

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**OKLAHOMA SCHOOLS RISK
MANAGEMENT TRUST**

JUNE 30, 2015 and 2014

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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 (the "Trust") which comprise the Statements of Financial Position as of June 30, 2015 and 2014, and the related Statements of Operations and Changes in Fund Balance 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.

INDEPENDENT AUDITORS' REPORT - CONTINUED

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Oklahoma Schools Risk Management Trust as of June 30, 2015 and 2014, and the results of its operations, its changes in fund balance and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplemental Information

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Emphasis of Matter

As discussed in the Notes to Financial Statements, Oklahoma Schools Risk Management Trust adopted GASB Statement 65, Items Previously Reported as Assets and Liabilities. Accordingly, an adjustment has been made to Fund Balance as of June 30, 2013 to reflect this accounting change.

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 estimate.

Shover, Tsisman, Butler & Company, P.A.

November 17, 2015

Oklahoma Schools Risk Management Trust

MANAGEMENT'S DISCUSSION AND ANALYSIS

This annual report consists of the Statement of Financial Position, the Statement of Operations and Changes in Fund Balance, and the Statement of Cash Flows. Along with the notes, they provide detailed financial information concerning Oklahoma Schools Risk Management Trust ("OSRMT" or the "Trust"). This section, the Management's Discussion and Analysis, is intended to provide an overview of the Oklahoma Schools Risk Management Trust's financial condition, results of operations, and other key information.

Using this Annual Report

OSRMT is a public entity self-insurance pool that provides property and casualty coverage to its participating members. Membership is open to all school districts and career techs in the state of Oklahoma. This annual report consists of a series of financial statements. The Statement of Financial Position and the Statement of Operations and Changes in Fund Balance provide information about the financial activities of OSRMT. These are followed by the Statement of Cash Flows, which presents detailed information about the changes in OSRMT's cash position during the year.

Financial Overview

This annual statement consists of three parts - Management's Discussion and Analysis (this section), the basic financial statements, and required supplemental information. The basic financial statements, which follow this section, provide both long-term and short-term information about OSRMT's financial status. OSRMT uses the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. These statements reflect only the risk carried by OSRMT, which also includes any potential unrecoverable reinsurance claims. The three basic financial statements are presented as follows:

- **Statement of Financial Position** - This statement presents information reflecting OSRMT's assets, liabilities, and financial position.
- **Statement of Operations and Changes in Fund Balance** - This statement reflects the operating and nonoperating revenue for the previous two fiscal years. Operating revenue consists primarily of member contributions with the major sources of operating expenses being claims and claims adjustment expense, general and administrative expenses, and reinsurance costs. Nonoperating revenue consists primarily of investment income and changes in the fair value of investments.
- **Statement of Cash Flows** - This statement is presented on the direct method of reporting and reflects cash flows from operating and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the fiscal year.

Oklahoma Schools Risk Management Trust

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Financial Overview - Continued

In OSRMT's financial position, it is important to recognize the mission of OSRMT. From a financial perspective, OSRMT's general objectives are to formulate, develop, and administer, on behalf of the members, a program of coverages that are broad in scope at a competitive cost. OSRMT is a member of the School Leaders Risk Management Association. This affiliation gives each OSRMT member access to a broad range of expertly written white papers as well as checklists provided to assist school district members in accomplishing internal audits of many federally mandated programs as well as ensuring that the district is maintaining proper standards and records. As of June 30, 2015 and 2014, 192 and 187 educational institutions, respectively, within the State of Oklahoma participate in OSRMT.

The OSRMT Board of Trustees is a selection of board members from the ranks of elected school board members, school superintendents, and school business managers. OSRMT feels members are best represented by a collaboration of key administrators and elected board members. The Executive Director of the OSSBA has a permanent seat on the Board of Trustees.

