

PUBLIC ENTITY PARTNERS

Financial Statements and Supplementary Information

June 30, 2024 and 2023

(With Independent Auditors' Report Thereon)



PUBLIC ENTITY PARTNERS

Table of Contents

	<u>Page</u>
Introductory Section:	
Board of Directors and Senior Management	i - ii
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis	4 - 10
Basic Financial Statements:	
Statements of Net Position	11
Statements of Revenues, Expenses, and Changes in Net Position	12
Statements of Cash Flows	13 - 14
Notes to the Financial Statements	15 - 39
Required Supplementary Information:	
Ten-Year Claims Development Information	40
Reconciliation of Claims Liabilities by Type of Contract	41 - 42
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	43
Schedule of Contributions Based on Participation in the Public Employee Pension Plan of the Tennessee Consolidated Retirement System	44
Notes to the Required Supplementary Information	44
Other Information:	
Additional Information on Employee Compensation as Required by Tennessee State Law	45
Additional Information on Contractors/Professional Advisors/ Personal Service Providers as Required by Tennessee State Law	46 - 47
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 <i>Government Auditing Standards</i>	48 - 49
Summary Schedule of Prior Year Findings	50



Board of Directors and Senior Management

July 1, 2023 - June 30, 2024

Board of Directors

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

Ron Williams
Town of Farragut



Board of Directors and Senior Management (continued)

July 1, 2023 - June 30, 2024

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, 2024 and 2023, 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, 2024 and 2023, 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.

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 4, 2024 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 4, 2024



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, 2024. 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.

2024 Fiscal Year Highlights

- PE Partners had 494 insured members on June 30, 2024, including 314 cities and towns which represents approximately 91% of the state. PE Partners insures more than 36,500 local government employees and more than 18,600 government properties valued at approximately \$14.2 billion.
- Total assets and deferred outflows of resources of \$280,286,727 exceeded liabilities and deferred inflows of resources by \$128,170,455 on June 30, 2024.
- PE Partners' Board of Directors declared a \$4,000,000 dividend for members for the ensuing 2025 policy year.

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.

	2024	2023	Net Increase (Decrease)		2022	Net Increase (Decrease)	
			\$	%		\$	%
Current assets	\$ 266.3	\$ 251.2	\$ 15.1	6.0%	\$ 259.2	\$ (8.0)	-3.1%
Right of Use-Subscription	0.3	0.7	(0.4)	-57.1%	1.0	(0.3)	-
Other Noncurrent Assets	0.7	0.7	-	0.0%	-	0.7	0.0%
Capital assets	9.5	8.8	0.7	8.0%	9.2	(0.4)	-4.3%
Total assets	<u>276.8</u>	<u>261.4</u>	<u>15.4</u>	<u>5.9%</u>	<u>269.4</u>	<u>(8.0)</u>	<u>-3.0%</u>
Current liabilities	\$ 148.9	\$ 144.7	\$ 4.2	2.9%	\$ 159.8	\$ (15.1)	-9.3%
Noncurrent liabilities	3.2	2.6	0.6	23.1%	0.6	2.0	188.9%
Total liabilities	<u>152.1</u>	<u>147.3</u>	<u>4.8</u>	<u>3.3%</u>	<u>160.4</u>	<u>(13.1)</u>	<u>-8.2%</u>
Net deferred inflows/outflows of resources - pension plan	<u>3.5</u>	<u>2.8</u>	<u>0.7</u>	<u>25.0%</u>	<u>0.8</u>	<u>2.0</u>	<u>250.0%</u>
Net Investment in capital assets	9.5	8.8	0.7	0.0%	9.2	(0.4)	3.3%
Unrestricted	<u>118.7</u>	<u>108.1</u>	<u>10.6</u>	<u>10.5%</u>	<u>100.6</u>	<u>7.5</u>	<u>6.7%</u>
Total net position	<u>128.2</u>	<u>116.9</u>	<u>11.3</u>	<u>9.7%</u>	<u>109.8</u>	<u>7.1</u>	<u>6.4%</u>

PE Partners had total assets of \$276.8 million on June 30, 2024, which is 5.9% more than the previous year. Current assets consist primarily of cash, cash equivalents and investments totaling \$247.8 million; premiums, interest, and other receivable of \$12.5 million, and reinsurance on recoverable paid losses of \$5.9 million. PE Partners' investable assets on June 30, 2024, consisted of municipal bonds and U.S. agency bonds of \$232.4 million and cash, cash equivalents and money market funds of \$15.4 million. The right of use assets totaled \$0.3 million and other noncurrent assets total \$0.7 million. Net deferred outflows of resources totaling approximately \$3.5 million are related to PE Partners' net pension obligation and are actuarially determined.

PE Partners' total liabilities of \$152.1 million on June 30, 2024, were comprised of current liabilities of \$148.9 million and noncurrent liabilities of \$3.2 million. Current liabilities consisted primarily of reserve for losses and loss adjustment expenses totaling \$123.5 million at 2024 year-end, a decrease of \$2.4 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 \$2.6 million in 2024.

Noncurrent liabilities of \$3.2 million include PE Partners' net pension liability for PE Partners' participation in a defined benefit pension plan administered by the State of Tennessee Consolidated Retirement System. 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*. 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 \$128.2 million on June 30, 2024. 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 2024 PE Partners' net position increased by \$11.2 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)

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Net Investment in capital assets	\$ 9.5	\$ 8.8	\$ 9.2
Unrestricted:			
Committed for capitalization	40.0	40.0	40.0
Committed for member credits	16.5	25.7	20.6
Committed for capital outlay	-	-	-
Committed for property/casualty catastrophe	30.0	30.0	30.0
Committed for market value stabilization	32.2	12.4	10.0
Total unrestricted net position	<u>118.7</u>	<u>108.1</u>	<u>100.6</u>
Total net position	<u>\$ 128.2</u>	<u>\$ 116.9</u>	<u>\$109.8</u>

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)

