

**Tennessee School Boards  
Unemployment Compensation Trust  
dba UTRUST**

Financial Statements  
For the Year Ended June 30, 2022

**Tennessee School Boards  
Unemployment Compensation Trust  
dba UTRUST**  
Financial Statements  
For the Year Ended June 30, 2022

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## Introductory Section

**Tennessee School Boards  
Unemployment Compensation Trust  
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Roster of Officials (Unaudited)  
June 30, 2022

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**Board of Trustees**

<b>Name</b>	<b>Title</b>
David Jones	Chairman
Joey Cooper	Vice Chairman
Roger Greene	Trustee
Dawn Fry	Trustee
Jasper Taylor	Trustee
Regina Waller	Trustee
Norma Tate	Trustee
Dr. Dan Tollet	Trust Administrator
Kristi Coleman	Director of Finance and Administration

Financial Section



## Independent Auditor's Report

Board of Trustees  
Tennessee School Boards Unemployment Compensation Trust  
dba UTRUST

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Tennessee School Boards Unemployment Compensation Trust dba UTRUST (the Trust), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Trust'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 Tennessee School Boards Unemployment Compensation Trust dba UTRUST, as of June 30, 2022, and the respective changes in financial position, and its 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for 12 months beyond the financial statements 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 opinions. 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5-8 and the Ten-Year Claims Development Information on page 19 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.

**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the Roster of Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists; we are required to describe it in our report.

**Other Reporting Required by Government Auditing**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2022 on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Trust's internal control over financial reporting and compliance.

*Blankenship CPA Group, PLLC*

Blankenship CPA Group, PLLC  
Goodlettsville, Tennessee  
August 29, 2022



**Tennessee School Boards  
Unemployment Compensation Trust  
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Management's Discussion and Analysis  
For the Year Ended June 30, 2022

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Within this section of the Tennessee School Boards Unemployment Compensation Trust dba UTRUST (the Trust) annual financial report, the Trust's management provides narrative discussion and analysis of the financial activities of the Trust for the fiscal year ended June 30, 2022. The Trust's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

**Financial and Activity Highlights**

The Trust's net position decreased by \$4,422,332 for the fiscal year ended June 30, 2022. Net position was \$21,907,680 and \$26,330,012 as of June 30, 2022 and 2021, respectively.

Total operating revenues of the Trust increased by \$90,486 to \$472,360 during the current fiscal year. Investment income decreased by \$2,592,663 to income of \$1,888,142 during the current fiscal year.

There was a \$5,483,315 net unrealized decrease in the fair value of investments during the current fiscal year.

Total operating expenses of the Trust decreased by \$493,804 to \$1,204,340 during the current fiscal year.

During fiscal year-end 2022, unemployment insurance benefits had the most significant change from the prior year with a \$518,760 decrease (85.2%) due to COVID-19.

**Overview of the Financial Statements and Financial Analysis**

Management's Discussion and Analysis introduces the Trust's basic financial statements. The Trust provides a program of unemployment compensation coverage and is required to account for its activities in an enterprise fund. The basic financial statements required of an enterprise fund include fund financial statements and notes to the financial statements.

**Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Trust, an enterprise fund, uses fund accounting to ensure and demonstrate control over resources segregated for unemployment compensation activities. Enterprise funds are reported in fund financial statements and generally report services for which customers (participating members) are charged a fee. These statements provide both short-term and long-term information about the Trust's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities. These services are provided to participating members (educational governmental entities) external to the Trust.

These statements offer short- and long-term information about its activities.

The statement of net position includes all of the Trust's resources and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Trust's creditors (liabilities). It also provides the basis of computing rate of return, evaluating the capital structure of the Trust and assessing the liquidity and financial flexibility of the Trust.

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Management's Discussion and Analysis  
For the Year Ended June 30, 2022

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position. This statement measures the success of the Trust's operations over the past year and can be used to determine whether the Trust has successfully recovered all its costs through its fees and other charges.

The other required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Trust's cash inflows and cash outflows during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, capital related financing and investing activities, and provides answers to such questions as "where did the cash come from, what was the cash used for, and what was the change in cash balance during the reporting period."

**Notes to the Financial Statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the fund financial statements.

**Financial Analysis of the Trust as a Whole**

The Trust reports its financial activities using the standards outlined by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Trust as a whole. Net position, the difference between assets and liabilities, is one way to measure the Trust's financial health or position.

While the summary of net position (Table I) shows the change in financial position, the summary of revenues, expenses, and changes in net position (Table II) provides the answers as to the nature and source of these changes.

