

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.

AUDIT REPORT

JUNE 30, 2019 AND 2018

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
AUDIT REPORT
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Independent Auditor's Report

Board of Directors
Vermont School Boards
Insurance Trust, Inc.
52 Pike Drive
Berlin, Vermont 05602

Report on the Financial Statements

We have audited the accompanying financial statements of the Vermont School Boards Insurance Trust, Inc. as of and for the years ended June 30, 2019 and 2018 and the related notes to the financial statements, which collectively comprise the Vermont School Boards Insurance Trust, Inc.'s basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Vermont School Boards Insurance Trust, Inc. as of June 30, 2019 and 2018 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.

Other Matters

Required Supplementary Information

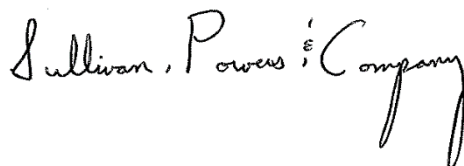
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 and the financial information listed as Tables 1 through 3 in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

As discussed in Note 1, it is not presently possible to determine whether actual loss experience will conform to the assumptions used in determining its reserve for losses and loss adjustment expenses. Accordingly, the ultimate liability could be significantly in excess of or less than the amount indicated in the financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. Schedules 1 through 5 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

October 30, 2019
Montpelier, Vermont
VT Lic. #92-000180



VERMONT SCHOOL BOARDS INSURANCE TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019

The Vermont School Boards Insurance Trust (VSBIT), 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 2019 Highlights and Overall Financial Position

During the year ending June 30, 2019, VSBIT provided unemployment insurance to 139 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 \$13.1 million in FY19; \$707 thousand from unemployment contributions and \$12.4 million from the multi-line program.

VSBIT earned \$1.3 million in interest and dividends and had a market gain of \$2.8 million on investments following a \$1.5 million market gain in FY18. VSBIT also received \$1 million from VEHI per the administrative contract.

VSBIT's net position increased by \$4.6 million; from \$50.9 million to \$55.5 million. This is a result of a \$24 thousand loss on the unemployment program, a \$2.2 million gain on the multi-line program and a gain of \$2.3 million on the general reserve, unemployment reserve and multi-line reserve funds which primarily was from investment income. VSBIT holds general reserves in the amount of \$26.9 million, up from \$24.6 million in FY18. Unemployment reserve and operating funds are up \$193 thousand from \$4.8 million in FY18. Multi-line reserve and operating funds of \$21.6 million increased from \$19.6 million in FY18. The workers' compensation reserves, from the program operated between 1992 and 1998, total \$468 thousand down from \$475 thousand in 2018.

VSBIT's FY19 general and general reserve funds operating budgets totaled \$3,190,154. Actual FY19 spending levels were under budget by \$258 thousand with 91.9% 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 the corporation'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 change 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 the corporation.

FINANCIAL INFORMATION

SUMMARY OF NET POSITION

	<u>2019</u>	<u>2018</u>
Assets:		
Cash and Investments	\$ 61,944,865	\$ 56,955,727
Receivables	728,869	572,955
Other Assets	2,930,537	2,902,599
Property Plant and Equipment	<u>3,263,818</u>	<u>3,357,198</u>
Total Assets	\$ <u>68,868,089</u>	\$ <u>63,788,479</u>
Liabilities:		
Claims Liabilities	\$ 10,037,354	\$ 9,380,399
Other Program Liabilities	1,398,043	1,261,991
General Liabilities	224,968	307,206
Long Term Liabilities-Bond Payable	<u>1,756,992</u>	<u>1,946,326</u>
Total Liabilities	<u>13,417,357</u>	<u>12,895,922</u>
Net Position:		
Net Position	<u>55,450,732</u>	<u>50,892,557</u>
Total Net Position	<u>55,450,732</u>	<u>50,892,557</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>68,868,089</u>	\$ <u>63,788,479</u>

Assets

Cash and other near liquid assets are held at the Peoples United Bank, while investments are with Vanguard Group in the form of government and corporate bonds and mutual funds as of June 30, 2019.

Receivables for FY19 represent \$317 thousand due for reinsurance and \$183 thousand due for subrogation for the multi-line program, \$185 thousand due in estimated contributions from multi-line members as a result of the FY19 payroll audit, and \$44 thousand of various other receivables. Receivables for FY18 were mostly comprised from monies due for subrogation of the Multi-Line program and the estimated amounts due in contributions from multi-line members as a result of the FY18 payroll audit.

VSBIT held \$3.26 million in net capital assets as of June 30, 2019 as compared to \$3.36 million as of a year ago. The majority of the value of VSBIT's fixed assets is comprised of the office building located at 52 Pike Drive in Berlin, VT. FY19 other assets represents \$2.9 million in prepaid expenses. FY18 other assets was comprised of \$2.9 million in prepaid expenses and a \$5 thousand working fund deposit held by Chartis Insurance Company.

Liabilities

Claims liabilities total \$10 million, up \$657 thousand from FY18. This includes \$106 thousand of claims payable for the unemployment program. These are claims incurred prior to June 30, 2019 but not yet reimbursed by VSBIT. Also included is \$6.2 million which represents the projected cost of claims filed as of June 30, 2019 for the multi-line program but not yet paid. This is an increase of \$1.6 million over FY18. The remaining \$3.7 million (down from \$4.6 million for FY18) 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 program liabilities represent \$1.28 million in estimated claims adjustment reserves (up from \$1.15 million in FY18) and \$116 thousand for the Vermont Department of Labor assessment. These reserves are calculated based on case reserves and IBNR values as of June 30, 2019.

General liabilities include \$90,982 due to vendors and other accrued expenses, \$81,267 in accrued vacation payable, and \$52,719 in accrued payroll liabilities.

The long term liabilities-bond payable of \$1,756,992 is the amount due to the Peoples United Bank for the mortgage on the office building at 52 Pike Drive in Berlin VT.

SUMMARY OF REVENUE AND EXPENSES

	<u>2019</u>	<u>2018</u>
Operating Revenues:		
Program Contributions	\$ 13,146,125	\$ 13,217,299
VEHI Administrative Contract/Other Income	<u>1,073,266</u>	<u>942,479</u>
Total Operating Revenues	<u>14,219,391</u>	<u>14,159,778</u>
Operating Expenses:		
Net Change in Claims Paid & Reserved	6,255,315	4,720,049
Other Program Expenses	4,630,483	4,664,125
General and Administrative Expenses	2,403,268	2,375,414
SMRC	<u>474,688</u>	<u>359,190</u>
Total Operating Expenses	<u>13,763,754</u>	<u>12,118,778</u>
Operating Income	<u>455,637</u>	<u>2,041,000</u>
Non-Operating Revenues/(Expenses):		
Total Investment Activity	4,156,661	2,596,422
Interest Expense	<u>(54,123)</u>	<u>(59,412)</u>
Change in Net Position	4,558,175	4,578,010
Net Position – Beginning of Year	<u>50,892,557</u>	<u>46,314,547</u>
Net Position - End of Year	<u>\$ 55,450,732</u>	<u>\$ 50,892,557</u>

Revenue

VSBIT revenue is primarily made up of program contributions from members. Revenues for FY19 total \$14.2 million, a slight increase of \$60 thousand from FY18.

