PUBLIC ENTITY PARTNERS

Financial Statements and Supplementary Information

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

LBMC

PUBLIC ENTITY PARTNERS

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Board of Directors and Senior Management

July 1, 2022 - June 30, 2023

<u>Board of Directors</u>

Curtis Hayes, Chairman
Town of Livingston

Randy Brundige, Vice Chairman
City of Martin

Victor Lay
Town of Nolensville

DaVena Hardison
City of Columbia

Sam Tharpe
City of Paris

Todd Smith
Town of Greeneville

Lois Preece
City of Niota

John Holden
City of Dyersburg

Bobby King
City of Henderson

Board of Directors and Senior Management (continued)

July 1, 2022 - June 30, 2023

Senior Management

Michael G. Fann, President

George Dalton, Executive Vice President

Amanda Shrum, Chief Financial Officer

Celeste Taylor, Director of Human Resources

Halie Gallik, Director of Underwriting

Callie Westerfield, Director of Member Services

Chester Darden, Director of Loss Control

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Public Entity Partners

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying statements of net position of Public Entity Partners (the "Company") as of June 30, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Public Entity Partners' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audits 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*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Implementation of New Accounting Standard and Prior Period Adjustment

As discussed in Note 2(o) to the financial statements, Public Entity Partners adopted the provisions of the Governmental Accounting Standards Board ("GASB") Statement No. 96, *Subscription-Based Information Technology Arrangements* ("GASB 96"). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the standards applicable to financial audits contained in *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 the standards applicable to financial audits contained in *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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

GAAP requires that the management’s discussion and analysis and other required supplementary information as listed in the table of contents 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 GAAS, 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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section and other information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the other information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on the introductory section.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2023 on our consideration of the Company'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 Company'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 the Company's internal control over financial reporting and compliance.

LBMC, PC

Brentwood, Tennessee
November 13, 2023

PUBLIC ENTITY PARTNERS

Management's Discussion and Analysis (Unaudited)

Public Entity Partners ("PE Partners" or "the Company") offers this overview and analysis of the financial activities for the fiscal year ended June 30, 2023. The information presented in this report should be considered in conjunction with PE Partners' audited financial statements.

PE Partners is a public entity risk pool organized in 1979 as a not-for-profit, tax-exempt corporation under the Tennessee Governmental Tort Liability Act. PE Partners provides workers' compensation, liability and property insurance and risk management services to participating governmental entities in the State of Tennessee.

2023 Fiscal Year Highlights

- PE Partners had 495 insured members on June 30, 2023, including 315 cities and towns which represents approximately 91% of the state. PE Partners insures more than 40,000 local government employees and more than 18,000 government properties valued at approximately $12.3 billion.

- Total assets and deferred outflows of resources of $264,237,185 exceeded liabilities and deferred inflows of resources by $116,920,190 on June 30, 2023.

Overview of the Financial Statements

PE Partners' annual financial report consists of management's discussion and analysis, the independent auditor's report, the basic audited financial statements that include notes which more fully explain information in the financial statements, required supplementary information and the independent auditor's report on internal control and compliance. PE Partners' financial statements are presented on a comparative basis using the full accrual method of accounting like those used by private-sector companies.

The *Statements of Net Position* present information about PE Partners' assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at year-end. The *Statements of Revenues, Expenses and Changes in Net Position* present the results of PE Partners' operations and changes in its net position over the course of the fiscal year. The *Statements of Cash Flows* present the various sources and uses of cash provided by and used in PE Partners' operating, investing and capital activities without regard to the timing of earnings and obligation events or depreciation. The *Notes to the Financial Statements* provide required disclosures and other information essential to a full understanding of material data provided in the financial statements, including information about PE Partners' significant accounting policies and account balances, material risks, obligations, contingencies, and subsequent events, if any. The *Required Supplementary*

Information presents additional information required by generally accepted accounting principles and applicable regulatory agencies.

While PE Partners is not legally required to adopt or adhere to an annual budget, an annual pro-forma *Statement of Revenues and Expenses* and a budget for general and administrative expenses are approved by the Board of Directors each year as strategic management tools. All budget-to-actual variances of general and administrative expenses are reviewed monthly by management for operational accountability.

Financial Analysis

The following table presents PE Partners' assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at the end of the current fiscal year and the two prior fiscal years.

			Net Increase (Decrease)			**Net Increase (Decrease)**	
	2023	**2022**	**$**	**%**	**2021**	**$**	**%**
Current assets	$251.2	$259.2	$ (8.0)	-3.1%	$ 312.5	$ (53.3)	-17.1%
Right of Use-Subscription	0.7	1.0	(0.3)	-30.0%	-	1.0	-
Other Noncurrent Assets	0.7	-	0.7	0.0%	-	-	0.0%
Capital assets	8.8	9.2	(0.4)	-4.3%	9.2	-	0.0%
Total assets	261.4	269.4	(8.0)	-3.0%	321.7	(52.3)	-16.3%
Current liabilities	$144.7	$159.8	$(15.1)	-9.4%	$ 161.0	$ (1.5)	-0.9%
Noncurrent liabilities	2.6	0.6	2.0	333.3%	1.2	(0.3)	-25.0%
Total liabilities	147.3	160.4	(13.1)	-8.2%	162.2	(1.8)	-1.1%
Net deferred inflows/outflows of resources - pension plan	2.8	0.8	2.0	250.0%	1.3	(0.5)	-38.5%
Investment in capital assets	8.8	9.2	(0.4)	-4.3%	9.2	-	0.0%
Unrestricted	108.1	100.6	7.5	7.5%	151.6	(51.0)	-33.6%
Total net position	116.9	109.8	7.1	6.5%	160.8	(51.0)	-31.7%

PE Partners had total assets of $261.4 million on June 30, 2023, which is 3.1% less than the previous year. Current assets consist primarily of cash, cash equivalents and investments totaling $236.7 million; premiums, interest, and other receivable of $10.1 million, and reinsurance on recoverable paid losses of $4.4 million. PE Partners' investable assets on June 30, 2023, consisted of municipal bonds and U.S. agency bonds of $227.7 million and cash, cash equivalents and money market funds of $9 million. Right of use subscription assets totaled $.7 million. Other noncurrent assets total $0.7 million. Net deferred outflows of resources totaling approximately $2.8 million are related to PE Partners' net pension obligation and are actuarially determined.

PE Partners' total liabilities of $147.3 million on June 30, 2023, were comprised of current liabilities of $144.7 million and noncurrent liabilities of $2.6 million. Current liabilities consisted primarily of reserve for losses and loss adjustment expenses totaling $126 million at 2023 year-end, a decrease of $8.1 million from the prior year. The reserve for losses represents members' claim losses reported for workers' compensation, liability, and property lines of coverage. The reserve for losses also includes an actuarially determined estimate of ultimate costs (referred to as "incurred but not reported" or "IBNR") of such claims, offset by expected reinsurance recoveries on the outstanding claims. The actuarially determined estimate of IBNR and related reserve for unallocated loss adjustment expense ("ULAE") decreased by $2.5 million in 2023.

Noncurrent liabilities of $2.6 million include PE Partners' net pension liability of $2.3 million for PE Partners' participation in a defined benefit pension plan administrated by the State of Tennessee Consolidated Retirement System and $0.3 million relating to subscription-based IT arrangements. PE Partners' net pension liability has been actuarially determined in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions.* PE Partners' subscription liability was determined in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements.*

Net position is the residual measure of assets and deferred outflows of resources net of liabilities and deferred inflows of resources and totaled $116.9 million on June 30, 2023. Net position fluctuates annually due to PE Partners' operating results (referred to as "change in net position") for a given fiscal year as well as member dividends that may be declared by the Board of Directors.

During 2023 PE Partners' net position increased by $7.1 million.

To preserve PE Partners' future financial stability, the Board of Directors has committed PE Partners' unrestricted net position for specific purposes as presented in the following table:

Net Position
At June 30,
(in millions of dollars)

	2023	**2022**	**2021**
Investment in capital assets	$ 8.8	$ 9.2	$ 9.2
Unrestricted:			
Committed for capitalization	40.0	40.0	40.0
Committed for member credits	25.7	20.6	36.0
Committed for capital outlay	-	-	-
Committed for property/casualty catastrophe	30.0	30.0	30.0
Committed for market value stabilization	12.4	10.0	45.6
Total unrestricted net position	108.1	100.6	151.6
Total net position	$ 116.9	$ 109.8	$ 160.8

The following table presents PE Partners' revenues, expenses, and changes in net position for the current and two prior fiscal years.

Condensed Statements of Revenues, Expenses and Changes in Net Position
Fiscal year ended June 30,
(in millions of dollars)

	2023	2022	Net Increase (Decrease) $	Net Increase (Decrease) %	2021	Net Increase (Decrease) $	Net Increase (Decrease) %
Net earned premiums	$ 69.7	$ 67.5	$ 2.2	3.3%	$66.2	$ 1.3	2.0%
Investment income-interest, net	10.5	9.1	1.4	15.4%	8.8	0.3	3.4%
Investment income-net increase (decrease) in fair value of investments	(14.5)	(57.2)	42.7	74.7%	1.5	(58.7)	-3913.3%
Other income	0.2	0.2	-	- %	-	0.2	- %
Total operating revenues	65.9	19.6	46.3	236.2%	76.5	(56.9)	-74.4%
Operating expenses	58.9	62.6	(3.7)	-5.9%	53.5	9.1	17.0%
Change in net position	$ 7.0	$ (43.0)	$ 50.0	116.3%	$23.0	$ (66.0)	-286.8%

Operating revenues consist of earned premiums net of reinsurance premiums ceded plus net investment income and other income.

