PREPARE

PREVENT

PREVAIL

SELF

Schools Excess Liability Fund

2013/2014 Annual Report

Nature provides thrilling experiences—from weekend get-aways to year-long expeditions. Because nature is unpredictable however, knowledgeable adventurers carefully prepare for any contingency. They understand that a strong plan will allow them to maximize both the enjoyment and safety of their journey.

Like the smart traveler, SELF works with California schools as they plan for the always-changing future. This annual report describes the range of support services we provide. These services allow schools to concentrate on what they do best— guide children on their educational journeys.

Just as a good hiker wouldn't venture into Joshua Tree National Park without a water bottle, smart schools plan ahead with support from SELF.

CONTENTS

OUR MISSION

SELF is a member-owned, statewide partnership of public educational agencies providing quality pooled programs for excess coverage that benefit our students.

Guide

If you want to try an adventure for the first time a good option is to go with a guide. Many outdoor outfitting companies not only sell the gear you need but offer guided excursions. It's a great way to learn the ropes in a fun and easy environment before you go it on your own.

SELF also provides guided tours through the world of excess liability coverage options and risk management.

TO OUR MEMBERS

Much like the climber at basecamp preparing to undertake the daunting task of scaling a mountain, SELF and its member districts face a similar potentially perilous adventure each day, keeping millions of students and staff safe from the dangers around us.

For its members, SELF is much like a part of the climber's basic safety gear – a reliable tool ready to aid in preparing, preventing and should it ever come to it, prevailing over a possible catastrophic event.

When our members prepare for risks, SELF supports them by understanding their day-to-day operations, and via its insurance market contacts, preparing a core excess reinsurance program and optional excess insurance offering that is financially stable and built on an understanding and acceptance of SELF's broad coverage document. As a not-for-profit entity, created and governed by its membership, SELF stands at the ready to deal with members' daily undertakings which, sometimes, result in adversity.

SELF's prevention activities for risks encountered by our members are seen within the supplemental training available in the SELF Risk Services Clearinghouse and the SELF Resource Center. These risk management and risk prevention offerings supplement the training efforts offered by SELF's members in their day-to-day contact with those in their districts.

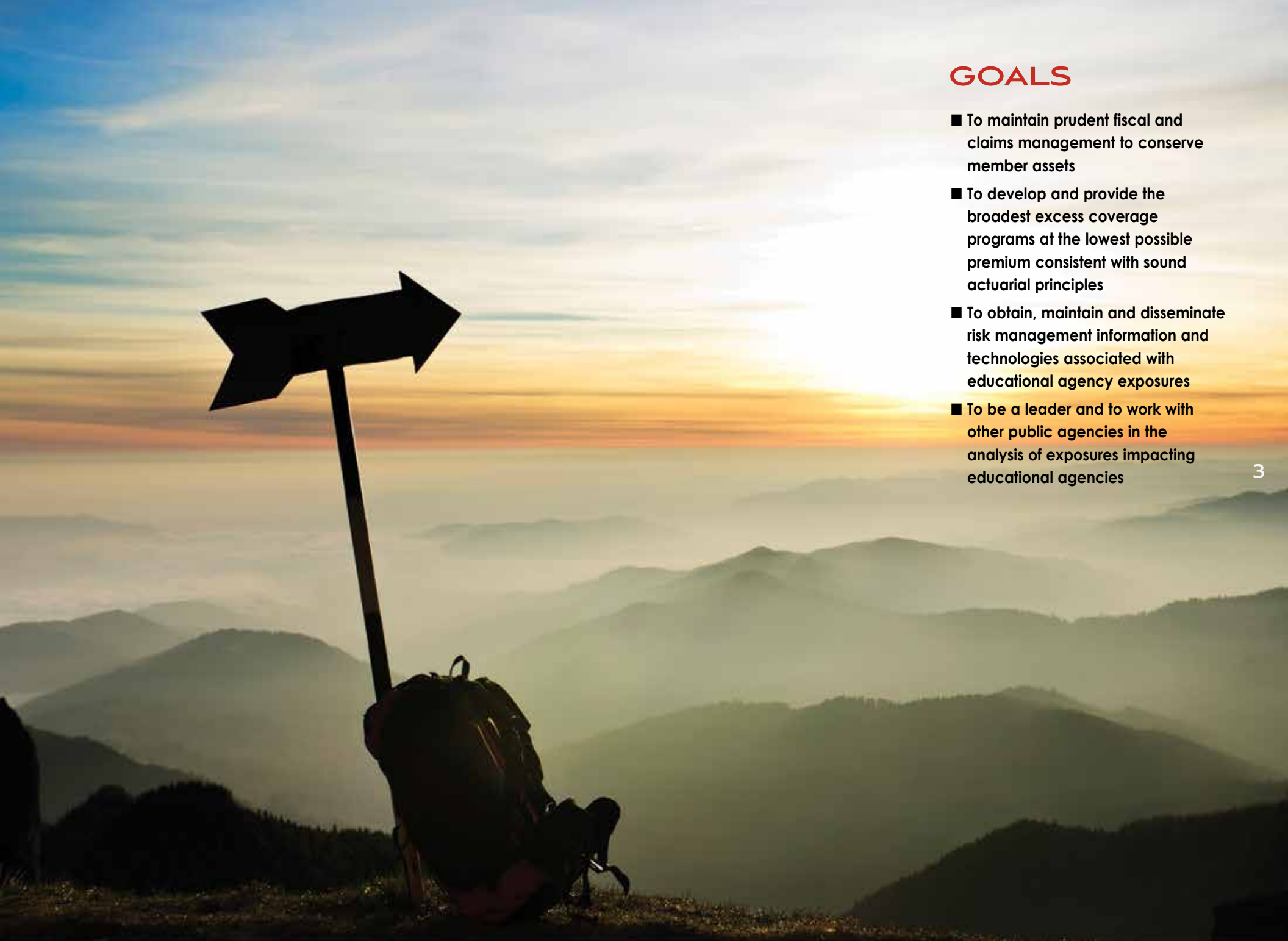
And when preparation and prevention are not enough, and that catastrophic event does occur, SELF will be there to work with its members to prevail over that loss. For more than 28 years, SELF has been financially ready and able to partner with its membership to achieve results that will not diminish the member's primary goal – educating California students.

So just like that mountain climber at basecamp preparing for an adventurous day, SELF will continue to prepare its members for their journey through the perilous wilderness of their day-to-day operations and provide that safety net to catch them should they fall.

As we look back at the 2013/2014 year and forward to the rest of 2014/2015, the SELF Board has again positioned SELF to financially team with its members if and when those perilous events occur.

Eric J. Lucas
Chief Executive Officer

John Didion
Chair



GOALS

- To maintain prudent fiscal and claims management to conserve member assets
- To develop and provide the broadest excess coverage programs at the lowest possible premium consistent with sound actuarial principles
- To obtain, maintain and disseminate risk management information and technologies associated with educational agency exposures
- To be a leader and to work with other public agencies in the analysis of exposures impacting educational agencies

PREPARE

Established in 1986, SELF is entering into its 29th year of protecting California's schools and colleges. Part of the reason SELF has endured for so many years is that it has a Board and staff with the expertise and experience to know how often, and how high, to increase the mandatory core coverage limits in which all members partake.

With the 2014/2015 program year, the SELF Board elected to increase the core limit in the Excess Liability Program from $25 million, where it had been for six years, to $30 million. The increase in limits was structured in such a way that there was no additional cost to the membership. As a result, SELF's Optional Excess Liability layer was moved as well, now starting at $30 million and taking those members who choose to purchase it up to $55 million in limits.

As the leading not-for-profit excess liability solution for the education community, SELF sets the standard for the limits that should be carried to adequately protect a district and the Board takes that responsibility very seriously. Increasing the core involves much thought, planning and deliberation – demonstrated by the fact limits have been increased only five times since the JPA's inception.

SELF Board Chair John Didion said there are three elements that SELF examines when making the decision to increase the limits for the membership. The first comes out of the claims function – what types of claims and injuries are taking place in public schools in California and nationwide; second the Board looks at what kind of capacity is available in the reinsurance markets and determines if there is an interest in the insurance community to increase their participation in the public entity arena; and third, the price tag – does the additional cost make economic sense?

The beauty of belonging to SELF is that the organization purchases collectively and is able to negotiate some fantastic rates for the membership that would not be available on a smaller scale, Didion said.

"The core limit we try to set based upon what we see as the potential losses in those claim areas we all see in schools, " he said.

"The OEL is really catastrophic coverage. What would be our potential liability if we had that catastrophic loss with multiple fatalities?"

And when you have a price associated with the OEL coverage that is not just feasible but attractive to the members and the tax payers, you see participation in that layer more than double as it did this year.

"What it boils down to for all of us in risk management is the best thing you can say to your CEO or Board of Trustees is 'We're covered'," Didion said.

And then there is the best of both worlds – knowing you're covered, but never having to use it.

EXCESS LIABILITY PROGRAM

SELF's Excess Liability Program continues to be the premier and preferred program statewide for California's public schools and colleges. The program, which is the centerpiece of SELF's offerings to its members, uses established methods of loss funding to provide optimal pricing and coverage: pooling - the sharing of losses amongst pool participants and reinsurance – for capacity and protection of pool assets.

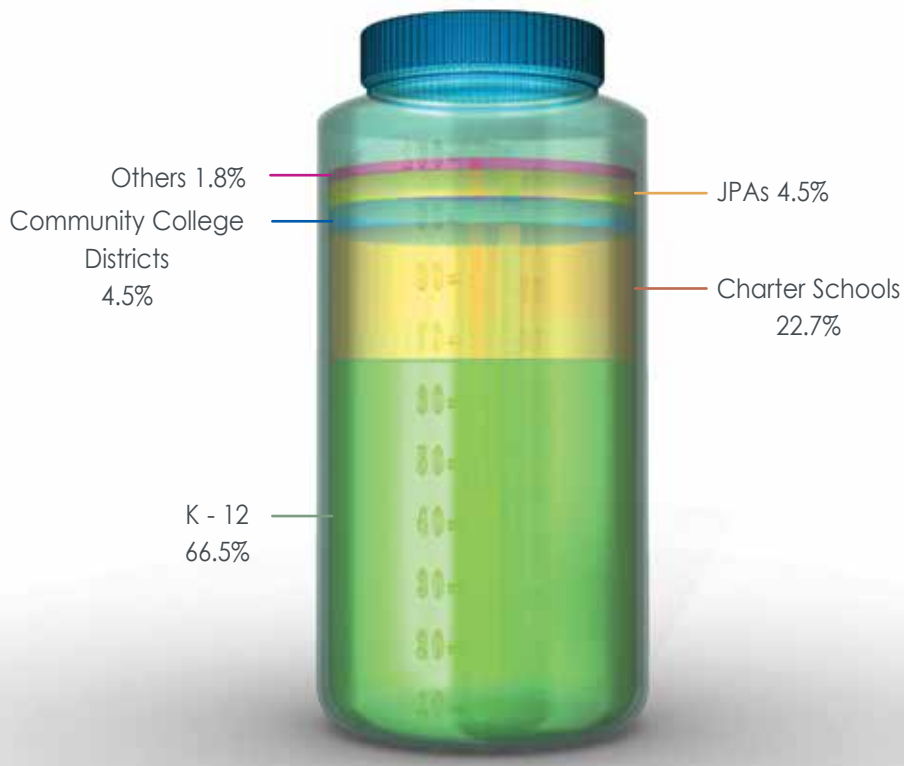
Since its inception in 1986, the program has paid nearly a quarter billion dollars in claims on behalf of members, and in addition has returned in excess of $70 million in dividends and rate credits to its members.

As of 2014/2015, the core program provides members with limits up to $30 million, inclusive of their SIRs, and offers the flexibility of choosing the attachment point that is right for their needs. SELF provided the additional $5 million in limits to its members at no additional cost in 2014/2015.

SELF's Excess Liability Program – which offers attachment points between $1 million and $5 million – focuses on delivering both stability and affordability over the long term. SELF is able to achieve both of these goals through a combination of the long-term commitments to the program made by our members and a vigorous defense of any claims filed against them.

