Texas Association of School Boards Risk Management Fund

Financial Statements and
Supplementary Information
August 31, 2024 and 2023

TASB™
RISK
FUND

TEXAS ASSOCIATION OF SCHOOL BOARDS
RISK MANAGEMENT FUND

TABLE OF CONTENTS

Independent Auditor's Report

Board of Trustees
Texas Association of School Boards Risk Management Fund

Opinion
We have audited the financial statements of the business-type activities of the Texas Association of School Boards Risk Management Fund (the Fund), as of and for the years ended August 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Texas Association of School Boards Risk Management Fund, as of August 31, 2024 and 2023, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our 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 Company 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 Company's ability to continue as a going concern for 12 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 Company'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 Company'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 and the ten-year claims development information, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund's basic financial statements. The reconciliation of unpaid claims and claims adjustment expense liability by type of contract are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the reconciliation of unpaid claims and claims adjustment expense liability by type of contract is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

RSM US LLP

Oklahoma City, Oklahoma
November 6, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS
Texas Association of School Boards Risk Management Fund
Year Ended August 31, 2024 (Unaudited)

The Texas Association of School Boards Risk Management Fund (the "Fund") herein sets forth a narrative overview and analysis of its financial activities for the fiscal year ended August 31, 2024.

Overview of the Financial Statements

The Fund's financial statements consist of three components: 1) financial statements, 2) notes to the financial statements, and 3) supplementary information. The financial statements present the results of operations from the following Fund programs: Workers' Compensation, Auto, Property, Liability, Cyber and Unemployment Compensation.

Financial Highlights

Assets exceeded Fund liabilities at August 31, 2024, by $236.0 million and no amounts were designated as restricted as of the end of the year.

The Statement of Net Position presents the Fund's net assets (total assets less total liabilities) as Net Position (Members' Equity). The Fund's governing Board of Trustees called for the use of Members' Equity to support operations for the year. Net Position increased by $43.5 million during the 2023-2024 fiscal year. The increase to $236.0 million was primarily due to increases in gross contributions earned and unrealized gains in our investment portfolio due to favorable market conditions.

Although net incurred losses were down from the prior year, they continue to be higher overall than previous years. During the current year, increases in total contributions along with strong investment income helped to offset the net incurred losses, which has enabled the Fund to continue to be a steady partner for its members.

Fund Accounting and Financial Statements

The Fund is a public entity risk pool created under the Texas Interlocal Cooperation Act and all of the Fund's programs are accounted for as an enterprise fund within the Governmental Accounting Standards Board (GASB) framework.

The Fund's reserves include case-based reserves, incurred but not reported (IBNR) claims, and unallocated loss adjustment expenses (ULAE) for Workers' Compensation, Auto, Property, Cyber, and Liability programs. The Fund also carries reserves for certain claims where the Fund provided a layer of stop-loss coverage to self-funded workers' compensation members from September 1, 1988, to August 31, 1992. Reserves are established by management in consultation with the Fund's independent consulting actuary.

The Statement of Net Position presents information regarding all of the Fund's assets and liabilities, with the difference between the two being reported as Net Position. Over time, increases or decreases in Net Position may provide a useful indicator regarding how the Fund is meeting the needs and expectations of its members.

The Statement of Revenues, Expenses and Changes in Net Position presents the financial results of the Fund. This statement presents information showing how the Fund's Net Position changed during the most recent fiscal year. The Fund utilizes enterprise fund accounting and thus uses the accrual method of accounting. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. loss and loss adjustment expenses, accrued investment income and reinsurance premiums payable).

The Statement of Cash Flows presents the sources and uses of cash from operating activities, financing activities, and investing activities. This statement ends with the cash in the Statement of Net Position. A reconciliation of operating income to cash provided by the operating activities is also presented. The basic financial statements begin on page 10.

Notes to the Financial Statements

The notes provide additional information that is integral to a full understanding of the financial information presented in the financial statements. The notes to the financial statements begin on page 13.

Supplemental Information

In addition to the basic financial statements and accompanying notes, this financial report also presents certain required supplementary information regarding the Fund's ten-year claims development history and reconciliation. Setting member contribution rates today to cover the assumed risk of possible future loss occurrences are largely guided by claims development. Analysis of trends in claims development indicates whether losses are increasing, decreasing, or remain constant. Supplementary information is located on pages 25-29.

