

Vermont School Boards Insurance Trust, Inc.

Audited Financial Statements with Required Supplementary Information and Other Information

*Years ended June 30, 2025 and 2024
with Report of Independent Auditors*

Vermont School Boards Insurance Trust, Inc.

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and Other Information

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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 statements of net position as of June 30, 2025 and 2024, and the related statements of revenues, expenses and changes in net position, and cash flows for the years 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, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 - 8 and accompanying supplementary information listed on pages 30 - 32 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 information on pages 34 - 38 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 firm's name in the footer.

Williston, Vermont
October 29, 2025
Vermont firm registration: 092-0000267

Vermont School Boards Insurance Trust, Inc.

Management's Discussion and Analysis (Unaudited)

June 30, 2025 and 2024

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 2025 Highlights and Overall Financial Position

During the year ending June 30, 2025, VSBIT provided unemployment insurance to 110 schools and supervisory unions. VSBIT also provided property/casualty and workers' compensation coverage to 51 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 \$20.1 million in 2025; \$1.0 million from unemployment contributions and \$19.1 million from the multi-line program.

VSBIT earned \$3.6 million in interest and dividends and had a market gain of \$4.4 million on investments following a \$4.6 million market gain in 2024. VSBIT also received \$1.5 million from VEHI per the administrative contract.

VSBIT's net position increased by \$8.0 million: from \$69.0 to \$77.1 million. This is a result of a \$413 thousand gain on the unemployment program, a \$3.5 million gain on the multi-line program and a gain of \$4.2 million on the general reserve, unemployment reserve, and multi-line reserve funds which primarily was from investment gains. VSBIT holds general reserves in the amount of \$37.2 million, up from \$33.5 million in 2024. Unemployment reserve and operating funds total \$6.4 million, up from \$5.5 million in 2024. Multi-line reserve and operating funds of \$30.5 million increased from \$27.0 million in 2024.

Vermont School Boards Insurance Trust, Inc.

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

Fiscal 2025 Highlights and Overall Financial Position (Continued)

VSBIT's 2025 general operating and general reserve funds operating budgets totaled \$4.9 million. Actual 2025 spending levels were under budget by \$320 thousand with 93.5% 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 2025, with a comparison to 2024.

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Assets		
Cash and investments	\$ 82,000,836	\$ 76,941,463
Receivables	2,138,972	3,598,641
Other assets	6,910,162	1,959,874
Property, plant, and equipment	<u>2,947,611</u>	<u>2,936,673</u>
Total assets	<u>\$ 93,997,581</u>	<u>\$ 85,436,651</u>
Liabilities		
Claims liabilities	\$ 13,911,291	\$ 13,476,802
Other claim liabilities	1,885,816	1,776,334
General liabilities	<u>1,128,608</u>	<u>1,153,881</u>
Total liabilities	16,925,715	16,407,017
Net position	<u>77,071,866</u>	<u>69,029,634</u>
Total liabilities and net position	<u>\$ 93,997,581</u>	<u>\$ 85,436,651</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 BNY Mellon, with sweeps to M&T Bank, while investments are with Vanguard Group in the form of mutual funds as of June 30, 2025. As of June 30, 2025, cash and investments total \$82.0 million as compared to \$76.9 million as of June 30, 2024. This is due to positive market performance during 2025.

Receivables of \$2.1 million are down from \$3.6 million from 2024. Receivables include amounts due for deductibles, reinsurance and subrogation for the multi-line program, and contribution receivables due from members.

VSBIT held \$2.95 million in net capital assets as of June 30, 2025 as compared to \$2.94 million as of June 30, 2024. 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, 2025, other assets represent \$813,382 in subscription assets and \$6.10 million in prepaid expenses as compared to \$916,106 in subscription assets and \$1.04 million in prepaid expenses as of June 30, 2024.

Liabilities

Claims liabilities total \$13.9 million, up from \$13.5 million for 2024. Claims liabilities include \$9.5 million which represents the projected cost of claims filed as of June 30, 2025 for the multi-line program but not yet paid and \$103 thousand in unpaid unemployment claims. The remaining \$4.35 million (up 0.5 million from 2024) 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 \$1.7 million in estimated claims adjustment reserves and \$196 thousand for the Vermont Department of Labor assessment. These reserves are calculated based on case reserves and IBNR values as of June 30, 2025.

General liabilities include \$141,437 due to vendors and other accrued expenses, \$220,066 in accrued vacation payable, and \$62,718 in accrued payroll liabilities.

As mentioned above, VSBIT adopted GASB 96 which resulted in a subscription liability of \$704,387 at June 30, 2025, also included in general 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 2025, with a comparison to 2024.

	2025	2024
Operating revenues:		
Program contributions	\$ 20,077,109	\$ 18,902,754
VEHI administrative contract/ other income	1,504,587	1,346,751
Total operating revenues	21,581,696	20,249,505
Operating expenses:		
Claims paid and net change in reserves	9,281,449	10,298,262
Other program expenses	7,647,439	6,668,085
General and administrative expenses	4,190,313	3,952,896
School management recourse center expenses (SMRC)	429,405	373,768
Total operating expenses	21,548,606	21,293,011
Net operating income (loss)	33,090	(1,043,506)
Non-operating revenues:		
Total investment activity	8,009,142	7,133,209
Change in net position	8,042,232	6,089,703
Net position at beginning of year	69,029,634	62,939,931
Net position at end of year	<u>\$ 77,071,866</u>	<u>\$ 69,029,634</u>

Revenues

VSBIT revenue is primarily made up of program contributions from members. Revenues for 2025 total \$21.6 million, an increase of \$1.3 million from 2024.

