



## **ANNUAL FINANCIAL REPORT**

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**FISCAL YEAR 2020**

September 1, 2019 – August 31, 2020





State Office of Risk Management

300 W. 15<sup>TH</sup>, AUSTIN, TEXAS 78701 / P.O. BOX 13777, AUSTIN, TEXAS 78711-3777  
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November 10, 2020

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TOMAS GONZALEZ

Ladies and Gentlemen:

EXECUTIVE DIRECTOR:

STEPHEN S. VOLLBRECHT,  
JD, MA, AINS, AIS, MCP, MEMS

We are pleased to submit the annual financial report of the State Office of Risk Management for the year ended August 31, 2020, in compliance with Texas Government Code Annotated, Section 2101.011, and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) 34, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the state auditor as part of the audit of the State of Texas *Comprehensive Annual Financial Report* (CAFR); therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Stuart B. Cargile at (512) 936-1523.

Sincerely,

Stephen S. Vollbrecht  
J.D., M.A., AINS, AIS, MCP, MEMS  
State Risk Manager, Executive Director

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## **EXHIBITS**

**EXHIBIT I**  
**COMBINED BALANCE SHEET / STATEMENT OF NET POSITION - Governmental Funds**  
August 31, 2020

	GOVERNMENTAL FUND TYPES		GOVERNMENTAL FUNDS TOTAL	
	GENERAL			
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents (Note 3):				
Cash in Bank	\$	4,500.00	\$	4,500.00
Legislative Appropriations		10,560,062.85		10,560,062.85
Prepaid Items		20,963.06		20,963.06
Total Current Assets		<u>10,585,525.91</u>		<u>10,585,525.91</u>
Non-Current Assets:				
Capital Assets (Note 2)				
Depreciable				
Furniture and Equipment	\$		\$	
Less Accumulated Depreciation				
Amortizable				
Computer Software				
Less Accumulated Amortization				
Total Non-Current Assets		<u>0.00</u>		<u>0.00</u>
<b>TOTAL ASSETS</b>	\$	<u><u>10,585,525.91</u></u>	\$	<u><u>10,585,525.91</u></u>
<b>LIABILITIES AND FUND BALANCES</b>				
Current Liabilities:				
Payables from:				
Accounts	\$	1,650.93	\$	1,650.93
Payroll		1,009,654.78		1,009,654.78
Employees' Compensable Leave (Note 5)				
Claims and Judgments (Note 5)				
Total Current Liabilities		<u>1,011,305.71</u>		<u>1,011,305.71</u>
Non-Current Liabilities:				
Employees' Compensable Leave (Note 5)	\$		\$	
Claims and Judgments (Note 5)				
Total Non-Current Liabilities		<u>0.00</u>		<u>0.00</u>
<b>TOTAL LIABILITIES</b>	\$	<u><u>1,011,305.71</u></u>	\$	<u><u>1,011,305.71</u></u>
<b>FUND FINANCIAL STATEMENT</b>				
FUND BALANCES (DEFICITS):				
Nonspendable	\$	20,963.06	\$	20,963.06
Unassigned		9,553,257.14		9,553,257.14
<b>TOTAL FUND BALANCES</b>	\$	<u><u>9,574,220.20</u></u>	\$	<u><u>9,574,220.20</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	\$	<u><u>10,585,525.91</u></u>	\$	<u><u>10,585,525.91</u></u>
<b>GOVERNMENT-WIDE STATEMENT OF NET POSITION</b>				
Net Position:				
Net Investment in Capital Assets				
Unrestricted				
Total Net Position				

State Office of Risk Management (479)  
Unaudited

<u>CAPITAL ASSETS ADJUSTMENTS</u>	<u>LONG-TERM LIABILITIES ADJUSTMENTS</u>	<u>OTHER ADJUSTMENTS</u>	<u>STATEMENT OF NET POSITION</u>
\$	\$	\$	\$
			4,500.00
			10,560,062.85
			20,963.06
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>10,585,525.91</u>
\$	\$	\$	\$
236,790.67			236,790.67
(229,993.21)			(229,993.21)
			0.00
			0.00
<u>6,797.46</u>	<u>0.00</u>	<u>0.00</u>	<u>6,797.46</u>
\$ <u>6,797.46</u>	\$ <u>0.00</u>	\$ <u>0.00</u>	\$ <u>10,592,323.37</u>
\$	\$	\$	\$
			1,650.93
			1,009,654.78
	474,009.75		474,009.75
	39,410,000.00		39,410,000.00
<u>0.00</u>	<u>39,884,009.75</u>	<u>0.00</u>	<u>40,895,315.46</u>
\$	\$	\$	\$
	270,215.78		270,215.78
	37,266,975.37		37,266,975.37
<u>0.00</u>	<u>37,537,191.15</u>	<u>0.00</u>	<u>37,537,191.15</u>
\$ <u>0.00</u>	\$ <u>77,421,200.90</u>	\$ <u>0.00</u>	\$ <u>78,432,506.61</u>
\$	\$	\$	\$
			20,963.06
			9,553,257.14
			<u>9,574,220.20</u>
6,797.46			6,797.46
	(77,421,200.90)		(77,421,200.90)
\$ <u>6,797.46</u>	\$ <u>(77,421,200.90)</u>	\$ <u>0.00</u>	\$ <u>(67,840,183.24)</u>