Condensed Financial Information

The Statement of Financial Position report's OSRMT's financial position and how it has changed. Financial position is the difference between OSRMT's assets and liabilities and is one way to measure OSRMT's financial health or position. Over time, increases and decreases in OSRMT's financial position is an indicator of whether its financial health is improving or deteriorating, respectively. Summarized financial information is as follows:

	<u>2015</u>	<u>2014</u>
Cash and investments	\$ 1,426,692	\$ 1,390,797
Reserve contribution receivable	571,438	907,864
Prepaid insurance and other assets	<u>3,197,250</u>	<u>2,927,676</u>
Total current assets	\$ 5,195,380	\$ 5,226,337
Unpaid losses and loss adjustment expenses	\$ 4,835,851	\$ 3,998,223
Reinsurance recoverables	(2,015,998)	(2,525,966)
Advance contributions	360,521	640,850
Other liabilities	<u>1,898,437</u>	<u>2,347,676</u>
Total liabilities	\$ 5,078,811	\$ 4,460,783
Financial position	\$ <u>116,569</u>	\$ <u>765,554</u>

Oklahoma Schools Risk Management Trust

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

The following table shows the major components of income from operations for the current year, compared to the prior year:

	<u>2015</u>	<u>2014</u>
Operating Revenue		
Member contributions	\$ 12,047,229	\$ 9,450,240
Less Reinsurance ceded	(5,225,151)	(3,890,212)
Other operating expenses	<u>18,421</u>	<u>21,193</u>
Net operating revenue	\$ 6,840,499	\$ 5,581,221
Operating Expenses		
Provision for claims	\$ 4,987,249	\$ 3,877,588
Administrative expenses	<u>2,728,430</u>	<u>2,615,949</u>
Total operating expenses	\$ 7,715,679	\$ 6,493,537
Operating income (loss)	\$ (875,180)	\$ (912,316)
Nonoperating revenue	226,195	799,074
Total Increase (Decrease) in Financial Position	\$ (<u>648,985</u>)	\$ (<u>113,242</u>)

Total provision for claims, as noted above, is dependent on many factors and will change from year to year based on these factors.

In addition to net position, when assessing the overall health of OSRMT, the reader needs to consider nonfinancial factors, such as the legal climate in the state, the general state of the financial markets, and the level of loss prevention encouraged by OSRMT and undertaken by its members.

Condensed Financial Highlights

- Overall, the OSRMT's financial position decreased by \$648,985 from \$765,554 in 2014 to \$116,569 in 2015.
- Member contributions increased by \$2,596,989 from \$9,450,240 in 2014 to \$12,047,229 in 2015.

Oklahoma Schools Risk Management Trust

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Condensed Financial Highlights - Continued

- **Administrative expenses increased by \$186,449, from \$2,541,981 to \$2,728,430 in 2015. The increase is primarily due to an increase in member growth and increased contributions.**
- **Incurred claims and claims adjustment expenses, net of reinsurance recoveries were \$4,987,249 and \$3,877,588 for the years ended June 30, 2015 and 2014, respectively. The change is related to the growth, the number of open and closed claims and loss experience. Incurred claims and claims adjustment expenses vary from year to year as they are driven by many factors outside OSRMT's control.**

Economic Factors and Next Year's Projections

Operating expenses are expected to remain consistent with averages reported in 2015. The provision for claim payments is expected to be consistent with historical trends and we are unaware of any economic events or legislative events that would have a significant impact on the operations of OSRMT.

This financial report is intended to provide our members and regulators with a general overview of the accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact The Sandner Group Insurance Program Managers.

