



Local Government Insurance Trust

Comprehensive Annual Financial Report

*for the fiscal years ended
June 30, 2016 and
June 30, 2015*

*Our Mission Is Serving
Maryland Local Governments*



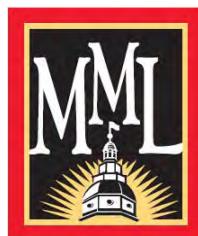


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Founding Organizations



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, 2016 and
June 30, 2015*

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, 2016 and June 30, 2015 is
hereby respectfully submitted.*

*Our Mission Is Serving
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Letter from the Chair

Your Trust in FY 2016



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 2016, the Trust retained all of its member municipalities and counties from the previous year and welcomed one new members. In fiscal year 2016, Trust membership includes 17 counties, 143 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 2016, the Trust provided 54 training and educational opportunities across the state, which were attended by 1,167 local government officials and employees.

In 2016, 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 University of Maryland, to conduct the Academy for Excellence in Local Governance.

From a financial standpoint, for fiscal year 2016, the Trust reports an overall decrease in net position of approximately \$726,000 but this is after \$2,912,000 was returned to LGIT members in the form of premium credits. The premium credits were granted as follows: \$2,270,000 was returned to the members of the Primary Liability Pool (PLP), \$252,000 to the members of the Property Pool and \$390,000 to members of the Excess Pool. We also anticipate returning an additional \$3,000,000 of credits in the coming fiscal year 2017. Overall, the Trust continues to maintain a very healthy reserve and is in excellent financial condition with over \$46,000,000 of net assets. Information regarding the rate stabilization credit program can be found in Note 7 of the Notes to the Financial Statements contained in this Comprehensive Annual Financial Report (CAFR).

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

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

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Debra Davis".

Debra M. Davis, Chair
Commissioner, Charles 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 21, 2016

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, 2016 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 2015 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, 2016, the Trust operates three pools of coverage: the Primary Liability Pool, the Property Pool, and the Excess Liability Pool. 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 2016, Trust membership continues to grow with the addition of one new members and 100% retention of counties and municipalities from fiscal year 2015. In fiscal year 2016, the Trust welcomed the town of Centreville. 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 relatively stable liability insurance market for the remainder of calendar year 2016 and for the entire fiscal year 2017. The recent reinsurance renewal rates for the Property pool declined by 5% while the renewal rate for Excess and boiler reinsurance coverages were unchanged from the current year. The fiscal year 2016 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 2017. 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 were increased effective October 1, 2015. The current caps on liability cases increased from the \$200,000 per claimant to \$400,000 and from \$500,000 per occurrence to \$800,000. The Trust's actuary states that this change increased 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 2016:

- ❑ **INFORMATION TECHNOLOGY** – During Fiscal Year 2016, Risk360 system capital budget enhancements were completed that increased work processing efficiency during renewal for LGIT underwriting staff and enabled member portal users to validate their policy changes for errors before submitting renewal.

In May 2016, fiscal year 2017 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 2016, one hundred sixty-eight (92%) out of the one hundred eighty-two 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 2016, the Trust provided 54 training and educational opportunities across the state attended by 1,167 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 Primary Liability Pool, the intent of this credit is to reward those members who have engaged in exceptional loss control activities. Funding of \$252,000 was allocated to this effort in fiscal year 2016. 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 2016, for the eighth 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 primary liability 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 primary liability premiums which will require a renewal of membership. The Board approved a total funding of \$1,000,000 to be allocated to member accounts based on their respective claim experiences.

- ❑ **LAW ENFORCEMENT LOSS REDUCTION GRANTS** – The Board of Trustees approved Risk Management grants of \$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 staff training.
- ❑ **LAW ENFORCEMENT BODY CAMERA GRANT PROGRAM** – The Board of Trustees approved a special equipment grant with total available funding of \$50,000 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.
- ❑ **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 jury verdicts and 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.
- ❑ **HEALTH COOPERATIVE** – The Health Cooperative, consisting of 22 LGIT members, completed its seventh year as of June 30, 2016. In February, the Coop returned \$1,254,728 in surplus funds to its members with good claim experience in plan year 2015. The surplus numbers for plan year 2016 should be finalized by the end of calendar year 2016.

For the Future

For Fiscal Year 2017, the Board of Trustees approved \$50,000 for Risk360 system capital budget enhancements to be completed in Fiscal Years 2017 and 2018. 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.

The average changes in member premium funding levels for fiscal year 2017 per pool are approximately 2.9% for the Primary Liability Pool, , 0.8% increase for the Property Pool and 5% for the Excess Liability Pool.

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, 2016 and 2015 is included in the financial section of this report.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the Trust for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. FY2015 marks the 16th 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.

Continued from page 4

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,



Tim Ailsworth
Executive Director



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, 2015

A handwritten signature in black ink that reads "Jeffrey R. Enzer".