Investment activity generated a \$4.1 million dollar gain reflecting positive market results of \$2.8 million and \$1.3 million in dividends and interest earnings. For FY18 investment activity totaled \$2.59 million.

Expenses

VSBIT incurred unemployment claims in the amount of \$634 thousand, down \$10 thousand from FY18. The Multi-Line Intermunicipal School Program's change in claims paid and reserved increased by \$1.5 million; from \$4.1 million in FY18 to \$5.6 in FY19.

Other expenses include general expenses of \$2.4 million, increasing slightly by \$28 thousand from FY18, and the School Management Resource Center and other expenses totaled \$474,688, an increase of \$115,498 from FY18. 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.

VSBIT's actual general and administrative expenses for FY19 concluded at 8.1% below budget; for FY18 VSBIT ended the year at 5.1% below budget.

Change in Net Position

VSBIT's FY19 operations resulted in an increase in net position of \$4.6 million, consistent with FY18 results. This is primarily due to investment activity and positive claims development.

Economic Factors

FY19 marked the fifteenth year for VSBIT's multi-line program. For FY20, the workers' compensation base rate was adjusted down by 4.5% and the property casualty rates were adjusted up by 4.1% for an overall 1% base rate decrease. For FY19 base rates for workers' compensation were adjusted up 2% and property casualty rates were adjusted down by 5% to achieve the overall 1% base rate decrease. Net position for this program increased from \$19.6 million to \$21.6 million in FY19 following a \$2.6 million increase in net position in FY18. Membership did not change during FY19 or for FY20.

Unemployment claims expense for FY19 was \$634 thousand, down slightly from \$644 thousand in FY18. VSBIT decreased the rate structure by 35% for FY19 as the program is well capitalized. The rate structure was not adjusted for FY20. VSBIT added \$193 thousand to unemployment net position during FY19 as compared to the \$514 thousand increase in FY18. Due to mergers, the overall membership count continues to decrease in FY19, however the program actually lost no entities.

The FY20 operating budget was set at \$3,078,168. This is a decrease of \$111,986 or 3.5% from FY19. The SMRC has supported districts merging due to ACT46 for several years. For FY20 the funding has been reduced by \$125,000 as the project is coming to a close.

Requests for Information

The 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 information should be addressed to the President, Vermont School Boards Insurance Trust, 52 Pike Drive, Berlin, VT 05602.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
STATEMENT OF NET POSITION
JUNE 30, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Cash - Note 2	\$ 7,027,575	\$ 5,609,814
Investments - Note 2	54,917,290	51,345,913
Contributions Receivable - Note 3	188,017	166,999
Other Receivables	7,548	10,728
Deductibles Receivable	32,664	25,722
Subrogation Receivable	183,189	369,506
Reinsurance Receivable	317,451	0
Prepaid Expenses - Note 4	2,928,390	2,781,317
Advance to Vermont School Boards Association - Note 5	2,147	116,282
Working Fund Deposit - Note 6	0	5,000
Property, Plant and Equipment - Net of Accumulated Depreciation of \$805,851 and \$704,481 as of June 30, 2019 and 2018, Respectively - Note 7	<u>3,263,818</u>	<u>3,357,198</u>
TOTAL ASSETS	\$ <u>68,868,089</u>	\$ <u>63,788,479</u>

LIABILITIES AND NET POSITION

Liabilities:

Accounts Payable	\$ 82,577	\$ 117,828
Accrued Payroll and Related Taxes Payable	52,719	87,677
Accrued Vacation Payable	81,267	60,737
Accrued Interest Payable	4,245	4,685
Other Payables	4,160	36,279
Claims Payable - Note 8	105,657	99,576
Workers' Compensation State Assessment Reserve	116,043	112,991
Claims to be Paid - Note 9	6,192,697	4,646,823
Anticipated Claims Not Reported - Note 9	3,739,000	4,634,000
Reserve for Unallocated Loss Adjustment Expenses	1,282,000	1,149,000
Bonds Payable - Note 10	<u>1,756,992</u>	<u>1,946,326</u>
Total Liabilities	<u>13,417,357</u>	<u>12,895,922</u>

Net Position:

Net Investment in Property, Plant and Equipment	1,506,826	1,410,872
Unrestricted Net Position	<u>53,943,906</u>	<u>49,481,685</u>
Total Net Position - Note 11	<u>55,450,732</u>	<u>50,892,557</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>68,868,089</u>	\$ <u>63,788,479</u>

The accompanying notes are an integral part of this financial statement.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Operating Revenues:		
Program Contributions	\$ 13,146,125	\$ 13,217,299
Other Income	34,277	38,121
VEHI Administration Contract	1,038,989	904,358
Total Operating Revenues	14,219,391	14,159,778
Operating Expenses:		
Net Change in Claims Paid and Reserved - Unemployment Insurance - Note 12	635,962	644,201
Net Change in Claims Paid and Reserved - Workers' Compensation - Note 12	0	11,380
Net Change in Claims Paid and Reserved - Multi-Line Program - Note 12	5,619,353	4,064,468
Reinsurance Premiums	2,610,653	2,352,064
Administration	875,185	928,145
Other Program Expenses - Note 13	1,144,645	1,383,916
General and Administrative Expenses - Note 14	2,403,268	2,375,414
School Management Resource Center Expenses	474,688	359,190
Total Operating Expenses	13,763,754	12,118,778
Net Operating Income	455,637	2,041,000
Non-Operating Revenues/(Expenses):		
Investment Income - Interest and Dividends	1,321,958	1,092,698
Investment Income - Other	2,834,703	1,503,724
Interest Expense	(54,123)	(59,412)
Total Non-Operating Revenues/(Expenses)	4,102,538	2,537,010
Change in Net Position	4,558,175	4,578,010
Net Position - Beginning of Year	50,892,557	46,314,547
Net Position - End of Year	\$ 55,450,732	\$ 50,892,557