Financial Analysis for the Fund

The Statements of Net Position *– As of August 31, 2024, 2023, and 2022*

Comparative Condensed Statements of Net Position
As of August 31, 2024, 2023, and 2022

	2024	2023	2022
Assets:			
Cash and investments	$ 396,755,143	$ 362,807,575	$ 372,568,667
Other current assets	48,263,803	33,718,345	17,283,331
Long-term assets	115,766	111,569	154,979
Total Assets	$ 445,134,712	$ 396,637,489	$ 390,006,977
Liabilities and equity:			
Current liabilities	$128,508,433	$ 111,894,725	$ 88,057,041
Long-term liabilities	80,627,566	92,245,972	68,689,398
Total Liabilities	209,135,999	204,140,697	156,746,439
Net Position:			
Members' Equity (Unrestricted)	235,998,713	192,496,792	233,260,538
Total Liabilities and Net Position	$ 445,134,712	$ 396,637,489	$ 390,006,977

Cash and Investments

The Fund carried cash, cash equivalents and investments of $396.8 million, $362.8 million, and $372.6 million on August 31, 2024, 2023, and 2022. The Fund's investments are made in accordance with the Fund's Investment Policy, which is reviewed and approved annually by the Fund's Board of Trustees. The Fund's investments consist primarily of corporate and government bonds, mortgage-backed securities, and equity mutual funds. The increase during 2023-2024 was primarily due to increased contribution revenue and strong unrealized gains in the investment portfolio due to favorable market conditions, which offset net incurred losses for the year. The decrease during 2022-2023 is due to losses paid during the year mostly due to large property weather-related claims.

Other Current Assets

Other current assets consist primarily of contributions receivable, stop loss coverage receivable, and accrued interest receivable. The main fluctuation during the 2023-2024 and 2022-2023 fiscal years is due to the increase of stop loss coverage receivables of $13.0 million and $13.7 million, respectively. The increase is a result of paid losses exceeding the Fund's aggregate and specific retention on various weather-related occurrences and the excess amounts being ceded to reinsurers.

Current Liabilities

Current liabilities primarily consist of the current portion of the reserves for losses and LAE, prepaid contributions, and unearned contributions-net of prepaid stop loss premiums. The primary driver of the fluctuation during 2023-2024 is an increase of $13.9 million in unearned contributions-net of prepaid stop-loss premiums as a result of contribution increases during the year. During 2022-2023, there was an increase of $29.7 million in the current portion of reserves as a result of significant incurred losses in the property program due to multiple weather events during the spring storm season.

Reserves

Reserves for losses and loss adjustment expenses were approximately $152.7 million, $166.1 million, and $112.9 million at August 31, 2024, 2023, and 2022. Actuarial projected reserves decreased by approximately $13.4 million during 2023-2024. The majority of this decrease is due to decreased claim losses in the property program. During 2022-2023, actuarial projected reserves increased by $53.3 million due to increased claim losses in the property and auto programs. The Fund incurred several large losses in the property program related to weather events including hailstorms and tornados. The auto program's incurred losses have increased due to the rising costs of automobiles and replacement parts.

The Fund discounts its workers' compensation reserves to reflect an estimate of anticipated investment earnings on accumulated contributions during the payout period of the reserves. The Fund discounts reserves due to the relatively low variability in the amount and timing of future loss payments. Accordingly, reserves are presented at net present value using a discount rate of 3% as of August 31, 2024, 2023 and 2022. The reserve discount as of August 31, 2024, 2023, and 2022, was $10.1 million, $10.1 million, and $10.5 million.

Net Position – Members' Equity

Net Position (Members' Equity) increased by $43.5 million during 2023-2024, decreased by approximately $40.8 million during 2022-2023, and decreased by $19.6 million during 2021-2022. Increased contribution revenue and solid unrealized gains in the investment portfolio due to favorable market conditions is the primary driver for the increase in net position for 2023-2024. Significant incurred losses in the property program due to multiple weather events during the spring storm season is the primary driver for the decrease in net position for 2022-2023. The decrease during 2021-2022 was primarily due to unrealized losses in our investment portfolio due to unfavorable market conditions.

As of August 31, 2024, there were no amounts of Net Position that the Fund's Board of Trustees had declared restricted as all such funds were determined necessary for operations of the Fund. At the end of the current fiscal year, Net Position totaled $236.0 million.

The Statements of Revenue, Expenses and Changes in Net Position *– Fiscal years ended August 31, 2024, 2023, and 2022*

Comparative Condensed Statements of
Revenues, Expenses and Changes in Net Position
For the Years Ended August 31, 2024, 2023, and 2022

	2024	2023	2022
Operating revenues:			
Gross contributions earned	$ 212,232,252	$ 179,256,207	$ 160,539,076
Other revenue	9,677	983,398	701,742
Stop-loss and reinsurance premiums	(58,315,463)	(49,376,278)	(33,820,700)
Net operating revenues	153,926,466	130,863,327	127,420,118
Non-operating revenues:			
Investment income – net of expenses	14,570,330	11,569,661	9,320,558
Realized and change in unrealized gains (losses) from investments	26,753,356	773,030	(52,114,741)
Net non-operating revenue	41,323,686	12,342,691	(42,794,183)
Total revenues	195,250,152	143,206,018	84,625,935
Operating expenses:			
Net incurred losses	101,990,048	137,214,125	59,086,571
Administrative and other expenses	49,758,183	46,755,639	45,148,453
Total operating expenses	151,748,231	183,969,764	104,235,024
Change in net position	43,501,921	(40,763,746)	(19,609,089)
Members' Equity -- Beginning of year	192,496,792	233,260,538	252,869,627
Members' Equity -- End of year	$ 235,998,713	$ 192,496,792	$ 233,260,538

Contributions

Member contributions are the Fund’s main source of revenue and are recorded upon execution of the Interlocal Participation Agreement (IPA) and recognized as earned. These documents between the Fund and its members set forth the coverage terms, agreement period, required contribution, and the obligations of the parties.