Executive Director/CEO

Fiscal Year 2016 Membership

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

Fiscal Year 2016 Board of Trustees



Debra M. Davis, Chair
Commissioner, Charles County



John D. Miller, Vice Chair
Burgess, Town of Middleton



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



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



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



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



Tracy Farrish Gant
*Mayor,
Town of Edmonston*



Shelley L. Heller
*County Administrator,
Kent County Commissioners*



Abigail McNinch, Ph.D.
*Mayor,
Town of Denton*



Tari Moore
*County Executive,
Cecil County*



John E. O'Connor
*Commissioner,
St. Mary's County*



Tony Tomasello
*City Manager,
City of Gaithersburg*

Fiscal Year 2016 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
Director



Michele Keplinger
*Member Services
Specialist*



Richard Furst
*Senior Loss Control
Manager*



Vance Petrella
*Loss Control
Manager*



Jeff Perkins
*Loss Control
Consultant*

Fiscal Year 2016 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

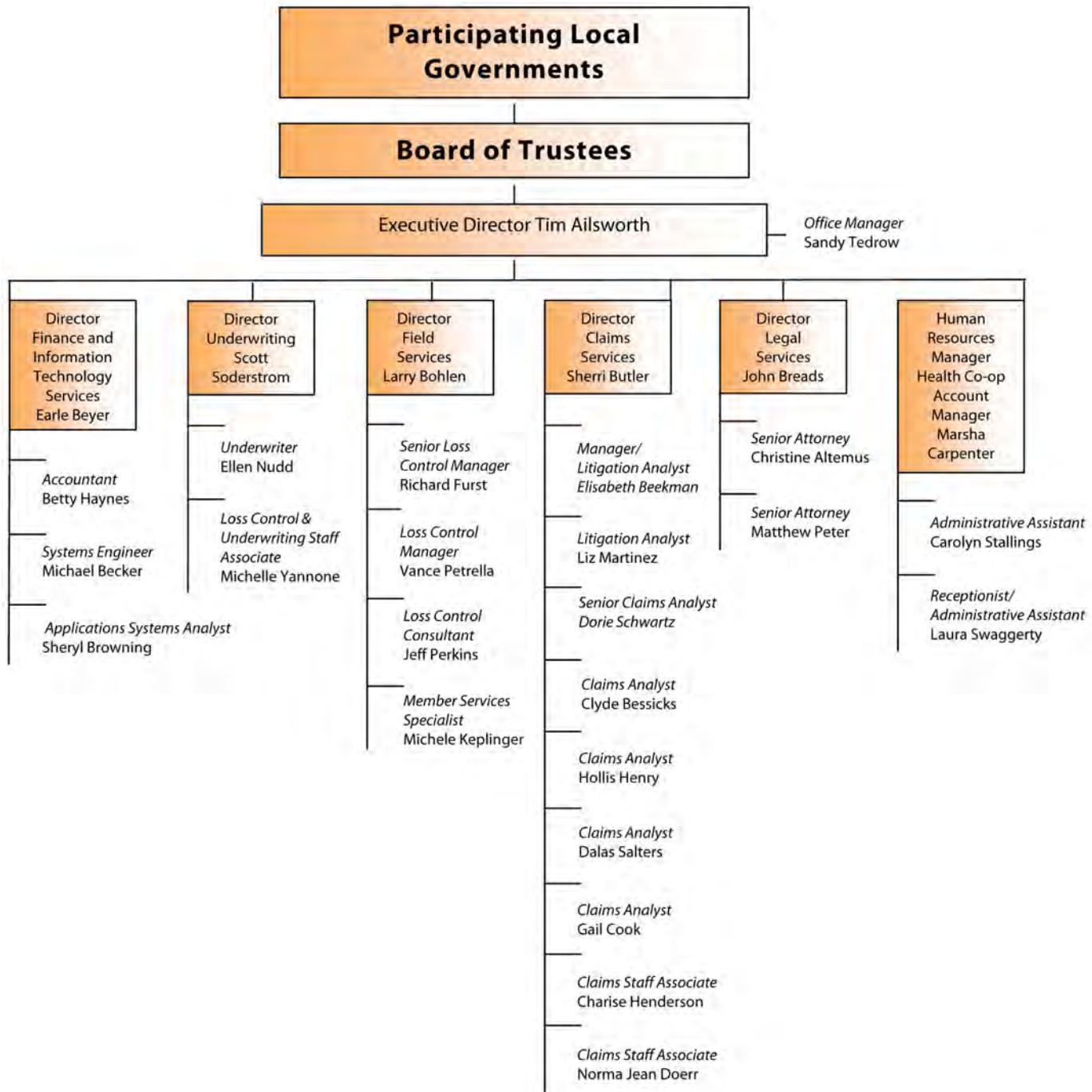


Carolyn Stallings
Administrative Assistant



Laura Swaggerty
Receptionist/Administrative Assistant

Fiscal Year 2016 Organizational Chart





Financial Section

Independent Auditor's Report

Management's Discussion and Analysis

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*Our Mission Is Serving
Maryland Local Governments*





INDEPENDENT AUDITORS' REPORT

Board of Trustees
Local Government Insurance Trust
Hanover, Maryland

Report on the Financial Statements

We have audited the accompanying statements of net position, revenues, expenses and changes in net position, and cash flows of the Local Government Insurance Trust (the Trust) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Trust's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2016 and 2015, 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 35 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

CliftonLarsonAllen LLP

Baltimore, Maryland
October 27, 2016



Local Government Insurance Trust Management's Discussion and Analysis

Years Ended June 30, 2016 and 2015

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, 2016 and 2015. 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 non-operating 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, 2016, 2015 and 2014, respectively.

Summary of Net Position

	2016	2015	2014
ASSETS			
Current assets	\$ 36,349,542	\$ 36,721,792	\$ 36,071,011
Noncurrent assets	24,405,227	25,066,723	26,942,515
Total Assets	60,754,769	61,788,515	63,013,526
LIABILITIES			
Current liabilities	5,717,704	7,328,487	6,401,482
Noncurrent liabilities	8,622,849	7,319,826	8,238,439
Total Liabilities	14,340,553	14,648,313	14,639,921
NET POSITION			
Net Investment in capital assets	3,394,134	3,472,272	3,641,460
Unrestricted	43,020,082	43,687,930	44,732,145
TOTAL NET POSITION	\$ 46,414,216	\$ 47,140,202	\$ 48,373,605

Total Assets

Total assets decreased by approximately \$1,034,000 between June 30, 2015 and 2016 primarily due to the net cash used by operating activities exceeding the net cash provided combined with negative investment returns.

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

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 and it remained relatively unchanged from year end 2015. The balance of the health plan cooperative payable was paid off during fiscal year 2016.

Unpaid claims and claims adjustment expense at 2015 year end remained relatively unchanged from year end 2014.

The following table summarizes the change in net assets for fiscal years ended June 30, 2016, 2015 and 2014, respectively.

