

Vermont School Boards Insurance Trust, Inc.

Audited Financial Statements with Required Supplementary Information and Other Information

*Years ended June 30, 2023 and 2022
with Report of Independent Auditors*

Vermont School Boards Insurance Trust, Inc.

Audited Financial Statements with Required Supplementary Information
and Other Information

Years ended June 30, 2023 and 2022

Contents

Report of Independent Auditors.....1 - 3
Management's Discussion and Analysis (Unaudited).....4 - 9

Audited Financial Statements

Statements of Net Position.....10
Statements of Revenues, Expenses, and Changes in Net Position.....11
Statements of Cash Flows.....12 - 13
Notes to the Financial Statements.....14 - 28

Required Supplementary Schedules

Claims Development Information (Unaudited).....29 - 30
Reconciliation of Claim Liabilities by Type of Contract (Unaudited).....31

Other Information

Combining Statement of Net Position (Unaudited).....32
Combining Statement of Revenues, Expenses, and Changes in Net Position (Unaudited).....33
Schedule of General and Administrative and School Management Resource Center Revenues and
Expenses (Unaudited).....34
Comparative Statements of Net Position - Multi-Line and Multi-Line Reserve Funds (Unaudited).....35
Comparative Statements of Revenues, Expenses, and Changes in Net Position Multi-Line and
Multi-Line Reserve Funds (Unaudited).....36

Report of Independent Auditors

Board of Directors
Vermont School Boards Insurance Trust, Inc.

Opinion

We have audited the financial statements of Vermont School Boards Insurance Trust, Inc. (the Trust), which comprise the statement of net position as of June 30, 2023, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as of June 30, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Trust for the year ended June 30, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on October 27, 2022.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 - 9 and accompanying supplementary schedules listed on pages 29 - 31 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Trust's financial statements as a whole. The schedules included as other income on pages 32 - 36 are presented for purposes of additional analysis and are not required parts of the financial statements. Such information is the responsibility of management and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in cursive script that reads "Johnson Lambert LLP". The signature is written in black ink and is positioned above the contact information.

Williston, Vermont

October 30, 2023

Vermont firm registration: 092-0000267

Vermont School Boards Insurance Trust, Inc.

Management's Discussion and Analysis (Unaudited)

June 30, 2023 and 2022

Management's Discussion and Analysis

The Vermont School Boards Insurance Trust, Inc. (VSBIT or the Trust), which was organized in 1978, is owned by member school districts. VSBIT offers its members a wide range of risk management services as well as educational and professional development opportunities through a series of programs.

VSBIT operates an unemployment compensation program for school districts which protects members from unexpected unemployment benefit expense. Effective July 1, 2004, VSBIT's Multi-Line Intermunicipal School Program (multi-line program) began operations. This program, which was formed by member districts as an alternative to commercial insurance, provides property, workers' compensation and various forms of liability coverage. VSBIT's educational and risk management services are provided through its School Management Resource Center (SMRC). These services focus on human resource, policy, physical plant and enterprise risk management issues.

VSBIT receives revenue from the Vermont Education Health Initiative (VEHI) via a service contract. VEHI provides health, dental, life and long-term disability insurance and related health promotion programs.

Fiscal 2023 Highlights and Overall Financial Position

During the year ending June 30, 2023, VSBIT provided unemployment insurance to 107 schools and supervisory unions. VSBIT also provided property/casualty and workers' compensation coverage to 49 members of the multi-line program. All school districts within a supervisory union must participate to be a member in the multi-line program.

VSBIT's program contributions totaled \$16.8 million in 2023; \$1.2 million from unemployment contributions and \$15.6 million from the multi-line program.

VSBIT earned \$1,799,538 in interest and dividends and had a market gain of \$2.7 million on investments following a \$12.2 million market loss in 2022. VSBIT also received \$1.1 million from VEHI per the administrative contract.

VSBIT's net position increased by \$4.8 million: from \$58.2 to \$62.9 million. This is a result of a \$580 thousand gain on the unemployment program, a \$1.6 million gain on the multi-line program and a gain of \$2.6 million on the general reserve, unemployment reserve, and multi-line reserve funds which primarily was from investment gain. VSBIT holds general reserves in the amount of \$30.4 million, up from \$27.9 million in 2022. Unemployment reserve and operating funds total \$4.5 million, up from \$3.5 million in 2022. Multi-line reserve and operating funds of \$25.1 million increased from \$23.6 million in 2022.

Vermont School Boards Insurance Trust, Inc.

Management's Discussion and Analysis (Unaudited) (Continued)

Fiscal 2023 Highlights and Overall Financial Position (Continued)

VSBIT's 2023 general and general reserve funds operating budgets totaled \$3,945,725. Actual 2023 spending levels were under budget by \$179 thousand with 95.5% of the budget being spent.

The Financial Statements

VSBIT's financial statements are a series of reports that detail financial information using enterprise fund accounting and financial reporting. VSBIT uses the accrual basis method of accounting in preparing its financial statements.

The statement of net position includes all VSBIT's assets and liabilities. The statement also presents the balance of assets in excess of liabilities, or net position.

The statement of revenues, expenses, and changes in net position presents the results of VSBIT's operations. The statement reports all revenues and expenses and reconciles the beginning and end of year net position balances.

The statement of cash flows supplements these statements providing relevant information about cash receipts and payments to VSBIT.

Statement of Net Position

The following table summarizes the statement of net position for 2023, with a comparison to 2022.

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Assets		
Cash and investments	\$ 72,945,996	\$ 68,033,237
Receivables	783,493	696,209
Other assets	194,685	293,810
Property, plant, and equipment	<u>3,006,007</u>	<u>3,083,763</u>
Total assets	<u>\$ 76,930,181</u>	<u>\$ 72,107,019</u>
Liabilities		
Claims liabilities	\$ 11,891,348	\$ 11,534,997
Other program liabilities	1,787,627	1,947,580
General liabilities	<u>311,275</u>	<u>449,016</u>
Total liabilities	13,990,250	13,931,593
Net position	<u>62,939,931</u>	<u>58,175,426</u>
Total liabilities and net position	<u>\$ 76,930,181</u>	<u>\$ 72,107,019</u>

Vermont School Boards Insurance Trust, Inc.

Management's Discussion and Analysis (Unaudited) (Continued)

The Financial Statements (Continued)

Assets

Cash and other near liquid assets are held at the M&T Bank, while investments are with Vanguard Group in the form of government and corporate bonds and mutual funds as of June 30, 2023. As of June 30, 2023, cash and investments total \$72,945,996 as compared to \$68,033,237 as of June 30, 2022. This is due to positive market performance during 2023.

Receivables of \$783 thousand are up from \$696 thousand from 2022. Receivables include amounts due for deductibles, reinsurance and subrogation for the multi-line program, contribution receivables due from members.

VSBIT held \$3.01 million in net capital assets as of June 30, 2023 as compared to \$3.08 million as of June 30, 2022. The majority of the value of VSBIT's fixed assets is comprised of the office building located at 52 Pike Drive in Berlin, VT. As of June 30, 2023, other assets represent \$195 thousand in prepaid expenses as compared to \$294 thousand as of June 30, 2022.

Liabilities

Claims liabilities total \$11.9 million, up from \$11.5 million for 2022. Claims liabilities include \$7.8 million which represents the projected cost of claims filed as of June 30, 2023 for the multi-line program but not yet paid and \$106 thousand in unpaid unemployment claims. The remaining \$3.97 million (up \$99,000 from 2022) represents reserves for anticipated incurred claims not yet reported (IBNR) for the multi-line program. This is based on non-discounted actuarial forecasting derived from industry related trends and VSBIT's own data. As a result of the young age of the multi-line program which began operations on July 1, 2004, the amount of Vermont school specific loss development data is limited, particularly for long-tail lines of coverage such as workers' compensation and school board legal liability. Each year, as the VSBIT data becomes more credible, additional school specific data is incorporated into the actuarial calculations for this program.