Earned premiums represent premiums charged to members for workers' compensation, liability, and property insurance coverage pursuant to insurance policy contracts. Premiums are determined through PE Partners' underwriting process that takes into consideration each member's risk exposures (such as payroll volume, operating budget, physical properties owned, etc.) as applied to a premium base rate approved by the Board of Directors. Each member is also rated on actual loss experience (referred to as experience modifications) and compliance with PE Partners' loss control surveys and recommendations (referred to as schedule modifications). Gross earned premiums totaled $83.9 million for 2023 and represent a slight increase of $3.4 million over the previous year due to the growth in members' insured exposures upon which premium is determined, such as member employee payroll bases as well as real estate and personal property values.

Reinsurance premiums ceded totaled $14.2 million which is a 10% increase from the prior year.

Investment income is a substantial part of operating income and is comprised of two different components: (a) interest earned on investments; and (b) changes in the fair (market) value of investments. Net interest earned on investments is based on stated coupon rates of investments and total $10.5 million for 2023.

Changes in the fair value of investments include both "realized" and "unrealized" gains and losses on investments. Realized gains and losses are the actual profit or loss which occurs when an investment security is called or redeemed. During 2023, PE Partners realized $1.2 million in net losses on the disposal of investments.

Unrealized gains and losses on investments are not actual profit or loss transactions but result from daily fluctuations in the market price of securities and the securities' cost. Such market changes can be extremely volatile and influenced by world events unrelated to PE Partners' operations. Because no money is received or paid in unrealized investment gain and loss transactions, they are considered as "paper" gains and losses. However, GASB Statement No. 31 requires unrealized gains and losses on investments to be recorded in PE Partners' financial records. On June 30, 2023, PE Partners had net unrealized investment losses totaling $12.6 million compared to $50.6 million of net unrealized losses in the prior year. Consequently, the total change in fair value of investments for fiscal year 2023 was a decrease of $14.5 million.

Because PE Partners operates in a competitive business environment and has the intent and ability to hold investment securities to maturity, management elects not to distort actual operating results with unrealized or "paper" gains and losses on investments when making internal management and operational decisions. The following proforma schedule presents operating income (loss) as determined without regard to unrealized investment gains and losses and, consequently, does not conform to GASB Statement No. 31:

Management's Proforma Schedule of Operating Income (Loss)
Fiscal year ended June 30,
(in millions of dollars)

			Net Increase (Decrease)			Net Increase (Decrease)	
	2023	**2022**	**$**	**%**	**2021**	**$**	**%**
Net earned premiums	$69.7	$ 67.5	$ 2.2	3.3%	$66.3	$ 1.2	1.8%
Investment income-interest, net	9.9	8.5	1.4	16.5%	8.0	0.5	6.3%
Investment income-realized gains (losses)	(1.2)	(6.0)	4.8	-80.0%	4.0	(10.0)	-250.0%
Other income	0.2	0.2	-	- %	-	0.2	- %
Total operating revenues	78.6	70.2	8.4	12.0%	78.3	(8.1)	-10.3%
Operating expenses	58.9	62.6	(3.7)	-5.9%	53.5	9.1	17.0%
Change in net position before change in fair value of investments	19.6	7.6	12.0	157.9%	24.8	(17.2)	-69.4%
Change in fair value of investments - unrealized gains (losses)	(12.6)	(50.6)	38.0	75.1%	(1.8)	(48.8)	-2711.1%
Change in net position	$ 7.0	$(43.0)	$ 50.0	116.3%	$23.0	$(66.0)	-287.0%

Operating expenses consist of losses and loss adjustment expenses, policy acquisition costs and general and administrative costs.

Losses and loss adjustment expenses include actual claim payments PE Partners has made for members' claims as well as adjustments in claim reserves. Claim case reserves are adjusted as claims develop and mature and more information about potential loss amounts is known. Changes in reserves for claims incurred but not reported ("IBNR") is also part of this expense category as determined by independent actuaries on an annual basis. Total losses and loss adjustment expenses for fiscal year 2023 decreased $5.3 million from the prior year to $40.9 million due primarily to the change in reinsurance recoverable.

Policy acquisition costs are expenses incurred by PE Partners that are part of the cost of the policy and include agents' commissions, property inspections, property appraisals and contract fees for workers' compensation premium audits. Policy acquisition costs totaling $6.8 million for 2023 were expensed when incurred as required by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

In providing insurance coverage and risk management services to its members, PE Partners incurs general and administrative and contractual expenses that are budgeted and approved by the Board of Directors annually. As previously mentioned, all budget-to-actual variances are analyzed and reviewed by management monthly. General and administrative expenses were $11.1 million for fiscal year 2023 and include personnel and operating costs of services and programs provided to PE Partners' membership as approved by the Board of Directors.

Capital Assets

PE Partners' premises, property and equipment had a total cost of $11.7 million and a book value (after accumulated depreciation) of $8.8 million on June 30, 2023. These capital assets consist of land, building and improvements, construction in progress, computer hardware and software, and office furniture and equipment used in Company operations.

The Company has no outstanding debt associated with capital assets.

Long-term Debt

PE Partners has a net pension liability which is actuarially determined annually by the State of Tennessee Consolidated Retirement System. PE Partners' net pension liability totaled $2.3 million and was approximately 87.3% funded, based on the most recent actuarial valuation date.

Economic Factors and Other Matters

For fiscal year 2024, PE Partners' Board of Directors approved base rates changes as follows:

- Worker's Compensation: No Change
- Liability: 9.4% increase among all lines
- Property: 8% increase

As a result of adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, entities are required to report the present value of future cash flows as a result of subscription contracts for IT services. As of 6/30/2023, there were two remaining annual payments remaining on the current contract, therefore, a portion of that liability is reported as long-term debt. PE Partners' long-term subscription liability totaled $344,000.

Requests for Information

This report is designed to provide an overview of PE Partners' financial activities and to demonstrate PE Partners' transparency and accountability to its members and other interested readers. Questions and requests for additional financial information should be addressed to the Chief Financial Officer, Public Entity Partners, 562 Franklin Road, Ste. 200, Franklin, Tennessee 37069.

PUBLIC ENTITY PARTNERS

Statements of Net Position

June 30, 2023 and 2022

Assets and Deferred Outflows of Resources

	2023	2022
Current assets:		
Cash and cash equivalents	$ 8,964,695	$ 9,621,422
Investments	227,736,816	234,888,762
Premiums receivable	2,894,555	3,120,290
Accrued interest and other receivables	4,271,896	3,535,398
Prepaid reinsurance and other expenses	2,954,368	4,177,774
Reinsurance recoverable on paid losses	4,366,334	3,825,553
Total current assets	251,188,664	259,169,199
Premises, property, and equipment		
Non-depreciable	1,957,084	1,957,084
Depreciable	6,818,040	7,228,261
Total premises, property, and equipment	8,775,124	9,185,345
Right-to-use subscription based IT asset	689,428	1,036,564
Other assets	750,000	-
Total assets	261,403,216	269,391,108
Deferred outflows of resources:		
Pension changes in investment experience	1,493,602	1,222,703
Pension changes in investment earnings, net	49,080	-
Pension changes in actuarial assumptions	470,261	631,967
Employer pension contributions	821,026	752,811
Total deferred outflows of resources	2,833,969	2,607,481
	$ 264,237,185	$ 271,998,589

Liabilities, Deferred Inflows of Resources, and Net Position

	2023	2022
Current liabilities:		
Reserve for losses and loss adjustment expenses	$ 125,953,474	$ 134,097,677
Unearned premiums	15,630,649	14,978,886
Dividends payable	138,791	8,107,462
Accounts payable and accrued liabilities	2,625,232	2,238,497
Current portion of subscription based IT liability	345,083	345,061
Total current liabilities	144,693,229	159,767,583
Net pension liability	2,261,648	200,738
Subscription based IT liability, excluding current portion	344,345	446,542
Total liabilities	147,299,222	160,414,863
Deferred inflows of resources:		
Pension changes in investment experience	17,773	26,661
Pension changes in investment earnings, net	-	1,754,261
Total deferred inflows of resources	17,773	1,780,922
Net position:		
Investment in capital assets	8,775,124	9,185,345
Unrestricted	108,145,066	100,617,459
Total net position	116,920,190	109,802,804
	$ 264,237,185	$ 271,998,589

See accompanying notes to the financial statements.

