



*Local Government Insurance Trust*

# **Comprehensive Annual Financial Report**

*for the fiscal years ended  
June 30, 2015 and  
June 30, 2014*

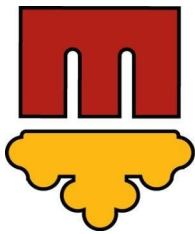
*Our Mission Is Serving  
Maryland Local Governments*





Local Government Insurance Trust  
7225 Parkway Drive  
Hanover, Maryland 21076  
ph) 443.561.1700  
tf) 800.673.8231  
fx) 443.561.1701  
[www.lgit.org](http://www.lgit.org)

### ***Founding Organizations***



*Maryland Association of*  
**COUNTIES**



THE  
MARYLAND  
MUNICIPAL  
LEAGUE

*Our Mission Is Serving  
Maryland Local Governments*



*Local Government Insurance Trust*

# **Comprehensive Annual Financial Report**

*for the fiscal years ended  
June 30, 2015 and  
June 30, 2014*

Prepared By

Local Government Insurance Trust  
Department of Finance and Information Technology  
J. Earle Beyer, Director





*The Comprehensive Annual Financial Report of the  
Local Government Insurance Trust for the fiscal  
years ended June 30, 2015 and June 30, 2014 is  
hereby respectfully submitted.*

*Our Mission Is Serving  
Maryland Local Governments*



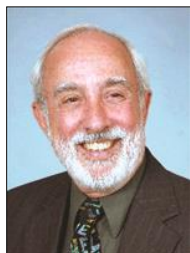
# **Table of Contents**

Letter from the Chair .....	v
<b>INTRODUCTORY SECTION - UNAUDITED</b>	
Transmittal Letter .....	1
Certificate of Achievement for Excellence in Financial Reporting .....	7
Membership .....	8
Board of Trustees .....	9
LGIT Staff .....	10
LGIT Organizational Chart .....	12
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report .....	15
Management's Discussion and Analysis .....	17
<b>Basic Financial Statements</b>	
Statements of Net Position .....	21
Statements of Revenues, Expenses and Changes in Net Position .....	22
Statements of Cash Flows .....	23
Notes to Financial Statements .....	25
<b>Required Supplementary Information</b>	
Explanation of Required Supplementary Information .....	35
Reconciliation of Claims Liabilities and Related Expenses by Pool .....	36
Claims Development Information .....	37
<b>Supplementary Combining Schedules</b>	
Combining Schedule of Net Position 2015 .....	38
Combining Schedule of Net Position 2014 .....	39
Combining Schedule of Changes in Net Position (Deficit) 2015 .....	40
Combining Schedule of Changes in Net Position (Deficit) 2014 .....	41
Combining Schedule of Cash Flows 2015 .....	42
Combining Schedule of Cash Flows 2014 .....	43
Notes to Supplementary Combining Schedules .....	45
<b>STATISTICAL SECTION - UNAUDITED</b>	
Comparative Schedule of Revenues, Expenses and Changes in Net Position .....	49
Member Growth Analysis .....	50
Loss History and Average Claim Costs .....	51
Reported Claim Activity .....	52
Loss Development .....	53
State of Maryland Demographic and Economic Statistics .....	56
Ten Largest Employers State of Maryland .....	56

*This page is intentionally left blank*

## Letter from the Chair

### *Your Trust in FY 2015*



The Local Government Insurance Trust (“the Trust”) is an insurance pool created in 1987 in response to the lack of available, affordable insurance for Maryland’s local governments. Because the Trust is local to Maryland, and is owned and operated by Maryland’s local governments, its primary purpose is to resolve the risk management needs of its members. Unlike a typical “insurance company,” the Trust is a nonprofit organization, governed by its members through an elected Board of Trustees. Members can directly access the Board of Trustees, the Chairman of the Board and the Executive Director concerning their risk management and insurance issues.

In Fiscal year 2015, the Trust retained all its member municipalities and counties from the previous year and welcomed three new members. In fiscal year 2015, Trust membership includes 17 counties, 142 municipalities, 19 sponsored entities, the Maryland Municipal League (MML), the Maryland Association of Counties (MACo) and the Local Government Insurance Trust.

Training continues to be a primary focus of our risk management efforts, because the better trained employees are, the fewer losses they will incur. In fiscal year 2015, the Trust provided 78 training and educational opportunities across the state, which were attended by 1,838 local government officials and employees.

In 2015, the Trust also continued its outreach to organizations and groups representing and/or affiliated with the Trust members. These groups included the Maryland Sheriff’s Association, the Maryland Police and Correctional Training Commission, the Maryland GFOA, the Chesapeake Employers Insurance Company, the Public Risk Insurance Management Association, the National League of Cities Risk Information Sharing Consortium, the National Association of Counties and of course, MACo and MML. The Trust continued its sponsorship with MACo, MML, and the Institute for Governmental Services at the University of Maryland, to conduct the Academy for Excellence in Local Governance.

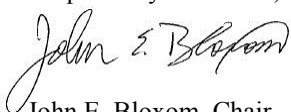
From a financial standpoint, for fiscal year 2015, the Trust reports an overall decrease in net position of approximately \$1,233,000 but this is after \$2,951,000 was returned to LGIT members in the form of premium credits. The premium credits were granted as follows: \$2,301,000 was returned to the members of the Primary Liability Pool (PLP), \$259,000 to the members of the Property Pool and \$391,000 to members of the Excess Pool. We also anticipate returning an additional \$3,000,000 of credits in the coming fiscal year 2016. Overall, the Trust continues to maintain a very healthy reserve and is in excellent financial condition with over \$47,000,000 of net assets. Information regarding the rate stabilization credit program can be found in Note 7 of the Notes to the Financial Statements contained in this Comprehensive Annual Financial Report (CAFR).

Also included in the CAFR are the Transmittal letter and Management’s Discussion and Analysis, which provide detail regarding the financial operations of the Trust. Additionally, the basic financial statements include the Notes to the financial statements, which are an integral part of the annual report. The annual audit went very well largely due to the quality and the stability of the staff in our Finance Department and the work of our Finance/Audit Committee.

My sincere appreciation is extended to all members for their support, input and ideas that have made the Trust what it is today. I also express my gratitude to my dedicated fellow Board members and the many local government officials who serve on the Trust’s committees. These volunteers are to be commended for their extra effort in making this year a great one.

Finally, I would like to take this opportunity to thank the highly experienced staff for its hard work throughout the year. Their commitment and dedication to Maryland’s local governments are what sets us apart from the competition.

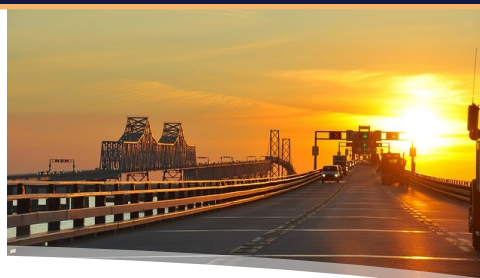
Respectfully submitted,

A handwritten signature in dark ink that reads "John E. Bloxom".

John E. Bloxom, Chair  
County Attorney, Worcester County

*This page is intentionally left blank*





# *Introductory Section*

Transmittal Letter

Certificate of Achievement for  
Excellence in Financial  
Reporting

Membership

Board of Trustees

LGIT Staff

LGIT Organizational Chart

*Our Mission Is Serving  
Maryland Local Governments*







www.lgit.org • 7225 Parkway Drive • Hanover, MD 21076  
TEL 443.561.1700 • MD 800.673.8231 • FAX 443.561.1701

October 28, 2015

Board of Trustees  
Local Government Insurance Trust  
7225 Parkway Drive  
Hanover, Maryland 21076

Ladies and Gentlemen:

The Comprehensive Annual Financial Report of the Local Government Insurance Trust (Trust) for the year ended June 30, 2015 is hereby respectfully submitted. The Trust's finance department prepared this report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Trust. We believe the data, as presented, is accurate in all material respects; presented in a manner designed to fairly present the financial position, results of operations and cash flows of the Trust. It also provides all disclosures necessary to enable the reader to gain the maximum understanding of the Trust's financial affairs.

The Comprehensive Annual Financial Report (CAFR) is presented in three sections: introductory, financial and statistical. The introductory section contains this transmittal letter, which includes a discussion of the financial activities and substantive highlights for the fiscal year, a list of the Trust's members, a list of the Trust's officers, the Trust's organizational chart and a copy of the fiscal year 2014 Certificate of Achievement for Excellence in Financial Reporting awarded by the Government Finance Officers Association. The financial section includes the independent auditors' report, management's discussion and analysis, the audited basic financial statements, required supplementary information, and supplementary combining schedules. The statistical section includes selected financial and statistical data, generally presented on a multi-year basis.

### **The Reporting Entity and Its Services**

The Trust is a joint association of Maryland local governments formed July 1, 1987 to provide insurance coverage and other risk management services. Specifically, the Trust provides insurance coverage for certain classes of casualty and property related risks, as well as support services such as litigation, administration and management of claims, risk management and loss control services, training and property valuations. As of June 30, 2015, the Trust operates three pools of coverage: the Primary Liability Pool (PLP), the Property Pool, and the Excess Liability Pool (ELP). The Trust also sponsors Environmental Impairment Liability and Bond Programs. Outside insurance carriers hold the financial risk of both programs and its participants deal directly with them. The Trust also offers its members a Cyber insurance program of which it holds limited financial risk. The Trust also serves as the administrator and treasurer for the Maryland Local Government Health Cooperative (Cooperative) which is a self-insurance alliance among member governments. The Cooperative is a separate entity from the Trust and the Trust holds no financial risk associated with the role of treasurer and administrator. Membership in the Trust is limited to Maryland local governments that are members of either the Maryland Association of Counties (MACo) or the Maryland Municipal League (MML).

A Board of Trustees (Board) consisting of 12 voting members governs the Trust. The Board is comprised of five municipal and five county officials all elected by the membership. Additionally, both executive directors of MACo and MML serve as ex-officio Trustees. The Board elects a Chairman, Vice-Chairman and a Secretary from its members and Elected Trustees are eligible for reelection every three years. The day-to-day operations of the Trust are overseen by the Executive Director, who is the chief administrative officer and is responsible for the administrative implementation of policies stated in the Trust Agreement and By-Laws, as well as the policy manual and as established by the Board.

## Economic Outlook

In fiscal year 2015, Trust membership continues to grow with the addition of three new members and 100% retention of counties and municipalities from fiscal year 2014. In fiscal year 2015, the Trust welcomed the towns of Galena and Oxford, and sponsored entity Industrial Development Authority of Carroll County. Services provided by the Trust, such as specialized underwriting, claims handling, in-house legal, loss control, training seminars, training grants, employment law hotline and other value added services, not typically provided by commercial insurance companies, secures member loyalty.

The current economic indicators point to a stable liability insurance market for the remainder of calendar year 2015 and for the entire fiscal year 2016. The renewal rates for all Property, Excess and boiler reinsurance coverages were unchanged from the current year. The fiscal year 2015 surplus for the Excess pool is large enough to support the first layer of \$1,000,000 in coverage at no charge to members in fiscal year 2015. The economic indicators point toward continual stable pricing for the future, except for catastrophe coverage such as flood, earthquake and wind risks.

The state of Maryland tort cap laws are increasing effective October 1, 2015. The current caps on liability cases will increase from the \$200,000 per claimant to \$400,000 and from \$500,000 per occurrence to \$800,000. The Trust's actuary projects that this change will increase claim liability reserves by approximately 3 to 5%. These caps do not apply to cases tried in federal court.

## MAJOR INITIATIVES

### For the Year

The following highlights some of the Trust's major accomplishments during fiscal year 2015:

- ❑ **INFORMATION TECHNOLOGY** – During Fiscal Year 2015, Risk360 system capital budget enhancements were completed that increased work processing efficiency during renewal for LGIT underwriting staff and enabled member portal users to see their renewal changes submitted by service request.

In May 2015, fiscal year 2016 policies were renewed and made available through the member portal for LGIT members wishing to do their renewal online using the system's renewal wizard. By June 2015, one hundred seventy-two (95%) out of the one hundred eighty-one existing members successfully submitted their completed renewal policies via the portal.

- ❑ **TRAINING** – Training continues to be a primary focus of our risk management efforts to help Trust members reduce losses. In fiscal year 2015, the Trust provided 78 training and educational opportunities across the state attended by 1,838 local government officials and employees. The Trust provided a series of training programs, for both public official & employment liability. The most requested types of training include Certified Flagger training for public works employees, supervisory training and defensive driving. The Legal Department staff continued to present the important Workplace Harassment seminar throughout the State. This program includes a segment on "Bullying in the Workplace" and it has been well received by members throughout the state.
- ❑ **LOSS CONTROL CREDIT SURVEY** – As part of a larger plan to return surplus from the PLP, the intent of this credit is to reward those members who have engaged in exceptional loss control activities. Funding of \$290,000 was allocated to this effort in fiscal year 2015. Members completed an online survey broken down into sets of questions appropriate to the individual lines of coverage offered by the pool. Depending upon their loss control score, qualifying members receive a credit of approximately 5% of premium.
- ❑ **RATE STABILIZATION CREDITS** – In fiscal year 2015, for the seventh year in a row, the Board of Trustees implemented a return of equity in the form of rate stabilization credits for the eligible members of the PLP. The equity return follows the policies concerning equity as stated in Article VIII, Section 8.03(b) of the Trust Agreement. Each member's share of the equity return was deposited into their respective rate stabilization accounts. Funds in the account are used by each member, at their discretion, as a credit or offset to their

annual PLP premiums. The Board has limited the annual credit to 50% of the account balance. The remainder will be left in the account and can be available in subsequent years. The funds in the rate stabilization accounts can only be used by individual members as an offset against PLP premiums which will require a renewal of membership.