For the fiscal years ended August 31, 2024, 2023, and 2022, the Fund reported earned contributions and administrative-services-only (ASO) fees of $212.2 million, $179.3 million, and $160.5 million. Total contributions increased in 2024 as a result of a combination of increases in contribution rates and exposure.

Net operating revenue is calculated using program revenue, other revenue, and stop-loss premiums expensed during the fiscal year. For the fiscal years ended August 31, 2024, 2023, and 2022, the Fund reported net operating revenue of $153.9 million, $130.9 million, and $127.4 million. For 2024 and 2023, net operating revenue increased primarily due to the increase in contributions for the Fund's programs.

The Fund continues to operate in a challenging market environment, yet remains the largest provider of risk management services and coverage to Texas public schools, as well as one of the largest risk pools in the nation. Amid the ongoing financial challenges facing resource-strapped school districts in 2023-24, the Fund's strong legacy of offering quality coverage and service has led to stable membership across its programs. This year, the Fund retained over 99% of its members, an impressive retention rate compared to most risk pools and traditional insurance carriers and an all-time high for the Fund. Through the Fund's relationship with the Texas Association of School Boards, Inc. (TASB), staff is uniquely positioned to understand the individual needs of current and prospective members. This understanding, combined with disciplined underwriting and management of exposure growth, enables staff to maintain membership at a stable and predictable rate. Contributions for the Fund's programs, except for unemployment compensation which was expected to decrease by 5% as a result of lower expected losses, were expected to increase 7.8% due to exposure increases and minimal rate changes, but actually increased over 11.7% primarily because of higher exposures in the property program.

Investment Income, realized and change in unrealized gains (losses) from investments

Investment income continues to contribute significantly to the Fund's overall financial strategy. Interest and dividend earnings on fixed investment securities compose a large part of investment income. The Fund marks to market all investments. The Fund reports realized and unrealized gains or losses from investments as a component of the results from operations. The Fund earned $14.6 million, $11.6 million, and $9.3 million in investment income (net of fees) for the years ended August 31, 2024, 2023, and 2022. For the years ended August 31, 2024, 2023, and 2022, the Fund recognized an unrealized net gain of $36,264,066, $144,478, and a net loss $56,453,302, respectively, on the investment portfolio. Net non-operating revenue includes the change in unrealized gains or losses, realized gains or losses, and interest and dividend earnings net of fees.

Operating Expenses

As of August 31, 2024, 2023, and 2022, total expenses were $151.7 million, $184.0 million, and $104.2 million, respectively. The decrease during the 2023-2024 fiscal year and the increase during the 2022-2023 fiscal year is a result of changes in net incurred losses, specifically related to the property program.

The Fund has no staff. Instead, it contracts with TASB for administration and management of its programs, and it reports this expense as Program Administrative Fees. TASB performs marketing, underwriting, claims administration, loss prevention, financial operations, and other administrative and operational activities on behalf of the Fund. The Fund has a Service Agreement with TASB and pays TASB an administrative fee for TASB's responsibilities as outlined in the Service Agreement. The administrative fee is approved annually by the Fund's Board of Trustees and reimburses TASB's actual costs incurred for administration of the Fund's programs. The Fund incurred TASB administrative fees of $32.5 million, $30.7 million, and $29.4 million as of August 31, 2024, 2023, and 2022, respectively.

In addition to the Service Agreement for administration of the Fund's program, the Fund and TASB have entered into an Affinity and License Agreement. The Agreement recognizes the role that TASB played in creation of the Fund and allows the Fund to use TASB's name and logo. The sponsorship and license fee was $2.2 million as of August 31, 2024, 2023 and 2022, and is reported as sponsorship fees.

TEXAS ASSOCIATION OF SCHOOL BOARDS
RISK MANAGEMENT FUND

STATEMENTS OF NET POSITION
AUGUST 31, 2024 AND 2023

	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 25,129,024	$ 20,955,353
Equity mutual funds	74,194,594	65,058,783
Fixed income securities	15,146,987	14,293,424
Contributions receivable	13,920,861	12,927,411
Stop-loss coverage receivable	31,474,793	18,461,425
Accrued interest receivable	1,873,493	1,735,909
Prepaid expenses and other assets	994,656	593,600
Total current assets	162,734,408	134,025,905
Non-current assets:		
Fixed income securities	282,284,538	262,500,015
Other assets	115,766	111,569
Total non-current assets	282,400,304	262,611,584
TOTAL ASSETS	$ 445,134,712	$ 396,637,489
LIABILITIES AND NET POSITION		
Current liabilities:		
Reserve for losses and LAE at estimated net present value	$ 72,109,772	$ 73,890,153
Unemployment compensation claims payable	1,248,900	1,274,103
Unearned contributions - net of prepaid stop-loss premiums	33,160,926	19,309,120
Checks payable on losses	4,044,946	4,084,859
Investment securities purchased	953,298	-
Accrued expenses and other liabilities	16,990,591	13,336,490
Total current liabilities	128,508,433	111,894,725
Non-current liabilities:		
Reserve for losses and LAE at estimated net present value	80,627,566	92,245,972
Total non-current liabilities	80,627,566	92,245,972
Total liabilities	209,135,999	204,140,697
Net Position:		
Members' Equity (Unrestricted)	235,998,713	192,496,792
TOTAL LIABILITIES AND NET POSITION	$ 445,134,712	$ 396,637,489

See notes to financial statements.

