



ANNUAL FINANCIAL REPORT

FISCAL YEAR 2023

September 1, 2022 – August 31, 2023





State Office of Risk Management

300 W. 15TH, AUSTIN, TEXAS 78701 / P.O. BOX 13777, AUSTIN, TEXAS 78711-3777
(512) 475-1440, FAX (512) 370-9025 / WWW.SORM.TEXAS.GOV

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October 30, 2023

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EXECUTIVE DIRECTOR:

Ladies and Gentlemen:

STEPHEN S. VOLLBRECHT, J.D.

We are pleased to submit the annual financial report of the State Office of Risk Management for the year ended August 31, 2023, 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 Annual Comprehensive Financial Report (ACFR); 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 Darwin Hamilton at (512) 936-2947.

Sincerely,

Stephen Vollbrecht

J.D., M.A., AINS, AIS, ARM, CTCM, MCP, MEMS, WRP

State Risk Manager, Executive Director

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EXHIBITS

EXHIBIT I

COMBINED BALANCE SHEET / STATEMENT OF NET POSITION - Governmental Funds

August 31, 2023

| | GOVERNMENTAL FUND TYPES | | GOVERNMENTAL FUNDS TOTAL | |
|---------------------------------------------------|----------------------------|--------------|--------------------------------|--------------|
| | GENERAL | | | |
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | | | | |
| Cash in State Treasury | \$ | 746.00 | \$ | 746.00 |
| Cash on Hand | | 14,314.68 | | 14,314.68 |
| Legislative Appropriations | | 7,812,868.08 | | 7,812,868.08 |
| Prepaid Items | | 961.07 | | 961.07 |
| Total Current Assets | | 7,828,889.83 | | 7,828,889.83 |
| Non-Current Assets: | | | | |
| Capital Assets (Note 2) | | | | |
| Depreciable or Amortizable, Net | | | | |
| Total Non-Current Assets | | 0.00 | | 0.00 |
| TOTAL ASSETS | \$ | 7,828,889.83 | \$ | 7,828,889.83 |
| LIABILITIES AND FUND BALANCES | | | | |
| Current Liabilities: | | | | |
| Payables from: | | | | |
| Accounts | \$ | 199,769.15 | \$ | 199,769.15 |
| Payroll | | 853,821.89 | | 853,821.89 |
| Unearned Revenues | | 14,314.68 | | 14,314.68 |
| Employees' Compensable Leave (Note 5) | | | | |
| Claims and Judgments (Note 5) | | | | |
| Right to Use Subscription Obligations (Note 5, 8) | | | | |
| Total Current Liabilities | | 1,067,905.72 | | 1,067,905.72 |
| Non-Current Liabilities: | | | | |
| Employees' Compensable Leave (Note 5) | \$ | | \$ | |
| Claims and Judgments (Note 5) | | | | |
| Right to Use Subscription Obligations (Note 5, 8) | | | | |
| Total Non-Current Liabilities | | 0.00 | | 0.00 |
| TOTAL LIABILITIES | \$ | 1,067,905.72 | \$ | 1,067,905.72 |
| FUND FINANCIAL STATEMENT | | | | |
| Fund Balances (Deficits): | | | | |
| Nonspendable | \$ | 961.07 | \$ | 961.07 |
| Unassigned | | 6,760,023.04 | | 6,760,023.04 |
| TOTAL FUND BALANCES | \$ | 6,760,984.11 | \$ | 6,760,984.11 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ | 7,828,889.83 | \$ | 7,828,889.83 |
| GOVERNMENT-WIDE STATEMENT OF NET POSITION | | | | |
| Net Position: | | | | |
| Net Investment in Capital Assets | | | | |
| Restricted For | | | | |
| Debt Service | | | | |
| Unrestricted | | | | |
| Total Net Position | | | | |