	<u>2024</u>	<u>2023</u>	<u>Net Increase</u>		<u>2022</u>	<u>Net Increase</u>	
			<u>(Decrease)</u>			<u>(Decrease)</u>	
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>%</u>
Net earned premiums	\$ 74.8	\$ 69.7	\$ 5.1	7.3%	\$ 67.5	\$ 2.2	3.3%
Investment income-interest, net	11.5	10.5	1.0	9.5%	9.1	\$ 1.4	15.4%
Investment income-net increase (decrease)							
in fair value of investments	(1.9)	(14.5)	12.6	-86.9%	(57.2)	\$ 42.7	-74.7%
Other income	0.3	0.2	0.1	50.0%	0.2	\$ -	-%
Total operating revenues	<u>84.7</u>	<u>65.9</u>	<u>18.8</u>	<u>28.5%</u>	<u>19.6</u>	<u>\$ 46.3</u>	<u>236.2%</u>
Operating expenses	<u>69.5</u>	<u>58.9</u>	<u>10.6</u>	<u>18.0%</u>	<u>62.6</u>	<u>\$ (3.7)</u>	<u>-5.9%</u>
Operating income (loss)	<u>15.2</u>	<u>7.0</u>	<u>8.2</u>	<u>117.1%</u>	<u>(43.0)</u>	<u>\$ 50.0</u>	<u>-116.3%</u>
Nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>	<u>-%</u>
Change in net position	<u>\$ 15.2</u>	<u>\$ 7.0</u>	<u>\$ 8.2</u>	<u>117.1%</u>	<u>\$ (43.0)</u>	<u>\$ 50.0</u>	<u>-116.3%</u>

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 \$93.4 million for 2024 and represent an increase of \$9.5 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 \$18.5 million which is a 30% 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 \$11.5 million for 2024.

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 2024, PE Partners realized \$5.9 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, 2024, PE Partners had net unrealized investment gains totaling \$4.8 million compared to \$12.6 million of net unrealized losses in the prior year. Consequently, the total change in fair value of investments for fiscal year 2024 was a decrease of \$1.9 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)

	2024	2023	Net Increase (Decrease)		2022	Net Increase (Decrease)	
			\$	%		\$	%
Net earned premiums	\$ 74.8	\$ 69.7	\$ 5.1	\$ 0.1	\$ 67.5	\$ 2.2	3.3%
Investment income-interest, net	10.7	9.9	\$ 0.8	\$ 0.1	8.5	\$ 1.4	16.5%
Investment income-realized gains (losses)	(5.9)	(1.2)	\$ (4.7)	\$ 3.9	(6.0)	\$ 4.8	-80.0%
Other income	0.3	0.2	\$ 0.1	\$ -	0.2	\$ -	- %
Total operating revenues	<u>79.9</u>	<u>78.6</u>	\$ 1.3	\$ 0.0	<u>70.2</u>	\$ 8.4	12.0%
Operating expenses	<u>69.5</u>	<u>58.9</u>	\$ 10.6	\$ 0.2	<u>62.6</u>	\$ (3.7)	-5.9%
Change in net position before change in fair value of investments	10.4	19.6	\$ (9.2)	\$ (0.5)	7.6	\$ 12.0	157.9%
Change in fair value of investments - unrealized gains (losses)	4.8	(12.6)	\$ 17.4	\$ (1.4)	(50.6)	\$ 38.0	75.1%
Change in net position	<u>\$ 15.2</u>	<u>\$ 7.0</u>	\$ 8.2	\$ 1.2	<u>\$ (43.0)</u>	<u>\$ 50.0</u>	116.3%

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 2024 increased \$8.5 million from the prior year to \$49.5 million.

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 \$8.6 million for 2024 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 \$11.4 million for fiscal year 2024 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 \$12.8 million and a book value (after accumulated depreciation) of \$9.5 million on June 30, 2024. 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 \$3.2 million and was approximately 83.65% funded, based on the most recent actuarial valuation date.

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 June 30, 2024, there was one remaining annual payment on the current contract, therefore, there is no long-term debt reported as of year-end.

Economic Factors and Other Matters

For fiscal year 2025, PE Partners' Board of Directors approved base rates changes as follows:

- Worker's Compensation: No Change
- Liability: 6.0% increase to Law Enforcement Liability; 8.0% increase to Auto Physical Damage
- Property: 8% increase

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, 2024 and 2023

Assets and Deferred Outflows of Resources

	<u>2024</u>	<u>2023</u>
Current assets:		
Cash and cash equivalents	\$ 15,444,921	\$ 8,964,695
Investments	232,358,651	227,736,816
Premiums receivable	4,064,141	2,894,555
Accrued interest and other receivables	4,284,384	4,271,896
Prepaid reinsurance and other expenses	4,168,787	2,954,368
Reinsurance recoverable on paid losses	5,950,026	4,366,334
	<u>266,270,910</u>	<u>251,188,664</u>
Total current assets		
Premises, property, and equipment		
Non-depreciable	1,957,084	1,957,084
Depreciable	7,496,659	6,818,040
	<u>9,453,743</u>	<u>8,775,124</u>
Total premises, property, and equipment		
Right-to-use subscription based IT asset	344,345	689,428
Other assets	750,000	750,000
	<u>276,818,998</u>	<u>261,403,216</u>
Total assets		
Deferred outflows of resources:		
Pension changes in investment experience	2,139,170	1,493,602
Pension changes in investment earnings, net	134,145	49,080
Pension changes in actuarial assumptions	352,696	470,261
Employer pension contributions	841,718	821,026
	<u>3,467,729</u>	<u>2,833,969</u>
Total deferred outflows of resources		
	<u>\$ 280,286,727</u>	<u>\$ 264,237,185</u>

Liabilities, Deferred Inflows of Resources, and Net Position

Current liabilities:		
Reserve for losses and loss adjustment expenses	\$ 123,539,167	\$ 125,953,474
Unearned premiums	17,404,452	15,630,649
Dividends payable	4,056,091	138,791
Accounts payable and accrued liabilities	3,515,008	2,625,232
Current portion of subscription based IT liability	344,345	345,083
	<u>148,859,063</u>	<u>144,693,229</u>
Total current liabilities		
Net pension liability	3,248,024	2,261,648
Subscription based IT liability, excluding current portion	-	344,345
	<u>152,107,087</u>	<u>147,299,222</u>
Total liabilities		
Deferred inflows of resources:		
Pension changes in investment experience	9,185	17,773
Pension changes in investment earnings, net	-	-
	<u>9,185</u>	<u>17,773</u>
Total deferred inflows of resources		
Net position:		
Net investment in capital assets	9,453,743	8,775,124
Unrestricted	118,716,712	108,145,066
	<u>128,170,455</u>	<u>116,920,190</u>
Total net position		
	<u>\$ 280,286,727</u>	<u>\$ 264,237,185</u>

See accompanying notes to the financial statements.