**FINANCIAL STATEMENTS &
NOTES TO FINANCIAL STATEMENTS**

Oklahoma Schools Risk Management Trust

STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 336,500	\$ 386,550
Investment securities available-for-sale	<u>1,090,192</u>	<u>1,004,247</u>
Total cash and investments	<u>1,426,692</u>	<u>1,390,797</u>
Contributions receivable	2,217,053	2,005,990
Reserve contributions receivable	571,438	907,864
Accrued interest receivable	9,701	9,134
Deferred expenses	47,035	46,333
Prepaid expenses and other current assets	<u>923,461</u>	<u>866,219</u>
	 \$ 5,195,380	 \$ 5,226,337

LIABILITIES AND FUND BALANCE

Unpaid losses and loss adjustment expenses		
Gross	\$ 4,835,851	\$ 3,998,223
Reinsurance recoverable on unpaid losses	<u>(2,015,998)</u>	<u>(2,525,966)</u>
Net	<u>2,819,853</u>	<u>1,472,257</u>
Advance contributions	360,521	640,850
Unearned contributions	1,473,185	1,578,393
Reinsurance premiums payable	--	401,979
Accounts payable and accrued expenses	<u>425,252</u>	<u>367,304</u>
	<u>5,078,811</u>	<u>4,460,783</u>
Fund balance	<u>116,569</u>	<u>765,554</u>
	 \$ 5,195,380	 \$ 5,226,337

The accompanying notes are an integral part of these statements.

Oklahoma Schools Risk Management Trust

STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE

	Years Ended June 30,	
	2015	2014
	<u> </u>	<u> </u>
REVENUES		
Member contributions, net of reinsurance premiums of \$5,225,151 and \$3,890,212, respectively	\$ 6,822,078	\$ 5,560,028
Net investment income	<u>18,421</u>	<u>21,193</u>
	<u>6,840,499</u>	<u>5,581,221</u>
 EXPENSES		
Losses and loss adjustment expenses	4,987,249	3,877,588
Program administration fees	729,355	773,923
Member acquisition costs	1,746,186	1,559,163
Other expenses	<u>252,889</u>	<u>208,895</u>
	<u>7,715,679</u>	<u>6,419,569</u>
 NET LOSS BEFORE MEMBER RESERVE CONTRIBUTION	 (875,180)	 (838,348)
 MEMBER RESERVE CONTRIBUTION	 <u>226,195</u>	 <u>799,074</u>
 NET LOSS AFTER MEMBER RESERVE CONTRIBUTION	 (648,985)	 (39,274)
 Fund balance - beginning of year	 <u>765,554</u>	 <u>804,828</u>
 FUND BALANCE - END OF YEAR	 \$ <u>116,569</u>	 \$ <u>765,554</u>

The accompanying notes are an integral part of these statements.

Oklahoma Schools Risk Management Trust

STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (648,985)	\$ (39,274)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Amortization of discounts on debt securities	21,900	18,689
Net unrealized losses (gains) on investment securities available-for-sale	2,895	(9,442)
Net realized losses (gains) on investment securities available-for-sale	158	(1,686)
Changes in operating assets and liabilities		
(Increase) decrease in assets:		
Contributions receivable	(211,063)	(1,917,203)
Reserve contributions receivable	336,426	(211,754)
Accrued interest receivable	(567)	(1,855)
Deferred expenses	(702)	(46,334)
Prepaid expenses and other assets	(57,242)	(116,710)
Increase (decrease) in liabilities:		
Unpaid losses and loss adjustment expenses	1,347,596	742,395
Advance contributions	(280,329)	249,885
Unearned contributions	(105,208)	1,205,121
Reinsurance premiums payable	(401,979)	401,979
Accounts payable and accrued expenses	<u>57,948</u>	<u>288,590</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>60,848</u>	<u>562,401</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investment securities available-for-sale	(1,160,011)	(1,140,525)
Proceeds from investment securities available-for-sale	<u>1,049,113</u>	<u>683,378</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(110,898)</u>	<u>(457,147)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(50,050)	105,254
Cash and cash equivalents at beginning of year	<u>386,550</u>	<u>281,296</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>336,500</u>	\$ <u>386,550</u>

The accompanying notes are an integral part of these statements.