SELF's rates are established by the Board each spring and are based upon sound actuarial principles and studies to provide both adequate funding to the program and facilitate the financial planning of our members.

Excess Liability Program Membership 2013/2014



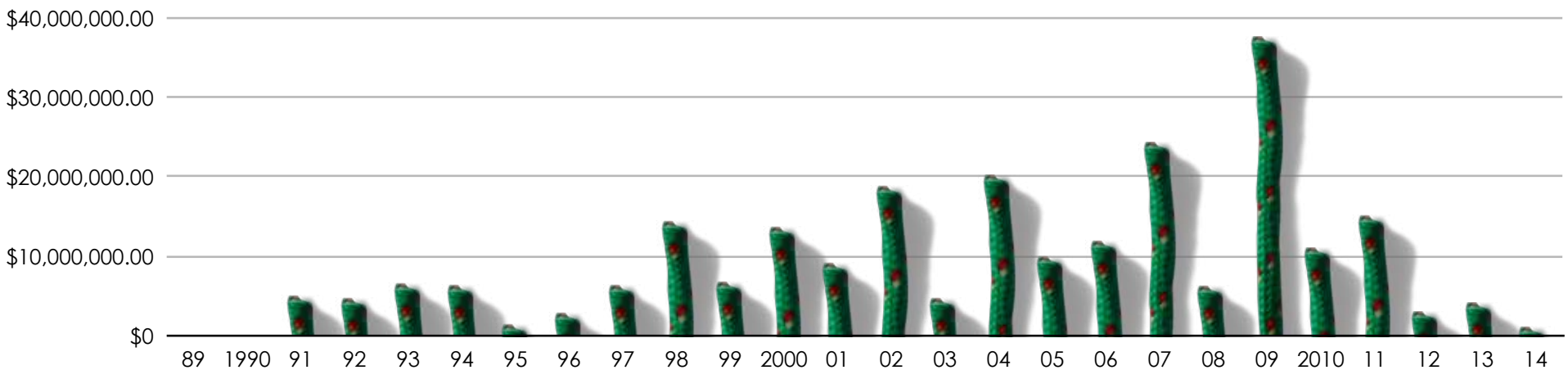
OPTIONAL EXCESS LIABILITY COVERAGE

During the last decade, jury verdicts and settlement awards have continued to skyrocket, reaching sums previously unheard of. Juries are not shy about awarding verdicts in the tens of millions and public entities and schools are not immune to this trend. For those members desiring greater levels of coverage than provided in the core program, SELF offers optional higher limits up to $55 million per occurrence.

More than half of SELF's 2014/2015 covered ADA elect to purchase greater limits through SELF's Optional Excess Liability (OEL) coverage. This additional coverage can be added at any time of year.

CLAIMS TRENDS

Excess Liability Program Payments by Year Paid, 1989-2014
(with recoveries deducted)



You could say that prevention is a way of life for Rick Rinear, Property & Liability Program Manager for the San Diego County Schools Risk Management JPA. He celebrated 22 years with the JPA in October 2014, but has more than four decades of experience in loss control, claims and risk management.

For 41 years, his philosophy of preventing injuries before they occur through training and education has served him, and the schools he supports, well. He has actively used the resources that SELF provides – online training via the SELF Resource Center and My Community Workplace; periodic Good Schools webinars and workshops and product recommendations in the SELF Risk Services Clearinghouse to augment his own safety and risk control measures and provide his members with as many options as possible.

The JPA and its Executive Director Diane Crosier, have long promoted a very strong prevention culture, said Rinear. They implemented the Making Right Choices training – which focuses on promoting awareness and action to prevent sexual misconduct in educational environments - JPA wide and have since expanded the online program to include five other training modules covering a variety of topics.

The Safe School Ambassadors Program, developed by Community Matters, is also available to their members at no additional charge. This innovative, leading edge program trains peer group leaders among the student body to self-monitor and self-patrol their own schools equipped with nonviolent communication and intervention skills, allowing them to take back control from the bullies and aggressors.

InjureFREE, a cloud based injury reporting system for athletes is also taking off at his districts, he said. Coaches can go online and report injuries as they occur as well as get communications from treating doctors. The tool monitors and tracks all reports so an injury doesn't fall through the cracks and the data can be used to pinpoint what injuries are occurring at what schools so that preventative measures can be implemented.

The JPA brought this product to SELF's attention and it was subsequently inducted into the SELF Risk Services Clearinghouse. More information on this and the other programs mentioned here can be found on SELF's website on the Clearinghouse page.

Rick said he really enjoys being in the trenches with the members, training them and getting a hands-on perspective as to the needs they have and the prevention tools best suited to help them. His advice to all schools districts is to take the help wherever you can get it.

"Take advantage of your JPA and your loss control department," Rinear said. "They are there to help you. Give them a call anytime you feel like you need assistance. That's the first place to start."


Rick Rinear

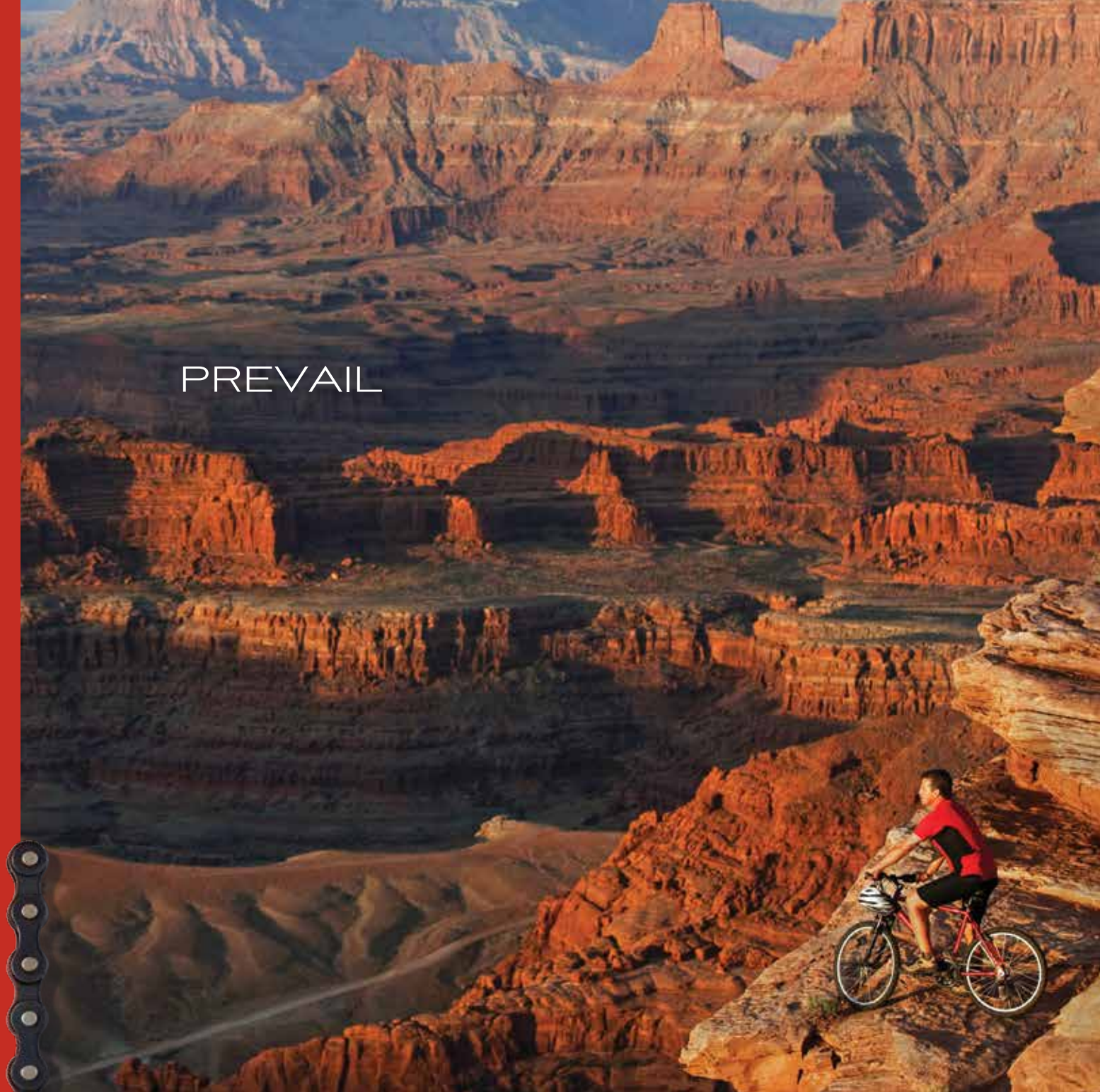
PREVAIL

Since SELF's creation 28 years ago, schools have faced a number of trials and tribulations over which they continue to prevail – we've seen budget cuts, declining ADA, abandonment by the commercial insurance markets and natural disasters – just to name a few, but through it all schools have prevailed.

On the legislative front over the years, schools have also found themselves beleaguered by well-meaning but misguided bills that ultimately would be financially devastating for districts. SELF has not shied from controversy as it strived to make its members voices heard on the Capitol Mall, monitoring 22 bills in 2014, many focusing on student and school health, safety and privacy matters.

In addition SELF mounted a successful legislative effort against Senate Bill 924 (Beall, D-San Jose), which would have extended the statute of limitations on when a victim could file a civil child sex abuse case from age 26 to age 40. SELF argued that the lengthening of time would result in a school agency's inability to defend itself since evidence would likely be lost or disposed of and witnesses would be retired or no longer available.

SELF's CEO Eric Lucas, JD, CPCU, ARM and Munich-Re Senior Vice President Dave Eiser met with the Governor's office to explain how the change would have an immediate fiscal impact on school agencies due to an insurance agency's inability to assess risk, resulting in increased insurance rates, hard caps or exclusions on the level of liability coverage public agencies could obtain. SELF's legislative representative Nancy LaCasse of School Services of California, Inc., coordinated the opposition effort with several of the statewide education associations and joint power agencies (JPAs), which ultimately resulted in the Governor vetoing the bill.



COMMITMENT TO EXCELLENCE

SELF is committed to excellence in both our internal operations and in the relationships we foster with our vendor partners.

Claims Management

The SELF Board brought the Excess Liability Program claims management operations in house in 2010.

Since that time, CEO Eric J. Lucas, JD, CPCU, ARM, and the SELF Board have developed a set of key principles by which SELF's involvement in members' liability claims is guided.

The Claim Management Policy Statement, which is posted on the SELF website, outlines these principles and clearly states what members can expect from SELF in terms of coverage determination and settlement participation. The goal in developing this document was to clearly define SELF's role in claims that reach the SELF layer, to foster trust with the membership and to improve communication.

Reinsurance Partners

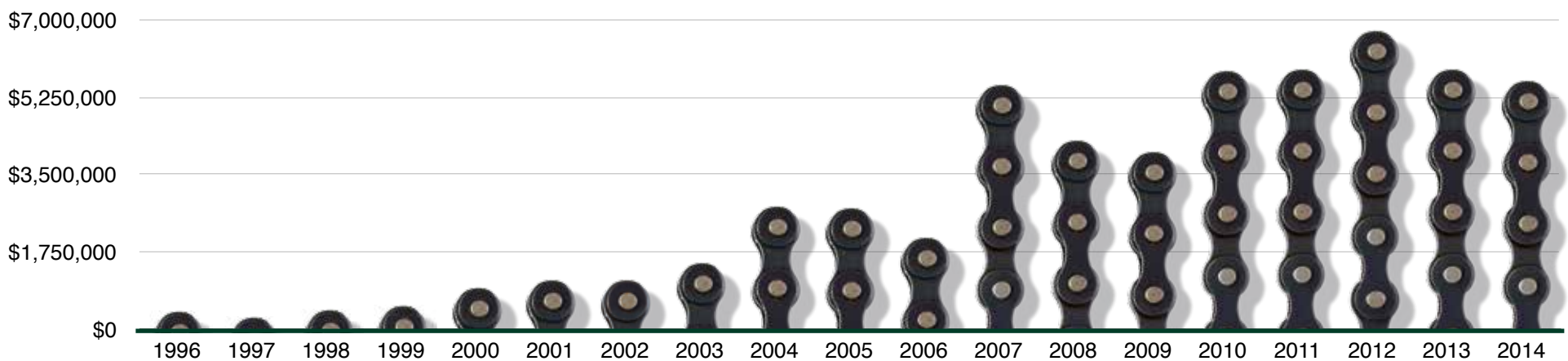
SELF has worked hard to establish solid relationships with each of the reinsurers involved with the core Excess Liability Program layer - $25 million in excess of $5 million and the Optional Excess Liability layer above the core - $25 million in excess of $30 million.

