

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**OKLAHOMA SCHOOLS RISK  
MANAGEMENT TRUST**

**JUNE 30, 2021 AND 2020**

## **C O N T E N T S**

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Shores, Tagman, Butler & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Oklahoma Schools Risk Management Trust

We have audited the accompanying financial statements of the Oklahoma Schools Risk Management Trust ("OSRMT" or the "Trust") which comprise the Statements of Net Position as of June 30, 2021 and 2020, and the related Statements of Revenues, Expenses and Changes in Net Position and of Cash Flows for the years then ended, and the related Notes to Financial Statements.

### 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 Trust'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 Trust'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 opinions.

## INDEPENDENT AUDITORS' REPORT - CONTINUED

### Basis for Qualified Opinion

As more fully described in the Notes to Financial Statements, the Trust has recorded reserve contributions receivable in the accompanying Financial Statements which are under dispute with certain members. We were unable to obtain sufficient audit evidence to determine how this dispute will be resolved. It is uncertain what portion, if any, of the reserve contributions receivable that the Trust may ultimately collect.

### Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the net position of Oklahoma Schools Risk Management Trust as of June 30, 2021 and 2020, and the results of its operations, its changes in net position and its cash flows to the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As discussed in the Notes to Financial Statements, the liabilities for unpaid losses and loss adjustment expenses in the accompanying financial statements are based upon evaluations by the Trust's independent actuary. Management believes that these estimates are reasonable. However, these estimates are subject to change and the changes can be material in relation to the financial statements taken as a whole. No assurance can be given that the actual losses will not be more or less than the current estimates. Our opinion is not modified with respect to this matter.

### Going Concern

As discussed in the Notes to Financial Statements, the Trust ceased writing contributions as of July 1, 2021 and will continue in the capacity of running off all claims incurred on or before June 30, 2021. The Trust's intent is to liquidate and dissolve. The accompanying financial statements do not include adjustments, if any, to the carrying value of assets or liabilities that may result from these decisions. Our opinion is not modified with respect to this matter.

*Shous, Tagman, Butler + Company, P.A.*

December 7, 2021

**Oklahoma Schools Risk Management Trust**

**STATEMENTS OF NET POSITION**

**ASSETS**

	June 30,	
	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 302,551	\$ 172,636
Investment in securities	--	205,026
Contributions receivable	14,048	43,851
Reserve contributions receivable	2,079,755	8,834
Reinsurance recoverable on paid losses	554,667	218,591
Prepaid expenses and other current assets	6,123	74,378
<b>Total current assets</b>	<u>2,957,144</u>	<u>723,316</u>
<b>Total assets</b>	<u>\$ 2,957,144</u>	<u>\$ 723,316</u>

**LIABILITIES AND NET POSITION**

<b>CURRENT LIABILITIES</b>		
Unpaid losses and loss adjustment expenses - Gross	\$ 3,875,698	\$ 3,521,989
Reinsurance recoverable on unpaid losses	( 2,193,098)	( 1,441,014)
<b>Net</b>	<u>1,682,600</u>	<u>2,080,975</u>
Advance contributions	--	297,719
Reinsurance payable	80,430	102,211
Contribution overpayments	22,187	31,833
Accounts payable and accrued expenses	116,254	210,430
<b>Total current liabilities</b>	<u>1,901,471</u>	<u>2,723,168</u>
<b>NONCURRENT LIABILITIES</b>		
Unpaid losses and loss adjustment expenses - Gross	662,234	413,772
Reinsurance recoverable on unpaid losses	--	--
<b>Net</b>	<u>662,234</u>	<u>413,772</u>
<b>Total noncurrent liabilities</b>	<u>662,234</u>	<u>413,772</u>
<b>Total liabilities</b>	2,563,705	3,136,940
<b>NET POSITION, UNRESTRICTED</b>	<u>393,439</u>	<u>( 2,413,624)</u>
<b>Total liabilities and net position</b>	<u>\$ 2,957,144</u>	<u>\$ 723,316</u>

The accompanying notes are an integral part of these statements.