PUBLIC ENTITY PARTNERS

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2023 and 2022

	2023	2022
Operating revenues:		
Gross earned premiums	$ 83,873,161	$ 80,424,915
Reinsurance premiums ceded	(14,207,387)	(12,935,347)
Net earned premiums	69,665,774	67,489,568
Investment income - interest earnings, net	10,489,150	9,102,384
Investment income - net decrease in fair value of investments	(14,494,258)	(57,228,454)
Other income	238,877	232,040
Total operating revenues	65,899,543	19,595,538
Operating expenses:		
Losses and loss adjustment expenses	40,942,791	46,011,495
Policy acquisition costs	6,838,211	6,890,849
General and administrative expenses	11,070,495	9,735,218
Total operating expenses	58,851,497	62,637,562
Operating income (loss)	7,048,046	(43,042,024)
Nonoperating revenues:		
Gain on disposal of depreciable capital assets	-	350
Total change in net position	7,048,046	(43,041,674)
Net position, beginning of year	109,802,804	160,844,478
Dividends declared	-	(8,000,000)
Member lapsed dividend credits	69,339	-
Net position, end of year	$ 116,920,190	$ 109,802,804

See accompanying notes to the financial statements.

PUBLIC ENTITY PARTNERS

Statements of Cash Flows

Years ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Cash receipts:		
Premiums received	$ 78,081,420	$ 74,649,715
Interest received	10,291,445	9,199,927
Special rating plan reimbursements	4,723,910	5,176,785
Reinsurance recoveries received	4,170,340	1,109,342
Claim recoveries received	2,706,950	2,399,092
Other cash receipts	166,935	757,330
Total cash receipts	100,141,000	93,292,191
Cash disbursements:		
Claim payments	55,330,265	54,496,727
General and administrative	13,723,149	12,596,828
Reinsurance premiums	13,054,689	17,191,334
Claims administration	6,221,142	5,799,250
Policy acquisition	4,260,105	5,354,209
Total cash disbursements	92,589,350	95,438,348
Net cash provided by (used in) operating activities	7,551,650	(2,146,157)
Cash flows from capital and related financing activities:		
Purchases of premises, property, and equipment	(41,042)	(425,482)
Principal payments on subscription liabilities	(66,166)	(361,050)
Interest paid on subscription liabilities	(8,857)	(2,650)
Net cash used in capital and related financing activities	(116,065)	(789,182)
Cash flows from investing activities:		
Purchases of investments	(35,194,267)	(191,895,050)
Proceeds from sales and maturities of investments	27,101,955	169,910,189
Net cash used in investing activities	(8,092,312)	(21,984,861)
Net decrease in cash and cash equivalents	(656,727)	(24,920,200)
Cash and cash equivalents, beginning of year	9,621,422	34,541,622
Cash and cash equivalents, end of year	$ 8,964,695	$ 9,621,422

See accompanying notes to the financial statements.

PUBLIC ENTITY PARTNERS

Statements of Cash Flows (continued)

Years ended June 30, 2023 and 2022

	2023	2022
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating income (loss)	$ 7,048,046	$ (43,042,024)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	771,248	539,605
Net amortization of premium paid on investments	609,424	635,753
Net realized losses on sales of investments	1,246,999	5,991,884
Net unrealized losses on investments	12,637,835	50,600,817
Decrease (increase) in premiums receivable	225,735	(159,090)
Decrease (increase) in accrued interest and other receivables	486,908	(4,088,294)
Increase in reinsurance recoverable on paid losses	(540,781)	(2,542,150)
Increase in net deferred outflows of resources	(226,488)	(1,204,419)
Decrease in reserve for losses and loss adjustment expenses	(8,144,203)	(2,509,029)
Increase in unearned premiums	651,763	274,581
Decrease in dividends payable	(7,899,332)	(7,565,644)
Increase in accounts payable and accrued liabilities	386,735	134,019
Increase (decrease) in net pension liability	2,060,910	(957,539)
Decrease (increase) in deferred inflows of resources	(1,763,149)	1,745,373
Net cash provided by (used in) operating activities	$ 7,551,650	$ (2,146,157)

See accompanying notes to the financial statements.

(1) Nature of organization

Public Entity Partners (the “Company”) is a not-for-profit corporation that was created in 1979 as a public entity risk pool to provide liability, property and workers’ compensation insurance and risk management services for certain governmental entities in the State of Tennessee. In September 2018, the Board of Directors voted to change the Company’s name from Tennessee Municipal League Risk Management Pool.

Liability coverage provided by Public Entity Partners includes comprehensive general liability, personal injury liability, automobile liability, automobile physical damage, law enforcement liability, errors and omissions liability, employment benefit liability, employment practices liability, unmanned aerial vehicles (drones) liability, privacy and network security liability, ransomware, social engineering, and data restoration expense coverage. Property coverage includes all risk on real property and personal property, electronic data processing equipment, mobile equipment, equipment breakdown (boiler and machinery), computer fraud, employee dishonesty, business interruption, crime, forgery and alteration, theft, disappearance and destruction, and increased cost of construction, subject to specified sub-limits. Workers’ compensation coverage conforms to the workers’ compensation laws of Tennessee, excluding the provisions of the state law dealing with non-occupational disability benefits.

As part of the coverage, Public Entity Partners provides risk management services to its members with emphasis on loss control. Public Entity Partners also provides claims management services and insurance above certain self-insured retention levels to participating members. Participants in these services are not general policyholders, and Public Entity Partners receives premiums for claims management services and retention-type contracts, respectively.

All corporate powers of Public Entity Partners are vested in and exercised by a nine-member Board of Directors comprised of municipal elected officials and city managers/administrators from cities and towns that are members of Public Entity Partners. Public Entity Partners’ operations alone constitute the reporting entity since Public Entity Partners is not financially accountable for any other entities, and Public Entity Partners has no relationships with any other entities where the nature and significance of the relationships would require inclusion in the financial statements of Public Entity Partners. Pool membership consisted of 495 governmental entities (including 315 cities and towns) on June 30, 2023.

(2) Summary of significant accounting policies

A summary of Public Entity Partners' significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

(a) Basis of presentation, measurement focus, and basis of accounting

Public Entity Partners' financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"), the standard-setting body responsible for establishing governmental accounting and financial reporting principles. GASB periodically updates its *Codification of Governmental Accounting and Financial Reporting Standards* which, along with subsequent GASB pronouncements (Standards and Interpretations), constitutes GAAP for public entity risk pools.

Public Entity Partners' accounts are organized on the basis of an enterprise fund. An enterprise fund is a proprietary fund type used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the public on a continuing basis be financed or recovered primarily through user charges; or, where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control accountability, or other purposes.

Basis of accounting refers to when revenue and expenses are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made, regardless of the measurement focus applied. Public Entity Partners' basic financial statements are presented in accordance with GAAP for proprietary funds which uses the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time a liability is incurred, regardless of the timing of related cash flows.

(b) Revenues and expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal ongoing revenues of Public Entity Partners are net earned insurance premiums, investment income and other income. Investment income, consistent with prior years, is reported as operating revenue because it is used extensively in the operations of Public Entity Partners. Operating expenses include losses and loss adjustment expenses, policy acquisition costs and general and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(c) Cash and cash equivalents

Cash and cash equivalents include amounts in demand deposits and highly liquid short-term investments with original maturities of three months or less. Cash equivalents include Public Entity Partners' deposits in the State of Tennessee Local Government Investment Pool ("LGIP"), an external investment pool that is part of the State of Tennessee State Pooled Investment Fund ("SPIF"). Administration of and responsibility for the SPIF vests with the State Treasurer while investment policy is set by the State Funding Board composed of the Governor, Commissioner of Finance and Administration, Comptroller, Secretary of State and Treasurer. The SPIF, which includes the LGIP, elects to measure for financial reporting purposes all of its investments and securities at amortized cost and transacting with participants at a stable net asset value of $1. Deposits in the LGIP are available daily as needed, with the exception of withdrawals in excess of $5 million which require 24-hour advance notice.

(d) Investments

Public Entity Partners presents its investments in securities at fair value. Realized gains and losses on sales of investments are recognized based on the specific identification method at the date of sale. Interest income is recognized when earned.

(e) Policy acquisition costs

Policy acquisition costs consist of commissions incurred at policy or contract issue date. These costs vary with, and are primarily related to, the acquisition of business and are expensed in the period incurred.

(f) Premises, property, and equipment

Premises, property, and equipment are recorded at cost and consist of land, building and improvements, vehicles, computer hardware and software, and office furniture and equipment. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets ranging from 3 to 40 years. Public Entity Partners capitalizes assets with an individual cost of $10,000 or more and an estimated useful life of one year or more. Maintenance and repairs are expensed as incurred.

(g) Deferred outflows and inflows of resources

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resource (expense) until then. The deferred outflows related to pension results from the actuarially-determined pension liability. In addition to liabilities, the Statements of Net Position will also sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resource (revenue) until that time. The deferred inflows related to pension results from the actuarially-determined pension liability. (See Note 10).

(h) Reserve for losses and loss adjustment expenses

The reserve for losses and loss adjustment expenses is estimated as losses are incurred. The reserve consists of amounts for unpaid reported losses, net of salvage and subrogation and reinsurance recoveries, and estimates for incurred but not reported (“IBNR”) losses. The estimates for IBNR were developed by management based on a consulting actuarial evaluation of Public Entity Partners’ expected loss experience with consideration given to Public Entity Partners’ historical loss experience and general industry information. Insurance liabilities are based on estimates and the ultimate liability may vary from such estimates. Adjustments to these estimates are reflected in expenses as determined.