Oklahoma Schools Risk Management Trust

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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 192 Oklahoma public school districts as of June 30, 2015 and 187 districts as of June 30, 2014.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investment Earnings

Investment earnings, including changes in fair value of investments, are recognized as nonoperating revenue in the Statements of Operations and Changes in Fund Balance.

Contributions Receivable

Contributions receivable are stated at net invoice 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.

Reserve Contribution Receivable

The Trust records a reserve contribution receivable and a member reserve contribution when a member joins the Trust. The total required reserve contribution is computed at 24 percent of the member's first year contribution and is billed to the member over a 24-month period. The total reserve contribution is recognized as income in the first year of membership. Amounts are stated at net amounts expected to be collected as estimated by management. At June 30, 2015 and 2014, management has recorded an allowance for doubtful accounts of \$18,521 and \$52,200, respectively.

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.

Prepaid Expenses and Other Assets

Reinsurance premiums are recognized as expenses over the related coverage period. Certain payments reflect costs applicable to future activities. Those payments are recorded as prepaid expenses when paid and expensed when appropriate.

Oklahoma Schools Risk Management Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 not been discounted for the time value of money.

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.

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 active markets; 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.

Oklahoma Schools Risk Management Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Risks and Uncertainties

The Trust invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statements of Financial Position.

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 Financial Position and Statements of Operations and of Changes in Fund Balance, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

NOTE 3 - FAIR VALUE MEASUREMENTS

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ <u>263,593</u>	\$ <u> --</u>	\$ <u> --</u>	\$ <u>263,593</u>
Debt securities	\$ <u> --</u>	\$ <u>826,599</u>	\$ <u> --</u>	\$ <u>826,599</u>
	June 30, 2014			
	Level 1	Level 2	Level 3	Total
Debt securities	\$ <u> --</u>	\$ <u>1,004,247</u>	\$ <u> --</u>	\$ <u>1,004,247</u>

The Trust did not have any Level 3 assets at any point during the years ended June 30, 2015 and 2014. There were no transfers between Level 1 and Level 2 during the year ended June 30, 2015.

Oklahoma Schools Risk Management Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE 4 - INVESTMENT SECURITIES AVAILABLE-FOR-SALE

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

	<u>June 30, 2015</u>			
	<u>Amortized Cost</u>	<u>Estimated Market Value</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>
Corporate bonds	\$ 370,616	\$ 373,427	\$ 3,024	\$(213)
Municipal bonds	<u>459,003</u>	<u>453,172</u>	<u>498</u>	<u>(6,329)</u>
	829,619	826,599	3,522	(6,542)
Equity securities	<u>262,069</u>	<u>263,593</u>	<u>7,355</u>	<u>(5,831)</u>
	<u>\$ 1,091,688</u>	<u>\$ 1,090,192</u>	<u>\$ 10,877</u>	<u>\$(12,373)</u>

	<u>June 30, 2014</u>			
	<u>Amortized Cost</u>	<u>Estimated Market Value</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>
U.S. Government agency obligation	\$ 250,050	\$ 249,872	\$ --	\$(178)
Municipal bonds	<u>755,534</u>	<u>754,375</u>	<u>1,713</u>	<u>(2,872)</u>
	<u>\$ 1,005,584</u>	<u>\$ 1,004,247</u>	<u>\$ 1,713</u>	<u>\$(3,050)</u>

The amortized cost and estimated market value of investment securities available-for-sale as of June 30, 2015 and 2014, respectively, by contractual maturity, are shown below. In some instances, actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Oklahoma Schools Risk Management Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE 4 - INVESTMENT SECURITIES AVAILABLE-FOR-SALE - CONTINUED