**Oklahoma Schools Risk Management Trust**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	<b>Years Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<u>          </u>	<u>          </u>
<b>OPERATING REVENUES</b>		
Contributions earned	\$ 11,871,108	\$ 7,646,104
Other operating revenues	361,728	--
	<u>12,232,836</u>	<u>7,646,104</u>
 <b>OPERATING EXPENSES</b>		
Losses and loss adjustment expenses	2,870,398	1,692,388
Reinsurance expense	5,307,392	4,721,237
Program administration fees	449,355	484,606
Member acquisition costs	717,019	843,112
Other expenses	92,666	168,756
	<u>9,436,830</u>	<u>7,910,099</u>
 <b>OPERATING INCOME (LOSS)</b>	<u>2,796,006</u>	<u>( 263,995)</u>
 <b>NON OPERATING INCOME</b>		
Net investment income	11,057	11,770
	<u>11,057</u>	<u>11,770</u>
 <b>INCREASE (DECREASE) IN NET POSITION</b>	2,807,063	( 252,225)
 Net position - beginning of year	<u>( 2,413,624)</u>	<u>( 2,161,399)</u>
 <b>NET POSITION - END OF YEAR</b>	\$ <u>393,439</u>	\$ <u>( 2,413,624)</u>

The accompanying notes are an integral part of these statements.

**Oklahoma Schools Risk Management Trust**

**STATEMENTS OF CASH FLOWS**

	<b>Years Ended June 30,</b>	
	<u><b>2021</b></u>	<u><b>2020</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Contributions collected	\$ 11,593,546	\$ 7,850,892
Excess insurance premiums paid	( 5,307,392)	( 4,721,237)
Loss and loss adjustment payments	( 3,356,387)	( 3,316,688)
Other expenses paid	( 945,014)	( 1,960,396)
<b>NET CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>	<u>1,984,753</u>	<u>( 2,147,429)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investment securities	--	( 40,677)
Proceeds from sales and maturities of investment securities	212,955	1,015,735
Investment income collected	<u>3,128</u>	<u>23,283</u>
<b>NET CASH PROVIDED BY INVESTING</b>		
<b>ACTIVITIES</b>	<u>216,083</u>	<u>998,341</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Member reserve contributions	( 2,070,921)	( 8,834)
<b>NET CASH USED IN FINANCING</b>		
<b>ACTIVITIES</b>	<u>( 2,070,921)</u>	<u>( 8,834)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	129,915	( 1,157,922)
Cash and cash equivalents at beginning of year	<u>172,636</u>	<u>1,330,558</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ <u>302,551</u>	\$ <u>172,636</u>

The accompanying notes are an integral part of these statements.

**Oklahoma Schools Risk Management Trust**

**STATEMENTS OF CASH FLOWS - CONTINUED**

	<b>Years Ended June 30,</b>	
	<u><b>2021</b></u>	<u><b>2020</b></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
<b>Operating income (loss)</b>	\$ <b>2,796,006</b>	\$ ( <b>263,995</b> )
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</b>		
<b>Changes in operating assets and liabilities</b>		
<b>(Increase) decrease in assets:</b>		
<b>Contributions receivable</b>	<b>29,803</b>	<b>21,839</b>
<b>Reinsurance recoverable on paid losses</b>	<b>( 336,076)</b>	<b>( 110,313)</b>
<b>Prepaid expenses and other current assets</b>	<b>68,255</b>	<b>181,746</b>
<b>Increase (decrease) in liabilities:</b>		
<b>Unpaid losses and loss adjustment expenses</b>	<b>( 149,913)</b>	<b>(1,513,987)</b>
<b>Reinsurance payable</b>	<b>( 21,781)</b>	<b>102,211</b>
<b>Advance contributions</b>	<b>( 297,719)</b>	<b>151,116</b>
<b>Contribution overpayments</b>	<b>( 9,646)</b>	<b>31,833</b>
<b>Advance payments by reinsurer</b>	<b>--</b>	<b>( 783,630)</b>
<b>Accounts payable and accrued expenses</b>	<b>( 94,176)</b>	<b>35,751</b>
<b>NET CASH PROVIDED BY (USED IN)     OPERATING ACTIVITIES</b>	<b>\$ <u>1,984,753</u></b>	<b>\$ <u>(2,147,429)</u></b>

The accompanying notes are an integral part of these statements.



