



*Local Government Insurance Trust*

# Comprehensive Annual Financial Report

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

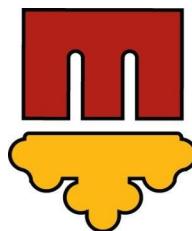
*Our Mission Is Serving  
Maryland Local Governments*





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*Founding Organizations*



*Maryland Association of  
COUNTIES*



THE  
MARYLAND  
MUNICIPAL  
LEAGUE

*Our Mission Is Serving  
Maryland Local Governments*



*Local Government Insurance Trust*

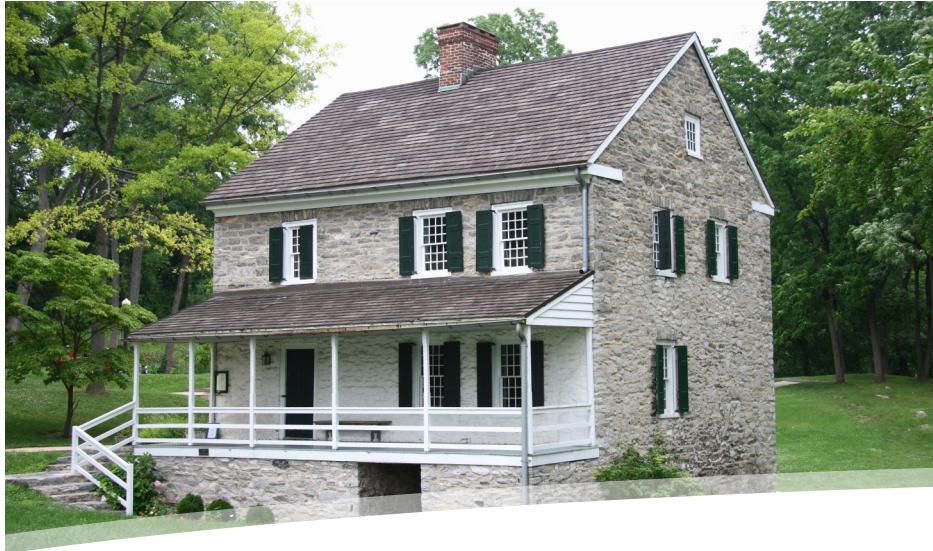
# **Comprehensive Annual Financial Report**

*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.*

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Maryland Local Governments*





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## **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 of John E. Bloxom.

John E. Bloxom, Chair  
County Attorney, Worcester County

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## *Introductory Section*

Transmittal Letter

Certificate of Achievement for  
Excellence in Financial  
Reporting

Membership

Board of Trustees

LGIT Staff

LGIT Organizational Chart

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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.

*Continued from page 4*

### **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 "T. 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

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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 that reads "Jeffrey R. Einer". The signature is fluid and cursive, with "Jeffrey" on the top line and "R. Einer" on the bottom line.

Executive Director/CEO

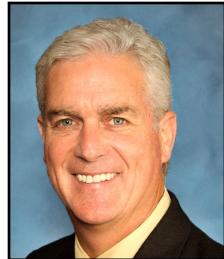
# Fiscal Year 2015 Membership

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



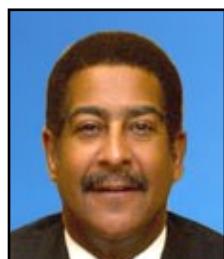
Michael J. Sanderson, Ex-Officio  
*Executive Director,  
Maryland Association of Counties*