The accompanying notes are an integral part of this financial statement.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Cash Received from Unemployment Contributions	\$ 726,219	\$ 1,054,770
Cash Received from Multi-Line Contributions	12,413,288	12,146,774
Cash Received from VEHI for Administration	1,033,168	904,358
Other Income Received	26,694	29,968
Cash Paid for Unemployment Claims	(628,589)	(681,745)
Cash Paid for Workers' Compensation Claims (92-98)	0	(56,103)
Cash Paid for Multi-Line Claims	(5,106,555)	(3,764,755)
Cash Paid for Reinsurance	(2,762,150)	(2,601,333)
Cash Paid for General and Administrative Expenses	(2,343,192)	(2,187,631)
Cash Paid for School Management Resource Center Expenses	(351,688)	(428,605)
Cash Paid for Other Program Expenses	<u>(1,915,470)</u>	<u>(2,113,286)</u>
Net Cash Provided by Operating Activities	<u>1,091,725</u>	<u>2,302,412</u>
Cash Flows from Noncapital Financing Activities:		
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of Property, Plant and Equipment	(15,351)	(4,721)
Principal Paid on Bonds Payable	(189,334)	(184,057)
Interest Paid on Bonds Payable	<u>(54,563)</u>	<u>(59,840)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(259,248)</u>	<u>(248,618)</u>
Cash Flows from Investing Activities:		
Net Proceeds/(Purchase) of Investments	(736,674)	1,188,020
Cash Received from Interest and Dividends	<u>1,321,958</u>	<u>1,092,698</u>
Net Cash Provided by Investing Activities	<u>585,284</u>	<u>2,280,718</u>
Net Increase in Cash and Cash Equivalents	1,417,761	4,334,512
Cash and Cash Equivalents, Beginning of Year	<u>5,609,814</u>	<u>1,275,302</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,027,575</u>	<u>\$ 5,609,814</u>

The accompanying notes are an integral part of this financial statement.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Reconciliation of Net Operating Income to Net Cash Provided/(Used) by Operating Activities		
Net Operating Income	\$ 455,637	\$ 2,041,000
Adjustments to Reconcile the Change in Net Position to Net Cash Provided/(Used) by Operating Activities:		
Depreciation	102,000	125,146
Loss on Disposal of Capital Assets	6,731	0
Changes in Operating Assets and Liabilities:		
Decrease/(Increase) in Contributions Receivable	(21,018)	(24,369)
Decrease/(Increase) in Other Receivables	3,180	(5,275)
Decrease/(Increase) in Deductibles Receivable	(6,942)	7,040
Decrease/(Increase) in Subrogation and Reinsurance Receivable	(131,134)	607,890
Decrease/(Increase) in Prepaid Expenses	(147,073)	(259,778)
Decrease/(Increase) in Advance to Vermont School Boards Association	114,135	(69,415)
Decrease in Working Fund Deposit	5,000	0
Increase/(Decrease) in Accounts Payable	(35,251)	(34,083)
Increase/(Decrease) in Accrued Payroll	(34,958)	77,584
Increase/(Decrease) in Accrued Vacation Payable	20,530	(311)
Increase/(Decrease) in Other Payables	(32,119)	16,823
Increase/(Decrease) in Claims Payable	6,081	(39,143)
Increase/(Decrease) in Workers' Compensation State Assessment Reserve	3,052	(3,480)
Increase/(Decrease) in Claims to be Paid and Anticipated Claims Not Reported	650,874	(358,217)
Increase/(Decrease) in Reserve for Unallocated Loss Adjustment Expenses	<u>133,000</u>	<u>221,000</u>
Net Cash Provided by Operating Activities	\$ <u>1,091,725</u>	\$ <u>2,302,412</u>

Supplemental Disclosures:

Equipment with a cost of \$7,361 and accumulated depreciation of \$630 was disposed of during fiscal year 2019.

The accompanying notes are an integral part of this financial statement.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

The Vermont School Boards Insurance Trust, Inc. (herein, 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 ratesetting policies have been established after consultation with its business partners and actuaries, as necessary. The Trust currently provides unemployment coverage to 139 school districts, continues to administer the workers' compensation program for policies issued prior to June 30, 1998, 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, 2019, there were 49 members in the program. 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 1:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Trust conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

The Trust is using enterprise fund accounting and reporting. Enterprise Funds are financed in whole or in part by fees charged to external parties.

The Trust uses the accrual basis of accounting in preparing its financial statements. Income is recognized in the period in which the applicable coverage is provided and expenses are recognized in the period in which they are incurred.

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 1:
(Cont'd)

The Vermont School Boards Insurance Trust, Inc. is exempt from income tax on its exempt function income under Section 501(c)(3) of the Internal Revenue Code.

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	10-75 Years
Infrastructure	10 Years
Furniture and Equipment	3 to 10 Years

The Trust receives its unemployment contributions from school districts based on taxable payroll reported multiplied by a rate established by the Board of Directors. The Vermont Department of Labor pays the actual claims filed against members of the Trust and then bills the Trust for reimbursement.

The Multi-Line Intermunicipal School Program received approval from the Vermont Department of Financial Regulation to begin operations on July 1, 2004. This self-funded program receives its contributions from member supervisory unions and supervisory districts based on a rating method developed by the Trust's actuary. In an experience rating system, 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.

The self-funded workers' compensation program that operated from July 1, 1992 to June 30, 1998 was suspended effective June 30, 1998.

Cash includes amounts in demand deposits. Cash does not include the cash equivalents included with the investments.

Investments 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.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 1:
(Cont'd)

The Trust uses the allowance method for uncollectible accounts. They have determined that all accounts are collectible and the allowance is zero (0).

The liability for claims to be paid include case basis estimates by management of reported losses. The liability for anticipated claims not reported and loss adjustment expenses at year end represents an estimate, based upon the available data, of the amount necessary to cover the ultimate cost of losses as determined by the Trust's actuaries however, actual loss experience may not conform to the assumptions used in determining the estimated amounts for such liability. Accordingly, the ultimate liability could be significantly in excess of or less than the amount indicated. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

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.

Note 2: CASH AND INVESTMENTS

Cash and Investments as of June 30, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Deposits with Financial Institutions	\$ 7,027,575	\$ 5,609,814
Investments	<u>54,917,290</u>	<u>51,345,913</u>
Total	<u>\$61,944,865</u>	<u>\$56,955,727</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 in the People's United Bank. The following table shows the custodial credit risk of the Trust's deposits.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 2:
(Cont'd)

	2019		2018	
	<u>Book Balance</u>	<u>Bank Balance</u>	<u>Book Balance</u>	<u>Bank 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>6,777,575</u>	<u>7,052,996</u>	<u>5,359,814</u>	<u>8,513,603</u>
Total Cash Deposits	<u>\$7,027,575</u>	<u>\$7,302,996</u>	<u>\$5,609,814</u>	<u>\$8,763,603</u>

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

Investments

Investments of the Trust are held by the Vanguard Group.

Investments at June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Mutual Funds – Equities	\$22,090,530	\$20,735,747
Mutual Funds – Fixed Income	<u>32,826,760</u>	<u>30,610,166</u>
Total	<u>\$54,917,290</u>	<u>\$51,345,913</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.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 2:
(Cont'd)

Credit Risk

Investments of operating funds 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 or to funds such as the Vanguard Total Stock Market Index Fund and the Vanguard Short-Term Bond Index Fund and, beginning in 2014, the Vanguard Long-Term Corporate Bond Fund which invest in similar instruments. On May 28, 2015, the Board amended the policy to allow the investment of multi-line operating funds in equities within the parameters of I-90-1. Investments of reserve funds in equities shall mirror, to the extent possible, the performance of the entire stock market. All of the investments of the Trust are unrated.