**EXHIBIT II**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND**  
**BALANCE / STATEMENT OF ACTIVITIES - Governmental Funds**  
For the Fiscal Year Ended August 31, 2020

	GENERAL	GOVERNMENTAL FUNDS TOTAL
	<hr/>	<hr/>
<b>REVENUES:</b>		
Legislative Appropriations:		
Original Appropriations Revenue (GR)	\$	\$
Additional Appropriations Revenue (GR)	6,060.24	6,060.24
Licenses, Fees and Permits	1,875.50	1,875.50
Sales of Goods and Services	813,849.60	813,849.60
Other Revenues	50,254,604.72	50,254,604.72
<b>Total Revenues</b>	<b>\$ 51,076,390.06</b>	<b>\$ 51,076,390.06</b>
	<hr/>	<hr/>
<b>EXPENDITURES</b>		
Salaries and Wages	\$ 7,470,134.19	\$ 7,470,134.19
Payroll Related Costs	2,268,912.86	2,268,912.86
Professional Fees and Services	1,132,270.45	1,132,270.45
Travel	103,182.34	103,182.34
Materials and Supplies	315,809.82	315,809.82
Communication and Utilities	69,496.33	69,496.33
Repairs and Maintenance	26,703.86	26,703.86
Rentals and Leases	19,310.98	19,310.98
Claims and Judgments	31,320,402.63	31,320,402.63
Other Expenditures	907,127.98	907,127.98
Depreciation and Amortization Expense		
<b>Total Expenditures/Expenses</b>	<b>\$ 43,633,351.44</b>	<b>\$ 43,633,351.44</b>
	<hr/>	<hr/>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 7,443,038.62</b>	<b>\$ 7,443,038.62</b>
	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES):</b>		
Sale of Capital Assets	\$	\$
Gain (Loss) on Sale of Capital Assets		
Inc (Dec) in Net Position Due to Interagency Transfer		
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
	<hr/>	<hr/>
<b>Net Change in Fund Balance/Net Position</b>	<b>\$ 7,443,038.62</b>	<b>\$ 7,443,038.62</b>
	<hr/>	<hr/>
<b>Fund Financial Statement - Fund Balances</b>		
Fund Balance - September 1, 2019	\$ 2,131,181.58	\$ 2,131,181.58
Restatements		
Fund Balance - September 1, 2019, as Restated	\$ 2,131,181.58	\$ 2,131,181.58
	<hr/>	<hr/>
Appropriation Lapsed	\$	\$
<b>FUND BALANCES - August 31, 2020</b>	<b>\$ 9,574,220.20</b>	<b>\$ 9,574,220.20</b>
	<hr/>	<hr/>