TEXAS ASSOCIATION OF SCHOOL BOARDS
RISK MANAGEMENT FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023

	2024	2023
OPERATING REVENUES:		
Member contributions	$ 208,942,278	$ 176,309,212
Administrative-service-only fees	3,289,974	2,946,995
Other revenue	9,677	983,398
Stop-loss and reinsurance premiums	(58,315,463)	(49,376,278)
Net operating revenue	153,926,466	130,863,327
OPERATING EXPENSES:		
Claims expense	130,644,163	165,192,065
Reinsurance recoveries	(28,654,115)	(27,977,940)
Net incurred losses	101,990,048	137,214,125
Unemployment compensation claim reimbursements	5,725,375	4,845,571
Program administrative fees	32,507,914	30,694,531
General and administrative	8,945,765	8,211,346
Contract service fees	68,745	541,398
Sponsorship and royalties	2,510,384	2,462,793
Total operating expenses	151,748,231	183,969,764
OPERATING INCOME (LOSS)	2,178,235	(53,106,437)
NON-OPERATING REVENUES:		
Investment income — Net of expenses	14,570,330	11,569,661
Realized and change in unrealized gains from investments	26,753,356	773,030
NON-OPERATING REVENUE, NET	41,323,686	12,342,691
CHANGE IN NET POSITION	43,501,921	(40,763,746)
NET POSITION:		
Members' Equity (Unrestricted) Beginning of year	192,496,792	233,260,538
Members' Equity (Unrestricted) End of year	$ 235,998,713	$ 192,496,792

See notes to financial statements.

TEXAS ASSOCIATION OF SCHOOL BOARDS
RISK MANAGEMENT FUND

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash from members	$ 225,090,608	$ 171,077,031
Cash from reinsurers	35,400,776	11,828,988
Claims paid, including unemployment compensation claims	(169,593,469)	(114,406,853)
Cash paid to reinsurers	(58,720,716)	(48,612,449)
Cash paid to vendors and TASB	(41,522,424)	(39,447,275)
Cash paid in royalties	(2,510,384)	(2,462,793)
Cash from other revenue	3,663,778	88,066
Net cash used in operating activities	(8,191,831)	(21,935,285)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(129,361,682)	(49,030,090)
Proceeds from sales and maturities of investments	127,294,438	51,289,979
Investment income	14,432,746	11,401,163
Net cash provided by investing activities	12,365,502	13,661,052
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,173,671	(8,274,233)
CASH AND CASH EQUIVALENTS:		
Beginning of year	20,955,353	29,229,586
End of year	25,129,024	20,955,353
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating income (loss)	2,178,235	(53,106,437)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Increase in contributions receivable	(993,450)	(3,303,089)
Increase in stop-loss coverage receivable	(13,013,368)	(13,683,846)
(Increase) decrease in prepaid expenses and other assets	(405,253)	763,829
Increase (decrease) in unearned contributions, net of stop-loss premiums	13,851,806	(4,876,087)
(Decrease) increase in checks payable on losses	(39,913)	396,695
(Decrease) increase in reserve for losses and loss adjustment expenses at estimated net present value	(13,398,787)	53,278,484
Decrease in unemployment compensation claims payable	(25,202)	(509,502)
Increase (decrease) in accrued expenses and other liabilities	3,654,101	(895,332)
NET CASH USED IN OPERATING ACTIVITIES	$ (8,191,831)	$ (21,935,285)

See notes to financial statements.

1. GENERAL STATEMENT

The Texas Association of School Boards Risk Management Fund (the "Fund") is a public entity risk-sharing pool composed of five separate fund programs, which were established by members of the Texas Association of School Boards, Inc. (TASB). The Fund is a separate legal entity from TASB. The workers' compensation and unemployment compensation programs were created in 1974 and 1977, respectively. The auto, property, and liability programs were created in 1981. These individual programs were merged in April 1997 with the TASB Workers' Compensation Self-Insurance Fund and renamed the Fund. Each program was created in accordance with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates in accordance with the appropriate rules, regulations, and laws of the state of Texas.

The general objective of all programs includes (a) formulating, developing, and administering services for its membership; (b) obtaining lower costs for workers' compensation, auto, property, cyber, and liability coverage; and (c) developing a comprehensive safety and loss control program. Members of the Fund participate in the Fund through Interlocal Participation Agreements (IPA). The Fund operates as a risk-sharing pool by members choosing to share their risk exposures with other members of the Fund or, in the case of the workers' compensation or unemployment compensation programs, participate as administrative-services-only (ASO) members whereby they fund their own claims and pay the Fund for administrative and loss control services. Approximately 1,040 school districts, education service centers, cooperatives, and community colleges participate in one or more of the Fund's programs.