Summary of Revenues, Expenses and Changes in Net Position

	2016	2015	2014
Operating revenues	\$ 11,581,624	\$ 10,867,318	\$ 10,673,133
Operating expenses	<u>12,159,787</u>	<u>11,025,770</u>	<u>11,853,885</u>
Operating loss	(578,163)	(158,452)	(1,180,752)
Nonoperating income (loss)	(147,823)	(1,074,951)	3,921,454
Change in net position	(725,986)	(1,233,403)	2,740,702
Net position, beginning of year	47,140,202	48,373,605	45,632,903
Net position end of year	<u>\$ 46,414,216</u>	<u>\$ 47,140,202</u>	<u>\$ 48,373,605</u>

Results of operations

Revenues

Total operating revenues increased by approximately \$715,000 for fiscal year 2016 compared to fiscal year 2015 caused by higher earned premiums for the liability and property pools.

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.

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 increased by approximately \$1,134,000 in fiscal year 2016 compared to fiscal year 2015 primarily due to higher incurred claims and claim adjustment 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.

Nonoperating Revenue

Investment income, although still negative, increased by approximately \$927,000 in fiscal year 2016 compared to 2015. Portfolio changes involving manager styles and the elimination of active equity management allowed the portfolio to capture more of the upside of the market with lower management fees.

Continued from page 18

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.

The annualized investment returns for fiscal years 2016, 2015 and 2014 are summarized by investment type as follows. This does not include any return or loss on the Trust's deposit with the reinsurance pool.

	2016	2015	2014
Fixed income portfolio	4.03%	-1.78%	4.06%
Equity portfolio	-2.91%	-5.14%	15.57%
Alternative strategies	-5.65%	-2.49%	4.48%
Total LGIT investments	-1.75%	-2.77%	7.76%

As of June 30, 2016 and 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.

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, 2016 and 2015

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents (note 3)	\$ 2,024,890	\$ 3,008,178
Investments (note 4)	33,360,490	33,337,634
Premiums receivable	10,642	23,490
Interest income receivable	98,269	111,129
Reinsurance receivable (note 8)	310,024	3,238
Other	<u>545,227</u>	<u>238,123</u>
Total current assets	<u>36,349,542</u>	<u>36,721,792</u>
Noncurrent assets:		
Investments (note 4)	13,762,591	14,977,232
Capital assets (note 5)	3,394,134	3,472,272
Deposit with reinsurance pool (note 8)	<u>7,248,502</u>	<u>6,617,219</u>
Total noncurrent assets	<u>24,405,227</u>	<u>25,066,723</u>
Total assets	<u>60,754,769</u>	<u>61,788,515</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	47,435	163,762
Unpaid claims and claim adjustment expenses (note 6)	4,916,977	5,839,800
Health plan cooperative payable	-	572,857
Rate stabilization fund (note 7)	582,550	583,578
Other	<u>170,742</u>	<u>168,490</u>
Total current liabilities	<u>5,717,704</u>	<u>7,328,487</u>
Noncurrent liabilities:		
Unpaid claims and claim adjustment expenses (note 6)	8,038,659	6,734,607
Capitalization contributions	1,640	1,640
Rate stabilization fund (note 7)	<u>582,550</u>	<u>583,579</u>
Total noncurrent liabilities	<u>8,622,849</u>	<u>7,319,826</u>
Total liabilities	<u>14,340,553</u>	<u>14,648,313</u>
NET POSITION		
Net investment in capital assets	3,394,134	3,472,272
Unrestricted	<u>43,020,082</u>	<u>43,667,930</u>
Total net position	<u>\$ 46,414,216</u>	<u>\$ 47,140,202</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, 2016 and 2015

	2016	2015
Operating Revenues		
Gross premiums earned	\$ 19,005,448	\$ 18,309,555
Less: Premium credits	(2,912,176)	(2,950,760)
Ceded premiums	(4,688,248)	(4,655,168)
Net premiums earned	11,405,024	10,703,627
Other revenues	176,600	163,691
Total operating revenues	<u>11,581,624</u>	<u>10,867,318</u>
Operating Expenses		
Claims and claim adjustment expenses incurred (note 6)		
Paid, net of recoveries	6,584,676	5,969,651
Change in liability for unpaid claims and adjustment expenses	381,229	(20,892)
General and administrative expenses	5,051,118	4,895,715
Depreciation expense	<u>142,764</u>	<u>181,296</u>
Total operating expenses	<u>12,159,787</u>	<u>11,025,770</u>
Operating loss	<u>(578,163)</u>	<u>(158,452)</u>
Nonoperating Revenues (Expenses)		
Investment (loss)	<u>(147,823)</u>	<u>(1,074,951)</u>
Change in net position	<u>(725,986)</u>	<u>(1,233,403)</u>
Net position, beginning of year	<u>47,140,202</u>	<u>48,373,605</u>
Net position, end of year	<u><u>\$ 46,414,216</u></u>	<u><u>\$ 47,140,202</u></u>

See accompanying notes to the financial statements.