# Oklahoma Schools Risk Management Trust

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

### NOTE 1 - ORGANIZATION OF TRUST

The Oklahoma Schools Risk Management Trust (“OSRMT” or the “Trust”) is a cooperative association of public school districts established on June 17, 2009. Approval was obtained from the Office of Attorney General, State of Oklahoma through the Interlocal Cooperative Agreement - Oklahoma Schools Risk Management Trust Agreement - (AG #ICA-09-003). The Trust was established as a group self-insurance program to indemnify each member for covered property/casualty losses as an alternative to insurance coverage from a commercial insurance carrier.

Members are required to make annual contributions as determined by the Board of Trustees. Such contributions are intended to cover estimated loss payments and related costs and administrative and operational expenses. Public school districts joining the Trust must remain members for a minimum of one plan period unless terminated by the Board of Trustees. Subsequent to this initial term, a member may withdraw its membership at the end of any plan period.

In the event of dissolution of OSRMT, surplus funds developed that are not needed to pay claims and other expenses of OSRMT would be distributed to members, past and current, in accordance with the by-laws as determined by the Board of Trustees.

The Trust is comprised of 75 Oklahoma public school districts as of June 30, 2021, and 88 districts as of June 30, 2020.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of the Oklahoma Schools Risk Management Trust (“OSRMT” or the “Trust”) consistently applied in the preparation of the financial statements follows. Other significant accounting policies are disclosed elsewhere in the financial statements and the notes thereto.

#### Basis of Accounting

The accounting and reporting policies of the Trust conform to accounting principles generally accepted in the United States of America, governmental accounting standards and prevailing practices within the insurance industry. Except as otherwise noted, the Trust carries its assets and liabilities principally on the historical cost basis and follows the accrual method of accounting.

#### Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, cash and cash equivalents include only cash in checking, savings or money market accounts, and other depository instruments with maturities of three months or less at the time of acquisition.

Oklahoma Schools Risk Management Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**Investment Securities Available-for-Sale**

Investment securities available-for-sale are stated at their estimated fair market value. Available-for-sale securities consist of debt securities not classified as trading securities or as held-to-maturity securities. Any unrealized gains and losses on investment securities available-for-sale are reported as other comprehensive income and changes therein are reported as accumulated other comprehensive income.

Gains and losses resulting from the sale of investment securities available-for-sale are determined using the specific identification method. Premiums paid and discounts taken on the purchase of investment securities available-for-sale are amortized and recognized in investment income using the straight-line method over the period to maturity.

**Fair Value Measurements**

U.S. Generally Accepted Accounting Principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs in valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs are unadjusted quoted prices for identical assets in active markets.

Level 2 - Inputs are quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or valuations based on models where the significant inputs are observable (e.g., interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.

Level 3 - Inputs are unobservable and based on management estimate.

**Contributions Receivable**

Contributions receivable are stated at net invoiced amounts. Collectibility of balances is reviewed periodically. Any amounts deemed to be uncollectible are written off at that time. Management has determined amounts are collectible and no allowance for doubtful accounts is required.

Oklahoma Schools Risk Management Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**Reserve (Capital) Contributions Receivable**

During the years ended June 30, 2021 and 2020, the Trust declared a portion of the contributions be set aside as Reserve (capital) contributions with no associated fees attached to these contributions as a strategy to eliminate the deficit. Amounts are stated at net amounts expected to be collected as estimated by management.

**Unpaid Losses and Loss Adjustment Expenses**

The liability for unpaid losses and loss adjustment expenses includes the estimated costs of investigating and settling all claims incurred as of the balance sheet date as well as an estimate for claims that occurred as of the balance sheet date but have not been reported. Such amounts are determined on the basis of an evaluation of the Trust's losses as prepared by the Trust's independent actuary. The liability for unpaid losses and loss adjustment expenses has been discounted for the time value of money as of June 30, 2020.