PUBLIC ENTITY PARTNERS

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenues:		
Gross earned premiums	\$ 93,353,828	\$ 83,873,161
Reinsurance premiums ceded	<u>(18,542,708)</u>	<u>(14,207,387)</u>
Net earned premiums	74,811,120	69,665,774
Investment income - interest earnings, net	11,547,586	10,489,150
Investment income - net decrease in fair value of investments	(1,869,390)	(14,494,258)
Other income	<u>265,863</u>	<u>238,877</u>
Total operating revenues	<u>84,755,179</u>	<u>65,899,543</u>
Operating expenses:		
Losses and loss adjustment expenses	49,474,530	40,942,791
Policy acquisition costs	8,602,072	6,838,211
General and administrative expenses	<u>11,428,312</u>	<u>11,070,495</u>
Total operating expenses	<u>69,504,914</u>	<u>58,851,497</u>
Total change in net position	15,250,265	7,048,046
Net position, beginning of year	116,920,190	109,802,804
Dividends declared	(4,000,000)	-
Member lapsed dividend credits	<u>-</u>	<u>69,339</u>
Net position, end of year	<u>\$ 128,170,455</u>	<u>\$ 116,920,190</u>

See accompanying notes to the financial statements.

PUBLIC ENTITY PARTNERS

Statements of Cash Flows

Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash receipts:		
Premiums received	\$ 95,133,515	\$ 78,081,420
Interest received	11,411,004	10,291,445
Special rating plan reimbursements	6,058,597	4,723,910
Reinsurance recoveries received	4,412,002	4,170,340
Claim recoveries received	2,964,868	2,706,950
Other cash receipts	211,419	166,935
Total cash receipts	<u>120,191,405</u>	<u>100,141,000</u>
Cash disbursements:		
Claim payments	60,461,919	55,330,265
General and administrative	15,778,866	13,723,149
Reinsurance premiums	19,757,126	13,054,689
Claims administration	6,058,995	6,221,142
Policy acquisition	3,695,785	4,260,105
Total cash disbursements	<u>105,752,691</u>	<u>92,589,350</u>
Net cash provided by operating activities	<u>14,438,714</u>	<u>7,551,650</u>
Cash flows from capital and related financing activities:		
Purchases of premises, property, and equipment	(1,122,181)	(41,042)
Principal payments on subscription liabilities	(345,083)	(66,166)
Interest paid on subscription liabilities	-	(8,857)
Net cash used in capital and related financing activities	<u>(1,467,264)</u>	<u>(116,065)</u>
Cash flows from investing activities:		
Purchases of investments	(53,643,626)	(35,194,267)
Proceeds from sales and maturities of investments	47,152,402	27,101,955
Net cash used in investing activities	<u>(6,491,224)</u>	<u>(8,092,312)</u>
Net increase (decrease) in cash and cash equivalents	6,480,226	(656,727)
Cash and cash equivalents, beginning of year	<u>8,964,695</u>	<u>9,621,422</u>
Cash and cash equivalents, end of year	<u>\$ 15,444,921</u>	<u>\$ 8,964,695</u>

See accompanying notes to the financial statements.

PUBLIC ENTITY PARTNERS

Statements of Cash Flows (continued)

Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of operating income to net cash used in operating activities:		
Operating income	\$ 15,250,265	\$ 7,048,046
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	788,645	771,248
Net amortization of premium paid on investments	797,837	609,424
Net realized losses on sales of investments	5,854,320	1,246,999
Net unrealized gains (losses) on investments	(4,782,767)	12,637,835
(Increase) decrease in premiums receivable	(1,169,586)	225,735
(Increase) decrease in accrued interest and other receivables	(1,226,907)	486,908
Increase in reinsurance recoverable on paid losses	(1,583,692)	(540,781)
Increase in net deferred outflows of resources	(633,760)	(226,488)
Decrease in reserve for losses and loss adjustment expenses	(2,414,307)	(8,144,203)
Increase in unearned premiums	1,773,803	651,763
Decrease in dividends payable	(82,701)	(7,899,332)
Increase in accounts payable and accrued liabilities	889,776	386,735
Increase in net pension liability	986,376	2,060,910
Decrease in deferred inflows of resources	(8,588)	(1,763,149)
	<u>\$ 14,438,714</u>	<u>\$ 7,551,650</u>
Net cash provided by operating activities	<u>\$ 14,438,714</u>	<u>\$ 7,551,650</u>

See accompanying notes to the financial statements.

PUBLIC ENTITY PARTNERS

Notes to the Financial Statements

June 30, 2024 and 2023

(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 494 governmental entities (including 314 cities and towns) on June 30, 2024.

PUBLIC ENTITY PARTNERS

Notes to the Financial Statements

June 30, 2024 and 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

PUBLIC ENTITY PARTNERS

Notes to the Financial Statements

June 30, 2024 and 2023

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) Premiums receivable

Premiums receivable consists of premiums due from members for workers' compensation, liability, and property coverages, which are billed when a member insurance policy is issued. In the event a member does not pay the assessed premium, the policy is canceled. Accordingly, no allowance for uncollectible premiums receivable is necessary.

(g) 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.

PUBLIC ENTITY PARTNERS

Notes to the Financial Statements

June 30, 2024 and 2023

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.

(h) Subscription-based information technology arrangement

Public Entity Partners determines if an arrangement is a subscription-based information technology arrangement (“SBITA”) at the inception of the arrangement. Right-to-use (“RTU”) asset and a corresponding liability, for SBITAs where Public Entity Partners is the recipient of the arrangement, are recognized at the commencement date of the arrangement based on the present value of all future payments over the arrangement term.

(i) 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 9).

(j) 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.

(k) 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

PUBLIC ENTITY PARTNERS

Notes to the Financial Statements

June 30, 2024 and 2023

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 9).

(l) 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.

(m) 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.

(n) 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.

(o) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts 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.

(p) Events occurring after reporting date

Public Entity Partners has evaluated events and transactions that occurred between June 30, 2024 and November 4, 2024, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

PUBLIC ENTITY PARTNERS

Notes to the Financial Statements

June 30, 2024 and 2023

(q) New and upcoming accounting pronouncements

In June 2023, the GASB issued Statement 100, *Accounting Changes and Error Corrections-an Amendment of GASB No. 62* ("GASB 100"), which addresses the accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The guidance is effective for fiscal years beginning after June 15, 2023. Public Entity Partners adopted GASB 100 as of July 1, 2023. The adoption of this authoritative guidance did not have a material impact on the financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, which requires compensated absences to be recognized as a liability when the benefits are earned by employees and are attributable to services already rendered. The liability should be measured based on the pay or salary rates in effect at the financial statement date. The guidance is effective for fiscal years beginning after December 15, 2023. Management is currently evaluating the impact of adoption.