Investment activity generated a gain of \$8.0 million reflecting positive market results of \$4.4 million and \$3.6 million in dividends and interest earnings. For 2024, investment activity resulted in a gain of \$7.1 million, reflecting positive market results of \$4.6 million and \$2.5 million in dividends and interest earnings.

Expenses

VSBIT incurred unemployment claims in the amount of \$518,477 as compared to \$495,432 for 2024. The Multi-Line Intermunicipal School Program's change in claims paid and reserved decreased by \$1.1 million to \$8.7 million as of June 30, 2025.

Vermont School Boards Insurance Trust, Inc.

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

The Financial Statements (Continued)

General and administrative expenses totaled \$4.2 million, increasing by \$0.2 million from 2024. School Management Resource Center expenses totaled \$429,405. 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.

Change in Net Position

VSBIT's 2025 operations resulted in an increase in net position of \$8.0 million as compared to a \$6.1 million increase for 2024. This increase is primarily due to investment activity.

Economic Factors

Fiscal year 2025 marked the twenty first year for VSBIT's multi-line program. For 2026, the workers' compensation base rate was adjusted up by 2.4% and the property casualty rates were collectively adjusted up by 9.9% to achieve the overall 5.7% base rate increase. For 2025, the base rates for workers' compensation was adjusted up by 3.5% and property casualty rates were adjusted up by 0.7% for an overall 2.2% base rate increase. Net position for this program increased from \$27.1 million to \$30.5 million in 2025 following a \$2.0 million increase in net position in 2024. In 2025, VSBIT welcomed one new member to the program and one member left.

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 2025 or 2026. Membership was stable for 2025 with no members joining or leaving the program. Five new members joined the unemployment program for 2026.

The 2026 operating budget was set at \$5,438,580. This is an increase of \$491,593 or 9.9% from FY25. This is primarily due to inflationary factors and additional funds being budgeted within the SMRC to support schools throughout the state.

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, 2025 and 2024

Assets	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 6,477,690	\$ 8,329,159
Mutual funds, at fair value	75,523,146	68,612,304
Contributions receivable	260,554	566,830
Other receivables	33,596	24,731
Deductibles receivable	46,844	49,289
Subrogation receivable	456,124	532,816
Reinsurance receivable - paid	1,341,854	2,424,975
Prepaid expenses	6,096,780	1,043,768
Subscription asset	813,382	916,106
Property, plant, and equipment - net of accumulated depreciation of \$1,104,180 and \$1,041,578, respectively	<u>2,947,611</u>	<u>2,936,673</u>
Total Assets	<u><u>\$ 93,997,581</u></u>	<u><u>\$ 85,436,651</u></u>
Liabilities and Net Position		
Liabilities		
Accounts payable	\$ 100,809	\$ 98,286
Accrued payroll and related taxes payable	62,718	47,224
Accrued vacation payable	220,066	192,272
Subscription liability	704,387	793,722
Other payables	40,628	22,377
Claims payable	103,436	101,283
Workers' compensation state assessment reserve	195,816	171,334
Claims to be paid, net	9,459,855	9,531,519
Anticipated claims not reported, net	4,348,000	3,844,000
Reserve for unallocated loss adjustment expenses	<u>1,690,000</u>	<u>1,605,000</u>
Total liabilities	16,925,715	16,407,017
Net Position		
Net investment in property, plant, and equipment	2,947,611	3,059,057
Unrestricted net position	<u>74,124,255</u>	<u>65,970,577</u>
Total net position	<u><u>77,071,866</u></u>	<u><u>69,029,634</u></u>
Total Liabilities and Net Position	<u><u>\$ 93,997,581</u></u>	<u><u>\$ 85,436,651</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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating Revenues		
Program contributions	\$ 20,077,109	\$ 18,902,754
Other income	30,783	29,797
VEHI administration contract	<u>1,473,804</u>	<u>1,316,954</u>
Total operating revenues	21,581,696	20,249,505
Operating Expenses		
Claims paid - unemployment	518,477	495,432
Claims paid and changes in reserves - multi-line program	8,762,972	9,802,830
Reinsurance premiums	5,886,079	4,896,184
Other program expenses	1,761,360	1,771,901
General and administrative expenses	4,190,313	3,952,896
School management resource center expenses	<u>429,405</u>	<u>373,768</u>
Total operating expenses	<u>21,548,606</u>	<u>21,293,011</u>
Net operating income (loss)	33,090	(1,043,506)
Non-Operating Revenues		
Investment income - interest and dividends	3,614,547	2,531,673
Investment income - other	<u>4,394,595</u>	<u>4,601,536</u>
Non-operating revenues	<u>8,009,142</u>	<u>7,133,209</u>
Change in net position	8,042,232	6,089,703
Net position, beginning of year	<u>69,029,634</u>	<u>62,939,931</u>
Net position, end of year	<u><u>\$ 77,071,866</u></u>	<u><u>\$ 69,029,634</u></u>

See accompanying notes to the financial statements.

Vermont School Boards Insurance Trust, Inc.

Statements of Cash Flows

Years ended June 30, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Cash received from contributions	\$ 20,383,385	\$ 18,522,840
Cash received from VEHI for Administration	1,473,804	1,316,954
Other income received	30,783	29,797
Cash paid for claims	(8,573,341)	(9,098,642)
Cash paid for reinsurance	(4,802,958)	(6,988,438)
Cash paid for general and administrative expenses	(8,879,490)	(4,659,174)
Cash paid for school management resource center expenses	(429,405)	(373,768)
Cash paid for other program expenses	<u>(1,836,974)</u>	<u>(1,678,937)</u>
Net cash flows from operating activities	(2,634,196)	(2,929,368)
Cash Flows from Investing Activities		
Net purchase of investments and capital assets	(2,602,930)	(1,191,268)
Cash received from interest and dividends	<u>3,614,547</u>	<u>2,531,673</u>
Net cash flows from investing activities	1,011,617	1,340,405
Cash Flows from Capital and Related Financing Activities		
Payments for subscription asset	<u>(228,890)</u>	<u>(208,375)</u>
Net cash flows from capital and related financing activities	<u>(228,890)</u>	<u>(208,375)</u>
Net change in cash and cash equivalents	(1,851,469)	(1,797,338)
Cash and Cash Equivalents, Beginning of Year	<u>8,329,159</u>	<u>10,126,497</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 6,477,690</u></u>	<u><u>\$ 8,329,159</u></u>

See accompanying notes to the financial statements.