State Office of Risk Management (479)
Unaudited

| CAPITAL ASSETS ADJUSTMENTS | LONG-TERM LIABILITIES ADJUSTMENTS | OTHER ADJUSTMENTS | STATEMENT OF NET POSITION |
|----------------------------------|-----------------------------------------|----------------------|---------------------------------|
| \$ | \$ | \$ | \$ |
| | | | 746.00 |
| | | | 14,314.68 |
| | | | 7,812,868.08 |
| | | | 961.07 |
| <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>7,828,889.83</u> |
| 1,387,789.37 | | | 1,387,789.37 |
| <u>1,387,789.37</u> | <u>0.00</u> | <u>0.00</u> | <u>1,387,789.37</u> |
| \$ <u>1,387,789.37</u> | \$ <u>0.00</u> | \$ <u>0.00</u> | \$ <u>9,216,679.20</u> |
| \$ | \$ | \$ | \$ |
| | | | 199,769.15 |
| | | | 853,821.89 |
| | | | 14,314.68 |
| | 525,688.11 | | 525,688.11 |
| | 35,965,000.00 | | 35,965,000.00 |
| | 370,097.46 | | 370,097.46 |
| <u>0.00</u> | <u>36,860,785.57</u> | <u>0.00</u> | <u>37,928,691.29</u> |
| \$ | \$ | \$ | \$ |
| | 460,542.23 | | 460,542.23 |
| | 19,119,409.59 | | 19,119,409.59 |
| | 1,203,329.85 | | 1,203,329.85 |
| <u>0.00</u> | <u>20,783,281.67</u> | <u>0.00</u> | <u>20,783,281.67</u> |
| \$ <u>0.00</u> | \$ <u>57,644,067.24</u> | \$ <u>0.00</u> | \$ <u>58,711,972.96</u> |
| \$ | \$ | \$ | \$ |
| | | | 961.07 |
| | | | 6,760,023.04 |
| | | | <u>6,760,984.11</u> |
| 2,307,359.53 | | | 2,307,359.53 |
| | (1,573,427.31) | | (1,573,427.31) |
| | (56,070,639.93) | | (56,070,639.93) |
| \$ <u>2,307,359.53</u> | \$ <u>(57,644,067.24)</u> | \$ <u>0.00</u> | \$ <u>(47,002,296.29)</u> |

EXHIBIT II
COMBINED STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND
BALANCE / STATEMENT OF ACTIVITIES - Governmental Funds
For the Fiscal Year Ended August 31, 2023