**GOVERNMENT-WIDE STATEMENT OF NET POSITION**

Net Position/Net Change in Net Position

Net Position, September 1, 2019

Restatements

Net Position, September 1, 2019, as Restated

Net Position, August 31, 2020

State Office of Risk Management (479)  
Unaudited

<u>CAPITAL ASSETS ADJUSTMENTS</u>	<u>LONG-TERM LIABILITIES ADJUSTMENTS</u>	<u>OTHER ADJUSTMENTS</u>	<u>STATEMENT OF ACTIVITIES</u>
\$	\$	\$	\$ 0.00
			6,060.24
			1,875.50
			813,849.60
			50,254,604.72
\$ <u>0.00</u>	\$ <u>0.00</u>	\$ <u>0.00</u>	\$ <u>51,076,390.06</u>
\$	\$ 16,300.15	\$	\$ 7,486,434.34
			2,268,912.86
			1,132,270.45
			103,182.34
			315,809.82
			69,496.33
			26,703.86
			19,310.98
	(3,713,302.43)		27,607,100.20
			907,127.98
5,232.77			5,232.77
\$ <u>5,232.77</u>	\$ <u>(3,697,002.28)</u>	\$ <u>0.00</u>	\$ <u>39,941,581.93</u>
\$ <u>(5,232.77)</u>	\$ <u>3,697,002.28</u>	\$ <u>0.00</u>	\$ <u>11,134,808.13</u>
\$	\$	\$	\$ 0.00
			0.00
			0.00
\$ <u>0.00</u>	\$ <u>0.00</u>	\$ <u>0.00</u>	\$ <u>0.00</u>
			\$ <u>11,134,808.13</u>
			\$ 2,131,181.58
			0.00
			\$ 2,131,181.58
			\$ 0.00
			\$ <u>13,265,989.71</u>
\$ <u>(5,232.77)</u>	\$ <u>3,697,002.28</u>	\$ <u>0.00</u>	
\$ 12,030.23	\$ (81,118,203.18)	\$	\$ (81,106,172.95)
\$ <u>12,030.23</u>	\$ <u>(81,118,203.18)</u>	\$ <u>0.00</u>	\$ <u>(81,106,172.95)</u>
\$ <u>6,797.46</u>	\$ <u>(77,421,200.90)</u>	\$ <u>0.00</u>	\$ <u>(67,840,183.24)</u>



## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. ENTITY

The State Office of Risk Management (SORM) was created, effective September 1, 1997, to administer the government employees workers' compensation insurance and the state risk management programs. The functions previously performed by the Workers' Compensation Division of the Office of the Attorney General (OAG) and the functions previously performed by the Risk Management Division of the Texas Workers' Compensation Commission were consolidated to form this new agency. The State Office of Risk Management was administratively attached to the OAG so the OAG would provide facilities and administrative services for SORM. All records, equipment, and supplies in the custody of the Worker's Compensation Division of the Attorney General Office as it existed on August 31, 1997, were transferred to SORM during fiscal year 1998.

The financial records of the State Office of Risk Management comply with State statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for State Agencies.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report is considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

#### B. FUND STRUCTURE

The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity.

##### GOVERNMENTAL FUND TYPES & GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

###### General Revenue Funds

The General Revenue Fund (appropriated fund 0001) is the principal operating fund used to account for most of the state's general activities. It accounts for all financial resources except those required to be accounted for in another fund.

Child Support Employee Deductions-Offset Account (appropriated fund 0807) is used to accumulate money withheld from the salaries of state officers and employees for child support deductions for distribution to the statewide disbursement unit through a single direct deposit.

Departmental Suspense (appropriated fund 0900) is used to provide a temporary depository for money held in suspense pending final disposition.

Correction Account for Direct Deposit (appropriated fund 0980) is used to hold money returned by financial institutions which had been transmitted for direct deposit where problems prevented credit being given to individual depositors.

#### Capital Asset Adjustment Fund Type

The capital assets adjustment fund (appropriated fund 9998) is used to convert governmental fund types' capital assets from modified accrual to full accrual basis.

#### Long-Term Liability Adjustment Fund Type

The long-term liabilities adjustment fund (appropriated fund 9997) is used to convert governmental fund types' debt from modified accrual to full accrual basis.

### **C. BASIS OF ACCOUNTING**

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Governmental fund types are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized in the period that they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year-end.

The state of Texas considers receivables collected within 60 days after fiscal year-end to be available and recognizes them as revenues of the current year for fund financial statements prepared on the modified accrual basis. Expenditures and other uses of financial resources are recognized when the related liability is incurred.

Basis conversion adjustment fund types convert modified accrued basis to full accrued basis of accounting. The following activities are recognized in these fund types:

- Capital assets
- Accumulated depreciation
- Unpaid employee compensable leave
- The outstanding debt service principal and interest on long-term liabilities
- Capital leases
- Long-term claims and judgments
- Full accrual revenues and expenses
- Pension amounts in governmental activities

### **D. BUDGET AND BUDGETARY ACCOUNTING**

The budget is prepared biennially and represents appropriations authorized by the Legislature and approved by the Governor (the General Appropriations Act).

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

### **E. ASSETS, LIABILITIES, AND FUND BALANCES/NET POSITION**

#### **ASSETS**

##### Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

#### Prepaid Items

The consumption method of accounting is used to account for prepaid items that appear in the governmental and proprietary fund types. The cost of these items is expensed when the items are used or consumed.

#### Capital Assets

Assets that meet the reporting threshold and useful life are capitalized. The capitalization threshold and the estimated useful life vary depending on the asset type. These assets are capitalized at cost or, if purchased, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. "Inexhaustible" assets (such as works of art and historical treasures) are not depreciated. Road and highway infrastructure is depreciated over the estimate of average useful life of a grouping of assets using composite method. Other depreciable assets are depreciated over the estimated useful life of the asset using the straight-line method.