Vermont School Boards Insurance Trust, Inc.

Statements of Cash Flows (Continued)

	2025	2024
Reconciliation of Net Operating Income (Loss) to Net Cash Flows From Operating Activities		
Net operating income (loss)	\$ 33,090	\$ (1,043,506)
Add (deduct) items not affecting cash:		
Depreciation expense	75,745	69,334
Non-cash subscription expense	242,279	85,991
Changes in operating assets and liabilities:		
Contributions receivable	306,276	(379,914)
Other receivables	(8,865)	6,559
Deductibles receivable	2,445	(11,775)
Subrogation receivable	76,692	(337,764)
Reinsurance receivable	1,083,121	(2,092,254)
Prepaid expenses	(5,053,012)	(849,083)
Accounts payable	2,523	27,294
Accrued payroll and related taxes payable	15,494	5,139
Accrued vacation payable	27,794	41,218
Other payables	18,251	(24,768)
Claims payable	2,153	(5,109)
Workers' compensation state assessment reserve	24,482	13,707
Claims to be paid and anticipated claims not reported	432,336	1,590,563
Reserve for unallocated loss adjustment expenses	85,000	(25,000)
Net cash from operating activities	<u>\$ (2,634,196)</u>	<u>\$ (2,929,368)</u>

	2025		2024
Supplemental Disclosures of Cash Flow Information	Cost	Accumulated Depreciation	Cost
Equipment disposed of during the year	<u>\$ 13,143</u>	<u>\$ 13,143</u>	<u>\$ 7,056</u>
			<u>\$ 7,056</u>

See accompanying notes to the financial statements.

Vermont School Boards Insurance Trust, Inc.

Notes to the Financial Statements

Years ended June 30, 2025 and 2024

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 110 school districts as of June 30, 2025 and 2024. On July 1, 2004, the Trust 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, 2025 and 2024, there were 51 and 52 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.

The Trust adopted GASB Statement No. 102, Certain Risk Disclosures (GASB 102), for the year ended June 30, 2025. GASB 102 requires governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints. A concentration, as defined by GASB 102, is a lack of diversity related to an aspect of a significant inflow or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. The Trust's disclosures of these matters are included in the risk and uncertainties section below.

Vermont School Boards Insurance Trust, Inc.

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

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.

The Trust's revenue is primarily generated through membership contributions from schools and related organizations that participate in its unemployment insurance and Multi-Line programs. This reliance on a single geographic area and a limited membership base creates a concentration in its resource inflow. Additionally, the Trust operates under regulations set by the Vermont Department of Financial Regulation (the Department). These regulatory constraints could potentially affect the Trust's capacity to generate revenue, manage its financial operations, and distribute dividends. The Trust consistently maintains compliance with all current regulations. While the Trust cannot independently change Vermont's regulatory framework for health insurance, it continuously monitors legislative and regulatory developments. These considerations are then integrated into the Trust's financial planning and contribution-setting processes to mitigate any potential adverse impacts.

Reclassifications

Certain balances in the 2024 financial statements have been reclassified to conform to the 2025 presentation. There were no changes to net position of changes in net position for the year ended June 30, 2024.

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, anticipated claims not reported and unallocated loss adjustment expenses (ULAE).

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 29, 2025, the date on which these financial statements were available to be issued.

Vermont School Boards Insurance Trust, Inc.

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

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

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

2025						
	Balance July 1	Additions	Disposals	Balance June 30	Accumulated Depreciation June 30	Net Property Plant and Equipment June 30
Land	\$ 282,023	\$ -	\$ -	\$ 282,023	\$ -	\$ 282,023
Furniture and equipment	282,042	-	13,143	268,899	248,517	20,382
Infrastructure	113,078	-	-	113,078	113,078	-
Building and building components	3,301,108	86,683	-	3,387,791	742,585	2,645,206
Total	<u>\$ 3,978,251</u>	<u>\$ 86,683</u>	<u>\$ 13,143</u>	<u>\$ 4,051,791</u>	<u>\$ 1,104,180</u>	<u>\$ 2,947,611</u>
2024						
	Balance July 1	Additions	Disposals	Balance June 30	Accumulated Depreciation June 30	Net Property Plant and Equipment June 30
Land	\$ 282,023	\$ -	\$ -	\$ 282,023	\$ -	\$ 282,023
Furniture and equipment	289,098	-	7,056	282,042	255,740	26,302
Infrastructure	113,078	-	-	113,078	113,078	-
Building and building components	3,301,108	-	-	3,301,108	672,760	2,628,348
Total	<u>\$ 3,985,307</u>	<u>\$ -</u>	<u>\$ 7,056</u>	<u>\$ 3,978,251</u>	<u>\$ 1,041,578</u>	<u>\$ 2,936,673</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.

Vermont School Boards Insurance Trust, Inc.

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

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 as 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.

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, with readily determinable fair values are reported at their fair values on the statements of net position. Unrealized gains and losses are included in investment income-other on the statements of revenues, expenses and change in net position.

Contributions Receivable

The Trust uses the allowance method for uncollectible accounts. They have determined that all accounts are collectible and no allowance for doubtful accounts was recorded as of June 30, 2025 and 2024.