Local Government Insurance Trust
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Premiums collected	\$ 16,067,252	\$ 15,374,472
Other revenue collected	176,600	163,691
Recoveries of claims paid	908,602	911,328
Ceded premiums paid	(4,688,248)	(4,655,168)
Claims and claim adjustment expenses paid	(7,907,733)	(6,494,185)
General and administrative expenses paid	(5,120,883)	(4,968,066)
Net cash provided by (used in) operating activities	<u>(564,410)</u>	<u>332,072</u>
Cash flows from noncapital financing activities:		
Member deposits	24,347,932	17,456,501
Health Cooperative payments	<u>(25,127,722)</u>	<u>(17,169,239)</u>
Net cash provided by noncapital financing activities	<u>(779,790)</u>	<u>287,262</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(64,626)	(15,468)
Net cash (used) in capital and related financing activities	<u>(64,626)</u>	<u>(15,468)</u>
Cash flows from investing activities:		
Purchase of investments	(37,277,730)	(57,443,190)
Proceeds from maturities of investments	36,207,256	56,252,428
Investment income received	1,496,012	1,333,274
Net cash provided (used in) by investing activities	<u>425,538</u>	<u>142,512</u>
Net change in cash and cash equivalents	(983,288)	746,378
Cash and cash equivalents, beginning of year	3,008,178	2,261,800
Cash and cash equivalents, end of year	<u>\$ 2,024,890</u>	<u>\$ 3,008,178</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating loss	\$ (578,163)	\$ (158,452)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation expense	142,764	181,296
Loss on disposal of assets	-	3,360
Effects of changes in operating assets and liabilities:		
Premiums receivable	12,848	71,681
Reinsurance receivable	(306,786)	386,796
Other assets	(100,171)	(50,025)
Accounts payable and accrued expenses	(116,327)	96,264
Unpaid claims and claim adjustment expenses	381,229	(20,892)
Other liabilities	196	(177,956)
Total adjustments	<u>13,753</u>	<u>490,524</u>
Net cash provided by (used in) operating activities	<u>\$ (564,410)</u>	<u>\$ 332,072</u>
Noncash investing, capital and financing activities:		
Net unrealized gain (loss) in fair value of investments included in investment income	<u>\$ 1,996,577</u>	<u>\$ (2,964,556)</u>

See accompanying notes to the financial statements.

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Local Government Insurance Trust

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

■ **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, 2016, the currently active pools are the following: the Primary Liability Pool (174 participants), the Property Pool (154 participants), and the Excess Liability Pool (178 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.

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 and Valuation

The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below

- Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 – Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Transactions are recorded on the trade date. Realized gains and losses are determined using the identified cost method. Any change in net unrealized gain or loss from the preceding period is reported in the statement of revenues, expenses and changes in net position. Dividends are recorded on the ex-dividend date. Interest is recorded on the accrual basis.

Following is a description of the valuation methodologies used for assets measured at fair value.

Fixed income securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Equity securities and mutual funds listed on a national market or exchange are valued at the last sales price, or, if there is no sale and the market is still considered active, at the mean of the last bid and asked prices on such exchange. Such securities are classified within Level 1 of the valuation hierarchy.

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, 2016 and 2015.

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, 2016 and 2015.

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

In December 2015, GASB issued Statement No. 77, Tax Abatement Disclosure (“GASB 77”). The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current-year revenues were sufficient to pay for current-year services, (b) compliance with finance-related legal or contractual requirements, (c) where a government's financial resources come from and how it uses them, and (d) financial position and economic condition and how they have changed over time.

In December 2015, GASB issued Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans (“GASB 78”). The objective of this statement is to provide guidance for the recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions which were not covered by GASB 68.

In June 2015, GASB issued Statement No. 79, Certain External Investment Pools and Pool Participants (“GASB 79”). This Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Additionally, the Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

In December 2016, GASB issued Statement No. 80, Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14, (“GASB 80”). This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Unit. .

In December 2016, GASB issued Statement No. 81, Irrevocable Split Interest Agreements, (“GASB 81”) The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

In June 2016, GASB issued Statement No. 82, Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73, (“GASB 82”). The objective of this statement is address certain issues raised within the aforementioned statements. Specifically

addressed are presentation of payroll related measures, deviations from the guidance in Actuarial Standard of Practice and the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The Trust has determined that Statements No.77, 78, 79, 80, 81 and 82 will have no effect 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, 2016 and 2015, cash balances of \$532,491 and \$766,531 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 \$2,358,963 and \$3,193,244 of June 30, 2016 and 2015, respectively. Cash and cash equivalents consisted of the following as of June 30, 2016 and 2015:

	2016	Percentage of portfolio	2015	Percentage of portfolio
Cash	\$ 448,418	22.1%	\$ 822,514	27.4%
Maryland Local Government	130,252	6.4%	130,000	4.3%
Money Market Mutual Funds	1,446,220	71.5%	2,055,664	68.3%
Total Cash and Equivalents	\$ 2,024,890	100.0%	\$ 3,008,178	100.0%

The Maryland Local Government Investment Pool (the “MLGIP”) was created under Maryland State Law and is regulated by the Maryland State Treasurer’s Office. The MLGIP may invest in any instrument in which the State Treasurer may invest. Permissible instruments are established by Sections 6-222 and 6-223 of the State Finance and Procurement Article. No direct investment may have a maturity date of more than 13 months after its acquisition. Securities of the MLGIP are valued daily on an amortized cost basis, which approximates market value, and are held to maturity under normal circumstances.

The fair value of the position in the MLGIP is the same as the value of the MLGIP net assets (shares). The MLGIP is a 2a-7 like external investment pool, which issues a publicly available financial report that includes financial statements and required supplementary information for the MLGIP. This report can be obtained by writing: Maryland Local Government Investment Pool; c/o PNC Institutional Investments Group; One East Pratt Street; Baltimore, Maryland, 21202; by calling 1-800-492-5160;.

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:

	MLGIP	Money Market Mutual Funds
June 30, 2016		
Less Than 1 Year	\$ 130,252	\$ 1,446,220
Total	\$ 130,252	\$ 1,446,220
June 30, 2015		
Less Than 1 Year	\$ 130,000	\$ 2,055,664
Total	\$ 130,000	\$ 2,055,664

■ 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:

	Minimum	Maximum			
Cash Equivalents	0%	25%			
Fixed Income	35%	95%			
Equities	5%	50%			
Alternative Strategies	0%	25%			
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
			(Level 1)	(Level 2)	(Level 3)
Investments by fair value level					Balance as of June 30, 2016
Equity					
US Equity	\$ 11,194,650	\$ -	\$ -	\$ 11,194,650	
Non-US Equity	8,310,356	-	-	-	8,310,356
Fixed Income					
US Government Securities	4,566,959	-	-	-	4,566,959
US Government Agencies	1,998,301	-	-	-	1,998,301
Asset Backed	-	229,328	-	-	229,328
Corporate	-	8,411,911	-	-	8,411,911
Municipals	85,830	-	-	-	85,830
Mutual Funds and ETFs	6,262,206	-	-	-	6,262,206
Non-Traditional					
Liquid Alternatives	6,161,809	-	-	-	6,161,809
Total investments, at fair value	\$ 38,580,111	\$ 8,641,239	\$ -	\$ -	\$ 47,221,350

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 appreciation of \$1,966,577 and a net depreciation of \$2,964,556 for the years ended June 30, 2016 and 2015, 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 \$48,797,823 and \$48,314,866, as of June 30, 2016 and 2015, 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 2016 and 2015 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.

