,098

(Continued)

REDWOOD EMPIRE SCHOOLS' INSURANCE GROUP
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Year Ended June 30, 2024

	Postemployment Benefit Fund	Skylane Facility Fund	General Fund JPA	Self Insurance Fund	Health Fund	Property & Liability Fund	Dental Fund	Total
Operating revenues:								
Member contributions	\$ -	\$ -	\$ -	\$ 12,452,334	\$ -	\$ 13,854,519	\$ 3,732,224	\$ 30,039,077
Other	19,145	184,800	1,867,011	(1,315,209)	680,135	(661,496)	(251,800)	522,586
Total operating revenues	19,145	184,800	1,867,011	11,137,125	680,135	13,193,023	3,480,424	30,561,663
Operating expenses:								
Provision for claims and claim adjustment expenses	-	-	-	6,368,930	-	4,210,507	3,059,181	13,638,618
Insurance premiums	-	-	-	285,020	-	10,230,947	-	10,515,967
Assessments	-	-	-	155,130	-	-	-	155,130
Contract fee administration	-	-	1,178	14,784	40,515	-	229,537	286,014
General and administrative expenses	-	268,664	1,970,686	2,854,572	552,908	610,790	7,000	6,264,620
Total operating expenses	-	268,664	1,971,864	9,678,436	593,423	15,052,244	3,295,718	30,860,349
Operating income (loss)	19,145	(83,864)	(104,853)	1,458,689	86,712	(1,859,221)	184,706	(298,686)
Non-operating revenues:								
Investment income	10,333	14,853	55,441	2,506,374	104,017	288,303	154,021	3,133,342
Rental income	-	47,353	-	-	-	-	-	47,353
Total non-operating revenues	10,333	62,206	55,441	2,506,374	104,017	288,303	154,021	3,180,695
Change in net position	29,478	(21,658)	(49,412)	3,965,063	190,729	(1,570,918)	338,727	2,882,009
Net position, beginning of year	344,233	1,656,509	(670,097)	39,479,493	810,988	5,638,995	4,573,676	51,833,797
Net position, end of year	\$ 373,711	\$ 1,634,851	\$ (719,509)	\$ 43,444,556	\$ 1,001,717	\$ 4,068,077	\$ 4,912,403	\$ 54,715,806

See accompanying independent auditor's report.

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 THE STATE CONTROLLER'S
MINIMUM AUDIT REQUIREMENTS FOR CALIFORNIA SPECIAL DISTRICTS AND
GOVERNMENT AUDITING STANDARDS

To the Board of Directors and Members
Redwood Empire Schools' Insurance Group
Windsor, 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 Redwood Empire Schools' Insurance Group as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Redwood Empire Schools' Insurance Group's basic financial statements and have issued our report thereon dated January 16, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Redwood Empire Schools' Insurance Group'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 Redwood Empire Schools' Insurance Group's internal control. Accordingly, we do not express an opinion on the effectiveness of Redwood Empire 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 or significant deficiencies may exist that have not been identified.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Redwood Empire 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

West Hartford, Connecticut
January 16, 2026