Contributions receivable of \$260,554 and \$566,830 as of June 30, 2025 and 2024, respectively, represent unemployment and multi-line program contributions received after year end and estimated contributions from future workers compensation premium audits, totaling \$248,000 and \$194,000 as of June 30, 2025 and 2024, respectively.

Other Receivables

Other receivables at June 30, 2025 and 2024 consists of \$33,596 and \$24,731, respectively, for other amounts due.

Vermont School Boards Insurance Trust, Inc.

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Prepaid Expenses

Prepaid expenses of \$6,096,780 and \$1,043,768 as of June 30, 2025 and 2024, respectively, represents amounts paid during the current year that will benefit future years. The balances consist primarily of reinsurance premiums paid in advance.

Subscription Based Information Technology Arrangements (SBITA)

The Trust has entered into contracts that conveys control of the right to use information technology software. The Trust has recognized a subscription liability and a subscription asset on the statement of net position for these SBITAs.

At the commencement of the subscription term, the Trust initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of payments made. The subscription asset is initially measured as the sum of the initial subscription liability, adjusted for payments made at or before the commencement date, plus capitalization implementation costs less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

The Trust uses the interest rate charged by the Trust's incremental borrowing rate as the discount rate.

The subscription asset is \$813,382 and the subscription liability is \$704,387 as of June 30, 2025. Amortization expense was \$190,103 for 2025. The subscription asset is \$916,106 and the subscription liability is \$793,722 as of June 30, 2024. Amortization expense was \$23,490 for 2024.

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.

Vermont School Boards Insurance Trust, Inc.

Notes to the Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

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.

Operating Revenues and Expenses

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

Allocation of General and Administrative Expenses

The Trust has incurred General and Administrative Expenses of \$4,190,313 and \$3,952,896 for the years ended June 30, 2025 and 2024, 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 \$1,473,804 and \$1,316,954 for these services in 2025 and 2024, respectively.

Note D - Cash and Investments

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.

Vermont School Boards Insurance Trust, Inc.

Notes to the Financial Statements (Continued)

Note D - Cash and Investments (Continued)

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.

The Trust's cash and cash equivalents include balances invested through a Promontory Interfinancial Network, specifically utilizing the IntraFi Network Deposits service (formerly known as the Certificate of Deposit Account Registry Service, or CDARS, and the Insured Cash Sweep, or ICS, programs). The Trust utilizes Bank of New York Mellon for these services.

As of June 30, 2025 and 2024, the total cash balances invested through the Promontory Interfinancial Network (IntraFi Network Deposits) amounted to \$6,856,089 and \$8,773,557, respectively. These funds are held in deposit accounts at various network banks and are classified as Cash and Cash Equivalents on the statements of net position.

The custodial credit risk for cash deposits is as follows:

	June 30, 2025		June 30, 2024	
	Book	Bank	Book	Bank
	Balance	Balance	Balance	Balance
FDIC insured	<u>\$ 6,477,690</u>	<u>\$ 6,928,175</u>	<u>\$ 8,329,159</u>	<u>\$ 8,773,557</u>
Total	<u><u>\$ 6,477,690</u></u>	<u><u>\$ 6,928,175</u></u>	<u><u>\$ 8,329,159</u></u>	<u><u>\$ 8,773,557</u></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.

Vermont School Boards Insurance Trust, Inc.

Notes to the Financial Statements (Continued)

Note D - Cash and Investments (Continued)

Investments at June 30, 2025 and 2024 consist of the following:

	<u>2025</u>	<u>2024</u>
Mutual funds - equities	\$ 39,601,231	\$ 34,993,461
Mutual funds - fixed income	<u>35,921,915</u>	<u>33,618,843</u>
Total	<u>\$ 75,523,146</u>	<u>\$ 68,612,304</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.

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 2025 or 2024. 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 50% to 60% in equities and 40% to 50% in bonds. The Trust has invested 100% of their portfolio in three and seventeen mutual funds of the Vanguard Group as of June 30, 2025 and 2024, respectively.

Vermont School Boards Insurance Trust, Inc.

Notes to the Financial Statements (Continued)

Note D - Cash and Investments (Continued)

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* (GASB 72). 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, 2025 and 2024.

Note E - Claims Payable

At June 30, 2025 and 2024, the Trust owed \$103,436 and \$101,283, 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.

Note F - Claims To Be Paid and Anticipated Claims Not Reported

As discussed in Note B, the Trust establishes an estimated liability for claims 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 anticipated claims not reported and loss adjustment expenses is estimated by independent actuaries based on claims information as of June 30, 2025 and 2024, 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 \$1,341,854 and \$2,424,975 as of June 30, 2025 and 2024, respectively. Management has not identified any allowance for uncollectible reinsurance as of June 30, 2025 and 2024, all amounts are deemed to be fully collectible.

Vermont School Boards Insurance Trust, Inc.

Notes to the Financial Statements (Continued)

Note F - Claims To Be Paid and Anticipated Claims Not Reported (Continued)

The following represents changes in the liability for claims, net of the effects of reinsurance, during the years ended June 30,

	<u>2025</u>	<u>2024</u>
Liability at beginning of year, net of reinsurance and deductibles of \$2,704,000 and \$1,691,000, respectively	\$ 14,980,519	\$ 13,414,956
Provision for losses:		
Provision for insured events of the current year	9,765,815	11,569,576
Change in provision for insured events of prior years	<u>(1,002,843)</u>	<u>(1,766,746)</u>
Total provision for losses during the year	<u>8,762,972</u>	<u>9,802,830</u>
Payments:		
Claims and claims adjustment expenses attributable to insured events of the current year	2,961,210	4,211,106
Claims and claims adjustment expenses attributable to insured events of the prior years	<u>5,284,426</u>	<u>4,026,161</u>
Total payments during the year	<u>8,245,636</u>	<u>8,237,267</u>
Liability at end of year, net of reinsurance and deductibles of \$4,114,000 and \$2,704,000, respectively	<u>\$ 15,497,855</u>	<u>\$ 14,980,519</u>

Favorable development of prior years as recorded in 2025 relates primarily to workers' compensation for 2022-2024 accident years. Favorable development of prior years as recorded in 2024 relates primarily to workers' compensation for the 2021-2023 accident years.