	<u>June 30, 2015</u>			
	<u>Amortized</u>	<u>Estimated</u>	<u>Gross</u>	<u>Gross</u>
	<u>Cost</u>	<u>Market</u>	<u>Unrealized</u>	<u>Unrealized</u>
		<u>Value</u>	<u>Gains</u>	<u>Losses</u>
Due after one year through five years	\$ 757,848	\$ 753,329	\$ 2,023	\$(6,542)
Due after five years through ten years	<u>71,771</u>	<u>73,270</u>	<u>1,499</u>	<u>(--)</u>
	<u>\$ 829,619</u>	<u>\$ 826,599</u>	<u>\$ 3,522</u>	<u>\$(6,542)</u>

	<u>June 30, 2014</u>			
	<u>Amortized</u>	<u>Estimated</u>	<u>Gross</u>	<u>Gross</u>
	<u>Cost</u>	<u>Market</u>	<u>Unrealized</u>	<u>Unrealized</u>
		<u>Value</u>	<u>Gains</u>	<u>Losses</u>
Due in one year or less	\$ 57,255	\$ 57,319	\$ 64	\$(--)
Due after one year through five years	833,250	831,839	1,489	(2,900)
Due after five years through ten years	<u>115,079</u>	<u>115,089</u>	<u>160</u>	<u>(150)</u>
	<u>\$ 1,005,584</u>	<u>\$ 1,004,247</u>	<u>\$ 1,713</u>	<u>\$(3,050)</u>

Proceeds from sales of investment securities available-for-sale for the year ended June 30, 2015 and 2014 were approximately \$1,050,000 and \$683,000, respectively. Gross gains of approximately \$5,300 and \$1,700 and gross losses of approximately \$8,300 and \$30, respectively, were realized on these sales.

NOTE 5 - 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.

Oklahoma Schools Risk Management Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE 5 - REINSURANCE - CONTINUED

Accordingly, the Trust evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurers' insolvency. As of June 30, 2015 and 2014, reinsurance recoverable on unpaid losses and loss adjustment expenses of approximately \$2,016,000 and \$2,526,000, respectively, were associated with a single reinsurance carrier and deducted from reserves.

The Trust has obtained the following reinsurance for the 2015-2014 and 2013-2014 program years:

The Trust obtained property-specific reinsurance with limits of up to \$500,000,000 any one loss occurrence, \$250,000,000 for flood coverage, and \$250,000,000 for earth movement.

The Trust obtained property aggregate excess of loss reinsurance with limits up to \$2,000,000 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.

The Trust obtained school board legal liability (E&O) reinsurance coverage for limits up to \$2,000,000.

NOTE 6 - 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. Unpaid losses and loss adjustment expenses have not been discounted for the time value of money.

At June 30, 2015 and 2014, unpaid losses and loss adjustment expenses are shown net of reinsurance recoverables on unpaid losses and loss adjustment expenses of approximately \$2,016,000 and \$2,526,000, respectively. The losses and loss adjustment expenses are net of

Oklahoma Schools Risk Management Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE 6 - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES - CONTINUED

the effect of changes in recoveries recognized under the reinsurance contracts referred to in Note 5.

At June 30, 2015 and 2014, losses and loss adjustment expenses included approximately \$431,000 and \$377,000, 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>2015</u>	<u>2014</u>
Balance at June 30,	\$ 3,998,223	\$ 1,765,335
Less reinsurance recoverable on unpaid loss and loss adjustment expenses	<u>2,525,966</u>	<u>1,035,473</u>
Net balance at June 30,	<u>1,472,257</u>	<u>729,862</u>
Incurred related to:		
Current period	3,814,723	3,393,783
Prior period	<u>1,172,526</u>	<u>483,805</u>
Total incurred	<u>4,987,249</u>	<u>3,877,588</u>
Paid related to:		
Current period	2,381,462	2,327,484
Prior period	<u>1,258,191</u>	<u>807,709</u>
Total paid	<u>3,639,653</u>	<u>3,135,193</u>
Net balance at June 30,	2,819,853	1,472,257
Plus reinsurance recoverable on unpaid losses and loss adjustment expenses	<u>2,015,998</u>	<u>2,525,966</u>
Balance at June 30,	\$ <u>4,835,851</u>	\$ <u>3,998,223</u>