All capital assets acquired by proprietary funds or trust funds are reported at cost or estimated historical cost if actual historical cost is not available. Donated capital assets are reported at acquisition value. Depreciation is charged to operations over the estimated useful life of each asset using the straight-line method.

### LIABILITIES

#### Accounts Payable

Accounts payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

#### Payroll Payables

Other payables are the accrual at year-end of expenditure transactions not included in any other payable descriptions. The major component is salaries.

#### Employees' Compensable Leave Balances

Employees' compensable leave balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net position. These obligations are normally paid from the same funding source from which each employee's salary or wage compensation was paid.

#### Claims and Judgements Balances

Claims and judgement balances represent the liability for claims and judgments that are settled but unpaid at fiscal year-end and that will be paid with future governmental fund resources

### FUND BALANCE/NET POSITION

"Fund balance" is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources on the governmental fund statements. "Net position" is the

difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources on the government-wide, proprietary and fiduciary fund statements.

The SORM uses resources in the following order:

- When both restricted and unrestricted resources are available, use (1) restricted resources (2) unrestricted resources (as they are needed)
- When only unrestricted resources are available for use in governmental funds, use: (1) committed resources (2) assigned resources (3) unassigned resources

### Fund Balance Components

Fund Balance for governmental funds are classified as nonspendable, restricted, committed, assigned or unassigned in the fund financial statements.

#### Nonspendable

Nonspendable fund balance includes amounts not available to be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

#### Restricted

Restricted fund balance includes those resources that have constraints placed on their use through external parties such as creditors, grantors, contributors, laws or regulations of other governments, or by law through constitutional provisions or enabling legislation.

#### Committed

Committed fund balance can be used only for specific purposes pursuant to constraints imposed through legislation passed into law by a formal action of the Texas Legislature, the state's highest level of decision making authority.

#### Assigned

Assigned fund balance includes amounts constrained by the state's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (1) the Texas Legislature or (2) a body (for example, a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

#### Unassigned

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that was not assigned to other funds and was not restricted, committed or assigned to specific purposes within the general fund.

### Net Investment in Capital Assets

Net investment in capital assets, consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bond, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

### Restricted Net Position

Restricted net position results when constraints placed on net resources are either externally imposed by creditors, grantors, contributors and the like or imposed by law through constitutional provisions or enabling legislation.

### Unrestricted Net Position

Unrestricted net position consists of net resources that do not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management but can be removed or modified.

## INTERFUND ACTIVITIES AND TRANSACTIONS

The agency may have the following types of transactions between funds:

Transfers: Legally required transfers that are reported when incurred as “transfers in” by the recipient fund and as “transfers out” by the disbursing fund.

Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.

Interfund Receivables and Payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter, the balance is classified as “current.” Balances for repayment due in two or more years are classified as “noncurrent.”

Interfund Sales and Purchases: Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund (interfund services provided) and expenditures or expenses of the disbursing fund (interfund services used).

The composition of the agency interfund activities and balances are presented in Note 12, if applicable.

## REPORTING CONSIDERATIONS FOR COVID-19 RESPONSE

In response to the COVID-19 pandemic, Congress passed the:

- Coronavirus Aid, Relief, and Economic Security (CARES) Act
- CARES Act for the Higher Education Emergency Relief Fund (HEERF), which provides budgetary relief to higher education institutions through numerous provisions.

The act provides economic grants to offset some additional expenses and forgone revenue as a result response to COVID-19.

**STATE OFFICE OF RISK MANAGEMENT  
AGENCY 479  
2020 ANNUAL FINANCIAL REPORT**

**NOTE 2: CAPITAL ASSETS**

Revenue received from the sale of Surplus Property has been transferred to Unappropriated General Revenue in accordance with HB7, Sec. 20.

A summary of changes in Capital Assets for the year ended August 31, 2020 is presented below:

	PRIMARY GOVERNMENT							
	Reclassifications							Balance 8/31/20
	Balance 9/1/19	Adjustments	Completed CPI	Inc-Int'agy Trans	Dec-Int'agy Trans	Additions	Deletions	
<b>Governmental Activity</b>								
<b>Depreciable Assets:</b>								
Furniture and Equipment	\$ 236,790.67	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 236,790.67
Total Depreciable Assets at Historical Cost	236,790.67	0.00	0.00	0.00	0.00	0.00	0.00	236,790.67
Less Accumulated Depreciation for:								
Furniture and Equipment	(224,760.44)	0.00	0.00	0.00	0.00	(5,232.77)	0.00	(229,993.21)
Total Accumulated Depreciation	(224,760.44)	0.00	0.00	0.00	0.00	(5,232.77)	0.00	(229,993.21)
Depreciable Assets, Net	12,030.23	0.00	0.00	0.00	0.00	(5,232.77)	0.00	6,797.46
<b>Amortizable Assets - Intangible:</b>								
Computer Software - Intangible	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Total Intangible Assets at Historical Cost	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Less Accumulated Amortization for:								
Computer Software - Intangible	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Accumulated Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Amortizable Assets - Net	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Governmental Activities Capital Assets, Net	\$ 12,030.23	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ (5,232.77)	\$ 0.00	\$ 6,797.46