Concentration of Credit Risk

The Trust has no limit on the amount that they may invest in any one issuer. Multi-line operating funds may only be invested in cash equivalents, bonds and equities within the parameters as allowed by I-90-1. 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 three mutual funds of the Vanguard Group as of June 30, 2019 and June 30, 2018.

Fair Value

The Trust categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board (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.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 2:
(Cont'd)

The Trust has the following fair value measurements as of June 30, 2019:

Description	Total	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Mutual Funds - Equities	\$ 22,090,530	\$ 22,090,530	\$ 0	\$ 0
Mutual Funds - Fixed Income	32,826,760	32,826,760	0	0
Total	\$ 54,917,290	\$ 54,917,290	\$ 0	\$ 0

They mutual funds – equities of \$20,735,747 and the mutual funds – fixed income of \$30,640,166 as of June 30, 2018 were all deemed to be categorized as Level 1.

Note 3: CONTRIBUTIONS RECEIVABLE

Contributions receivable of \$188,017 and \$166,999 as of June 30, 2019 and June 30, 2018, respectively, represent unemployment and multi-line program contributions received after year end. \$185,000 and \$148,000 of these amounts as of June 30, 2019 and 2018, respectively, represent estimated contributions from future workers compensation reconciliations.

Note 4: PREPAID EXPENSES

Prepaid expenses of \$2,928,390 and \$2,781,317 as of June 30, 2019 and 2018, respectively, represents amounts paid during the current year that will benefit future years. The balances consist primarily of reinsurance premiums paid in advance.

Note 5: ADVANCE TO VERMONT SCHOOL BOARDS ASSOCIATION

The Trust joined the Vermont School Boards Association (VSBA) and the Vermont Superintendents Association (VSA) in forming the Act 46 Implementation Collaborative to support school districts in responding to the goals and requirements of Act 46 in a manner that effectively manages risk. The Trust is providing financial resources to the Collaborative and VSBA is acting as the fiscal agent. The advance to Vermont School Boards Association in the amount of \$2,147 and \$116,282 as of June 30, 2019 and 2018, respectively, represents the amount paid during the current year that will benefit future years.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 6: WORKING FUND DEPOSIT

The Working Fund Deposit consists of a non-interest bearing cash account in the amount of \$5,000 as of June 30, 2018 that was maintained by Chartis Insurance Company (formally AIG). This imprest account was used to pay workers' compensation claims by the Trust's claims processors for the Workers' Compensation Program of 1992-1998.

Note 7: PROPERTY, PLANT AND EQUIPMENT

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

	2019					
	Balance	Additions	Disposals	Balance	Accumulated Depreciation	Net Property Plant and Equipment
	7/1/2018			6/30/2019		
Land	\$ 282,023	\$ 0	\$ 0	\$ 282,023	\$ 0	\$ 282,023
Furniture and Equipment	430,092	0	0	430,092	368,908	61,184
Infrastructure	113,078	0	0	113,078	72,558	40,520
Building and Building Components	<u>3,236,486</u>	<u>15,351</u>	<u>7,361</u>	<u>3,244,476</u>	<u>364,385</u>	<u>2,880,091</u>
Total	<u>\$ 4,061,679</u>	<u>\$ 15,351</u>	<u>\$ 7,361</u>	<u>\$ 4,069,669</u>	<u>\$ 805,851</u>	<u>\$ 3,263,818</u>

	2018					
	Balance	Additions	Disposals	Balance	Accumulated Depreciation	Net Property Plant and Equipment
	7/1/2017			6/30/2018		
Land	\$ 282,023	\$ 0	\$ 0	\$ 282,023	\$ 0	\$ 282,023
Furniture and Equipment	425,371	4,721	0	430,092	336,417	93,675
Infrastructure	113,078	0	0	113,078	61,250	51,828
Building and Building Components	<u>3,236,486</u>	<u>0</u>	<u>0</u>	<u>3,236,486</u>	<u>306,814</u>	<u>2,929,672</u>
Total	<u>\$ 4,056,958</u>	<u>\$ 4,721</u>	<u>\$ 0</u>	<u>\$ 4,061,679</u>	<u>\$ 704,481</u>	<u>\$ 3,357,198</u>

Note 8: CLAIMS PAYABLE

At June 30, 2019 and 2018, the Trust owed \$105,657 and \$99,576, 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, 2019 and 2018 but not yet paid as of these dates.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 9: CLAIMS TO BE PAID/ANTICIPATED CLAIMS NOT REPORTED

MULTI-LINE INTERMUNICIPAL SCHOOL PROGRAM

The claims to be paid/anticipated claims not reported for the multi-line program are difficult to estimate. There is no set settlement date and each fund year must remain open until all cases are settled which, in some cases, can take many years. Claims to be paid (case reserves) indicate the amount of reserves assigned to specific cases and are estimated to be \$6,192,697 net of \$185,890, of reinsurance as of June 30, 2019 and \$4,646,823 net of \$212,144 of reinsurance as of June 30, 2018. Anticipated claims not reported (non-case reserves) consist of reserves for claims incurred but not reported and are estimated to be \$3,739,000 net of \$1,525,000 of reinsurance as of June 30, 2019 and \$4,634,000 net of \$1,153,000 of reinsurance as of June 30, 2018. Coverage is on an occurrence basis. Accordingly, claims incurred in one year but not reported until a subsequent year, are accounted for in the year in which they occurred.

The Trust establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors such as jury decisions, court interpretations, legislative changes, changes in the medical condition of claimants, public attitudes, and social/economic conditions such as inflation, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as indemnity. In addition, the Trust has a small volume of annual losses for some coverages. Loss projections based on a small volume of data tend to be volatile. The Trust's workers' compensation coverage has a relatively high per occurrence retention relative to the average ultimate severity level, which increases the uncertainty associated with the retained unpaid liability estimates. The Trust's retained losses are weighted toward coverages such as general liability, school board legal liability and workers' compensation for which the estimation of expected loss is more uncertain than for short-tailed property/casualty lines of business. The Trust's geographic concentration could cause adverse results due to legislative or judicial changes or catastrophic events (e.g., terrorism or hurricanes).

Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 10: BONDS PAYABLE

	<u>2019</u>	<u>2018</u>
Revenue Bond Payable – 2012 Series A Issued by the Vermont Economic Development Authority, Administered by Peoples United Bank, Building Construction, Monthly Principal and Interest Payments of \$10,827 Due from September 1, 2012 through August 1, 2032, Interest at 2.96%, Due August 1, 2032, Secured by Building	\$1,411,386	\$1,497,538
Revenue Bond Payable – 2012 Series B Issued By the Vermont Economic Development Authority, Administrated by Peoples United Bank, Building Construction, Monthly Principal and Interest Payments of \$9,498 Due from September 1, 2012 through August 1, 2022, Interest at 2.65%, Due August 1, 2022, Secured by Building	<u>345,606</u>	<u>448,788</u>
Total Bonds Payable	<u>\$1,756,992</u>	<u>\$1,946,326</u>

The future maturities of bonds payable at June 30, 2019 are estimated to be as follows:

Year Ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 194,629	\$ 49,268	\$ 243,897
2021	200,342	40,555	240,897
2022	206,087	37,789	243,876
2023	116,055	32,860	148,915
2024	99,996	29,923	129,919
2025-2029	547,897	101,697	649,594
2030-2034	<u>391,986</u>	<u>19,424</u>	<u>411,410</u>
	<u>\$ 1,756,992</u>	<u>\$ 311,516</u>	<u>\$ 2,068,508</u>

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 10:
(Cont'd)

The changes in long-term debt were as follows:

	2019	2018
Beginning Balance	\$ 1,946,326	\$ 2,130,383
Additions	0	0
Payments	(189,334)	(184,057)
Ending Balance	\$ 1,756,992	\$ 1,946,326

The bonds contain certain operating and financial covenants. The two financial covenants that must be verified is that the Trust had a minimum annual debt service coverage ratio of 1.20 and that the Trust maintain \$12,000,000 in liquidity. The Trust adhered to these covenants for 2019 and 2018.

Interest expense on the bonds was \$54,123 and \$59,412 during fiscal year 2019 and 2018, respectively.

Note 11: NET POSITION

Net position consists of the following:

	2019	2018
Designated for Unemployment Insurance	\$ 1,821,737	\$ 1,846,006
Designated for Workers' Compensation (92-98)	468,311	475,115
Designated for Multi-Line Program	16,917,512	14,672,437
Designated for General Reserve	26,939,431	24,660,120
Designated for Unemployment Reserve	3,133,915	2,916,674
Designated for Multi-Line Reserve	4,663,000	4,911,333
Designated for General Operating - Net Investment in Property, Plant and Equipment	1,506,826	1,410,872
	\$ 55,450,732	\$ 50,892,557

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.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 12: CLAIMS PAID AND RESERVED

An analysis of the net change in claims paid and reserved is as follows:

	2019		
	Unemployment Insurance	Workers' Compensation (92-98)	Multi-Line
Claims Paid (Net of Recoveries)	\$ 635,962	\$ 0	\$ 4,968,479
Reserves - End of Year	0	0	9,931,697
Less: Reserves - Beginning of Year	<u>0</u>	<u>0</u>	<u>(9,280,823)</u>
Net Change in Claims Paid and Reserved	<u>\$ 635,962</u>	<u>\$ 0</u>	<u>\$ 5,619,353</u>
	2018		
	Unemployment Insurance	Workers' Compensation (92-98)	Multi-Line
Claims Paid (Net of Recoveries)	\$ 644,201	\$ 54,380	\$ 4,379,685
Reserves - End of Year	0	0	9,280,823
Less: Reserves - Beginning of Year	<u>0</u>	<u>(43,000)</u>	<u>(9,596,040)</u>
Net Change in Claims Paid and Reserved	<u>\$ 644,201</u>	<u>\$ 11,380</u>	<u>\$ 4,064,468</u>

Note 13: OTHER PROGRAM EXPENSES

Other Program Expenses is comprised of the following:

	2019	2018
Bank Fees	\$ 1,386	\$ 1,291
Unallocated Loss Adjustment Expense - Multi-Line	133,000	234,000
Unallocated Loss Adjustment Expense - Workers' Compensation (92-98)	0	(13,000)
Workers' Compensation State Assessment - Multi-Line	36,634	32,871
Workers' Compensation State Assessment - Workers' Compensation (92-98)	0	(15)
Actuarial Services - Multi-Line	145,155	140,438
Consulting - Multi-Line	243,750	231,750
Consulting - General Reserve	440	10,000
Appraisal Expense - Multi-Line	25,193	57,730
Loss Prevention - Multi-Line	126,306	99,812
Loss Prevention Grant Expense - Multi-Line	298,669	402,355
Working Fund Deposit Loss - Worker's Compensation (92-98)	5,000	0
Other Operating Expenses - Unemployment Insurance	1,356	351
Other Operating Expenses - Multi-Line	<u>127,756</u>	<u>186,333</u>
	<u>\$ 1,144,645</u>	<u>\$ 1,383,916</u>

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 14: ALLOCATION OF GENERAL AND ADMINISTRATIVE EXPENSES

The Vermont School Boards Insurance Trust, Inc. has incurred General and Administrative Expenses of \$2,403,268 and \$2,375,414 for the years ended June 30, 2019 and 2018, respectively. These expenses are allocated to Vermont Education Health Initiative (VEHI), to the Unemployment Insurance Fund, to the Multi-Line Program and to the Workers' Compensation Fund (92-98) based upon estimates by management. The General Reserve pays the balance after the above allocations.

Note 15: TRANSFERS

Transfers between programs during 2019 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	\$ (95,955)	\$	\$ 95,955	\$ 0
Transfer from the Multi-Line Reserve Fund to the General Reserve Fund to return previous transfers that were needed to establish the Reserve	248,333	(248,333)	0	0
Transfer from the Multi-Line Reserve Fund to the General Reserve Fund of its Interest and Dividend Earnings and Positive Market Value Changes	242,692	(242,692)	0	0
Transfer from the General Operating Fund to the General Reserve Fund of its Interest Earnings	<u>911</u>	<u>0</u>	<u>(911)</u>	<u>0</u>
Net Transfers In/(Out)	\$ <u>395,981</u>	\$ <u>(491,025)</u>	\$ <u>95,044</u>	\$ <u>0</u>

Note 16: PENSIONS

The Trust provides its employees a defined contribution pension 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 Vermont School Boards Insurance Trust, Inc.. Employees are eligible after reaching the age of 21 and completing one year of service. 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. Employees are 20% vested after 1 year of service and the vested portion increases 20% each year until fully vested after 5 years of service. The Trust contributed 8.5% of employees gross salaries for fifteen (15) employees and thirteen (13) employees in 2019 and 2018, respectively. All of the investments are self directed by each employee.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 16:
(Cont'd)

The Trust also has a 403(b) plan which allows for employee contributions if they elect to contribute. The Trust also increased two 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 \$8,035 for fiscal year 2019 and is included as salary. All of the investments are self directed by each employee.

TIAA is the custodian of the plans' assets. Total payroll for the Trust was \$1,354,249 and \$1,216,396 while covered payroll was \$1,158,938 and \$1,101,259 for fiscal year 2019 and 2018, respectively. Pension expense for the year ended June 30, 2019 and 2018 was \$98,510 and \$93,607, respectively

Note 17:

REINSURANCE/CONTINGENT LIABILITY

WORKERS' COMPENSATION (92-98)

The Trust used reinsurance agreements to reduce its exposure for losses in the workers' compensation 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 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 deducted from claims to be paid (case reserves) and incurred but not reported claims liabilities (non-case reserves) for reinsurance was \$-0- as of June 30, 2019 and 2018, respectively.