The Fund is composed of six programs: Workers' Compensation, Auto, Liability, Cyber, Property and Unemployment Compensation programs, which have been combined in the accompanying financial statements. The Fund included Cyber coverage in its Liability program and started collecting additional contributions for the coverage in 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation — The Fund prepares its financial statements using the accrual basis of accounting. The Fund is subject to the pronouncements of the Governmental Accounting Standards Board (GASB) and accounts for its activities as an enterprise fund. This enterprise fund is a single reporting entity and does not have component units; therefore, no separate component unit financial statements are presented.

Income Taxes — The Fund is exempt from federal income tax under Section 115 of the Internal Revenue Code. Accordingly, the accompanying financial statements do not include a provision or a liability for federal income taxes.

Member Contributions — Contributions receivable is established as of the coverage date for the full annual contribution, net of deductible credits. Such contributions are earned on a pro-rata basis over a 12-month period.

The Fund's contributions are developed annually with assistance from the Fund's actuary and are based on projected claims and expense costs. The funding methodology utilized by the Fund is approved annually by the Fund's Board of Trustees.

The Fund receives prepaid contributions for policies that are not in force at year-end. The amount of prepaid contributions at August 31, 2024 and 2023 totaled $15,771,767 and $12,465,884, respectively and are recorded within accrued expenses and other liabilities on the statements of net position.

Contribution Deficiency — A contribution deficiency should be recognized when the sum of expected claim costs, including incurred but not reported claims, and all expected claim adjustment expenses exceeds related unearned contributions. When determining the existence or absence of a contribution deficiency, the Fund opted to use the discounting method for the investment income approach to calculating a contribution deficiency reserve. The Fund also analyzed the contribution deficiency reserve by program. On August 31, 2024 and 2023, a contribution deficiency for the Fund did not exist for any of its programs.

Cash and Cash Equivalents — For purposes of financial statement presentation, the Fund considers cash, money market mutual funds, and debt securities with original maturities of three months or less at date of purchase as cash and cash equivalents.

Estimates — The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates and those amounts could be significant.

Investments — Investments are carried at fair value. All investment income and changes in the fair value of investments are reported as non-operating revenue in the statements of revenues, expenses and changes in net position. Changes in the fair value of investments include both realized and unrealized gains and losses on investments.

Unemployment Compensation Claims Payable and Checks Payable on Losses — The unemployment compensation claims payable is reported separately on the statement of net position from checks payable on losses. Checks payable on losses correspond to claim checks outstanding from the workers' compensation, auto, liability, cyber, and property programs. Unemployment compensation claims payable represent the July and August claims liability due to the Texas Workforce Commission (TWC) on behalf of unemployment program members.

Unemployment compensation claim reimbursements are expensed as incurred for the unemployment compensation program. These expenses are shown separately from losses paid in other programs on the statements of revenues, expenses and changes in net position. However, revenue is included in member contributions and administrative-services-only fees and totaled $13,200,388 and $13,183,621 for the years ended August 31, 2024 and 2023, respectively.

Revenues and Expenses — The Fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Sponsorship and royalties represent fees paid to TASB for the use of its name and other intellectual property. Royalties are also paid to the Texas Association of School Administrators (TASA) for its endorsement.

Other Revenue — Other revenue consists of revenue from the Texas Municipal League Intergovernmental Risk Pool (TML-IRP) for preauthorization and medical review services provided by the Fund along with fees collected for records requests.

Net Position — Net position (Members' Equity) is unrestricted. The Fund refers to this balance internally as Members' Equity.

Reserve for Losses and Loss Adjustment Expenses — Reserve for losses and loss adjustment expenses (LAE) is a total of case estimates for losses on claims reported, estimates of losses incurred but not reported at year-end, and an estimate of unallocated loss adjustment expense (ULAE), less amounts expected to be ceded to reinsurers.

The Fund discounts reserves for the workers' compensation program only. Total undiscounted reserves (i.e., case-basis reserves plus incurred but not reported (IBNR) reserves) for all programs were $162,809,321 and $176,242,091 on August 31, 2024 and 2023, respectively. Total net discounted reserves (i.e., case-basis reserves plus IBNR reserves) on August 31, 2024 and 2023, totaled $152,737,338 and $166,136,125, respectively.

The estimates of reserves are also subject to the effects of the nature of the risks underwritten, the inherent difficulty in estimating the ultimate costs of fully developed claims and trends in loss severity and frequency. Specifically, workers' compensation reserves are subject to state legislation and medical inflation. For these reasons, the ultimate amount of losses and related loss adjustment expenses may vary significantly from the estimated reserves recorded in the financial statements. Although considerable variability is inherent in such estimates, management records the reserves based on actuarial valuations and believes that the reserve for losses and loss adjustment expenses is adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

Stop-Loss (Reinsurance) – Prospective reinsurance premiums, losses, and loss adjustment expenses are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts.