The components of the liability for loss and loss adjustment expenses as of June 30, 2025 and 2024 are as follows:

	<u>2025</u>		<u>2024</u>	
	Claims to be paid (case reserves)	Anticipated claims not reported (IBNR)	Claims to be paid (case reserves)	Anticipated claims not reported (IBNR)
Gross liability	\$ 11,240,233	\$ 6,681,622	\$ 10,487,665	\$ 5,591,854
Reinsurance	<u>1,780,378</u>	<u>2,333,622</u>	<u>956,146</u>	<u>1,747,854</u>
Net liability	<u>\$ 9,459,855</u>	<u>\$ 4,348,000</u>	<u>\$ 9,531,519</u>	<u>\$ 3,844,000</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 recoverable on unpaid reinsurance as of June 30, 2025 and 2024 was \$4,114,000 and \$2,704,000, respectively. Management has not identified any allowance for uncollectible reinsurance as of June 30, 2025 and 2024.

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
2024	\$300,000 reinsurance attachment; annual aggregate \$1,500,000	\$425,000 reinsurance attachment	\$550,000 reinsurance attachment
2025	\$300,000 reinsurance attachment; annual aggregate \$1,590,000	\$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:

	2025	2024
Workers' compensation state assessment - multi-line	\$ 73,422	\$ 61,095
Actuarial services - multi-line	169,081	212,758
Administration fees - multi-line	47,531	74,806
Consulting - multi-line	270,440	318,350
Medical director fees - multi-line	14,400	14,400
Appraisal - multi-line	25,000	73,710
Claims management system - multi-line	6,615	184,218
Loss prevention - multi-line	180,470	105,803
Loss prevention grant expense - multi-line	525,850	387,993
Administration fees - unemployment insurance	34,167	33,172
Other expenses - unemployment insurance	309	81
Other expenses - general reserve	6,870	32,706
Other expenses - multi-line	<u>407,205</u>	<u>272,809</u>
Total	<u>\$ 1,761,360</u>	<u>\$ 1,771,901</u>

Note I - Transfers

Transfers between programs during 2025 consisted of the following:

	General Reserve	Multi-Line Reserve	General Operating	Total
Transfer from the general reserve fund to the general operating fund for the difference between capital purchases, depreciation expense and debt service payments	\$ (10,938)	\$ -	\$ 10,938	\$ -
Transfer from the multi-line reserve fund to the general reserve fund of its interest and dividend earnings	387,373	(387,373)	-	-
Transfer from the general operating fund to the general reserve fund of its interest earnings	<u>15,873</u>	<u>-</u>	<u>(15,873)</u>	<u>-</u>
Total	<u>\$ 392,308</u>	<u>\$ (387,373)</u>	<u>\$ (4,935)</u>	<u>\$ -</u>

Vermont School Boards Insurance Trust, Inc.

Notes to the Financial Statements (Continued)

Note I - Transfers (Continued)

Transfers between programs during 2024 consisted of the following:

	General Reserve	Multi-Line Reserve	General Operating	Total
Transfer from the general reserve fund to the general operating fund for the difference between capital purchases, depreciation expense and debt service payments	\$ 69,334	\$ -	\$ (69,334)	\$ -
Transfer from the multi-line reserve fund to the general reserve fund of its interest and dividend earnings	150,098	(150,098)	-	-
Transfer from the general operating fund to the general reserve fund of its interest earnings	13,124	-	(13,124)	-
Total	<u>\$ 232,556</u>	<u>\$ (150,098)</u>	<u>\$ (82,458)</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) employees in both 2025 and 2024. 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. All of the investments are self directed by each employee.

TIAA is the custodian of the plans' assets. Total payroll for the Trust was \$2,255,763 and \$2,242,678 while covered payroll was \$2,262,976 and \$2,243,736 for fiscal year 2025 and 2024, respectively. Total expense for the years ended June 30, 2025 and 2024 was \$192,349 and \$190,718, 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, 2025 and 2024, \$4,259,309 and \$3,871,936, 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:

	2025	2024
Designated for unemployment insurance	\$ 1,678,028	\$ 1,265,491
Designated for multi-line program	26,755,098	23,295,782
Designated for general reserve	37,205,547	33,545,427
Designated for unemployment reserve	4,707,113	4,207,792
Designated for multi-line reserve	3,778,469	3,778,469
Designated for general operating - net investment in property, plant and equipment	<u>2,947,611</u>	<u>2,936,673</u>
Total net position	<u>\$ 77,071,866</u>	<u>\$ 69,029,634</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.

Note N - Subscription Assets

As of May 19, 2024, VSBIT entered into a subscription based information technology arrangement (SBITA) with a vendor for its claims handling software. The system is discounted at a rate of 7.3%. As of May 9, 2025, VSBIT entered into another SBITA with a vendor for general ledger accounting software. The system is discounted at a rate of 7.5%. For the years ended June 30, 2025 and 2024, VSBIT reported a SBITA right-to-use intangible asset in the amount of \$813,382 and \$916,106, and a SBITA liability in the amount of \$704,387 and \$793,722, respectively.