The Trust has two types of reinsurance: specific and aggregate. Specific reinsurance protects the Trust in the event of an unusually large claim. Currently, any occurrence resulting in losses greater than \$250,000 are reinsured over \$250,000 up to policy limits (Statutory Coverage A; \$1,000,000 Coverage B).

Aggregate reinsurance protects the Trust in the event of an unusually large number of claims. Currently, all losses (on occurrences of \$250,000 or less) in excess of the aggregate retention are reinsured up to the aggregate coverage limit of \$5,000,000. The aggregate retention for fund year 1998, 1997 and 1996 is calculated based on 100% of the group's collective normal deviated premium with minimums, for 1995 and 1994 on 90% of the group's collective deviated manual premium and for 1993 on 90% of the group's collective manual premium. This amount is \$850,000 for 1998, \$1,444,660 for 1997, \$2,108,143 for 1996, \$2,260,932 for 1995, \$2,222,276 for 1994 and \$1,567,701 for 1993.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 17:
(Cont'd)

MULTI-LINE INTERMUNCIPAL SCHOOL PROGRAM

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 deducted from claims to be paid (case reserves) and incurred but not reported claims liabilities (non-case reserves) for reinsurance as of June 30, 2019 was \$185,890 and \$1,525,000, respectively, and as of June 30, 2018 was \$212,144 and \$1,153,000, respectively.

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

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 18: 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.

Note 19: 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.

Note 20: 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, 2019, \$3,046,673 has been transferred back to the General Reserve which is inclusive of all three types of transfers described previously.

Note 21: RISK MANAGEMENT

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

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 22: AFFILIATED ORGANIZATION

The Trust and the Vermont National Education Association (VT-NEA) jointly manage the Vermont Education Health Initiative (VEHI). VEHI, a separate corporation, provides health, dental, life and disability coverage to member Vermont schools. VEHI contracts with the Trust to provide management, wellness and accounting services. VEHI paid the Trust \$1,038,989 and \$904,358 for these services during fiscal years 2019 and 2018, respectively. Furthermore, the Trust's President is the President of VEHI.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
CLAIMS DEVELOPMENT INFORMATION – MULTI-LINE PROGRAM
JUNE 30, 2019

This table illustrates how the Trust's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Trust since inception for the Multi-Line Program. The rows of the tables 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 the Trust including overhead and claims expense not allocable to individual claims. (5) This line shows the Trust's incurred claims and allocated claim adjustment expense (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 reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (8) This line compares the latest reestimated 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.

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VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
CLAIMS DEVELOPMENT INFORMATION - MULTI-LINE PROGRAM
JUNE 30, 2019

	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
1. Gross Contribution and Investment Revenues	\$ 8,035,021	\$ 8,102,112	\$ 7,773,782	\$ 8,452,135	\$ 9,561,914	\$ 10,194,360	\$ 10,702,698	\$ 11,947,469	\$ 12,333,895	\$ 12,399,465
2. Reinsurance Premiums	1,842,890	1,608,741	1,662,139	1,810,211	1,967,253	2,169,599	2,281,683	2,321,576	2,358,627	2,595,713
3. Net Earned Required Contribution and Investment Revenues	6,192,131	6,493,371	6,111,643	6,641,924	7,594,661	8,024,761	8,421,015	9,625,893	9,975,268	9,803,752
4. Unallocated Expenses	1,076,568	1,174,298	1,509,766	1,854,592	1,902,765	2,169,264	2,510,315	2,870,820	3,378,179	3,222,191
5. Estimated Incurred Claim and Expense, End of Policy Year	3,596,999	4,133,954	5,473,170	4,294,863	4,689,534	5,259,771	5,011,505	6,097,313	5,829,267	6,901,098
6. Paid (cumulative) as of:										
End of Policy Year	877,356	1,229,414	2,108,603	1,272,490	1,203,784	1,607,633	1,270,430	1,698,977	1,948,152	2,212,295
One Year Later	1,532,382	2,395,235	3,418,076	2,840,374	2,683,043	2,972,413	2,047,786	2,882,442	3,189,818	
Two Years Later	2,103,729	2,652,291	3,966,195	3,640,314	3,195,225	3,537,008	2,765,019	3,389,957		
Three Years Later	2,528,280	3,014,782	4,428,627	4,269,503	3,636,688	3,765,243	3,169,406			
Four Years Later	2,639,355	3,328,395	4,545,206	4,702,228	3,808,834	3,984,093				
Five Years Later	2,920,156	3,752,468	4,545,488	4,743,736	4,037,095					
Six Years Later	2,960,072	3,769,159	4,546,366	4,766,839						
Seven Years Later	2,966,285	3,558,752	4,556,408							
Eight Years Later	2,971,877	3,671,988								
Nine Years Later	2,972,340									
7. Reestimated Incurred Claims and Expense:										
End of Policy Year	3,596,999	4,133,954	5,473,170	4,294,863	4,689,534	5,259,771	5,011,505	6,097,313	5,829,267	6,901,098
One Year Later	2,903,687	3,850,255	4,898,859	4,677,396	4,382,662	5,105,904	4,141,287	4,816,239	5,231,640	
Two Years Later	2,897,573	3,287,719	4,801,233	5,389,684	4,312,603	4,729,597	3,887,675	4,563,459		
Three Years Later	2,777,937	3,444,168	4,772,989	5,465,483	4,325,017	4,443,604	3,828,046			
Four Years Later	2,869,875	3,884,766	4,563,983	5,346,219	4,421,123	4,404,823				
Five Years Later	3,066,296	3,938,179	4,564,489	5,251,777	4,401,314					
Six Years Later	3,066,412	3,918,513	4,546,366	5,176,708						
Seven Years Later	3,046,839	4,049,353	4,556,408							
Eight Years Later	3,025,839	3,671,988								
Nine Years Later	3,015,839									
8. Increase/(Decrease) in Estimated Incurred Claims and Expense from End of Policy Year	(581,160)	(461,966)	(916,762)	881,845	(288,220)	(854,948)	(1,183,459)	(1,533,854)	(597,627)	N/A

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
RECONCILIATION OF CLAIMS LIABILITIES - MULTI-LINE PROGRAM
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

The schedule below presents the changes in claims liabilities for the Trust's two types of coverage, property and casualty (including general liability and school board liability) and workers' compensation:

	2019			2018		
	Property and Casualty	Workers' Compensation	Total	Property and Casualty	Workers' Compensation	Total
Unpaid Claims at Beginning of Year	\$ <u>2,159,863</u>	\$ <u>7,120,960</u>	\$ <u>9,280,823</u>	\$ <u>2,239,456</u>	\$ <u>7,356,584</u>	\$ <u>9,596,040</u>
Incurred Claims:						
Provision for Covered Events of the Current Year	2,001,753	4,899,345	6,901,098	1,979,118	3,850,149	5,829,267
Increase/(Decrease) in Provision for Covered Events of Prior Years	<u>29,000</u>	<u>(1,310,745)</u>	<u>(1,281,745)</u>	<u>(665,543)</u>	<u>(1,099,256)</u>	<u>(1,764,799)</u>
Total Incurred Claims	<u>2,030,753</u>	<u>3,588,600</u>	<u>5,619,353</u>	<u>1,313,575</u>	<u>2,750,893</u>	<u>4,064,468</u>
Payments:						
Claims Attributable to Covered Events of the Current Year	853,253	1,359,042	2,212,295	1,050,902	897,250	1,948,152
Claims Attributable to Covered Events of Prior Years	<u>563,637</u>	<u>2,192,547</u>	<u>2,756,184</u>	<u>342,266</u>	<u>2,089,267</u>	<u>2,431,533</u>
Total Payments	<u>1,416,890</u>	<u>3,551,589</u>	<u>4,968,479</u>	<u>1,393,168</u>	<u>2,986,517</u>	<u>4,379,685</u>
Total Unpaid Claims at End of Year	\$ <u><u>2,773,726</u></u>	\$ <u><u>7,157,971</u></u>	\$ <u><u>9,931,697</u></u>	\$ <u><u>2,159,863</u></u>	\$ <u><u>7,120,960</u></u>	\$ <u><u>9,280,823</u></u>

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VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
 RECONCILIATION OF CLAIMS LIABILITIES - WORKERS' COMPENSATION PROGRAM (92-98)
 FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

The schedule below presents the changes in claims liabilities.

	2019	2018
Unpaid Claims and Allocated Claim Adjustment Expenses at Beginning of the Year	\$ <u>0</u>	\$ <u>43,000</u>
Incurred Claims and Claim Adjustment Expenses:		
Increase/(Decrease) in Provision for Insured Events of Prior Years	<u>0</u>	<u>11,380</u>
Total Incurred Claims and Claim Adjustment Expenses	<u>0</u>	<u>11,380</u>
Payments:		
Claims and Allocated Claim Adjustment Expenses Attributable to Insured Events of Prior Years	<u>0</u>	<u>54,380</u>
Total Payments	<u>0</u>	<u>54,380</u>
Total Unpaid Claims and Allocated Claim Adjustment Expenses at End of the Year	<u><u>0</u></u>	<u><u>0</u></u>

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VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS	Unemployment Insurance	Workers' Compensation (1992-1998)	Multi-Line	General Reserve	Unemployment Reserve	Multi-Line Reserve	General Operating	Total
Cash	\$ 1,928,737	\$ 468,311	\$ 4,505,150	\$ 55,740	\$ 0	\$ 0	\$ 69,637	\$ 7,027,575
Investments	0	0	20,234,736	26,885,639	3,133,915	4,663,000	0	54,917,290
Contributions Receivable	3,017	0	185,000	0	0	0	0	188,017
Other Receivables	0	0	0	0	0	0	7,548	7,548
Deductibles Receivable	0	0	32,664	0	0	0	0	32,664
Subrogation Receivable	0	0	183,189	0	0	0	0	183,189
Reinsurance Receivable	0	0	317,451	0	0	0	0	317,451
Prepaid Expenses	0	0	2,865,025	150	0	0	63,215	2,928,390
Advance to VSBA	0	0	0	2,147	0	0	0	2,147
Property, Plant and Equipment - Net of Accumulated Depreciation of \$805,851	0	0	0	0	0	0	3,263,818	3,263,818
TOTAL ASSETS	\$ 1,931,754	\$ 468,311	\$ 28,323,215	\$ 26,943,676	\$ 3,133,915	\$ 4,663,000	\$ 3,404,218	\$ 68,868,089
LIABILITIES AND NET POSITION								
Liabilities:								
Accounts Payable	\$ 200	\$ 0	\$ 75,963	\$ 0	\$ 0	\$ 0	\$ 6,414	\$ 82,577
Accrued Payroll and Related Payroll Taxes	0	0	0	0	0	0	52,719	52,719
Accrued Vacation Payable	0	0	0	0	0	0	81,267	81,267
Accrued Interest Payable	0	0	0	4,245	0	0	0	4,245
Other Payables	4,160	0	0	0	0	0	0	4,160
Claims Payable	105,657	0	0	0	0	0	0	105,657
Workers' Compensation State								
Assessment Reserve	0	0	116,043	0	0	0	0	116,043
Claims to be Paid	0	0	6,192,697	0	0	0	0	6,192,697
Anticipated Claims Not Reported	0	0	3,739,000	0	0	0	0	3,739,000
Reserve for Unallocated								
Loss Adjustment Expenses	0	0	1,282,000	0	0	0	0	1,282,000
Bonds Payable	0	0	0	0	0	0	1,756,992	1,756,992
Total Liabilities	110,017	0	11,405,703	4,245	0	0	1,897,392	13,417,357
Net Position:	1,821,737	468,311	16,917,512	26,939,431	3,133,915	4,663,000	1,506,826	55,450,732
TOTAL LIABILITIES AND NET POSITION	\$ 1,931,754	\$ 468,311	\$ 28,323,215	\$ 26,943,676	\$ 3,133,915	\$ 4,663,000	\$ 3,404,218	\$ 68,868,089

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VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2019

	Unemployment Insurance	Workers' Compensation (1992-1998)	Multi-Line	General Reserve	Unemployment Reserve	Multi-Line Reserve	General Operating	Total
Revenues:								
Program Contributions	\$ 707,027	\$ 0	\$ 12,439,098	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,146,125
Other Income	0	0	7,572	21,930	0	0	4,775	34,277
Investment Income - Interest and Dividends	13,057	3,258	496,622	640,261	61,053	106,797	910	1,321,958
Investment Income - Other	<u>0</u>	<u>0</u>	<u>565,488</u>	<u>1,977,132</u>	<u>156,188</u>	<u>135,895</u>	<u>0</u>	<u>2,834,703</u>
Total Revenues	<u>720,084</u>	<u>3,258</u>	<u>13,508,780</u>	<u>2,639,323</u>	<u>217,241</u>	<u>242,692</u>	<u>5,685</u>	<u>17,337,063</u>
Expenses:								
Net Change in Claims Paid and Reserved	635,962	0	5,619,353	0	0	0	0	6,255,315
Reinsurance Premiums	0	0	2,610,653	0	0	0	0	2,610,653
Administration Fees to Outside Administrator	38,619	0	836,566	0	0	0	0	875,185
Other Program Expenses	1,356	5,000	1,137,849	9,305	0	0	0	1,153,510
General and Administrative Expenses	68,416	5,062	1,059,284	226,742	0	0	4,775	1,364,279
School Management Resource Center Expenses	0	0	0	465,823	0	0	0	465,823
Interest Expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>54,123</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>54,123</u>
Total Expenses	<u>744,353</u>	<u>10,062</u>	<u>11,263,705</u>	<u>755,993</u>	<u>0</u>	<u>0</u>	<u>4,775</u>	<u>12,778,888</u>
Net Income/(Loss)	(24,269)	(6,804)	2,245,075	1,883,330	217,241	242,692	910	4,558,175
Transfers:								
Transfers In/(Out)	<u>0</u>	<u>0</u>	<u>0</u>	<u>395,981</u>	<u>0</u>	<u>(491,025)</u>	<u>95,044</u>	<u>0</u>
Change in Net Position	(24,269)	(6,804)	2,245,075	2,279,311	217,241	(248,333)	95,954	4,558,175
Net Position - July 1, 2018	<u>1,846,006</u>	<u>475,115</u>	<u>14,672,437</u>	<u>24,660,120</u>	<u>2,916,674</u>	<u>4,911,333</u>	<u>1,410,872</u>	<u>50,892,557</u>
Net Position - June 30, 2019	<u>\$ 1,821,737</u>	<u>\$ 468,311</u>	<u>\$ 16,917,512</u>	<u>\$ 26,939,431</u>	<u>\$ 3,133,915</u>	<u>\$ 4,663,000</u>	<u>\$ 1,506,826</u>	<u>\$ 55,450,732</u>