Other claim liabilities represent \$1.6 million in estimated claims adjustment reserves and \$158 thousand for the Vermont Department of Labor assessment. These reserves are calculated based on case reserves and IBNR values as of June 30, 2023.

General liabilities include \$118,136 due to vendors and other accrued expenses, \$151,054 in accrued vacation payable, and \$42,085 in accrued payroll liabilities.

Vermont School Boards Insurance Trust, Inc.

Management's Discussion and Analysis (Unaudited) (Continued)

The Financial Statements (Continued)

Statement of Revenue, Expenses, and Changes in Net Position

The following table summarizes the statements of revenues, expenses, and changes in net position for 2023, with a comparison to 2022.

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Program contributions	\$ 16,826,690	\$ 14,384,056
VEHI administrative contract/ other income	<u>1,196,998</u>	<u>1,104,602</u>
Total operating revenues	18,023,688	15,488,658
Operating expenses:		
Net change in claims paid and reserved	8,468,271	8,053,851
Other program expenses	5,549,357	5,659,154
General and administrative expenses	3,389,692	2,637,308
SMRC	<u>352,307</u>	<u>340,706</u>
Total operating expenses	<u>17,759,627</u>	<u>16,691,019</u>
Net operating (loss) income	264,061	(1,202,361)
Non-operating revenues (expenses):		
Total investment activity	4,500,444	(9,577,776)
Interest expense	<u>-</u>	<u>(18,418)</u>
Change in net position	4,764,505	(10,798,555)
Net position at beginning of year	<u>58,175,426</u>	<u>68,973,981</u>
Net position at end of year	<u>\$ 62,939,931</u>	<u>\$ 58,175,426</u>

Revenues

VSBIT revenue is primarily made up of program contributions from members. Revenues for 2023 total \$18.0 million, an increase of \$2.5 million from 2022.

Investment activity generated a gain of \$4.5 million reflecting positive market results of \$2.7 million and \$1.8 million in dividends and interest earnings. For 2022, investment activity resulted in a loss of \$9.6 million, reflecting negative market results offset by dividends and interest earnings.

Expenses

VSBIT incurred unemployment claims in the amount of \$490,174 as compared to \$515,326 for 2022. The Multi-Line Intermunicipal School Program's change in claims paid and reserved increased by \$414 thousand to \$8.0 million as of June 30, 2023.

Vermont School Boards Insurance Trust, Inc.

Management's Discussion and Analysis (Unaudited) (Continued)

The Financial Statements (Continued)

General and administrative expenses totaled \$3.4 million, increasing by \$752 thousand from 2022. This was due to increased salaries and benefits the bulk of which was the result of bringing the claim staff in-house. VSBIT previously used an outside administrator to adjust and pay claims for the Multi-Line program. This function was brought in house as of July 1, 2022. School Management Resource Center expenses totaled \$352,307. The SMRC uses these funds for staff and all program expenses associated with providing popular services in the areas of physical plant, policy, human resources and enterprise risk management to all Vermont public K-12 schools.

VSBIT's actual general and administrative expenses for 2023 concluded at 2.9% below budget; for 2022 VSBIT ended the year at 7.8% below budget.

Change in Net Position

VSBIT's 2023 operations resulted in an increase in net position of \$4.8 million as compared to a \$10.8 million decrease for 2022. This increase is primarily due to investment activity.

Economic Factors

Fiscal year 2023 marked the nineteenth year for VSBIT's multi-line program. For 2024, the workers' compensation base rate were adjusted up by 1.1% and the property casualty rates were collectively adjusted up by 3.8% to achieve the overall 2.3% base rate increase. For 2023 base rates for workers' compensation renewed flat (0.0% increase) and property casualty rates were adjusted up by 4.1% for an overall 1.8% base rate increase. Net position for this program increased from \$23.6 million to \$25.1 million in 2023 following a \$4.4 million decrease in net position in 2022. In 2024, VSBIT welcomed one new member to the program. Also, a current member changed its structure, resulting in one member becoming two separate member entities.

The VSBIT unemployment program is VSBIT's oldest program, beginning operations in 1978. VSBIT rates the membership on a three year average to minimize large rate changes to the membership. Members are individually rated, based on performance, to one of six rate classes with a high risk adjustment factor as applicable. The rate class structure was not adjusted for 2023 or 2024. Membership was stable for 2023 with no members joining or leaving the program. For 2024 one existing member dissolved and three new entities were created. All three remain in the program.

The 2024 operating budget was set at \$4,445,294. This is an increase of \$499,569 or 12.6% from FY23. This is primarily due to inflationary factors and budget adjustments related to bringing the Multi-Line claims operation in house on July 1, 2022. In addition, further resources were budgeted within the SMRC to support schools throughout the state.

Vermont School Boards Insurance Trust, Inc.

Management's Discussion and Analysis (Unaudited) (Continued)

Requests for Information

This financial report is designed to provide a general overview of VSBIT's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the President, Vermont School Boards Insurance Trust, Inc., 52 Pike Drive, Berlin, VT 05602.

Vermont School Boards Insurance Trust, Inc.

Statements of Net Position

As of June 30, 2023 and 2022

Assets	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 10,126,497	\$ 9,231,824
Mutual funds, at fair value	62,819,499	58,801,413
Contributions receivable	186,916	50,768
Other receivables	31,290	564,326
Deductibles receivable	37,514	58,042
Subrogation receivable	195,052	23,073
Reinsurance receivable	332,721	-
Prepaid expenses	194,685	293,810
Property, plant, and equipment - net of accumulated depreciation of \$979,300 and \$908,800, respectively	<u>3,006,007</u>	<u>3,083,763</u>
Total Assets	<u><u>\$ 76,930,181</u></u>	<u><u>\$ 72,107,019</u></u>
 Liabilities and Net Position		
Liabilities		
Accounts payable	\$ 70,992	\$ 175,583
Accrued payroll and related taxes payable	42,085	84,671
Accrued vacation payable	151,054	131,161
Other payables	47,144	57,601
Claims payable	106,392	77,371
Workers' compensation state assessment reserve	157,627	147,580
Claims to be paid	7,811,956	7,583,626
Anticipated claims not reported	3,973,000	3,874,000
Reserve for unallocated loss adjustment expenses	<u>1,630,000</u>	<u>1,800,000</u>
Total liabilities	13,990,250	13,931,593
 Net Position		
Net investment in property, plant, and equipment	3,006,007	3,083,763
Unrestricted net position	<u>59,933,924</u>	<u>55,091,663</u>
Total net position	<u>62,939,931</u>	<u>58,175,426</u>
Total Liabilities and Net Position	<u><u>\$ 76,930,181</u></u>	<u><u>\$ 72,107,019</u></u>

See accompanying notes to the financial statements.

Vermont School Boards Insurance Trust, Inc.

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Program contributions	\$ 16,826,690	\$ 14,384,056
Other income	54,014	35,277
VEHI administration contract	<u>1,142,984</u>	<u>1,069,325</u>
Total operating revenues	18,023,688	15,488,658
Operating Expenses		
Claims paid - unemployment	490,174	515,326
Net change in claims paid and reserved - multi-line program	7,978,097	7,538,525
Reinsurance premiums	4,180,743	3,259,190
Other program expenses	1,368,614	2,399,964
General and administrative expenses	3,389,692	2,637,308
School management resource center expenses	<u>352,307</u>	<u>340,706</u>
Total operating expenses	<u>17,759,627</u>	<u>16,691,019</u>
Net operating income (loss)	264,061	(1,202,361)
Non-Operating Revenues (Expenses)		
Investment income - interest and dividends	1,799,538	2,606,314
Investment income (loss) - other	2,700,906	(12,184,090)
Interest expense	<u>-</u>	<u>(18,418)</u>
Net non-operating revenues (expenses)	<u>4,500,444</u>	<u>(9,596,194)</u>
Change in net position	4,764,505	(10,798,555)
Net position, beginning of year	<u>58,175,426</u>	<u>68,973,981</u>
Net position, end of year	<u>\$ 62,939,931</u>	<u>\$ 58,175,426</u>

See accompanying notes to the financial statements.