VSBIT's future minimum subscription payments, principal, and interest as of June 30, 2025 are as follows:

	Minimum Subscription Payments	Principal	Interest
Years ending June 30:			
2026	\$ 228,890	\$ 187,130	\$ 41,760
2027	264,888	235,986	28,903
2028	279,132	265,832	13,299
2029	21,542	15,439	6,102
	<u>\$ 794,452</u>	<u>\$ 704,387</u>	<u>\$ 90,064</u>

VSBIT's subscription asset and related accumulated amortization as of June 30, 2025 are as follows:

	2025
Subscription asset	\$ 1,003,486
Accumulated amortization	<u>(190,104)</u>
Net subscription asset	<u>\$ 813,382</u>

Required Supplementary Information

Vermont School Boards Insurance Trust, Inc.

Claims Development Information (Unaudited)

June 30, 2025

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 - Multi-Line Program (Unaudited) (Continued)

For the Year Ended June 30, 2025

	Fiscal and Coverage Year Ended (in thousands of dollars)									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
(1) Total gross contributions and revenues	\$ 19,109,117	\$ 17,668,200	\$ 16,559,356	\$ 14,016,750	\$ 13,421,042	\$ 13,236,611	\$ 12,739,833	\$ 13,116,761	\$ 12,659,391	\$ 11,321,821
(2) Less: Reinsurance premiums	5,874,665	4,865,223	4,226,238	3,413,046	3,033,553	2,756,690	2,612,285	2,358,627	2,321,576	2,281,683
(3) Net earned required contribution and investment revenues	13,234,452	12,802,977	12,333,118	10,603,704	10,387,489	10,479,921	10,127,548	10,758,134	10,337,815	9,040,138
(4) Unallocated expenses	4,257,364	4,175,595	3,416,098	3,757,521	2,762,673	3,037,187	3,017,399	3,233,721	2,773,772	2,462,093
(5) Estimated incurred claim and expense, end of policy year:	9,028,815	10,654,576	7,261,420	7,300,804	5,486,494	6,015,662	6,901,098	5,829,267	6,097,313	5,011,505
(6) Paid (cumulative) as of:										
End of policy year	2,961,210	4,211,106	2,526,632	1,971,664	1,475,337	1,793,978	2,212,295	1,948,157	1,698,977	1,270,430
One year later		6,728,231	4,134,369	4,486,174	3,360,664	3,397,380	4,073,895	3,189,818	2,882,442	2,047,786
Two years later			5,252,623	5,745,869	4,225,506	4,516,351	5,566,108	3,667,102	3,389,957	2,765,019
Three years later				6,647,846	4,593,409	5,118,600	6,253,916	3,910,566	3,424,403	3,169,406
Four years later					4,775,604	5,571,515	6,635,555	4,134,370	4,120,538	3,663,742
Five years later						5,917,268	6,791,869	4,569,761	4,454,823	3,907,308
Six years later							6,869,088	4,578,893	4,661,840	3,943,009
Seven years later								4,579,942	4,737,796	3,978,922
Eight years later									4,745,617	4,022,965
Nine years later										4,087,246
(7) Reestimated incurred claims and expenses										
End of policy year	9,028,815	10,654,576	7,261,420	7,300,804	5,486,494	6,015,662	6,901,098	5,829,267	6,097,313	5,011,505
One year later		9,825,094	7,015,119	8,121,919	5,126,265	6,315,762	7,309,485	5,231,640	4,816,239	4,141,287
Two years later			7,237,203	7,524,164	5,046,070	6,306,925	7,122,552	6,455,591	4,563,459	3,882,675
Three years later				7,577,994	5,190,770	6,224,883	7,137,621	4,628,199	4,363,881	3,828,046
Four years later					5,066,132	6,169,161	7,151,938	4,794,599	4,544,094	4,169,036
Five years later						6,524,369	7,051,763	4,821,132	4,824,192	4,096,356
Six years later							7,016,931	4,822,542	4,806,504	4,192,128
Seven years later								4,696,530	4,815,707	4,142,850
Eight years later									4,825,707	4,208,621
Nine years later										4,412,021
(8) Increase (decrease) in estimated incurred claims and expenses from end of policy year	N/A	\$ (829,482)	\$ (24,217)	\$ 277,190	\$ (420,362)	\$ 508,707	\$ 115,833	\$ (1,132,737)	\$ (1,271,606)	\$ (599,484)

Vermont School Boards Insurance Trust, Inc.

Reconciliation of Claims Liabilities By Type of Contract (Unaudited)

Years ended June 30, 2025 and 2024

	Property and Casualty		Workers' Compensation		Total	
	2025	2024	2025	2024	2025	2024
Unpaid claims at beginning of year	\$ 2,736,748	\$ 2,391,061	\$ 12,243,771	\$ 11,023,895	\$ 14,980,519	\$ 13,414,956
Incurred claims relating to:						
Current year	2,694,561	4,327,966	7,071,254	7,241,610	9,765,815	11,569,576
Prior years	<u>(24,172)</u>	<u>(464,175)</u>	<u>(978,671)</u>	<u>(1,302,571)</u>	<u>(1,002,843)</u>	<u>(1,766,746)</u>
Total incurred claims	<u>2,670,389</u>	<u>3,863,791</u>	<u>6,092,583</u>	<u>5,939,039</u>	<u>8,762,972</u>	<u>9,802,830</u>
Payments relating to:						
Current year	1,324,163	2,575,253	1,637,047	1,635,853	2,961,210	4,211,106
Prior years	<u>1,293,040</u>	<u>942,851</u>	<u>3,991,386</u>	<u>3,083,310</u>	<u>5,284,426</u>	<u>4,026,161</u>
Total payments	<u>2,617,203</u>	<u>3,518,104</u>	<u>5,628,433</u>	<u>4,719,163</u>	<u>8,245,636</u>	<u>8,237,267</u>
Total unpaid claims at end of year	<u>\$ 2,789,934</u>	<u>\$ 2,736,748</u>	<u>\$ 12,707,921</u>	<u>\$ 12,243,771</u>	<u>\$ 15,497,855</u>	<u>\$ 14,980,519</u>

Other Information

Vermont School Boards Insurance Trust, Inc.