(i) Employee pension plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Public Entity Partners’ participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (“TCRS”), and additions to/deductions from Public Entity Partners’ fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value. (See Note 10).

(j) Risk management and insurance arrangements

In addition to the loss related to operational risks, Public Entity Partners is exposed to various risk of loss related to theft of, damage to, and destruction of assets; illness or injuries to employees; and natural disasters. Public Entity Partners purchases commercial insurance for these additional types of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past five fiscal years.

(k) Recognition of premium

Premium is earned on a pro-rata basis over the term of the policy, which is generally one year. Unearned premium represents the portion of premium applicable to the unexpired portion of insurance policies in force. Premiums billed in advance represents premium billed in the current fiscal year for insurance policies becoming effective in the next fiscal year.

(l) Income taxes

Public Entity Partners has received a favorable determination letter from the Internal Revenue Service and is exempt from income taxes under Section 115 of the Internal Revenue Code.

(m) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(n) Events occurring after reporting date

Public Entity Partners has evaluated events and transactions that occurred between June 30, 2023 and November 13, 2023, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(o) New accounting pronouncement

In June 2020, the GASB released Statement 96, *Subscription-Based Information Technology Arrangements* (“GASB 96”), which addresses the accounting for the costs related to cloud computing agreements. To capture this variety of products and services, GASB has chosen the term subscription-based information technology arrangements (“SBITA”). The standard defines a SBITA, establishes that a SBITA would result in a right-to-use (“RTU”) asset and a corresponding liability, provided capitalization criteria, and requires a new note disclosures. The guidance is effective for fiscal years beginning after June 15, 2022. Public Entity Partners adopted GASB 96 as of July 1, 2022 and restated the year ending June 30, 2022 as a required part of the adoption (see Note 3). The adoption of this authoritative guidance resulted in recognition of a right-to-use asset and liability of approximately $1,056,000 at the commencement of the contract on March

14, 2022 for arrangements where Public Entity Partners is the recipient of the arrangement. Management has determined that the impact to the change in net position for the year ended June 30, 2022 resulting from the adoption of GASB 96 was not material.

(3) Revision of prior year financial statements

Public Entity Partners has revised its financial statements as of and for the year ended June 30, 2022 to reflect the adoption of GASB 96 on July 1, 2021. The effects of this adoption on the financial statements as of and for the year ended June 30, 2022 were that Public Entity Partners recognized subscription right-to-use assets of $1,036,564 and subscription right-to-use liabilities of $791,603 on the accompanying statement of net position, and to decrease other expenses by $363,700 and increase amortization expense by $118,739 which are included on the accompanying statement of revenues, expenses and changes in net position.

The effect of the revision on the statements of revenues, expenses and changes in net position for the year ended June 30, 2022 is as follows:

Increase in depreciation and amortization	$	118,739
Decrease in other expenses		(363,700)
Total	$	($244,961)

(4) Deposits and investments

Public Entity Partners' cash and cash equivalent bank balances totaling $11,281,210 and $12,758,100 at June 30, 2023, and 2022, respectively (less outstanding checks that are subtracted from bank balances to determine a carrying value of $8,964,695 and $9,621,422 at June 30, 2023 and 2022, respectively) represent a variety of time deposits with banks and include bank balances that are FDIC insured or collateralized with securities held by Public Entity Partners or by its agent in Public Entity Partners' name.

The Board of Directors has authorized management to invest in obligations of the U.S. Treasury and U.S. government agencies, municipal bonds, mortgage-related securities, the State of Tennessee Local Government Investment Pool ("LGIP"), short-term investment funds, corporate bonds, and domestic equity securities.

On June 30, 2023, Public Entity Partners had the following investments:

	Fair Value	Average Weighted Maturity (in years)	Average Weighted Call Term (in years)
U.S. Government Agencies:			
FFCB	$ 1,808,202	18.8	18.8
Corporate Bonds	15,824,012	22.8	21.0
Municipal Bonds	210,104,602	17.6	6.8
Total	$ 227,736,816		

On June 30, 2022, Public Entity Partners had the following investments:

	Fair Value	Average Weighted Maturity (in years)	Average Weighted Call Term (in years)
U.S. Government Agencies:			
FFCB	$ 1,961,629	19.8	0.8
Corporate Bonds	19,025,194	22.4	20.8
Municipal Bonds	213,901,939	18.7	7.9
Total	$ 234,888,762		

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. One of the ways Public Entity Partners manages its exposures to interest rate risk is by purchasing a combination of shorter- and longer-term investments and by monitoring and managing the average maturity and call terms of the portfolios. As of June 30, 2023, and 2022, the investments of Public Entity Partners had average weighted maturities and call terms as noted in the preceding tables.

Credit risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation. Public Entity Partners' investment policy requires the average quality of investments to remain at a rating at or above "B", as defined by Moody, Standard and Poor, or an equivalent rating agency. All fixed income securities must have a rating of "B" or better, by at least one noted rating agency. Obligations of U.S. government agencies are not implicitly guaranteed by the U.S. government but are rated by Moody as "AA".

As of June 30, 2023, and 2022, Public Entity Partners' investments in municipal bonds had credit ratings as follows:

	Municipal Bonds	
Rating	2023	2022
AAA	$ 29,492,719	$ 29,787,452
AA	117,515,773	116,706,929
A	53,088,973	59,918,193
BBB	10,007,137	7,489,365
	$ 210,104,602	$ 213,901,939

As of June 30, 2023, and 2022, Public Entity Partners' investments in corporate bonds had credit ratings as follows:

	Corporate Bonds	
Rating	2023	2022
AA	2,591,115	5,097,009
A	13,232,897	13,928,185
	$ 15,824,012	$ 19,025,194

As of June 30, 2023, and 2022, Public Entity Partners' investments in agency bonds had credit ratings as follows:

	US Government Agencies	
Rating	2023	2022
AAA	$ 1,808,202	$ 1,961,629

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of Public Entity Partners' investment in a single issuer. Public Entity Partners' investment policy limits the amount that can be invested in domestic equity securities and corporate bonds to 10% of investable assets.

Custodial credit risk

Custodial credit risk is the risk that, in the event of a failure of a depository financial institution or of a counterparty (e.g., broker-dealer) to a transaction, Public Entity Partners will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Public Entity Partners' investments are registered in Public Entity Partners' name as public funds with a financial institution that participates in the Tennessee Bank Collateral Pool administered by the Tennessee State Treasurer. On June 30, 2023, and 2022, all investments were adequately insured or registered and collateralized or held by Public Entity Partners or its agent in Public Entity Partners' name.

Fair value measurement

Public Entity Partners categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset as follows:

- Level 1 - Investments reflect prices quoted in active markets for identical assets;
- Level 2 - Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and,
- Level 3 - Investments reflect prices based on unobservable sources.

Public Entity Partners had the following recurring fair value measurements as of June 30, 2023:

		Fair Value Measurements Using		
Investments by fair value level		**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
U.S. Government Agencies	$ 1,808,202	$ 1,808,202	$ -	$ -
Corporate Bonds	15,824,012	$ 15,824,012	-	-
Municipal Bonds	210,104,602	210,104,602	-	-
Total Investments	$ 227,736,816	$ 227,736,816	$ -	$ -

Investments measured at amortized cost

Local Government Investment Pool (reported in cash and cash equivalents)	$ 4,144,241

Public Entity Partners had the following recurring fair value measurements as of June 30, 2022:

		Fair Value Measurements Using		
Investments by fair value level		**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
U.S. Government Agencies	$ 1,961,629	$ 1,961,629	$ -	$ -
Corporate Bonds	19,025,194	19,025,194	-	-
Municipal Bonds	213,901,939	213,901,939	-	-
Total Investments	$ 234,888,762	$ 234,888,762	$ -	$ -

Investments measured at amortized cost

Local Government Investment Pool (reported in cash and cash equivalents)	$ 1,009,221

Investment income

Investment income consisted of interest earned on investments and changes in fair value of investments. Interest earned on investments is based on the stated coupon rate of the securities, net of investment fees. The net increase (decrease) in fair value of investments for the fiscal years ended June 30, 2023, and 2022 consisted of the following:

	2023	2022
Realized gains (losses), net	$ (1,246,999)	$ (5,991,884)
Amortization of premium	(685,350)	(649,936)
Accretion of discounts	75,926	14,183
Unrealized gains (losses), net	(12,637,835)	(50,600,817)
Net decrease in fair value of investments	$(14,494,258)	$(57,228,454)

The calculation of realized gains and losses is independent of the calculation of the net decrease in the fair value of investments. Realized gains and losses on investments that had been held 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.