(3) Deposits and Investments

Public Entity Partners' cash and cash equivalent bank balances totaling \$17,730,069 and \$11,281,210 at June 30, 2024, and 2023, respectively (less outstanding checks that are subtracted from bank balances to determine a carrying value of \$15,444,921 and \$8,964,695 at June 30, 2024 and 2023, 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.

PUBLIC ENTITY PARTNERS

Notes to the Financial Statements

June 30, 2024 and 2023

On June 30, 2024, Public Entity Partners had the following investments:

	<u>Fair Value</u>	<u>Average Weighted Maturity (in years)</u>	<u>Average Weighted Call Term (in years)</u>
U.S. Government Agencies:			
FFCB	\$ 1,802,121	17.8	17.8
GNMA	6,311,980	29.7	29.7
Corporate Bonds	14,589,902	23.4	21.4
Municipal Bonds	209,654,648	16.8	6.0
Total	<u>\$ 232,358,651</u>		

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

	<u>Fair Value</u>	<u>Average Weighted Maturity (in years)</u>	<u>Average Weighted Call Term (in years)</u>
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	<u>\$ 227,736,816</u>		

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

PUBLIC ENTITY PARTNERS

Notes to the Financial Statements

June 30, 2024 and 2023

portfolios. As of June 30, 2024, and 2023, 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, 2024, and 2023, Public Entity Partners' investments in municipal bonds had credit ratings as follows:

	Municipal Bonds	
Rating	2024	2023
AAA	\$ 28,595,599	\$ 29,492,719
AA	119,582,466	117,515,773
A	50,321,417	53,088,973
BBB	11,155,166	10,007,137
	<u>\$ 209,654,648</u>	<u>\$ 210,104,602</u>

As of June 30, 2024, and 2023, Public Entity Partners' investments in corporate bonds had credit ratings as follows:

	Corporate Bonds	
Rating	2024	2023
AA	\$ 1,141,925	\$ 2,591,115
A	13,447,977	13,232,897
	<u>\$ 14,589,902</u>	<u>\$ 15,824,012</u>

As of June 30, 2024, and 2023, Public Entity Partners' investments in agency bonds had credit ratings as follows:

	US Government Agencies	
Rating	2024	2023
FFCB	\$ 1,802,121	\$ 1,808,202
GNMA	6,311,980	-
	<u>\$ 8,114,101</u>	<u>\$ 1,808,202</u>

PUBLIC ENTITY PARTNERS

Notes to the Financial Statements

June 30, 2024 and 2023

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, 2024, and 2023, 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

Notes to the Financial Statements

June 30, 2024 and 2023

Public Entity Partners had the following recurring fair value measurements as of June 30, 2024:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by fair value level</u>				
U.S. Government Agencies	\$ 8,114,101	\$ 8,114,101	\$ -	\$ -
Corporate Bonds	14,589,902	14,589,902		
Municipal Bonds	209,654,648	209,654,648	-	-
Total Investments	<u>\$ 232,358,651</u>	<u>\$ 232,358,651</u>	<u>\$ -</u>	<u>\$ -</u>

Investments measured at amortized cost

Local Government Investment Pool (reported in cash and cash equivalents) \$ 10,588,871

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

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by fair value level</u>				
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	<u>\$ 227,736,816</u>	<u>\$ 227,736,816</u>	<u>\$ -</u>	<u>\$ -</u>

Investments measured at amortized cost

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

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,

PUBLIC ENTITY PARTNERS

Notes to the Financial Statements

June 30, 2024 and 2023

net of investment fees. The net decrease in fair value of investments for the fiscal years ended June 30, 2024, and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Realized losses, net	\$ (5,854,319)	\$ (1,246,999)
Amortization of premium	(855,990)	(685,350)
Accretion of discounts	58,153	75,926
Unrealized gains (losses), net	4,782,766	(12,637,835)
Net decrease in fair value of investments	<u>\$ (1,869,390)</u>	<u>\$ (14,494,258)</u>

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.

(4) Premises, Property, and Equipment

Premises, property, and equipment activity for the fiscal years ended June 30, 2024 and 2023 are as follows:

	<u>Balance</u> <u>June 30, 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2024</u>
Capital assets, not being depreciated:				
Land	\$ 1,957,084	\$ -	\$ -	\$ 1,957,084
Capital assets, being depreciated:				
Building and improvements	7,458,217	980,566	-	8,438,783
Furniture and equipment	508,964	131,217	-	640,181
Computer system	1,763,659	10,400	-	1,774,059
Total capital assets, being depreciated	<u>9,730,840</u>	<u>1,122,182</u>	<u>-</u>	<u>10,853,022</u>
Less accumulated depreciation:				
Building and improvements	867,810	332,056	-	1,199,866
Furniture and equipment	357,703	87,044	-	444,746
Computer system	1,687,287	24,464	-	1,711,751
Total accumulated depreciation	<u>2,912,800</u>	<u>443,563</u>	<u>-</u>	<u>3,356,363</u>
Capital assets, being depreciated, net	<u>6,818,040</u>	<u>678,619</u>	<u>-</u>	<u>7,496,659</u>
Capital assets, net	<u>\$ 8,775,124</u>	<u>\$ 678,619</u>	<u>\$ -</u>	<u>\$ 9,453,743</u>

PUBLIC ENTITY PARTNERS

Notes to the Financial Statements

June 30, 2024 and 2023

	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	<u>9,689,798</u>	<u>41,042</u>	<u>-</u>	<u>9,730,840</u>
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	<u>2,461,537</u>	<u>451,264</u>	<u>-</u>	<u>2,912,800</u>
Capital assets, being depreciated, net	<u>7,228,261</u>	<u>(410,222)</u>	<u>-</u>	<u>6,818,040</u>
Capital assets, net	<u>\$ 9,185,345</u>	<u>\$ (410,222)</u>	<u>\$ -</u>	<u>\$ 8,775,124</u>

Depreciation charged to operating expenses in 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Losses and loss adjustment expenses	\$ 8,467	\$ 16,125
General and administrative expenses	435,095	435,139
Total depreciation expense	<u>\$ 443,562</u>	<u>\$ 451,264</u>

(5) Reserve for Losses and Loss Adjustment Expenses

Reserve for losses and loss adjustment expenses is comprised of:

	<u>2024</u>	<u>2023</u>
Reserve for reported claims	\$ 91,457,331	\$ 93,345,216
Reserve for unallocated loss adjustment expenses	45,523,138	48,168,678
Reserve for incurred but not reported claims	9,000,000	9,250,000
Less: reinsurance recoverable	<u>(22,441,302)</u>	<u>(24,810,421)</u>
Total reserve for losses and loss adjustment expenses	<u>\$ 123,539,167</u>	<u>\$ 125,953,474</u>

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

PUBLIC ENTITY PARTNERS

Notes to the Financial Statements

June 30, 2024 and 2023

liabilities for Public Entity Partners during the past two years. Reserves are stated on a net basis after deductions for losses recoverable from reinsurers.