| | GENERAL | GOVERNMENTAL FUNDS TOTAL |
|-------------------------------------------------|--------------------------|--------------------------------|
| | <u>GENERAL</u> | <u>TOTAL</u> |
| REVENUES: | | |
| Legislative Appropriations: | | |
| Original Appropriations Revenue (GR) | \$ | \$ |
| Additional Appropriations Revenue (GR) | (31,235.40) | (31,235.40) |
| Licenses, Fees and Permits | 967.35 | 967.35 |
| Sales of Goods and Services | 780,881.11 | 780,881.11 |
| Other Revenues | 47,651,926.48 | 47,651,926.48 |
| Total Revenues | <u>\$ 48,402,539.54</u> | <u>\$ 48,402,539.54</u> |
| EXPENDITURES | | |
| Salaries and Wages | \$ 6,901,776.35 | \$ 6,901,776.35 |
| Payroll Related Costs | 2,024,374.59 | 2,024,374.59 |
| Professional Fees and Services | 1,299,791.87 | 1,299,791.87 |
| Travel | 58,033.84 | 58,033.84 |
| Materials and Supplies | 245,358.71 | 245,358.71 |
| Communication and Utilities | 73,051.28 | 73,051.28 |
| Repairs and Maintenance | 21,896.87 | 21,896.87 |
| Rentals and Leases | 22,015.46 | 22,015.46 |
| Printing and Reproduction | 84.64 | 84.64 |
| Claims and Judgments | 36,545,673.47 | 36,545,673.47 |
| Other Expenditures | 1,207,779.33 | 1,207,779.33 |
| Debt Service: | | |
| Principal - Subscriptions | 405,000.00 | 405,000.00 |
| Capital Outlay | 1,978,427.31 | 1,978,427.31 |
| Depreciation and Amortization Expense | | |
| Total Expenditures/Expenses | <u>\$ 50,783,263.72</u> | <u>\$ 50,783,263.72</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER | | |
| (UNDER) EXPENDITURES | <u>\$ (2,380,724.18)</u> | <u>\$ (2,380,724.18)</u> |
| OTHER FINANCING SOURCES (USES): | | |
| Increase in Obligations - Subscriptions | \$ 1,978,427.31 | \$ 1,978,427.31 |
| Total Other Financing Sources (Uses) | <u>\$ 1,978,427.31</u> | <u>\$ 1,978,427.31</u> |
| Net Change in Fund Balance/Net Position | <u>\$ (402,296.87)</u> | <u>\$ (402,296.87)</u> |
| Fund Financial Statement - Fund Balances | | |
| Fund Balance - September 1, 2022 | \$ 7,458,113.55 | \$ 7,458,113.55 |
| Restatements | (2,876.92) | (2,876.92) |
| Fund Balance - September 1, 2022, as Restated | <u>\$ 7,455,236.63</u> | <u>\$ 7,455,236.63</u> |
| Appropriation lapsed | \$ (291,955.65) | \$ (291,955.65) |
| FUND BALANCES - August 31, 2023 | <u>\$ 6,760,984.11</u> | <u>\$ 6,760,984.11</u> |

GOVERNMENT-WIDE STATEMENT OF NET POSITION

Net Position/Net Change in Net Position

Net Position, September 1, 2022

Restatements

Net Position, September 1, 2022, as Restated

Net Position, August 31, 2023

\$ 6,760,984.11

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> |
|-------------------------------------------|--------------------------------------------------|------------------------------|----------------------------------------|
| \$ | \$ | \$ | \$ |
| | | | (31,235.40) |
| | | | 967.35 |
| | | | 780,881.11 |
| | | | 47,651,926.48 |
| \$ <u>0.00</u> | \$ <u>0.00</u> | \$ <u>0.00</u> | \$ <u>48,402,539.54</u> |
| \$ | \$ | \$ | \$ |
| | 244,321.53 | | 7,146,097.88 |
| | | | 2,024,374.59 |
| | | | 1,299,791.87 |
| | | | 58,033.84 |
| | | | 245,358.71 |
| | | | 73,051.28 |
| | | | 21,896.87 |
| | | | 22,015.46 |
| | | | 84.64 |
| | (8,204,100.06) | | 28,341,573.41 |
| | | | 1,207,779.33 |
| | (405,000.00) | | 0.00 |
| (1,978,427.31) | | | 0.00 |
| 590,637.94 | | | 590,637.94 |
| \$ <u>(1,387,789.37)</u> | \$ <u>(8,364,778.53)</u> | \$ <u>0.00</u> | \$ <u>41,030,695.82</u> |
| \$ <u>1,387,789.37</u> | \$ <u>8,364,778.53</u> | \$ <u>0.00</u> | \$ <u>7,371,843.72</u> |
| \$ | \$ | \$ | \$ |
| <u>0.00</u> | <u>(1,978,427.31)</u> | <u>0.00</u> | <u>0.00</u> |
| <u>0.00</u> | <u>(1,978,427.31)</u> | <u>0.00</u> | <u>0.00</u> |
| | | | \$ <u>7,371,843.72</u> |
| | | | \$ 7,458,113.55 |
| | | | <u>(2,876.92)</u> |
| | | | \$ 7,455,236.63 |
| | | | \$ <u>(291,955.65)</u> |
| | | | \$ <u>14,535,124.70</u> |
| \$ <u>1,387,789.37</u> | \$ <u>6,386,351.22</u> | \$ <u>0.00</u> | |
| \$ 919,570.16 | \$ (64,030,418.46) | \$ | \$ (63,110,848.30) |
| \$ <u>919,570.16</u> | \$ <u>(64,030,418.46)</u> | \$ <u>0.00</u> | \$ <u>(63,110,848.30)</u> |
| \$ <u>2,307,359.53</u> | \$ <u>(57,644,067.24)</u> | \$ <u>0.00</u> | \$ <u>(48,575,723.60)</u> |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ENTITY