**Contributions**

Contributions are earned on a straight-line basis over the coverage period. The portion of the contribution that will be earned in the future is deferred and reported as unearned contribution. Contributions received prior to the beginning of a coverage year are reported as advance contributions.

**Investment Earnings**

Investment earnings, including changes in fair value of investments, are recognized as non operating revenue in the Statements of Revenues, Expenses and Changes in Net Position.

**Contribution Deficiency**

Anticipated investment income is considered in determining if a contribution deficiency exists and no such deficiency exists.

**Income Tax Exemption**

The Oklahoma Schools Risk Management Trust, including The Trust, is a governmental entity and, thus, is exempt from Federal income taxes under Internal Revenue Code Section 115.

Oklahoma Schools Risk Management Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

NOTE 3 - FAIR VALUE MEASUREMENTS

Assets recorded at fair value, as discussed above, are summarized below:

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Exchange-traded funds	\$ <u>205,026</u>	\$ <u>    --</u>	\$ <u>    --</u>	\$ <u>205,026</u>

The Trust did not have any Level 1, Level 2 or Level 3 assets as of June 30, 2021. The Trust did not have any Level 2 or Level 3 assets at any point during the year ended June 30, 2020. There were no transfers between any levels during the years ended June 30, 2021 and 2020.

For the year ended June 30, 2020, the exchange traded funds (ETFs) above include fixed income and equity securities.

NOTE 4 - INVESTMENT SECURITIES

Investment securities are stated at their estimated fair market value and consist of the following as of:

	June 30, 2020			
	Cost	Estimated Fair Market Value	Gross Unrealized Gains	Gross Unrealized Losses
Fixed income -				
Exchange-traded funds	\$ 171,436	\$ 176,486	\$ 5,920	\$( 870)
Equity securities -				
Exchange-traded funds	28,179	28,540	884	( 523)
	\$ <u>199,615</u>	\$ <u>205,026</u>	\$ <u>6,804</u>	\$ <u>( 1,393)</u>

Oklahoma Schools Risk Management Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 4 - INVESTMENT SECURITIES - CONTINUED

Proceeds from sales of investment securities for the years ended June 30, 2021 and 2020 were approximately \$213,000 and \$1,016,000, respectively. Gross gains of approximately \$13,000 and \$17,000 and gross losses of approximately \$-0- and \$33,000, respectively, were realized on these sales.

Information pertaining to securities with gross unrealized losses at June 30, 2020, aggregated by length of time individual securities have been in a continuous loss position, is as follows:

	June 30, 2020					
	Less than 12 Months		12 Months or Greater		Total	
	Estimated Fair Market Value	Gross Unrealized Losses	Estimated Fair Market Value	Gross Unrealized Losses	Estimated Fair Market Value	Gross Unrealized Losses
Fixed income - Exchange-traded funds	\$ --	\$ ( --)	\$ 11,917	\$ ( 870)	\$ 11,917	\$ ( 870)
Equity securities - Exchange-traded funds	<u>11,507</u>	<u>( 523)</u>	<u>--</u>	<u>--</u>	<u>11,507</u>	<u>( 523)</u>
	<u>\$ 11,507</u>	<u>\$ ( 523)</u>	<u>\$ 11,917</u>	<u>\$ ( 870)</u>	<u>\$ 23,424</u>	<u>\$ ( 1,393)</u>

The unrealized losses on 3 ETFs at June 30, 2020 were caused primarily by normal stock price fluctuations. The severity of the impairment (ranging from 4% to 7%) is consistent with the individual variability of a stock price over a short-term period of time.

The Trust has evaluated the near-term prospects of the issuers in relation to the severity and duration of the above impairments and has the intent and ability to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value. Further, the Trust has evaluated each issuer and noted no issuer with compelling evidence that any of these losses are permanent. Based on this analysis, the Trust does not consider these investments to be other-than-temporarily impaired at June 30, 2020.

NOTE 5 - RESERVE (CAPITAL) CONTRIBUTIONS RECEIVABLE

During the year ended June 30, 2021, the Trust has billed approximately \$4,100,000 of reserve (capital) contributions. These amounts are recorded in operating revenues.