	<u>2024</u>	<u>2023</u>
Reserve for losses and loss adjustment expenses at beginning of fiscal year	\$ 125,953,474	\$ 134,097,677
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	57,668,465	55,303,378
Decrease in provision for insured events of prior fiscal years	(14,598,013)	(20,420,585)
Unallocated claims adjustment expenses	6,404,078	6,059,998
Total incurred claims and claim adjustment expenses	<u>49,474,530</u>	<u>40,942,791</u>
Reinsurance:		
Reinsurance recoveries received attributable to insured events of prior fiscal years	4,425,857	4,170,340
Change in reinsurance recoverable on paid losses	1,583,690	540,781
Total reinsurance	<u>6,009,547</u>	<u>4,711,121</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	22,582,102	22,712,075
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	28,912,204	25,026,042
Unallocated claim adjustment expenses	6,404,078	6,059,998
Total payments	<u>57,898,384</u>	<u>53,798,114</u>
Reserve for losses and loss adjustment expenses at end of fiscal year	<u>\$ 123,539,167</u>	<u>\$ 125,953,474</u>

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, 2024, and 2023. 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.

PUBLIC ENTITY PARTNERS

Notes to the Financial Statements

June 30, 2024 and 2023

(6) Premiums Written and Reinsurance

Premiums written for the years ended June 30, 2024 and 2023, were as follows:

	<u>2024</u>	<u>2023</u>
Premiums written	\$ 95,127,631	\$ 84,524,924
Premiums ceded	<u>(18,542,708)</u>	<u>(14,207,387)</u>
Net premiums written	<u>\$ 76,584,923</u>	<u>\$ 70,317,537</u>

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 2024 and 2023.
- b. For fiscal years 2024 and 2023, 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 year 2024, Public Entity Partners' property reinsurance retention amount increased to \$1,000,000 for all perils/losses. For fiscal year 2023, the 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 \$22,441,302 and \$24,810,421 have been deducted from the reserve for losses and loss adjustment expenses (Note 5) on June 30, 2024 and 2023, respectively. Public Entity Partners remains contingently liable for reinsured losses in the event its reinsurers do not meet their contractual obligations.

PUBLIC ENTITY PARTNERS

Notes to the Financial Statements

June 30, 2024 and 2023

(7) 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.

	<u>2024</u>	<u>2023</u>
Net Investment in capital assets	\$ 9,453,743	\$ 8,775,124
Unrestricted:		
Committed for capitalization	40,000,000	40,000,000
Committed for member credits	16,528,745	25,739,866
Committed for property/casualty catastrophe	30,000,000	30,000,000
Total operational commitments	<u>86,528,745</u>	<u>95,739,866</u>
Committed for market value stabilization	<u>32,187,967</u>	<u>12,405,200</u>
Total unrestricted net position	<u>118,716,712</u>	<u>108,145,066</u>
Net position, end of year	<u>\$ 128,170,455</u>	<u>\$ 116,920,190</u>

During the year ended 2024, the Board declared a dividend of \$4,000,000 to be paid in the form of renewal credits issued for member's policies with effective dates of July 1, 2024, through June 30, 2025.

During the year ended 2023, the Board did not declare a dividend for the ensuing July 1, 2023 through June 30, 2024 policy year.

(8) 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. As proposed during the June 2022 board meeting and effective July 1, 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 \$1,200,000 and \$1,300,000 in 2024 and 2023, respectively, and are included in policy acquisition costs on the accompanying Statements of Revenues, Expenses and Changes in Net Position.

PUBLIC ENTITY PARTNERS

Notes to the Financial Statements

June 30, 2024 and 2023

Contributions for the upcoming fiscal years were approved as follows:

Year Ended June 30:		
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.

(9) 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.

PUBLIC ENTITY PARTNERS

Notes to the Financial Statements

June 30, 2024 and 2023

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, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	20
Inactive employees entitled to but not yet receiving benefits	12
Active employees	36
	<hr/>
	68
	<hr/>

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, 2024, the employer contributions for Public Entity Partners were \$841,418 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. Net Pension Liability

Public Entity Partners’ net pension liability (asset) was measured as of June 30, 2023, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

PUBLIC ENTITY PARTNERS

Notes to the Financial Statements

June 30, 2024 and 2023

Actuarial assumptions

The total pension liability as of June 30, 2023, 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, 2023, 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 2023, assumptions did not change from 2022.

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:

PUBLIC ENTITY PARTNERS

Notes to the Financial Statements

June 30, 2024 and 2023

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
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%
		<u>100%</u>

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.

PUBLIC ENTITY PARTNERS

Notes to the Financial Statements

June 30, 2024 and 2023

c. Changes in the Net Pension Liability

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balance at 6/30/2022	<u>\$ 17,753,775</u>	<u>\$ 15,492,127</u>	<u>\$ 2,261,648</u>
Changes for the year:			
Service cost	382,223	-	382,223
Interest	1,199,765	-	1,199,765
Differences between expected and actual experience	1,251,584	-	1,251,584
Changes in assumptions	-	-	-
Contributions from employer	-	821,026	(821,026)
Contributions from employees	-	-	-
Net investment income	-	1,044,040	(1,044,040)
Benefit payments, including refunds of employee contributions	(723,408)	(723,408)	-
Administrative expense	-	(3,332)	3,332
Other expense	-	(14,538)	14,538
Net changes	<u>2,110,164</u>	<u>1,123,788</u>	<u>986,376</u>
Balance at 6/30/2023	<u>\$ 19,863,939</u>	<u>\$ 16,615,915</u>	<u>\$ 3,248,024</u>

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:

	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Public Entity Partners' net pension liability (asset)	<u>\$ 5,865,502</u>	<u>\$ 3,248,024</u>	<u>\$ 1,073,008</u>

PUBLIC ENTITY PARTNERS

Notes to the Financial Statements

June 30, 2024 and 2023

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, 2024, and 2023, Public Entity Partners recognized pension expense of \$1,185,446 and \$890,702, respectively.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2024, Public Entity Partners reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,139,170	\$ 8,885
Net difference between projected and actual earnings		
on pension plan investments	134,145	-
Changes in assumptions	352,696	-
Contributions subsequent to the measurement date of June 30, 2023	841,718	
Total	<u>\$ 3,467,729</u>	<u>\$ 8,885</u>

For the year ended June 30, 2023, Public Entity Partners reported deferred outflows of resources and deferred inflows of resources related to pensions from the following 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	<u>\$ 2,833,969</u>	<u>\$ 17,773</u>

The amount shown above for "Contributions subsequent to the measurement dates of June 30, 2023, and 2022 will be recognized as a reduction to net pension liability in the following measurement period.