The State Office of Risk Management (SORM) is an agency of the state of Texas and its financial records comply with State statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*.

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.

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's *Annual Comprehensive Financial Report* (ACFR); 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.

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.

PROPRIETARY FUND TYPES

The SORM has no proprietary fund types.

FIDUCIARY FUND TYPES

The SORM has no fiduciary fund types.

COMPONENT UNITS

No component units have been identified.

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
- 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.

Lease Liabilities

Lease liability represents the amount recognized by a lessee on its financial statements regarding its leases. It is initially measured at the present value of lease payments and is remeasured whenever there is a change in lease payments or lease modification. Liabilities are reported separately as either current or noncurrent.

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 fund balance includes amounts not available to be spent because they are either

- Not in spendable form or (2)
- Legally or contractually required to be maintained intact.

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 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 fund balance includes amounts constrained by the state's intent to be used for specific purposes, but the constraints do not meet the requirements to be reported as restricted or committed. Intent is expressed by either:

- The Texas Legislature
- 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 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.
- Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020
- American Rescue Plan Act, 2021

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
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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.

| | PRIMARY GOVERNMENT | | | | | | | |
|---------------------------------------------|--------------------|-------------|-------------------|----------------------|----------------------|-----------------|-----------|--------------------|
| | Balance 9/1/22 | Adjustments | Reclassifications | | | Additions | Deletions | Balance 8/31/23 |
| | | | Completed CPI | Inc-Int'agy Trans | Dec-Int'agy Trans | | | |
| Governmental Activity | | | | | | | | |
| Depreciable Assets: | | | | | | | | |
| Furniture and Equipment | \$ 298,605.67 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 298,605.67 |
| Total Depreciable Assets at Historical Cost | 298,605.67 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 298,605.67 |
| Less Accumulated Depreciation for: | | | | | | | | |
| Furniture and Equipment | (235,695.51) | 0.00 | 0.00 | 0.00 | 0.00 | (11,382.48) | 0.00 | (247,077.99) |
| Total Accumulated Depreciation | (235,695.51) | 0.00 | 0.00 | 0.00 | 0.00 | (11,382.48) | 0.00 | (247,077.99) |
| Depreciable Assets, Net | 62,910.16 | 0.00 | 0.00 | 0.00 | 0.00 | (11,382.48) | 0.00 | 51,527.68 |
| Amortizable Assets - Intangible: | | | | | | | | |
| Computer Software - Intangible | \$ 917,850.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 917,850.00 |
| Total Intangible Assets at Historical Cost | 917,850.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 917,850.00 |
| Less Accumulated Amortization for: | | | | | | | | |
| Computer Software - Intangible | (61,190.00) | 0.00 | 0.00 | 0.00 | 0.00 | (183,570.00) | 0.00 | (244,760.00) |
| Total Accumulated Amortization | (61,190.00) | 0.00 | 0.00 | 0.00 | 0.00 | (183,570.00) | 0.00 | (244,760.00) |
| Amortizable Assets - Net | 856,660.00 | 0.00 | 0.00 | 0.00 | 0.00 | (183,570.00) | 0.00 | 673,090.00 |
| Governmental Activities Capital Assets, Net | \$ 919,570.16 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ (194,952.48) | \$ 0.00 | \$ 724,617.68 |

In accordance with the implementation of GASB 87, leased assets are presented separately in Note 2.