At June 30, 2021, the receivable portion of the amounts billed totaled approximately \$2,078,000. Subsequent to year-end, there have been significant collections of the amounts billed. Approximately \$980,000 is outstanding as of the issuance date of this report.

**Oklahoma Schools Risk Management Trust**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

**NOTE 5 - RESERVE (CAPITAL) CONTRIBUTIONS RECEIVABLE - CONTINUED**

Management believes the receivables are fully collectible as the members are contractually obligated to pay the amounts billed and an allowance for doubtful accounts is not required. As of the issuance date, some members are disputing the right to charge these amounts, with 30 school districts failing to pay one or both additional reserve (capital) contributions.

As a result of the dispute, it is uncertain what portion, if any, of the above remaining reserve contributions receivable will ultimately be collected.

**NOTE 6 - REINSURANCE**

The Trust has purchased reinsurance for protection against losses in excess of the applicable retention. Reinsurance contracts do not relieve the Trust from its obligations to members. Failure of reinsurers to honor their obligations could result in losses to the Trust. Accordingly, the Trust evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurers' insolvency. As of June 30, 2021 and 2020, reinsurance recoverable on unpaid losses and loss adjustment expenses of approximately \$2,193,000 and \$1,441,000, respectively, were associated with multiple reinsurance carriers and deducted from reserves.

The Trust has obtained the following reinsurance for the 2020/2021 and 2019/2020 program years:

The Trust obtained property-specific reinsurance with limits of up to \$100,000,000 any one loss occurrence for June 30, 2021 and \$100,000,000 any one loss occurrence for June 30, 2020.

The Trust obtained property aggregate excess of loss reinsurance with limits up to \$1,500,000 in 2020/2021 and 2019/2020, to limit its aggregate retention under the property excess of loss coverage.

The Trust obtained general liability and automobile liability excess of loss reinsurance for limits up to \$2,000,000 on a per member district, per occurrence or claim made, per line of business basis. The coverage is subject to an annual aggregate combined single limit of \$2,000,000 per member district in respect to general liability, as per the primary plans of coverage.

The Trust obtained equipment breakdown reinsurance coverage up to \$100,000,000 in 2020/2021 and 2019/2020.

The Trust obtained school board legal liability (E&O) reinsurance coverage for limits up to \$5,000,000 in 2020/2021 and 2019/2020.

The Trust obtained cyber liability coverage up to \$1,000,000 in 2020/2021 and 2019/2020.

Oklahoma Schools Risk Management Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

**NOTE 7 - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES**

Unpaid losses and loss adjustment expenses are based upon an evaluation of the Trust's losses as prepared by the Trust's independent actuary. This evaluation of the Trust's losses is a significant estimate which is subject to change and the change can be material in relation to the financial statements taken as a whole. This estimate includes an estimated provision for incurred but not reported losses (IBNR) as well as trending of reported losses. For the years ended June 30, 2021 and 2020, the undiscounted IBNR totaled approximately \$1,574,000 and \$955,000, respectively. For the year ended June 30, 2021, the liability for unpaid losses and loss adjustment expenses has not been discounted. For the year ended June 30, 2020, the liability for unpaid losses and loss adjustment expenses has been discounted to its net present value in the accompanying financial statements. In the prior year, the reserves were discounted utilizing loss payout patterns provided by management at discount rates ranging from 3.0% to 3.5%. The discounted reserves represents the present value of the net reserves. The unpaid losses and loss adjustment expenses were discounted by approximately \$65,000 at June 30, 2020, net of the effects of discounting the reinsurance recoverable on unpaid losses.

The independent actuary provided a range of losses as of June 30, 2021, of approximately \$1,284,000 to \$1,626,000 (undiscounted). The losses recorded were approximately \$1,790,000 (undiscounted) and were approximately \$338,000 more than the actuary's point estimate and at the actuary's 80% confidence level. The independent actuary provided a range of losses as of June 30, 2020, of approximately \$2,063,000 to \$2,626,000 (undiscounted) The losses recorded were approximately \$2,341,000 (undiscounted) and was at the actuary's point estimate.