(5) Premises, property, and equipment

Premises, property, and equipment activity for the fiscal year ended June 30, 2023 is as follows:

	Balance June 30, 2022	Additions	Disposals	Balance June 30, 2023
Capital assets, not being depreciated:				
Land	$ 1,957,084	$ -	-	$ 1,957,084
Capital assets, being depreciated:				
Building and improvements	7,435,747	22,470	-	7,458,217
Furniture and equipment	490,392	18,572	-	508,964
Computer system	1,763,659	-	-	1,763,659
Total capital assets, being depreciated	9,689,798	41,042	-	9,730,840
Less accumulated depreciation:				
Building and improvements	538,304	329,506	-	867,810
Furniture and equipment	275,428	82,276	-	357,703
Computer system	1,647,805	39,482	-	1,687,287
Total accumulated depreciation	2,461,537	451,264	-	2,912,800
Capital assets, being depreciated, net	7,228,261	(410,222)	-	6,818,040
Capital assets, net	$ 9,185,345	$(410,222)	-	$ 8,775,124

Premises, property, and equipment activity for the fiscal year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Additions	Disposals	Balance June 30, 2022
Capital assets, not being depreciated:				
Land	$ 1,957,084	$ -	$ -	$ 1,957,084
Capital assets, being depreciated:				
Building and improvements	7,028,861	406,886	-	7,435,747
Furniture and equipment	490,392	-	-	490,392
Computer system	1,750,700	18,596	(5,637)	1,763,659
Total capital assets, being depreciated	9,269,953	425,482	(5,637)	9,689,798
Less accumulated depreciation:				
Building and improvements	254,638	283,666	-	538,304
Furniture and equipment	194,417	81,011	-	275,428
Computer system	1,597,605	55,837	(5,637)	1,647,805
Total accumulated depreciation	2,046,660	420,514	(5,637)	2,461,537
Capital assets, being depreciated, net	7,223,293	4,968	-	7,228,261
Capital assets, net	$ 9,180,377	$ 4,968	$ -	$ 9,185,345

Depreciation charged to operating expenses in 2023, and 2022 is as follows:

	2023	2022
Losses and loss adjustment expenses	$ 16,125	$ 21,863
General and administrative expenses	435,139	398,651
Total depreciation expense	$ 451,264	$ 420,514

(6) Reserve for Losses and Loss Adjustment Expenses

Reserve for losses and loss adjustment expenses is comprised of:

	2023	2022
Reserve for reported claims	$ 93,345,216	$ 93,478,425
Reserve for incurred but not reported claims	48,168,678	50,450,190
Reserve for unallocated loss adjustment expenses	9,250,000	9,500,000
Less: reinsurance recoverable	(24,810,421)	(19,330,938)
Total reserve for losses and loss adjustment expenses	$ 125,953,474	$ 134,097,677

As discussed in Note 2, Public Entity Partners establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following table represents changes in those aggregate liabilities for Public Entity Partners during the past two years. Reserves are stated on a net basis after deductions for losses recoverable from reinsurers.

	2023	2022
Reserve for losses and loss adjustment expenses at beginning of fiscal year	$ 134,097,677	$ 136,606,706
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	55,303,378	51,515,002
Decrease in provision for insured events of prior fiscal years	(20,420,585)	(11,080,988)
Unallocated claims adjustment expenses	6,059,998	5,577,481
Total incurred claims and claim adjustment expenses	40,942,791	46,011,495
Reinsurance:		
Reinsurance recoveries received attributable to insured events of prior fiscal years	4,170,340	1,486,999
Change in reinsurance recoverable on paid losses	540,781	2,542,153
Total reinsurance	4,711,121	4,029,152
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	22,712,075	21,156,069
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	25,026,042	25,816,126
Unallocated claim adjustment expenses	6,059,998	5,577,481
Total payments	53,798,114	52,549,676
Reserve for losses and loss adjustment expenses at end of fiscal year	$ 125,953,474	$ 134,097,677

Public Entity Partners has accumulated a base of mature reported loss data, supplemented with industry data, to project ultimate losses. Estimates of incurred losses for all lines of business and policy years involve estimation of future events and costs, which may differ from amounts ultimately realized due to several factors. Estimated loss reserves have been developed by management of Public Entity Partners with assistance from a consulting actuary. Management believes the reserve for losses and loss adjustment expenses is reasonably stated for all obligations as of June 30, 2023, and 2022. However, adjustments to these estimates may nevertheless be required and would be reflected as additions or reductions to expenses in the period the adjustment is determined.

(7) Premiums Written and Reinsurance

Premiums written for the years ended June 30, 2023 and 2022, were as follows:

	2023	2022
Premiums written	$ 84,524,924	$ 80,699,496
Premiums ceded	(14,207,387)	(12,935,347)
Net premiums written	$ 70,317,537	$ 67,764,149

Public Entity Partners limits the maximum net loss that can arise from large risks or risks in concentrated areas of exposure by reinsuring (ceding) certain risks with various reinsurance companies. Ceded reinsurance is treated as the risk and liability of the assuming companies. In general, such reinsurance contracts limit Public Entity Partners' retention on individual occurrences as follows:

a. Public Entity Partners' workers compensation reinsurance retention amount was $1,350,000 per occurrence for fiscal years 2023 and 2022.

b. For fiscal years 2023 and 2022, Public Entity Partners' reinsurance retention amount was $700,000 per occurrence for events arising from general liability, personal injury liability, errors and omissions liability, law enforcement liability, employment benefit liability, employment practices liability, unmanned aerial vehicles (drones) and auto liability and privacy and network security liability.

c. For fiscal years 2023 and 2022, Public Entity Partners' property reinsurance retention amount was as follows: flood, earthquake, tornado, wind, named windstorm, hail, sleet, lightning, and rain, - $500,000 per occurrence; all other events, including auto physical damage and crime - $300,000 per occurrence.

This reinsurance coverage does not relieve Public Entity Partners from its obligations to its members. Failure of the reinsurer to honor its obligations could result in losses to Public Entity Partners and its members. Accordingly, Public Entity Partners evaluates the financial condition of any reinsurers to minimize its losses because of potential reinsurer insolvency.

Estimated amounts recoverable from reinsurers of $24,810,421 and $19,930,938 have been deducted from the reserve for losses and loss adjustment expenses (Note 6) on June 30, 2023, and 2022, respectively. Public Entity Partners remains contingently liable for reinsured losses in the event its reinsurers do not meet their contractual obligations.

(8) Net Position

The Board of Directors has committed Public Entity Partners' unrestricted net position for the purposes and amounts as presented below. The Board of Directors may, at its discretion, adjust or remove these amounts.

	2023	2022
Investment in capital assets	$ 8,775,124	$ 9,185,345
Unrestricted:		
Committed for capitalization	40,000,000	40,000,000
Committed for member credits	25,739,866	20,574,424
Committed for property/casualty catastrophe	30,000,000	30,000,000
Total operational commitments	95,739,866	90,574,424
Commited for market value stablization	12,405,200	10,043,035
Total unrestricted net position	108,145,066	100,617,459
Net position, end of year	$ 116,920,190	$ 109,802,804

During the year ended 2023, the Board did not declare a dividend for policies with effective dates of July 1, 2023, through June 30, 2024.

During the year ended 2022, the Board declared a $8,000,000 dividend to members to be paid in the form of renewal credits issued for policies with effective dates of July 1, 2022, through June 30, 2023. Lapsed dividends totaling $69,339 were returned to net position in 2023.

(9) Related Party Transactions

The formation of Public Entity Partners was sponsored by the Tennessee Municipal League (the "League"), and Public Entity Partners is governed by a Board of Directors who are ratified by the League's Board of Directors. In fiscal year 2022, the Board of Directors approved a four-year schedule of flat contributions to Tennessee Municipal League for fiscal years ending June 30, 2023, 2024, 2025, and 2026. Sponsorship contribution totaled $1,300,000 and $1,400,000 in 2023 and 2022, respectively, and are included in policy acquisition costs on the accompanying Statements of Revenues, Expenses and Changes in Net Position.

Contributions for the upcoming fiscal years were approved as follows:

Year Ended June 30:	
2024	$ 1,200,000
2025	1,100,000
2026	1,000,000

Beginning with fiscal year 2027, the yearly contribution will be calculated as 1.5% of the previous year's net written premium.

(10) Employee pension plan

a. General Information about the Pension Plan

Plan description

Employees of Public Entity Partners are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the Tennessee Consolidated Retirement System ("TCRS"). The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at https://treasury.tn.gov/Retirement/Boards-and-Governance/Reportingand-Investment-Policies.

Benefits provided

Tennessee Code Annotated, Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service-related disability eligibility. The service related and non-service-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10%

and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (“COLAs”) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (“CPI”) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms

At the measurement date of June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	7
Active employees	36
	60

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Public Entity Partners has adopted a noncontributory retirement plan for its employees. Public Entity Partners makes employer contributions at the rate set by the TCRS Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2023, the employer contributions for Public Entity Partners were $821,026 based on a rate of 16.20% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Public Entity Partners’ state shared taxes, if applicable, if required employer contributions are not remitted. The employer's actuarially determined contributions (“ADC”) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

b. <u>Net Pension Liability</u>

Public Entity Partners’ net pension liability (asset) was measured as of June 30, 2022, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability as of June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72 to 3.44% based on age, including inflation, averaging 4.0%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.125%

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2022, actuarial valuation was based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to reflect more closely actual and expected future experience.