Munich Re, Great American, Allied World Assurance Company (U.S.) Inc., Ironshore, Markel and Lexington Insurance are all continuing partners with SELF and all hold only the highest ratings – A rated or higher – with A. M. Best.

The continuing long-term relationships with these well-capitalized partners further strengthens SELF's financial security.

Excess Workers' Compensation Program - Total Payments by Fiscal Year, 1996-2014

(with recoveries deducted)



The Excess Workers' Compensation Program ceased offering new coverage effective July 1, 2010. SELF assisted the remaining members in the program with finding alternative coverage going forward.

MEMBER RESOURCES

The SELF Board has made an ongoing commitment to provide members with the resources they need to reduce liability in their districts. SELF offers periodic workshops and seminars, interactive online training resources and distributes timely materials to accomplish this goal. SELF also partners with our member JPAs through co-sponsorship of their own training events.

Training Seminars

SELF has been addressing difficult issues affecting California schools through workshops for nearly 16 years. Over time, as the needs of SELF's members changed, the "When Bad Things Happen to Good Schools" seminars were converted from annual live workshops to periodic webinars.

Recently these webinars have focused on liability issues related to the use of volunteers in schools and colleges and the delicate topic of student-on-student sexual assault. Recorded copies of these webinars can be found stored in the Resource Center for viewing at members' leisure.

Risk Management Resource Website

SELF continues to work with long-time partner in2vate llc to provide an interactive risk management resource website to SELF members. The SELF Resource Center is free to all employees of active members.

The Resource Center contains online training courses in Preventing Child Sexual Abuse, Bullying Prevention (including Cyber-bullying), Technology Safety & Security, the mandated California Sexual Harassment Prevention (AB 1825) training and the FACTA Identity Theft "Red Flag" Regulatory Compliance Guidance training. An additional "member's choice" option from in2vate's expansive online training catalogue is also offered as a benefit to SELF members as well as crisis management resources.

SELF Risk Services Clearinghouse

Established in 2010 by the SELF Board, the Risk Services Clearinghouse provides endorsement of approved products that further the interest of SELF and the quality of education and/or environment for student and staff.

SELF evaluates risk and safety related products for the clearinghouse based on key qualities such as measurable results, cost effectiveness and alignment with SELF's core values and goals.

Current inductees include the Safe School Ambassadors Program, an anti-bullying program; Making Right Choices, educator boundary and sexual misconduct training; InjureFREE, a web-based sports injury reporting and tracking application; and most recently Praesidium Inc.'s Abuse Prevention Policy Development and Assessment Services.

Quarterly Newsletter

SELF Awareness provides members with timely updates on SELF's activities and programs, relevant legislative and legal news and valuable risk management information. Nearly half of SELF's members receive this publication by electronic mail.

Program Fact Sheet

In the spring, SELF distributes a useful reference card which summarizes programs and coverage offerings and provides current rates and contact information

Association Partnering

SELF continues to cultivate new relationships and nurture established ones with organizations that are beneficial to its membership.

Legislative Advocacy

SELF partners with School Services of California, Inc. to keep abreast of pending legislation that could have a negative impact on its membership. The SELF Board has taken steps to actively oppose legislation that will hurt California's schools and is committed to pursuing legislative avenues to address concerns of the members.

SELF's Website

SELF maintains a website to provide our members with a convenient source for information and updates on SELF's activities. By visiting our website, you'll be able to obtain rate, program, meeting and training information. You can also request certificates of coverage, determine when to file a claim and access the SELF Resource Center through the website: www.selfjpa.org

BOARD OF DIRECTORS

The SELF Board is independent of any member or sponsoring organization. Board membership is made up of 16 elected representatives and a host of appointed alternates employed by member districts in varied positions from chief business officials, top-level administration, risk management and human resources. The representatives are elected to four-year terms by districts in their respective SELF Areas. Half of the Board is up for election every two years.

COMMITTEES

Executive

The Executive Committee is comprised of the SELF Board Officers and each of the four committee chairs. This committee meets regularly and is kept informed on the workings of the other committees with input from each committee chair. This committee also reviews financial, claims and program information.

Its regular responsibilities include:

- ***Personnel***
- ***Organizational issues***
- ***Policy review***

Left to right:
John Didion, *Chair*
Karla Rhay, *Secretary*
Nancy Anderson, *Member Services & Communications*
Diane Crosier, *Liability Claims & Coverage*
Eva Lueck, *Finance*
Tony Nahale, *Workers' Compensation Claims & Coverage*
Cathy Reineke, *Comptroller*

Not pictured:
Adam Hillman, *Vice Chair*
Michael Gregoryk, *Past Chair, Member-at-large*

Finance

The Finance Committee oversees the fiscal operations of SELF and makes recommendations to the Board that ensure financial stability. It is responsible for:

- ***Financial and investment operations***
- ***Operating budget***
- ***Actuarial and financial audit services***
- ***Rate-setting process***
- ***Equity distribution process***
- ***Vendor contracts and evaluations***

Left to right:
Eva Lueck, *Chair*
Teresa Scott, *Vice Chair*
Toan Nguyen
Wael Elatar , *Alternate*
Peter Hardash, *Alternate*
Renee Hendrick, *Alternate*

Not pictured:
Richard Hare
Kevin McElroy
Christina Aragon, *Alternate*

Liability Claims and Coverage

This committee oversees the liability claims operations of SELF. Its responsibilities include:

- ***Reviewing claims and making recommendations to the Board on settlement or defense of claims***
- ***Determining coverage issues and other activities relating to those claims***
- ***Facilitating and developing cooperative relationships with members and their TPAs***
- ***Annually reviewing the coverage terms and conditions of SELF's Memorandum of Coverage and preparing changes, if any, with input from membership, SELF's Chief Executive Officer, insurance consultants and coverage counsel for the review and approval of the Board of Directors***

Left to right:
Diane Crosier, *Chair*
John Didion, *Vice Chair*
Dave George
Robin Fawkes, *Alternate*
David Flores, *Alternate*

Not pictured:
Adam Hillman
Ashley Fenton
Charlie Ng, *Alternate*

Member Services and Communications

This committee serves as a dynamic resource for developing and disseminating risk management and membership information through effective communication strategies.
It is responsible for:

- ***Risk management information***
- ***Training programs***
- ***SELF website management***
- ***Data collection***
- ***Membership marketing, procurement and retention***

Left to right:
Nancy Anderson, *Chair*
Karla Rhay
Ed Eng, *Alternate*
Susan Harrison *Alternate*

Not pictured:
Denise Smith, *Vice Chair*
Elaine Marshall, *Alternate*

Workers' Compensation Claims and Coverage

This committee oversees the workers' compensation claims operations of SELF. Its responsibilities include:

- ***Reviewing workers' compensation claims and making recommendations to the Board on settlement or defense of claims***
- ***Determining coverage issues and other activities relating to workers' compensation claims***
- ***Facilitating and developing cooperative relationships with members and their TPAs***
- ***Annually reviewing the coverage terms and conditions of SELF's Workers' Compensation Memorandum of Coverage and preparing changes, if any, with input from membership, SELF's Director of Claims, insurance consultants and coverage counsel for the review and approval of the Board of Directors***

Left to right:
Tony Nahale, *Chair*
George Linn
Kristine Kamandulis, *Alternate*
Dan Mellon, *Alternate*
Bev Wilkinson, *Alternate*
Cathy Reineke, *Vice Chair*

FINANCIALS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Members

Report on the Financial Statements

We have audited the accompanying financial statements of Schools Excess Liability Fund as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise Schools Excess Liability Fund's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Schools Excess Liability Fund, as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 18 through 22, the Reconciliation of Claims Liability by Type of Contract on page 32, and the Claims Development Information on pages 33 through 35 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Schools Excess Liability Fund's financial statements. The Combining Statements of Net Position, Combining Statements of Revenues, Expenses and Change in Net Position, and Schedule of Investments are presented for purposes of additional analysis and are not a required part of the financial statements.

The Combining Statements of Net Position, Combining Statements of Revenues, Expenses and Change in Net Position, and Schedule of Investments are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statements of Net Position, Combining Statements of Revenues, Expenses and Change in Net Position, and Schedule of Investments are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2014 on our consideration of Schools Excess Liability Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Schools Excess Liability Fund's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California

October 3, 2014

Management's Discussion and Analysis

Schools Excess Liability Fund (SELF), a member-owned and operated self-insurance pool, has provided coverage to California's public educational community for more than 25 years and currently serves 560 educational entities. Founded in 1986 in response to a nationwide insurance crisis that left most schools unable to purchase or unable to afford excess liability coverage, SELF was designed and created by schools to provide a reliable source for catastrophic coverage. Now more than 25 years later, SELF continues to provide excess liability coverage and claims administration as well as risk management training and resources to its members. The administrative offices are based in Sacramento where SELF has invested in a building that provides additional office space for commercial lease and offers conference facilities at no charge to member entities.

SELF is governed by the membership through an elected Board of 16 active and vigilant representatives and a host of appointed alternates. The Board of Directors is comprised of representatives from K-12 districts, community colleges and county offices of education. From within this group, the Board elects a Chair, Vice Chair, Secretary, Comptroller, and Member-At-Large to serve as an Executive Committee.

SELF's daily operations are administered by a Chief Executive Officer and full-time support staff. The Chief Executive Officer is responsible for the administration of policies as set forth by SELF's organizational documents, Bylaws, and the Board of Directors.

Financial Highlights

The financial position of SELF improved by approximately $7.6 million this year due primarily to net improvements in the estimated outstanding claims less a conscious decision by the board to keep rates low for the liability program. The net position is in excess of $43.9 million.

Description of Financial Statements

SELF operates as an enterprise fund and uses an accrual basis of accounting. This report includes the financial statements for SELF in accordance with the relevant Governmental Accounting Standards and accounting principles generally accepted in the United States of America. Financial statements include amounts based upon reliable estimates and judgments. The annual financial report consists of four parts: Management's Discussion and Analysis, Financial Statements, Notes to the Financial Statements and Supplementary Information.

- The Management's Discussion and Analysis is where SELF's financial activities are explained, based on currently known facts and conditions.
- The Financial Statements include the Statements of Net Position, Statements of Revenues, Expenses and Change in Net Position and the Statements of Cash Flows, using the direct method for the fiscal years ending June 30, 2014 and 2013. These statements give an overall financial picture of SELF compared to the prior fiscal year. These can be used to quickly assess the financial performance over the reported fiscal years.
- The Notes to the Financial Statements are an integral part of the financial statements and provide details on SELF membership, accounting policies, claim reserves, and other information in the statements.
- The Required Supplementary Information provides data on Claims Liabilities by type of contract for the fiscal years ended June 30, 2014 and 2013 and Claims Development Information for self-insured program years by type of fund for the most recent 10 years.
- The Supplementary Information includes Combining Statements of Net Position, and Combining Statements of Revenues, Expenses and Change in Net Position for fiscal years ended June 30, 2014 and 2013. Accounting for the individual funds is maintained internally to show the performance and activity of each fund.

The following are the Condensed Financial Statements for the Excess Liability Program and the Excess Workers' Compensation Program followed by the Combining Statements of Net Position and a Combining Statements of Revenues, Expenses and Change in Net Position.