### NOTE 3: DEPOSITS, INVESTMENTS, AND REPURCHASE AGREEMENTS

#### Deposits of Cash in Bank

As of August 31, 2020, the carrying amount of deposits was \$4,500.00 as presented below.

<b>Governmental and Business-Type Activities</b>	
CASH IN BANK - CARRYING AMOUNT	\$ 4,500.00
Less: Certificates of Deposit included in carrying amount and reported as Cash Equivalent	0.00
Less: Uninvested Securities Lending Cash Collateral included in carrying amount and reported as Securities Lending Collateral	0.00
Less: Securities Lending CD Collateral included in carrying amount and reported as Securities Lending Collateral	0.00
<b>Total Cash in Bank per AFR</b>	\$ 4,500.00
Governmental Funds Current Assets Cash in Bank	\$ 4,500.00
Governmental Funds Current Assets Restricted Cash in Bank	0.00
Governmental Funds Non-Current Assets Restricted Cash in Bank	0.00
Proprietary Funds Current Assets Cash in Bank	0.00
Proprietary Funds Current Assets Restricted Cash in Bank	0.00
Proprietary Funds Non-Current Assets Restricted Cash in Bank	0.00
Cash in Bank per AFR	\$ 4,500.00

<b>Fiduciary Funds</b>	
CASH IN BANK - CARRYING AMOUNT	\$ 0.00
Less: Certificates of Deposit included in carrying amount and reported as Cash Equivalent	0.00
Less: Uninvested Securities Lending Cash Collateral included in carrying amount and reported as Securities Lending Collateral	0.00
Less: Securities Lending CD Collateral included in carrying amount and reported as Securities Lending Collateral	0.00
<b>Total Cash in Bank per AFR</b>	\$ 0.00
Fiduciary Funds Cash in Bank	\$ 0.00
Fiduciary Funds Restricted Cash in Bank	0.00
Cash in Bank per AFR	\$ 0.00

<b>Discrete Component Unit</b>	
CASH IN BANK - CARRYING AMOUNT	\$ 0.00
Less: Certificates of Deposit included in carrying amount and reported as Cash Equivalent	0.00
Less: Uninvested Securities Lending Cash Collateral included in carrying amount and reported as Securities Lending Collateral	0.00
Less: Securities Lending CD Collateral included in carrying amount and reported as Securities Lending Collateral	0.00
<b>Total Cash in Bank per AFR</b>	\$ 0.00
Discrete Component Unit Current Assets Cash in Bank	\$ 0.00
Discrete Component Unit Current Assets Restricted Cash in Bank	0.00
Discrete Component Unit Noncurrent Assets Restricted Cash in Bank	0.00
Cash in Bank Per AFR	\$ 0.00

These amounts consist of all cash in local banks and a portion of short-term investments. These amounts are included on the combined statement of net position as part of the "cash and cash equivalents" and "securities lending collateral" accounts.

As of August 31, 2020, the total bank balance was as follows:

Governmental and Business-Type Activities	\$4,500.00	Fiduciary Funds	\$0.00	Discrete Component Units	\$0.00
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## Investments

As of August 31, 2020, the fair value of investments was \$0.00 as presented below.

<b>Governmental and Business-Type Activities</b>	
U.S. Government	<b>Fair Value</b>
U.S. Treasury Securities	\$ 0.00
U.S. Treasury Strips	0.00
U.S. Treasury TIPS	0.00
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, etc.)	0.00
U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)	0.00
Corporate Obligations	0.00
Corporate Asset and Mortgage Backed Securities	0.00
Equity	0.00
International Obligations (Govt and Corp)	0.00
International Equity	0.00
Repurchase Agreement	0.00
Repurchase Agreement (Texas Treasury Safekeeping Trust Co)	0.00
Fixed Income Money Market and Bond Mutual Fund	0.00
Other Commingled Funds	0.00
International Other Commingled Funds	0.00
Other Commingled Funds (Texpool)	0.00
Commercial Paper	0.00
Real Estate	0.00
Derivatives	0.00
Alternative Investments	0.00
Misc (Political Subdivision, bankers' acceptance, negotiable CD)	0.00
Total Investments	\$ 0.00
Reconciliation of Investments per Exhibits - Governmental and Business-Type Activities	0.00
Governmental Funds Current Assets Short-Term Investments	0.00
Governmental Funds Noncurrent Assets Investments	0.00
Proprietary Funds Current Assets Restricted Short-Term Investments	0.00
Proprietary Funds Noncurrent Assets Restricted Short-Term Investments	0.00
Investments per Exhibits	\$ 0.00