| | PRIMARY GOVERNMENT | | | | Balance 8/31/23 |
|-------------------------------------------------|--------------------|----------------|------------------------|----------------|------------------------|
| | Balance 9/1/22 | Adjustments | Additions | Deletion | |
| Amortizable Assets-IRTU: | | | | | |
| Subscription Assets | \$ 0.00 | \$ 0.00 | \$ 1,978,427.31 | \$ 0.00 | \$ 1,978,427.31 |
| Total Amortizable RTU Assets | <u>0.00</u> | <u>0.00</u> | <u>1,978,427.31</u> | <u>0.00</u> | <u>1,978,427.31</u> |
| Less Accumulated Amortization for: | | | | | |
| Subscription Assets | \$ 0.00 | \$ 0.00 | \$ (395,685.46) | \$ 0.00 | \$ (395,685.46) |
| Total Accumulated Amortization | <u>0.00</u> | <u>0.00</u> | <u>(395,685.46)</u> | <u>0.00</u> | <u>(395,685.46)</u> |
| Governmental Activities, RTU Assets, Net | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 1,582,741.85</u> | <u>\$ 0.00</u> | <u>\$ 1,582,741.85</u> |

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

Changes in Long-Term Liabilities

The following changes occurred in liabilities during the fiscal year ended August 31, 2023:

| Governmental Activity | Balance 09/01/22 | Additions | Reductions | Balance 08/31/23 | Amounts Due Within One Year | Amounts Due Thereafter |
|---------------------------------------|-----------------------------|-------------------------|-------------------------|-----------------------------|--------------------------------------------|---------------------------------------|
| Claims & Judgments | \$ 63,288,509.65 | \$ 35,079,000.00 | \$ 43,283,100.06 | \$ 55,084,409.59 | \$ 35,965,000.00 | \$ 19,119,409.59 |
| Compensable Leave | 741,908.81 | 880,904.46 | 636,582.93 | 986,230.34 | 525,688.11 | 460,542.23 |
| Right to Use Subscription Obligations | 0.00 | 1,573,427.31 | 0.00 | 1,573,427.31 | 370,097.46 | 1,203,329.85 |
| Total Governmental Activities | \$ 64,030,418.46 | \$ 37,533,331.77 | \$ 43,919,682.99 | \$ 57,644,067.24 | \$ 36,860,785.57 | \$ 20,783,281.67 |

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

If a state employee had continuous employment with the state for at least six months, the 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.

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. Both an expense and a liability for business-type activities are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting employees accumulating rights to receive sick pay benefits. This obligation is usually paid from the same funding source(s) from which the employee's salary or wage compensation was paid.

Right to Use Subscription Obligations

The right to use subscription obligations state the debt service requirements to maturity for subscription-based information technology agreements.

**State Office of Risk Management
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Note 8: Leases/SBITAS

SBITAS

Subscription Liability

Included in the expenditures reported in the financial statements are the following amounts of subscription fees paid under the noncancelable liability:

Fiscal Year 2023

| Fund Type | | Amount |
|------------------|----|---------------|
| General Fund | \$ | 405,000.00 |

| Variable Payments | | Amount |
|---------------------------------------|----|---------------|
| (Not included in the lease liability) | \$ | 108,800.00 |

SORM entered various agreements for IT subscriptions. These agreements range in terms up to year 2027. In fiscal 2023, the total lease payments were \$405,000.00.

Variable payments based upon the use of the underlying IT asset are not included in the subscription liability because they are not fixed in substance — therefore, these payments are not included in the RTU assets or subscription liabilities. SORM had variable payments in the amount of \$108,800.00.