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*



Dallas 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*

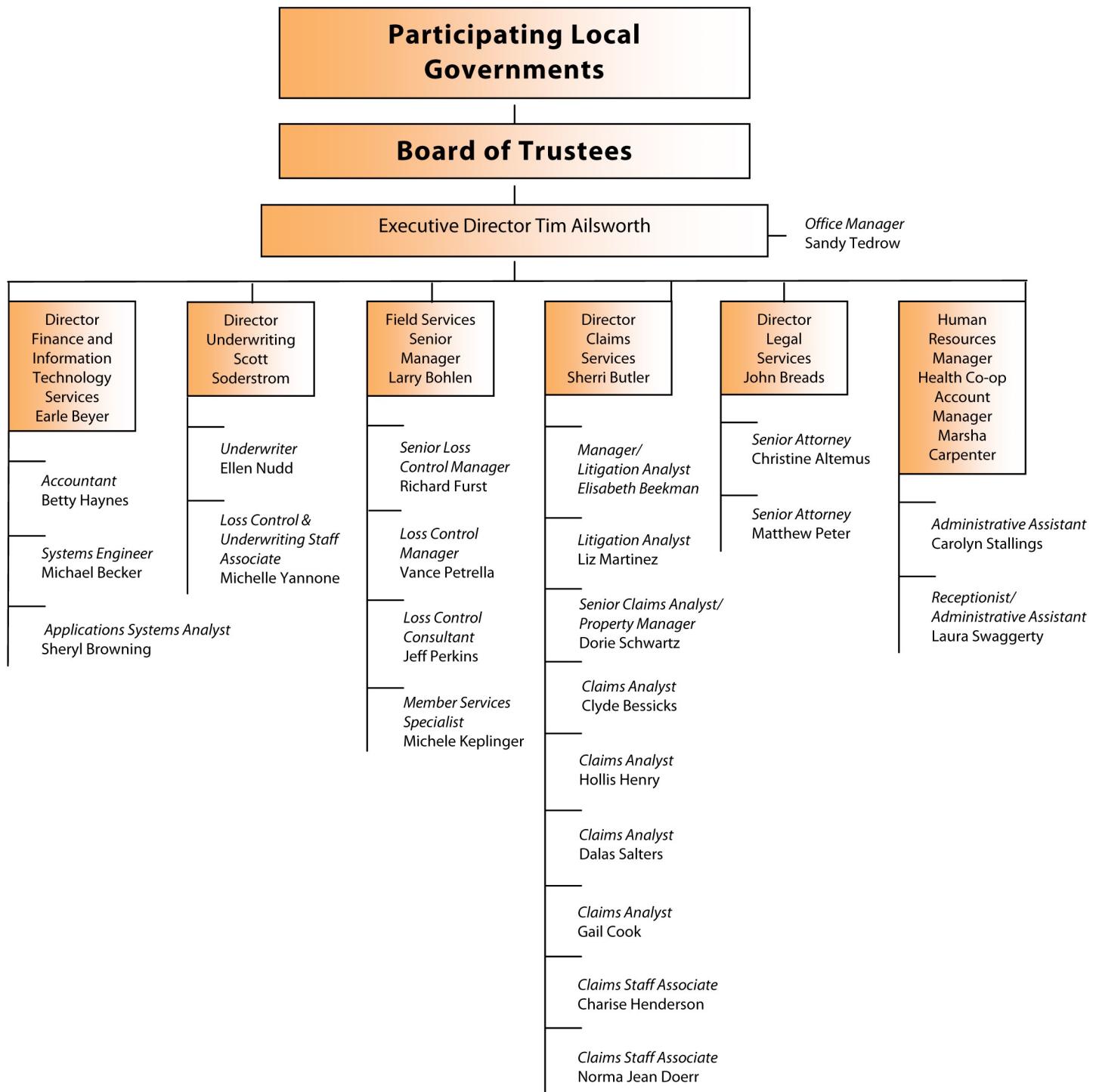


Carolyn Stallings  
*Administrative Assistant*



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*







**CliftonLarsonAllen**

CliftonLarsonAllen LLP  
CLAConnect.com

## 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.



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### **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

This 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

|                                  | 2015                 | 2014                 | 2013                 |
|----------------------------------|----------------------|----------------------|----------------------|
| <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                     | 61,788,515           | 63,013,526           | 60,911,733           |
| <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                | 14,648,313           | 14,639,921           | 15,278,830           |
| <b>NET POSITION</b>              |                      |                      |                      |
| Net Investment in capital assets | 3,472,272            | 3,641,460            | 3,796,074            |
| Unrestricted                     | 43,687,930           | 44,732,145           | 41,836,829           |
| <b>TOTAL NET POSITION</b>        | <u>\$ 47,140,202</u> | <u>\$ 48,373,605</u> | <u>\$ 45,632,903</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

|                                 | <b>2015</b>          | <b>2014</b>          | <b>2013</b>          |
|---------------------------------|----------------------|----------------------|----------------------|
| 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 a 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.

|                        | 2015   | 2014   | 2013   |
|------------------------|--------|--------|--------|
| 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.