- ❑ **PROPERTY APPRAISAL PROGRAM** – A special property appraisal program was initiated in March of 2008 and continued throughout fiscal year 2015.
- ❑ **LAW ENFORCEMENT LOSS REDUCTION GRANTS** – The Board of Trustees approved an increase of \$25,000 for Risk Management grants bringing the total of funds available for member requests to \$100,000. LGIT is encouraging our law enforcement agencies to take advantage of new training and services being made available to them to help improve the status of their general orders and other policies and procedures and staff training.
- ❑ **LAW ENFORCEMENT BODY CAMERA GRANT PROGRAM** – The Board of Trustees approved a special equipment grant with total available funding of \$25,000 in the form of a 50 % matching grant not to exceed \$2,500 for member law enforcement agencies pursuing purchasing body cameras for their personnel.
- ❑ **DEER AVOIDANCE DEVICE GRANT PROGRAM** – The Board of Trustees approved a special equipment grant with total available funding of \$25,000 in the form of a 50 % matching grant for equipping member vehicles with electronic deer avoidance devices in an effort to reduce the number of deer related member auto collisions.
- ❑ **MEMBER SERVICES OUTREACH** – The majority of Trust member staff received training from Member Services on the use of Risk 360. The main focus of the training was for members to complete their FY15 policy renewals through the member portal. Members also received training on reporting incidents, uploading and storing documents, and accessing their financial statement of account.
- ❑ **LEGAL SERVICES** – The legal staff carries an average of 45-55 open assignments per month, approximately 75% of which are pending lawsuits with the remainder being administrative charges of employment discrimination. Over the past year, legal staff achieved successful outcomes, including favorable settlements, for LGIT members in numerous lawsuits and multiple charges of employment discrimination. Staff also authored several Claims Briefs and Risk Management Bulletins, and continued to regularly publish the Roll Call Reporter and Commander's Log. Staff also introduced the new quarterly employment issue publication, "Workplace Rules."
- ❑ **HEALTH COOPERATIVE** – The Health Cooperative, consisting of 20 LGIT members, completed its sixth year as of June 30, 2015. In February, the Coop returned \$645,580 in surplus funds to its members with good claim experience in plan year 2014. The surplus numbers for plan year 2015 should be finalized by the end of calendar year 2015.

### For the Future

During Fiscal Year 2015, the Board of Trustees approved several Risk360 system capital budget enhancements to be completed in Fiscal Year 2016. These solutions when completed, will increase work processing efficiency for LGIT underwriting, loss control, and claims staff, and provide betterments to the member portal and renewal wizard.

The Legal staff in fiscal year 2016 will continue to publish its law enforcement targeted publication, the Roll Call Reporter, and its companion, corrections targeted publication, the Commander's Log. Both publications will continue to be supplemented by bulletins in the event of major changes in the law.

In fiscal year 2016, \$25,000 will be transferred from the deer alert grant, ending that program, to the police body camera grant. In addition there will be a \$25,000 increase to the police body camera grant bringing the total camera grant to \$75,000.

The average changes in member premium funding levels for fiscal year 2016 per pool are approximately 4.8% for the Primary Pool, 0.8% increase for the Property Pool and the premiums charged for the Excess pool will remain unchanged from fiscal year 2015.

## **FINANCIAL MANAGEMENT AND CONTROLS**

The basic financial statements have been presented in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental entities, and necessarily include amounts based upon reliable estimates and judgments. The Trust's accounting records are maintained using an economic resources measurement focus and the accrual basis of accounting. A summary of the Trust's significant accounting policies is discussed in more detail in Management's Discussion and Analysis and also in the Notes to the Financial Statements found in the financial section of this report.

### **Internal Accounting Structure**

Internal controls have been put in place to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in accordance with GAAP. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits derived from the control, and that the evaluation of costs and benefits requires reasonable business judgment by management. All internal control decisions are made within the above framework. Management believes the Trust's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

### **Budgetary Control**

A detailed annual budget is prepared prior to the start of each fiscal year and submitted to the Board for review and approval. Trust management is required by the Board to control expenditures and stay within its guidelines. The approved budget is also used as a management tool to aid in the evaluation of performance. Detailed reports comparing budget to actual are provided to the Board on a quarterly basis. The Trust's independent auditors do not audit these internal management reports.

### **Cash Management**

The Department of Finance is responsible for daily cash management and monitoring the activities of the external investment managers. The Trust receives daily pricing of investment securities owned, a monthly reporting of all transactions and cash flows as well as quarterly performance reports. All securities are held in safekeeping with a third party custodian bank as designated by the Board.

### **Risk Management**

The Trust continually seeks ways to manage the risks of each pool of coverage it offers. The Trust provides a number of programs to assist its members in controlling losses and managing risk including various seminars, training programs and property inspection services. Further, the Trust utilizes the services of an independent consulting actuary. The actuary performs regular reviews to assist the Trust in establishing appropriate loss reserves and contribution rates. The Trust has also purchased reinsurance to protect against unusually severe individual claim losses.

### **Independent Financial Audit**

CliftonLarsonAllen LLP, an independent certified public accounting firm, provides an objective, independent examination of the Trust's basic financial statements. Its audit includes those auditing procedures that it deems necessary to express an opinion on the fairness, in all material respects, of the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). CliftonLarsonAllen's unmodified opinion on the Trust's basic financial statements as of and for the fiscal years ended June 30, 2015 and 2014 is included in the financial section of this report.

### Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the Trust for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. FY2014 marks the 15th year in a row that the Trust has received this significant award.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report conforms to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

This report reflects the combined efforts of the Board, the Finance/Audit Committee, the Trust's management and staff. We would like to express our sincere appreciation to each of the Trust's members, the Board, the various local government officials that serve on the Trust committees and the employees of each governmental unit for their commitment to risk management and intergovernmental risk pooling. Their support and commitment is the reason for the continued successful operation of the Local Government Insurance Trust.

Respectfully submitted,



A handwritten signature in black ink, appearing to read 'Tim Ailsworth'.

Tim Ailsworth  
Executive Director



A handwritten signature in black ink, appearing to read 'J. Earle Beyer'.

J. Earle Beyer  
Director, Financial and IT Services

*This page is intentionally left blank*





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Local Government Insurance Trust  
Maryland**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

A handwritten signature in black ink, reading "Jeffrey R. Emen". The signature is fluid and cursive.

Executive Director/CEO

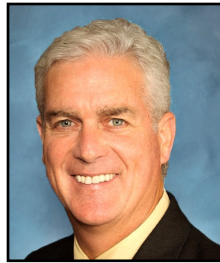
# Fiscal Year 2015 Membership

Aberdeen	Colmar Manor	Howard County Mental	Preston
Accident	Cottage City	Health Authority	Princess Anne
Annapolis	Crisfield	Hurlock	Queen Anne
Baltimore County	Cumberland	Hyattsville	Queen Anne's County
Barclay	Deer Park	Indian Head	Queenstown
Barnesville	Denton	Keedysville	Ridgely
Barton	District Heights	Kensington	Rising Sun
Bel Air	Dorchester County	Kent County	Riverdale Park
Berlin	Eagle Harbor	Kent County Public Library	Rosemont
Berwyn Heights	East New Market	Kitzmillier	Rockville
Betterton	Easton	La Plata	Salisbury
Bladensburg	Edmonston	Landover Hills	Seat Pleasant
Boonsboro	Eldorado	Laurel	Secretary
Bowie	Elkton	Laytonsville	Sharpsburg
Brentwood	Emmitsburg	Leonardtwn	Sharptown
Brookeville	Fairmount Heights	Local Government	Smithsburg
Brookview	Federsburg	Insurance Trust	Snow Hill
Brunswick	Forest Heights	Loch Lynn Heights	Somerset
Burkittsville	Friendsville	Lonaconing	Somerset County
Calvert County	Frostburg	Luke	Somerset County
Cambridge	Gaithersburg	Mardela Springs	Library System
Cambridge Municipal	Galestown	Marydel	Somerset County Sanitary
Utilities Commission	Galena	Maryland Association	District, Inc.
Capitol Heights	Garrett County	of Counties	St. Mary's County
Caroline County	Garrett County Community	Maryland Municipal League	St. Mary's County
Caroline County Library	Action Committee	Martin's Additions	Metropolitan Commission
Carroll County	Garrett Park	Middletown	St. Michaels
The Humane Society	Glen Echo	Mid-Shore Regional Council	Sudlersville
of Carroll County, Inc.	Glenarden	Millington	Sykesville
Industrial Development	Goldsboro	Morningside	Takoma Park
Authority of Carroll County	Grantsville	Mount Airy	Talbot County
Carroll County Public Library	Greenbelt	Mount Rainier	Taneytown
Cecil County	Greensboro	Myersville	Trappe
Cecilton	Hagerstown	New Carrollton	Tri-County Council for the
Charles County	Hampstead	New Market	Lower Eastern Shore
Charlestown	Hancock	New Windsor	University Park
Chesapeake Beach	Havre de Grace	North Beach	Upper Marlboro
Chesapeake City	Hebron	North Brentwood	Vienna
Chestertown	Henderson	North Chevy Chase	Walkersville
Cheverly	Highland Beach	North East	Washington County
Chevy Chase	Hillsboro	Northeast Maryland Waste	Washington Grove
Chevy Chase View	Howard Community	Disposal Authority	Westernport
Chevy Chase Village	College	Oakland	Westminster
Section 3 of the Village	Howard County	Ocean City	Wicomico County
of Chevy Chase	Howard County Economic	Oxford	Willards
Chevy Chase Section 5	Development Authority	Perryville	Williamsport
Church Creek	Howard County Housing	Pittsville	Worcester County
Church Hill	Commission	Pocomoke City	Worcester County Library
Clear Spring	Howard County Library	Poolesville	
College Park		Port Deposit	

# Fiscal Year 2015 Board of Trustees



John E. Bloxom, Chairman  
*County Attorney, Worcester County*



John D. Miller, Vice Chairman  
*Burgess, Town of Middleton*



Debra M. Davis, Secretary  
*Commissioner, Charles County*



Scott Hancock, Ex-Officio  
*Executive Director,  
Maryland Municipal League*



Michael J. Sanderson, Ex-Officio  
*Executive Director,  
Maryland Association of Counties*



Michael E. Bennett  
*Mayor, City of Aberdeen*



Ernest Crofoot  
*County Attorney, Administrator,  
Kent County*



Stewart B. Cumbo  
*Councilman,  
Town of Chesapeake Beach*



David J. Deutsch  
*City Manager, City of Bowie*



Barbara B. Matthews  
*City Manager,  
City of Rockville*



Tari Moore  
*County Executive,  
Cecil County*



Theodore Zaleski, III  
*Director of Management & Budget,  
Carroll County*

# Fiscal Year 2015 Management and Staff

## Executive



Timothy S. Ailsworth  
*Executive Director*



Sandy Tedrow  
*Office Manager*

## Finance and Information Technology Services



J. Earle Beyer  
*Director*



Betty Breads  
*Accountant*



Michael Becker  
*Systems Engineer*



Sheryl Browning  
*Applications  
Systems Analyst*

## Underwriting Services



Scott Soderstrom  
*Director*



Ellen Nudd  
*Underwriter*



Michelle Yanonne  
*Staff Associate*

## Field Services



Larry Bohlen  
*Field Services  
Senior Manager*



Michele Keplinger  
*Member Services  
Specialist*



Richard Furst  
*Senior Loss Control  
Manager*



Vance Petrella  
*Loss Control  
Manager*



Jeff Perkins  
*Loss Control  
Consultant*

# Fiscal Year 2015 Management and Staff

## Claims Services



Sherri Butler  
*Director*



Elisabeth Beekman  
*Manager/Litigation Analyst*



Elizabeth Martinez  
*Litigation Analyst*



Dorie Schwartz  
*Senior Claims Analyst*



Clyde Bessicks  
*Claims Analyst*



Gail Cook  
*Claims Analyst*



Hollis Henry  
*Claims Analyst*



Dalas Salters  
*Claims Analyst*



Charise Henderson  
*Claims Staff Associate*



Norma Jean Doerr  
*Claims Staff Associate*

## Legal Services



John F. Breads, Jr.  
*Director*



Christine Altemus  
*Senior Attorney*



Matthew Peter  
*Senior Attorney*

## Human Resources and Administrative Services



Marsha Carpenter  
*HR/Health Co-Op Account Manager*



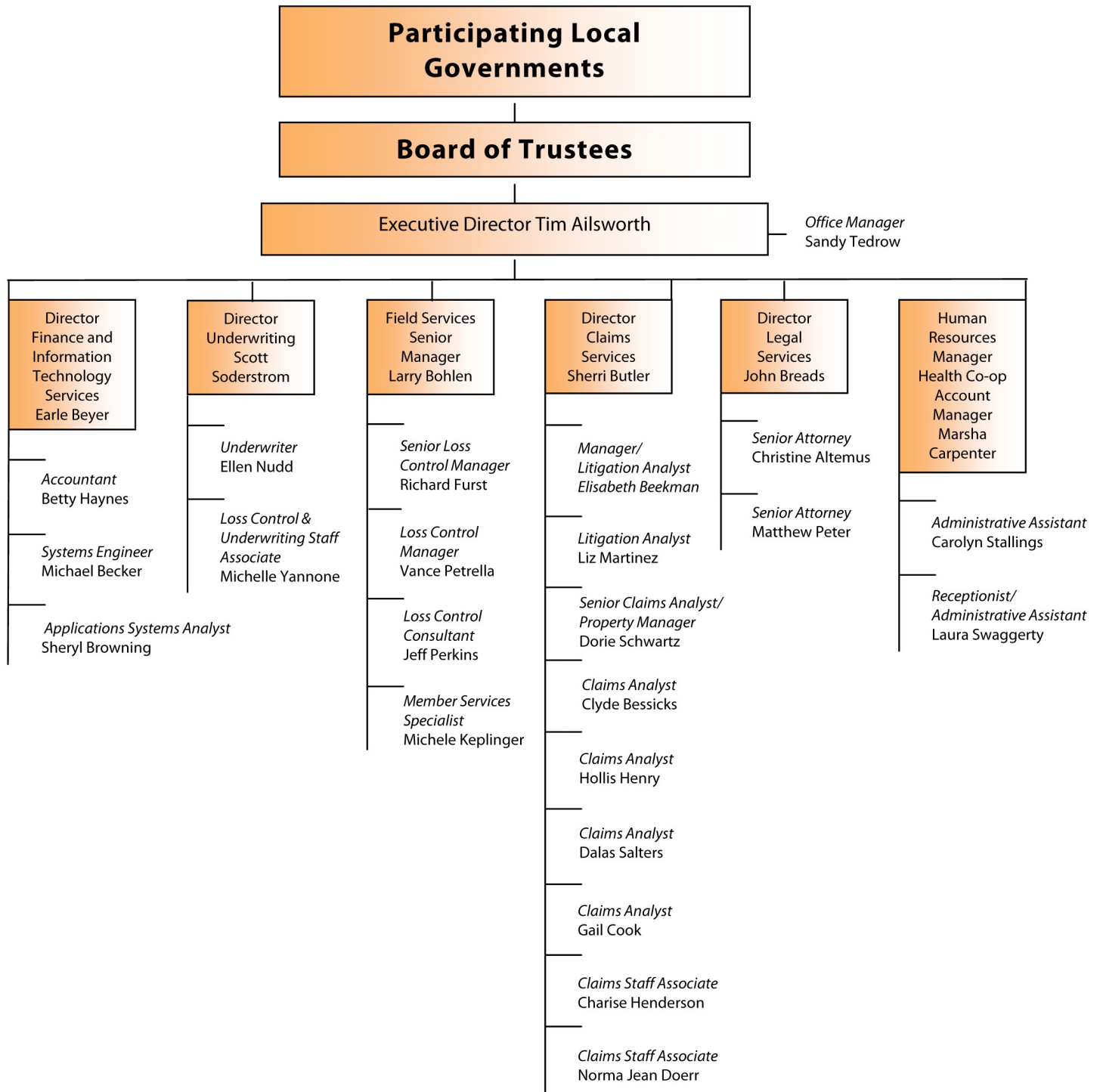
Carolyn Stallings  
*Administrative Assistant*