Oklahoma Schools Risk Management Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE 7 - ROYALTY AGREEMENT/RELATED PARTY TRANSACTIONS

The Trust has a royalty agreement with Oklahoma State School Boards Association (OSSBA). The agreement grants 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, 2015 and 2014, royalty expense totaled approximately \$225,000 and \$165,000, respectively, of which approximately \$39,000 and \$40,000, remained payable at June 30, 2015 and 2014, respectively,

NOTE 8 - CONCENTRATIONS

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

The Trust believes that due to the dollar amount of cash deposits and the limits of FDIC insurance, it may be impractical to insure all deposits throughout the year. As a result, the Trust evaluates each financial institution; only those institutions with an acceptable estimated risk level are used as depositories.

NOTE 9 - MEMBER INDEMNIFICATION

The Trust has entered into an agreement with each participating member to provide property and casualty coverages for the participating members. The Trust is responsible for the payment of all covered claims that fall within the joint loss fund.

NOTE 10 - ACCOUNTING AND REPORTING CHANGE

At June 30, 2013 and prior years, member acquisition costs were deferred and amortized over the terms of the underlying policies. During 2014, the Trust adopted GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, which requires acquisition costs to be expensed as incurred. This standard requires that the financial statements be retroactively restated to reflect the change in accounting policy.

Fund Balance at July 1, 2013 as previously reported	\$ 878,796
Effect of adoption of GASB Statement No. 65	(<u>73,968</u>)
Fund Balance at July 1, 2013, as restated	\$ <u><u>804,828</u></u>

Oklahoma Schools Risk Management Trust

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015 and 2014

NOTE 11 - SUBSEQUENT EVENTS

Management considered subsequent events through November 17, 2015, 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.

November 17, 2015

**Oklahoma State School Boards Association Sponsored
Oklahoma Schools Risk Management Trust**

**Schedule of Historical Claim Development
June 30, 2015**

	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
(1) Contribution and investment revenue:						
Earned contributions and investment revenue	\$ 610,708	\$ 1,288,637	\$ 4,099,170	\$ 6,850,616	\$ 9,471,424	\$ 12,065,650
Ceded contributions	397,646	733,377	1,740,221	3,036,243	3,890,212	5,225,151
Net Contribution and investment revenue	213,062	555,260	2,358,949	3,814,373	5,581,212	6,840,499
(2) Estimated claims and expenses - End of accident year:						
Paid and reserve, including reinsurance	135,375	572,179	1,166,706	1,298,135	3,016,754	3,383,716
ULAE (admin)	20,169	53,599	165,882	306,064	377,029	431,007
Net incurred	155,544	625,778	1,332,588	1,604,199	3,393,783	3,814,723
(3) Net paid (cumulative):						
End of accident year	82,853	439,534	1,156,733	1,219,818	2,327,484	2,381,462
One year later	243,897	654,024	1,364,207	2,030,094	3,649,622	-
Two years later	243,897	654,024	1,681,808	2,218,474	-	-
Three years later	243,897	654,024	1,706,323	-	-	-
Four years later	243,897					
Five years later						
Six years later						
Seven years later						
Eight years later						
Nine years later						
(4) Estimated ceded claims and expenses	-	254,984	710,029	6,876,231	1,207,560	1,693,585
(5) Estimated net incurred claims and expenses:						
End of accident year	155,544	625,778	1,332,588	1,604,199	3,393,783	3,814,723
One year later	243,897	654,024	1,715,911	2,312,479	4,471,548	-
Two years later	243,897	654,024	1,805,876	2,355,509	-	-
Three years later	243,897	654,024	1,851,892	-	-	-
Three years later	243,897	654,024				
Four years later	243,897					
Five years later						
Six years later						
Seven years later						
Eight years later						
Nine years later						
(6) Increase in estimated net incurred claims and expenses from end of accident year	88,353	28,246	519,304	751,311	1,077,765	-

ACTUARIAL STATEMENT OF OPINION
OKLAHOMA SCHOOLS RISK MANAGEMENT TRUST
As of June 30, 2015

IDENTIFICATION

I, Ron S. Fowler, am a Partner for Oliver Wyman Actuarial Consulting, Inc. I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to perform the actuarial opinion contained herein. I am also a Fellow of the Casualty Actuarial Society.