**Future Subscription Payments
Year Ended August 31, 2023**

| | | Primary Government | | |
|-------------|----|--------------------------------|-----------------|--------------------------------------------|
| | | Governmental Activities | | |
| Year | | Principal | Interest | Total Future Minimum Lease Payments |
| 2024 | \$ | 370,097.46 | \$ 47,052.54 | \$ 417,150.00 |
| 2025 | | 381,065.09 | 36,084.91 | 417,150.00 |
| 2026 | | 405,075.59 | 24,589.40 | 429,664.99 |
| 2027 | | 417,189.17 | 12,475.83 | 429,665.00 |
| Totals | \$ | 1,573,427.31 | \$ 120,202.68 | \$ 1,693,629.99 |

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.

**STATE OFFICE OF RISK MANAGEMENT
AGENCY 479
2023 ANNUAL FINANCIAL REPORT**

NOTE 14 - ADJUSTMENTS TO FUND BALANCES AND NET POSITION

During fiscal year 2023, certain accounting changes and adjustments were made that required the restatement of fund balances or net position. The restatements are presented below.

| | General Funds (Fund 0001) | Total |
|----------------------------------------------------------------|--------------------------------------|---------------------|
| Fund Balance/Net Position September 1, 2022 | 7,458,113.55 | 7,458,113.55 |
| Current Year's Restatement (a) | (2,876.92) | (2,876.92) |
| Fund Balance/Net Position September 1, 2022 as Restated | 7,455,236.63 | 7,455,236.63 |

(a) General Revenue Fund 0001 (D23 Fund 0001) - This restatement is required, due to an FRS adjustment, processed by the Comptroller's office, being entered in Calc II instead of Calc I in the prior fiscal year in the General Revenue Reconciliation. This error caused the amount in COBJ 9442 to clear completely and caused the current FRS adjustment to be more than the amount in COBJ 9442. A restatement in GL account 9000 was needed to offset the overstatement caused by this error.

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, 2023, the following changes occurred in claims liabilities.

| | Claims and Judgments | | | |
|-------------|----------------------|------------------|------------------|------------------|
| | Beginning Balance | Increases | Decreases | Ending Balance |
| 2023 | \$ 63,288,509.65 | \$ 35,079,000.00 | \$ 43,283,100.06 | \$ 55,084,409.59 |
| 2022 | \$ 66,453,655.62 | \$ 35,780,000.00 | \$ 38,945,145.97 | \$ 63,288,509.65 |

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 32: FUND BALANCES

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

| GAAP Fund | Fund | AFR 54 Class | Amount | Citation | Comments |
|------------------|-------------|---------------------|---------------|-------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 0001 | 0001 | Nonspendable | \$961.07 | 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, 2023

| | General Revenue Fund | Totals (Exh. I) |
|------------------------------------------------|--------------------------------|------------------------|
| | (0001) U/F (see footnote A) | 2023 |
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents: | | |
| Cash in State Treasury | \$ 746.00 | \$ 746.00 |
| Cash on Hand | 14,314.68 | 14,314.68 |
| Legislative Appropriations | 7,812,868.08 | 7,812,868.08 |
| Prepaid Items | 961.07 | 961.07 |
| Total Current Assets | <u>7,828,889.83</u> | <u>7,828,889.83</u> |
| TOTAL ASSETS | <u>\$ 7,828,889.83</u> | <u>\$ 7,828,889.83</u> |
| LIABILITIES | | |
| Current Liabilities: | | |
| Payables From: | | |
| Accounts | \$ 199,769.15 | \$ 199,769.15 |
| Payroll | 853,821.89 | 853,821.89 |
| Unearned Revenue | 14,314.68 | 14,314.68 |
| Total Current Liabilities | <u>1,067,905.72</u> | <u>1,067,905.72</u> |
| TOTAL LIABILITIES | <u>\$ 1,067,905.72</u> | <u>\$ 1,067,905.72</u> |
| FUND BALANCES (DEFICITS): | | |
| Nonspendable | \$ 961.07 | \$ 961.07 |
| Unassigned | 6,760,023.04 | 6,760,023.04 |
| TOTAL FUND BALANCES | <u>\$ 6,760,984.11</u> | <u>\$ 6,760,984.11</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 7,828,889.83</u> | <u>\$ 7,828,889.83</u> |