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## Local Government Insurance Trust

### Statements of Net Position

June 30, 2015 and 2014

|  | <b>2015</b>          | <b>2014</b>          |
|--|----------------------|----------------------|
| <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   | <u>43,667,930</u>    | <u>44,732,145</u>    |
| 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

|   | <b>2015</b>                 | <b>2014</b>                 |
|---|-----------------------------|-----------------------------|
| <b>Operating Revenues</b>                                     |                             |                             |
| Gross premiums earned   | \$ 18,309,555               | \$ 18,068,092               |
| Less: Premium credits   | (2,950,760)                 | (2,979,294)                 |
| Ceded premiums  | <u>(4,655,168)</u>          | <u>(4,501,768)</u>          |
| 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  | <u>181,296</u>              | <u>220,982</u>              |
| 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>                                 | <u>(1,233,403)</u>          | <u>2,740,702</u>            |
| <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><u>\$ 47,140,202</u></u> | <u><u>\$ 48,373,605</u></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  | <u>(17,169,239)</u>        | <u>(14,775,631)</u>          |
| Net cash provided by<br>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>  | <b>2,261,800</b>           | <b>4,535,857</b>             |
| <b>Cash and cash equivalents, end of year</b>  | <b><u>\$ 3,008,178</u></b> | <b><u>\$ 2,261,800</u></b>   |
| <b>Reconciliation of operating loss to net cash<br/>provided by (used in) operating activities</b> |                            |                              |
| Operating loss   | \$ (158,452)               | \$ (1,180,752)               |
| Adjustments to reconcile operating loss to net cash<br>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>   | <b><u>\$ 332,072</u></b>   | <b><u>\$ (1,059,639)</u></b> |
| <b>Noncash investing, capital and financing activities:</b>  |                            |                              |
| Net unrealized gain (loss) in fair value of investments included in<br>investment income           | <u>\$ (2,964,556)</u>      | <u>\$ 2,430,154</u>          |

*See accompanying notes to the financial statements.*

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## 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<br/>of portfolio</b> | <b>2014</b>         | <b>Percentage<br/>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>\$ 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<br/>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.

|  | <u>2015</u>          | <u>Percentage<br/>of portfolio</u> | <u>2014</u>          | <u>Percentage<br/>of portfolio</u> |
|--|----------------------|------------------------------------|----------------------|------------------------------------|
| 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<br/>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><u>\$ 3,082,423</u></b>          | <b><u>\$ 8,783,387</u></b> | <b><u>\$ 156,455</u></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><u>\$ 2,784,433</u></b>          | <b><u>\$ 9,374,276</u></b> | <b><u>\$ 630,005</u></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.<br/>Government<br/>Securities</b> | <b>U.S.<br/>Government<br/>Agencies</b> | <b>Corporate<br/>Bonds</b> | <b>Municipal<br/>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><u>\$ 3,394,786</u></b>                | <b><u>\$ 3,082,422</u></b>              | <b><u>\$ 9,374,276</u></b> | <b><u>\$ 156,455</u></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><u>\$ 5,389,884</u></b>                | <b><u>\$ 2,784,433</u></b>              | <b><u>\$ 9,374,276</u></b> | <b><u>\$ 630,005</u></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 Depository 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> |

Continued from page 31.

## ■ 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 | <u>252,408</u>           | <u>-</u>                       | <u>-</u>                       | <u>252,408</u>        |
| Capital assets being depreciated:    |                          |                                |                                |                       |
| Building                             | 3,947,564                | -                              | -                              | 3,947,564             |
| EDP                                  | 1,339,658                | 14,304                         | (3,360)                        | 1,350,602             |
| Furniture & Equipment                | <u>250,737</u>           | <u>1,164</u>                   | <u>-</u>                       | <u>251,901</u>        |
| Total capital assets - depreciated   | <u>5,537,959</u>         | <u>15,468</u>                  | <u>(3,360)</u>                 | <u>5,550,067</u>      |
| Total capital assets                 | <u>5,790,367</u>         | <u>15,468</u>                  | <u>(3,360)</u>                 | <u>5,802,475</u>      |
| Accumulated Depreciation:            |                          |                                |                                |                       |
| Building                             | (682,599)                | (98,689)                       | -                              | (781,288)             |
| EDP                                  | (1,239,494)              | (70,313)                       | -                              | (1,309,807)           |
| Furniture & Equipment                | <u>(226,814)</u>         | <u>(12,294)</u>                | <u>-</u>                       | <u>(239,108)</u>      |
| Total accumulated depreciation       | <u>(2,148,907)</u>       | <u>(181,296)</u>               | <u>-</u>                       | <u>(2,330,203)</u>    |
| Net Balance - Capital Assets         | <u>\$ 3,641,460</u>      | <u>\$ (165,828)</u>            | <u>\$ (3,360)</u>              | <u>\$ 3,472,272</u>   |