The following table provides a summary of the Trust's net position at June 30:

**Table I  
Summary of Net Position**

	<b>2022</b>	<b>2021</b>
Current assets	\$ 21,886,961	\$ 26,483,400
Noncurrent assets	<u>204,876</u>	<u>212,838</u>
Total assets	<b>\$ 22,091,837</b>	<b>\$ 26,696,238</b>
Current liabilities	\$ 184,157	\$ 366,226
Net position: investment in capital assets	204,876	212,838
Net position: unrestricted	<u>21,702,804</u>	<u>26,117,174</u>
Total liabilities and net position	<b>\$ 22,091,837</b>	<b>\$ 26,696,238</b>

The majority of the Trust's current assets are cash and investments. Noncurrent assets include fixed assets, net of depreciation. The decrease in investments in 2022 is mainly due to losses in the market.

**Tennessee School Boards  
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Management's Discussion and Analysis  
For the Year Ended June 30, 2022

The majority of the Trust's current liabilities are an estimate of claims payable. The claims payable estimate is calculated using the rolling average of claims payable over the previous three years. The decrease in claims payable in 2022 is due to less uncertainty surrounding COVID-19 and unemployment trends in the current year.

Market volatility is a concern of the Trust and the safeguarding and maintenance of the Trust's most liquid assets is a priority. Investment income is also a component of the resources funding the Trust's continuing operations and service levels. Investment performance and market status are carefully monitored. Due to performance in the equity market, investment income has decreased. Market fluctuations may occur from time to time, however, the Trust has the intent and ability to hold the investments until any fluctuations correct.

Increases or decreases in the fair value of investments are included as a component of the Trust's net non-operating revenues and changes in net position.

The following table provides a summary of the Trust's change in net assets for the years ended June 30:

**Table II  
Summary of Revenues, Expenses, and Changes in Net Position**

	<b>2022</b>	<b>2021</b>
Operating revenues -		
Member premiums	\$ 472,360	\$ 381,874
Operating expenses	<u>1,204,340</u>	<u>1,647,451</u>
Operating loss	(731,980)	(1,265,577)
Net nonoperating revenues (expenses)	<u>(3,690,352)</u>	<u>6,027,181</u>
Change in net position	(4,422,332)	4,761,604
Beginning net position	<u>26,330,012</u>	<u>21,568,408</u>
Ending net position	<b>\$ 21,907,680</b>	<b>\$ 26,330,012</b>

**Capital Assets**

At fiscal year-end 2022, the Trust had \$365,888 invested in buildings and equipment. The following table shows the capital asset costs for the years ending June 30:

	<b>2022</b>	<b>2021</b>
Building	\$ 322,800	\$ 322,800
Furniture and equipment	<u>43,088</u>	<u>38,625</u>
Total	<b>\$ 365,888</b>	<b>\$ 361,425</b>

**Economic Factors and Premium Rates**

The Trust's management considered many factors when developing the annual operating budget for the fiscal year ending June 30, 2023. The budget for the fiscal year ending June 30, 2023 was developed based on the following key assumptions:

**Tennessee School Boards  
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Management's Discussion and Analysis  
For the Year Ended June 30, 2022

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Premium contributions are based on average claims of members over the past 4 and ½ years according to the Trust's policy. This is an automatic amount that will be billed to members.

Investment income is projected to be approximately 4% of the current market value of investments.

Unemployment insurance charges are projected to decrease by \$100,000, based on the average claims for the past four and a half years.

Investment fees are projected to be approximately 0.38% of the market value of total investments.

**Requests for Information**

This financial report is designed to provide a general overview of the Tennessee School Boards Unemployment Compensation Trust dba UTRUST. If you have questions about this report or would like to request additional information, contact the Tennessee School Boards Unemployment Compensation Trust dba UTRUST Finance Department at 1525 Hunt Club Blvd., Suite 300, Gallatin, Tennessee 37066.