Condensed Financial Information

Excess Liability Program Statements of Net Position

June 30, 2014, 2013 and 2012 (in thousands)

	2014	2013	2012
ASSETS			
Current assets	$ 7,671	$ 12,293	$ 10,545
Noncurrent assets	42,116	35,899	37,351
Capital assets, net	13	20	25
Total assets	49,800	48,212	47,921
LIABILITIES			
Current liabilities	157	113	169
Unpaid claims and claim adjustment expenses	15,690	15,527	14,094
Total liabilities	15,847	15,640	14,263
NET POSITION			
Net investment in capital assets	-	-	25
Unrestricted	33,953	32,572	33,633
Total net position	$ 33,953	$ 32,572	$ 33,658

Excess Liability Program Statements of Revenues, Expenses & Change in Net Position

For the Years Ended June 30, 2014, 2013 and 2012 (in thousands)

	2014	2013	2012
OPERATING REVENUE			
Member contributions, net	$ 9,874	$ 9,829	$ 10,817
OPERATING EXPENSES			
Provision for claims and claim adjustment expenses	1,283	3,668	1,665
Commercial excess insurance premiums	6,605	6,610	8,296
Contract services	378	271	278
Administrative expenses	1,057	984	1,081
Total operating expenses	9,323	11,533	11,320
Operating income (loss)	551	(1,704)	(503)
NON-OPERATING REVENUE			
Interest income	543	813	1,387
Net change in fair market value of investments	288	(667)	(578)
Other income	-	472	1
Total non-operating revenue	830	618	810
Change in net position	1,381	(1,086)	307
Net position, beginning of year	32,572	33,658	33,351
Net position, end of year	$ 33,953	$ 32,572	$ 33,658

Analysis of Balances and Transactions

Excess Liability Program

The Excess Liability Program has shown net operating income in 2014 as compared to a net operating loss in 2013 and 2012. Structurally the Board has limited the funding rate since the 2008/2009 year when the program was fully reinsured, as a result there have been marginal earnings since. The investment income has been in decline since 2008 due to unfavorable market valuations. However, the current year has improved with a net of $830 thousand of investment earnings. The 2014 year also reflects net reductions of prior year's claim estimates which continues a positive trend.

Condensed Financial Information

Excess Workers' Compensation Program Statements of Net Position

June 30, 2014, 2013 and 2012 (in thousands)

	2014	2013	2012
ASSETS			
Current assets	$ 8,286	$ 10,271	$ 14,142
Noncurrent assets	103,380	106,526	108,129
Capital assets, net	29	-	-
Total assets	111,695	116,797	122,271
LIABILITIES			
Current liabilities	294	340	371
Unpaid claims and claim adjustment expenses	102,710	113,981	118,018
Total liabilities	103,004	114,321	118,389
NET POSITION			
Net investment in capital assets	-	-	-
Unrestricted	8,691	2,476	3,882
Total net position	$ 8,691	$ 2,476	$ 3,882

Excess Workers' Compensation Program Statement of Revenues, Expenses & Change in Net Position

For the years ended June 30, 2014, 2013 and 2012 (in thousands)

	2014	2013	2012
OPERATING REVENUE			
Member contributions	$ -	$ -	$ -
Member assessment	-	1,000	4,511
Total operating revenues	-	1,000	4,511
OPERATING EXPENSES			
Provision for claims and claim adjustment expenses	(5,716)	1,861	(266)
Commercial reinsurance premiums	-	-	11
Contract services	139	156	91
Administrative expenses	348	469	452
Total operating expenses	(5,229)	2,486	288
Operating income (loss)	(5,229)	(1,486)	4,223
NON-OPERATING REVENUE			
Interest income	515	979	1,257
Net change in fair value of investments	471	(842)	(86)
Other income	-	(57)	-
Total non-operating revenues	986	80	1,171
Change in net position	6,215	(1,406)	5,394
Net position, beginning of year	2,476	3,882	(1,512)
Net position, end of year	$ 8,691	$ 2,476	$ 3,882

Excess Workers' Compensation Program

The workers' compensation program is in run-off since 2010, meaning SELF has not provided excess workers' compensation coverage since July 1, 2010. In 2013, the Board re-evaluated the funding for the Excess Workers' Compensation Program and approved a revised ten year funding model. The net increase in the recognized assessment was $1 million. Although the financial statements reflect an increase in the provision for claims for Excess Workers' Compensation of $1.8 million, only about $300 thousand of that was actual claims development as estimated by the actuary and the remainder reflects the unwinding of the discounted claim value that will occur each year until settlement of the liability. In 2014, the actuarial assumptions changed reflecting the revised cash flows related to the assessment plan approved by the Board. This change reduced the net present value of the claims liability as reflected on the financial statements. Investment income has continued to erode based on the low market yields on available investments. The long-term interest rate assumption of 2.75% assumes that the future investment earnings will be sufficient to fund the discounted claims value.

Combined Programs
Condensed Financial Information

Statements of Net Position
June 30, 2014, 2013 and 2012 (in thousands)

	2014	2013	2012
ASSETS			
Current assets	$ 15,810	$ 22,355	$ 24,569
Noncurrent assets	145,496	142,425	145,480
Capital assets, net	1,440	1,463	1,461
Total assets	162,746	166,243	171,510
LIABILITIES			
Current liabilities	453	455	542
Unpaid claims and claim adjustment expenses	118,400	129,508	132,112
Total liabilities	118,853	129,963	132,654
NET POSITION			
Net investment in capital assets	1,440	1,463	1,461
Net position	42,453	34,817	37,395
Total net position	$ 43,893	$ 36,280	$ 38,856

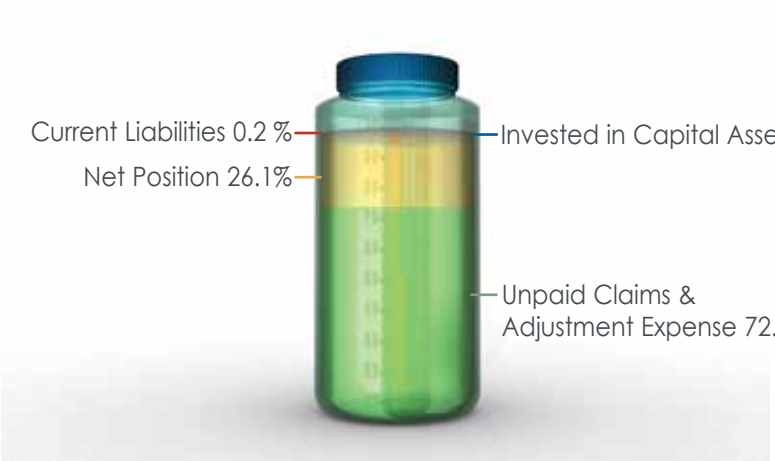
Statement of Revenues, Expenses & Change in Net Position
For the Years Ended June 30, 2014, 2013 and 2012 (in thousands)

	2014	2013	2012
OPERATING REVENUE			
Member contributions, net	$ 9,874	$ 10,829	$ 15,328
OPERATING EXPENSES			
Provision for claims and claim adjustment expenses	(4,433)	5,529	1,399
Commercial reinsurance premiums	6,605	6,610	8,307
Contract services/administrative expenses	2,027	2,026	2,035
Total operating expenses	4,199	14,165	11,741
Operating income (loss)	5,675	(3,336)	3,587
NON-OPERATING REVENUE			
Rental income	122	62	35
Interest income	1,058	1,706	2,644
Net change in fair value of investments	758	(1,423)	(664)
Other Income	-	415	4
Total non-operating revenues	1,938	760	2,019
Change in net position	7,613	(2,576)	5,606
Net position, beginning of year	36,280	38,856	33,250
Net position, end of year	$ 43,893	$ 36,280	$ 38,856

Condensed Financial Information

Liabilities & Net Position

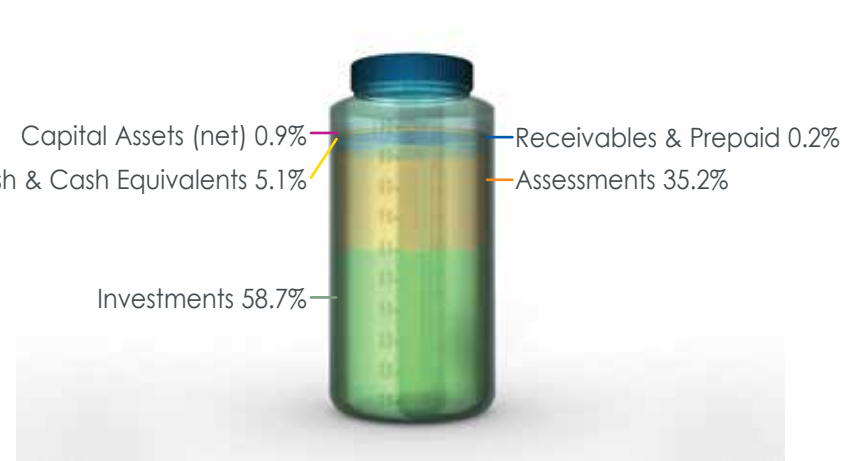
June 30, 2014



Condensed Financial Information

Assets

June 30, 2014



Analysis of Overall Financial Position and Results of Operations

SELF paid $6.7 and $8.1 million in claims on behalf of both programs during 2014 and 2013, respectively. SELF's total assets decreased by approximately $3.5 million from the prior year. Total liabilities decreased by approximately $11.1 million.

SELF's total net position for all programs increased approximately $7.6 million. The net position of the Excess Liability Program increased by approximately $1.4 million and the Excess Workers' Compensation Program net position increased by approximately $6.2 million.

Member contributions for SELF (without regard to assessments) increased by approximately $45 thousand compared to the 2012/2013 year. This increase was due to changes in overall ADA in the Excess Liability Program.

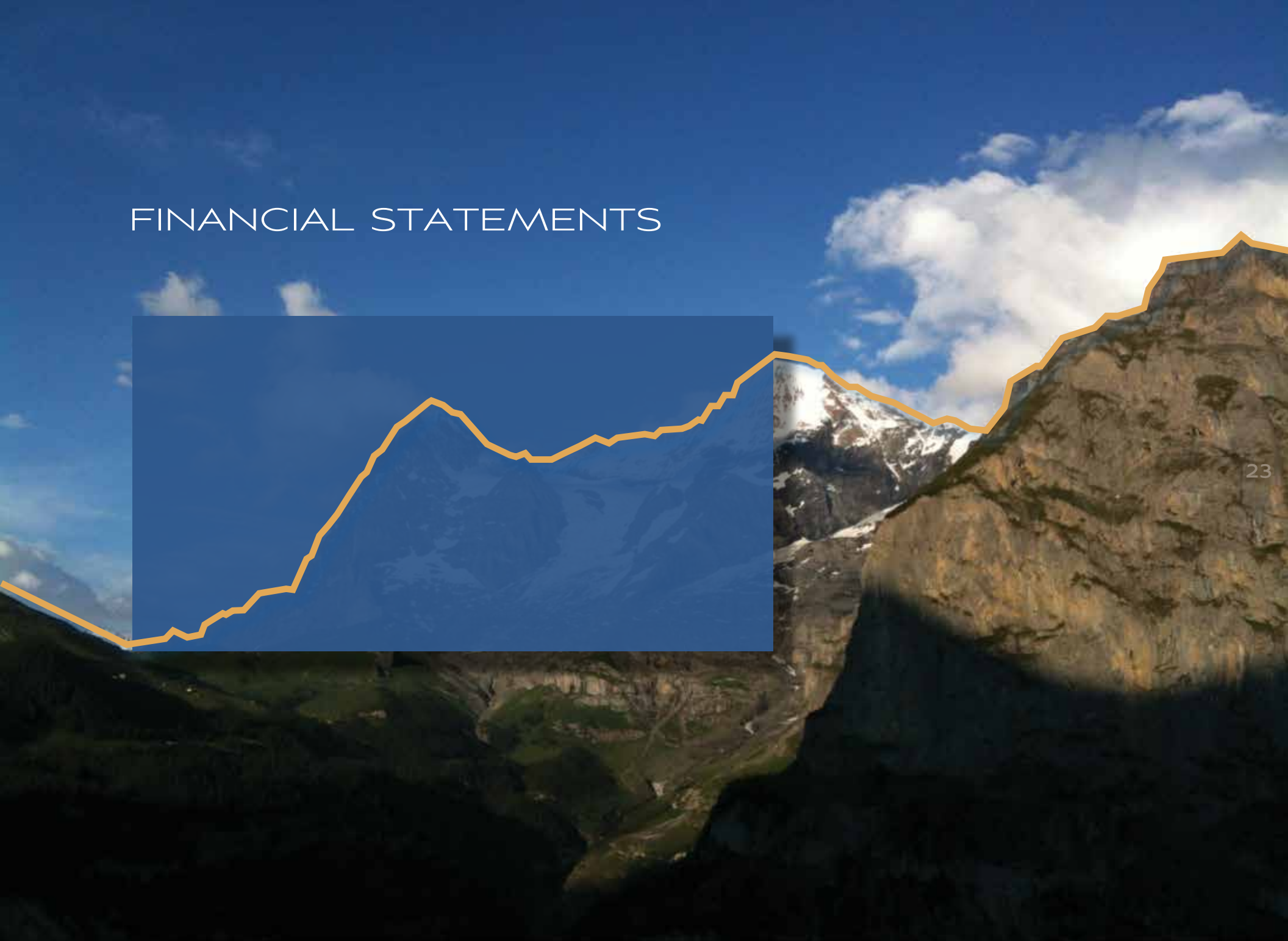
Overall, program expenses decreased by $2.1 million. This decrease in expense was due to a favorable claims development and certain reductions in operating costs as compared to the prior year.