Combining Statement of Net Position
(Unaudited)

June 30, 2025

	Unemployment Insurance	Multi-Line	General Reserve	Unemployment Reserve	Multi-Line Reserve	General Operating	Total
Assets							
Cash and cash equivalents	1,746,666	4,285,559	182,136	-	-	263,329	6,477,690
Mutual funds, at fair value	-	30,010,043	37,027,521	4,707,113	3,778,469	-	75,523,146
Contributions receivable	12,554	248,000	-	-	-	-	260,554
Other receivables	22,244	10,408	-	-	-	944	33,596
Deductibles receivable	-	46,844	-	-	-	-	46,844
Subrogation receivable	-	456,124	-	-	-	-	456,124
Reinsurance receivable	-	1,341,854	-	-	-	-	1,341,854
Prepaid expenses	-	6,040,035	-	-	-	56,745	6,096,780
Subscription asset	-	728,187	-	-	-	85,195	813,382
Property, plant, and equipment - net of accumulated depreciation of \$1,104,180	-	-	-	-	-	2,947,611	2,947,611
Total Assets	\$ 1,781,464	\$ 43,167,054	\$ 37,209,657	\$ 4,707,113	\$ 3,778,469	\$ 3,353,824	\$ 93,997,581
Liabilities and Net Position							
Liabilities							
Accounts payable	\$ -	\$ 81,449	\$ 4,110	\$ -	\$ -	\$ 15,250	\$ 100,809
Accrued payroll and related taxes payable	-	-	-	-	-	62,718	62,718
Accrued vacation payable	-	-	-	-	-	220,066	220,066
Subscription liability	-	636,836	-	-	-	67,551	704,387
Other payables	-	-	-	-	-	40,628	40,628
Claims payable	103,436	-	-	-	-	-	103,436
Workers' compensation state assessment reserve	-	195,816	-	-	-	-	195,816
Claims to be paid	-	9,459,855	-	-	-	-	9,459,855
Anticipated claims not reported	-	4,348,000	-	-	-	-	4,348,000
Reserve for unallocated loss adjustment expenses	-	1,690,000	-	-	-	-	1,690,000
Total Liabilities	103,436	16,411,956	4,110	-	-	406,213	16,925,715
Net Position							
Net investment in property, plant, and equipment	-	-	-	-	-	2,947,611	2,947,611
Unrestricted net position	1,678,028	26,755,098	37,205,547	4,707,113	3,778,469	-	74,124,255
Total Net Position	1,678,028	26,755,098	37,205,547	4,707,113	3,778,469	2,947,611	77,071,866
Total Liabilities and Net Position	\$ 1,781,464	\$ 43,167,054	\$ 37,209,657	\$ 4,707,113	\$ 3,778,469	\$ 3,353,824	\$ 93,997,581

Vermont School Boards Insurance Trust, Inc.

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

Year ended June 30, 2025

	Unemployment Insurance	Multi-Line	General Reserve	Unemployment Reserve	Multi-Line Reserve	General Operating	Total
Operating Revenues							
Program contributions	\$ 1,011,222	\$ 19,065,887	\$ -	\$ -	\$ -	\$ -	\$ 20,077,109
Other income	-	13,337	250	-	-	17,196	30,783
VEHI administrative revenue	-	-	-	-	-	1,473,804	1,473,804
Total operating revenues	1,011,222	19,079,224	250	-	-	1,491,000	21,581,696
Operating Expenses							
Claims paid - unemployment	518,477	-	-	-	-	-	518,477
Claims paid and change in reserves - multi-line program	-	8,762,972	-	-	-	-	8,762,972
Reinsurance premiums	-	5,886,079	-	-	-	-	5,886,079
Other program expenses	34,476	1,720,014	6,870	-	-	-	1,761,360
General and administrative expenses	109,240	2,275,168	314,905	-	-	1,491,000	4,190,313
School management resource center expenses	-	-	429,405	-	-	-	429,405
Total operating expenses	662,193	18,644,233	751,180	-	-	1,491,000	21,548,606
Net operating income (loss)	349,029	434,991	(750,930)	-	-	-	33,090
Non-Operating Revenues							
Investment income -interest and dividends	63,508	1,281,068	1,840,994	230,301	182,803	15,873	3,614,547
Investment income - other	-	1,743,257	2,177,748	269,020	204,570	-	4,394,595
Non-operating revenues	63,508	3,024,325	4,018,742	499,321	387,373	15,873	8,009,142
Transfers							
Transfers in (out)	-	-	392,308	-	(387,373)	(4,935)	-
Change in net position	412,537	3,459,316	3,660,120	499,321	-	10,938	8,042,232
Net position, beginning of year	1,265,491	23,295,782	33,545,427	4,207,792	3,778,469	2,936,673	69,029,634
Net position, end of year	<u>\$ 1,678,028</u>	<u>\$ 26,755,098</u>	<u>\$ 37,205,547</u>	<u>\$ 4,707,113</u>	<u>\$ 3,778,469</u>	<u>\$ 2,947,611</u>	<u>\$ 77,071,866</u>

Vermont School Boards Insurance Trust, Inc.