|                                      | <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 | <u>252,408</u>           | <u>-</u>                       | <u>-</u>                       | <u>252,408</u>        |
| Capital assets being depreciated:    |                          |                                |                                |                       |
| Building                             | 3,947,564                | -                              | -                              | 3,947,564             |
| EDP                                  | 1,278,002                | 61,656                         | -                              | 1,339,658             |
| Furniture & Equipment                | <u>249,622</u>           | <u>5,307</u>                   | <u>(4,192)</u>                 | <u>250,737</u>        |
| Total capital assets - depreciated   | <u>5,475,188</u>         | <u>66,963</u>                  | <u>(4,192)</u>                 | <u>5,537,959</u>      |
| Total capital assets                 | <u>5,727,596</u>         | <u>66,963</u>                  | <u>(4,192)</u>                 | <u>5,790,367</u>      |
| Accumulated Depreciation:            |                          |                                |                                |                       |
| Building                             | (583,910)                | (98,689)                       | -                              | (682,599)             |
| EDP                                  | (1,131,463)              | (108,031)                      | -                              | (1,239,494)           |
| Furniture & Equipment                | <u>(216,149)</u>         | <u>(14,262)</u>                | <u>3,597</u>                   | <u>(226,814)</u>      |
| Total accumulated depreciation       | <u>(1,931,522)</u>       | <u>(220,982)</u>               | <u>3,597</u>                   | <u>(2,148,907)</u>    |
| Net Balance - Capital Assets         | <u>\$ 3,796,074</u>      | <u>\$ (154,019)</u>            | <u>\$ (595)</u>                | <u>\$ 3,641,460</u>   |

## ■ 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      | <u>\$ 12,595,299</u>        | <u>\$ 12,856,324</u>        |
| <br>Incurred related to:          |                             |                             |
| Current year                      | 8,669,864                   | 7,307,339                   |
| Prior years                       | <u>(2,721,105)</u>          | <u>(419,108)</u>            |
| Total incurred                    | <u>5,948,759</u>            | <u>6,888,231</u>            |
| <br>Paid related to:              |                             |                             |
| Current year                      | 2,557,301                   | 2,258,232                   |
| Prior years                       | <u>3,412,350</u>            | <u>4,891,024</u>            |
| Total paid                        | <u>5,969,651</u>            | <u>7,149,256</u>            |
| <br><b>Balance at end of year</b> | <b><u>\$ 12,574,407</u></b> | <b><u>\$ 12,595,299</u></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      | <u>\$ 583,578</u>          | <u>\$ 675,701</u>          |
| Noncurrent   | <u>583,579</u>             | <u>675,702</u>             |
| <b>Total</b> | <b><u>\$ 1,167,488</u></b> | <b><u>\$ 1,351,703</u></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 reinsurance. 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 (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<br>LIABILITY<br>POOL | PROPERTY<br>POOL  | EXCESS<br>LIABILITY<br>POOL | COMBINED<br>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                   | <u>4,713,581</u>             | <u>1,235,178</u>  | <u>-</u>                    | <u>5,948,759</u>     |
| 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                       | <u>5,015,302</u>             | <u>954,350</u>    | <u>-</u>                    | <u>5,969,651</u>     |
| Balance at end of year           | <u>\$ 11,894,733</u>         | <u>\$ 679,674</u> | <u>\$ -</u>                 | <u>\$ 12,574,407</u> |
|                                  | PRIMARY<br>LIABILITY<br>POOL | PROPERTY<br>POOL  | EXCESS<br>LIABILITY<br>POOL | COMBINED<br>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                   | <u>6,444,376</u>             | <u>443,855</u>    | <u>-</u>                    | <u>6,888,231</u>     |
| 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                       | <u>6,618,253</u>             | <u>531,003</u>    | <u>-</u>                    | <u>7,149,256</u>     |
| Balance at end of year           | <u>\$ 12,196,454</u>         | <u>\$ 398,845</u> | <u>\$ -</u>                 | <u>\$ 12,595,299</u> |