	U.S. Government Agencies Instrumentalities	Corporate Bonds	Municipal Bonds
June 30, 2016			
AAA	\$ 780,135	\$ 756,808	\$ -
AA	-	1,389,019	85,830
A	-	3,290,429	-
BBB	-	2,621,518	-
Not Rated	1,218,166	-	-
Not Investment Grade	-	345,137	-
Total	\$ 1,998,301	\$ 8,411,911	\$ 85,830
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	-
Total	\$ 3,082,423	\$ 8,783,386	\$ 156,455

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, 2016 and 2015.) 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:

	U.S. Government Securities	U.S. Government Agencies	Corporate Bonds	Municipal Bonds
June 30, 2016				
Less Than 1 Year	\$ 510,918	\$ -	\$ 875,549	\$ 45,001
1 to 5 Years	2,058,575	503,858	4,900,353	40,829
6 to 10 Years	1,955,814	171,284	2,020,195	-
Over 10 Years	41,652	1,323,159	615,814	-
Total	\$ 4,566,959	\$ 1,998,301	\$ 8,411,911	\$ 85,830
June 30, 2015				
Less Than 1 Year	\$ -	\$ 256,123	\$ 97,205	\$ 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	379,588	-
Total	\$ 3,394,786	\$ 3,082,422	\$ 8,783,386	\$ 156,455

The Trust invests in loan-backed securities which totaled \$2,200,481 and \$2,239,83 as of June 30, 2016 and 2015, respectively. U.S. Government Agency Securities reported above include \$1,976,593 and \$1,582,552 of loan-backed securities as of June 30, 2016 and 2015, respectively. Corporate securities reported above included 223,888 and \$657,251 of loan-backed securities as of June 30, 2016 and 2015, 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. The Trust had no holdings of ADRs as of June 30, 2016. The Trust has no formal policy concerning foreign currency risk.

	2015
United Kingdom	\$ 440,561
Japan	176,874
Australia	45,188
Netherlands	188,403
France	99,133
Germany	166,897
Canada	439,892
Singapore	55,287
Switzerland	208,786
Other	868,090
Total	\$ 2,689,221

Continued from page 31.

■ NOTE 5 — Change in Capital Assets

	Beginning Balance	Additions and Transfers	Deletions and Transfers	Ending Balance
2016				
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	1,350,602	33,257	-	1,383,859
Furniture & Equipment	251,901	30,647	(24,792)	257,756
Total capital assets - depreciated	<u>5,550,067</u>	<u>63,904</u>	<u>(24,792)</u>	<u>5,589,179</u>
Total capital assets	<u>5,802,475</u>	<u>63,904</u>	<u>(24,792)</u>	<u>5,841,587</u>
Accumulated Depreciation:				
Building	(781,288)	(98,689)	-	(879,977)
EDP	(1,309,807)	(31,331)	-	(1,341,138)
Furniture & Equipment	(239,108)	(12,745)	25,515	(226,338)
Total accumulated depreciation	<u>(2,330,203)</u>	<u>(142,765)</u>	<u>25,515</u>	<u>(2,447,453)</u>
Net Balance - Capital Assets	<u>\$ 3,472,272</u>	<u>\$ (78,861)</u>	<u>\$ 723</u>	<u>\$ 3,394,134</u>

	Beginning Balance	Additions and Transfers	Deletions and Transfers	Ending Balance
2015				
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	250,737	1,164	-	251,901
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	(226,814)	(12,294)	-	(239,108)
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>

■ 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:

	2016	2015
Balance at beginning of	<u>\$ 12,574,407</u>	<u>\$ 12,595,299</u>
Incurred related to:		
Current year	7,676,434	8,669,864
Prior years	<u>(710,529)</u>	<u>(2,721,105)</u>
Total incurred	<u>6,965,905</u>	<u>5,948,759</u>
Paid related to:		
Current year	2,906,287	2,557,301
Prior years	<u>3,678,399</u>	<u>3,412,350</u>
Total paid	<u>6,584,676</u>	<u>5,969,651</u>
Balance at end of year	<u>\$ 12,955,636</u>	<u>\$ 12,574,407</u>

Incurred claims and claim adjustment expenses related to prior years decreased by approximately \$710,529 and \$2,721,105 in fiscal years 2016 and 2015, 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 2016 and 2015, 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 2016 and 2015 respectively. Rate stabilization credits of \$1,002,057 and \$1,183,915 were applied and shown as an offset to annual premiums on member invoices in fiscal years 2016 and 2015, respectively. The credit can be used by members each year up to a specified percentage, as approved by the Board, not to exceed 50% of their account balance. Balances remaining in the rate stabilization fund were as follows as of June 30, 2016 and 2015:

	2016	2015
Current	<u>\$ 582,550</u>	<u>\$ 583,578</u>
Noncurrent	<u>582,550</u>	<u>583,579</u>
Total	<u>\$ 1,165,100</u>	<u>\$ 1,167,157</u>

■ 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, 2016 and 2015. 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 \$7,248,502 and \$6,617,219 as of June 30, 2016 and 2015, respectively.