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

Years ended June 30, 2025 and 2024

	2025			2024		
	General and Administrative	School Management Resource Center	Total	General and Administrative	School Management Resource Center	Total
Sources of Revenue						
VEHI administration contract	\$ 1,473,804	\$ -	\$ 1,473,804	\$ 1,316,954	\$ -	\$ 1,316,954
Unemployment insurance program	109,241	-	109,241	104,705	-	104,705
Multi-line program	2,275,168	-	2,275,168	2,137,117	-	2,137,117
General reserve	314,905	429,405	744,310	375,062	373,768	748,830
Other income	17,195	-	17,195	19,058	-	19,058
Total sources of revenue	<u>\$ 4,190,313</u>	<u>\$ 429,405</u>	<u>\$ 4,619,718</u>	<u>\$ 3,952,896</u>	<u>\$ 373,768</u>	<u>\$ 4,326,664</u>
Expenses						
Salaries	\$ 2,258,343	\$ -	\$ 2,258,343	\$ 2,138,899	\$ -	\$ 2,138,899
Benefits and payroll taxes	1,156,634	-	1,156,634	1,064,355	-	1,064,355
Accounting services	47,829	-	47,829	48,480	-	48,480
Amortization expense	2,184	-	2,184	-	-	-
Bank fees	8,527	-	8,527	7,062	-	7,062
Computer upgrade and maintenance	146,622	-	146,622	138,824	-	138,824
Computer software	42,679	-	42,679	24,300	-	24,300
Computer subscription service	11,015	-	11,015	15,406	-	15,406
Computer support	-	-	-	281	-	281
Consulting	-	-	-	12,500	-	12,500
Conference expenses	70,608	-	70,608	74,422	-	74,422
Depreciation	75,745	-	75,745	69,334	-	69,334
Directors expense	100	-	100	253	-	253
Dues and subscriptions	10,002	-	10,002	9,674	-	9,674
Employee relations	7,084	-	7,084	6,912	-	6,912
Employment advertising	356	-	356	78	-	78
Equipment expense	20,886	-	20,886	42,906	-	42,906
Insurance	53,255	-	53,255	62,418	-	62,418
Internet expense	13,499	-	13,499	13,779	-	13,779
Internet expense - subscription asset	687	-	687	-	-	-
Legal services	560	-	560	700	-	700
Occupancy:						
Custodial	23,957	-	23,957	20,577	-	20,577
Grounds Care	12,600	-	12,600	12,600	-	12,600
Building maintenance	42,838	-	42,838	25,293	-	25,293
Property taxes	41,065	-	41,065	36,252	-	36,252
Utilities	29,534	-	29,534	27,929	-	27,929
Office supplies	12,225	-	12,225	12,615	-	12,615
Payroll service fee	4,940	-	4,940	4,972	-	4,972
Postage	10,924	-	10,924	9,887	-	9,887
Printing/photocopying	15,252	-	15,252	19,961	-	19,961
Public relations/promotional expense	15,302	-	15,302	12,650	-	12,650
State-wide initiatives	-	429,405	429,405	-	373,768	373,768
Telephone	49,372	-	49,372	28,644	-	28,644
Travel, meals and lodging	5,192	-	5,192	4,223	-	4,223
Tuition reimbursement	-	-	-	4,740	-	4,740
Website maintenance and fees	497	-	497	1,970	-	1,970
Total expenses	<u>\$ 4,190,313</u>	<u>\$ 429,405</u>	<u>\$ 4,619,718</u>	<u>\$ 3,952,896</u>	<u>\$ 373,768</u>	<u>\$ 4,326,664</u>

Vermont School Boards Insurance Trust, Inc.

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

June 30, 2025 and 2024

Assets	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 4,285,559	\$ 6,470,170
Mutual funds, at fair value	33,788,512	31,178,308
Other receivables	1,600,262	2,976,461
Deductibles receivable	46,844	49,289
Subrogation receivable	456,124	532,816
Prepaid expenses	6,040,035	975,808
Subscription asset	<u>728,187</u>	<u>916,106</u>
Total Assets	<u>\$ 46,945,523</u>	<u>\$ 43,098,958</u>
Liabilities and Net Position		
Liabilities		
Accounts payable	\$ 81,449	\$ 79,132
Workers' compensation state assessment reserve	195,816	171,334
Claims to be paid	9,459,855	9,531,519
Anticipated claims not reported	4,348,000	3,844,000
Reserve for unallocated loss adjustment expenses	1,690,000	1,605,000
Subscription liability	<u>636,836</u>	<u>793,722</u>
Total liabilities	16,411,956	16,024,707
Net Position	<u>30,533,567</u>	<u>27,074,251</u>
Total Liabilities and Net Position	<u>\$ 46,945,523</u>	<u>\$ 43,098,958</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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating Revenues		
Program contributions	\$ 19,065,887	\$ 17,757,147
Other income	<u>13,337</u>	<u>6,589</u>
Total operating revenues	19,079,224	17,763,736
Operating Expenses		
Net change in claims paid and reserved	8,762,972	9,802,830
Reinsurance premiums	5,886,079	4,896,184
Other program expenses	1,720,014	1,619,771
General and administrative expenses	<u>2,275,168</u>	<u>2,223,288</u>
Total operating expenses	<u>18,644,233</u>	<u>18,542,073</u>
Net operating income (loss)	434,991	(778,337)
Non-Operating Revenues		
Investment income - interest and dividends	1,463,871	1,384,502
Investment income - other	<u>1,947,827</u>	<u>1,520,331</u>
Non-operating revenues (expenses)	<u>3,411,698</u>	<u>2,904,833</u>
Transfers		
Transfers out	(387,373)	(150,098)
Change in net position	3,459,316	1,976,398
Net position, beginning of year	<u>27,074,251</u>	<u>25,097,853</u>
Net position, end of year	<u><u>\$ 30,533,567</u></u>	<u><u>\$ 27,074,251</u></u>