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<br>LIABILITY<br>POOL | PROPERTY<br>POOL    | EXCESS<br>LIABILITY<br>POOL | OPERATING<br>ACCOUNT | HEALTH<br>COOPERATIVE | ESCROW<br>DEPOSIT<br>ACCOUNT | COMBINED<br>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            |
| Unrestricted, net position               | <u>27,249,909</u>            | <u>9,378,179</u>    | <u>10,512,114</u>           | <u>3,472,272</u>     | <u>-</u>              | <u>-</u>                     | <u>43,667,930</u>    |
| 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<br>LIABILITY<br>POOL | PROPERTY<br>POOL    | EXCESS<br>LIABILITY<br>POOL | OPERATING<br>ACCOUNT | HEALTH<br>COOPERATIVE | ESCROW<br>DEPOSIT<br>ACCOUNT | COMBINED<br>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               | <u>27,718,506</u>            | <u>9,589,605</u>    | <u>11,065,494</u>           | <u>(3,641,460)</u>   | <u>-</u>              | <u>-</u>                     | <u>44,732,145</u>    |
| 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<br>LIABILITY<br>POOL | PROPERTY<br>POOL    | EXCESS<br>LIABILITY<br>POOL | OPERATING<br>ACCOUNT | ESCROW<br>DEPOSIT<br>ACCOUNT | COMBINED<br>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>  |                              |                     |                             |                      |                              |                      |
| Incurred claims and claim adjustment expenses:                         |                              |                     |                             |                      |                              |                      |
| Paid (net of recoveries)   | 5,015,301                    | 954,350             | -                           | -                    | -                            | 5,969,651            |
| Change in liability for unpaid claims<br>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  | <u>\$ 27,249,909</u>         | <u>\$ 9,378,179</u> | <u>\$ 10,512,114</u>        | <u>\$ -</u>          | <u>\$ -</u>                  | <u>\$ 47,140,202</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, 2014

|  | PRIMARY<br>LIABILITY<br>POOL | PROPERTY<br>POOL           | EXCESS<br>LIABILITY<br>POOL | OPERATING<br>ACCOUNT | ESCROW<br>DEPOSIT<br>ACCOUNT | COMBINED<br>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   | <u>8,873,075</u>             | <u>1,998,042</u>           | <u>(284,087)</u>            | <u>86,103</u>        | <u>-</u>                     | <u>10,673,133</u>           |
| <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<br>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   | <u>6,444,376</u>             | <u>443,854</u>             | <u>-</u>                    | <u>4,965,655</u>     | <u>-</u>                     | <u>11,853,885</u>           |
| Operating income (loss)  | <u>2,428,699</u>             | <u>1,554,188</u>           | <u>(284,087)</u>            | <u>(4,879,552)</u>   | <u>-</u>                     | <u>(1,180,752)</u>          |
| <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)                                 | <u>(1,333,099)</u>           | <u>(214,923)</u>           | <u>589,924</u>              | <u>4,879,552</u>     | <u>-</u>                     | <u>3,921,454</u>            |
| Change in net position   | 1,095,600                    | 1,339,265                  | 305,837                     | -                    | -                            | 2,740,702                   |
| Net position, beginning of year  | <u>26,622,906</u>            | <u>8,250,340</u>           | <u>10,759,657</u>           | <u>-</u>             | <u>-</u>                     | <u>45,632,903</u>           |
| Net position, end of year  | <u><u>\$ 27,718,506</u></u>  | <u><u>\$ 9,589,605</u></u> | <u><u>\$ 11,065,494</u></u> | <u><u>\$ -</u></u>   | <u><u>\$ -</u></u>           | <u><u>\$ 48,373,605</u></u> |