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VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
SCHEDULE OF GENERAL AND ADMINISTRATIVE AND SCHOOL
MANAGEMENT RESOURCE CENTER REVENUES AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	General and Administrative	School Management Resource Center/ Other	Total	General and Administrative	School Management Resource Center/ Other	Total
Sources of Revenue:						
VEHI Administration Contract	\$ 1,038,989	\$ 0	\$ 1,038,989	\$ 904,358	\$ 0	\$ 904,358
Unemployment Insurance Program	68,416	0	68,416	85,268	0	85,268
Workers' Compensation Insurance Program (92-98)	5,062	0	5,062	9,841	0	9,841
Multi-Line Program	1,059,284	0	1,059,284	1,136,001	0	1,136,001
General Reserve	226,742	452,758	679,500	209,371	359,190	568,561
Other Income	4,775	21,930	26,705	30,575	0	30,575
Total Sources of Revenue	\$ 2,403,268	\$ 474,688	\$ 2,877,956	\$ 2,375,414	\$ 359,190	\$ 2,734,604
Expenses:						
Salaries	\$ 1,173,980	\$ 0	\$ 1,173,980	\$ 1,121,414	\$ 0	\$ 1,121,414
Benefits and Payroll Taxes	582,512	0	582,512	556,916	0	556,916
Accounting Services	35,000	0	35,000	35,000	0	35,000
Bank Fees	4,471	0	4,471	3,986	0	3,986
Computer Upgrade and Maintenance	147,672	0	147,672	165,228	0	165,228
Consulting	7,500	0	7,500	1,464	4,936	6,400
Conference Expenses	45,241	0	45,241	52,290	0	52,290
Depreciation	102,000	0	102,000	125,146	0	125,146
Director's Expense	2,122	0	2,122	1,662	0	1,662
Dues and Subscriptions	4,921	0	4,921	6,200	0	6,200
Employee Relations	7,377	0	7,377	3,575	0	3,575
Equipment Expense	11,647	0	11,647	4,202	0	4,202
Insurance	53,635	0	53,635	55,845	0	55,845
Internet Expense	12,994	0	12,994	14,944	0	14,944
Legal Services	4,022	0	4,022	2,888	0	2,888
Occupancy:						
Custodial	25,545	0	25,545	24,734	0	24,734
Grounds Care	10,574	0	10,574	8,900	0	8,900
Building Maintenance	20,862	0	20,862	15,843	0	15,843
Property Taxes	31,952	0	31,952	29,264	0	29,264
Utilities	23,814	0	23,814	23,762	0	23,762
Office Supplies	17,979	0	17,979	20,846	0	20,846
Payroll Service Fee	1,468	0	1,468	0	0	0
Postage	8,895	0	8,895	9,689	0	9,689
Printing/Photocopying	18,498	0	18,498	19,840	0	19,840
Public Relations/Promotional Expense	11,988	0	11,988	14,322	0	14,322
State-wide Initiatives	0	465,823	465,823	0	353,601	353,601
Telephone	14,753	0	14,753	16,186	0	16,186
Travel, Meals and Lodging	14,495	57	14,552	17,180	653	17,833
VSBIT U/Training Room	0	8,808	8,808	23,297	0	23,297
Website Maintenance and Fees	620	0	620	791	0	791
Loss on Disposal of Capital Assets	6,731	0	6,731	0	0	0
Total Expenses	\$ 2,403,268	\$ 474,688	\$ 2,877,956	\$ 2,375,414	\$ 359,190	\$ 2,734,604

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
 COMPARATIVE STATEMENT OF NET POSITION -
 MULTI-LINE AND MULTI-LINE RESERVE FUNDS
 JUNE 30, 2019 AND 2018

	2019	2018
<u>ASSETS</u>		
Cash	\$ 4,505,150	\$ 2,819,303
Investments	24,897,736	24,149,387
Receivables	185,000	151,618
Deductibles Receivable	32,664	25,722
Subrogation and Reinsurance Receivable	500,640	369,506
Prepaid Expenses	2,865,025	2,713,528
TOTAL ASSETS	\$ 32,986,215	\$ 30,229,064
<u>LIABILITIES AND NET POSITION</u>		
Liabilities:		
Accounts Payable	\$ 75,963	\$ 103,024
Workers' Compensation State Assessment Reserve	116,043	112,447
Claims to be Paid	6,192,697	4,646,823
Anticipated Claims Not Reported	3,739,000	4,634,000
Reserve for Unallocated Loss Adjustment Expenses	1,282,000	1,149,000
Total Liabilities	11,405,703	10,645,294
Net Position:	21,580,512	19,583,770
TOTAL LIABILITIES AND NET POSITION	\$ 32,986,215	\$ 30,229,064

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VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
 COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 MULTI-LINE AND MULTI-LINE RESERVE FUNDS
 FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Revenues:		
Program Contributions	\$ 12,439,098	\$ 12,156,582
Other Income	7,572	7,528
Investment Income - Interest and Dividends	603,419	471,446
Investment Income - Other	<u>701,383</u>	<u>4,706</u>
Total Revenues	<u>13,751,472</u>	<u>12,640,262</u>
Expenses:		
Net Change in Claims Paid and Reserved	5,619,353	4,064,468
Reinsurance Premiums	2,610,653	2,352,064
Administration Fees to Outside Administrator	836,566	889,526
Other Program Expenses	1,137,849	1,386,580
General and Administrative Expenses	<u>1,059,284</u>	<u>1,136,001</u>
Total Expenses	<u>11,263,705</u>	<u>9,828,639</u>
Excess of Revenues Over Expenses	<u>2,487,767</u>	<u>2,811,623</u>
Transfers:		
Transfers In/(Out)	<u>(491,025)</u>	<u>(316,887)</u>
Change in Net Position	1,996,742	2,494,736
Net Position - Beginning of Year	<u>19,583,770</u>	<u>17,089,034</u>
Net Position - End of Year	<u>\$ 21,580,512</u>	<u>\$ 19,583,770</u>

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