A = 0001, 0900, 0980, 1000, 1002, 8070, 9000, 9001, 9014, 9015, 9016

EXHIBIT A-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES &
CHANGES IN FUND BALANCES: All General and Consolidated Funds**

For the Fiscal Year Ended August 31, 2023

| | General Revenue Fund (0001) U/F (see footnote A) | Totals (Exh. II) 2023 |
|----------------------------------------------------------------------|--------------------------------------------------------------|---------------------------------|
| REVENUES | | |
| Legislative Appropriations: | | |
| Original Appropriations (GR) | \$ 0.00 | \$ 0.00 |
| Additional Appropriations (GR) | (31,235.40) | (31,235.40) |
| Licenses, Fees, and Permits (GR) | 967.35 | 967.35 |
| Sales of Goods and Services (GR) | 780,881.11 | 780,881.11 |
| Other (GR) | 47,651,926.48 | 47,651,926.48 |
| Total Revenues | <u>\$ 48,402,539.54</u> | <u>\$ 48,402,539.54</u> |
| EXPENDITURES | | |
| Salaries and Wages | \$ 6,901,776.35 | \$ 6,901,776.35 |
| Payroll Related Costs | 2,024,374.59 | 2,024,374.59 |
| Professional Fees and Services | 1,299,791.87 | 1,299,791.87 |
| Travel | 58,033.84 | 58,033.84 |
| Materials and Supplies | 245,358.71 | 245,358.71 |
| Communication and Utilities | 73,051.28 | 73,051.28 |
| Repairs and Maintenance | 21,896.87 | 21,896.87 |
| Rentals and Leases | 22,015.46 | 22,015.46 |
| Printing and Reproduction | 84.64 | 84.64 |
| Claims and Judgments | 36,545,673.47 | 36,545,673.47 |
| Other Expenditures | 1,207,779.33 | 1,207,779.33 |
| Debt Service: | | |
| Principal - Subscriptions | 405,000.00 | 405,000.00 |
| Capital Outlay | 1,978,427.31 | 1,978,427.31 |
| Total Expenditures | <u>\$ 50,783,263.72</u> | <u>\$ 50,783,263.72</u> |
| Excess (Deficiency) of Revenues over (under) Expenditures | <u>\$ (2,380,724.18)</u> | <u>\$ (2,380,724.18)</u> |
| OTHER FINANCING SOURCES (USES) | | |
| Increase in Obligations - Subscriptions | \$ 1,978,427.31 | \$ 1,978,427.31 |
| Total Other Financing Sources (Uses) | <u>\$ 1,978,427.31</u> | <u>\$ 1,978,427.31</u> |
| NET CHANGE IN FUND BALANCES | <u>\$ (402,296.87)</u> | <u>\$ (402,296.87)</u> |

FUND FINANCIAL STATEMENTS - FUND BALANCES

| | | |
|----------------------------------------|-------------------------------|-------------------------------|
| Fund Balance - September 1, 2022 | \$ 7,458,113.55 | \$ 7,458,113.55 |
| Restatements | (2,876.92) | (2,876.92) |
| Fund Balance - September 1, 2022, as | <u>\$ 7,455,236.63</u> | <u>\$ 7,455,236.63</u> |
| Appropriations Lapsed | <u>(291,955.65)</u> | <u>(291,955.65)</u> |
| FUND BALANCES - August 31, 2023 | <u><u>\$ 6,760,984.11</u></u> | <u><u>\$ 6,760,984.11</u></u> |

A = 0001, 0900, 0980, 1000, 1002, 8070, 9000, 9001, 9014, 9015, 9016



300 W. 15TH, AUSTIN, TEXAS 78701
P.O. BOX 13777, AUSTIN, TEXAS 78711
(512) 475-1440, FAX (512) 370-9025
WWW.SORM.TEXAS.GOV