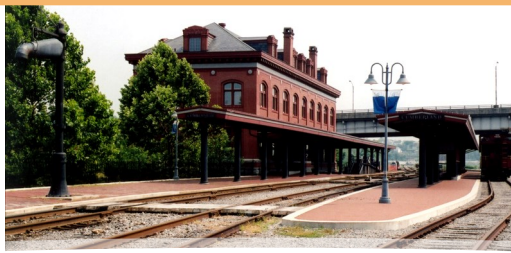


Laura Swaggerty  
*Receptionist/Administrative Assistant*



# Fiscal Year 2015 Organizational Chart





# *Financial Section*

Independent Auditor's Report

Management's Discussion and Analysis

Statements of Net Position

Statements of Revenues, Expenses and Changes in Net Position

Statements of Cash Flows

Notes to Financial Statements

Explanation of Required Supplementary Information

Reconciliation of Claims Liabilities and Related Expenses by Pool

Claims Development Information

Supplementary Combining Schedules

*Our Mission Is Serving  
Maryland Local Governments*







## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Local Government Insurance Trust  
Hanover, Maryland

### **Report on the Financial Statements**

We have audited the accompanying statements of net position, revenues, expenses and changes in net position, and cash flows of the Local Government Insurance Trust (the Trust) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The Trust's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these basic financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2015 and 2014, and its changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 17 through 19 and the required supplementary information on pages 36 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Trust's basic financial statements. The supplementary combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary combining schedules are the responsibility of management and were derived from and relate 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 audit 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary combining schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The letter from the Chair, introductory section, and statistical tables listed in the table of contents have 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 them.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
October 22, 2015



# Local Government Insurance Trust

## Management's Discussion and Analysis

Years Ended June 30, 2015 and 2014

**T**his section of the Comprehensive Annual Financial Report presents a discussion and analysis of the financial performance of the Local Government Insurance Trust (Trust) as of and for the years ended June 30, 2015 and 2014. Please read it in conjunction with the financial statements, which follow this section.

The following is a brief description of the Trust's three basic financial statements:

**STATEMENT OF NET POSITION** — This statement presents information reflecting the Trust's assets, liabilities and net position. The statement of net position categorizes assets and liabilities as current and noncurrent. For purposes of this financial statement, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or become due within twelve months of the statement date.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION** — This statement reflects the operating revenues and expenses, as well as nonoperating revenues and expenses of the Trust. The Trust's major source of operating revenues is premium income with the major source of operating expenses being incurred claims and claims adjustment expenses. The change in net position is similar to net profit or loss for any other insurance company.

**STATEMENT OF CASH FLOWS** — The statement of cash flows is presented on the direct method of reporting which reflects cash flows from operating, capital and related financing, noncapital and related financing, and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase in cash and cash equivalents for the fiscal year. Due to timing differences associated with accrual accounting, the net cash provided by operating activities is different than the amount of operating loss reported on the statement of revenues, expenses and changes in net position; therefore, a reconciliation is also provided.

## Financial Summary

The following table summarizes the financial position of the Trust at June 30, 2015, 2014 and 2013, respectively.

### Summary of Net Position

	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>			
Current assets	\$ 36,721,792	\$ 36,071,011	\$ 28,529,261
Noncurrent assets	25,066,723	26,942,515	32,382,472
Total Assets	<u>61,788,515</u>	<u>63,013,526</u>	<u>60,911,733</u>
<b>LIABILITIES</b>			
Current liabilities	7,328,487	6,401,482	7,683,724
Noncurrent liabilities	7,319,826	8,238,439	7,595,106
Total Liabilities	<u>14,648,313</u>	<u>14,639,921</u>	<u>15,278,830</u>
<b>NET POSITION</b>			
Net Investment in capital assets	3,472,272	3,641,460	3,796,074
Unrestricted	<u>43,687,930</u>	<u>44,732,145</u>	<u>41,836,829</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 47,140,202</u></u>	<u><u>\$ 48,373,605</u></u>	<u><u>\$ 45,632,903</u></u>

## Total Assets

Total assets decreased by approximately \$1,225,000 between June 30, 2014 and 2015 primarily due to the negative investment returns.

Total assets increased by approximately \$2,102,000 between June 30, 2013 and 2014 primarily due to investment income earned during the period.

## Total Liabilities

The most significant components of the Trust's liabilities are related to unpaid claims and claim adjustment expenses. Unpaid claims and claim adjustment expense is a liability calculated by the Trust's actuary for all pools. Unpaid claims and claims adjustment expense at 2015 year end remained relatively unchanged from year end 2014.

The Rate stabilization liability, as described in Note 7 of the Notes to the Financial Statements, decreased by approximately \$184,000 due to the larger amount of rate credits granted than new funding into the member rate stabilization accounts.

Unpaid claims and claim adjustment expenses at June 30, 2014 increased by approximately \$261,000 from year end 2013.

The following table summarizes the change in net assets for fiscal years ended June 30, 2015, 2014 and 2013, respectively.

## Summary of Revenues, Expenses and Changes in Net Position

	2015	2014	2013
Operating revenues	\$ 10,867,318	\$ 10,673,133	\$ 8,772,712
Operating expenses	11,025,770	11,853,885	12,647,504
Operating loss	(158,452)	(1,180,752)	(3,874,792)
Nonoperating income (loss)	(1,074,951)	3,921,454	974,644
Change in net assets	(1,233,403)	2,740,702	(2,900,148)
Net position, beginning of year	48,373,605	45,632,903	48,533,051
<b>Net position end of year</b>	<b>\$ 47,140,202</b>	<b>\$ 48,373,605</b>	<b>\$ 45,632,903</b>

## Results of operations

### Revenues

Total operating revenues increased by approximately \$194,000 for fiscal year 2015 compared to fiscal year 2014. This relatively small increase is due to a small growth in the underlying insured values.

Total operating revenues increased by approximately 22% or approximately \$1,900,000 for fiscal year 2014 compared to fiscal year 2013. The primary reason relates to increased premiums collected across all pools caused by a combination of a small rate increase, growth in the underlying insured values, inflation and new member revenues.

### Expenses

Operating expenses are comprised of incurred claims and claim adjustment expenses (net of recoveries) and the Trust's general and administrative (G&A) expenses.

The total operating expenses decreased by approximately \$828,000 in fiscal year 2015 compared to fiscal year 2014 primarily caused by a decrease in paid claims.

The total operating expenses decreased by approximately \$794,000 in fiscal year 2014 compared to fiscal year 2013 primarily caused by an decrease in incurred claims and claim adjustment expenses of approximately \$982,000. The \$1,000,000 reserve established in fiscal year 2013 for one policy liability claim of the PLP was relieved in fiscal year 2014 as the case was settled and the claim was paid.

## Nonoperating Revenue

Investment income was approximately \$5,000,000 lower in fiscal year 2015 compared to 2014 which is the difference between a net profit or growth of the investment portfolio in fiscal year 2014 versus a net loss for fiscal year 2015. For additional details concerning the investment portfolio and investment management, please see Note 4 of the Notes to Financial Statements.

Investment income was approximately \$2,947,000 higher in fiscal year 2014 compared to 2013. This was caused primarily by the less than 2% return in fiscal year 2013 compared to investment returns of 7.76% during fiscal year 2014. The equity sector of the investment portfolio was the main driver of the investment performance with growth of approximately 15.57%.

The annualized investment returns for fiscal years 2015, 2014 and 2013 are summarized by investment type as follows. This does not include any return or loss on the Trust's deposit with the reinsurance pool.

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Fixed income portfolio	-1.78%	4.06%	.14%
Equity portfolio	-5.14%	15.57%	10.22%
Alternative strategies	-2.49%	4.48%	-3.1%
Total LGIT investments	-2.77%	7.76%	1.47%

As of June 30, 2015, the Trust's portfolio allocations were 39% fixed income, 41% equity and 20% alternative strategies. The target allocations for the portfolio are 39% fixed, 41% equity and 20% alternative strategies.

As of June 30, 2014, the Trust's portfolio allocations were 48% fixed income, 37% equity and 15% alternative strategies. The targeted allocations for the portfolio are 39% fixed income, 46% equity and 15% alternative strategies.

## Conclusion

This financial report is designed to provide Trust members with a general overview of the Trust's finances, and to demonstrate the Trust's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to J. Earle Beyer, Director of Finance/Information Technology, 7225 Parkway Drive, Hanover, Maryland 21076.

*This page is intentionally left blank*



## Local Government Insurance Trust

### Statements of Net Position

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (note 3)	\$ 3,008,178	\$ 2,261,800
Investments (note 4)	33,337,634	32,207,500
Premiums receivable	23,490	95,171
Interest income receivable	111,129	122,117
Reinsurance receivable (note 8)	3,238	390,034
Other	238,123	364,384
Total current assets	<u>36,721,792</u>	<u>35,441,006</u>
Noncurrent assets:		
Investments (note 4)	14,977,232	17,784,153
Capital assets (note 5)	3,472,272	3,641,460
Deposit with reinsurance pool (note 8)	6,617,219	6,146,907
Total noncurrent assets	<u>25,066,723</u>	<u>27,572,520</u>
Total assets	<u>61,788,515</u>	<u>63,013,526</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued expenses	163,762	67,498
Unpaid claims and claim adjustment expenses (note 6)	5,839,800	5,034,202
Health plan cooperative payable	572,857	461,881
Rate stabilization fund (note 7)	583,578	675,701
Other	168,490	162,200
Total current liabilities	<u>7,328,487</u>	<u>6,401,482</u>
Noncurrent liabilities:		
Unpaid claims and claim adjustment expenses (note 6)	6,734,607	7,561,097
Capitalization contributions	1,640	1,640
Rate stabilization fund (note 7)	583,579	675,702
Total noncurrent liabilities	<u>7,319,826</u>	<u>8,238,439</u>
Total liabilities	<u>14,648,313</u>	<u>14,639,921</u>
<b>NET POSITION</b>		
Net investment in capital assets	3,472,272	3,641,460
Unrestricted	43,667,930	44,732,145
Total net position	<u>\$ 47,140,202</u>	<u>\$ 48,373,605</u>

See accompanying notes to the financial statements.



**Local Government Insurance Trust**  
**Statements of Revenues, Expenses and Changes in Net Position**  
 Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Operating Revenues</b>		
Gross premiums earned	\$ 18,309,555	\$ 18,068,092
Less: Premium credits	(2,950,760)	(2,979,294)
Ceded premiums	(4,655,168)	(4,501,768)
Net premiums earned	10,703,627	10,587,030
Other revenues	163,691	86,103
Total operating revenues	<u>10,867,318</u>	<u>10,673,133</u>
<b>Operating Expenses</b>		
Claims and claim adjustment expenses incurred (note 6)		
Paid, net of recoveries	5,969,651	7,149,256
Change in liability for unpaid claims and adjustment expenses	(20,892)	(261,026)
General and administrative expenses	4,895,715	4,744,673
Depreciation expense	181,296	220,982
Total operating expenses	<u>11,025,770</u>	<u>11,853,885</u>
Operating loss	<u>(158,452)</u>	<u>(1,180,752)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Investment (loss) income	<u>(1,074,951)</u>	<u>3,921,454</u>
<b>Change in net position</b>	(1,233,403)	2,740,702
<b>Net position, beginning of year</b>	<u>48,373,605</u>	<u>45,632,903</u>
<b>Net position, end of year</b>	<u>\$ 47,140,202</u>	<u>\$ 48,373,605</u>

*See accompanying notes to the financial statements.*





## Local Government Insurance Trust

### Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities:</b>		
Premiums collected	\$ 15,374,472	\$ 14,693,509
Other revenue collected	163,691	86,103
Recoveries of claims paid	911,328	6,365,360
Ceded premiums paid	(4,655,168)	(4,501,768)
Claims and claim adjustment expenses paid	(6,494,185)	(12,959,614)
General and administrative expenses paid	(4,968,066)	(4,743,229)
Net cash provided by (used in) operating activities	<u>332,072</u>	<u>(1,059,639)</u>
<b>Cash flows from noncapital financing activities:</b>		
Member deposits	17,456,501	15,368,532
Health Cooperative payments	(17,169,239)	(14,775,631)
Net cash provided by noncapital financing activities	<u>287,262</u>	<u>592,901</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchase of capital assets	(15,468)	(66,963)
Net cash (used) in capital and related financing activities	<u>(15,468)</u>	<u>(66,963)</u>
<b>Cash flows from investing activities:</b>		
Purchase of investments	(57,443,190)	(53,989,490)
Proceeds from maturities of investments	56,252,428	50,840,019
Investment income received	1,333,274	1,409,115
Net cash provided (used in) by investing activities	<u>142,512</u>	<u>(1,740,356)</u>
<b>Net change in cash and cash equivalents</b>	<b>746,378</b>	<b>(2,274,057)</b>
<b>Cash and cash equivalents, beginning of year</b>	<u>2,261,800</u>	<u>4,535,857</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 3,008,178</u></u>	<u><u>\$ 2,261,800</u></u>
<b>Reconciliation of operating loss to net cash provided by (used in) operating activities</b>		
Operating loss	\$ (158,452)	\$ (1,180,752)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation expense	181,296	221,578
Loss on disposal of assets	3,360	
Effects of changes in operating assets and liabilities:		
Premiums receivable	71,681	(29,314)
Reinsurance receivable	386,796	557,950
Other assets	(50,025)	(25,720)
Accounts payable and accrued expenses	96,264	25,094
Unpaid claims and claim adjustment expenses	(20,892)	(261,025)
Other liabilities	(177,956)	(367,450)
Total adjustments	<u>490,524</u>	<u>121,113</u>
<b>Net cash provided by (used in) operating activities</b>	<u><u>\$ 332,072</u></u>	<u><u>\$ (1,059,639)</u></u>
<b>Noncash investing, capital and financing activities:</b>		
Net unrealized gain (loss) in fair value of investments included in investment income	<u><u>\$ (2,964,556)</u></u>	<u><u>\$ 2,430,154</u></u>

See accompanying notes to the financial statements.

*This page is intentionally left blank*



## Local Government Insurance Trust

### Notes to Financial Statements

Years Ended June 30, 2015 and 2014

#### ■ NOTE 1 — Organization and Purpose

The Local Government Insurance Trust (Trust) is a joint association of Maryland local governments established in 1987 to provide an alternative to the diminishing availability of insurance coverages to the public sector and the increasing premium costs in the municipal insurance market. The Trust strives to provide coverage and risk management services at stable and competitive rates. The Trust is owned and directed by the local governments that subscribe to its coverages and operates under the terms of the eighth amended and restated Trust Agreement effective July 1, 2004.