In the ordinary course of business, the Fund has reinsured portions of its policy coverage to limit the amounts of potential losses. Reinsurance is ceded on an excess of loss basis. The Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsurance policy.

Amounts receivable from reinsurers that relate to paid claim losses and loss adjustment expenses are classified as assets and as a reduction to claims expenses incurred. Estimated amounts recoverable from reinsurers that relate to unpaid claim losses and loss adjustment expenses are recorded as a reduction of reserve for losses liabilities and claims expenses incurred. Reinsurance recoveries on claims are netted against related claims and claims adjustment expenses incurred.

Subsequent Events – The Fund has evaluated subsequent events for disclosure and recognition through November 6, 2024, the date on which these financial statements were available to be issued, and all events identified have been reflected within these financial statements.

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Under provisions of the Fund's investment policy and guidelines, the Fund may invest in the following types of instruments:

a. Obligations of the U.S. government or its agencies and instrumentalities

b. Dollar-denominated fixed-income securities of U.S. and foreign issuers including corporations and quasi-government entities

c. U.S. Agency pass-through and collateralized mortgage obligations

d. Non-Agency residential mortgage securities

e. Commercial mortgage-backed securities

f. Asset-backed securities

g. Global and international bond funds

h. U.S. and International equity funds

i. Dollar-denominated money market instruments including, but not limited to, certificates of deposit, commercial paper, bankers' acceptances, time deposits, repurchase and reverse-repurchase agreements, floating-rate instruments, U.S. money market funds, and short-term bank investment funds

The investment portfolio is diversified to reduce the risk of loss of investment income from over-concentration of assets. Pursuant to the Fund's Investment Policy, the Fund strives to maintain a portfolio mix consisting of 70% investment-grade fixed income securities, 12.5% high-yield securities, and 17.5% equity funds. The Fund does not intend to hold securities until maturity. Securities are reported on the statement of net position at fair value, and temporary changes in the fair value of the securities are recognized as unrealized gains and losses and reported as a component of non-operating revenue. Recorded fair values are based upon quoted prices in actively traded markets and quotes from pricing services/brokers. For the years ended August 31, 2024 and 2023, the Fund recognized an unrealized net gain (loss) of $36,264,066 and ($144,478), respectively, on the investment portfolio.

The original cost and estimated fair values of instruments in the Fund’s investment portfolio are reflected below:

August 31, 2024:				
U.S. government obligations	$ 65,557,100	$ 618,521	$ (1,551,922)	$ 64,623,699
U.S. government agency obligations	5,309,128	126,390	(578,194)	4,857,324
Corporate debt securities	118,555,456	2,088,727	(2,855,188)	117,788,995
Mortgage-backed securities	115,817,457	1,168,134	(6,824,084)	110,161,507
Equity mutual funds	47,082,565	27,112,029	-	74,194,594
	$ 352,321,706	$ 31,113,801	$ (11,809,388)	$ 371,626,119
August 31, 2023:				
U.S. government obligations	$ 74,081,422	$ -	$ (6,226,040)	$ 67,855,382
U.S. government agency obligations	5,254,092	1,728	(891,430)	4,364,390
Corporate debt securities	116,939,839	19,471	(10,656,796)	106,302,514
Mortgage-backed securities	115,954,750	72,177	(17,755,774)	98,271,153
Equity mutual funds	46,584,957	18,473,826	-	65,058,783
	$ 358,815,060	$ 18,567,202	$ (35,530,040)	$ 341,852,222

Deposits — Demand deposits at August 31, 2024 and 2023 are $608,743 and $364,104, respectively. At August 31, 2024 and 2023, $24,520,281 and $20,591,249, respectively, is held in money market accounts, invested with Dreyfus or held by Principal Custody Solutions, the Fund’s investment custodian, to invest by Conning, Inc., the Fund’s investment manager.

Investment Risk Factors –There are many factors that can affect the value of investments. The Fund is exposed to the following risks: custodial credit risk, interest rate risk, credit risk, and concentration of credit risk.

Custodial Credit Risk — Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the depositor-government’s name.

Demand deposits as of August 31, 2024 and 2023, are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Fund is not subject to the Public Funds Investment Act or the Public Funds Collateral Act and is therefore not eligible to receive collateralization of money in depository institutions. Deposits not covered by depository insurance at August 31, 2024 and 2023 are $358,743 and $114,105, respectively.

Investments are exposed to custodial credit risk if the securities are uninsured or not registered in the name of the Fund, and are held by either the counterparty, or the counterparty's trust department or agent but not in the Fund's name. The Fund utilizes the services of external investment portfolio managers. All of the Fund's investments are registered and held in the Fund's name at August 31, 2024 and 2023, and are not, therefore, exposed to custodial credit risk.

Interest Rate Risk – Interest rate risk is the risk that the value of fixed income securities will decline because of rising interest rates. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The fair value of investments at August 31, 2024 and 2023 are shown below by contractual maturity using the segmented time distribution method. Investments are classified as current or noncurrent consistent with their contractual maturities. Expected maturities may differ from contractual maturities because borrowers may have the right to prepay obligations without call or prepayment penalties.