The Trust did not purchase reinsurance for the standard coverages offered in the PLP for the years ended June 30, 2016 and 2015 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 \$7,194 and \$3,238 as of June 30, 2016 and 2015, 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, 2016 and 2015, respectively. There were no ceded unearned premiums as of both June 30, 2016 and 2015.

■ **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, 2016. 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 \$439,846 and \$426,702 for the years ended June 30, 2016 and 2015, 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 \$55,426 and \$0 for the years ended June 30, 2016 and 2015, respectively. Management fees earned by the Trust totaled \$73,440 and \$62,056 for the years ended June 30, 2016 and 2015, respectively. The Trust was owed \$91,000 for initial funding provided to the Cooperative as of June 30, 2016 and 2015, respectively. Amounts remitted by the Trust from the Cooperative toward medical claims not yet reimbursed by Cooperative members totaled \$1,328,000 and \$578,434 as of June 30, 2016 and 2015. Amounts collected by the Trust from Cooperative members, but not yet remitted toward member reimbursements totaled \$1,030,067 and \$1,060,291 as of June 30, 2016 and 2015, 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, 2016 and 2015

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	COMBINED TOTAL
2016				
Balance at beginning of the year	\$ 11,894,733	\$ 679,674	\$ -	\$ 12,574,407
Incurred related to:				
Current year	6,923,272	753,162	-	7,676,434
Prior year	(783,621)	73,092	-	(710,529)
Total incurred	<u>6,139,651</u>	<u>826,254</u>	<u>-</u>	<u>6,965,905</u>
Paid related to:				
Current year	2,400,040	506,247	-	2,906,287
Prior year	3,159,549	518,840	-	3,678,389
Total paid	<u>5,559,589</u>	<u>1,025,087</u>	<u>-</u>	<u>6,584,676</u>
Balance at end of year	<u>\$ 12,474,795</u>	<u>\$ 480,841</u>	<u>\$ -</u>	<u>\$ 12,955,636</u>
	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	COMBINED TOTAL
2015				
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>

See explanation of required supplementary information on page 35.



Local Government Insurance Trust

Required Supplementary Information

Claims Development Information

Ten Years Ended June 30, 2007 through June 30, 2016

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Premiums and investment revenue:										
Earned,	15,975,448	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
Ceded	4,688,248	(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)
Net earned	20,663,696	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
Allocated and unallocated expenses	5,193,882	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
Estimated claims and allocated expenses, end of policy year:										
Incurred	7,686,262	8,709,474	7,638,005	10,295,664	9,269,463	7,121,248	9,927,669	7,801,951	7,543,834	7,598,176
Ceded	9,828	39,610	330,666	1,767,415	2,053,432	21,604	2,824,034	302,136	178,702	496,889
Net incurred	7,676,434	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
Net paid claims (cumulative) as of:										
End of policy year	2,906,287	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
One year later		4,404,013	4,129,786	4,901,366	4,315,814	3,713,673	3,542,066	4,494,349	3,649,363	2,988,446
Two years later			4,638,823	5,683,053	5,572,496	4,716,102	4,041,910	5,221,188	5,014,956	3,318,761
Three years later				6,534,676	5,691,120	5,185,596	4,756,403	5,628,783	5,602,310	3,893,576
Four years later					5,819,083	5,623,478	4,997,935	5,881,355	5,890,845	4,168,834
Five years later						5,911,698	5,090,733	6,373,674	5,902,224	4,269,094
Six years later							5,102,234	6,439,766	5,901,305	4,318,949
Seven years later								6,441,367	5,898,224	4,314,189
Eight years later									5,901,362	4,313,256
Nine years later										4,311,529
Reestimated ceded claims and expenses	9,827	39,610	330,666	1,767,415	2,053,432	21,604	2,824,034	302,136	178,702	496,889
Reestimated net incurred claims and allocated expenses:										
End of policy year	7,676,434	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
One year later		8,912,845	6,452,751	8,387,713	6,887,651	6,648,854	5,777,078	7,171,802	6,953,322	5,253,496
Two years later			6,402,323	7,963,399	6,762,133	6,330,868	5,331,063	7,161,862	7,140,433	4,771,776
Three years later				7,906,884	6,391,869	6,285,650	5,689,365	7,256,167	6,638,146	4,718,975
Four years later					6,053,056	6,153,289	5,252,403	7,420,166	6,090,679	4,868,463
Five years later						5,917,734	5,304,182	7,148,675	5,957,142	4,499,562
Six years later							5,343,803	6,451,123	5,910,221	4,314,686
Seven years later								6,445,136	5,895,141	4,309,925
Eight years later									5,898,279	4,308,992
Nine years later										4,307,265
Decrease in estimated net incurred claims and allocated expenses from end of policy year	242,981	(905,016)	(621,365)	(1,162,975)	(1,181,910)	(1,759,832)	(1,054,679)	(1,466,853)	(2,794,022)	

See explanation of required supplementary information on page 35.



Local Government Insurance Trust
Combining Schedule of Net Position
June 30, 2016