The Trust's Board of Trustees (Board) is empowered to establish pools to provide coverage for any class of casualty, health, life or property related risks. As of June 30, 2015, the currently active pools are the following: the Primary Liability Pool (173 participants), the Property Pool (151 participants), and the Excess Liability Pool (177 participants). Membership in the pools is limited to local governments that are members of the Maryland Municipal League (MML) or Maryland Association of Counties (MACo). A participating local government may also sponsor a public entity within its district for participation in a pool. Each member agrees to comply with a plan of risk management as determined by the Trust. In the event a pool reports an operating deficit, the Trust may either assess the pool participants to cover the deficit or increase premiums.

The Primary Liability Pool (PLP) provides coverage for commercial general liability, police legal liability, public official's legal liability, and business automobile coverage. The maximum limit of liability to the PLP may not exceed \$1,000,000 for any one claim or occurrence per participant. The Property Pool provides coverage for property based on the determined insured values of the property. The Excess Liability Pool (ELP) has a maximum limit of \$5,000,000 for each occurrence and in the aggregate for occurrence-based coverage; and \$5,000,000 for each occurrence, and in the aggregate, for claims-made coverage. Participants in the ELP must either self-insure retention of \$1,000,000 or purchase primary liability coverage from the Trust. The Trust will not insure coverages over other commercial insurance companies. The financial statements include these pools as well as a general Operating Account and an Escrow Deposit Account.

#### ■ NOTE 2 — Summary of Significant Accounting Policies

##### *Basis of Presentation*

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America applicable to public entity risk pools and enterprise funds as prescribed by the Governmental Accounting Standards Board (GASB). In preparing its financial statements, the Trust has applied all applicable GASB pronouncements. The Trust distinguishes operating revenues and expenses from nonoperating items. The principal operating revenues of the Trust are premiums charged to members for insurance coverage including special assessments, if any. Premiums are reflected net of reinsurance. Operating expenses include claims and claim adjustment expenses and general and administrative expenses. All other revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Trust is not subject to statutory reporting requirements for insurance companies. Certain accounts have been reclassified in the June 30, 2014 financial statements to be in conformity with the presentation in the June 30, 2015 financial statements; however, this did not affect net position or the changes therein.

##### *Use of Estimates in Preparing Financial Statements*

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from these estimates.

### *Cash and Cash Equivalents*

The Trust considers demand deposits, money market funds and other investments with an original maturity of three months or less at the date of acquisition to be cash and cash equivalents.

### *Investments*

Debt securities with an original maturity of over one year at date of acquisition and equity securities are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. Investments that have a remaining maturity at time of purchase of one year or less are reported at amortized cost, which approximates face value.

### *Recognition of Premium Revenues*

Annual property and liability premiums are written with an effective date of July 1 and are generally recognized as revenue on a pro rata basis over the policy term. The portion of premiums that will be earned in the future are deferred and reported as unearned premiums. Special premium assessments and credits, if any, are recorded in the period in which they are approved by the Board. The Trust had no unearned premiums as of June 30, 2015 and 2014.

### *Reinsurance*

The Trust limits the maximum net loss that can arise from large risks by reinsuring (or ceding) certain levels of risk with reinsurers under various reinsurance treaties. Ceded reinsurance is treated as the risk and liability of the reinsuring companies. Premiums and recoveries related to ceded business are accounted for on bases consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Ceded premiums are recorded as reductions of premiums earned and related claim recoveries are recorded as reductions of incurred claims and claim adjustment expenses.

### *Deferred Policy Acquisition Costs*

Salaries and other costs of acquiring insurance that vary with and are primarily related to the production of new and renewal business are deferred and amortized over the terms of the policies or reinsurance treaties to which they relate. Deferred acquisition costs are reviewed periodically to determine if they are recoverable from future income, including investment income. If the deferred costs are not recoverable, they are charged to expense in the period of the review. The Trust had no deferred policy acquisition costs as of June 30, 2015 and 2014.

### *Capital Assets*

All capital assets are carried at cost. All acquisitions of capital assets in excess of \$1,000 with a useful life in excess of one year and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Electronic data processing equipment and software (EDP) are depreciated over three years. Furniture and equipment are depreciated over five years and the building is depreciated over forty years.

### *Insurance Liabilities*

The Trust establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage, subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims and claim adjustment expenses. The Trust does not discount the liabilities for unpaid claims or claim adjustment expenses. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

### *GASB Pronouncements*

GASB has issued the following Statements which will become effective in future years as shown below. Management has not yet determined the impact of these statements on the LGIT's financial statements.

#### *GASB Pronouncement No. 72, Fair Value Measurement and Application.*

In February 2015, GASB issued Statement No. 72, Fair Value Measurement and Application ("GASB 72"). The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and for enhancing disclosures around fair value measurements. The provisions of this Statement are effective financial statements in periods beginning after June 15, 2015. LGIT has not yet completed the process of evaluating the impact of GASB 72 on its financial statements.

#### *GASB Pronouncement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*

In June 2015, GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments ("GASB 76"). The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted. LGIT has not yet completed the process of evaluating the impact of GASB 76 on its financial statements.

### *Income Taxes*

The income of the Trust is exempt from federal taxation under §115 of the Internal Revenue Code.

## ■ **NOTE 3 — CASH AND CASH EQUIVALENTS**

### *Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the Trust's deposits may not be returned. The Trust does not have a formal custodial credit risk policy for deposits. Cash and temporary investments are maintained in one commercial bank and two broker-dealers located in Baltimore, Maryland. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. As of June 30, 2015 and 2014, cash balances of \$766,351 and \$249,759 exceeded FDIC coverage amounts. Deposits in excess of the FDIC specified limits are collateralized with U.S Government securities at 102% of the cash value. Cash and temporary investments held by broker-dealers are insured by the Securities Investor Protection Corporation (SIPC) up to specified limits. Balances in excess of SIPC limits are uninsured. Total cash and temporary investments held by the bank and broker-dealers were \$3,193,244 and \$2,542,912 of June 30, 2015 and 2014, respectively.

Cash and cash equivalents consisted of the following as of June 30, 2015 and 2014:

	<b>2015</b>	<b>Percentage of portfolio</b>	<b>2014</b>	<b>Percentage of portfolio</b>
Cash	\$ 822,514	27.4%	\$ 218,647	9.7%
Maryland Local Government	130,000	4.3%	129,937	5.7%
Money Market Mutual Funds	2,055,664	68.3%	1,913,216	84.6%
<b>Total Cash and Equivalents</b>				
<b>Equivalents</b>	<b>\$ 3,008,178</b>	<b>100.0%</b>	<b>\$ 2,261,800</b>	<b>100.0%</b>

LGIT participates in the MLGIP which is an external investment pool that is not subject to regulation by the Securities and Exchange Commission (SEC). However, the pool is governed by Article 95 Section 22G of the Annotated Code of Maryland and under control of the State Treasurer, subject to oversight by the MLGIP Advisory Committee. All securities in the MLGIP are valued daily on an amortized cost basis, which approximates market value.

### *Credit Risk*

The MLGIP and all money market mutual funds carry AAA ratings with the exception of the fund used by the external investment managers, which are not rated but possesses all the characteristics of an AAA rated fund.

### *Interest Rate Risk*

Interest rate risk is the risk changes in interest rates of debt investments that will adversely affect the fair value of an investment. Information about the exposure of the Trust's cash equivalents to this risk, using the segmented time distribution model is as follows:

	<b>MLGIP</b>	<b>Money Market Mutual Funds</b>
June 30, 2015		
Less Than 1 Year	\$ 130,000	\$ 2,055,664
<b>Total</b>	<b>\$ 130,000</b>	<b>\$ 2,055,664</b>
June 30, 2014		
Less Than 1 Year	\$ 129,937	\$ 1,913,260
<b>Total</b>	<b>\$ 129,937</b>	<b>\$ 1,913,260</b>

## ■ NOTE 4 — Investments

The Trust's investments are held in an externally managed portfolio. There are no legal restrictions on the Trust's investments.

The Trust's Long-term Investment Account is managed under the guidelines of a Board approved investment policy. In accordance with the policy, permitted investments include, but are not limited to, U.S. Government and agency securities, corporate securities, international/emerging market securities, high yield bonds, equity securities and other alternative securities to include Real Estate Investment Trusts and other liquid alternatives. Investments are registered and held by the Trust's custodian bank in the name of the Trust. The allocation policy for the short-term portfolio containing the Trust operating cash stipulates 100% cash equivalents.

It is the policy of the Board of Trustees to invest that portion of the portfolio allocated to the Long-term Investment Account pursuant to the following allocation parameters for fixed income, equities and alternative strategies:

	<b>Minimum</b>	<b>Maximum</b>
Cash Equivalents	0%	25%
Fixed Income	35%	95%
Equities	5%	50%
Alternative Strategies	0%	25%

The carrying values of the Trust's investments as of June 30, 2015 and 2014 are summarized in the following table. Investments in any one issuer that represent five percent or more of total investments have been disclosed separately.

	<b>2015</b>	<b>Percentage of portfolio</b>	<b>2014</b>	<b>Percentage of portfolio</b>
Debt Securities:				
U.S. Government Securities	\$ 3,394,766	10.8%	\$ 5,389,884	10.8%
U.S. Government Agencies				
Federal Home Loan Bank	-	-	74,385	-
Government National				
Mortgage Association	150,465	.8%	403,720	.8%
Federal National				
Mortgage Association	1,482,360	2.5%	1,268,318	2.5%
Federal Home Loan				
Mortgage Corporation	913,801	1.5%	758,731	1.5%
Small Business Administration	535,797	.6%	279,279	.6%
Preferred Securities	-	-	22,711	-
Mutual & Exchange Traded Funds	9,285,473	21.3%	10,598,121	21.3%
Corporate Bonds	8,783,387	18.8%	9,374,276	18.8%
Municipal Bonds	156,455	1.3%	630,005	1.3%
Equity Securities	17,780,387	35.2%	17,600,078	35.2%
Other	5,831,955	7.2%	3,592,135	7.2%
<b>Total Investments</b>	<b>\$ 48,314,866</b>	<b>100.0%</b>	<b>\$ 49,991,653</b>	<b>100.0%</b>

The "Other" investment category reported above is a mutual fund that has a flexible investment mandate and does not restrict itself to debt securities thus it is classified as "Other."

Investments are reported at their fair values with changes in values included in investment income. The net unrealized change in the fair value of the investments included in investment income was a net depreciation of \$2,964,556 and a net appreciation of \$2,430,154 for the years ended June 30, 2015 and 2014, respectively.

### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Trust places no limit on the amount invested in any one issuer. The Trust does not own one investment of a single source that exceeds 5% of the total value of the investment portfolio.

### *Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Trust does not have a formal custodial credit risk policy for investments. Investments are held in the Trust's name by various Trust banks located in the United States of America. Securities are insured by the Securities Investor Protection Corporation (SIPC) up to specified limits. Balances in excess of SIPC limits are uninsured. Total securities held by Trust banks and in mutual funds were \$48,314,866 and \$49,991,653, as of June 30, 2015 and 2014, respectively.

### *Credit Risk*

Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk exposure. Issuer obligations of U.S. Government Agencies and loan-backed securities of the Government National Mortgage Association (GNMA) and Department of Veterans Affairs (VA) have the explicit backing of the U.S. Government. Loan-backed securities of Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), and Federal Agricultural Mortgage Corporation (FAMC) have the implicit backing of the U.S. Government.

The Trust's investment policy for fiscal years 2015 and 2014 stipulates that the overall average quality of the portfolio should be at least "A" or better, as measured by Standard & Poor's or Moody's Investor Service. Presented below is the minimum rating granted for each type of investment.

	<b>U.S. Government Agencies</b>	<b>Corporate Bonds</b>	<b>Municipal Bonds</b>
June 30, 2015			
AAA	\$ 3,082,423	\$ 833,249	\$ -
AA	-	1,052,275	45,169
A	-	4,152,430	111,286
BBB	-	2,745,432	-
<b>Total</b>	<b>\$ 3,082,423</b>	<b>\$ 8,783,387</b>	<b>\$ 156,455</b>
June 30, 2014			
AAA	\$ 2,784,433	\$ 1,157,965	\$ 131,053
AA	-	1,167,873	274,110
A	-	5,455,782	224,843
BBB	-	1,592,656	-
<b>Total</b>	<b>\$ 2,784,433</b>	<b>\$ 9,374,276</b>	<b>\$ 630,005</b>

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value. Balances invested in the short-term portfolio are intended to fund the operating activities of the Trust for a one year period and cash is invested accordingly to meet cash flow requirements. The Trust's investment policy for the long-term portfolio stipulates that the duration of the fixed income portion of the portfolio should remain in the range of plus or minus two years of the Barclay's Intermediate Government Credit Index (3.9 years as of June 30, 2015 and 2014.) The maximum maturity of any fixed income investment is thirty years. The Trust uses the due date for purposes of determining segmented time distributions. Information about the exposure of the Trust's debt type investments to this risk, using the segmented time distribution model is as follows:

	<b>U.S. Government Securities</b>	<b>U.S. Government Agencies</b>	<b>Corporate Bonds</b>	<b>Municipal Bonds</b>
June 30, 2015				
Less Than 1 Year	\$ -	\$ 256,123	\$ 97,156	\$ 86,524
1 to 5 Years	926,664	1,171,507	5,102,969	69,935
6 to 10 Years	2,468,122	210,289	3,203,624	-
Over 10 Years	-	1,444,504	379,888	-
<b>Total</b>	<b>\$ 3,394,786</b>	<b>\$ 3,082,422</b>	<b>\$ 9,374,276</b>	<b>\$ 156,455</b>
June 30, 2014				
Less Than 1 Year	\$ -	\$ -	\$ 263,392	\$ 131,053
1 to 5 Years	2,359,417	569,186	6,140,317	389,413
6 to 10 Years	3,030,467	406,217	2,682,229	109,539
Over 10 Years	-	1,809,030	288,338	-
<b>Total</b>	<b>\$ 5,389,884</b>	<b>\$ 2,784,433</b>	<b>\$ 9,374,276</b>	<b>\$ 630,005</b>

The Trust invests in loan-backed securities which totaled \$2,239,804 and \$2,398,510 as of June 30, 2015 and 2014, respectively. U.S. Government Agency Securities reported above include \$1,582,552 and \$1,729,546 of loan-backed securities as of June 30, 2015 and 2014, respectively. Corporate securities reported above included 657,251 and \$668,963 of loan-backed securities as of June 30, 2015 and 2014, respectively. Loan-backed securities are based on cash flows from the underlying assets, therefore making them sensitive to prepayments that may result from a decline in interest rates. The Trust's investment policy limits the amount invested in loan-backed securities to no more than 50% of the fixed income portfolio.