**Tennessee School Boards  
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Statement of Net Position  
June 30, 2022

**Assets**

Current assets	
Cash and cash equivalents	\$ 2,509,780
Investments	19,375,113
Other assets	<u>2,068</u>
Total current assets	21,886,961
Capital assets	
Building	322,800
Furniture and equipment	43,088
Less: accumulated depreciation	<u>(161,012)</u>
Capital assets, net	204,876
Total assets	<b>\$ 22,091,837</b>

**Liabilities and Net Position**

Current liabilities	
Accounts payable and accrued expenses	\$ 12,228
Claims payable	<u>171,929</u>
Total current liabilities	184,157
Net position	
Investment in capital assets	204,876
Unrestricted	<u>21,702,804</u>
Total net position	21,907,680
Total liabilities and net position	<b>\$ 22,091,837</b>

**Tennessee School Boards  
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Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2022

<b>Revenue</b>	
Member premiums	\$ 472,360
<b>Operating Expenses</b>	
Payroll, taxes, and benefits	250,858
Unemployment insurance benefits, net	(108,834)
Depreciation	12,425
Mini-grants	967,470
Office expense	41,161
Professional fees	29,788
Travel and meeting expenses	<u>11,472</u>
Total operating expenses	1,204,340
Operating income (loss)	(731,980)
<b>Nonoperating Revenues (Expenses)</b>	
Investment income	1,888,142
Net unrealized decrease in the fair value of investments	(5,483,315)
Consulting/investment expenses	<u>(95,179)</u>
Total nonoperating revenues (expenses)	(3,690,352)
Change in net position	(4,422,332)
Net position, beginning of year	<u>26,330,012</u>
Net position, end of year	<b>\$ 21,907,680</b>

**Tennessee School Boards  
Unemployment Compensation Trust  
dba UTRUST**  
Statement of Cash Flows  
For the Year Ended June 30, 2022

Cash and cash equivalents, beginning of year	\$	378,587
<b>Cash flows from operating activities</b>		
Receipts from operating revenues		472,360
Payments for unemployment insurance benefits		(64,165)
Payments for other expenses		<u>(1,311,319)</u>
Net cash provided (used) by operating activities		(903,124)
<b>Cash flows from capital and related financing activities</b>		
Purchases of capital assets		(4,463)
<b>Cash flows from investing activities</b>		
Receipts from investment income		376,630
Payments for consulting/investment fees		(95,179)
Purchases of investments		(11,082,641)
Proceeds from sales of investments		<u>13,839,970</u>
Net cash provided (used) by investing activities		3,038,780
Net change in cash and cash equivalents		<u>2,131,193</u>
Cash and cash equivalents, end of year	\$	<b>2,509,780</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>		
Operating income (loss)	\$	(731,980)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation		12,425
Change in:		
Other assets		(1,500)
Accounts payable and accrued expenses		(163,377)
Claims payable		(19,376)
Prepaid member fees		<u>684</u>
Net cash provided (used) by operating activities	\$	<b>(903,124)</b>

**Tennessee School Boards  
Unemployment Compensation Trust  
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Notes to Financial Statements  
For the Year Ended June 30, 2022

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**Note 1. Summary of Significant Accounting Policies**

**Description of Trust**

Tennessee School Boards Unemployment Compensation Trust dba UTRUST (the Trust) was organized on July 1, 1980 to provide a program of unemployment compensation coverage to Tennessee school boards. The Trust, which is an Interlocal Cooperative Act entity, as defined by Tennessee statutes, was designed as an umbrella organization under which unemployment insurance services to local school boards in Tennessee could be offered as deemed necessary. The program's general objectives are to reduce unemployment compensation costs by lowering unemployment rates, providing cost management services to members so that each participating school board member will ultimately realize a significant savings in unemployment compensation costs, and helping members create a climate where employees thrive, produce high quality work, enjoy their work, feel appreciated, and want to remain.

The Trust operates as a public-entity risk pool. A public-entity risk pool follows the accounting and financial reporting standards of Governmental Accounting Standards Board (GASB) Statement Nos. 10 and 30, and is defined in GASB Statement No. 10 as "a cooperative group of governmental entities joining together to finance an exposure, liability, or risk." The activities of a public-entity risk pool vary but, in general, they can be classified as follows:

Risk-sharing pool – Governmental entities join together to share in the cost of losses.

Insurance purchasing pool (risk-purchasing group) – Governmental entities join together to acquire commercial insurance coverage.

Banking pool – Governmental entities are allowed to borrow funds from a pool to pay losses.

Claims servicing or account pool – Governmental entities join together to administer the separate account of each entity in the payment of losses.

Although an individual public-entity risk pool can perform one or more of these activities, during the year ended June 30, 2022, the Trust operated solely as a risk-sharing pool.

The Trust is required to pay all unemployment claims assessed against members after the effective date of their participation. A member may withdraw from the Trust at the end of the program year in which the member is participating by giving 90 days written notice. Members that withdraw from the Trust remain liable for any and all contributions required to be paid during the remainder of the program year. Additionally, members that withdraw from the Trust have no right or claim to any portion of any existing surplus in the Trust. The Trust now provides unemployment compensation coverage to more than 50 school boards.