Changes of assumptions. In 2022, assumptions did not change from 2021.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020, actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a blending of the factors described above.

Discount rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Public Entity Partners will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

c. Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 6/30/2021	$ 16,254,988	$ 16,054,250	$ 200,738
Changes for the year:			
Service cost	378,163	-	378,163
Interest	1,100,103	-	1,100,103
Differences between expected and actual experience	691,164	-	691,164
Contributions from employer	-	751,214	(751,214)
Net investment income	-	(615,189)	615,189
Benefit payments, including refunds of employee contributions	(670,643)	(670,643)	-
Administrative expense	-	(3,567)	3,567
Other	-	(23,938)	23,938
Net changes	1,498,787	(562,123)	2,060,910
Balance at 6/30/2022	$ 17,753,775	$ 15,492,127	$ 2,261,648

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of Public Entity Partners calculated using the discount rate of 6.75%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Public Entity Partners' net pension liability (asset)	$ 4,649,045	$ 2,261,648	$ 276,943

d. Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense

For the years ended June 30, 2023, and 2022, Public Entity Partners recognized pension expense of $890,702 and $337,823, respectively.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2023, Public Entity Partners reported deferred outflows of resources and deferred inflows of resources related to pensionsfrom thefollowing sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,493,602	$ 17,773
Net difference between projected and actual earnings on pension plan investments	49,080	-
Changes in assumptions	470,261	-
Contributions subsequent to the measurement date of June 30, 2022	821,026	-
Total	$ 2,833,969	$ 17,773

For the year ended June 30, 2022, Public Entity Partners reported deferred outflows of resources and deferred inflows of resources related to pensionsfrom thefollowing sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,222,703	$ 26,661
Net difference between projected and actual earnings on pension plan investments	-	1,754,261
Changes in assumptions	631,967	-
Contributions subsequent to the measurement date of June 30, 2021	752,811	
Total	$ 2,607,481	$ 1,780,922

The amount shown above for "Contributions subsequent to the measurement dates of June 30, 2022, and 2021 will be recognized as a reduction to net pension liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:		
2024	$	424,524
2025		379,406
2026		333,309
2027		742,731
2028		115,194
Thereafter		-

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

e. Payable to the Pension Plan

On June 30, 2023, and 2022, Public Entity Partners did not owe any outstanding contributions to the pension plan.

(11) Commitments and Contingencies

In the normal course of operations, Public Entity Partners is involved in litigation related to certain claims. In the opinion of management, the disposition of these matters will not have a material adverse effect on Public Entity Partners' financial position.

Public Entity Partners entered a five-year contract with J. Russel Farrar on July 1, 2016, for lobbying services. The contract, unless either party notifies the other of termination, is extended for one additional year with the passage of each year. There has been no change or termination of the contract terms, therefore, the contract remains in effect. Upon approval by the President/CEO and the Board of Directors, the contract allows for yearly increases to the contract amount. The contract fee for 2023 was $249,066. The contract fee for 2022 was $237,206.

Public Entity Partners entered a five-year contract with J. Russel Farrar on July 1, 2016, for general counsel services. The contract, unless either party notifies the other of termination, is extended for one additional year with the passage of each year. There has been no change or termination of the contract terms since the origination of the contract. Upon approval by the President/CEO

and the Board of Directors, the contract allows for yearly increases to the contract amount. The contract fee for 2023 was $374,834. The contract fee for 2022 was $356,985.
Public Entity Partners entered a five-year contract with Public Risk Services in June 2014 for third-party administration services for all Public Entity Partner claims payment and processing. The contract is to renew automatically at the conclusion of each year for an additional year unless notice is given by either party to terminate. There has been no change or termination of the contract terms since the origination of the contract. The contract has an automatic yearly increase of 2.9%, however, additional increases can be approved by the President/CEO and Board of Directors. The contract fee for 2023 was $5,378,917. The contract fee for 2022 was $4,985,088.

(12) <u>Leases</u>

Public Entity Partners has adopted GASB Statement No. 87, *Leases*. In reviewing the lease commitments and receivables of the entity, it was determined that when calculating the present values of the future cash inflows and outflows from leases, the overall impact to the financial statements is immaterial.

Public Entity Partners leases certain office equipment and office and storage space from various third parties under operating lease agreements with fixed rental payments. Total rental expenses under these operating leases were $42,492 and $41,535 for 2023 and 2022, respectively.

Future minimum rents under long-term operating leases are $43,017 for fiscal year ending June 30, 2024, $31,992 for fiscal year ending June 30, 2025, $17,304 for fiscal year ending June 30, 2026, and $17,304 for fiscal year ending June 30, 2027.

Public Entity Partners also entered a lease arrangement in November 2021 for rental of office space of approximately 2,250 square feet to Savant Learning Systems. The lease is a three-year lease with the option to extend for an additional two years. Total rental income under this lease amounted to $46,305 and $30,870 for years ended June 30, 2023 and 2022, respectively. Future minimum rent income amounts are $46,305 for year ending June 30, 2024, and $15,435 for year ending June 30, 2025, if option is not made to extend.

(13) <u>Subscription Based Information Technology</u>

Public Entity Partners leases subscription based assets under various subscription based agreements that expire in June of 2025. In accordance with GASB 96, using an incremental borrow rate of 3.65%, a right-to-use ("RTU") asset of $1,128,151, related accumulated amortization of $438,723, and a subscription liability of $689,428 is included in the accompanying statement of net position as of June 30, 2023. The RTU asset of $1,155,303, related accumulated amortization of $118,739, and a subscription based IT liability of $791,603 is included in the accompanying statement of net position as of June 30, 2022. Amortization expense was $319,984 and $118,739 for the years ended June 30, 2023 and 2022, and is included in depreciation and amortization.

The subscription payment obligations as of and for the years ended June 30, 2023, and 2022 are as follows:

	Balance at June 30, 2022	Additions/ Other	Reductions	Balance at June 30, 2023	Amounts Due Within One Year
Subscriptions	$ 791,603	$ 71,695	$ (173,870)	$ 689,428	$ 345,083

	Balance at June 30, 2021	Additions/ Other	Reductions	Balance at June 30, 2022	Amounts Due Within One Year
Subscriptions	$ -	$ 1,155,303	$ (363,700)	$ 791,603	$ 345,061

Future minimum subscription payments under noncancellable subscription based agreements with initial or remaining subscription terms in excess of one year as of June 30, 2023 are as follows:

Year	Cash Payment	Interest	Principal
2024	$ 363,700	$ 18,617	$ 345,083
2025	363,700	19,355	344,345
Total future minimum subscription payments	$ 727,400	$ 37,972	$ 689,428

(14) Other Assets

The Pool contributed $750,000 as a prerequisite for membership in the NLC-Mutual Insurance Company (“NLC-MIC”) in October 2022. NLC-MIC is a captive insurance company formed by risk pools associated with certain state municipal leagues, including the Pool. These capital contributions support a member’s purchase of insurance or reinsurance from NLC Mutual and are no less than 50% of such member’s first year annual net premium. Each capital contribution is credited to the member’s capital account and a separate record is maintained by NLC Mutual to account for any increases or decreases to that account.