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	HEALTH COOPERATIVE	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 40,860,454	\$ 9,300,316	\$ 8,461,480	\$ (56,392,067)	\$ (206,933)	\$ 1,640	\$ 2,024,890
Investments	-	-	-	33,360,490	-	-	33,360,490
Premiums receivable	3,807	6,835	-	-	-	-	10,642
Interest income receivable	-	-	-	98,269	-	-	98,269
Reinsurance receivables	-	310,024	-	-	-	-	310,024
Due from (to) other pools/accounts	(4,375,129)	(897,297)	(523,962)	5,796,388	-	-	-
Other	140,681	-	-	197,613	206,933	-	545,227
Total current assets	<u>36,629,813</u>	<u>8,719,878</u>	<u>7,937,518</u>	<u>(16,939,307)</u>	<u>-</u>	<u>1,640</u>	<u>36,349,542</u>
Noncurrent assets:							
Investments	-	-	-	13,762,591	-	-	13,762,591
Capital assets	-	-	-	3,394,134	-	-	3,394,134
Deposit with reinsurance pool	3,479,377	1,827,539	1,941,586	-	-	-	7,248,502
Other assets	-	-	-	-	-	-	-
Total noncurrent assets	<u>3,479,377</u>	<u>1,827,539</u>	<u>1,941,586</u>	<u>17,156,725</u>	<u>-</u>	<u>-</u>	<u>24,405,227</u>
Total assets	<u>40,109,190</u>	<u>10,547,417</u>	<u>9,879,104</u>	<u>217,418</u>	<u>-</u>	<u>1,640</u>	<u>60,754,769</u>
LIABILITIES							
Current Liabilities:							
Accounts payable and accrued expenses	-	-	428	47,007	-	-	47,435
Unpaid claims and claims adjustment exp	4,499,016	417,961	-	-	-	-	4,916,977
Notes payable	-	-	-	-	-	-	-
Health plan payable cooperative	-	-	-	-	-	-	-
Interest payable	-	-	-	-	-	-	-
Rate stabilization fund	582,550	-	-	-	-	-	582,550
Other liabilities	331	-	-	170,411	-	-	170,742
Total current liabilities	<u>5,081,897</u>	<u>417,961</u>	<u>428</u>	<u>217,418</u>	<u>-</u>	<u>-</u>	<u>5,717,704</u>
Noncurrent liabilities:							
Unpaid claims and claims adjustment exp	7,975,779	62,880	-	-	-	-	8,038,659
Capitalization contributions	-	-	-	-	-	1,640	1,640
Rate stabilization fund	582,550	-	-	-	-	-	582,550
Notes Payable	-	-	-	-	-	-	-
Total noncurrent liabilities	<u>8,558,329</u>	<u>62,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,640</u>	<u>8,622,849</u>
Total liabilities	<u>13,640,226</u>	<u>480,841</u>	<u>428</u>	<u>217,418</u>	<u>-</u>	<u>1,640</u>	<u>14,340,553</u>
NET POSITION							
Net investment in capital assets,	-	-	-	-	-	-	3,394,134
Unrestricted, net position	26,468,964	10,066,576	9,878,676	(3,394,134)	-	-	43,020,082
Total net position	<u>\$ 26,468,964</u>	<u>\$ 10,066,576</u>	<u>\$ 9,878,676</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,640</u>	<u>\$ 46,414,216</u>

See accompanying notes to supplementary combining schedules.



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

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	HEALTH COOPERATIVE	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
ASSETS							
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>
LIABILITIES							
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>
NET POSITION							
Net investment in capital assets,	-	-	-	3,472,272	-	-	3,472,272
Unrestricted, net position	27,249,909	9,378,179	10,512,114	(3,472,272)	-	-	43,667,930
Total net position	<u>\$ 27,249,909</u>	<u>\$ 9,378,179</u>	<u>\$ 10,512,114</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,140,202</u>

See accompanying notes to supplementary combining schedules.



Local Government Insurance Trust

Combining Schedule of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2016

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
OPERATING REVENUES						
Gross premiums earned	\$ 11,744,427	\$ 6,292,113	\$ 968,908	\$ -	\$ -	\$ 19,005,448
Less: premium credits	(2,269,683)	(252,094)	(390,399)	-	-	(2,912,176)
ceded premiums	(43,925)	(3,785,892)	(858,431)	-	-	(4,688,248)
Net premiums earned	9,430,819	2,254,127	(279,922)	-	-	11,405,024
Other Revenues	-	-	-	176,600	-	176,600
Total operating revenues	9,430,819	2,254,127	(279,922)	176,600	-	11,581,624
OPERATING EXPENSES						
Incurred claims and claim adjustment expenses:						
Paid (net of recoveries)	5,559,589	1,025,087	-	-	-	6,584,676
Change in liability for unpaid claims and claim adjustment expenses	580,062	(198,833)	-	-	-	381,229
General and administrative expenses	-	-	-	5,051,118	-	5,051,118
Depreciation expense	-	-	-	142,764	-	142,764
Total operating expenses	6,139,651	826,254	-	5,193,882	-	12,159,787
Operating income (loss)	3,291,168	1,427,873	(279,922)	(5,017,282)	-	(578,163)
NONOPERATING REVENUES (EXPENSES)						
Investment income	303,016	157,821	170,446	(779,106)	-	(147,823)
Interest expense	-	-	-	-	-	-
Allocations of operating account revenues (note 2)	(427,779)	(66,276)	(108,451)	602,506	-	-
Allocations of operating account expenses (note 2)	(3,947,350)	(831,021)	(415,511)	5,193,882	-	-
Total nonoperating revenues (expenses)	(4,072,113)	(739,476)	(353,516)	5,017,282	-	(147,823)
Change in net position	(780,945)	688,397	(633,438)	-	-	(725,986)
Net position, beginning of year	27,249,909	9,378,179	10,512,114	-	-	47,140,202
Net position, end of year	\$ 26,468,964	\$ 10,066,576	\$ 9,878,676	\$ -	\$ -	\$ 46,414,216

See accompanying notes to supplementary combining schedules.