**Reporting Entity**

The Trust provides a program of unemployment compensation insurance coverage for its member organizations. A seven-member Board of Trustees exercises oversight responsibility over the Trust. Oversight responsibility includes, but is not limited to, financial interdependency and the ability of the Board of Trustees to significantly influence operations and accountability for fiscal matters of the Trust.



**Tennessee School Boards  
Unemployment Compensation Trust  
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Notes to Financial Statements  
For the Year Ended June 30, 2022

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**Note 1. Summary of Significant Accounting Policies**

**Basis of Accounting**

For financial reporting purposes, the Trust is considered a special-purpose governmental entity engaged only in business-type activities. Accordingly, the Trust's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

**Use of Estimates**

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

**Cash and Cash Equivalents**

Cash includes cash deposits in checking and investment accounts and short-term investment funds. Balances are reported at carrying amounts. For purposes of the statement of cash flows, the Trust considers all short-term investment funds purchased with an original maturity of three months or less to be cash equivalents.

**Investments**

Investments consist of mutual funds and exchange traded funds. Investments are reported at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Accounts Receivable**

Accounts receivable are stated at unpaid balances due from members, less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by evaluating historical collections on such amounts.

**Capital Assets and Depreciation**

Capital assets are carried at original cost less accumulated depreciation and consist of premises and improvements and equipment. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, ranging from 3 to 40 years. The Trust's policy is to capitalize assets with a cost of \$1,000 or more.

**Claims Payable**

The Trust's claims payments are assessed by the State of Tennessee. The Trust assumes responsibility for establishing premiums sufficient to fund the Trust's obligations, recording and reporting financial transactions accurately, processing claims submitted for benefits provided to members' employees, and complying with appropriate state and federal laws and regulations.

**Tennessee School Boards  
Unemployment Compensation Trust  
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Notes to Financial Statements  
For the Year Ended June 30, 2022

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**Note 1. Summary of Significant Accounting Policies**

**Claims Payable**

The Trust establishes claims liabilities for self-insured options based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported, including the effects of unemployment laws in effect, unemployment rates and trends, and other economic factors that may have an effect on its members' continuing claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using trending costs and techniques to produce current estimates. Adjustments to claims liabilities are charged or credited to expense in the period in which they are made. The Trust considers investment income in determining if a premium deficiency exists. Claims do not normally exceed one year.

**Classification of Revenues**

The Trust has classified its revenues as either operating or non-operating revenues. Operating revenues include transactions that constitute the Trust's principal ongoing operations, such as member premiums. Non-operating revenues consist of other revenue sources such as investment income.

**Special Assessments**

Under the Intergovernmental Agreement with its members, if at any time the Trustees deem the assets of the Trust to be insufficient to enable it to discharge its obligations, the Trust may assess qualifying members such amounts as are, in the opinion of the Trustees, required to resolve the insufficiency and each member shall have the duty to pay its proportionate amount of the assessment. Such amounts are billed as a special assessment and are treated as claims recoveries used to offset unemployment insurance benefits.

**Unemployment Insurance Benefits, Net**

Unemployment insurance benefits, net reflect the ultimate cost of settling claims, reduced by the amount of any anticipated recoveries.

**Income Taxes**

Income of the Trust is exempt from income taxes under Section 115(1) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the financial statements.

**Net Position**

Net position presents the difference between assets and liabilities in the statement of net position. Net position should be displayed in three components:

Net investment in capital assets – Capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings, and deferred inflows of resources attributable to the acquisition, construction, or improvement of the capital assets.

**Tennessee School Boards  
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Notes to Financial Statements  
For the Year Ended June 30, 2022

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**Note 1. Summary of Significant Accounting Policies**

**Net Position**

Restricted – Restricted assets reduced by liabilities and deferred inflows of resources related to those assets that are reported as restricted when there are legal limitations imposed on their use by legislation or external restrictions by creditors, grantors, laws, or regulations of other governments.

Unrestricted – The net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources not included in the determination of net investment in capital assets or the restricted portion of net position.