PUBLIC ENTITY PARTNERS

Notes to the Financial Statements

June 30, 2024 and 2023

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:	
2025	\$ 588,877
2026	542,780
2027	952,202
2028	324,665
2029	208,597
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, 2024, and 2023, Public Entity Partners did not owe any outstanding contributions to the pension plan.

(10) 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.

In March 2022, Public Entity Partners entered a three-year contract with a third-party vendor for subscription services for an online claims processing and reporting system in the amount of \$1.3 million payable in equal yearly installments of \$408,700. See Note Disclosure No. 12.

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 requests/approval by the President/CEO and the Board of Directors, the contract allows for yearly increases to the contract amount, however, those increases are not automatic. The contract fee for 2024 was \$256,538. The contract fee for 2023 was \$249,066.

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

PUBLIC ENTITY PARTNERS

Notes to the Financial Statements

June 30, 2024 and 2023

of the contract terms since the origination of the contract. Upon requests/approval by the President/CEO and the Board of Directors, the contract allows for yearly increases to the contract amount, however, those increases are not automatic. The contract fee for 2024 was \$386,079. The contract fee for 2023 was \$374,834.

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 2024 was \$5,696,271. The contract fee for 2023 was \$5,378,917.

(11) Leases

Public Entity Partners has adopted GASB Statement No. 87, Leases. In thoroughly 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 not significant.

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 \$44,034 and \$42,492 for 2024 and 2023, respectively.

Future minimum rents under long-term operating leases are \$36,060 for fiscal year ending June 30, 2025, \$21,372 for fiscal year ending June 30, 2026, \$21,372 for fiscal year ending June 30, 2027, and \$21,372 for fiscal year ending June 30, 2028.

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 it for an additional two years. Monthly rental income totals \$3,858. Future minimum rent income amounts are \$15,435 for year ending June 30, 2025, if notice is given to terminate the lease prior to November 1, 2024. If the extension is exercised, future minimum rent income amounts are \$46,305 for year ending June 30, 2025, \$46,305 for year ending June 30, 2026, and \$15,435 for year ending June 30, 2027.

(12) Subscription Based Information Technology

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

PUBLIC ENTITY PARTNERS

Notes to the Financial Statements

June 30, 2024 and 2023

\$783,806, and a subscription liability of \$344,345 is included in the accompanying statements of net position as of June 30, 2024. The RTU asset of \$1,128,151, related accumulated amortization of \$438,723, and a subscription liability of \$689,428 is included in the accompanying statements of net position as of June 30, 2023. Amortization expense was \$345,083 and \$319,984 for the years ended June 30, 2024 and 2023 and is included in depreciation and amortization.

The following schedule provides the changes in subscription assets for years ended June 30, 2024, and 2023:

	Balance at June 30, 2023	Additions	Amortization	Balance at June 30, 2024
Right of Use Asset	\$ 689,428	\$ -	\$ (345,083)	\$ 344,345

	Balance at June 30, 2022	Additions	Amortization	Balance at June 30, 2023
Right of Use Asset	\$ 808,167	\$ -	\$ (118,739)	\$ 689,428

The subscription payment obligations as of and for the years ended June 30, 2024, and 2023 are as follows:

	Balance at June 30, 2023	Additions/Other	Reductions	Balance at June 30, 2024	Amounts Due within One Year
Subscription Liabilities	\$ 689,428	\$ -	\$ (345,083)	\$ 344,345	\$ 344,345

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

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
2025	\$ 363,700	\$ 19,355	\$ 344,345

PUBLIC ENTITY PARTNERS

Notes to the Financial Statements

June 30, 2024 and 2023

(13) Other Assets

Public Entity Partners 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 Public Entity Partners. 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, 2024

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.

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
1. Net earned required premium and investment revenues	\$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	\$84,755,179
2. Unallocated expenses	16,878,932	16,843,422	18,705,261	18,399,361	20,116,565	23,478,393	21,274,830	22,448,509	23,968,704	26,434,462
3. Estimated incurred claims and expense, end of accident year	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	57,668,465
4. Net Paid (cumulative) as of:										
End of accident year	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	22,582,102
One year later	24,079,927	22,764,176	26,579,123	24,140,530	24,136,191	27,466,141	24,111,273	27,738,461	39,227,618	
Two years later	28,934,633	26,261,766	28,851,024	29,793,846	29,313,194	32,653,154	29,813,118	31,303,471		
Three years later	30,875,714	27,914,268	30,227,226	32,911,736	32,898,229	35,054,107	31,346,920			
Four years later	31,835,404	28,746,106	30,659,068	34,382,959	35,448,562	36,355,129				
Five years later	32,319,266	29,274,995	30,729,779	35,358,781	36,701,550					
Six years later	32,408,797	30,404,702	30,838,854	35,598,953						
Seven years later	32,547,435	30,507,665	30,946,571							
Eight years later	32,650,754	30,876,966								
Nine years later	32,727,321									
5. Re-estimated incurred claims and expenses:										
End of accident year	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	57,668,465
One year later	46,723,332	46,885,944	44,239,441	42,933,250	46,222,837	47,425,470	45,142,176	44,458,647	56,863,397	
Two years later	43,694,843	41,620,255	39,814,023	43,152,817	43,874,124	46,473,274	41,480,396	42,325,887		
Three years later	40,663,865	38,446,455	38,013,447	41,496,396	42,258,194	43,655,240	38,754,399			
Four years later	38,118,961	38,007,621	36,247,261	40,522,270	41,505,808	42,257,479				
Five years later	37,306,343	35,975,981	34,691,692	39,550,841	40,386,080					
Six years later	35,960,084	35,661,259	33,741,557	38,958,833						
Seven years later	35,115,785	34,674,546	32,981,606							
Eight years later	34,897,134	33,737,996								
Nine years later	34,577,857									
6. Increase (decrease) in estimated incurred claims and expense from end of accident year	(12,099,090)	(11,961,811)	(13,535,900)	(7,295,987)	(4,896,360)	(8,064,877)	(9,113,235)	(9,189,115)	1,560,019	

See independent auditors' report.