<b>Fiduciary Funds</b>	
U.S. Government	<b>Fair Value</b>
U.S. Treasury Securities	\$ 0.00
U.S. Treasury Strips	0.00
U.S. Treasury TIPS	0.00
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, etc.)	0.00
U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)	0.00
Corporate Obligations	0.00
Corporate Asset and Mortgage Backed Securities	0.00
Equity	0.00
International Obligations (Govt and Corp)	0.00
International Equity	0.00
Repurchase Agreement	0.00
Repurchase Agreement (Texas Treasury Safekeeping Trust Co)	0.00
Fixed Income Money Market and Bond Mutual Fund	0.00
Other Commingled Funds	0.00
International Other Commingled Funds	0.00
Other Commingled Funds (Texpool)	0.00
Commercial Paper	0.00
Securities Lending Collateral Pool	0.00
Real Estate	0.00



Derivatives	0.00
Alternative Investments	0.00
Misc (Political Subdivision, bankers' acceptance, negotiable CD)	0.00
Total Investments	\$ 0.00
Reconciliation of Investments per Exhibits - Fiduciary Funds	0.00
Fiduciary Funds Short-Term Investments	0.00
Fiduciary Funds Restricted Short-Term Investments	0.00
Investments per Exhibits	\$ 0.00

<b>Discrete Component Unit</b>	
U.S. Government	<b>Fair Value</b>
U.S. Treasury Securities	\$ 0.00
U.S. Treasury Strips	0.00
U.S. Treasury TIPS	0.00
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, etc.)	0.00
U.S. Government Agency Obligations (Texas Treasury Safekeeping Trust Co)	0.00
Corporate Obligations	0.00
Corporate Asset and Mortgage-Backed Securities	0.00
Equity	0.00
International Obligations (Govt and Corp)	0.00
International Equity	0.00
Repurchase Agreement	0.00
Repurchase Agreement (Texas Treasury Safekeeping Trust Co)	0.00
Fixed Income Money Market and Bond Mutual Fund	0.00
Other Commingled Funds	0.00
International Other Commingled Funds	0.00
Other Commingled Funds (Texpool)	0.00
Commercial Paper	0.00
Securities Lending Collateral Investment Pool	0.00
Real Estate	0.00
Derivatives	0.00
Alternative Investments	0.00
Misc (Political Subdivision, bankers' acceptance, negotiable CD)	0.00
Total Investments	\$ 0.00
Reconciliation of Investments per Exhibits - Discrete Component Units	0.00
Discretely Presented Component Units Current Assets Short-Term Investments	0.00
Discretely Presented Component Units Noncurrent Assets Short-Term Investments	0.00
Investments per Exhibits	\$ 0.00

As of Aug. 31, 2020, the fair value of invested securities lending cash collateral by investment type was \$0.00 as presented below:

<b>Governmental and Business-Type Activities</b>	
U.S. Government	<b>Fair Value</b>
U.S. Treasury Securities	\$ 0.00
U.S. Treasury Strips	0.00
U.S. Government Agency Obligations	0.00
Corporate Obligations	0.00
Corporate Asset and Mortgage Backed Securities	0.00
Equity	0.00
International Equity	0.00
Commercial Paper	0.00
Miscellaneous Investments	0.00
Total Investments	\$ 0.00

Investments Reported at NAV

<b>Investment Strategy</b>	
Alternative	<b>Fair Value</b>
Commingled Funds	\$ 0.00
Energy, Natural Resources, Infrastructure	0.00
Fixed Income	0.00
Hedge Funds	0.00
Mutual Funds	0.00
Private Equity	0.00
Real Estate	0.00
Risk Parity	0.00
U.S. Government Agency Obligations	0.00
Total	\$ 0.00
Investments Reported at NAV from Investment Fair Value	0.00
Difference	\$ 0.00

**STATE OFFICE OF RISK MANAGEMENT (479)**  
**NOTE 5: LONG-TERM LIABILITIES**

**Changes in Long-Term Liabilities**

During the year ended August 31, 2020 the following changes occurred in liabilities.