### *Foreign Currency Risk:*

Foreign currency risk is the risk that changes in the exchange rate of investments will adversely affect the fair value of an investment. The Trust's exposure to foreign currency risk derives from its positions in American Depositary Receipts (ADR) of foreign common stocks. ADRs are paper securities issued by U.S. banks that evidence the ownership of actual shares of foreign stocks held in the bank's foreign branches or with a foreign correspondent on behalf of the ADR holder. The Trust's investment balances in ADRs by country are shown in the following table as of June 30, 2015 and 2014. The Trust has no formal policy concerning foreign currency risk.

	<b>2015</b>	<b>2014</b>
United Kingdom	\$ 440,561	\$ 390,991
Japan	176,874	133,989
Australia	45,188	85,507
Netherlands	188,403	61,432
France	99,133	67,778
Germany	166,897	90,331
Canada	439,892	473,851
Singapore	55,287	49,326
Switzerland	208,786	209,666
Other	868,090	552,356
<b>Total</b>	<b>\$ 2,689,221</b>	<b>\$ 2,115,226</b>

## ■ NOTE 5 — Change in Capital Assets

	<b>Beginning Balance</b>	<b>Additions and Transfers</b>	<b>Deletions and Transfers</b>	<b>Ending Balance</b>
<b>2015</b>				
Capital assets - not depreciated:				
Land	\$ 252,408	\$ -	\$ -	\$ 252,408
Total capital assets not depreciated	252,408	-	-	252,408
Capital assets being depreciated:				
Building	3,947,564	-	-	3,947,564
EDP	1,339,658	14,304	(3,360)	1,350,602
Furniture & Equipment	250,737	1,164	-	251,901
Total capital assets - depreciated	5,537,959	15,468	(3,360)	5,550,067
Total capital assets	5,790,367	15,468	(3,360)	5,802,475
Accumulated Depreciation:				
Building	(682,599)	(98,689)	-	(781,288)
EDP	(1,239,494)	(70,313)	-	(1,309,807)
Furniture & Equipment	(226,814)	(12,294)	-	(239,108)
Total accumulated depreciation	(2,148,907)	(181,296)	-	(2,330,203)
Net Balance - Capital Assets	\$ 3,641,460	\$ (165,828)	\$ (3,360)	\$ 3,472,272
	<b>Beginning Balance</b>	<b>Additions and Transfers</b>	<b>Deletions and Transfers</b>	<b>Ending Balance</b>
<b>2014</b>				
Capital assets - not depreciated:				
Land	\$ 252,408	\$ -	\$ -	\$ 252,408
Total capital assets not depreciated	252,408	-	-	252,408
Capital assets being depreciated:				
Building	3,947,564	-	-	3,947,564
EDP	1,278,002	61,656	-	1,339,658
Furniture & Equipment	249,622	5,307	(4,192)	250,737
Total capital assets - depreciated	5,475,188	66,963	(4,192)	5,537,959
Total capital assets	5,727,596	66,963	(4,192)	5,790,367
Accumulated Depreciation:				
Building	(583,910)	(98,689)	-	(682,599)
EDP	(1,131,463)	(108,031)	-	(1,239,494)
Furniture & Equipment	(216,149)	(14,262)	3,597	(226,814)
Total accumulated depreciation	(1,931,522)	(220,982)	3,597	(2,148,907)
Net Balance - Capital Assets	\$ 3,796,074	\$ (154,019)	\$ (595)	\$ 3,641,460

## ■ NOTE 6— Unpaid Claims Liabilities and Related Expenses

The Trust establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of claims and claim adjustment expenses, both allocated and unallocated. The following represents changes in those aggregate liabilities for the Trust during the past two fiscal years:

	<b>2015</b>	<b>2014</b>
Balance at beginning of year	\$ 12,595,299	\$ 12,856,324
Incurred related to:		
Current year	8,669,864	7,307,339
Prior years	(2,721,105)	(419,108)
Total incurred	5,948,759	6,888,231
Paid related to:		
Current year	2,557,301	2,258,232
Prior years	3,412,350	4,891,024
Total paid	5,969,651	7,149,256
<b>Balance at end of year</b>	<b>\$ 12,574,407</b>	<b>\$ 12,595,299</b>

Incurred claims and claim adjustment expenses related to prior years decreased by approximately \$2,721,105 and \$419,108 in fiscal years 2015 and 2014, respectively, as a result of changes in estimates of claims and claim adjustment expenses. Changes in estimates are generally the result of ongoing analysis of loss development trends. Original estimates are adjusted as additional information becomes known regarding individual claims.

## ■ NOTE 7— Rate Stabilization Fund

The Board approved a return of capital from the PLP of \$1,000,000 for fiscal years 2015 and 2014, respectively.

The return of capital was added to member rate stabilization account balances funded during prior fiscal years. The return of capital, which represents 50% of member account balances, is in the form of premium credits used by pool members of good standing for fiscal years 2015 and 2014 respectively. Rate stabilization credits of \$1,183,915 and \$1,366,315 were applied and shown as an offset to annual premiums on member invoices in fiscal years 2015 and 2014, respectively. The credit can be used by members each year up to a specified percentage of their annual premium, as approved by the Board. Balances remaining in the rate stabilization fund were as follows as of June 30, 2015 and 2014:

	<b>2015</b>	<b>2014</b>
Current	\$ 583,578	\$ 675,701
Noncurrent	583,579	675,702
<b>Total</b>	<b>\$ 1,167,488</b>	<b>\$ 1,351,703</b>

## ■ NOTE 8 — REINSURANCE

The Trust uses reinsurance agreements to reduce its exposure to certain large losses. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Trust as direct insurer of the risks reinsured. The Trust reduces liabilities related to reinsured risks unless it is probable that those risks will not be covered by reinsurers. No allowances were considered necessary as of June 30, 2015 and 2014. The Trust does not generally require collateral to secure reinsurance recoveries, but periodically evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers to minimize its exposures to significant losses from reinsurer insolvency.

The Trust is a member of NLC Mutual Insurance Company (NLC), a captive reinsurance pool whose members consist of certain state self-insurance pools. Each member is required to maintain deposits with NLC based on certain prescribed levels.

These balances are reflected in the statements of net position as “deposit with reinsurance pool” and totaled \$6,617,219 and \$6,146,907 as of June 30, 2015 and 2014, respectively.

The Trust did not purchase reinsurance for the standard coverages offered in the PLP for the years ended June 30, 2015 and 2014 and retained the entire \$1,000,000 per occurrence coverage limit. Coverage was provided by NLC for the Trust’s ELP exposure, which insures all losses over the PLP’s coverage of \$1,000,000 with a maximum limit of liability of \$5,000,000. In addition, the Trust purchased reinsurance for the Property Pool from private reinsurance companies that covered claims in excess of \$100,000.

Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsurance policy. Net reinsurance recoveries and prepaid expenses amounted to \$3,238 and \$390,094 as of June 30, 2015 and 2014, respectively. Over the last three years, incurred and paid claims have not exceeded insurance coverage. There were no ceded reinsurance premiums payable as of June 30, 2015 and 2014, respectively. There were no ceded unearned premiums as of both June 30, 2015 and 2014.

## ■ **NOTE 9 — HEALTH PLAN COOPERATIVE**

In fiscal year 2011, the Trust established the Maryland Local Government Health Cooperative (Cooperative), a self-insurance alliance between member governments. The Cooperative was established as a self-insured health plan for the purpose of providing group health benefits to its members’ employees and eligible dependents. The plan was designed by and is administered by Benecon Group, Inc. (Benecon) through June 30, 2015. Automatic one year renewals are provided under the agreement with Benecon unless written notice of termination is provided by February 1 of the year in which the agreement will terminate. Benecon is responsible for designing the benefit structure for each member, performing the underwriting function, selecting and negotiating rates with a stop-loss carrier, determining member funding levels, selecting and negotiating an agreement with a claims administrator, preparing quotations for prospective members, and performing other administrative functions. The Trust is responsible for governance, serving as the treasurer and depository for all cash flowing through the Cooperative, and establishing qualifications for membership. Each Cooperative member pays a management fee based on the number of enrolled employees for administrative services performed. The Trust is entitled to 25 percent of the management fee and Benecon is entitled to the remaining 75 percent.

The Trust paid premiums to the Cooperative totaling \$426,702 and \$373,753 for the years ended June 30, 2015 and 2014, respectively. These premiums represented the Trust’s maximum exposure for health care claims incurred during the year. Claims rebates received by the Trust from the Cooperative based on prior year actual medical claim activity totaled \$0 for the years ended June 30, 2015 and 2014, respectively. Management fees earned by the Trust totaled \$62,056 and \$51,989 for the years ended June 30, 2015 and 2014, respectively. The Trust was owed \$91,000 for initial funding provided to the Cooperative as of June 30, 2015 and 2014, respectively. Amounts remitted by the Trust from the Cooperative toward medical claims not yet reimbursed by Cooperative members totaled \$578,434 and \$176,286 as of June 30, 2015 and 2014. Amounts collected by the Trust from Cooperative members, but not yet remitted toward member reimbursements totaled \$1,060,291 and \$370,881 as of June 30, 2015 and 2014, respectively.

## ■ **NOTE 10 — Risk Management**

The Trust is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Trust participates in the property and primary liability pools offered by the Trust and carries commercial insurance for all other risks of loss, including worker’s compensation and errors and omissions. There were no losses in excess of coverages during the last three fiscal years.



## Local Government Insurance Trust

### Explanation of Required Supplementary Information

Unaudited – See Accompanying Independent Auditors' Report

This section of the Financial Statements provides the reader with a broader understanding of the Trust's operations and its financial trends and conditions than is provided in the Basic Financial Statements. A reconciliation of claims liability by pool for the past two years, as well as claims development information for the last ten years are provided.

#### Reconciliation of Claims Liabilities and Related Expenses by Pool

The schedule on page 36 represents the changes in claims liabilities for the past two years for each of the Trust's pools.

#### Claims Development Information

The table on page 37 illustrates how the Trust's earned revenue (net of reinsurance) and investment income compare to related costs of claims (net of losses assumed by reinsurers) and other expenses assumed by the Trust as of the end of each of the past 10 fiscal years. The columns of the table show data for successive policy years. The rows of the table are defined as follows:

*Premiums and investment revenue*

Amount of reported gross premium and investment revenue, amount of premium revenue ceded and investment revenue.

*Unallocated expenses*

Amount of reported unallocated claim adjustment expenses and other costs that cannot be associated directly with specific claims.

*Estimated claims and allocated expenses, end of policy year*

Amount of gross incurred claims and allocated claim adjustment expense, loss assumed by reinsurers, and net amount of incurred claims and allocated claim adjustment expense s(both paid and accrued) as originally reported at the end of the year in which the events that triggered coverage under the policy.

*Net paid cumulative as of*

Cumulative amount paid (net of recoveries) as of each succeeding year.

*Reestimated ceded claims and allocated expenses*

Reestimated amount for losses assumed by reinsurers as of the end of the current year.

*Reestimated net incurred claims and allocated expenses*

Reestimated amount for net incurred claims and claim adjusted expenses as of each succeeding year.

*Increase (decrease) in estimated net incurred claims and allocated expenses from end of policy year*

The change in net incurred claims and claim adjustment expenses from the original estimate based on the difference between the latest reestimated amount and the original net incurred claims and claim adjustment amounts reported.



# Local Government Insurance Trust

*Required Supplementary Information*

## Reconciliation of Claims Liabilities and Related Expenses by Pool

Years Ended June 30, 2015 and 2014

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	COMBINED TOTAL
<b>2015</b>				
Balance at beginning of the year	\$ 12,196,454	\$ 398,845	\$ -	\$ 12,595,299
Incurred related to:				
Current year	7,465,807	1,204,057	-	8,669,864
Prior year	(2,752,226)	31,121	-	(2,721,105)
Total incurred	4,713,581	1,235,178	-	5,948,759
Paid related to:				
Current year	1,885,792	671,509	-	2,557,301
Prior year	3,129,510	282,841	-	3,412,350
Total paid	5,015,302	954,350	-	5,969,651
Balance at end of year	\$ 11,894,733	\$ 679,674	\$ -	\$ 12,574,407
	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	COMBINED TOTAL
<b>2014</b>				
Balance at beginning of the year	\$ 12,370,331	\$ 485,993	\$ -	\$ 12,856,324
Incurred related to:				
Current year	6,523,525	783,814	-	7,307,339
Prior year	(79,149)	(339,959)	-	(419,108)
Total incurred	6,444,376	443,855	-	6,888,231
Paid related to:				
Current year	1,861,913	396,319	-	2,258,232
Prior year	4,756,340	134,684	-	4,891,024
Total paid	6,618,253	531,003	-	7,149,256
Balance at end of year	\$ 12,196,454	\$ 398,845	\$ -	\$ 12,595,299

See explanation of required supplementary information on page 35.



# Local Government Insurance Trust

*Required Supplementary Information*

## Claims Development Information

Ten Years Ended June 30, 2006 through June 30, 2015

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Premiums and investment revenue:										
Earned,	14,283,844	19,010,252	13,466,254	14,128,339	18,226,498	14,466,938	17,268,023	19,063,656	15,736,454	16,427,551
Ceded	(4,655,168)	(4,501,768)	(3,811,719)	(3,653,712)	(4,394,806)	(4,446,223)	(4,819,145)	(5,225,249)	(4,634,559)	(4,496,753)
Net earned	9,628,676	14,508,484	9,654,535	10,474,627	13,831,692	10,020,715	12,448,878	13,838,407	11,101,895	11,930,798
Allocated and unallocated expenses	5,077,011	4,965,655	4,777,042	4,636,650	4,580,616	4,412,519	4,301,347	4,018,944	3,727,726	3,862,037
Estimated claims and allocated expenses, end of policy year:										
Incurred	8,674,685	7,617,463	10,295,641	9,269,463	7,121,248	9,927,669	7,801,951	7,543,834	7,598,176	6,751,529
Ceded	4,821	310,124	1,767,392	2,053,432	21,604	2,824,034	302,136	178,702	496,889	411,413
Net incurred	8,669,864	7,307,339	8,528,249	7,216,031	7,099,644	7,103,635	7,499,815	7,365,132	7,101,287	6,340,116
Net paid claims (cumulative) as of:										
End of policy year	2,557,301	2,258,231	2,555,929	2,716,683	2,281,860	2,210,347	2,400,779	2,103,746	2,010,184	2,103,543
One year later		4,129,786	4,901,366	4,315,814	3,713,673	3,542,066	4,494,349	3,649,363	2,988,446	3,018,102
Two years later			5,683,053	5,572,496	4,716,102	4,041,910	5,221,188	5,014,956	3,318,761	3,710,553
Three years later				5,691,120	5,185,596	4,756,403	5,628,783	5,602,310	3,893,576	4,206,352
Four years later					5,623,478	4,997,935	5,881,355	5,890,845	4,168,834	4,486,146
Five years later						5,090,733	6,373,674	5,902,224	4,269,094	4,563,711
Six years later							6,439,766	5,901,305	4,318,949	4,588,849
Seven years later								5,898,224	4,314,189	4,600,612
Eight years later									4,313,256	4,692,652
Nine years later										4,740,529
Reestimated ceded claims and expenses	4,821	310,124	1,767,392	2,053,432	21,604	2,824,034	302,136	178,702	496,889	411,413
Reestimated net incurred claims and allocated expenses:										
End of policy year	8,669,864	7,307,339	8,528,249	7,216,031	7,099,644	7,103,635	7,499,815	7,365,132	7,101,287	6,340,116
One year later		6,452,751	8,387,713	6,887,651	6,648,854	5,777,078	7,171,802	6,953,322	5,253,496	5,973,426
Two years later			7,963,399	6,762,133	6,330,868	5,331,063	7,161,862	7,140,433	4,771,776	5,445,069
Three years later				6,391,869	6,285,650	5,689,365	7,256,167	6,638,146	4,718,975	5,150,922
Four years later					6,153,289	5,252,403	7,420,166	6,090,679	4,868,463	5,050,256
Five years later						5,304,182	7,148,675	5,957,142	4,499,562	5,134,699
Six years later							6,451,123	5,910,221	4,314,686	4,834,942
Seven years later								5,895,141	4,309,925	4,750,996
Eight years later									4,308,992	5,404,695
Nine years later										5,127,055
Decrease in estimated net incurred claims and allocated expenses from end of policy year		(854,588)	(564,850)	(824,162)	(946,355)	(1,799,453)	(1,048,692)	(1,469,991)	(2,792,295)	(1,213,061)

See explanation of required supplementary information on page 35.