Vermont School Boards Insurance Trust, Inc.

Statements of Cash Flows

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Cash received from contributions	\$ 16,690,542	\$ 14,567,848
Cash received from VEHI for Administration	1,142,984	1,125,426
Other income received	54,014	66,369
Cash paid for claims	(8,423,324)	(6,835,720)
Cash paid for reinsurance	(4,513,464)	(235,099)
Cash paid for general and administrative expenses	(3,340,095)	(2,573,629)
Cash paid for school management resource center expenses	(352,307)	(340,706)
Cash paid for other program expenses	<u>(846,035)</u>	<u>(1,714,433)</u>
Net cash flows from operating activities	412,315	4,060,056
Cash Flows from Investing Activities		
Net proceeds/(purchase) of investments	(1,317,180)	(573,169)
Cash received from interest and dividends	<u>1,799,538</u>	<u>2,606,314</u>
Net cash flows from investing activities	482,358	2,033,145
Cash Flows from Non-Capital Financing Activities		
Drawn by bank for future payments	<u>-</u>	<u>(528,245)</u>
Net cash flows from non-capital financing activities	-	(528,245)
Cash Flows from Capital and Related Financing Activities		
Purchase of property, plant, and equipment	-	(43,258)
Principal paid on bonds payable	-	(1,362,020)
Interest paid on bonds payable	<u>-</u>	<u>(21,744)</u>
Net cash flows from capital and related financing activities	<u>-</u>	<u>(1,427,022)</u>
Net change in cash and cash equivalents	894,673	4,137,934
Cash and Cash Equivalents, Beginning of Year	<u>9,231,824</u>	<u>5,093,890</u>
Cash and Cash Equivalents, End of Year	<u>\$ 10,126,497</u>	<u>\$ 9,231,824</u>

See accompanying notes to the financial statements.

Vermont School Boards Insurance Trust, Inc.

Statements of Cash Flows (Continued)

	<u>2023</u>	<u>2022</u>
Reconciliation of Net Operating Income (Loss) to Net Cash Flows From Operating Activities		
Net operating income (loss)	\$ 264,061	\$ (1,202,361)
Add (deduct) items not affecting cash:		
Depreciation expense	77,756	81,329
Changes in operating assets and liabilities:		
Contributions receivable	(136,148)	183,337
Other receivables	533,036	30,047
Deductibles receivable	20,528	(24,709)
Subrogation receivable	(171,979)	15,249
Reinsurance receivable	(332,721)	-
Prepaid expenses	99,125	3,581,298
Accounts payable	(104,591)	56,600
Accrued payroll and related taxes payable	(42,586)	8,346
Accrued vacation payable	19,893	18,916
Other payables	(10,457)	6,856
Claims payable	29,021	(2,784)
Workers' compensation state assessment reserve	10,047	18,557
Claims to be paid and anticipated claims not reported	327,330	1,230,375
Reserve for unallocated loss adjustment expenses	<u>(170,000)</u>	<u>59,000</u>
Net cash provided by operating activities	<u>\$ 412,315</u>	<u>\$ 4,060,056</u>

	<u>2023</u>		<u>2022</u>	
Supplemental Disclosures of Cash Flow Information	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>
Equipment disposed of during the year	<u>\$ 7,256</u>	<u>\$ 7,256</u>	<u>\$ 17,865</u>	<u>\$ 17,865</u>

See accompanying notes to the financial statements.

Vermont School Boards Insurance Trust, Inc.

Notes to the Financial Statements

Years ended June 30, 2023 and 2022

Note A - Organization and Nature of Operations

Vermont School Boards Insurance Trust, Inc. (VSBIT or the Trust) was organized in 1978. The Trust is treated as an instrumentality of its member political subdivisions. The Trust offers educational and professional development opportunities to school district employees and administrators and also provides insurance and risk management services. The educational opportunities are delivered through the Trust's School Management Resource Center. The Resource Center provides educational seminars and web based resources on matters critical to the operation of a school district.

School districts joining the Trust must remain members for a minimum of one year. Trust underwriting and rate setting policies have been established after consultation with its business partners and actuaries, as necessary. The Trust currently provides unemployment coverage to 107 school districts and, on July 1, 2004, began operating its Multi-Line Intermunicipal School Program to supervisory unions which provides members with coverage for property damage, workers' compensation and various forms of liability. As of June 30, 2023 and 2022, there were 49 and 47 members in the program, respectively. All school districts within a supervisory union must participate to be a member in the Multi-Line Program.

The major accounting policies followed by the Trust are presented below to assist the reader in evaluating the financial statements.

Note B - Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Company have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental entities. The Fund follows all statements in accordance with Governmental Accounting Standards Board (GASB). The Fund uses the economic resources measurement focus and the accrual basis of accounting.

The Trust uses the enterprise fund measurement focus. Enterprise Funds are financed in whole or in part by fees charged to external parties.

Investment Risks and Uncertainties

The Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, liquidity, and credit risk, as further described in Note D. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term and those changes could materially affect the amounts reported on the statements of net position.

Vermont School Boards Insurance Trust, Inc.

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Reclassification

Certain balances in the 2022 financial statements have been reclassified to conform to the 2023 presentation. There were no changes to net position of changes in net position for the year ended June 30, 2022.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein. Significant estimates included in these financial statements primarily related to the assumptions and methods used to estimate the ultimate liability for net liability for claims to be paid and unallocated loss adjustment expenses (ULAE), as described below.

Taxes

The Trust is exempt from income tax on its exempt function income under Section 501(c)(3) of the Internal Revenue Code.

Subsequent Events

The Trust has evaluated subsequent events for disclosure and recognition through October 30, 2023, the date on which these financial statements were available to be issued.

Property, Plant, and Equipment

Property, plant and equipment is capitalized when purchased. It is the Trust's policy to capitalize all property, plant and equipment with a cost of \$10,000 or more. A reserve from net position is established for the book value of the property, plant and equipment net of related debt. Straight-line depreciation is being taken over lives as follows:

Land	N/A
Building and building components	10 to 75 Years
Infrastructure	10 Years
Furniture and equipment	3 to 10 Years

Vermont School Boards Insurance Trust, Inc.

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

The following is a summary of changes in property, plant and equipment during the fiscal years.

	2023					
	Balance	Additions	Disposals	Balance	Accumulated	Net Property
	July 1			June 30	Depreciation	Plant and
				June 30	Equipment	June 30
Land	\$ 282,023	\$ -	\$ -	\$ 282,023	\$ -	\$ 282,023
Furniture and equipment	296,354	-	7,256	289,098	256,788	32,310
Infrastructure	113,078	-	-	113,078	113,078	-
Building and building components	<u>3,301,108</u>	<u>-</u>	<u>-</u>	<u>3,301,108</u>	<u>609,434</u>	<u>2,691,674</u>
Total	<u>\$ 3,992,563</u>	<u>\$ -</u>	<u>\$ 7,256</u>	<u>\$ 3,985,307</u>	<u>\$ 979,300</u>	<u>\$ 3,006,007</u>
	2022					
	Balance	Additions	Disposals	Balance	Accumulated	Net Property
	July 1			June 30	Depreciation	Plant and
				June 30	Equipment	June 30
Land	\$ 282,023	\$ -	\$ -	\$ 282,023	\$ -	\$ 282,023
Furniture and equipment	287,821	26,398	17,865	296,354	256,523	39,831
Infrastructure	113,078	-	-	113,078	106,482	6,596
Building and building components	<u>3,284,248</u>	<u>16,860</u>	<u>-</u>	<u>3,301,108</u>	<u>545,795</u>	<u>2,755,313</u>
Total	<u>\$ 3,967,170</u>	<u>\$ 43,258</u>	<u>\$ 17,865</u>	<u>\$ 3,992,563</u>	<u>\$ 908,800</u>	<u>\$ 3,083,763</u>

Revenue Recognition

The Trust receives its unemployment contributions from school districts based on taxable payroll reported multiplied by a rate established by the Board of Directors. Unemployment contributions are earned on a pro-rata basis over the period of coverage.