Discussion of Capital Assets

The majority of SELF's capital assets are invested in a building located in downtown Sacramento. The building houses SELF's administrative offices and a 1,000 square foot conference center that is made available to SELF's members. Forty-five percent of SELF's building is leased to third parties under non-cancellable leases.

There are commitments made for capital expenditure in the next year that involve the refurbishing of the conference room facility, elevator and other building improvements. These improvements are expected to cost about $250 thousand dollars.

FINANCIAL STATEMENTS



Statements of Net Position

June 30, 2014 and 2013 (in thousands)

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	$ 8,291	$ 7,982
Receivables:		
Interest and other receivables	305	250
Member receivables	-	5
Investments maturing within one year (Note 2)	802	7,716
Current portion of member assessment receivable (Note 3)	6,374	6,355
Prepaid expenses	38	47
Total current assets	15,810	22,355
Investments, less portion maturing within one year (Note 2)	94,653	85,227
Member assessment receivable (Note 3)	50,843	57,198
Capital assets (Note 4):		
Investment in building, net of accumulated depreciation of $1,495 and $1,871 for 2014 and 2013, respectively	1,398	1,409
Furniture and equipment, net of accumulated depreciation of $304 and $317 for 2014 and 2013, respectively	42	54
Total non-current assets	146,936	143,888
Total assets	162,746	166,243
LIABILITIES		
Current liabilities:		
Accounts payable	453	455
Current portion of unpaid claims and claim adjustment expenses (Note 5)	9,900	6,900
Total current liabilities	10,353	7,355
Unpaid claims and claim adjustment expenses (Note 5)	108,500	122,608
Total liabilities	118,853	129,963
Contingencies (Note 8)		
NET POSITION		
Net position:		
Net Investment in capital assets (Note 4)	1,440	1,463
Unrestricted (Note 7)	42,453	34,817
Total net position	$ 43,893	$ 36,280

See accompanying notes to financial statements.

Statements of Revenues, Expenses & Change in Net Position

For the Years Ended June 30, 2014 and 2013 (in thousands)

	2014	2013
OPERATING REVENUES:		
Member contributions	$ 9,874	$ 9,829
Member assessment (Note 3)	-	1,000
Total operating revenues	9,874	10,829
OPERATING EXPENSES:		
Provision for claims and claim adjustment expenses (Note 5)	(4,433)	5,529
Commercial reinsurance premiums	6,605	6,610
	2,172	12,139
General and administrative expenses:		
Contract services	517	427
Personnel costs (Note 6)	928	1,036
Administrative expenses	311	307
Travel	112	122
Office costs	15	15
Printing and postage	19	20
Depreciation (Note 4)	125	99
Total general and administrative expenses	2,027	2,026
Total operating expenses	4,199	14,165
Operating income (loss)	5,675	(3,336)
NON-OPERATING REVENUES:		
Rental income	122	62
Investment income	1,816	283
Other income	-	415
Total non-operating revenues	1,938	760
Change in net position	7,613	(2,576)
Net position, beginning of year	36,280	38,856
Net position, end of year	$ 43,893	$ 36,280

See accompanying notes to financial statements.

Statements of Cash Flows

For the Years Ended June 30, 2014 and 2013 (in thousands)

	2014	2013
Cash flows from operating activities:		
Cash received from members and others	$ 16,215	$ 16,207
Cash paid for claims and settlements	(6,675)	(8,133)
Cash paid for reinsurance	(6,596)	(6,609)
Cash paid to suppliers for goods and services	(976)	(924)
Cash paid for employees services	(928)	(1,036)
Net cash provided by (used in) operating activities	1,040	(495)
Cash flows used in capital and related financing activities:		
Capital expenditures for building, furniture and equipment	(102)	(101)
Cash flows from investing activities:		
Securities purchased	(75,917)	(98,353)
Securities sold and matured	74,163	98,169
Rental income received	122	62
Interest received	1,003	1,916
Net cash (used in) provided by investing activities	(629)	1,794
Net increase in cash and cash equivalents	309	1,198
Cash and cash equivalents, beginning of year	7,982	6,784
Cash and cash equivalents, end of year	$ 8,291	$ 7,982
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	$ 5,675	$ (3,336)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	125	99
Decrease in member receivables	5	135
Decrease in assessment receivable	6,336	4,882
Decrease in prepaid expenses	9	1
Decrease in accounts payable	(2)	(33)
Decrease in deferred contributions	-	(54)
Decrease in unpaid claims and claim adjustment expenses	(11,108)	(2,604)
Other income	-	415
Total adjustments	(4,635)	2,841
Net cash provided by (used in) operating activities	$ 1,040	$ (495)
Supplemental schedule of non cash investing activities:		
Change in fair value of investments	$ 510	$ (2,516)

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Description

Schools Excess Liability Fund (SELF) is a statewide Joint Powers Agency established as a program to pool excess liability and workers' compensation coverage for participating California public educational agencies. Effective July 1, 2010, SELF no longer offered an Excess Workers' Compensation Program. SELF will continue to provide administration of this program through the claims run-out period. Participation in SELF is voluntary, and members must remain in the program for three fiscal years before they are eligible to withdraw.

Membership

Under the SELF Joint Powers Agreement, member districts must make a three-year commitment to participate in SELF. Mid-term cancellation or withdrawal is not permitted and members' annual contributions are due in advance. As such, all contributions are earned evenly over the applicable coverage year. Withdrawing districts may be entitled to a refund under certain conditions five years after withdrawal. There were no amounts held for member withdrawal at June 30, 2014 and June 30, 2013.

SELF's Excess Liability Program membership currently consist of approximately 560 public educational entities including school districts, county offices of education, community college districts, charter schools, regional occupational programs and education affiliated joint powers authorities.

The Excess Workers' Compensation Program was discontinued by the Board in 2010, however at the height of the program the covered payroll was more than $8.2 billion with membership consisting of entire JPAs, individual school districts and community college districts.

Basis of Accounting

The accompanying financial statements are presented as a proprietary fund on the accrual basis of accounting in accordance with Governmental Generally Accepted Accounting Principles. 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 and member assessments. 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.

Fund Accounting

The accounts of SELF are organized on the basis of funds, each of which is considered to be a separate accounting entity. SELF's funds have been combined for the presentation of the financial statements. The operation of each fund is accounted for by providing a set of separate self-balancing accounts that comprised its assets, liabilities, net position, revenues and expenses. SELF maintains three funds that are considered proprietary/enterprise funds. 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.

Programs

Excess Liability

Since 1986 SELF has provided excess liability coverage to schools and community colleges.

Years Ending	Member Retentions	SELF Layer
1986 – 1989	$1M	$1M – $10M
1990	$1M – $5M	$1M – $12.5M
1991 – 2006	$1M – $5M	$1M – $15M
2007 – 2008	$1M – $5M	$1M – $20M
2009	$1M – $5M	Fully Insured
2010 – 2014	$1M – $5M	$1M – $25M

With optional purchased coverage:

Option 1	$20M in excess of $25M
Option 2	$25M in excess of $25M

Excess Workers' Compensation

On July 1, 1989 SELF added excess workers' compensation coverage.

Years Ending	Member Retentions	SELF Retention
1990 –1999	$250K – $2M	$2M
2000 – 2004	$250K – $1M	$1M
2004 – 2010	$350K – $1M	$1M

2010 was the last year SELF offered excess workers' compensation insurance coverage.

Excess Insurance

SELF enters into excess insurance agreements whereby it cedes various amounts of risks to another entity. Risks ceded are treated as though they are not risks for which SELF is liable.

Cash Equivalents

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

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. Significant estimates for SELF include unpaid claims and claim adjustment expense and member assessment receivable. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Investment in Building, Furniture and Equipment

Building, furniture and equipment are carried at cost. Depreciation is determined using the straight-line method, over the useful lives of the related assets. The useful lives of the building and improvements are estimated to be thirty years. SELF has forty-five percent of the building available to lease to third parties under noncancellable leases.

The useful lives of furniture and equipment are estimated to be five years. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the statement of revenues, expenses and change in net position for the period. The cost of maintenance and repairs is charged to expense as incurred.

SELF does not believe there to be any impairment of its capital assets at June 30, 2014.

Investments and Investment Pools

SELF records its cash in Local Agency Investment Fund (LAIF) and its other investments at fair value. Changes in fair value are reported as non-operating revenue in the statement of revenues, expenses and change in net position. The effect of recording investments and LAIF at fair value is reflected as a component of investment income on the statement of revenues, expenses and change in net position.

Fair value of investments and LAIF has been determined by the sponsoring government based on quoted market prices. SELF's investment in LAIF has been valued based on the relative fair value of the entire external pool to the external pool's respective amortized cost.

Member Assessment Receivable

SELF's JPA Agreement allows for assessments to address deficit position assets. Assessments are based on a pro rata share of each member's contribution for each policy year assessed. In the event that a member fails to meet their payment schedule, the member shall be charged interest in a manner and amount earned on funds deposited in LAIF, at the time the member is delinquent.

Provisions for Unpaid Claims and Claim Adjustment Expenses

SELF's policy is to establish unpaid claims and claim adjustment expenses based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage, subrogation and reinsurance recoverable on unpaid claims are deducted from the liability. SELF increases the liability for allocated and unallocated claim 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 unpaid claims and claim adjustment expenses does not necessarily result in an exact amount, particularly for excess coverages. Unpaid claims and claim adjustment expenses are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, other economic and social factors and estimated payment dates. Adjustments to unpaid claims and claim adjustment expenses are charged or credited to expense in the period in which they are made. The current portion of the claims liabilities has been estimated by an independent actuary using cash flow projections and current claims information.

Member Contributions

Operating revenues and expenses include all activities necessary to achieve the objectives of SELF and result from exchange transactions associated with the principle activity of the fund. Exchange transactions are those in which each party receives and give up essentially equal values. Non-operating revenues and expenses include investment activities, building income from non-exchange and other non-essential activity.

Commercial Reinsurance Premiums

It is the policy of SELF to purchase additional insurance which covers losses greater than the limits of SELF's excess coverage. Such additional insurance coverage is offered to members through an Optional Excess Liability offering (OEL). The OEL premium is reported as part of Member Contributions.

SELF purchased specific excess insurance from $1,000 to $2,000 for employers' liability coverage.

Income Taxes

SELF is an organization comprised of public agencies and is exempt from Federal income and California franchise taxes. Accordingly, no provision for Federal or state income taxes has been made in the accompanying financial statements.