**Local Government Insurance Trust**  
**Combining Schedule of Net Position**  
June 30, 2015

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	HEALTH COOPERATIVE	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 41,973,107	\$ 9,380,965	\$ 9,346,889	\$ (58,267,280)	\$ 572,857	\$ 1,640	\$ 3,008,178
Investments	-	-	-	33,337,634	-	-	33,337,634
Premiums receivable	-	23,490	-	-	-	-	23,490
Interest income receivable	-	-	-	111,129	-	-	111,129
Reinsurance receivables	-	3,238	-	-	-	-	3,238
Due from (to) other pools/accounts	(4,839,445)	(1,019,558)	(599,581)	6,458,584	-	-	-
Other	124,012	-	-	114,111	-	-	238,123
Total current assets	<u>37,257,674</u>	<u>8,388,135</u>	<u>8,747,308</u>	<u>(18,245,822)</u>	<u>572,857</u>	<u>1,640</u>	<u>36,721,792</u>
Noncurrent assets:							
Investments	-	-	-	14,977,232	-	-	14,977,232
Capital assets	-	-	-	3,472,272	-	-	3,472,272
Deposit with reinsurance pool	3,176,361	1,669,718	1,771,140	-	-	-	6,617,219
Other assets	-	-	-	-	-	-	-
Total noncurrent assets	<u>3,176,361</u>	<u>1,669,718</u>	<u>1,771,140</u>	<u>18,449,504</u>	<u>-</u>	<u>-</u>	<u>25,066,723</u>
Total assets	<u>40,434,035</u>	<u>10,057,853</u>	<u>10,518,448</u>	<u>203,682</u>	<u>572,857</u>	<u>1,640</u>	<u>61,788,515</u>
<b>LIABILITIES</b>							
Current Liabilities:							
Accounts payable and accrued expenses	121,905	-	6,334	35,523	-	-	163,762
Unpaid claims and claims adjustment exp.	5,288,486	551,314	-	-	-	-	5,839,800
Notes payable	-	-	-	-	-	-	-
Health plan payable cooperative	-	-	-	-	572,857	-	572,857
Interest payable	-	-	-	-	-	-	-
Rate stabilization fund	583,578	-	-	-	-	-	583,578
Other liabilities	331	-	-	168,159	-	-	168,490
Total current liabilities	<u>5,994,300</u>	<u>551,314</u>	<u>6,334</u>	<u>203,682</u>	<u>572,857</u>	<u>-</u>	<u>7,328,487</u>
Noncurrent liabilities:							
Unpaid claims and claims adjustment exp.	6,606,247	128,360	-	-	-	-	6,734,607
Capitalization contributions	-	-	-	-	-	1,640	1,640
Rate stabilization fund	583,579	-	-	-	-	-	583,579
Notes Payable	-	-	-	-	-	-	-
Total noncurrent liabilities	<u>7,189,826</u>	<u>128,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,640</u>	<u>7,319,826</u>
Total liabilities	<u>13,184,126</u>	<u>679,674</u>	<u>6,334</u>	<u>203,682</u>	<u>572,857</u>	<u>1,640</u>	<u>14,648,313</u>
<b>NET POSITION</b>							
Net investment in capital assets,	-	-	-	3,472,272	-	-	3,472,272
Unrestricted, net position	27,249,909	9,378,179	10,512,114	(3,472,272)	-	-	43,667,930
Total net position	<u>\$ 27,249,909</u>	<u>\$ 9,378,179</u>	<u>\$ 10,512,114</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,140,202</u>

*See accompanying notes to supplementary combining schedules.*



**Local Government Insurance Trust**  
**Combining Schedule of Net Position**  
June 30, 2014

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	HEALTH COOPERATIVE	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 39,383,801	\$ 8,279,459	\$ 9,325,133	\$(55,013,828)	\$ 285,595	\$ 1,640	\$ 2,261,800
Investments	-	-	-	32,207,500	-	-	32,207,500
Premiums receivable	47,577	46,141	1,453	-	-	-	95,171
Interest income receivable	-	-	-	122,117	-	-	122,117
Reinsurance receivables	-	390,034	-	-	-	-	390,034
Due from (to) other pools/accounts	(1,408,206)	(305,597)	289,924	1,423,879	-	-	-
Other	124,012	-	-	64,086	176,286	-	364,384
Total current assets	<u>38,147,184</u>	<u>8,410,037</u>	<u>9,616,510</u>	<u>(21,196,246)</u>	<u>461,881</u>	<u>1,640</u>	<u>35,441,006</u>
Noncurrent assets:							
Investments	-	-	-	17,784,153	-	-	17,784,153
Capital assets	-	-	-	3,641,460	-	-	3,641,460
Deposit with reinsurance pool	3,119,510	1,578,413	1,448,984	-	-	-	6,146,907
Other assets	-	-	-	-	-	-	-
Total noncurrent assets	<u>3,119,510</u>	<u>1,578,413</u>	<u>1,448,984</u>	<u>21,425,613</u>	<u>-</u>	<u>-</u>	<u>27,572,520</u>
Total assets	<u>41,266,694</u>	<u>9,988,450</u>	<u>11,065,494</u>	<u>229,367</u>	<u>461,881</u>	<u>1,640</u>	<u>63,013,526</u>
<b>LIABILITIES</b>							
Current Liabilities:							
Accounts payable and accrued expenses	-	-	-	67,498	-	-	67,498
Unpaid claims and claims adjustment exp.	4,735,217	298,985	-	-	-	-	5,034,202
Notes payable	-	-	-	-	-	-	-
Health plan payable cooperative	-	-	-	-	461,881	-	461,881
Interest payable	-	-	-	-	-	-	-
Rate stabilization fund	675,701	-	-	-	-	-	675,701
Other liabilities	331	-	-	161,869	-	-	162,200
Total current liabilities	<u>5,411,249</u>	<u>298,985</u>	<u>-</u>	<u>229,367</u>	<u>461,881</u>	<u>-</u>	<u>6,401,482</u>
Noncurrent liabilities:							
Unpaid claims and claims adjustment exp.	7,461,237	99,860	-	-	-	-	7,561,097
Capitalization contributions	-	-	-	-	-	1,640	1,640
Rate stabilization fund	675,702	-	-	-	-	-	675,702
Notes Payable	-	-	-	-	-	-	-
Total noncurrent liabilities	<u>8,136,939</u>	<u>99,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,640</u>	<u>8,238,439</u>
Total liabilities	<u>13,548,188</u>	<u>398,845</u>	<u>-</u>	<u>229,367</u>	<u>461,881</u>	<u>1,640</u>	<u>14,639,921</u>
<b>NET POSITION</b>							
Net investment in capital assets,	-	-	-	3,641,460	-	-	3,641,460
Unrestricted, net position	27,718,506	9,589,605	11,065,494	(3,641,460)	-	-	44,732,145
Total net position	<u>\$ 27,718,506</u>	<u>\$ 9,589,605</u>	<u>\$ 11,065,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,373,605</u>

See accompanying notes to supplementary combining schedules.



**Local Government Insurance Trust**  
**Combining Schedule of Revenues, Expenses and**  
**Changes in Net Position**  
Year Ended June 30, 2015

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
<b>OPERATING REVENUES</b>						
Gross premiums earned	\$ 11,347,768	\$ 6,000,262	\$ 961,525	\$ -	\$ -	\$ 18,309,555
Less: premium credits	(2,300,878)	(258,613)	(391,269)	-	-	(2,950,760)
ceded premiums	(19,313)	(3,789,643)	(846,212)	-	-	(4,655,168)
Net premiums earned	9,027,577	1,952,006	(275,956)	-	-	10,703,627
Other Revenues	-	-	-	163,691	-	163,691
Total operating revenues	9,027,577	1,952,006	(275,956)	163,691	-	10,867,318
<b>OPERATING EXPENSES</b>						
Incurring claims and claim adjustment expenses:						
Paid (net of recoveries)	5,015,301	954,350	-	-	-	5,969,651
Change in liability for unpaid claims and claim adjustment expenses	(301,721)	280,829	-	-	-	(20,892)
General and administrative expenses	-	-	-	4,895,715	-	4,895,715
Depreciation expense	-	-	-	181,296	-	181,296
Total operating expenses	4,713,580	1,235,179	-	5,077,011	-	11,025,770
Operating income (loss)	4,313,997	716,827	(275,956)	(4,913,320)	-	(158,452)
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment income	56,851	91,305	322,157	(1,545,264)	-	(1,074,951)
Interest expense	-	-	-	-	-	-
Allocations of operating account revenues (note 2)	(980,917)	(207,236)	(193,420)	1,381,573	-	-
Allocations of operating account expenses (note 2)	(3,858,528)	(812,322)	(406,161)	5,077,011	-	-
Total nonoperating revenues (expenses)	(4,782,594)	(928,253)	(277,424)	4,913,320	-	(1,074,951)
Change in net position	(468,597)	(211,426)	(553,380)	-	-	(1,233,403)
Net position, beginning of year	27,718,506	9,589,605	11,065,494	-	-	48,373,605
Net position, end of year	\$ 27,249,909	\$ 9,378,179	\$ 10,512,114	\$ -	\$ -	\$ 47,140,202

See accompanying notes to supplementary combining schedules.



**Local Government Insurance Trust**  
**Combining Schedule of Revenues, Expenses and**  
**Changes in Net Position**  
Year Ended June 30, 2014

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
<b>OPERATING REVENUES</b>						
Gross premiums earned	\$ 11,165,980	\$ 6,024,962	\$ 877,150	\$ -	\$ -	\$ 18,068,092
Less: premium credits	(2,255,932)	(370,254)	(353,108)	-	-	(2,979,294)
ceded premiums	(36,973)	(3,656,666)	(808,129)	-	-	(4,501,768)
Net premiums earned	8,873,075	1,998,042	(284,087)	-	-	10,587,030
Other Revenues	-	-	-	86,103	-	86,103
Total operating revenues	8,873,075	1,998,042	(284,087)	86,103	-	10,673,133
<b>OPERATING EXPENSES</b>						
Incurred claims and claim adjustment expenses:						
Paid (net of recoveries)	6,618,253	531,003	-	-	-	7,149,256
Change in liability for unpaid claims and claim adjustment expenses	(173,877)	(87,149)	-	-	-	(261,026)
General and administrative expenses	-	-	-	4,744,673	-	4,744,673
Depreciation expense	-	-	-	220,982	-	220,982
Total operating expenses	6,444,376	443,854	-	4,965,655	-	11,853,885
Operating income (loss)	2,428,699	1,554,188	(284,087)	(4,879,552)	-	(1,180,752)
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment income	75,107	90,674	300,000	3,455,673	-	3,921,454
Interest expense	-	-	-	-	-	-
Allocations of operating account revenues (note 2)	2,514,661	389,595	637,520	(3,541,776)	-	-
Allocations of operating account expenses (note 2)	(3,922,867)	(695,192)	(347,596)	4,965,655	-	-
Total nonoperating revenues (expenses)	(1,333,099)	(214,923)	589,924	4,879,552	-	3,921,454
Change in net position	1,095,600	1,339,265	305,837	-	-	2,740,702
Net position, beginning of year	26,622,906	8,250,340	10,759,657	-	-	45,632,903
Net position, end of year	\$ 27,718,506	\$ 9,589,605	\$ 11,065,494	\$ -	\$ -	\$ 48,373,605

See accompanying notes to supplementary combining schedules.