PUBLIC ENTITY PARTNERS

Ten-Year Claims Development Information

Year ended June 30, 2023

The table below illustrates how PE Partners' earned revenues (net of reinsurance) and investment income compare to related costs of losses (net of losses assumed by reinsurers) and other expenses assumed by PE Partners as of the end of each of the last ten fiscal years. The rows of the table are defined as follows: (1) Net earned required premium and investment revenues – This line shows the total of each fiscal year's net earned premium revenues and investment revenues. (2) Unallocated expenses – This line shows each fiscal year's other operating costs of PE Partners including overhead and claims expense not allocable to individual claims. (3) Estimated incurred claims and expenses, end of accident year – This line shows PE Partners' incurred claims and allocated claim adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (policy year). (4) Net paid (cumulative) – This section of ten rows shows the cumulative amounts paid net of recoveries as of the end of successive years for each policy year. (5) Re-estimated incurred claims and expenses – This section of ten rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, as well as emergence of new claims not previously known. (6) Increase (decrease) in estimated incurred claims and expenses from end of accident year – This line compares the latest re-estimated incurred claims amount (line 5) to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally estimated. As data for individual policy years matures, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1. Net earned required premium and investment revenues	$62,816,826	$66,741,692	$82,273,191	$58,412,738	$64,785,175	$88,288,076	$85,915,361	$76,542,462	$19,595,887	$65,899,543
2. Unallocated expenses	17,449,760	16,878,932	16,843,422	18,705,261	18,399,361	20,116,565	23,478,393	21,274,830	22,203,548	23,968,704
3. Estimated incurred claims and expense, end of accident year	45,820,056	46,676,947	45,699,807	46,517,506	46,254,820	45,282,440	50,322,356	47,867,634	51,515,002	55,303,378
4. Net Paid (cumulative) as of:										
End of accident year	13,084,348	13,208,337	12,053,539	15,918,968	13,629,302	15,607,208	15,271,316	12,664,302	21,156,069	22,712,075
One year later	23,347,626	24,079,927	22,764,176	26,579,123	24,140,530	24,136,191	27,466,141	24,111,273	27,738,461	
Two years later	27,922,722	28,934,633	26,261,766	28,851,024	29,793,846	29,313,194	32,653,154	29,813,118		
Three years later	29,951,595	30,875,714	27,914,268	30,227,226	32,911,736	32,898,229	35,054,107			
Four years later	30,663,176	31,835,404	28,746,106	30,659,068	34,382,959	35,448,562				
Five years later	31,442,972	32,319,266	29,274,995	30,729,779	35,358,781					
Six years later	31,770,542	32,408,797	30,404,702	30,838,854						
Seven years later	31,851,664	32,547,435	30,507,665							
Eight years later	32,037,708	32,650,754								
Nine years later	32,115,720									
5. Re-estimated incurred claims and expenses:										
End of accident year	45,820,056	46,676,947	45,699,807	46,517,506	46,254,820	45,282,440	50,322,356	47,867,634	51,515,002	55,303,378
One year later	46,024,778	46,723,332	46,885,944	44,239,441	42,933,250	46,222,837	47,425,470	45,142,176	44,458,647	
Two years later	43,189,636	43,694,843	41,620,255	39,814,023	43,152,817	43,874,124	46,473,274	41,480,396		
Three years later	40,543,901	40,663,865	38,446,455	38,013,447	41,496,396	42,258,194	43,655,240			
Four years later	39,195,784	38,118,961	38,007,621	36,247,261	40,522,270	41,505,808				
Five years later	37,083,169	37,306,343	35,975,981	34,691,692	39,550,841					
Six years later	36,415,099	35,960,084	35,661,259	33,741,557						
Seven years later	35,445,080	35,115,785	34,674,546							
Eight years later	34,901,097	34,897,134								
Nine years later	34,579,009									
6. Increase (decrease) in estimated incurred claims and expense from end of accident year	(11,241,047)	(11,779,813)	(11,025,261)	(12,775,949)	(6,703,979)	(3,776,632)	(6,667,116)	(6,387,238)	(7,056,355)	-

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PUBLIC ENTITY PARTNERS

Reconciliation of Claims Liabilities by Type of Contract

Year ended June 30, 2023

	Liability	Workers' Compensation	Property	Total
Reserve for losses and loss adjustment expenses at beginning of fiscal year	$49,976,692	$82,711,003	$1,409,982	$134,097,677
Incurred claims and claim adjustment expenses:				
Provision for insured events of the current fiscal year	30,031,845	18,771,533	6,500,000	55,303,378
Increase (decrease) in provision for insured events of prior fiscal years	(11,866,428)	(8,354,764)	(199,392)	(20,420,585)
Unallocated claims adjustment expenses	2,437,615	2,106,996	1,515,387	6,059,998
Total incurred claims and claim adjustment expeneses	20,603,032	12,523,765	7,815,995	40,942,791
Reinsurance:				
Reinsurance recoveries received attributable to insured events of prior fiscal years	975,698	620,104	2,574,537	4,170,340
Change in reinsurance recoverable on paid losses	(1,036,770)	221,216	1,356,335	540,781
Total reinsurance	(61,072)	841,320	3,930,872	4,711,121
Payments:				
Claims and claim adjustment expenses attributable to insured events of current fiscal year	8,498,668	5,623,082	8,590,325	22,712,075
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	14,181,388	9,643,622	1,201,032	25,026,042
Unallocated claim adjustment expenses	2,437,615	2,106,996	1,515,387	6,059,998
Total payments	25,117,671	17,373,699	11,306,744	53,798,114
Reserve for losses and loss adjustment expenses at end of fiscal year	$45,400,981	$78,702,389	$1,850,105	$125,953,474

See independent auditors' report.

PUBLIC ENTITY PARTNERS

Reconciliation of Claims Liabilities by Type of Contract

Year ended June 30, 2022

	Liability	Workers' Compensation	Property	Total
Reserve for losses and loss adjustment expenses at beginning of fiscal year	$ 46,406,126	$ 88,087,900	$ 2,112,680	$ 136,606,706
Incurred claims and claim adjustment expenses:				
Provision for insured events of the current fiscal year	27,541,848	20,073,154	3,900,000	51,515,002
Decrease in provision for insured events of prior fiscal years	(519,323)	(10,476,795)	(84,870)	(11,080,988)
Unallocated claims adjustment expenses	2,238,386	2,013,771	1,325,324	5,577,481
Total incurred claims and claim adjustment expenses	29,260,911	11,610,130	5,140,454	46,011,495
Reinsurance:				
Reinsurance recoveries received attributable to insured events of prior fiscal years	71,774	1,013,047	402,178	1,486,999
Change in reinsurance recoverable on paid losses	966,735	(384,265)	1,959,683	2,542,153
Total reinsurance	1,038,509	628,782	2,361,861	4,029,152
Payments:				
Claims and claim adjustment expenses attributable to insured events of current fiscal year	9,434,832	6,475,904	5,245,333	21,156,069
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	15,055,636	9,126,134	1,634,356	25,816,126
Unallocated claim adjustment expenses	2,238,386	2,013,771	1,325,324	5,577,481
Total payments	26,728,854	17,615,809	8,205,013	52,549,676
Reserve for losses and loss adjustment expenses at end of fiscal year	$ 49,976,692	$ 82,711,003	$ 1,409,982	$ 134,097,677

See independent auditors' report.

PUBLIC ENTITY PARTNERS

Schedule of Changes in Net Pension Liability and Related Ratios
Based on Participation in the Public Employee Pension Plan of the
Tennessee Consolidated Retirement System

Last Fiscal Year Ended June 30,

	2015	2016	2017	2018	2019	2020	2021	2022
Total pension liability:								
Service Cost	$ 180,845	$ 211,832	$ 202,026	$ 216,302	$ 231,182	$ 255,410	$ 251,465	$ 378,163
Interest	652,233	701,015	762,920	811,653	879,498	926,309	1,001,863	1,100,103
Changes in benefit terms	-	-	-	-	-	-	-	-
Differences between actual and expected experience	61,392	231,407	137,083	296,648	(53,325)	377,629	1,019,062	691,164
Change of assumptions	-	-	264,836	-	-	-	705,391	-
Benefit payments, including refunds of employee contributions	(266,470)	(283,590)	(334,508)	(381,866)	(425,535)	(446,281)	(580,267)	(670,643)
Net change in total pension liability	628,000	860,664	1,032,357	942,737	631,820	1,113,067	2,397,514	1,498,787
Total pension liability, beginning	8,648,829	9,276,829	10,137,493	11,169,850	12,112,587	12,744,407	13,857,474	16,254,988
Total pension liability, ending (a)	$ 9,276,829	$ 10,137,493	$ 11,169,850	$ 12,112,587	$ 12,744,407	$ 13,857,474	$ 16,254,988	$ 17,753,775
Plan fiduciary net position:								
Contributions from employer	$ 444,391	$ 481,504	$ 507,080	$ 545,924	$ 563,164	$ 663,960	$ 672,459	$ 751,214
Contributions from employees	-	-	-	-	-	-	-	-
Net investment income	247,692	224,807	1,006,625	834,699	821,215	595,500	3,285,030	(615,189)
Benefit payments, including refunds of employee contributions	(266,470)	(283,590)	(334,508)	(381,866)	(425,535)	(446,281)	(580,267)	(670,643)
Administrative expense	(1,421)	(2,180)	(2,533)	(2,851)	(22,088)	(21,952)	(22,169)	(3,567)
Other	-	-	-	-	-	-	-	(23,938)
Net change in plan fiduciary net position	424,192	420,541	1,176,664	995,906	936,756	791,227	3,355,053	(562,123)
Plan fiduciary net position, beginning	7,953,911	8,378,103	8,798,644	9,975,308	10,971,214	11,907,970	12,699,197	16,054,250
Plan fiduciary net position, ending (b)	$ 8,378,103	$ 8,798,644	$ 9,975,308	$ 10,971,214	$ 11,907,970	$ 12,699,197	$ 16,054,250	$ 15,492,127
Net Pension Liability, ending (a) - (b)	$ 898,726	$ 1,338,849	$ 1,194,542	$ 1,141,373	$ 836,437	$ 1,158,277	$ 200,738	$ 2,261,648
Plan fiduciary net position as a percentage of total pension liability:	90.31%	86.79%	89.31%	90.58%	93.44%	91.64%	98.77%	87.26%
Covered-employee payroll:	$ 2,921,704	$ 3,165,707	$ 3,333,863	$ 3,448,666	$ 3,555,327	$ 4,101,054 **	$ 4,150,983 **	$ 4,637,122
Net pension liability as a percentage of covered-employee payroll:	30.76%	42.29%	35.83%	33.10%	23.53%	28.25%	4.84%	48.77%

**** Difference in covered payroll for FYE 2021 and FYE 2022 - reduction of $9,860 for January 2021 reported payroll processed in August 2021 - total covered payroll $4,141,123 for 2021 and $4,646,982.19 for 2022**

Changes in assumptions. In 2021, amounts reported as changes of assumptions resulted from changes to the inflations rate, investment rate of return, cost-of-living adjustment, and mortality improvements. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See independent auditors' report.