PUBLIC ENTITY PARTNERS

Reconciliation of Claims Liabilities by Type of Contract

Year ended June 30, 2024

	Liability	Workers' Compensation	Property	Total
Reserve for losses and loss adjustment expenses at beginning of fiscal year	\$45,400,983	\$78,702,386	\$1,850,106	\$125,953,474
Incurred claims and claim adjustment expenses:				
Provision for insured events of the current fiscal year	33,965,172	17,203,293	6,500,000	57,668,465
Increase (decrease) in provision for insured events of prior fiscal years	(5,566,432)	(10,158,679)	1,127,099	(14,598,013)
Unallocated claims adjustment expenses	2,592,385	2,112,102	1,699,591	6,404,078
Total incurred claims and claim adjustment expenses	30,991,125	9,156,716	9,326,690	49,474,530
Reinsurance:				
Reinsurance recoveries received attributable to insured events of prior fiscal years	112,161	976,122	3,337,575	4,425,857
Change in reinsurance recoverable on paid losses	(48,165)	(269,837)	1,901,692	1,583,690
Total reinsurance	63,996	706,285	5,239,267	6,009,547
Payments:				
Claims and claim adjustment expenses attributable to insured events of current fiscal year	12,125,755	4,849,980	5,606,367	22,582,102
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	13,061,357	9,560,876	6,289,971	28,912,204
Unallocated claim adjustment expenses	2,592,385	2,112,102	1,699,591	6,404,078
Total payments	27,779,497	16,522,958	13,595,929	57,898,384
Reserve for losses and loss adjustment expenses at end of fiscal year	\$48,676,606	\$72,042,428	\$2,820,133	\$123,539,167

See independent auditors' report.

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 expenses	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

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	2023
Total pension liability:									
Service Cost	\$ 180,845	\$ 211,832	\$ 202,026	\$ 216,302	\$ 231,182	\$ 255,410	\$ 251,465	\$ 378,163	\$ 382,223
Interest	652,233	701,015	762,920	811,653	879,498	926,309	1,001,863	1,100,103	1,199,765
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	1,251,584
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)	(723,408)
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	2,110,164
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	17,753,775
Total pension liability, ending (a)	<u>\$ 9,276,829</u>	<u>\$ 10,137,493</u>	<u>\$ 11,169,850</u>	<u>\$ 12,112,587</u>	<u>\$ 12,744,407</u>	<u>\$ 13,857,474</u>	<u>\$ 16,254,988</u>	<u>\$ 17,753,775</u>	<u>\$ 19,863,939</u>
Plan fiduciary net position:									
Contributions from employer	\$ 444,391	\$ 481,504	\$ 507,080	\$ 545,924	\$ 563,164	\$ 663,960	\$ 672,459	\$ 751,214	\$ 821,026
Contributions from employees	-	-	-	-	-	-	-	-	-
Net investment income	247,692	224,807	1,006,625	834,699	821,215	595,500	3,285,030	(615,189)	1,044,040
Benefit payments, including refunds of employee contributions	(266,470)	(283,590)	(334,508)	(381,866)	(425,535)	(446,281)	(580,267)	(670,643)	(723,408)
Administrative expense	(1,421)	(2,180)	(2,533)	(2,851)	(22,088)	(21,952)	(22,169)	(3,567)	(3,332)
Other	-	-	-	-	-	-	-	(23,938)	(14,538)
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)	1,123,788
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	15,492,127
Plan fiduciary net position, ending (b)	<u>\$ 8,378,103</u>	<u>\$ 8,798,644</u>	<u>\$ 9,975,308</u>	<u>\$ 10,971,214</u>	<u>\$ 11,907,970</u>	<u>\$ 12,699,197</u>	<u>\$ 16,054,250</u>	<u>\$ 15,492,127</u>	<u>\$ 16,615,915</u>
Net Pension Liability, ending (a) - (b)	<u>\$ 898,726</u>	<u>\$ 1,338,849</u>	<u>\$ 1,194,542</u>	<u>\$ 1,141,373</u>	<u>\$ 836,437</u>	<u>\$ 1,158,277</u>	<u>\$ 200,738</u>	<u>\$ 2,261,648</u>	<u>\$ 3,248,024</u>
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%	83.65%
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 **	\$ 5,068,064
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%	64.09%

** 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 inflation 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,

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially determined contribution	\$ 444,391	\$ 481,504	\$ 507,080	\$ 545,924	\$ 563,164	\$ 663,960	\$ 670,862	\$ 752,811	\$ 821,026	\$ 841,418
Contribution in relation to the actuarially determined contribution	444,391	481,504	507,080	545,924	563,164	663,960	670,862	752,811	821,026	841,418
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 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	\$ 5,193,933
Contributions as a percentage of covered-employee payroll	15.21%	15.21%	15.21%	15.83%	15.84%	16.19%	16.20%	16.20%	16.20%	16.20%

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.

Notes to Required Supplementary Information:

Valuation Date: Actuarially determined contribution rates for 2024 were calculated based on the June 30, 2023 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, 2023 Through June 30, 2024