At June 30, 2021 and 2020, unpaid losses and loss adjustment expenses are shown net of reinsurance recoverables on unpaid losses and loss adjustment expenses of approximately \$2,193,000 and \$1,441,000, respectively. The losses and loss adjustment expenses are net of the effect of changes in recoveries recognized under the reinsurance contracts referred to in Note 6.

Any increase or decrease in the estimate of ultimate incurred losses and loss adjustment expenses as compared to the prior year will result in a direct increase or decrease in the current year's operating income. Increases or decreases of this nature occur as the result of claim settlements during the current year, and as additional information is received regarding individual claims, causing changes from the original estimates of the cost of these claims. Recent loss development trends are also taken into account in evaluating the overall adequacy of unpaid losses and loss adjustment expenses. In addition, there are no premium adjustments made based on loss development, as there are no retrospectively rated policies.

**Oklahoma Schools Risk Management Trust**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

**NOTE 7 - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES - CONTINUED**

At June 30, 2021 and 2020, losses and loss adjustment expenses included approximately \$294,000 and \$313,000, respectively, of service fees. A portion of these fees are for loss control in addition to the claims administration fees. However, the contract does not have a breakdown of what portion are for loss control services.

Activity in the liability for unpaid losses and loss adjustment expenses is summarized as follows:

	<u>2021</u>	<u>2020</u>
Balance at June 30,	\$ 3,935,761	\$ 5,372,319
Less reinsurance recoverable on unpaid loss and loss adjustment expenses	<u>1,441,014</u>	<u>1,363,585</u>
Net balance at June 30,	<u>2,494,747</u>	<u>4,008,734</u>
Incurred related to:		
Current period	2,528,694	1,610,540
Prior periods	<u>341,704</u>	<u>81,848</u>
Total incurred	<u>2,870,398</u>	<u>1,692,388</u>
Paid related to:		
Current period	1,267,541	1,074,567
Prior periods	<u>1,752,770</u>	<u>2,131,808</u>
Total paid	<u>3,020,311</u>	<u>3,206,375</u>
Net balance at June 30,	2,344,834	2,494,747
Plus reinsurance recoverable on unpaid losses and loss adjustment expenses	<u>2,193,098</u>	<u>1,441,014</u>
Balance at June 30,	\$ <u>4,537,932</u>	\$ <u>3,935,761</u>

**NOTE 8 - ROYALTY AGREEMENT/RELATED PARTY TRANSACTIONS**

In prior years, the Trust had a royalty agreement with Oklahoma State School Boards Association (“OSSBA”). The agreement granted the Trust the exclusive right and license to use the OSSBA name and logo in connection with the marketing and administration of the insurance programs offered by the Trust. At June 30, 2021, this agreement has been terminated. At June 30, 2020, royalty expense totaled approximately \$55,000, of which approximately \$-0- remained payable at June 30, 2020.



**Oklahoma Schools Risk Management Trust**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

**NOTE 9 - CONCENTRATIONS**

**All members who participate in the Trust are public school districts and vocational technical school districts within the State of Oklahoma.**

**The Trust maintains cash in demand deposit accounts with federally insured banks. At times, the balances in these accounts may be in excess of federally insured limits.**

**NOTE 10 - UNCERTAINTIES**

**The Trust's investments are exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of the Trust.**

**The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. The related financial impact including the impact on claims and duration cannot be reasonably estimated at this time.**

**NOTE 11 - GOING CONCERN**

**Effective July 1, 2021, the Trust ceased writing contributions. The Trust will continue in the capacity of running-off all claims incurred on or before June 30, 2021. Accordingly, the Trust, upon liquidation of all its assets and satisfaction of its outstanding liabilities, will not continue as a going concern. The accompanying financial statements do not include any adjustments that might be necessary when the Trust is no longer a going concern.**

**NOTE 12 - SUBSEQUENT EVENTS**

**Management considered subsequent events through December 7, 2021, the date the financial statements were available to be issued.**