*See accompanying notes to supplementary combining schedules.*



## Local Government Insurance Trust Combining Schedule of Cash Flows

Year Ended June 30, 2015

|  | PRIMARY<br>LIABILITY<br>POOL | PROPERTY<br>POOL    | EXCESS<br>LIABILITY<br>POOL | OPERATING<br>ACCOUNT  | HEALTH<br>COOPERATIVE | ESCROW<br>DEPOSIT<br>ACCOUNT | COMBINED<br>TOTAL   |
|--|------------------------------|---------------------|-----------------------------|-----------------------|-----------------------|------------------------------|---------------------|
| <b>Cash flows from operating activities:</b>   |                              |                     |                             |                       |                       |                              |                     |
| 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  | <u>3,997,513</u>             | <u>1,407,103</u>    | <u>(268,169)</u>            | <u>(4,804,375)</u>    | <u>-</u>              | <u>-</u>                     | <u>332,072</u>      |
| <b>Cash flows from noncapital financing activities:</b>  |                              |                     |                             |                       |                       |                              |                     |
| 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   | <u>(1,408,206)</u>           | <u>(305,597)</u>    | <u>289,924</u>              | <u>1,423,879</u>      | <u>287,262</u>        | <u>-</u>                     | <u>287,262</u>      |
| <b>Cash flows from capital and related financing activities:</b>   |                              |                     |                             |                       |                       |                              |                     |
| Purchase of capital assets   | -                            | -                   | -                           | (15,468)              | -                     | -                            | (15,468)            |
| Net cash flows used in capital and related financing activities  | -                            | -                   | -                           | (15,468)              | -                     | -                            | (15,468)            |
| <b>Cash flows from investing activities:</b>   |                              |                     |                             |                       |                       |                              |                     |
| 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 in 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   | <u>\$ 41,973,108</u>         | <u>\$ 9,380,965</u> | <u>\$ 9,346,888</u>         | <u>\$(58,267,280)</u> | <u>\$ 572,857</u>     | <u>\$ 1,640</u>              | <u>\$ 3,008,178</u> |
| <b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b> |                              |                     |                             |                       |                       |                              |                     |
| 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                 | -                     | -                            | -                   |
| 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  | <u>\$ 3,997,513</u>          | <u>\$ 1,407,103</u> | <u>\$ (268,169)</u>         | <u>\$ (4,804,375)</u> | <u>\$ -</u>           | <u>\$ -</u>                  | <u>\$ 328,712</u>   |

*See accompanying notes to supplementary combining schedules.*



## Local Government Insurance Trust Combining Schedule of Cash Flows

Year Ended June 30, 2014

|  | PRIMARY<br>LIABILITY<br>POOL | PROPERTY<br>POOL    | EXCESS<br>LIABILITY<br>POOL | OPERATING<br>ACCOUNT   | HEALTH<br>COOPERATIVE | ESCROW<br>DEPOSIT<br>ACCOUNT | COMBINED<br>TOTAL     |
|--|------------------------------|---------------------|-----------------------------|------------------------|-----------------------|------------------------------|-----------------------|
| <b>Cash flows from operating activities:</b>   |                              |                     |                             |                        |                       |                              |                       |
| 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  | <u>1,853,694</u>             | <u>2,029,190</u>    | <u>(285,397)</u>            | <u>(4,657,126)</u>     | <u>-</u>              | <u>-</u>                     | <u>(1,059,639)</u>    |
| <b>Cash flows from noncapital financing activities:</b>  |                              |                     |                             |                        |                       |                              |                       |
| 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   | <u>(3,031,691)</u>           | <u>(671,546)</u>    | <u>(230,340)</u>            | <u>3,933,577</u>       | <u>592,901</u>        | <u>-</u>                     | <u>592,901</u>        |
| <b>Cash flows from capital and related financing activities:</b>   |                              |                     |                             |                        |                       |                              |                       |
| Purchase of capital assets   | -                            | -                   | -                           | -                      | (66,963)              | -                            | (66,963)              |
| Net cash flows used in capital and related financing activities  | -                            | -                   | -                           | -                      | <u>(66,963)</u>       | -                            | <u>(66,963)</u>       |
| <b>Cash flows from investing activities:</b>   |                              |                     |                             |                        |                       |                              |                       |
| 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   | -                            | -                   | -                           | -                      | <u>(1,740,356)</u>    | -                            | <u>(1,740,356)</u>    |
| 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   | <u>\$ 39,383,801</u>         | <u>\$ 8,279,459</u> | <u>\$ 9,325,133</u>         | <u>\$ (55,013,828)</u> | <u>\$ 285,595</u>     | <u>\$ 1,640</u>              | <u>\$ 2,261,800</u>   |
| <b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b> |                              |                     |                             |                        |                       |                              |                       |
| 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  | <u>(575,005)</u>             | <u>475,002</u>      | <u>(1,310)</u>              | <u>222,426</u>         | <u>-</u>              | <u>-</u>                     | <u>121,113</u>        |
| Net cash provided by (used in) operating activities  | <u>\$ 1,853,694</u>          | <u>\$ 2,029,190</u> | <u>\$ (285,397)</u>         | <u>\$ (4,657,126)</u>  | <u>\$ -</u>           | <u>\$ -</u>                  | <u>\$ (1,059,639)</u> |