Employee	Earned Compensation			Fringe Benefits
	Base Earnings	Other Earnings	Total Earnings	
Fann, Michael - President & CEO	350,334	51,166	401,500	57,011
Dalton, George - Executive Vice President	294,802	15,415	310,217	47,359
Shrum, Amanda - Chief Financial Officer	252,821	18,947	271,768	42,392
Carr, Carrie	84,122	1,681	85,803	14,420
Chambliss, Robert	141,760	14,969	156,729	22,897
Clopton, Casey	97,670	14,969	112,639	15,742
Cowan, Allison	30,517	325	30,841	4,963
Curtis, Sarah	97,670	14,969	112,639	16,577
Darden, Chester	194,140	25,483	219,623	34,630
Dean, Allen	177,353	1,703	179,056	28,547
Dodson, Jason	170,843	1,660	172,503	27,815
Earls, Joseph	86,385	1,681	88,066	13,822
Fielder, David	105,172	1,769	106,941	17,547
Fisher, Iylana	46,333	1,769	48,102	7,413
Foster, Michael	97,670	14,881	112,552	15,627
Gallik, Halie	221,546	17,283	238,830	36,255
Graves, Marcus	112,450	1,681	114,131	18,952
Gross, Carole	133,075	1,769	134,844	21,640
Hatchel, James	131,579	17,727	149,306	21,253
Hayes, Phillip	100,483	1,702	102,186	16,230
Helton, Janine	170,843	1,769	172,612	27,335
Hodge, Elisha	86,518	6,600	93,118	13,843
Lacewell, Andrew	136,554	14,831	151,385	22,633
Lennon, Pamela	44,907	-	44,907	7,185
Little, Karen	46,309	1,721	48,030	7,409
Lynch, Robert	122,164	15,023	137,187	19,546
Mai, Anna Elizabeth	52,279	4,675	56,954	8,365
Mitchell, Tahtia	90,628	1,624	92,252	14,625
Pauley, Jacqueline	75,335	1,769	77,104	12,441
Salah, Carly	117,648	1,721	119,369	18,824
Sengsavang, Sammy	164,570	1,764	166,334	26,331
Sturtz, Heather	54,809	3,799	58,607	8,769
Taylor, Celeste	231,516	24,473	255,989	40,950
Turner, Aliyah	82,320	1,769	84,089	13,171
Turner, Amber	62,844	1,769	64,613	10,055
Wandell, Kelley	97,670	14,969	112,639	15,753
Westerfield, Callie	202,877	17,451	220,328	34,290
Wilson, Olivia	73,632	1,769	75,401	11,781
Yeager, Deborah	101,344	14,969	116,314	16,647
Zhuang, Jia	170,843	1,903	172,746	27,440
Zimmerle, Stacey	99,048	1,681	100,729	15,848
	5,211,383	357,603	5,568,985	854,333

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, 2023 Through June 30, 2024

<u>Provider</u>	<u>Description of Services</u>	<u>Amount Paid</u>
8X8, Inc.	Phone Software Support Services	38,290
ADP, LLC	Payroll Processing Services	14,605
Ahead, Inc	Software Support Services	4,592
American Entertainment, Inc	Conference Services	6,500
Arthur J. Gallagher Risk	Reinsurance Brokerage Services	19,757,126
Art Directions	Printing Services	4,416
BLR - Business & Learning Resources	Professional Training Services	61,417
Burning Las Vegas	Conference Services	7,250
Callan LLC	Investment Performance Evaluation	37,000
Center for Internet Security, Inc	Internet Security Service	5,640
Clearline Networks, LLC	Technology Support Services	41,256
Community Coffee Company	Food Services	4,793
Dell Marketing, LP	Technology Support Services	43,390
Dex Imaging, Inc.	Copy Machine Support Services	5,824
Farrar & Bates, LLP	Legal/Lobbying Services	662,637
Fiserv Inc	Software Support Services	12,469
Flexential Corp.	Technology Support Services	106,568
Fortra (formerly Help/Systems LLC)	Origami Consulting Services	14,006
Freshworks, Inc	Online Ticket Service	9,569
GHA Technologies, Inc	Technology Support Services	8,494
GOVConnection, Inc	Technology Support Services	6,193
Granite City Food & Brewery	Conference Services	6,006
Housley, Judy	Consulting Services	24,036
Huber & Lamb Appraisal Group	Property Appraisal Services	669,245
Hyland Software	Software Support Services	21,337
Ice Data Pricing And	Investment Valuation Services	14,752
InfoArmor, Inc.	Identity Theft Monitoring Services	2,804
Interstate AC Services, LLC	Commercial Maintenance & Repair Services	8,147
Iso Services, Inc.	Claims Research Services	13,713
Jarrett Builders, Inc	Contractor Services	5,460
KnowB4, Inc	Technology Support Services	2,721
Lattimore, Black, Morgan, Cain	Audit Services	75,000
LBMC Technologies, LLC	Technology Support Services	118,953
Level 3 Communications	Technology Support Services	32,403
Market Place, LLC	Food Services	3,464
Marriott Franklin/Cool Springs	Conference Services	101,429
Martin & Zerfoss, Inc.	Corporate Insurance Services	30,090
McCormick, Elizabeth Ann	Conference Services	3,000
Nashbox Studios, LLC	Photography Services	6,875
Nashville Building Services, Inc	Office Cleaning Services	35,745
Oasis Computer Solutions Inc	Software Consulting Services	15,824
Origami Risk, LLC	Claims Software Services	817,400
Overland Solutions, LLC	Workers Compensation Audit Services	12,673
PluralSight, LLC	Professional Training Services	4,053
Praetorian Digital	Professional Training Services	6,535
Price-Waterhouse-Coopers LLP	Actuarial Services	62,000
Public Risk Services Inc.	Third-Party Administrator Services	5,696,271
Public Risk Services, Inc.	Third-Party Administrator Services	22,418

See independent auditors' report

Quality Management Services, LLC	Professional Training Services	17,773
Rimkus Consulting Group	Claims Research Services	3,754
RTS Research Technical Services, Inc	Audit Services	132,095
Sage Software	Software Services	9,424
Savant Learning Systems, Inc.	Professional Training Services	105,971
Sharrard, Roe, Voight & Harbison, PLC	Legal Services	3,333
SJH Holdings	General Construction Contractor Services	131,216
South Western Communications, Inc	Commercial Maintenance & Repair Services	3,040
Spiro Graphics, Inc	Printing Services	13,856
Steelhead Building Group LLC	General Construction Contractor Services	940,273
The Corporate Image	Marketing/Branding Consulting Services	88,418
The Greathouse Company, LLC	Groundskeeping	17,270
Thyssenkrupp Elevator Corporation	Commercial Maintenance & Repair Services	3,364
TN Municipal League	Organizational Sponsorship Fee	1,285,701
Turner, Roger	Building Maintenance Services	19,578
University of TN - MTAS	Professional Training Services	205,485
Waste Management	Waste Services	4,475
Watson, Roach, Batson, Rowell,	Legal Services for Claims Defense	2,818
Window Hero	Building Maintenance Services	5,500
YMG Enterprises, LLC	Guest Speaker Services	2,500

See independent auditors' report



**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, 2024, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon dated .

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 4 , 2024

PUBLIC ENTITY PARTNERS

Summary Schedule of Prior Year Findings

Year ended June 30, 2024

There were no prior findings reported.

See independent auditors' report.