	Estimated Fair Value	
	August 31, 2024	August 31, 2023
Due in one year or less:		
Corporate debt securities	$ 3,568,510	$ 2,083,163
U.S. government obligations	11,578,477	11,717,511
U.S. government agency obligations	-	492,750
Total due in one year or less	15,146,987	14,293,424
Due after one year through five years:		
U.S. government obligations	35,311,910	37,191,717
Mortgage-backed securities	1,654,343	905,966
Corporate debt securities	67,144,769	59,537,090
Total due after one year through five years	104,111,022	97,634,773
Due after five years:		
U.S. government obligations	17,733,312	18,946,154
U.S. government agency obligations	4,857,324	3,871,640
Mortgage-backed securities	108,507,164	97,365,187
Corporate debt securities	47,075,716	44,682,261
Total due after five years	178,173,516	164,865,242
Total fixed income securities	297,431,525	276,793,439
Equity mutual funds	74,194,594	65,058,783
Total equity mutual funds	74,194,594	65,058,783
Total fixed income securities and equity mutual funds	$ 371,626,119	$ 341,852,222

Credit Risk —Fixed income securities are subject to credit risk, which is the chance that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. The circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments. Credit risk is measured by a nationally recognized credit rating agency. U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The following table shows the credit ratings as of August 31, 2024 and 2023, for each investment type.

	August 31, 2024		August 31, 2023	
	Fair Value	S&P Rating	Fair Value	S&P Rating
U.S. government obligations	$ 64,623,699	NA	$ 67,855,382	NA
U.S. government agency obligations	4,857,324	AAA - A-	4,364,390	AAA - A-
Corporate debt securities	51,494,358	AA+ - A-	28,979,346	AA+ - A-
Corporate debt securities	63,321,742	BBB+ - B-	73,939,128	BBB+ - B-
Corporate debt securities	2,972,895	NA	3,384,040	NA
Mortgage-backed securities	14,700,176	AAA - A-	3,933,688	AAA - A-
Mortgage-backed securities	658,983	BBB+ - B-	1,052,105	BBB+ - B-
Mortgage-backed securities	94,802,348	NA	93,285,360	NA
	$ 297,431,525		$ 276,793,439	

Concentration of Credit Risk – Concentration of credit risk is the risk associated with a lack of diversification, or having too much invested in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, regulatory, geographic, or credit developments.

As of August 31, 2024 and 2023, there were no investments in issuers, excluding mutual funds and U.S. government obligations, that represent 5% or more of the total investments.

Fair Value Measurements – The Fund categorizes its fair value measurements within the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into broad levels as follows:

Level 1 – Valuation is based upon quoted prices in active markets for identical securities
Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 – Valuation is based upon significant unobservable inputs (including the Fund's own assumptions determining the fair value of investments).

The fair values of investments are measured using quoted market prices or dealer quotations, when available. When quoted market prices are not available, fair value is measured using quoted market prices for similar securities. The asset's classification within the fair value hierarchy is based on using the lowest level of input that is significant to the fair value measurement. The valuation techniques used by the Fund maximize the use of observable inputs and minimize the use of unobservable inputs. There were no transfers between fair value levels during the years ended August 31, 2024, and 2023.

The following table sets forth by level, within the fair value hierarchy, the Fund's investments at fair value as of August 31, 2024 and 2023:

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Totals
August 31, 2024:				
U.S. government obligations	$ 64,623,699	$ -	$ -	$ 64,623,699
U.S. government agency obligations	-	4,857,324	-	4,857,324
Corporate debt securities	-	117,788,995	-	117,788,995
Mortgage-backed securities	-	110,161,507	-	110,161,507
Equity mutual funds	74,194,594	-	-	74,194,594
	$ 138,818,293	$ 232,807,826	$ -	$ 371,626,119
August 31, 2023:				
U.S. government obligations	$ 67,855,382	$ -	$ -	$ 67,855,382
U.S. government agency obligations	-	4,364,390	-	4,364,390
Corporate debt securities	-	106,302,514	-	106,302,514
Mortgage-backed securities	-	98,271,153	-	98,271,153
Equity mutual funds	65,058,783	-	-	65,058,783
	$ 132,914,165	$ 208,938,057	$ -	$ 341,852,222

Investments in U.S. Treasury securities and mutual fund investments were recorded using Level 1 fair values based on observable quoted market prices from national security exchanges.

Prices for government agency, municipal, corporate, mortgage backed, and asset backed securities of the Fund are based on observable market data for the same or similar securities, including quoted prices in markets that are not active, or matrix pricing or other similar techniques that use observable market inputs, and, consequently, are classified as Level 2.

4. STOP-LOSS AGREEMENTS

The Fund has entered into stop-loss and/or reinsurance agreements to reduce its exposure to catastrophic or higher than expected claim costs. Each of the Fund's programs, except unemployment compensation, has its own stop-loss agreement in place with various terms, conditions, and levels of retention. The Fund's Interlocal Participation Agreements state that the Fund is not responsible for any payment or any obligations to the program participant from any reinsurer, stop-loss carrier, or excess coverage provider. Based on its assessment of the creditworthiness of its reinsurers, management believes that nonpayments from stop-loss carriers are not likely to occur.