The Multi-Line Intermunicipal School Program member's contributions are determined, in part, by a member's historical losses. Contributions for the workers' compensation portion of the program are adjusted based on actual payrolls subsequent to the end of each year. The contributions are billed on an annual or quarterly basis. If the member elects quarterly billing, then 1% of the premium is charged as a service fee.

Contributions made by the Members to the Trust for risk coverage are earned on a pro-rata basis over the period of coverage and are recorded program contributions in the statements of revenues, expenses, and changes in net position. Reinsurance premiums are earned pro-rata basis over the period of coverage and are shown as an operating expense in the statements of revenues, expenses, and changes in net position.

Vermont School Boards Insurance Trust, Inc.

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents

The Trust's cash and cash equivalents are considered to be cash on hand, demand deposits, and all highly liquid investments with original maturities of three months or less from the date acquired by the Trust.

The Federal Deposit Insurance Corporation (FDIC) insures amounts on deposit up to the limits as prescribed by law. The Trust holds funds with financial institutions in excess of, or non FDIC insured amounts, however, the Trust has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Mutual Funds, At Fair Value

Mutual funds, at fair value with readily determinable fair values are reported at their fair values on the statement of net position. Unrealized gains and losses are included in revenue.

Contributions Receivable

The Trust uses the allowance method for uncollectible accounts. They have determined that all accounts are collectible and the allowance for doubtful accounts as of June 30, 2023 and 2022 is \$0.

Contributions receivable of \$186,916 and \$50,768 as of June 30, 2023 and 2022, respectively, represent unemployment and multi-line program contributions received after year end. \$135,000 and \$50,000 of these amounts as of June 30, 2023 and 2022, respectively, represent estimated contributions from future workers compensation premium audits.

Other Receivables

Other receivables at June 30, 2023 consists of \$0 due from the bank for future ACH payments and \$31,290 for other amounts due.

Other receivables at June 30, 2022 consists of \$528,245 due from the bank for future ACH payments and \$36,081 for other amounts due.

Prepaid Expenses

Prepaid expenses of \$194,685 and \$293,810 as of June 30, 2023 and 2022, respectively, represents amounts paid during the current year that will benefit future years. The balances consist primarily of reinsurance premiums paid in advance.

Vermont School Boards Insurance Trust, Inc.

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Liability for Claims to be Paid and Reserve for ULAE, Net

The net liability for claims to be paid and unallocated loss adjustment expenses includes case basis estimates (claims to be paid) for reported losses, plus amounts for incurred but not reported losses (IBNR or anticipated claims not reported) calculated based on loss projections using the Trust's historical claim data. In establishing the liability for losses and loss adjustment expenses and related reinsurance recoverable, the Trust utilizes the findings of independent consulting actuaries. For property and casualty, reserves are presented net of salvage and subrogation, deductibles recoverable from Members and reinsurance recoverable on unpaid losses and loss adjustment expenses. Reinsurance recoverables may not be collected until after such losses are paid by the Trust.

Management has recorded its net reserves based on the actuaries' point estimate and believes that its aggregate net liability for claims to be paid and unallocated loss adjustment expenses at year end represents its best estimate, based upon the available data, for the amount necessary to cover the ultimate cost of losses. However, because of the limited population of insured risks, jury decisions, court interpretations, legislative changes, changes in the medical condition of claimants, statutorily mandated changes in benefits or the delivery of those benefits, public attitudes, and social/economic conditions such as inflation and other uncertainties, it is not presently possible to determine whether actual loss experience will conform to the assumptions used in estimating the liability. As a result, the actual liability may be significantly in excess of or less than the amount indicated in the financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

Bonds Payable

The changes in long-term debt were as follows:

	2023	2022
Beginning balance	\$ -	\$ 1,362,020
Payments	-	(1,362,020)
Ending balance	<u>\$ -</u>	<u>\$ -</u>

Interest expense on the bonds was \$0 and \$18,418 during fiscal year 2023 and 2022, respectively.

Operating Revenues and Expenses

Operating revenues include unemployment contributions, multi-line contributions and fees received from providing services. Operating expenses include unemployment claims paid, multi-line claims paid and the costs of providing services and operating all programs.

Vermont School Boards Insurance Trust, Inc.

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Allocation of General and Administrative Expenses

The Trust has incurred General and Administrative Expenses of \$3,389,692 and \$2,637,308 for the years ended June 30, 2023 and 2022, respectively. These expenses are allocated to Vermont Education Health Initiative (VEHI), to the Unemployment Insurance Fund and to the Multi-Line Program based upon estimates by management. The General Reserve pays the balance after the above allocations. Transfers between programs are more fully disclosed in Note I.

Note C - Affiliated Organizations and Related Party Transactions

The Trust is contracted by VEHI to provide management, wellness and accounting services. VEHI, a separate corporation, provides health, dental, life and disability coverage to member schools. VEHI paid the Trust \$1,142,984 and \$1,069,325 for these services in 2023 and 2022, respectively.

Note D - Cash and Investments

Cash and cash equivalents as of June 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Checking accounts - M&T Bank	\$ 8,049,072	\$ 7,230,568
Money Market - M&T Bank	<u>2,077,425</u>	<u>2,001,256</u>
Total cash and cash equivalents	<u>\$ 10,126,497</u>	<u>\$ 9,231,824</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Trust will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, the Trust will not be able to recover the value of its investments or collateral securities that are in possession of another party.

The Trust invests in money market accounts and open-ended mutual funds which are not subject to custodial credit risk. The Trust does not have any policy to limit the exposure to custodial credit risk, however, the Board of Directors monitors this annually. All cash deposits are held at M&T Bank.

Vermont School Boards Insurance Trust, Inc.

Notes to the Financial Statements (Continued)

Note D - Cash and Investments (Continued)

The custodial credit risk for cash deposits is as follows:

	<u>June 30, 2023</u>		<u>June 30, 2022</u>	
	<u>Book</u>	<u>Bank</u>	<u>Book</u>	<u>Bank</u>
	<u>Balance</u>	<u>Balance</u>	<u>Balance</u>	<u>Balance</u>
FDIC insured	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
Uninsured, collateralized by U.S. government agencies held by the pledging financial institution's agent	<u>9,876,497</u>	<u>10,098,776</u>	<u>8,981,824</u>	<u>9,177,608</u>
Total	<u>\$ 10,126,497</u>	<u>\$ 10,348,776</u>	<u>\$ 9,231,824</u>	<u>\$ 9,427,608</u>

The difference between the book balance and the bank balance is caused by reconciling items such as deposits in transit and outstanding checks.

Investments

The Trust accounts for its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB 31). GASB 31 requires investments to be reported at fair value with realized gains and losses on the sale of investments, and unrealized gains and losses due to changes in the market value of investments, being reported directly in the statements of revenues, expenses, and changes in net position. Realized gains and losses on sales of mutual funds are calculated using the weighted average method. The fair values of investments are measured using quoted market prices or through a recognized pricing service.