**Local Government Insurance Trust**  
**Combining Schedule of Cash Flows**  
Year Ended June 30, 2015

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	HEALTH COOPERATIVE	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
Cash flows from operating activities:							
Premiums collected	\$ 9,032,127	\$ 5,764,302	\$ 578,043	\$ -	\$ -	\$ -	\$ 15,374,472
Other revenue collected	-	-	-	163,691	-	-	163,691
Recoveries of claims paid	333,349	577,979	-	-	-	-	911,328
Ceded premiums paid	(19,313)	(3,789,643)	(846,212)	-	-	-	(4,655,168)
Claims and claim adjustment expenses paid	(5,348,650)	(1,145,535)	-	-	-	-	(6,494,185)
General and administrative expenses paid	-	-	-	(4,968,066)	-	-	(4,968,066)
Net cash provided by (used in) operating activities	3,997,513	1,407,103	(268,169)	(4,804,375)	-	-	332,072
Cash flows from noncapital financing activities:							
Transfers from (to) other pools/accounts	(1,408,206)	(305,597)	289,924	1,423,879	-	-	-
Member deposits	-	-	-	-	17,456,501	-	17,456,501
Health Cooperative payments	-	-	-	-	(17,169,239)	-	(17,169,239)
Net cash provided by (used in) noncapital financing activities	(1,408,206)	(305,597)	289,924	1,423,879	287,262	-	287,262
Cash flows from capital and related financing activities:							
Purchase of capital assets	-	-	-	(15,468)	-	-	(15,468)
Net cash flows used in capital and related financing activities	-	-	-	(15,468)	-	-	(15,468)
Cash flows from investing activities:							
Purchase of investments	-	-	-	(57,443,190)	-	-	(57,443,190)
Proceeds from maturities of investments	-	-	-	56,252,428	-	-	56,252,428
Investment income received	-	-	-	1,333,274	-	-	1,333,274
Net cash provided by investing activities	-	-	-	142,512	-	-	142,512
Net change in cash and cash equivalents	2,589,307	1,101,506	21,755	(3,253,452)	287,262	-	746,378
Cash and cash equivalents, beginning of year	39,383,801	8,279,459	9,325,133	(55,013,828)	285,595	1,640	2,261,800
Cash and cash equivalents, end of year	\$ 41,973,108	\$ 9,380,965	\$ 9,346,888	\$ (58,267,280)	\$ 572,857	\$ 1,640	\$ 3,008,178
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ 4,313,997	\$ 716,827	\$ (275,956)	\$ (4,913,320)	\$ -	\$ -	\$ (158,452)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation expense	-	-	-	181,296	-	-	181,296
Loss on disposal of assets	-	-	-	3,360	-	-	3,360
Effects of changes in operating assets and liabilities:							
Premiums receivable	47,577	22,651	1,453	-	-	-	71,681
Reinsurance receivables	-	386,796	-	-	-	-	386,796
Deposit with reinsurance pool	-	-	-	-	-	-	-
Other assets	-	-	-	(50,025)	-	-	(50,025)
Operating accounts payable and accrued expenses	121,905	-	6,334	(31,975)	-	-	96,264
Unpaid claims and claim adjustment expenses	(301,721)	280,829	-	-	-	-	(20,892)
Other liabilities	(184,245)	-	-	6,289	-	-	(177,956)
Total adjustments	(316,484)	690,276	7,787	108,945	-	-	487,164
Net cash provided by (used in) operating activities	\$ 3,997,513	\$ 1,407,103	\$ (268,169)	\$ (4,804,375)	\$ -	\$ -	\$ 328,712

See accompanying notes to supplementary combining schedules.



**Local Government Insurance Trust**  
**Combining Schedule of Cash Flows**  
Year Ended June 30, 2014

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	HEALTH COOPERATIVE	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
Cash flows from operating activities:							
Premiums collected	\$ 8,511,868	\$ 5,658,909	\$ 522,732	\$ -		\$ -	\$ 14,693,509
Other revenue collected	-	-	-	86,103	-	-	86,103
Recoveries of claims paid	703,420	2,361,940	3,300,000	-	-	-	6,365,360
Ceded premiums paid	(36,973)	(3,656,666)	(808,129)	-	-	-	(4,501,768)
Claims and claim adjustment expenses paid	(7,324,621)	(2,334,993)	(3,300,000)	-	-	-	(12,959,614)
General and administrative expenses paid	-	-	-	(4,743,229)	-	-	(4,743,229)
Net cash provided by (used in) operating activities	1,853,694	2,029,190	(285,397)	(4,657,126)	-	-	(1,059,639)
Cash flows from noncapital financing activities:							
Transfers from (to) other pools/accounts	(3,031,691)	(671,546)	(230,340)	3,933,577	-	-	-
Member deposits	-	-	-	-	15,368,532	-	15,368,532
Health Cooperative payments	-	-	-	-	(14,775,631)	-	(14,775,631)
Net cash provided by (used in) noncapital financing activities	(3,031,691)	(671,546)	(230,340)	3,933,577	592,901	-	592,901
Cash flows from capital and related financing activities:							
Purchase of capital assets	-	-	-	(66,963)	-	-	(66,963)
Net cash flows used in capital and related financing activities	-	-	-	(66,963)	-	-	(66,963)
Cash flows from investing activities:							
Purchase of investments	-	-	-	(53,989,490)	-	-	(53,989,490)
Proceeds from maturities of investments	-	-	-	50,840,019	-	-	50,840,019
Investment income received	-	-	-	1,409,115	-	-	1,409,115
Net cash provided by in investing activities	-	-	-	(1,740,356)	-	-	(1,740,356)
Net change in cash and cash equivalents	(1,177,997)	1,357,644	(515,737)	(2,530,868)	592,901	-	(2,274,057)
Cash and cash equivalents, beginning of year	40,561,798	6,921,815	9,840,870	(52,482,960)	(307,306)	1,640	4,535,857
Cash and cash equivalents, end of year	\$ 39,383,801	\$ 8,279,459	\$ 9,325,133	\$ (55,013,828)	\$ 285,595	\$ 1,640	\$ 2,261,800
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ 2,428,699	\$ 1,554,188	\$ (284,087)	\$ (4,879,552)	\$ -	\$ -	\$ (1,180,752)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation expense and loss on disposal of assets	-	-	-	221,578	-	-	221,578
Effects of changes in operating assets and liabilities:							
Premiums receivable	(32,205)	4,201	(1,310)	-	-	-	(29,314)
Reinsurance receivables	-	557,950	-	-	-	-	557,950
Deposit with reinsurance pool	-	-	-	-	-	-	-
Other assets	(2,607)	-	-	(23,113)	-	-	(25,720)
Operating accounts payable and accrued expenses	-	-	-	25,094	-	-	25,094
Unpaid claims and claim adjustment expenses	(173,876)	(87,149)	-	-	-	-	(261,025)
Other liabilities	(366,317)	-	-	(1,133)	-	-	(367,450)
Total adjustments	(575,005)	475,002	(1,310)	222,426	-	-	121,113
Net cash provided by (used in) operating activities	\$ 1,853,694	\$ 2,029,190	\$ (285,397)	\$ (4,657,126)	\$ -	\$ -	\$ (1,059,639)

See accompanying notes to supplementary combining schedules.

*This page is intentionally left blank*





**Local Government Insurance Trust**  
**Notes to Supplementary Combining Schedules**  
Years Ended June 30, 2015 and 2014

■ **NOTE 1 — DESCRIPTION OF POOL COVERAGES**

The pools provide insurance coverage in the following areas up to the indicated limits:

*Primary Liability Pool Coverage*

POOL COVERAGE	COVERAGE LIMITS		
Commercial general liability			
Bodily injury; property damage and personal injury	\$	2,000,000	annual aggregate
Medical payments	\$	5,000	each person
Fire legal liability	\$	1,000,000	per occurrence
Products and completed operations per participant	\$	1,000,000	annual aggregate
Police legal liability	\$	1,000,000	each wrongful act and annual aggregate
Public officials legal liability	\$	1,000,000	each error or omission act and annual aggregate
Business automobile coverage			
Liability insurance	\$	1,000,000	per occurrence
Garage keepers			
Comprehensive	\$	1,000,000	per occurrence
Collision	\$	1,000,000	per occurrence

The public officials legal liability and police legal liability coverages are on a claims made basis with limited coverage for unknown acts prior to July 1, 1987 and provide for coverage under an extended discovery period in the event of participant cancellation.

The maximum limit of liability to the Primary Liability Pool (PLP) may not exceed \$1,000,000 for any one claim or occurrence per participant, regardless of any applicable primary liability coverage.

*Property Pool Coverage*

The pool shall not be liable for more than the insured value of the property covered with limits not to exceed the blanket values declared per entity in any one occurrence, except:

- A. \$5,000,000 per entity per occurrence and annual aggregate with respect to the peril of flood
- B. \$5,000,000 per entity per occurrence and annual aggregate with respect to the peril of earthquake

The Trust also offers Boiler and Machinery coverage with limits not to exceed the blanket building and contents limit. The Trust reinsures 100% of the related risk.

*Excess Liability Pool Coverage*

The maximum limit of liability to the Excess Liability Pool (ELP) is \$5,000,000 for each occurrence and in the aggregate for occurrence-based coverage; and \$5,000,000 for each occurrence, and in the aggregate, for claims-made coverage. Participants in the ELP must either self-insure retention of \$1,000,000 or purchase primary liability coverages from the Trust. The Trust will not insure coverages over other commercial insurance companies.

### *Pool Membership and Demographic Information*

Membership in each pool consists of counties, municipalities, and others, which include sponsored entities as well as the founders of the Trust, the Maryland Municipal League, and the Maryland Association of Counties. The following represents the participants for fiscal year 2015 and 2014.

	<b>POOL TOTALS</b>		<b>COUNTIES</b>		<b>MUNICIPALITIES</b>		<b>OTHER</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Primary	173	170	14	14	140	137	19	19
Property	151	149	16	16	124	122	11	11
Excess	177	174	15	15	140	138	22	21

## ■ **NOTE 2 — DESCRIPTION OF ACCOUNTS**

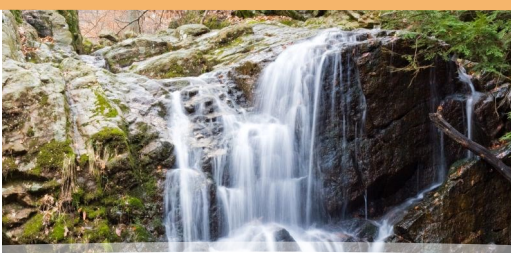
### *Operating Account*

The pools have been established to account for all premiums, claims and administrative costs attributable to the particular coverages. Administrative costs not specifically identified with a particular pool, investments, investment income and other undesignated income are accounted for in the operating account. Under the Trust Agreement, amounts necessary to fund operating expenses are transferred from the various pools to the operating account.

To accomplish this, each pool was allocated a portion of the revenues and expenses accumulated within the operating account for fiscal years 2015 and 2014. The expense amounts allocated to each pool were determined based on a time study among Trust personnel and related judgments considered by management to be relevant under the circumstances. Additionally, the revenue amounts allocated to each pool were in proportion to the pools share of cash and investments.

## ■ **NOTE 3 — RECLASSIFICATIONS**

Certain fiscal year 2014 amounts have been reclassified to conform to fiscal year 2015 presentations. The reclassification had no effect on net position or changes therein.



# Statistical Section

The Statistical Section provides detailed information for the Local Government Insurance Trust as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Trust's overall financial health. The tables in this section are unaudited because they often present data from outside accounting records.

**Financial Trends** – The Comparative Schedule of Revenues, Expenses and Changes in Net position, and the Member Growth Analysis chart contain trend information to help the reader understand how the Trust's financial performance and well-being have changed over time.

**Loss Development** – The schedules of Loss History and Average Claim Costs, Reported Claim Activity and Loss Development, present claim information to help the reader understand how reported claims develop over time.

**Demographic and Economic Information** – The State of Maryland Demographic and Economic Statistical information and the chart of the Ten Largest Employers in the State of Maryland help the reader to understand the environment within which the Trust's financial activities take place.

Comparative Schedule of  
Revenues, Expenses and  
Changes in Net Position

Member Growth Analysis

Loss History and Average Claim  
Costs

Reported Claim Activity  
Loss Development

State of Maryland Demographic  
and Economic Statistics

Ten Largest Employers State of  
Maryland

*Our Mission Is Serving  
Maryland Local Governments*







## Local Government Insurance Trust

### Comparative Schedule of Revenues, Expenses and Changes in Net Position

Ten Years Ended June 30, 2006 through June 30, 2015

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>REVENUES</b>										
Gross premiums earned (1)	\$14,529,842	\$15,633,332	\$15,442,512	\$15,675,273	\$16,947,741	\$15,996,348	\$15,628,087	\$15,764,047	\$18,068,092	\$18,309,555
Less: premium credits	-	-	-	(2,000,000)	(2,300,000)	(3,297,332)	(3,754,792)	(3,272,437)	(2,979,294)	(2,950,760)
ceded premiums	(4,634,559)	(5,225,249)	(4,819,145)	(4,446,223)	(4,394,806)	(3,256,478)	(3,653,712)	(3,811,719)	(4,501,768)	(4,655,168)
Net premiums earned	9,895,283	10,408,083	10,623,367	9,229,050	10,252,935	9,442,538	8,219,583	8,679,891	10,587,030	10,703,627
Other	139,664	28,080	18,790	30,631	29,436	38,483	146,258	92,821	86,103	163,691
Total operating revenues	10,034,947	10,436,163	10,642,157	9,259,681	10,282,371	9,481,021	8,365,841	8,772,712	10,673,133	10,867,318
<b>Operating Expenses</b>										
Incurred claims and										
claim adjustment expenses: (1)										
Paid (net of recoveries)	4,767,401	4,295,809	7,756,321	5,900,886	6,869,405	5,309,105	5,405,580	6,210,849	7,149,256	5,969,651
Change in liability for unpaid										
claims and claim adjustment exp.	664,342	3,117,010	(1,208,238)	419,498	(641,155)	119,569	(366,551)	1,659,613	(261,026)	(20,892)
General and administrative	3,727,726	4,018,944	4,301,347	4,412,519	4,482,935	4,533,642	4,478,696	4,777,042	4,965,655	5,077,011
Total operating expenses	9,159,469	11,431,763	10,849,430	10,732,903	10,711,185	9,962,316	9,517,725	12,647,504	11,853,885	11,025,770
Operating income	875,478	(995,600)	(207,273)	(1,473,222)	(428,814)	(481,295)	(1,151,884)	(3,874,792)	(1,180,752)	(158,452)
<b>NONOPERATING REVENUES</b>										
<b>(EXPENSES)</b>										
Investment income	1,206,612	3,430,324	1,825,511	791,665	3,578,757	4,393,470	2,255,044	974,644	3,921,454	(1,074,951)
Interest expense	-	-	(132,081)	(96,715)	(51,298)	(46,974)	(157,954)	-	-	-
Total nonoperating revenues										
(expenses)	1,206,612	3,430,324	1,693,430	694,950	3,527,459	4,346,496	2,097,090	974,644	3,921,454	(1,074,951)
Change in net position	2,082,090	2,434,724	1,486,157	(778,272)	3,098,645	3,865,201	945,206	(2,900,148)	2,740,702	(1,233,403)
Total net position beginning of year	35,399,300	37,481,390	39,916,114	41,402,271	40,623,999	43,722,644	47,587,845	48,533,051	45,632,903	48,373,605
Total net position end of year	\$37,481,390	\$39,916,114	\$41,402,271	\$40,623,999	\$43,722,644	\$47,587,845	\$48,533,051	\$45,632,903	\$48,373,605	\$47,140,202



## Local Government Insurance Trust

### Member Growth Analysis

Ten Years Ended June 30, 2006 through June 30, 2015

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total number of members	171	175	175	175	174	176	177	179	179	181
Total employees	34	33	33	32	32	32	32	31	30	30
Total annual payroll	\$ 2,092,382	\$ 2,184,271	\$ 2,299,309	\$ 2,360,333	\$ 2,442,281	\$ 2,502,173	\$ 2,558,615	\$ 2,672,691	\$ 2,811,433	\$ 2,795,156
Total net premiums earned	\$ 9,895,283	\$ 10,408,083	\$ 10,622,867	\$ 9,229,050	\$ 10,252,935	\$ 9,442,538	\$ 8,219,583	\$ 8,679,891	\$ 10,587,030	\$ 10,703,627
Total number of claims	1,538	1,563	1,544	1,517	1,878	1,588	1,592	1,441	1,616	1,564
Total reported losses	\$ 5,225,754	\$ 4,314,189	\$ 5,910,276	\$ 6,881,745	\$ 5,139,768	\$ 5,813,495	\$ 5,850,303	\$ 6,209,028	\$ 3,805,887	\$ 5,011,874

Total reported losses represent paid losses plus case base reserves.