At August 31, 2024 and 2023, stop-loss recoverable of $44,036,654 and $63,796,684, respectively, have been deducted from the reserve for losses and loss adjustment expenses. As of August 31, 2024 and 2023, the Fund has also recorded stop-loss reimbursements receivable of $31,474,793 and $18,461,425, respectively, on claims paid by the Fund.

The Fund evaluates the financial condition of its reinsurers and monitors concentrations of credit risk to minimize exposure to losses from reinsurer insolvencies. In preparing financial statements, management makes estimates of amounts recoverable from reinsurers, which include consideration of amounts, if any, estimated to be uncollectable by management. Management evaluated the creditworthiness of its reinsurers and determined that no valuation allowance was required as of August 31, 2024 and 2023.

5. ADMINISTRATIVE-SERVICES-ONLY MEMBERS

The Fund provides claims, loss control, and risk management services for certain self-insured members in exchange for an administrative fee.

6. RELATED-PARTY TRANSACTIONS

The Fund has entered into the following agreements with TASB, whereby TASB provides services related to the administration of the Fund. As administrator of the Fund, TASB significantly influences its management and operating practices and is a related party to the Fund.

- TASB provides administration and management services of the Fund's programs. Services include, but are not limited to, overall program management, claims administration, marketing, billing and collecting contributions, cash management, planning, underwriting, and loss control. An administrative service agreement with TASB was entered into effective September 1, 2021 and remains in effect for a period of 60 months. Either party may terminate the agreement with notice of 180 days.

  The Fund paid TASB approximately $32,507,914 and $30,694,531 for such services for each of the years ended August 31, 2024 and 2023, respectively. As of August 31, 2024 and 2023, the amount paid is net of a receivable for $522,492 and $363,334, respectively, for overpayment of the TASB administrative fee for the 2023-2024 fiscal year. This receivable, which is reported in prepaid expenses and other assets, is expected to be paid in full in October 2024.

- The Fund and TASB have a sponsorship and royalty agreement which gives the Fund use of certain intellectual assets, i.e., TASB's name and logo. The Fund incurred $2,200,000 in these fees to TASB for the years ended August 31, 2024 and 2023.

7. RESERVE FOR LOSSES AND LOSS ADJUSTMENT EXPENSES

Management establishes a liability for losses and loss adjustment expenses (LAE) based primarily upon consultation with its independent actuary. These loss reserves are based upon the accumulation of (i) case base estimates for losses and expenses on claims reported and in process of settlement, (ii) estimates of additional reserves for reported claims based on statistical analyses, and (iii) estimates of losses and expenses incurred but not reported based upon past experience. These reserves have been reduced by amounts anticipated to be recovered from stop-loss agreements, deductibles, and a discount to reflect the present value of the estimated reserve for the workers' compensation program. The estimates represent the ultimate cost of settling claims, including the effects of inflation and other societal and economic factors. Adjustments to these estimates are charged or credited to operations in the period they become known. Due to the nature of risks underwritten, such estimates of reserves could be more or less than the amount ultimately paid upon settlement of the claims.

The Fund records its workers' compensation reserves for losses and loss adjustment expenses at estimated net present value (discounted basis). The Fund's accounting policy is to consider future investment income when the earning asset base is equal to or greater than the anticipated ultimate unpaid claims liability at estimated net present value. Reserves are discounted using interest rates that are reasonable considering the Fund's historical investment earnings. For 2024 and 2023, a discount rate of 3% has been used in the calculation, resulting in discounts for the workers' compensation program of $10,071,983 and $10,105,966, respectively.

The following schedule represents changes in reserves for losses during the years ended August 31, 2024 and 2023. This schedule indicates that overall, during the 2023-24 fiscal year, the Fund experienced a decrease in current year losses. This resulted from a drop in significant incurred losses in the property program due to decreased claim activity.

	Year Ended August 31, 2024	Year Ended August 31, 2023
Reserve for losses and LAE - beginning of fiscal year	$ 166,136,125	$ 112,857,641
Net incurred claims and claim adjustment expenses:		
Provision for covered events of the current fiscal year	128,404,551	144,985,055
Decrease in provision for covered events of prior fiscal years	(26,448,486)	(8,133,978)
Change in estimated future investment income	33,983	363,048
Net incurred claims and claim adjustment expenses	101,990,048	137,214,125
Net payments:		
Claims and claim adjustment expenses attributable to covered events of current fiscal year	45,335,171	50,127,190
Claims and claim adjustment expenses attributable to covered events of prior fiscal years	70,053,664	33,808,451
Net payments	115,388,835	83,935,641
Reserve for losses and LAE - end of fiscal year	$ 152,737,338	$ 166,136,125

As a result of changes in estimates of covered events in prior years, the provision for liability for claim losses and loss adjustment expenses decreased by approximately $26,448,000 and $8,134,000 in 2024 and 2023, respectively, due to favorable development on case basis reserves and less than anticipated incurred but not reported losses and loss adjustment expenses.

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