Investments at June 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Mutual funds - equities	\$ 30,127,617	\$ 25,797,717
Mutual funds - fixed income	<u>32,691,882</u>	<u>33,003,696</u>
Total	<u>\$ 62,819,499</u>	<u>\$ 58,801,413</u>

The Trust's Board of Directors has established an investment policy which indicates which types of investments the Trust will own. There are no outside restrictions on the type of investment the Trust may invest in for reserve funds. Investment practices for operating funds must comply with requirements set forth in 8 V.S.A., section 3463 as referenced in section 9 of Regulation I-90-1.

Vermont School Boards Insurance Trust, Inc.

Notes to the Financial Statements (Continued)

Note D - Cash and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. All of the Trust's assets can be changed daily thereby creating no interest rate risk.

Credit Risk

Investments of operating cash shall be limited to insured bank deposits, repurchase agreements, U.S. Treasury or agency securities, money market funds, and commercial paper rated A-1 or P-1 or better by Standard & Poor's and Moody's, respectively. Investments of operating and reserve funds can be in equities (mutual and exchange-traded funds) and fixed income securities. Individual bonds are allowed but only if managed by an outside advisor and no rating below BBB. The Trust held no individual fixed income securities in 2023 or 2022. All of the investments of the Trust are unrated.

Concentration of Credit Risk

The Trust has a limit of 5% per issuer, except for U.S. securities, mutual funds and exchange-traded funds. Multi-line operating funds have a target of 25% equities and 75% fixed income securities, to be rebalanced annually. Reserve funds, including the unemployment insurance program, must be invested 45% to 55% in equities and 45% to 55% in bonds. The Trust has invested 100% of their portfolio in seventeen mutual funds of the Vanguard Group as of June 30, 2023 and 2022.

Fair Value

The Trust categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Level 1 – Unadjusted quoted prices for identical instruments in active markets

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

The mutual funds were all deemed to be categorized as Level 1 as of June 30, 2023 and 2022.

Vermont School Boards Insurance Trust, Inc.

Notes to the Financial Statements (Continued)

Note E - Claims Payable

At June 30, 2023 and 2022, the Trust owed \$106,392 and \$77,371, respectively, to the Vermont Department of Labor. These consist of claims actually paid by them but not yet reimbursed by the Trust as of these dates. This liability does not include claims accrued as of June 30, 2023 and 2022 but not yet paid as of these dates.

Note F - Claims To Be Paid

As discussed in Note B, the Trust establishes an estimated liability for claims to be paid and unallocated loss adjustment expenses for both reported and unreported insured events, which include estimates of both future payments of losses and related claim adjustment expenses. This liability for claims to be paid and loss adjustment expenses is estimated by independent actuaries based on claims information as of June 30, 2023 and 2022, as well as assumptions for changes in membership and insurance product offerings. The Trust does not discount its loss reserves.

Reinsurance receivable on paid losses was \$332,721 and \$0 as of June 30, 2023 and 2022, respectively. Management has not identified any allowance for uncollectible reinsurance as of June 30, 2023 and 2022, all amounts are deemed to be fully collectible.

The following represents changes in the liability for claims to be paid and claims payable, net of the effects of reinsurance, during the years ended June 30,

	<u>2023</u>	<u>2022</u>
Liability at beginning of year, net of reinsurance and deductibles	\$ 11,457,626	\$ 10,227,251
Provision for losses:		
Provision for insured events of the current year	7,261,420	7,300,804
Change in provision for insured events of prior years	<u>716,677</u>	<u>237,721</u>
Total provision for losses during the year	<u>7,978,097</u>	<u>7,538,525</u>
Payments:		
Claims and claims adjustment expenses attributable to insured events of the current year	2,526,632	1,971,664
Claims and claims adjustment expenses attributable to insured events of the prior years	<u>5,124,135</u>	<u>4,336,486</u>
Total payments during the year	<u>7,650,767</u>	<u>6,308,150</u>
Liability at end of year, net of reinsurance and deductibles	<u>\$ 11,784,956</u>	<u>\$ 11,457,626</u>

Vermont School Boards Insurance Trust, Inc.

Notes to the Financial Statements (Continued)

Note G - Insurance Activity

The Trust uses reinsurance agreements to reduce its exposure to losses in its multi-line program. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Trust as direct insurer of the risks reinsured. The Trust has two types of reinsurance: specific and aggregate. Specific reinsurance protects the Trust in the event of an unusually large claim. Aggregate reinsurance protects the Trust in the event of an unusually large number of claims.

The Trust reports reinsured risks to the reinsurance attachment point. The Trust does not report the reinsured value as a liability unless it is probable that those risks will not be covered by reinsurers. The amount recorded for reinsurance as of June 30, 2023 and 2022 was \$1,691,000 and \$2,001,850, respectively. Management has not identified any allowance for uncollectible reinsurance as of June 30, 2023 and 2022.

Vermont School Boards Insurance Trust, Inc.

Notes to the Financial Statements (Continued)

Note G - Insurance Activity (Continued)

The aggregate retention for the fund years are as follows:

Fund Years	Property	Liability	Workers' Compensation
2005	\$250,000 reinsurance attachment; annual aggregate \$510,715	\$250,000 reinsurance attachment	\$400,000 reinsurance attachment
2006	\$250,000 reinsurance attachment; annual aggregate \$839,487	\$250,000 reinsurance attachment	\$400,000 reinsurance attachment
2007	\$250,000 reinsurance attachment; annual aggregate \$849,585	\$250,000 reinsurance attachment	\$500,000 reinsurance attachment
2008	\$250,000 reinsurance attachment; annual aggregate \$938,862	\$250,000 reinsurance attachment	\$500,000 reinsurance attachment
2009	\$250,000 reinsurance attachment; annual aggregate \$885,751	\$250,000 reinsurance attachment	\$500,000 reinsurance attachment
2010	\$250,000 reinsurance attachment; annual aggregate \$909,606	\$250,000 reinsurance attachment	\$500,000 reinsurance attachment
2011- 2013	\$250,000 reinsurance attachment; annual aggregate \$885,000	\$250,000 reinsurance attachment	\$500,000 reinsurance attachment
2014	\$250,000 reinsurance attachment; annual aggregate \$850,000	\$250,000 reinsurance attachment	\$500,000 reinsurance attachment
2015	\$250,000 reinsurance attachment; annual aggregate \$850,000	\$350,000 reinsurance attachment	\$500,000 reinsurance attachment
2016- 2019	\$250,000 reinsurance attachment; annual aggregate \$850,000	\$350,000 reinsurance attachment	\$550,000 reinsurance attachment
2020- 2022	\$250,000 reinsurance attachment; annual aggregate \$1,000,000	\$350,000 reinsurance attachment	\$550,000 reinsurance attachment
2023	\$250,000 reinsurance attachment; annual aggregate \$1,000,000	\$425,000 reinsurance attachment	\$550,000 reinsurance attachment

Vermont School Boards Insurance Trust, Inc.