Note 2. Cash, Cash Equivalents and Investments

(in thousands)

Cash, cash equivalents and investments as of June 30, 2014 and 2013 are reported at fair value and consisted of the following:

	Rating	2014	2013
Cash and cash equivalents:			
Cash in bank		$ 428	$ 5,455
Money Market		321	988
Local Agency Investment Fund		7,542	1,539
Total cash and cash equivalents		8,291	7,982
Investments:			
United States Agency – FHLB, FNMA, FHLMC	AA+	49,775	38,423
Corporate Notes	AAA, AA+, A+, AA, A, A-, AA-	27,374	29,298
U.S. Treasury	TSY	-	2,074
Certificates of deposit	A+, A-1	14,954	20,500
Municipal bonds and notes	AA+, AAA, AA	3,352	2,648
Total investments		95,455	92,943
Total cash, cash equivalents and investments		$ 103,746	$ 100,925
Reconciliation to statement of net position:			
Current assets:			
Cash and cash equivalents		$ 8,291	$ 7,982
Investments		802	7,716
		9,093	15,698
Non-current assets:			
Investments		94,653	85,227
Total		$ 103,746	$ 100,925

(continued)

Note 2. Cash, Cash Equivalents and Investments (continued)

Custodial Credit Risk

Cash balances held in banks are insured up to $250 by the FDIC. At June 30, 2014, the carrying amount of SELF's accounts was $428 and bank balances were $1,002. Of the bank balances, $752 were not covered by FDIC insurance, but are fully collateralized.

Money Market

SELF has a portion of its cash and cash equivalents in a money market account at a third party custodian. The money market account is not covered by FDIC insurance, but is fully collateralized.

Local Agency Investment Fund

SELF places certain funds with the State of California's Local Agency Investment Fund (LAIF). SELF is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the State and invests the cash. The fair value of SELF's investment in the pool is reported in the accompanying financial statements based upon SELF's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). Because the Group's deposits are maintained in a recognized Pooled Investment Fund (Fund) under the care of a third party and the Group's share of the pool does not consist of specific, identifiable investment securities owned by the Group, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account within twenty-four hours notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by Federal agencies, government-sponsored enterprises and corporations. LAIF is administered by the State Treasurer. As of June 30, 2014, this Fund was yielding approximately 0.25% interest annually. LAIF investments are audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall; Sacramento, California 95814. The Pooled Money Investment Board has established policies, goals and objectives to make certain that their goal of safety, liquidity and yield are not jeopardized.

Investment Interest Rate Risk

SELF's investment policy limits investment maturities to a maximum of five years, with Board approval for any investment purchase with a maturity beyond five years as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at June 30, 2014 consist of the following:

		Maturity	
	Fair Value	Less Than One Year	Between One and Five Years
Investment maturities:			
United States Agency – FHLB, FNMA, FHLMC	$ 49,775	$ -	$ 49,775
Corporate Notes	27,374	-	27,374
Certificates of deposit	14,954	500	14,454
Municipal bonds and notes	3,352	302	3,050
	$ 95,455	$ 802	$ 94,653

Maturities of investments held at June 30, 2013 consist of the following:

		Maturity	
	Fair Value	Less Than One Year	Between One and Five Years
Investment maturities:			
United States Agency – FHLB, FNMA, FHLMC	$ 38,423	$ 1,010	$ 37,413
Corporate Notes	29,298	1,998	27,300
U.S. Treasury	2,074	-	2,074
Certificates of deposit	20,500	4,105	16,395
Municipal bonds and notes	2,648	603	2,045
	$ 92,943	$ 7,716	$ 85,227

Investment Credit Risk

SELF's investment policy limits investment choices to obligations of the United States Treasury, its agencies and instrumentalities, corporate medium-term notes, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances and repurchase agreements. At June 30, 2014 and 2013, all investments represented governmental securities which were issued, registered and held by SELF's agent in the Agency's name.

(continued)

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

CONCENTRATION OF INVESTMENT CREDIT RISK

SELF policy is to attempt to limit investments in any one bank or corporation to no more than 5% of SELF's total investments, in order to minimize risk. At June 30, 2014 and 2013, SELF had the following investments that represent more than five percent of the SELF's net investments:

	2014	2013
FNMA	35%	36%
FHLMC	10%	10%
Tenn Valley Authority	5%	5%

3. MEMBER ASSESSMENT RECEIVABLE

Adverse loss development and increases in the incurred but not reported (IBNR) claims liability resulted in a deficit fund position, for certain policy years, in the Excess Workers' Compensation Program. Although the program has assets for continued operation, the board approved an assessment of Excess Workers' Compensation as provided in SELF's JPA Agreement. Assessments are based on a pro rata share of each member's contributions for each year assessed. The assessment plan provides for collection from members for the ten year period from 2012/2013 through 2021/2022 with a review of funding status in the 2017/2018 fiscal year. At June 30, 2014 and 2013 SELF made no allowance for uncollected accounts as management estimated the accounts to be materially collectable. The assessment receivables at June 30, 2014 and 2013 are as follows:

	2014	2013
Member assessment receivable	$ 57,217	$ 63,553
Less current portion of member assessment receivable	(6,374)	(6,355)
Member assessment receivable, non-current	$ 50,843	$ 57,198

4. CAPITAL ASSETS

Activity for capital assets for the years ended June 30, 2014 and 2013 included the following:

	2014	2013
Capital assets, net of depreciation – beginning of year	$ 1,463	$ 1,461
Purchases	102	101
Current year depreciation	(125)	(99)
Capital assets, net of depreciation – end of year	$ 1,440	$ 1,463
Investment in building, net of accumulated depreciation	$ 1,398	$ 1,409
Furniture and equipment, net of accumulated depreciation	42	54
	$ 1,440	$ 1,463

5. UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

As discussed in Note 1, SELF established a liability for both reported and unreported insured events for the Excess Workers' Compensation and the Excess Liability programs. The following represents changes in those aggregate liabilities during the years ended June 30, 2014 and 2013:

	2014	2013
Unpaid claims and claim adjustment expenses, beginning of year	$ 129,508	$ 132,112
Incurred claims and claim adjustment expenses:		
Provision for covered events of current year	2,740	6,062
Change in the provision for covered events of prior years	(7,173)	(533)
Total incurred claims and claim adjustment expenses	(4,433)	5,529
Payments:		
Claims and claim adjustment expenses attributable to covered events of current year	-	-
Claims and claim adjustment expenses attributable to covered events of prior years	6,675	8,133
Total payments	6,675	8,133
Total unpaid claims and claim adjustment expenses, end of year	$ 118,400	$ 129,508

The components of the unpaid claims and claim adjustment expenses as of June 30, 2014 and 2013 were as follows:

	2014	2013
Reported claims	$ 79,013	$ 85,580
Claims incurred but not reported	33,131	38,057
Unallocated loss adjustment expenses (ULAE)	6,256	5,871
	118,400	129,508
Less current portion	(9,900)	(6,900)
	$ 108,500	$ 122,608

At June 30, 2014 and 2013, this liability was reported at present value using an expected future investment yield assumption of 1.75% for the Liability Program and 2.75% for the Workers' Compensation Program. The workers' compensation discount rate has been adjusted for the years ended June 30, 2014 and 2013 to reflect the fact that a portion of the necessary assets is not available. The undiscounted liability was $144,736 and $149,634 at June 30, 2014 and 2013, respectively.

(continued)

NOTE 6 – EMPLOYEE RETIREMENT PLAN

Plan Description

SELF contributes to the Miscellaneous 2% at 55 Risk Pool under the California Public Employees' Retirement System (CalPERS), 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. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office at 400 P Street; Sacramento, California 95814.

Funding Policy

New employees hired after January 1, 2013 are subject to the California Public Employees' Pension Reform Act of 2013 (PEPRA) and related statutory changes. PEPRA requires contributions from employees to the defined benefit plan equal to one-half of normal cost of the plan. For 2013/2014 employees subject to the PEPRA regulations are required to contribute 6.25% of their annual covered salary. Participants not subject to PEPRA are required to contribute 7% of their annual covered salary. Under a 2006 Board resolution, SELF makes the contribution required of SELF management staff on their behalf and for their account. SELF is required to contribute at an actuarially determined rate. SELF's contribution rate on covered payroll for PEPRA employees is 6.25%, as required by law and 13.369% for all other employees for the year ended June 30, 2014. The contribution requirement of plan members and SELF are established and may be amended by CalPERS and related statutory changes. For the years ended June 30, 2014 and 2013, SELF's annual pension cost of $117 and $116 thousand, respectively.

NOTE 7 – DESIGNATED NET POSITION

The Board of Directors established the designation for contingency at the actuary's recommendation, to provide extra protection to the fund, and to further reduce the level of risk to members. There is no such designation for the year ended June 30, 2014.

		2013
Designated for contingency	$	34,667
Designated for errors and omissions		150
Designated for building improvements		-
Designated net position	$	34,817

8. CONTINGENCIES

SELF 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 SELF.

REQUIRED SUPPLEMENTARY INFORMATION

Excess Liability Program

Reconciliation of Claims Liabilities by Type of Contract

For the Years Ended June 30, 2014 and 2013 (in thousands)

	2014	2013
Unpaid claims and claim adjustment expenses at beginning of year	$ 15,527	$ 14,094
Incurred claims and claim adjustment expenses:		
Provision for covered events of current year	2,740	6,062
Change in provision for covered events of prior years	(1,457)	(2,394)
Total incurred claims and claim adjustment expenses	1,283	3,668
Payments:		
Claims and claim adjustment expenses attributable to covered events of current year	-	-
Claims and claim adjustment expenses attributable to covered events of prior years	1,120	2,235
Total payments	1,120	2,235
Total unpaid claims and claim adjustment expenses, end of year	$ 15,690	$ 15,527

The components of the unpaid claims and claim adjustment expenses as of June 30, 2014 and 2013 were as follows:

	2014	2013
Reported claims	$ 7,910	$ 7,590
Claims incurred but not reported	6,840	7,002
Unallocated loss adjustment expenses	940	935
	$ 15,690	$ 15,527

Excess Workers' Compensation Program

Reconciliation of Claims Liabilities by Type of Contract

For the Years Ended June 30, 2014 and 2013 (in thousands)

	2014	2013
Unpaid claims and claim adjustment expenses at beginning of year	$ 113,981	$ 118,018
Incurred claims and claim adjustment expenses:		
Provision for covered events of current year	-	-
Change in provision for covered events of prior years	(5,716)	1,861
Total incurred claims and claim adjustment expenses	(5,716)	1,861
Payments:		
Claims and claim adjustment expenses attributable to covered events of current year	-	-
Claims and claim adjustment expenses attributable to covered events of prior years	5,555	5,898
Total payments	5,555	5,898
Total unpaid claims and claim adjustment expenses, end of year	$ 102,710	$ 113,981

The components of the unpaid claims and claim adjustment expenses as of June 30, 2014 and 2013 were as follows:

	2014	2013
Reported claims	$ 71,103	$ 77,990
Claims incurred but not reported	26,291	31,055
Unallocated loss adjustment expenses	5,316	4,936
	$ 102,710	$ 113,981

See independent auditor's report.

Claims Development Information

For the Years Ended June 30, 2014 and 2013

The tables that follow illustrate how the Fund's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Fund as of the end of each of the previous ten years for the Liability and Workers' Compensation Programs. The rows of the tables are defined as follows:

1. Total of each fiscal year's gross earned premiums, rate credits, amounts of premiums ceded, and reported premiums (net of reinsurance) and reported investment revenue allocated to each policy year.
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 reinsurers, 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 policy year).
4. Cumulative net amounts paid as of the end of successive years for each policy year.
5. Latest reestimated amount of losses assumed by reinsurers for each policy year.
6. Policy year's net incurred claims as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
7. Compares the latest reestimated net incurred claims amount to the amount originally established (line 5) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.
8. Outstanding unpaid claims and claim adjustment expenses as of June 30, 2014 for each policy year.