SCOPE

I have examined the actuarial assumptions and methods used in determining reserves and premium contributions listed below, as prepared for filing with the state regulatory officials, as of June 30, 2015. The estimated reserve for the unpaid losses and allocated loss adjustment expenses is \$2,619,759. The estimated net earned premium for all years is \$20,651,620.

Oklahoma Schools Risk Management Trust (OSRMT) is a self-insurance trust established in 2009 providing various property and casualty coverage needs of Oklahoma School Districts. Effective November 1, 2015 the State of Oklahoma requires an actuarial opinion to certify the amount and adequacy of reserves for loss and loss adjustment expenses, including amounts for Incurred But Not Reported (IBNR) claims, and the adequacy of premiums. This opinion provides an estimate of OSRMT's liability related to these exposures.

In forming my opinion of the loss, allocated loss adjustment expense reserves and premiums, I relied upon data prepared by OSRMT and The Sandner Group, which is the OSRMT's administrators. I evaluated that data for reasonableness and consistency.

OPINION

In my opinion, giving consideration to the issues herein, the amounts identified above:

- A. meet the requirements of the self-insurance laws of Oklahoma;
- B. are consistent with reserves computed in accordance with accepted loss reserving standards and principles;

- C. make reasonable provision, in the aggregate, for all unpaid loss and allocated loss adjustment expense and premium obligations of the Company under the terms of its policies and agreements.

RELEVANT COMMENTS

A. Risk of Material Adverse Deviation

The greatest risks to the OSRMT's loss reserve adequacy are associated with adverse development on large claims. However, the excess reinsurance mitigates this risk. A general risk is the lack of diversification, since all policies are related to exposure in the state of Oklahoma. Given that OSRMT's financial position is \$116,569, any adverse deviation from the reserve listed above would be material.

B. Other Disclosures

There are no additional disclosures.

C. Reinsurance

Not applicable.

D. IRIS Ratios

Not applicable.

E. Methods and Assumptions

There are no changes to methods or assumptions.

F. Additional Comments

Unpaid loss and loss adjustment expense reserves are subject to inherent uncertainty due to the variability of fortuitous outcomes of contingent events which may affect loss and loss adjustment expense costs. In evaluating whether the reserves make a reasonable provision for unpaid losses and loss adjustment expenses, it is necessary to project future loss and loss adjustment expense emergence and payments. It is virtually certain that actual future losses and loss adjustment expenses will not develop exactly as projected and may, in fact, vary significantly from the projections. No warranty is expressed or implied that this will not occur.

I have neither examined the assets of the Trust nor formed any opinion as to the value or validity of the assets. My review was limited to the items noted in the scope paragraph, and did not include an analysis of any income statement or other balance sheet items. My opinion that the reserves make a reasonable provision in the aggregate for the unpaid loss and loss adjustment expense obligations of the Trust presumes that these reserves are backed by valid assets and that these assets reflect suitably scheduled maturities and/or sufficient liquidity to meet cash flow requirements.

This statement of opinion is intended solely for the use of, and only to be relied upon, the Trust and the State of Oklahoma.

An actuarial report and underlying work papers supporting the findings expressed in this Statement of Actuarial Opinion are being provided to the Company to be retained for a period of seven years at its administrative offices and available for regulatory examination.



R S Fowler MAAA, FCAS

Ron S. Fowler
Fellow, Casualty Actuarial Society
Member of the American Academy of Actuaries
Oliver Wyman Actuarial Consulting, Inc.

December 15, 2015