Notes to the Financial Statements (Continued)

Note H - Other Program Expenses

Other program expenses is comprised of the following:

	<u>2023</u>	<u>2022</u>
Unallocated loss adjustment expense - multi-line	\$ (170,000)	\$ 59,000
Workers' compensation state assessment - multi-line	62,373	64,048
Actuarial services - multi-line	185,225	151,683
Administration fees - multi-line	132,681	827,271
Consulting - multi-line	283,772	276,408
Medical director fees - multi-line	14,400	14,400
Appraisal - multi-line	36,040	34,940
Claims management system - multi-line	206,222	440,156
Loss prevention - multi-line	120,629	111,640
Loss prevention grant expense - multi-line	311,815	272,907
Administration fees - unemployment insurance	35,651	38,619
Other expenses - unemployment insurance	1,846	452
Other expenses - general reserve	25,077	22,094
Other expenses - multi-line	<u>122,883</u>	<u>86,346</u>
Total	<u>\$ 1,368,614</u>	<u>\$ 2,399,964</u>

Note I - Transfers

Transfers between programs during 2023 consisted of the following:

	<u>General Reserve</u>	<u>Multi-Line Reserve</u>	<u>General Operating</u>	<u>Total</u>
Transfer from the general reserve fund to the general operating fund for the difference between capital purchases, depreciation expense and debt service payments	\$ 77,756	\$ -	\$ (77,756)	\$ -
Transfer from the multi-line reserve fund to the general reserve fund of its interest and dividend earnings	110,111	(110,111)	-	-
Transfer from the general operating fund to the general reserve fund of its interest earnings	<u>5,568</u>	<u>-</u>	<u>(5,568)</u>	<u>-</u>
Total	<u>\$ 193,435</u>	<u>\$ (110,111)</u>	<u>\$ (83,324)</u>	<u>\$ -</u>

Vermont School Boards Insurance Trust, Inc.

Notes to the Financial Statements (Continued)

Note I - Transfers (Continued)

Transfers between programs during 2022 consisted of the following:

	<u>General Reserve</u>	<u>Multi-Line Reserve</u>	<u>General Operating</u>	<u>Total</u>
Transfer from the general reserve fund to the general operating fund for the difference between capital purchases, depreciation expense and debt service payments	\$ (1,323,949)	\$ -	\$ 1,323,949	\$ -
Transfer from the multi-line reserve fund to the general reserve fund of its interest and dividend earnings	129,373	(129,373)	-	-
Transfer from the general operating fund to the general reserve fund of its interest earnings	<u>277</u>	<u>-</u>	<u>(277)</u>	<u>-</u>
Total	<u>\$ (1,194,299)</u>	<u>\$ (129,373)</u>	<u>\$ 1,323,672</u>	<u>\$ -</u>

Note J - Retirement Plans

The Trust provides its employees a defined contribution retirement plan under Internal Revenue Code Section 401(a). In a defined contribution plan, benefits depend solely on amounts contributed plus investment earnings. The Plan is administered by the Trust. Employees are eligible after reaching the age of 21 and three months of service. Employees are fully vested after three months. The Plan may be amended at any time, however, Plan assets may not be used for any other purpose and amendments may not cause any reduction in the amount credited to employees' accounts. The Trust contributed 8.5% of employees gross salaries for twenty-four (24) and sixteen (16) employees in 2023 and 2022, respectively. All of the investments are self directed by each employee.

The Trust also has a 403(b) plan which allows for employee contributions if they elect to contribute. During 2022, the Trust increased one new employee's salary by 8.5% for a portion of the year which was then deferred and contributed to the 403(b) plan. This was done as the new employee was not eligible for the Trust's 401(a) plan. The amount of the contribution was \$6,805 for fiscal year 2022 and is included as salary. All of the investments are self directed by each employee. There were no separate contributions in fiscal year 2023.

TIAA is the custodian of the plans' assets. Total payroll for the Trust was \$2,015,261 and \$1,482,771 while covered payroll was \$1,846,335 and \$1,318,294 for fiscal year 2023 and 2022, respectively. Pension expense for the years ended June 30, 2023 and 2022 was \$156,938 and \$112,055, respectively.

Vermont School Boards Insurance Trust, Inc.

Notes to the Financial Statements (Continued)

Note K - Reserve Funds

General Reserve

The General Reserve was established at the annual meeting of the members on October 31, 1986 to achieve better utilization of assets, provide maximum protection for all funds and reduce the cost of reinsurance. The Reserve was initially created through a transfer from the Unemployment program. During 1997, the Health Reserve, in existence at that time, transferred approximately \$4,800,000 back to the General Reserve and in 2001 transferred the remaining assets totaling approximately \$10,700,000. Excess earnings, if any, may be distributed to the respective programs in accordance with a prorated formula established by the Board of Directors.

Unemployment Reserve

The Unemployment Reserve was established by the Board of Directors in 2013 to protect the Trust in the event that unemployment claims exceeded operating funds. The Reserve was funded with a \$1,142,265 transfer from the Unemployment Insurance Operating Fund in 2013 and another \$900,000 was transferred in fiscal year 2017. There have been no transfers since fiscal year 2017.

Multi-Line Reserve

On July 1, 2004, the Board established a Multi-Line Reserve to protect the Trust in the event that claims and expenses exceed aggregate reinsurance. The Multi-Line Reserve was funded with a \$3,500,000 transfer from the General Reserve. Beginning in 2012, the Board has elected to transfer all interest and dividend income earned back to the General Reserve. Beginning in 2015, the Board has elected to transfer all positive market change as well as all interest and dividend income earned back to the General Reserve. In addition, the Board has elected to transfer a portion of the initial principal back to the General Reserve because it had adequate reserves. As of June 30, 2023 and 2022, \$3,721,838 and \$3,611,727, respectively, has been cumulatively transferred back to the General Reserve which is inclusive of all three types of transfers described previously.

Note L - Net Position

Net position consists of the following board designations:

	<u>2023</u>	<u>2022</u>
Designated for unemployment insurance	\$ 709,766	\$ 129,293
Designated for multi-line program	21,297,619	19,730,492
Designated for general reserve	30,372,976	27,904,088
Designated for unemployment reserve	3,753,329	3,410,778
Designated for multi-line reserve	3,800,234	3,917,012
Designated for general operating - net investment in property, plant and equipment	<u>3,006,007</u>	<u>3,083,763</u>
Total net position	<u>\$ 62,939,931</u>	<u>\$ 58,175,426</u>

Vermont School Boards Insurance Trust, Inc.

Notes to the Financial Statements (Continued)

Note L - Net Position (Continued)

The net position (accumulated excess of revenue over expenses) shall accrue to the benefit of the members as it is earned. Any funds not needed to pay claims and maintain prudent reserves will be available for distribution to the members or credit toward future member contributions as determined by the Board of Directors of the Trust. Alternately, the Board of Directors and management of the Trust may increase retention on reinsurance policies or offer additional services to the members.

Note M - Risk Management

VSBIT is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. VSBIT maintains commercial insurance coverage. Management believes such coverage is sufficient to preclude any significant uninsured losses to VSBIT. Settled claims have not exceeded this coverage in any of the past three fiscal years.

Vermont School Boards Insurance Trust, Inc.

Claims Development Information (Unaudited)

June 30, 2023

This table illustrates how VSBIT'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 VSBIT since inception for the Multi-Line Program.

The rows of the table are defined as follows:

1. This line shows the gross of each fiscal year's earned contribution revenues and investment revenues.
2. This line shows each fiscal year's reinsurance premiums.
3. This line shows the net of each fiscal year's earned contribution revenues and investment revenues.
4. This line shows each fiscal year's other operating costs of VSBIT including overhead and claims expense not allocable to individual claims.
5. This line shows VSBIT's incurred claims and allocated claims adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
6. This section of rows shows the cumulative amounts paid as of the end of successive years for each policy year.
7. This section of rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation 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.
8. This line compares the latest re-estimated 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 determined.

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

Vermont School Boards Insurance Trust, Inc.