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

(continued)

Excess Liability Program
Claims Development Information
June 30, 2014
(in thousands)

Fiscal and Policy Year Ended June 30,

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
(1) Premiums revenue:										
Earned	$ 21,400	$ 23,820	$ 17,198	$ 10,600	$ 9,998	$ 14,268	$ 11,376	$ 10,817	$ 9,829	$ 9,874
Ceded (by policy year)	(2,188)	(2,465)	(2,999)	(3,017)	(7,955)	(10,345)	(7,997)	(8,296)	$ (6,610)	$ 6,602
Cumulative interest earned (by policy year)	5,964	6,718	3,330	1,878	155	293	90	57	57	31
Net earned contribution and investment income	$ 25,176	$ 28,073	$ 17,529	$ 9,461	$ 2,185	$ 4,177	$ 3,469	$ 2,559	$ 3,244	$ 16,507
(2) Unallocated expenses	$ 1,634	$ 1,460	$ 1,508	$ 1,320	$ 1,396	$ 1,777	$ 1,406	$ 1,369	$ 1,265	$ 1,473
(3) Estimated incurred claims and expenses, end of policy year:										
Incurred	$ 8,638	$ 14,916	$ 7,648	$ 3,454	$ -	$ 4,755	$ 3,732	$ 3,652	$ 5,697	$ 2,740
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	$ 8,638	$ 14,916	$ 7,648	$ 3,454	$ -	$ 4,755	$ 3,732	$ 3,652	$ 5,697	$ 2,740
(4) Paid (cumulative) as of:										
End of policy year	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
One year later	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Two years later	$ 5,222	$ 225	$ 4,000	$ -	$ -	$ -	$ 4,005	$ -		
Three years later	$ 5,232	$ 1,218	$ 4,130	$ 967	$ -	$ -	$ 4,011			
Four years later	$ 9,770	$ 3,967	$ 20,114	$ 2,319	$ -	$ -				
Five years later	$ 16,823	$ 6,507	$ 20,930	$ 2,365	$ -					
Six years later	$ 27,881	$ 6,597	$ 20,947	$ 2,365						
Seven years later	$ 30,998	$ 6,599	$ 20,947							
Eight years later	$ 28,481	$ 6,599								
Nine years later	$ 28,481									
(5) Re-estimated ceded losses and expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
(6) Re-estimated incurred claims and expenses:										
End of policy year	$ 8,638	$ 14,916	$ 7,648	$ 3,454	$ -	$ 4,755	$ 3,732	$ 3,652	$ 5,697	$ 2,740
One year later	$ 17,039	$ 9,813	$ 12,496	$ 7,727	$ -	$ 3,048	$ 3,043	$ 2,210	$ 4,826	
Two years later	$ 19,437	$ 7,484	$ 7,566	$ 2,604	$ -	$ 1,746	$ 5,142	$ 1,244		
Three years later	$ 27,910	$ 2,670	$ 6,778	$ 7,524	$ -	$ 721	$ 4,778			
Four years later	$ 20,329	$ 5,731	$ 23,080	$ 4,354	$ -	$ 522				
Five years later	$ 22,679	$ 7,301	$ 22,128	$ 2,528	$ -					
Six years later	$ 28,234	$ 6,713	$ 21,074	$ 2,501						
Seven years later	$ 30,998	$ 6,599	$ 20,983							
Eight years later	$ 28,481	$ 6,599								
Nine years later	$ 28,481									
(7) (Decrease) increase in estimated incurred claims and expenses from end of policy year	$ 19,843	$ (8,317)	$ 13,335	$ (953)	$ -	$ (4,233)	$ 1,046	$ (2,408)	$ (871)	$ -
(8) Unpaid claims and claim adjustment expenses with ULAE	$ -	$ -	$ 36	$ 136	$ -	$ 522	$ 767	$ 1,244	$ 4,826	$ 2,740

Note: Beginning July 1, 1999, SELF began discounting claim liabilities.

(continued)

Excess Workers' Compensation Program Claims Development Information

June 30, 2014
(in thousands)

Fiscal and Policy Year Ended June 30,

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
(1) Premium revenue:										
Earned	$ 9,603	$ 9,957	$ 11,237	$ 5,622	$ 4,155	$ 3,561	$ -	$ -	$ -	$ -
Ceded	(7,284)	(5,848)	(7,643)	(2,141)	(1,955)	(1,685)	-	-	-	-
Cumulative interest earned (by policy year)	2,319	1,433	923	748	300	103	-	-	-	-
Net earned	$ 4,638	$ 5,542	$ 4,517	$ 4,229	$ 2,500	$ 1,979	$ -	$ -	$ -	$ -
(2) Unallocated expenses	$ 574	$ 751	$ 1,084	$ 1,009	$ 824	$ 1,095	$ -	$ -	$ -	$ -
(3) Estimated incurred claims and expense, end of policy year:										
Incurred	$ 4,516	$ 5,057	$ 2,974	$ 907	$ 2,067	$ 2,145	$ -	$ -	$ -	$ -
Ceded	-	-	-	-	-	-	-	-	-	-
Net incurred	$ 4,516	$ 5,057	$ 2,974	$ 907	$ 2,067	$ 2,145	$ -	$ -	-	
(4) Paid (cumulative) as of:0										
End of policy year	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
One year later	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-	
Two years later	$ -	$ -	$ 82	$ -	$ -	$ -	$ -	-		
Three years later	$ -	$ -	$ 102	$ -	$ 188	$ 81	$ -			
Four years later	$ -	$ -	$ 112	$ -	$ 491	$ 96				
Five years later	$ 190	$ -	$ 650	$ 61	$ 552					
Six years later	$ 234	$ -	$ 787	$ 110						
Seven years later	$ 359	$ -	$ 898							
Eight years later	$ 460	$ -								
Nine years later	$ 463									
(5) Re-estimated ceded losses and expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
(6) Re-estimated incurred claims and expense:										
End of policy year	$ 4,516	$ 5,057	$ 2,974	$ 907	$ 2,067	$ 2,145	$ -	$ -	$ -	$ -
One year later	$ 5,243	$ 2,750	$ 3,018	$ 1,608	$ 2,667	$ 2,145	$ -	$ -	-	
Two years later	$ 3,580	$ 2,590	$ 3,727	$ 2,668	$ 3,278	$ 2,139	$ -	-		
Three years later	$ 3,349	$ 2,856	$ 3,523	$ 3,740	$ 3,373	$ 2,252	$ -			
Four years later	$ 3,648	$ 2,273	$ 3,900	$ 3,162	$ 3,814	$ 2,323				
Five years later	$ 3,709	$ 2,226	$ 3,736	$ 2,957	$ 4,446					
Six years later	$ 3,533	$ 1,568	$ 3,464	$ 2,736						
Seven years later	$ 3,702	$ 1,524	$ 3,653							
Eight years later	$ 3,619	$ 1,279								
Nine years later	$ 4,052									
(7) Increase (decrease) in estimated incurred claims and expense from end of policy year	$ (464)	$ (3,778)	$ 679	$ 1,829	$ 2,379	$ 178	$ -	$ -	$ -	$ -
(8) Unpaid claims and claim adjustment expense with ULAE	$ 4,051	$ 1,279	$ 3,653	$ 2,735	$ 4,446	$ 2,323	$ -	$ -	$ -	$ -

Note: Beginning July 1, 1999, SELF began discounting claim liabilities.
See independent auditor's report.

Combining Statements of Net Position
June 30, 2014 (in thousands)

	Excess Liability	Excess Workers' Compen-sation	Building	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 3,023	$ 5,260	$ 8	$ 8,291
Interest and other receivables	111	194	-	305
Investments maturing within one year	501	301	-	802
Current portion of assessments receivable	-	6,374	-	6,374
Prepaid expenses	24	2	12	38
Due from/to other programs	4,012	(3,845)	(167)	-
Total current assets	7,671	8,286	(147)	15,810
Investments, less portion maturing within one year	42,116	52,537		94,653
Assessment receivable, less current portion	-	50,843	-	50,843
Capital assets:				
Investment in building, net	-	-	1,398	1,398
Furniture and equipment, net	13	29	-	42
Total non-current assets	42,129	103,409	1,398	146,936
Total assets	49,800	111,695	1,251	162,746
LIABILITIES				
Current liabilities:				
Accounts payable	157	294	2	453
Current portion of unpaid claims and claim adjustment expenses	3,900	6,000	-	9,900
Total current liabilities	4,057	6,294	2	10,353
Unpaid claims and claim adjustment expenses	11,790	96,710	-	108,500
Total liabilities	15,847	103,004	2	118,853
NET POSITION				
Net investment in capital assets	-	-	1,440	1,440
Unrestricted	33,953	8,691	(191)	42,453
Total net position	$ 33,953	$ 8,691	$ 1,249	$ 43,893

Combining Statements of Net Position
June 30, 2013 (in thousands)

	Excess Liability	Excess Workers' Compen-sation	Building	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 6,357	$ 1,614	$ 11	$ 7,982
Interest and other receivables	104	146	-	250
Member receivables	-	5	-	5
Investments maturing within one year	5,614	2,102	-	7,716
Current portion of assessments receivable	-	6,355	-	6,355
Prepaid expenses	31	5	11	47
Due from/to other programs	187	44	(231)	-
Total current assets	12,293	10,271	(209)	22,355
Investments, less portion maturing within one year	35,899	49,328	-	85,227
Assessment receivable, less current portion	-	57,198	-	57,198
Capital assets:				
Investment in building, net	-	-	1,409	1,409
Furniture and equipment, net	20	-	34	54
Total non current assets	35,919	106,526	1,443	143,888
Total assets	48,212	116,797	1,234	166,243
LIABILITIES				
Current liabilities:				
Accounts payable	113	340	2	455
Current portion of unpaid claims and claim adjustment expenses	900	6,000	-	6,900
Total current liabilities	1,013	6,340	2	7,355
Unpaid claims and claim adjustment expenses	14,627	107,981	-	122,608
Total liabilities	15,640	114,321	2	129,963
NET POSITION				
Net investment in capital assets	-	-	1,463	1,463
Unrestricted	32,572	2,476	(231)	34,817
Total net position	$ 32,572	$ 2,476	$ 1,232	$ 36,280

See independent auditor's report on supplementary information.

Combining Statements of Revenues, Expenses and Change in Net Position

For the Year Ended June 30, 2014 (in thousands)

	Excess Liability	Excess Workers' Compen-sation	Building	Total
Operating revenues:				
Member contributions	$ 9,874	$ -	$ -	$ 9,874
Member assessment	-	-	-	-
Total operating revenues	9,874	-	-	9,874
Expenses:				
Provision for unpaid claims and claim adjustment expenses	1,283	(5,716)	-	(4,433)
Commercial reinsurance premiums	6,605	-	-	6,605
	7,888	(5,716)	-	2,172
General and administrative expenses:				
Contract services	378	139	-	517
Personnel costs	649	279	-	928
Administrative expenses	265	15	31	311
Travel	80	32	-	112
Office costs	9	6	-	15
Printing and postage	18	1		19
Depreciation	36	15	74	125
Total general and administrative	1,435	487	105	2,027
Total operating expenses	9,323	(5,229)	105	4,199
Operating income (loss)	551	(5,229)	(105)	5,675
Non-operating revenues:				
Rental income	-	-	122	122
Investment income	830	986	-	1,816
Other income	-	-	-	-
Total non-operating revenues	830	986	122	1,938
Change in net position	1,381	6,215	17	7,613
Net position, beginning of year	32,572	2,476	1,232	36,280
Net position, end of year	$ 33,953	$ 8,691	$ 1,249	$ 43,893

See independent auditor's report on supplementary information.