**Note 2. Deposits and Investments**

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that, in the event of bank failure, the Trust's deposits may not be returned. The Trust's deposit policy for custodial credit risk requires cash on deposit in financial institutions, including funds held by brokerages, to be either fully insured by the Federal Deposit Insurance Corporation (FDIC), collateralized by securities held with the cognizant Federal Reserve Bank, or invested in US government obligations. The Trust has cash deposits with a commercial bank and with a securities trading and brokerage firm. All deposits in the commercial bank that may exceed the amount insured by the FDIC as of June 30, 2022 are collateralized by securities held with the Tennessee State Collateral Pool Program. Deposits in the securities trading and brokerage firm are insured up to \$250,000 by the Securities Investor Protection Corporation (SIPC), or by the FDIC.

At June 30, 2022, carrying balances of cash deposits of the Trust totaled \$2,509,780. Of this amount, \$216,761 (bank balance of \$231,114) was covered by the FDIC. \$2,293,018 was exposed to custodial risk, which was primarily from an investment in a money market fund as of June 30, 2022. The money market fund balance of \$2,289,374 was invested in the Federated Treasury Obligations Fund, which was rated by Standard and Poor's as AAA, as of June 30, 2022.

The risk is managed by maintaining deposits in high quality financial institutions and investment funds.

**Investments**

Investments are reported at fair value on a recurring basis determined by reference to quoted market prices in active markets (classified as Level 1 in the US GAAP fair value hierarchy).

The fair value of investments for the year ended are as follows:

Exchange traded funds	\$ 6,968,264
Mutual funds	<u>12,406,848</u>
Total investments	<b>\$ 19,375,113</b>

**Tennessee School Boards  
Unemployment Compensation Trust  
dba UTRUST**

Notes to Financial Statements  
For the Year Ended June 30, 2022

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**Note 2. Deposits and Investments**

**Interest Rate Risk**

The Trust does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

Investments in mutual funds consist of obligations of the US government and Investment Grade Corporate Bonds; however, these funds are not rated by Standard and Poor's. Investments in US government obligations are not considered to carry any credit risk; however, corporate obligations may have some inherent credit risk.

**Custodial Credit Risk – Investments**

For an investment, custodial credit risk is the risk that the Trust will not be able to recover the value of its investments that are in the possession of its safekeeping custodians. The Trust's investments are held by a securities trading and brokerage firm in the name of the Trust. These investments are insured by the SIPC, up to a maximum amount of \$500,000.

**Concentration of Credit Risk**

The Trust prohibits equity investments in any one issuer that represent 5% or more of the total value of all investments. Since the remaining investments consist of obligations of the US government and mutual funds, the Trust's investments are not deemed to have a concentration of credit risk.

The change in the fair value of investments is calculated using the aggregate method.

Calculation of the net increase in the fair value of investments for the year ended June 30, 2022 is as follows:

Fair value, end of year	\$ 19,375,113
Add: proceeds of investments sold	12,328,457
Less: cost of investments purchased	(2,726,440)
Less: fair value, beginning of year	<u>(26,104,245)</u>
Net increase in fair value of investments	\$ <b>2,872,885</b>

The Trust realized net gains of \$1,511,512 from the sale of investments for the year ended June 30, 2022. The calculation of realized gains and losses is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held for more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The net unrealized gain on investments held at June 30, 2022 was \$1,638,228, including accrued income on investments.

**Tennessee School Boards  
Unemployment Compensation Trust  
dba UTRUST**

Notes to Financial Statements  
For the Year Ended June 30, 2022

**Note 3. Capital Assets**

A summary of changes in capital assets for the year is as follows:

	<b>Beginning balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending balance</b>
Historical cost				
Building	\$ 322,800	\$ -	\$ -	\$ 322,800
Furniture and equipment	<u>38,625</u>	<u>4,463</u>	<u>-</u>	<u>43,088</u>
Total historical cost	361,425	4,463	-	365,888
Accumulated depreciation				
Building	(116,298)	(7,943)	-	(124,241)
Furniture and equipment	<u>(32,289)</u>	<u>(4,482)</u>	<u>-</u>	<u>(36,771)</u>
Total accumulated depreciation	(148,587)	(12,425)	-	(161,012)
Capital assets, net	<b>\$ 212,838</b>	<b>\$ (7,962)</b>	<b>\$ -</b>	<b>\$ 204,876</b>

**Note 4. Claims Payable and Unemployment Insurance Benefits, Net**

The following represents changes in the claims liability for the Trust:

Claims payable, beginning of year	\$ 335,306
Incurred losses and loss adjustment expenses	
Provision for insured events of the current year	174,552
Change in provision for insured events of prior years	(273,764)
Payments	
Claims payments attributable to insured events of the current year	(2,623)
Claims payments attributable to insured events of prior years	<u>(61,542)</u>
Claims payable, end of year	<b>\$ 171,929</b>

The claims liability included approximately \$160,000 for estimated future claim payments on claims existing at June 30, 2022. The Trust has accounted for the effects of the coronavirus pandemic in its estimate for future claims liability.