**Local Government Insurance Trust**  
**Loss History and Average Claims Costs**  
 Ten Years Ended June 30, 2006 through June 30, 2015

During the last ten years, the Trust has incurred the following reported losses (net paid claims plus case reserves) resulting from claims incurred by pool members. These figures do not include incurred but not reported claims.

***Total Reported Losses***

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Auto Liability	\$1,271,577	\$1,041,324	\$1,610,989	\$1,250,455	\$1,257,234	\$1,155,378	\$ 768,067	\$ 926,306	\$1,130,157	\$1,618,385
Auto Physical	779,032	923,340	1,089,572	1,068,104	1,080,915	997,459	863,649	823,859	1,131,769	1,230,203
General Liability	2,279,613	1,435,673	2,388,068	3,494,992	2,127,285	3,217,653	3,116,596	3,872,122	1,815,480	1,093,610
Property	700,032	912,920	809,594	627,021	743,680	545,636	1,265,893	967,918	754,540	1,069,676
Excess	-	-	-	-	-	-	-	-	-	-
Total	<u>\$5,030,254</u>	<u>\$4,313,256</u>	<u>\$5,898,224</u>	<u>\$6,440,572</u>	<u>\$5,209,113</u>	<u>\$5,916,126</u>	<u>\$6,014,204</u>	<u>\$6,590,204</u>	<u>\$4,831,946</u>	<u>\$5,011,874</u>

***Average Cost per Claim***

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Auto Liability	\$ 3,140	\$ 2,684	\$ 4,487	\$ 3,166	\$ 2,350	\$ 3,200	\$ 2,604	\$ 2,988	\$ 2,672	\$ 4,226
Auto Physical	1,982	2,003	2,348	2,158	2,087	2,320	1,932	2,112	2,273	2,698
General Liability	3,665	2,537	4,168	6,708	3,587	4,810	5,328	7,984	3,109	1,866
Property	7,778	6,813	5,783	6,464	3,350	4,585	4,907	3,856	6,922	8,626
Excess	-	-	-	-	-	-	-	-	-	-





## Local Government Insurance Trust

### Reported Claim Activity

Ten Years Ended June 30, 2006 through June 30, 2015

The Trust has incurred the following number of reported claims during the last ten years.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Auto Liability	405	388	359	395	535	361	295	310	423	383
Auto Physical	393	461	464	495	518	430	447	390	498	456
General Liability	622	566	573	521	593	669	585	485	584	586
Property	90	134	140	97	222	119	258	251	109	124
Excess	28	14	8	9	10	9	7	5	2	15
<b>Total</b>	<b>1,538</b>	<b>1,563</b>	<b>1,544</b>	<b>1,517</b>	<b>1,878</b>	<b>1,588</b>	<b>1,592</b>	<b>1,441</b>	<b>1,616</b>	<b>1,564</b>
 Closed Claims	 1,080	 852	 1,076	 1,118	 1,362	 1,127	 1,149	 908	 1,111	 1,087
Open Claims	458	711	468	399	516	461	443	533	505	477
<b>Total</b>	<b>1,538</b>	<b>1,563</b>	<b>1,544</b>	<b>1,517</b>	<b>1,878</b>	<b>1,588</b>	<b>1,592</b>	<b>1,441</b>	<b>1,616</b>	<b>1,564</b>
 Prior year claims closed	 624	 967	 787	 397	 610	 858	 783	 768	 707	 873
Current year claims closed	1,080	852	1,076	1,118	1,362	1,127	1,149	908	1,111	1,087
<b>Total claims closed during</b>	<b>1,704</b>	<b>1,819</b>	<b>1,863</b>	<b>1,515</b>	<b>1,972</b>	<b>1,985</b>	<b>1,932</b>	<b>1,676</b>	<b>1,818</b>	<b>1,960</b>
 Number of Members	 171	 175	 175	 174	 174	 176	 177	 179	 179	 181



## Local Government Insurance Trust

### Loss Development

Ten Years Ended June 30, 2006 through June 30, 2015

#### *Paid Losses as of June 30*

CLAIM YEAR	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
2006	2,103,543	3,018,102	3,710,553	4,206,352	4,486,146	4,563,711	4,588,849	4,600,612	4,692,652	4,740,529
2007		2,010,184	2,988,446	3,318,761	3,893,576	4,168,834	4,269,094	4,318,949	4,314,189	4,313,256
2008			2,103,746	3,649,363	5,014,956	5,602,310	5,890,845	5,902,224	5,901,305	5,898,224
2009				2,400,779	4,494,349	5,221,188	5,628,783	5,881,355	6,373,674	6,439,766
2010					2,210,347	3,542,066	4,041,910	4,756,403	4,997,935	5,090,733
2011						2,281,860	3,713,673	4,716,102	5,185,596	5,623,478
2012							2,716,683	4,315,814	5,572,496	5,691,120
2013								2,555,929	4,901,366	5,683,053
2014									2,258,231	4,129,786
2015										2,557,301
Total	<u>\$ 2,103,543</u>	<u>\$ 5,028,286</u>	<u>\$ 8,802,745</u>	<u>\$13,575,255</u>	<u>\$20,099,374</u>	<u>\$25,379,969</u>	<u>\$30,849,837</u>	<u>\$37,047,388</u>	<u>\$44,197,444</u>	<u>\$50,167,246</u>

#### *Loss Payments During the Year Ended*

CLAIM YEAR	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
2006	2,103,543	914,559	692,451	495,799	279,794	77,565	25,138	11,763	92,040	47,877
2007		2,010,184	978,262	330,315	574,815	275,258	100,260	49,855	(4,760)	(933)
2008			2,103,746	1,545,617	1,365,593	587,354	288,535	11,379	(919)	(3,081)
2009				2,400,779	2,093,570	726,839	407,595	252,572	492,319	66,092
2010					2,210,347	1,331,719	499,844	714,493	241,532	92,798
2011						2,281,860	1,431,813	1,002,429	469,494	437,882
2012							2,716,683	1,599,131	1,256,682	118,624
2013								2,555,929	2,345,437	781,687
2014									2,258,231	1,871,555
2015										2,557,301
Sub-total	<u>\$ 2,103,543</u>	<u>\$ 2,924,743</u>	<u>\$ 3,774,459</u>	<u>\$ 4,772,510</u>	<u>\$ 6,524,119</u>	<u>\$ 5,280,595</u>	<u>\$ 5,469,868</u>	<u>\$ 6,197,551</u>	<u>\$ 7,150,056</u>	<u>\$ 5,969,802</u>
Losses Paid for Years Prior to 2006	<u>2,663,858</u>	<u>1,371,066</u>	<u>3,981,862</u>	<u>1,128,376</u>	<u>345,286</u>	<u>28,508</u>	<u>(64,288)</u>	<u>13,298</u>	<u>(801)</u>	<u>(151)</u>
Total Losses per Statements of Revenues, Expenses and Changes in Net Assets	<u>\$ 4,767,401</u>	<u>\$ 4,295,809</u>	<u>\$ 7,756,321</u>	<u>\$ 5,900,886</u>	<u>\$ 6,869,405</u>	<u>\$ 5,309,103</u>	<u>\$ 5,405,580</u>	<u>\$ 6,210,849</u>	<u>\$ 7,149,255</u>	<u>\$ 5,969,651</u>



**Local Government Insurance Trust**  
**Loss Development**  
Ten Years Ended June 30, 2006 through June 30, 2015

***Case Reserves as of June 30***

CLAIM YEAR	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
2006	1,129,902	1,774,564	948,878	545,541	244,809	136,444	102,634	100,102	533,102	289,725
2007		1,807,231	979,708	754,577	477,635	360,967	83,421	1	-	-
2008			1,645,625	1,535,212	960,022	555,337	72,834	32,116	8,971	-
2009				1,874,880	798,809	831,737	797,684	1,012,328	508,071	806
2010					1,553,528	831,585	579,661	570,267	141,833	118,380
2011						1,386,016	1,088,682	742,751	627,899	292,648
2012							1,080,676	1,047,115	277,807	323,085
2013								2,564,635	1,307,662	907,151
2014									1,547,656	702,160
2015										2,454,573
Total	<u>\$ 1,129,902</u>	<u>\$ 3,581,795</u>	<u>\$ 3,574,211</u>	<u>\$ 4,710,210</u>	<u>\$ 4,034,803</u>	<u>\$ 4,102,085</u>	<u>\$ 3,805,591</u>	<u>\$ 6,069,315</u>	<u>\$ 4,953,001</u>	<u>\$ 5,088,528</u>

***Change in Case Reserves During the Year Ended***

CLAIM YEAR	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
2006	1,129,902	644,662	(825,686)	(403,337)	(300,732)	(108,364)	(33,811)	(2,531)	433,000	(243,377)
2007		1,807,231	(827,523)	(225,131)	(276,942)	(116,668)	(277,546)	(83,420)	(1)	-
2008			1,645,625	(110,413)	(575,189)	(404,686)	(482,503)	(40,718)	(23,145)	(8,971)
2009				1,874,880	(1,076,071)	32,928	(34,053)	214,644	(504,257)	(507,265)
2010					1,553,528	(721,942)	(251,925)	(9,394)	(428,434)	(23,453)
2011						1,386,016	(297,334)	(345,931)	(114,852)	(335,251)
2012							1,080,676	(33,561)	(769,308)	45,278
2013								2,564,635	(1,256,973)	(400,511)
2014									1,547,656	(845,496)
2015										2,454,573
Total	<u>\$ 1,129,902</u>	<u>\$ 2,451,893</u>	<u>\$ (7,584)</u>	<u>\$ 1,135,999</u>	<u>\$ (675,407)</u>	<u>\$ 67,283</u>	<u>\$ (296,494)</u>	<u>\$ 2,263,723</u>	<u>\$ (1,116,314)</u>	<u>\$ 135,527</u>



## Local Government Insurance Trust

### Loss Development

Ten Years Ended June 30, 2006 through June 30, 2015

#### *Reported Losses (Paid Losses Plus Case Reserves) as of June 30*

CLAIM YEAR	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
2006	3,233,445	4,792,666	4,659,431	4,751,893	4,730,955	4,700,155	4,691,483	4,700,714	5,225,754	5,030,254
2007		3,817,415	3,968,154	4,073,338	4,371,211	4,529,801	4,352,515	4,318,950	4,314,189	4,313,256
2008			3,749,371	5,184,575	5,974,978	6,157,647	5,963,679	5,934,340	5,910,276	5,898,224
2009				4,275,659	5,293,158	6,052,925	6,426,467	6,893,683	6,881,745	6,440,572
2010					3,763,875	4,373,651	4,621,571	5,326,670	5,139,768	5,209,113
2011						3,667,876	4,802,355	5,458,853	5,813,495	5,916,126
2012							3,797,359	5,362,929	5,850,303	6,014,204
2013								5,120,564	6,209,028	6,590,204
2014									3,805,887	4,831,946
2015										5,011,874
Total	<u>\$ 3,233,445</u>	<u>\$ 8,610,081</u>	<u>\$12,376,956</u>	<u>\$18,285,465</u>	<u>\$24,134,177</u>	<u>\$29,482,054</u>	<u>\$34,655,428</u>	<u>\$43,116,703</u>	<u>\$49,150,445</u>	<u>\$55,255,774</u>

#### *Incremental Losses Reported During the Year Ended*

CLAIM YEAR	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
2006	3,233,445	1,559,221	(133,235)	92,462	(20,938)	(30,799)	(8,673)	9,232	525,040	(195,500)
2007		3,817,415	150,739	105,184	297,873	158,590	(177,286)	(33,565)	(4,761)	(933)
2008			3,749,371	1,435,204	790,404	182,668	(193,968)	(29,339)	(24,064)	(12,052)
2009				4,275,659	1,017,499	759,767	373,542	467,216	(11,938)	(441,173)
2010					3,763,875	609,777	247,919	705,099	(186,902)	69,345
2011						3,667,876	1,134,479	656,498	354,642	102,631
2012							3,797,359	1,565,570	487,374	163,901
2013								5,120,564	1,088,464	381,176
2014									3,805,887	1,026,059
2015										5,011,874
Total	<u>\$ 3,233,445</u>	<u>\$ 5,376,636</u>	<u>\$ 3,766,875</u>	<u>\$ 5,908,509</u>	<u>\$ 5,848,712</u>	<u>\$ 5,347,878</u>	<u>\$ 5,173,374</u>	<u>\$ 8,461,274</u>	<u>\$ 6,033,742</u>	<u>\$ 6,105,329</u>

*State of Maryland Demographic and Economic Statistics:*

	<u>2015</u>	<u>2014</u>
Population (1)	5,976,407	5,928,814
Approximate total personal income (thousands of dollars) (2)	\$ 297,322,813	\$ 309,681,615
Unemployment rate (3)	5.20%	5.80%

Land area – 12,406 square miles

- (1) U.S. Census Bureau, as of July 1, 2014 and 2013, respectively
- (2) Maryland Department of Economic Development, Statistical Handbook, April 2015
- (3) U.S. Department of Labor, Bureau of Labor Statistics, as of June 30, 2015 and 2014, respectively.

*Ten Largest Employers State of Maryland (1):*

Fort George G. Meade	50,000	Military installation/intelligence
University System of Maryland	38,640	Higher education
Johns Hopkins University	30,920	Higher education
University of Maryland Medical System	23,200	Hospitals; health services
Johns Hopkins Hospital & Health System	23,080	Hospitals; health services
Joint Base Andrews Naval Air Facility	17,500	Military installation
National Institutes of Health	17,260	Federal agency
Walmart	17,060	Consumer goods
MedStar Health	16,900	Hospitals; health services
Aberdeen Proving Ground	16,800	Military installation

- (1) Source: Maryland Department of Business and Economic Development, 2014. Excludes post offices, state and local governments; includes public higher education institutions.



*The Local Government Insurance Trust provides insurance coverage and risk management services at stable and competitive rates through an organization that is owned and managed by its Maryland local government members.*

*Our Mission Is Serving  
Maryland Local Governments*





Local Government Insurance Trust  
7225 Parkway Drive  
Hanover, Maryland 21076  
ph) 443.561.1700  
tf) 800.673.8231  
fx) 443.561.1701  
[www.lgit.org](http://www.lgit.org)

*for the fiscal years ended  
June 30, 2015 and  
June 30, 2014*

*Our Mission Is Serving  
Maryland Local Governments*