Combining Statements of Revenues, Expenses and Change in Net Position

For the Year Ended June 30, 2013 (in thousands)

	Excess Liability	Excess Workers' Compen-sation	Building	Total
Operating revenues:				
Member contributions	$ 9,829	$ -	$ -	$ 9,829
Member assessment	-	1,000	-	1,000
Total operating revenues	9,829	1,000	-	10,829
Expenses:				
Provision for unpaid claims and claim adjustment expenses	3,668	1,861	-	5,529
Commercial reinsurance premiums	6,610	-	-	6,610
	10,278	1,861	-	12,139
General and administrative expenses:				
Contract services	271	156	-	427
Personnel costs	662	374	-	1,036
Administrative expenses	191	56	60	307
Travel	91	31	-	122
Office costs	8	7	-	15
Printing and postage	19	1	-	20
Depreciation	13	-	86	99
Total general and administrative	1,255	625	146	2,026
Total operating expenses	11,533	2,486	146	14,165
Operating (loss) income	(1,704)	(1,486)	(146)	(3,336)
Non-operating revenues:				
Rental income	-	-	62	62
Investment income	146	137	-	283
Other income	472	(57)	-	415
Total non-operating revenues	618	80	62	760
Change in net position	(1,086)	(1,406)	(84)	(2,576)
Net position, beginning of year	33,658	3,882	1,316	38,856
Net position, end of year	$ 32,572	$ 2,476	$ 1,232	$ 36,280

(continued)

Schedule of Investments
June 30, 2013 (in thousands)

	Par Value	Fair Value
FHLB Notes:		
1.625% note, matures March 2017	$ 950	$ 960
1.625% global benchmark notes, matures March 2017	950	960
	1,900	1,920
Fannie Mae Notes (FNMA):		
0.625% note, matures August 2016	1,590	1,591
0.000% note, matures June 2017	835	809
0.000% note, matures June 2017	2,000	1,938
0.000% note, matures June 2017	4,000	3,876
0.000% note, matures June 2017	1,000	969
	9,425	9,183
Fannie Mae Global Notes (FNMA):		
0.500% note, matures March 2016	2,585	2,589
0.500% note, matures March 2016	2,585	2,589
1.250% note, matures January 2017	5,000	5,063
1.250% note, matures January 2017	4,500	4,556
0.875% note, matures October 2017	2,000	1,985
0.875% note, matures October 2017	2,000	1,985
0.875% note, matures May 2018	3,000	2,950
0.875% note, matures May 2018	2,000	1,967
	23,670	23,684
Freddie Mac Global Notes (FHLMC):		
1.000% note, matures September 2017	420	419
1.000% note, matures September 2017	4,435	4,426
0.500% note, matures January 2016	5,100	5,102
	9,955	9,947
Corporate Notes:		
American Express Co note, 1.125% matures June 2017	1,470	1,468
American Express Co note, 1.125% matures June 2017	1,100	1,099
Wells Fargo & Co. note, 1.150% matures June 2017	1,750	1,747
Wells Fargo & Co. note, 1.150% matures June 2017	1,500	1,497
John Deere Capital note, 1.125% matures June 2017	1,250	1,253
John Deere Capital note, 1.125% matures June 2017	1,000	1,002
HSBC USA Inc, 1.300% matures June 2017	500	501
HSBC USA Inc, 1.300% matures June 2017	600	601
JPMorgan Chase & Co. note, 1.350% matures February 2017	1,800	1,806
JPMorgan Chase & Co. note, 6.000% matures January 2018	2,100	2,405
Toyota Motor Credit Co. note, 1.125% matures May 2017	840	842
Toyota Motor Credit Co. note, 1.125% matures May 2017	925	927

Schedule of Investments (Continued)
June 30, 2013 (in thousands)

	Par Value	Fair Value
Corporate Notes (Continued)		
Berkshire Hathaway Inc. note, 1.900% matures January 2017	$ 400	$ 410
Berkshire Hathaway Inc. note, 1.900% matures January 2017	1,920	1,966
General Elec Cap. note, 5.625% matures September 2017	1,700	1,924
General Elec Cap. note, 5.625% matures September 2017	2,000	2,264
Chevron Corp. note, 1.104% matures December 2017	425	423
Chevron Corp (callable) note, 1.104% matures December 2017	500	498
Microsoft Corp note, 1.00% matures May 2018	400	395
Microsoft Corp note, 1.00% matures May 2018	550	543
Apple Inc. note, 1.050% matures May 2017	1,000	1,001
Apple Inc. note, 1.00% matures May 2018	785	768
Apple Inc. note, 1.00% matures May 2018	965	944
Bank of Nova Scotia, 0.410% matures June 2016	1,750	1,751
Berkshire Hathaway note, 1.300% matures May 2018	600	595
Berkshire Hathaway note, 1.300% matures May 2018	500	496
	28,330	29,126
Certificate of Deposit:		
Rabobank Nederland, 0.600% matures April 2015	500	500
Toronto Dominion Bank, 0.530% matures August 2015	1,200	1,204
Canadian Imperial Bank, 0.325% matures November 2015	1,500	1,499
Westpac Banking Corp, 0.406% matures April 2016	1,500	1,502
Nordea Bank Finland, 0.410% matures June 2016	1,500	1,499
Bank of Nova Scotia, 0.410% matures June 2016	1,500	1,501
Skandinaviska Enskilda NY 0.550% matures January 2016	2,000	2,002
Skandinaviska Enskilda NY 0.550% matures January 2016	2,000	2,002
Rabobank Nederland, 0.716% matures May 2016	1,500	1,494
	13,200	13,203
Other:		
University of CA Rev, 1.554% matures May 2017	515	521
University of CA Rev, 1.904% matures May 2018	260	263
University of CA Rev, 1.554% matures May 2017	515	521
Tenn Valley Authority, 1.750% matures October 2018	2,000	2,016
Tenn Valley Authority, 1.750% matures October 2018	3,000	3,024
Sonoma County CA Rev, 2.554% matures December 2014	300	302
Metro Wtr Dist Auth CA Rev Bonds, 0.943% matures July 2015	500	503
CA ST Dept of Water Rev Bonds, .650% matures December 2015	900	902
CA ST Dept of Water Rev Bonds, .991% matures December 2016	340	340
	8,330	8,392
	$ 94,810	$ 95,455

See independent auditor's report on supplementary information.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To The Board of Directors and Members
Schools Excess Liability Fund

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Schools Excess Liability Fund which comprise the statement of net position as of June 30, 2014, and the related statement of revenues, expenses and change in net position, and statement of cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 3, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Crowe Horwath LLP

Crowe Horwath LLP
Sacramento, California

October 3, 2014

STAFF

SELF is always attentive and responsive to your risk management needs. Let us know how we can help you.

PHOTO, from left to right:

Jimmy Rowe, *Director of Claims*

Teresa Thompson, *Accounting Specialist*

Eric Lucas, *Chief Executive Officer*

Lois Gormley, *Director of Communications & Member Services*

Alan Grant, *Systems Analyst*

Debra Fisher, *Chief Fiscal Officer*

Jessica Vega, *Member Services Specialist*

Susan Casey, *Executive Assistant*

Our experienced and professional business partners can provide you with the same great service that SELF enjoys every day.

INDEPENDENT AUDITORS
Crowe Horwath LLP

CASH & INVESTMENT MANAGEMENT
Public Financial Management, Inc.

ACTUARY
Bickmore Risk Services
Excess Liability and Workers' Compensation

COUNSEL
Kronick, Moskovitz, Tiedemann & Girard
General Legal Counsel

INSURANCE CONSULTANTS
Guy Carpenter & Company, LLC

LEGISLATIVE ADVOCATE
School Services of California, Inc.

RISK MANAGEMENT CONSULTANTS
in2vate, LLC

CLAIMS AUDITOR
Aon Corporation,
Excess Liability Program &
Excess Workers' Compensation Program

REINSURERS/EXCESS INSURERS
CSAC-EIA

Munich Re America, Inc.

Great American

Allied World Assurance Company (U.S.), Inc.

Ironshore

Markel

Lexington Insurance Company

ANNUAL REPORT
McCarthy Designs

MEMBER JPA'S 2013/2014

Golden State Risk Management Authority

Northern California Schools Insurance Group

Shasta-Trinity Schools Insurance Group

Schools Insurance Group

Tri-County Schools Insurance Group

Santa Clara County Schools Insurance Group

Valley Insurance Program

San Mateo County Schools Insurance Group

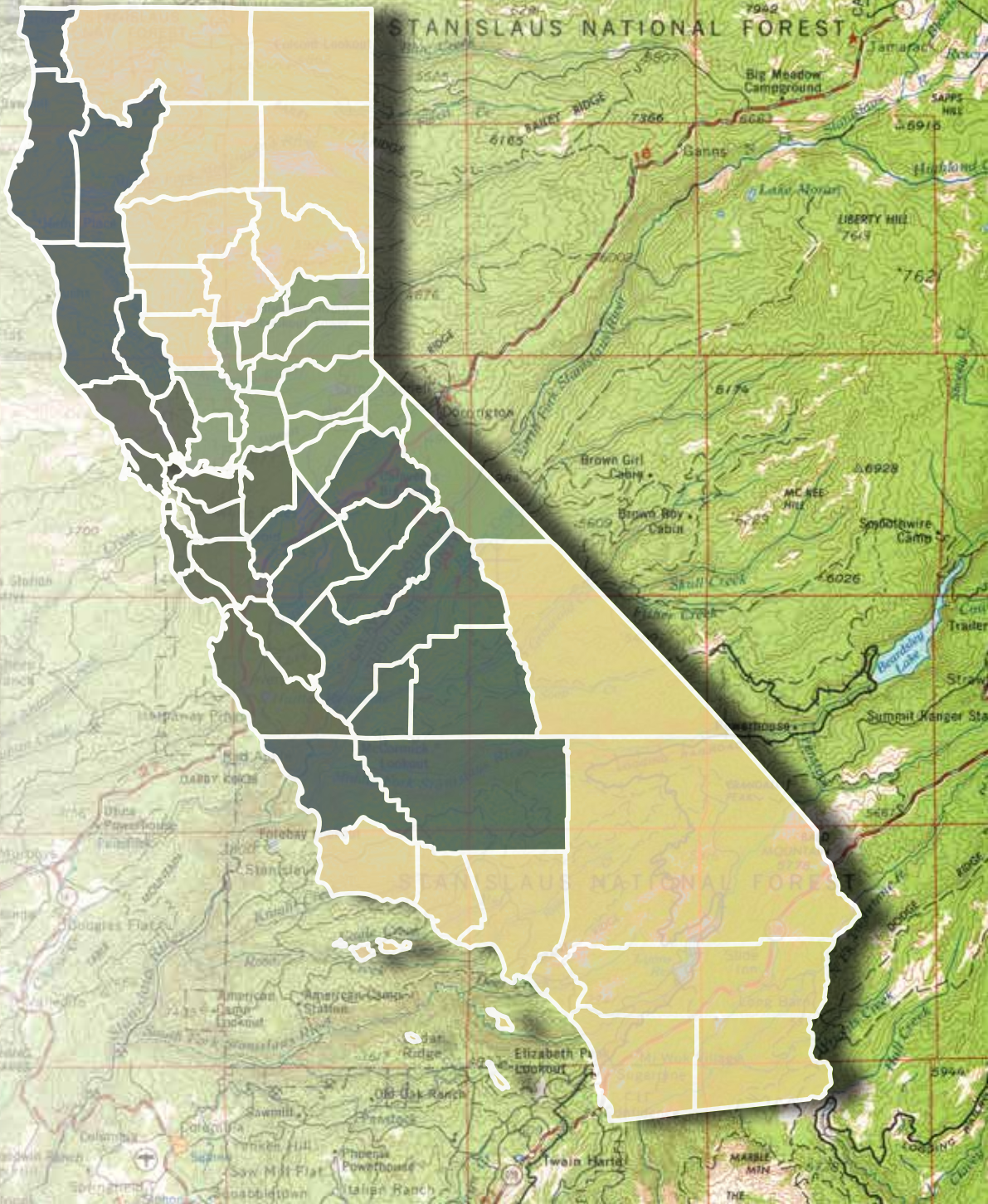
Alliance of Schools for Cooperative Insurance Programs

San Diego County Schools Risk Management JPA

Southern California Schools Risk Management JPA

South Orange County Property & Liability JPA

West San Gabriel Liability & Property JPA



Risk Management Associations

Public Agency Risk Management Association (PARMA)

California Association of Joint Powers Authorities (CAJPA)

Public Risk Management Association (PRIMA)

Risk & Insurance Management Society (RIMS)

Professional Organizations

Association of California School Administrators (ACSA)

California Association of School Business Officials (CASBO)

California Coalition on Workers' Compensation

California School Board Association (CSBA)

Coalition for Civil Justice

SELF

Schools Excess Liability Fund

1531 I Street, Suite 300
Sacramento, CA 95814

Toll-free telephone (866) 453-5300
Facsimile (916) 321-5311

E-mail info@selfjpa.org
Website www.selfjpa.org