<b>Governmental Activity</b>	<b>Balance 09/01/19</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 08/31/20</b>	<b>Amounts Due Within One Year</b>	<b>Amounts Due Thereafter</b>
Claims & Judgments	\$ 80,390,277.80	\$ 38,418,000.00	\$ 42,131,302.43	\$ 76,676,975.37	\$ 39,410,000.00	\$ 37,266,975.37
Compensable Leave	727,925.38	662,764.72	646,464.57	744,225.53	474,009.75	270,215.78
<b>Total Governmental Activities</b>	<b>\$ 81,118,203.18</b>	<b>\$ 39,080,764.72</b>	<b>\$ 42,777,767.00</b>	<b>\$ 77,421,200.90</b>	<b>\$ 39,884,009.75</b>	<b>\$ 37,537,191.15</b>

**Claims & Judgments**

The State of Texas is exposed to risks of loss related to injuries to state employees. Claims are filed by state employees through the State Office of Risk Management. The State does not carry commercial insurance, but instead, uses the General Revenue Fund to account for its risk financing activities. Claims expenditures are recognized in the financial statements when payment is made to the employee. Claims liabilities are recognized when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The projected costs to the State presented in this note are based on a actuarial review of the State's Workers' Compensation Program. Accordingly, changes in the State's claims handling procedures, changes in the rate of inflation and other societal and economic factors, and changes in State law could affect the ultimate settlement of these claims liabilities.

**Employees' Compensable Leave**

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Position. An expense and liability for proprietary fund types are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

**STATE OFFICE OF RISK MANAGEMENT (479)**

**NOTE 13: Continuance Subject to Review**

Under the Texas Sunset Act, the State Office of Risk Management will be abolished effective 09/01/2031, unless continued in existence by the 91st Legislature as provided by the Act. If abolished, the agency may continue until 09/01/2032 to close out its operations.

## **NOTE 15: CONTINGENCIES AND COMMITMENTS**

### Sick Leave

Each full-time employee accrues sick leave at the rate of eight hours per month with no maximum limit to the number of hours that can be accumulated. Part-time employees earn sick leave at a rate proportionate to the number of hours worked. Sick leave is paid to the employee only in the event of illness or to the employee's estate in the event of his/her death while employed by the Agency. The maximum sick leave that may be paid to an employee's estate is one-half of the employee's accumulated entitlement, or 336 hours, whichever is less. The Office's policy is to recognize the cost of any sick leave when paid. Experience indicates the probability of a material effect on any given year's operations, as a result of death or abnormally high rate of illness, is minimal.

## NOTE 17: RISK MANAGEMENT

During the year ended August 31, 2020, the following changes occurred in claims liabilities.

	Claims and Judgments			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>2020</b>	\$ 80,390,277.80	\$ 38,418,000.00	\$ 42,131,302.43	\$ 76,676,975.37
<b>2019</b>	\$ 78,610,816.51	\$ 40,136,000.00	\$ 38,356,538.71	\$ 80,390,277.80

### Risk Management

These amounts are entirely workers' compensation claim payments, both indemnity (wage replacement) payments and payment of medical services. These are completely contained, and are the only items included, in strategy 2.1.1 of Agency 479's bill pattern. Claims liabilities are recognized when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The projected costs to the State presented in Note 5 are based on an actuarial review of the State's Workers' Compensation Program. Accordingly, changes in the State's claims handling procedures, changes in the rate of inflation and other societal and economic factors, and changes in State law could affect the ultimate settlement of these claims liabilities.

**NOTE 20: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

As a result of the implementation of GASB 84 the State Office of Risk Management's fund types changed for the following funds from fund type 09-Suspense fund as stated below:

D23 Fund	Fund Name	New Fund Type
0900	Departmental Suspense	01-General
0979	Direct Deposit	01-General
0980	Other Agency Fund	01-General
1000	Unappropriated General Revenue – Agy Fund	01-General
8070	Child Support Addenda Deducts - Suspense	01-General
9010	Direct Deposit for Transmittal	01-General
9011	Direct Deposit for Non-IRS Deductions	01-General
9012	Direct Deposit for IRS Deductions	01-General
9014	USPS - Direct Deposit Return Money	01-General
9015	USPS - Overpayments to Employees	01-General
9016	Warrant Hold Offset – Govt Code 403.0551	01-General

**NOTE 32: FUND BALANCES**

The State Office of Risk Management has the following restrictions/covenants causing fund balances to be nonspendable, unassigned, committed and restricted

<b>GAAP Fund</b>	<b>Fund</b>	<b>AFR 54 Class</b>	<b>Amount</b>	<b>Citation</b>	<b>Comments</b>
0001	0001	Nonspendable	\$20,963.06	Texas Government Code, Title 10, Subtitle D, Chapter 2155, SubChapter G	A part of the State Office of Risk Management's (SORM) fund balance is categorized as nonspendable. This is related to the prepaid inventory items reported for SORM, fund 0001.