For the year ended June 30, 2022, unemployment insurance benefits, net were \$(108,834) \$108,834 due to the change in estimated future claim payments from the prior year.

**Tennessee School Boards  
Unemployment Compensation Trust  
dba UTRUST**

Notes to Financial Statements  
For the Year Ended June 30, 2022

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**Note 5. Member Dividends**

The Board of Trustees has adopted a dividend policy for members of the Trust. The Trustees may elect to declare a dividend to be distributed through mini-grants to member boards that meet certain requirements. In accordance with this dividend policy, mini-grants were distributed for the fiscal year ended June 30, 2022 in the amounts of \$967,470.

**Note 6. Retirement Plan**

The Trust administers a Simplified Employee Pension (SEP) defined contribution plan (the Plan), which became effective April 2007, for eligible employees' retirement benefits. The provisions and contribution requirements are established and amended upon approval of the Board of Trustees. Eligible employees include those employees who are at least 18 years old and who have been employed for a minimum of 6 months. The Plan allows for employer contributions limited to the smaller of \$41,000 or 25% of the eligible employee's annual compensation. The Plan does not allow for employee contributions. Total contributions to the Plan amounted to \$28,728 for the year ended June 30, 2022.

**Note 7. Risk Management**

The Trust is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; illnesses or injuries to employees; and natural disasters. The Trust carries commercial insurance for these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. No significant reduction in insurance coverage has occurred since the prior year.

**Note 8. Subsequent Events**

Management has evaluated subsequent events through August 29, 2022, the date on which the financial statements were available for issuance.

Required Supplementary Information

**Tennessee School Boards  
Unemployment Compensation Trust  
dba UTRUST**

Ten-year Claims Development Information (Unaudited)  
For the Year Ended June 30, 2022  
(in thousands)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1. Premium and investment revenues earned	\$ 3,056	\$ 4,019	\$ 2,003	\$ 1,273	\$ 3,568	\$ 2,490	\$ 1,892	\$ 1,640	\$ 6,409	\$ (3,218)
2. Unallocated expenses	307	626	1,063	1,206	1,230	1,347	1,374	1,328	1,288	1,313
3. Estimated incurred claims and allocated expenses, as of year-end										
Direct incurred	1,113	521	583	638	647	440	355	1,785	572	175
4. Paid (cumulative) as of										
End of year	1,113	746	713	229	251	195	160	798	237	3
One year later	1,113	746	713	455	424	319	271	1,098	298	
5. Re-estimated incurred claims and expense										
End of year	1,113	521	583	638	647	440	355	1,785	572	175
One year later	1,113	521	583	455	424	319	271	1,098	298	
6. Change in estimated incurred claims and expenses from end of year	-	-	-	(183)	(223)	(121)	(84)	(687)	(274)	-

The table above illustrates how the Trust's earned revenues and investment income compare to related costs of loss and other expenses assumed by the Trust as of the end of each of the last ten years. The rows of the tables are defined as follows:

- (1) Presents the total of each fiscal year's earned contribution revenues and net investment revenues.
- (2) Presents each fiscal year's other operating costs, including overhead and claims expenses not allocable to individual claims.
- (3) Presents the fund's incurred claims and allocated claims adjustment expenses (both paid and accrued), as originally reported at the end of the first year in which the event that triggered coverage occurred.
- (4) Presents the cumulative amounts paid as of the end of successive years for each policy year.
- (5) Presents how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation is derived from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.
- (6) Compares the latest re-estimated incurred claims amount to the amount originally established (item 3) and shows whether this latest estimate of claims cost is greater than or less than originally thought.



Internal Control and Compliance Section



**Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards***

Board of Trustees  
Tennessee School Boards Unemployment Compensation Trust  
dba UTRUST

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tennessee School Boards Unemployment Compensation Trust dba UTRUST (the Trust) as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Trust’s basic financial statements, and have issued our report thereon, dated August 29, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Trust’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Trust’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Blankenship CPA Group, PLLC*

Blankenship CPA Group, PLLC  
Goodlettsville, Tennessee  
August 29, 2022

**Tennessee School Boards  
Unemployment Compensation Trust  
dba UTRUST**

Schedule of Prior Year Findings  
For the Year Ended June 30, 2022

<b>Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
N/A	N/A	N/A