Claims Development Information (Unaudited) (Continued)

For the Year Ended June 30, 2023

	Fiscal and Coverage Year Ended (in thousands of dollars)									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
(1) Total gross contributions and revenues	\$ 15,569,284	\$ 13,785,528	\$ 12,937,026	\$ 12,928,038	\$ 12,712,274	\$ 12,628,285	\$ 12,216,438	\$ 10,921,483	\$ 10,340,821	\$ 9,697,289
(2) Less: Reinsurance premiums	4,183,862	3,413,046	3,033,553	2,756,690	2,612,285	2,358,627	2,321,576	2,281,683	2,109,061	1,902,918
(3) Net earned required contribution and investment revenues	11,385,422	10,372,482	9,903,473	10,171,348	10,099,989	10,269,658	9,894,862	8,639,800	8,231,760	7,794,371
(4) Unallocated expenses	3,588,715	3,863,034	2,833,189	3,170,486	3,064,759	3,239,912	2,778,343	2,447,026	2,148,627	1,883,764
(5) Estimated incurred claim and expense, end of policy year:	7,261,420	7,300,804	5,486,494	6,015,662	6,901,098	5,829,267	6,097,313	5,011,505	5,259,771	4,689,534
(6) Paid (cumulative) as of:										
End of policy year	2,526,632	1,971,664	1,475,337	1,793,978	2,212,295	1,948,152	1,698,977	1,270,430	1,607,633	1,203,784
One year later		4,486,174	3,360,664	3,397,380	4,073,895	3,189,818	2,882,442	2,047,786	2,972,413	2,683,043
Two years later			4,225,506	4,516,351	5,566,108	3,667,102	3,389,957	2,765,019	3,537,008	3,195,225
Three years later				5,118,600	6,253,916	3,910,566	3,924,403	3,169,406	3,765,243	3,636,688
Four years later					6,635,555	4,134,370	4,120,538	3,622,742	3,984,093	3,808,834
Five years later						4,569,761	4,454,823	3,907,308	4,251,078	4,037,095
Six years later							4,661,840	3,943,009	4,276,538	4,162,151
Seven years later								3,978,922	4,281,386	4,225,313
Eight years later									4,307,479	4,225,313
Nine years later										4,225,313
(7) Reestimated incurred claims and expenses										
End of policy year	7,261,420	7,300,804	5,486,494	6,015,662	6,901,098	5,829,267	6,097,313	5,011,505	5,259,771	4,689,534
One year later		8,121,919	5,126,265	6,315,762	7,309,485	5,231,640	4,816,239	4,141,287	5,105,904	4,382,662
Two years later			5,046,070	6,306,925	7,122,552	6,455,591	4,563,459	3,887,675	4,729,597	4,312,603
Three years later				6,224,883	7,137,621	4,628,199	4,363,881	3,828,046	4,443,604	4,325,017
Four years later					7,151,938	4,794,599	4,544,094	4,169,036	4,404,823	4,421,123
Five years later						4,821,132	4,824,192	4,096,356	4,424,904	4,401,314
Six years later							4,806,504	4,192,127	4,451,924	4,307,897
Seven years later								4,142,850	4,481,899	4,225,313
Eight years later									4,507,737	4,225,313
Nine years later										4,225,313
(8) Increase (decrease) in estimated incurred claims and expenses from end of policy year	N/A	\$ 821,115	\$ (440,424)	\$ 209,221	\$ 250,840	\$ (1,008,135)	\$ (1,290,809)	\$ (868,655)	\$ (752,034)	\$ (464,221)

Vermont School Boards Insurance Trust, Inc.

Reconciliation of Claims Liabilities (Unaudited)

Years ended June 30, 2023 and 2022

	<u>Property and Casualty</u>		<u>Workers' Compensation</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Unpaid claims at beginning of year	\$ 3,102,398	\$ 3,014,121	\$ 8,355,228	\$ 7,213,130	\$ 11,457,626	\$ 10,227,251
Incurred claims relating to:						
Current year	1,961,737	1,901,544	5,299,683	5,399,260	7,261,420	7,300,804
Prior years	<u>(102,176)</u>	<u>(733,277)</u>	<u>818,853</u>	<u>970,998</u>	<u>716,677</u>	<u>237,721</u>
Total incurred claims	<u>1,859,561</u>	<u>1,168,267</u>	<u>6,118,536</u>	<u>6,370,258</u>	<u>7,978,097</u>	<u>7,538,525</u>
Payments relating to:						
Current year	1,258,329	431,717	1,268,303	1,539,947	2,526,632	1,971,664
Prior years	<u>1,892,569</u>	<u>648,273</u>	<u>3,231,566</u>	<u>3,688,213</u>	<u>5,124,135</u>	<u>4,336,486</u>
Total payments	<u>3,150,898</u>	<u>1,079,990</u>	<u>4,499,869</u>	<u>5,228,160</u>	<u>7,650,767</u>	<u>6,308,150</u>
Total unpaid claims at end of year	<u>\$ 1,811,061</u>	<u>\$ 3,102,398</u>	<u>\$ 9,973,895</u>	<u>\$ 8,355,228</u>	<u>\$ 11,784,956</u>	<u>\$ 11,457,626</u>

Vermont School Boards Insurance Trust, Inc.

Combining Statement of Net Position
(Unaudited)

June 30, 2023

	Unemployment Insurance	Multi-Line	General Reserve	Unemployment Reserve	Multi-Line Reserve	General Operating	Total
Assets							
Cash	766,224	8,931,274	213,075	-	-	215,924	10,126,497
Mutual funds, at fair value	-	25,103,450	30,162,486	3,753,329	3,800,234	-	62,819,499
Contributions receivable	36,183	150,698	35	-	-	-	186,916
Other receivables	13,751	17,398	-	-	-	141	31,290
Deductibles receivable	-	37,514	-	-	-	-	37,514
Subrogation receivable	-	195,052	-	-	-	-	195,052
Reinsurance receivable	-	332,721	-	-	-	-	332,721
Prepaid expenses	-	164,107	-	-	-	30,578	194,685
Property, plant, and equipment - net of accumulated depreciation of \$979,300	-	-	-	-	-	3,006,007	3,006,007
Total Assets	\$ 816,158	\$ 34,932,214	\$ 30,375,596	\$ 3,753,329	\$ 3,800,234	\$ 3,252,650	\$ 76,930,181
Liabilities and Net Position							
Liabilities							
Accounts payable	\$ -	\$ 62,012	\$ 2,620	\$ -	\$ -	\$ 6,360	\$ 70,992
Accrued payroll and related taxes payable	-	-	-	-	-	42,085	42,085
Accrued vacation payable	-	-	-	-	-	151,054	151,054
Other payables	-	-	-	-	-	47,144	47,144
Claims payable	106,392	-	-	-	-	-	106,392
Workers' compensation state assessment reserve	-	157,627	-	-	-	-	157,627
Claims to be paid	-	7,811,956	-	-	-	-	7,811,956
Anticipated claims not reported	-	3,973,000	-	-	-	-	3,973,000
Reserve for unallocated loss adjustment expenses	-	1,630,000	-	-	-	-	1,630,000
Total Liabilities	106,392	13,634,595	2,620	-	-	246,643	13,990,250
Net Position							
Unrestricted	709,766	21,297,619	30,372,976	3,753,329	3,800,234	3,006,007	62,939,931
Total Net Position	709,766	21,297,619	30,372,976	3,753,329	3,800,234	3,006,007	62,939,931
Total Liabilities and Net Position	\$ 816,158	\$ 34,932,214	\$ 30,375,596	\$ 3,753,329	\$ 3,800,234	\$ 3,252,650	\$ 76,930,181

Vermont School Boards Insurance Trust, Inc.