PUBLIC ENTITY PARTNERS

Schedule of Contributions Based on Participation in the Public Employee Pension Plan of Tennessee Consolidated Retirement System

Last Fiscal Year Ended June 30,

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	$ 416,207	$ 444,391	$ 481,504	$ 507,080	$ 545,924	$ 563,164	$ 663,960	$ 670,862	$ 752,811	$ 821,026
Contribution in relation to the actuarially determined contribution	416,207	444,391	481,504	507,080	545,924	563,164	663,960	670,862	752,811	821,026
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 2,699,019	$ 2,921,704	$ 3,165,707	$ 3,333,863	$ 3,448,666	$ 3,555,327	$ 4,101,054	$ 4,141,123	$ 4,646,982	$ 5,068,064
Contributions as a percentage of covered-employee payroll	15.42%	15.21%	15.21%	15.21%	15.83%	15.84%	16.19%	16.20%	16.20%	16.20%

Notes to Required Supplementary Information:

Valuation Date: Actuarially determined contribution rates for 2023 were calculated based on the June 30, 2022 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age Normal
Amortization method:	Level dollar, closed (not to exceed 20 years)
Remaining amortization period:	Varies by year
Asset valuation:	10-year smoothed within a 20% corridor to market value
Inflation:	2.25%
Salary increases:	Graded salary ranges from 8.72 to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return:	6.75%, net of investment expense, including inflation
Retirement age:	Pattern of retirement determined by experience study
Mortality:	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustment:	2.125%

Changes in Assumptions: In 2021, the following assumptions were changed: decreased inflation rate from 2.50% to 2.25%; decreased the investment rate of return from 7.25% to 6.75%; decreased the cost-of-living adjustment from 2.25% to 2.125%; and modified mortality assumptions.

In 2017, the following assumptions were changed: decreased inflation rate from 3.00% to 2.50%; decreased the investment rate of return from 7.50% to 7.25%; decreased the cost-of-living adjustment from 2.50% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4.00%; and, modified mortality assumptions.

See independent auditors' report.

PUBLIC ENTITY PARTNERS

Additional Information On Employee Compensation As Required
By Tennessee State Law (For Amounts In Excess of $25,000)

July 1, 2022 Through June 30, 2023

Employee	Earned Compensation			Fringe
	Base Earnings	Other Earnings	Total Earnings	Benefits
Michael Fann - President & CEO	$ 333,651	$ 50,638	$ 384,289	$ 54,721
Dalton, George - Executive Vice President	286,216	14,855	301,071	46,367
Shrum, Amanda - Chief Financial Officer	245,458	18,953	264,410	41,703
Anderson, Wayne	92,769	35,717	128,486	15,166
Carr, Carrie	81,672	1,690	83,362	14,137
Chambliss, Robert	137,631	14,976	152,606	22,511
Curtis, Sarah	86,923	13,876	100,799	14,237
Darden, Chester	188,486	25,455	213,941	34,102
Dean, Allen	140,510	1,712	142,223	22,894
Dodson, Jason	130,924	1,669	132,592	21,210
Earls, Joseph	84,793	1,690	86,484	14,576
Fielder, David	102,108	1,776	103,884	17,078
Gallik, Halie	215,094	17,289	232,383	35,653
Goff, Wyatt	49,905	946	50,851	8,085
Graves, Marcus	98,393	1,690	100,083	16,900
Gross, Carole	123,065	1,776	124,841	20,600
Hatchel, James	126,765	14,965	141,729	20,536
Hayes, Phillip	94,826	1,723	96,548	15,362
Helms, Nathan	46,470	-	46,470	7,528
Helton, Janine	151,769	1,776	153,545	25,211
Lacewell, Andrew	132,577	14,840	147,417	22,334
Lennon, Pamela	33,745	-	33,745	5,467
Little, Karen	24,354	-	24,354	3,945
Lynch, Robert	114,222	15,029	129,251	18,504
Magoon, William	135,971	15,493	151,464	22,027
Mai, Anna Elizabeth	90,307	1,712	92,019	14,630
Marshall, Matthew	59,874	13,707	73,581	9,700
Mitchell, Tahtia	87,989	1,627	89,616	14,254
Moore, Karen	28,616	-	28,616	4,871
Pauley, Jacqueline	72,054	1,776	73,830	12,366
Ponessa, Anthony	215,094	39,929	255,023	37,636
Roman, Anthony	65,499	10,552	76,051	11,151
Salah, Carly	49,716	-	49,716	8,054
Sengsavang, Sammy	159,777	1,776	161,552	26,534
Sturtz, Heather	80,258	1,829	82,087	13,002
Taylor, Celeste	215,094	24,479	239,573	38,681
Turner, Aliyah	62,129	1,776	63,904	10,065
Turner, Amber	53,928	1,776	55,703	8,736
Westerfield, Callie	194,695	17,457	212,152	33,370
Wilson, Olivia	49,265	1,776	51,040	7,981
Yeager, Deborah	94,826	14,976	109,801	15,674
Zhuang, Jia	165,867	1,648	167,516	27,830
Zimmerle, Stacey	51,364	-	51,364	8,321
	$ 5,054,649	$ 405,330	$ 5,459,972	$ 843,710

See independent auditors' report.

PUBLIC ENTITY PARTNERS

Additional Information On Contractors/Professional Advisors/Personal Service Providers
As Required By Tennessee State Law (For Amounts In Excess of $2,500)

July 1, 2022 Through June 30, 2023

Provider	Description of Services	Amount Paid
8X8, Inc.	Phone Software Support Services	$ 32,948
Act Security, Inc	Security Monitoring Services	4,578
ADP, LLC	Payroll Processing Services	12,713
Ahead, Inc	Software Support Services	24,766
Arthur J. Gallagher Risk	Reinsurance Brokerage Services	13,173,861
Batson Nolan PLC	Legal Services for Claims Defense	32,382
BLR - Business & Legal Resources	Professional Training Services	61,417
Callan LLC	Investment Performance Evaluation	37,000
Center for Internet Security, Inc	Internet Security Service	5,640
Cummins Crosspoint	Commercial Maintenance & Repair Services	5,952
Dex Imaging, Inc.	Copy Machine Support Services	6,515
Farrar & Bates, Llp	Legal/Lobbying Services	644,376
Fiserv Inc	Software Support Services	4,930
Flexential Corp.	Technology Support Services	93,427
Fortra (formerly Help/Systems LLC)	Origami Consulting Services	14,006
Freshworks, Inc	Online Ticket Service	9,569
Housley, Judy	Consulting Services	141,424
Huber & Lamb Appraisal Group	Property Appraisal Services	579,990
Hyland Software	Software Support Services	21,254
Ice Data Pricing And	Investment Valuation Services	18,554
InfoArmor, Inc.	Identity Theft Monitoring Services	2,935
Interstate AC Services, LLC	Commercial Maintenance & Repair Services	5,222
Iso Services, Inc.	Claims Research Services	12,387
Knighthorst Shredding, LLC	Shredding Services	3,290
LBMC, PC	Audit Services	71,000
LBMC Technologies, LLC	Technology Support Services	62,799
Level 3 Communications	Technology Support Services	43,489
Marriott Franklin/Cool Springs	Conference Services	69,508
Martin & Zerfoss, Inc.	Corporate Insurance Services	29,985
Nashbox Studios, LLC	Photography Services	6,000
Nashville Building Services, Inc	Office Cleaning Services	34,396
Oasis Computer Solutions Inc	Software Consulting Services	4,763
Origami Risk, LLC	Claims Software Services	516,968
Overland Solutions, LLC	Workers Compensation Audit Services	96,649
PluralSight, LLC	Professional Training Services	4,053
Praetorian Digital	Professional Training Services	55,000
Price-Waterhouse-Coopers LLP	Actuarial Services	163,000
Public Risk Services Inc.	Third-Party Administrator Services	5,378,917
Public Risk Services, Inc.	Third-Party Administrator Services	3,037
Quality Management Services, LLC	Professional Training Services	15,430
Savant Learning Systems, Inc.	Professional Training Services	121,915
Steelhead Building Group LLC	General Construction Contractor Services	22,732
The Corporate Image	Marketing/Branding Consulting Services	56,864
The Greathouse Company, LLC	Groundskeeping	19,076
Thyssenkrupp Elevator Corporation	Commercial Maintenance & Repair Services	2,978
TN Municipal League	Organizational Sponsorship Fee	1,360,788
Trane	Commercial Maintenance & Repair Services	4,285
Turner, Roger	Building Maintenance Services	20,507
Watson, Roach, Batson, Rowell,	Legal Services for Claims Defense	5,998
YMG Enterprises, LLC	Guest Speaker Services	2,500

Independent Auditors' 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*

To the Board of Directors of
Public Entity Partners

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 Public Entity Partners (the "Company") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon dated November 13, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company'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 Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company'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 Company's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, we performed tests of their 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.

LBMC, PC

Brentwood, Tennessee
November 13, 2023

PUBLIC ENTITY PARTNERS

Summary Schedule of Prior Year Findings

Year ended June 30, 2023

There were no prior findings reported.