**SUPPLEMENTAL INFORMATION**



Shores, Tagman, Butler & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Trustees  
Oklahoma Schools Risk Management Trust

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Historical Claims Development is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Shores, Tagman, Butler & Company, P.A.*

December 7, 2021

Oklahoma State School Boards Association Sponsored  
Oklahoma Schools Risk Management Trust

Schedule of Historical Claims Development  
June 30, 2021

	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
(1) Contribution and investment revenue:										
Earned contributions and investment revenue	\$ 4,099,170	\$ 6,850,616	\$ 9,471,424	\$ 12,065,650	\$ 13,326,913	\$ 13,014,751	\$ 14,653,113	\$ 11,238,248	\$ 7,657,871	\$ 11,882,165
Ceded contributions	1,740,221	3,036,243	3,890,212	5,225,151	5,725,316	5,498,984	6,476,795	5,525,807	4,721,237	5,307,392
Net Contribution and investment revenue	2,358,949	3,814,373	5,581,212	6,840,499	7,601,597	7,515,765	8,176,318	5,712,441	2,936,634	6,574,773
(2) Estimated claims and expenses - End of accident year:										
Paid and reserve, including reinsurance	1,166,706	1,298,135	3,016,754	3,330,792	4,681,107	3,443,005	3,202,461	3,832,026	1,297,085	2,234,826
ULAE (admin)	165,882	306,064	377,029	431,007	575,741	815,786	887,707	577,291	313,455	293,868
Net incurred	1,332,588	1,604,199	3,393,783	3,761,799	5,256,848	4,258,791	4,090,168	4,409,317	1,610,540	2,528,694
(3) Net paid (cumulative):										
End of accident year	1,156,733	1,219,818	2,327,484	2,381,462	3,688,856	2,712,571	2,065,843	2,037,137	1,074,567	1,267,541
One year later	1,364,207	2,030,094	3,649,622	3,341,830	5,018,740	4,200,268	3,154,660	3,730,352	1,817,630	
Two years later	1,681,808	2,218,474	3,782,282	3,557,303	5,771,663	4,419,352	3,402,103	4,109,255		
Three years later	1,706,323	2,282,423	3,970,891	3,617,507	6,347,070	4,597,269	3,400,861			
Four years later	1,839,888	2,410,684	4,003,449	3,830,998	6,366,136	4,666,879				
Five years later	1,938,003	2,411,782	4,015,556	3,973,107	6,817,034					
Six years later	1,938,003	2,411,782	4,052,304	4,066,459						
Seven years later	1,938,003	2,411,782	4,332,188							
Eight years later	1,938,023	2,411,782								
Nine years later	1,938,003									
(4) Estimated ceded claims and expenses	710,136	6,892,336	1,224,134	1,211,120	8,665,932	4,182,331	521,789	1,623,562	3,430,043	940,502
(5) Estimated net incurred claims and expenses:										
End of accident year	1,332,588	1,604,199	3,393,783	3,761,799	5,256,848	4,258,791	4,090,168	4,409,317	1,610,540	2,528,694
One year later	1,715,911	2,312,479	4,225,732	4,000,944	5,715,096	4,691,136	3,840,645	4,299,333	1,913,453	
Two years later	1,805,876	2,339,726	3,978,493	3,798,589	6,260,110	4,841,551	3,719,230	4,381,852		
Three years later	1,843,688	2,379,628	4,116,752	3,936,023	6,542,334	4,839,405	3,619,834			
Four years later	1,925,031	2,416,798	4,067,076	4,012,721	6,803,666	4,632,910				
Five years later	1,938,023	2,416,540	4,058,659	4,119,865	6,792,759					
Six years later	1,938,003	2,411,782	4,080,184	4,082,281						
Seven years later	1,938,003	2,411,782	4,332,268							
Eight years later	1,938,003	2,395,638								
Nine years later	1,938,110									
(6) Increase in estimated net incurred claims and expenses from end of accident year	605,522	791,439	938,485	320,482	1,535,911	374,119	(470,334)	(27,465)	302,913	-