Combining Statement of Revenues, Expenses,
and Changes in Net Position (Unaudited)

Year ended June 30, 2023

	Unemployment Insurance	Worker's Compensation (1992-1998)	Multi-Line	General Reserve	Unemployment Reserve	Multi-Line Reserve	General Operating	Total
Operating Revenues								
Program contributions	\$ 1,185,263	\$ -	\$ 15,641,427	\$ -	\$ -	\$ -	\$ -	\$ 16,826,690
Other income	100	5,000	6,174	32,890	-	-	14,850	59,014
VEHI administrative revenue	-	-	-	-	-	-	1,142,984	1,142,984
Total operating revenues	1,185,363	5,000	15,647,601	32,890	-	-	1,157,834	18,028,688
Operating Expenses								
Net change in claims paid and reserved	490,174	-	7,978,097	-	-	-	-	8,468,271
Reinsurance premiums	-	-	4,180,743	-	-	-	-	4,180,743
Other program expenses	37,497	-	1,306,040	25,077	-	-	-	1,368,614
General and administrative expenses	84,938	-	1,816,039	330,881	-	-	1,157,834	3,389,692
School management resource center expenses	-	-	-	352,307	-	-	-	352,307
Total operating expenses	612,609	-	15,280,919	708,265	-	-	1,157,834	17,759,627
Net operating income (loss)	572,754	5,000	366,682	(675,375)	-	-	-	269,061
Non-operating Revenues (Expenses)								
Investment income -interest and dividends	7,719	-	692,819	874,262	109,059	110,111	5,568	1,799,538
Investment income (loss) - other	-	-	507,626	2,076,566	233,492	(116,778)	-	2,700,906
Distributions to members	-	(5,000)	-	-	-	-	-	(5,000)
Net non-operating revenues (expenses)	7,719	(5,000)	1,200,445	2,950,828	342,551	(6,667)	5,568	4,495,444
Transfers								
Transfers in (out)	-	-	-	193,435	-	(110,111)	(83,324)	-
Change in net position	580,473	-	1,567,127	2,468,888	342,551	(116,778)	(77,756)	4,764,505
Net position, beginning of year	129,293	-	19,730,492	27,904,088	3,410,778	3,917,012	3,083,763	58,175,426
Net position, end of year	\$ 709,766	\$ -	\$ 21,297,619	\$ 30,372,976	\$ 3,753,329	\$ 3,800,234	\$ 3,006,007	\$ 62,939,931

Vermont School Boards Insurance Trust, Inc.

Schedule of General and Administrative and School Management Resource Center
Revenues and Expenses (Unaudited)

Years ended June 30, 2023 and 2022

	2023			2022		
	General and Administrative	School Management Resource Center	Total	General and Administrative	School Management Resource Center	Total
Sources of Revenue						
VEHI administration contract	\$ 1,142,984	\$ -	\$ 1,142,984	\$ 1,069,325	\$ -	\$ 1,069,325
Unemployment insurance program	84,940	-	84,940	78,650	-	78,650
Multi-line program	1,816,039	-	1,816,039	1,181,974	-	1,181,974
General reserve	330,881	352,307	683,188	306,259	340,706	646,965
Other income	14,848	-	14,848	1,100	-	1,100
Total sources of revenue	<u>\$ 3,389,692</u>	<u>\$ 352,307</u>	<u>\$ 3,741,999</u>	<u>\$ 2,637,308</u>	<u>\$ 340,706</u>	<u>\$ 2,978,014</u>
Expenses						
Salaries	\$ 1,833,606	\$ -	\$ 1,833,606	\$ 1,355,423	\$ -	\$ 1,355,423
Benefits and payroll taxes	891,072	-	891,072	704,356	-	704,356
Accounting services	39,200	-	39,200	36,700	-	36,700
Bank fees	5,822	-	5,822	8,476	-	8,476
Computer upgrade and maintenance	154,267	-	154,267	159,570	-	159,570
Consulting	9,500	-	9,500	281	-	281
Conference expenses	48,547	-	48,547	7,925	-	7,925
Depreciation	77,756	-	77,756	81,329	-	81,329
Dues and subscriptions	7,848	-	7,848	8,133	-	8,133
Employee relations	6,001	-	6,001	9,809	-	9,809
Employment advertising	99	-	99	-	-	-
Equipment expense	19,660	-	19,660	7,823	-	7,823
Insurance	58,850	-	58,850	60,442	-	60,442
Internet expense	13,679	-	13,679	13,495	-	13,495
Legal services	3,660	-	3,660	1,805	-	1,805
Occupancy:						
Custodial	20,449	-	20,449	21,859	-	21,859
Grounds Care	8,625	-	8,625	9,000	-	9,000
Building maintenance	25,299	-	25,299	22,457	-	22,457
Property taxes	33,225	-	33,225	31,669	-	31,669
Utilities	26,323	-	26,323	26,036	-	26,036
Office supplies	13,331	-	13,331	10,567	-	10,567
Payroll service fee	4,200	-	4,200	3,254	-	3,254
Postage	7,514	-	7,514	10,539	-	10,539
Printing/photocopying	18,803	-	18,803	16,045	-	16,045
Public relations/promotional expense	18,077	-	18,077	6,550	-	6,550
State-wide initiatives	-	352,307	352,307	-	340,706	340,706
Team development	4,703	-	4,703	-	-	-
Telephone	22,346	-	22,346	15,353	-	15,353
Travel, meals and lodging	7,515	-	7,515	6,758	-	6,758
Tuition reimbursement	8,004	-	8,004	-	-	-
Website maintenance and fees	1,711	-	1,711	1,654	-	1,654
Total expenses	<u>\$ 3,389,692</u>	<u>\$ 352,307</u>	<u>\$ 3,741,999</u>	<u>\$ 2,637,308</u>	<u>\$ 340,706</u>	<u>\$ 2,978,014</u>

Vermont School Boards Insurance Trust, Inc.

Comparative Statements of Net Position -
Multi-Line and Multi-Line Reserve Funds (Unaudited)

June 30, 2023 and 2022

Assets	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 8,931,274	\$ 8,359,036
Mutual funds, at fair value	28,903,684	27,986,624
Other receivables	500,817	506,780
Deductibles receivable	37,514	58,042
Subrogation receivable	195,052	23,073
Prepaid expenses	<u>164,107</u>	<u>276,856</u>
Total Assets	<u>\$ 38,732,448</u>	<u>\$ 37,210,411</u>
Liabilities and Net Position		
Liabilities		
Accounts payable	\$ 62,012	\$ 157,701
Workers' compensation state assessment reserve	157,627	147,580
Claims to be paid	7,811,956	7,583,626
Anticipated claims not reported	3,973,000	3,874,000
Reserve for unallocated loss adjustment expenses	<u>1,630,000</u>	<u>1,800,000</u>
Total liabilities	13,634,595	13,562,907
Net Position	<u>25,097,853</u>	<u>23,647,504</u>
Total Liabilities and Net Position	<u>\$ 38,732,448</u>	<u>\$ 37,210,411</u>

Vermont School Boards Insurance Trust, Inc.

Comparative Statements of Revenues, Expenses, and Changes in Net Position
Multi-Line and Multi-Line Reserve Funds (Unaudited)

For the years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Program contributions	\$ 15,641,427	\$ 13,448,213
Other income	<u>6,174</u>	<u>4,632</u>
Total operating revenues	15,647,601	13,452,845
Operating Expenses		
Net change in claims paid and reserved - multi-line program	7,978,097	7,538,525
Reinsurance premiums	4,180,743	3,259,190
Other program expenses	1,306,040	2,338,799
General and administrative expenses	<u>1,816,039</u>	<u>1,181,974</u>
Total operating expenses	<u>15,280,919</u>	<u>14,318,488</u>
Net operating income (loss)	366,682	(865,643)
Non-Operating Revenues (Expenses)		
Investment income - interest and dividends	802,930	499,064
Investment income (loss) - other	<u>390,848</u>	<u>(3,807,747)</u>
Net non-operating revenues (expenses)	<u>1,193,778</u>	<u>(3,308,683)</u>
Transfers		
Transfers out	(110,111)	(129,373)
Change in net position	1,450,349	(4,303,699)
Net position, beginning of year	<u>23,647,504</u>	<u>27,951,203</u>
Net position, end of year	<u>\$ 25,097,853</u>	<u>\$ 23,647,504</u>