**EXHIBIT A-1**

**COMBINING BALANCE SHEET: All General and Consolidated Funds**

August 31, 2020

	Consolidated Funds					
	General Revenue Fund	Child Support Employ Deduct- Offset Acct	Departmental Suspense	Direct Deposit Correction	Unappropriated General Revenue	Totals (Exh. I)
	(0001) U/F (0001)	(0807) U/F (8070)	(0900) U/F (0900/9015/ 9016)	(0980) U/F (0980/9014)	(1000) U/F (1000)	2020
<b>ASSETS</b>						
Current Assets:						
Cash and Cash Equivalents:						
Cash in Bank	\$ 4,500.00	\$	\$	\$	\$	4,500.00
Legislative Appropriations	10,560,062.85					10,560,062.85
Prepaid Items	20,963.06					20,963.06
Total Current Assets	<u>10,585,525.91</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>10,585,525.91</u>
<b>TOTAL ASSETS</b>	<u>\$ 10,585,525.91</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 10,585,525.91</u>
<b>LIABILITIES</b>						
Current Liabilities:						
Payables From:						
Accounts	\$ 1,650.93	\$	\$	\$	\$	1,650.93
Payroll	1,009,654.78					1,009,654.78
Unearned Revenue						0.00
Total Current Liabilities	<u>1,011,305.71</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,011,305.71</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 1,011,305.71</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 1,011,305.71</u>
<b>FUND BALANCES (DEFICITS):</b>						
Nonspendable	\$ 20,963.06	\$	\$	\$		20,963.06
Restricted						0.00
Committed						0.00
Assigned						0.00
Unassigned	9,553,257.14					9,553,257.14
<b>TOTAL FUND BALANCES</b>	<u>\$ 9,574,220.20</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 9,574,220.20</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 10,585,525.91</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 10,585,525.91</u>

**EXHIBIT A-2**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES &**  
**CHANGES IN FUND BALANCES: All General and Consolidated Funds**  
For the Fiscal Year Ended August 31, 2020

	General Revenue Fund	Consolidated Funds		Consolidated Funds		Totals (Exh. II)
		Child Support Employ Deduct- Offset Acct	Departmental Suspense	Direct Deposit Correction	Unappropriated General Revenue	
	(0001) U/F (0001)	(0807) U/F (8070)	(0900) U/F (0900/9015/ 9016)	(0980) U/F (0980/9014)	(1000) U/F (1000)	2020
<b>REVENUES</b>						
Legislative Appropriations:						
Original Appropriations (GR)	\$	\$	\$	\$	\$	\$ 0.00
Additional Appropriations (GR)	6,060.24					6,060.24
Licenses, Fees, and Permits	1,875.50					1,875.50
Sales of Goods and Services	813,849.60					813,849.60
Other Revenues	50,254,604.72					50,254,604.72
<b>Total Revenues</b>	<b>\$ 51,076,390.06</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 51,076,390.06</b>
<b>EXPENDITURES</b>						
Salaries and Wages	\$ 7,470,134.19	\$	\$	\$	\$	\$ 7,470,134.19
Payroll Related Costs	2,268,912.86					2,268,912.86
Professional Fees and Services	1,132,270.45					1,132,270.45
Travel	103,182.34					103,182.34
Materials and Supplies	315,809.82					315,809.82
Communication and Utilities	69,496.33					69,496.33
Repairs and Maintenance	26,703.86					26,703.86
Rentals and Leases	19,310.98					19,310.98
Claims and Judgments	31,320,402.63					31,320,402.63
Other Expenditures	907,127.98					907,127.98
<b>Total Expenditures</b>	<b>\$ 43,633,351.44</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 43,633,351.44</b>
<b>Excess (Deficiency) of Revenues     over Expenditures</b>	<b>\$ 7,443,038.62</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 7,443,038.62</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	\$	\$	\$	\$	\$	\$ 0.00
Transfers Out						0.00
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 7,443,038.62</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 7,443,038.62</b>
<b>FUND FINANCIAL STATEMENTS - FUND BALANCES</b>						
Fund Balance - September 1, 2019	\$ 2,131,181.58	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 2,131,181.58
Restatements						0.00
Fund Balance - September 1, 2019, as restated	<b>\$ 2,131,181.58</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 2,131,181.58</b>
Appropriations Lapsed						0.00
<b>FUND BALANCES - August 31, 2020</b>	<b>\$ 9,574,220.20</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 9,574,220.20</b>



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