*See accompanying notes to supplementary combining schedules.*

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# 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.

|          | POOL TOTALS |      | COUNTIES |      | MUNICIPALITIES |      | OTHER |      |
|----------|-------------|------|----------|------|----------------|------|-------|------|
|          | 2015        | 2014 | 2015     | 2014 | 2015           | 2014 | 2015  | 2014 |
| 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 undesigned 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 ceded premiums                            | -                   | -                   | -                   | (2,000,000)         | (2,300,000)         | (3,297,332)         | (3,754,792)         | (3,272,437)         | (2,979,294)         | (2,950,760)         |
| 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             |
| <b>Total operating revenues</b>                                 | <b>10,034,947</b>   | <b>10,436,163</b>   | <b>10,642,157</b>   | <b>9,259,681</b>    | <b>10,282,371</b>   | <b>9,481,021</b>    | <b>8,365,841</b>    | <b>8,772,712</b>    | <b>10,673,133</b>   | <b>10,867,318</b>   |
| Operating Expenses  |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| 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           |
| <b>Total operating expenses</b>                                 | <b>9,159,469</b>    | <b>11,431,763</b>   | <b>10,849,430</b>   | <b>10,732,903</b>   | <b>10,711,185</b>   | <b>9,962,316</b>    | <b>9,517,725</b>    | <b>12,647,504</b>   | <b>11,853,885</b>   | <b>11,025,770</b>   |
| <b>Operating income</b>   | <b>875,478</b>      | <b>(995,600)</b>    | <b>(207,273)</b>    | <b>(1,473,222)</b>  | <b>(428,814)</b>    | <b>(481,295)</b>    | <b>(1,151,884)</b>  | <b>(3,874,792)</b>  | <b>(1,180,752)</b>  | <b>(158,452)</b>    |
| <b>NONOPERATING REVENUES (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)           | -                   | -                   | -                   |
| <b>Total nonoperating revenues (expenses)</b>                   | <b>1,206,612</b>    | <b>3,430,324</b>    | <b>1,693,430</b>    | <b>694,950</b>      | <b>3,527,459</b>    | <b>4,346,496</b>    | <b>2,097,090</b>    | <b>974,644</b>      | <b>3,921,454</b>    | <b>(1,074,951)</b>  |
| 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)         |
| <b>Total net position beginning of year</b>                     | <b>35,399,300</b>   | <b>37,481,390</b>   | <b>39,916,114</b>   | <b>41,402,271</b>   | <b>40,623,999</b>   | <b>43,722,644</b>   | <b>47,587,845</b>   | <b>48,533,051</b>   | <b>45,632,903</b>   | <b>48,373,605</b>   |
| <b>Total net position end of year</b>                           | <b>\$37,481,390</b> | <b>\$39,916,114</b> | <b>\$41,402,271</b> | <b>\$40,623,999</b> | <b>\$43,722,644</b> | <b>\$47,587,845</b> | <b>\$48,533,051</b> | <b>\$45,632,903</b> | <b>\$48,373,605</b> | <b>\$47,140,202</b> |



## 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**

|                   | <b>2006</b>        | <b>2007</b>        | <b>2008</b>        | <b>2009</b>        | <b>2010</b>        | <b>2011</b>        | <b>2012</b>        | <b>2013</b>        | <b>2014</b>        | <b>2015</b>        |
|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 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            | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  |
| <b>Total</b>      | <b>\$5,030,254</b> | <b>\$4,313,256</b> | <b>\$5,898,224</b> | <b>\$6,440,572</b> | <b>\$5,209,113</b> | <b>\$5,916,126</b> | <b>\$6,014,204</b> | <b>\$6,590,204</b> | <b>\$4,831,946</b> | <b>\$5,011,874</b> |

#### **Average Cost per Claim**

|                   | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> |
|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 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> |
| <hr/>                             |              |              |              |              |              |              |              |              |              |              |
| 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> |
| <hr/>                             |              |              |              |              |              |              |              |              |              |              |
| 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> |
| <hr/>                             |              |              |              |              |              |              |              |              |              |              |
| 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:*

|  | <b>2015</b>    | <b>2014</b>    |
|--|----------------|----------------|
| 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*





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

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