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

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
OPERATING REVENUES						
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	<u>9,027,577</u>	<u>1,952,006</u>	<u>(275,956)</u>	<u>163,691</u>	<u>-</u>	<u>10,867,318</u>
OPERATING EXPENSES						
Incurred claims and claim adjustment expenses:						
Paid (net of recoveries)	5,015,301	954,350	-	-	-	5,969,651
Change in liability for unpaid claims						
and claim adjustment expenses	(301,721)	280,829	-	-	-	(20,892)
General and administrative expenses	-	-	-	4,895,715	-	4,895,715
Depreciation expense	-	-	-	181,296	-	181,296
Total operating expenses	<u>4,713,580</u>	<u>1,235,179</u>	<u>-</u>	<u>5,077,011</u>	<u>-</u>	<u>11,025,770</u>
Operating income (loss)	<u>4,313,997</u>	<u>716,827</u>	<u>(275,956)</u>	<u>(4,913,320)</u>	<u>-</u>	<u>(158,452)</u>
NONOPERATING REVENUES (EXPENSES)						
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)	<u>(4,782,594)</u>	<u>(928,253)</u>	<u>(277,424)</u>	<u>4,913,320</u>	<u>-</u>	<u>(1,074,951)</u>
Change in net position	(468,597)	(211,426)	(553,380)	-	-	(1,233,403)
Net position, beginning of year	<u>27,718,506</u>	<u>9,589,605</u>	<u>11,065,494</u>	<u>-</u>	<u>-</u>	<u>48,373,605</u>
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 Cash Flows

Year Ended June 30, 2016

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	HEALTH COOPERATIVE	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
Cash flows from operating activities:							
Premiums collected	\$ 9,437,975	\$ 6,056,674	\$ 572,603	\$ -	\$ -	\$ -	\$ 16,067,252
Other revenue collected	-	-	-	176,600	-	-	176,600
Recoveries of claims paid	843,420	65,182	-	-	-	-	908,602
Ceded premiums paid	(43,925)	(3,785,892)	(858,431)	-	-	-	(4,688,248)
Claims and claim adjustment expenses paid	(6,510,678)	(1,397,055)	-	-	-	-	(7,907,733)
General and administrative expenses paid	-	-	-	(5,120,883)	-	-	(5,120,883)
Net cash provided by (used in) operating activities	<u>3,726,792</u>	<u>938,909</u>	<u>(285,828)</u>	<u>(4,944,283)</u>	<u>-</u>	<u>-</u>	<u>(564,410)</u>
Cash flows from noncapital financing activities:							
Transfers from (to) other pools/accounts	(4,839,445)	(1,019,558)	(599,581)	6,458,584	-	-	-
Member deposits	-	-	-	-	24,347,932	-	24,347,932
Health Cooperative payments	-	-	-	-	(25,127,722)	-	(25,127,722)
Net cash provided by (used in) noncapital financing activities	<u>(4,839,445)</u>	<u>(1,019,558)</u>	<u>(599,581)</u>	<u>6,458,584</u>	<u>(779,790)</u>	<u>-</u>	<u>(779,790)</u>
Cash flows from capital and related financing activities:							
Purchase of capital assets	-	-	-	(64,626)	-	-	(64,626)
Net cash flows used in capital and related financing activities	-	-	-	(64,626)	-	-	(64,626)
Cash flows from investing activities:							
Purchase of investments	-	-	-	(37,277,730)	-	-	(37,277,730)
Proceeds from maturities of investments	-	-	-	36,207,256	-	-	36,207,256
Investment income received	-	-	-	1,496,012	-	-	1,496,012
Net cash provided by in investing activities	-	-	-	425,538	-	-	425,538
Net change in cash and cash equivalents	(1,112,653)	(80,649)	(885,409)	1,875,213	(779,790)	-	(983,288)
Cash and cash equivalents, beginning of year	41,973,107	9,380,965	9,346,889	(58,267,280)	572,857	1,640	3,008,178
Cash and cash equivalents, end of year	<u>\$ 40,860,454</u>	<u>\$ 9,300,316</u>	<u>\$ 8,461,480</u>	<u>\$ (56,392,067)</u>	<u>\$ (206,933)</u>	<u>\$ 1,640</u>	<u>\$ 2,024,890</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ 3,291,168	\$ 1,427,873	\$ (279,922)	\$ (5,017,282)	\$ -	\$ -	\$ (578,163)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation expense	-	-	-	142,764	-	-	142,764
Loss on disposal of assets	-	-	-	-	-	-	-
Effects of changes in operating assets and liabilities:							
Premiums receivable	(3,807)	16,655	-	-	-	-	12,848
Reinsurance receivables	-	(306,786)	-	-	-	-	(306,786)
Deposit with reinsurance pool	-	-	-	-	-	-	-
Other assets	(16,669)	-	-	(83,502)	-	-	(100,171)
Operating accounts payable and accrued expenses	(121,905)	-	(5,906)	11,484	-	-	(116,327)
Unpaid claims and claim adjustment expenses	580,062	(198,833)	-	-	-	-	381,229
Other liabilities	(2,057)	-	-	2,253	-	-	196
Total adjustments	435,624	(488,964)	(5,906)	72,999	-	-	13,753
Net cash provided by (used in) operating activities	<u>\$ 3,726,792</u>	<u>\$ 938,909</u>	<u>\$ (285,828)</u>	<u>\$ (4,944,283)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (564,410)</u>

See accompanying notes to supplementary combining schedules.



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

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	HEALTH COOPERATIVE	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
Cash flows from operating activities:							
Premiums collected	\$ 9,032,127	\$ 5,764,302	\$ 578,043	\$ -	\$ -	\$ -	\$ 15,374,472
Other revenue collected	-	-	-	163,691	-	-	163,691
Recoveries of claims paid	333,349	577,979	-	-	-	-	911,328
Ceded premiums paid	(19,313)	(3,789,643)	(846,212)	-	-	-	(4,655,168)
Claims and claim adjustment expenses paid	(5,348,650)	(1,145,535)	-	-	-	-	(6,494,185)
General and administrative expenses paid	-	-	-	(4,968,066)	-	-	(4,968,066)
Net cash provided by (used in) operating activities	<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>
Cash flows from noncapital financing activities:							
Transfers from (to) other pools/accounts	(1,408,206)	(305,597)	289,924	1,423,879	-	-	-
Member deposits	-	-	-	-	17,456,501	-	17,456,501
Health Cooperative payments	-	-	-	-	(17,169,239)	-	(17,169,239)
Net cash provided by (used in) noncapital financing activities	<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>
Cash flows from capital and related financing activities:							
Purchase of capital assets	-	-	-	-	(15,468)	-	(15,468)
Net cash flows used in capital and related financing activities	-	-	-	-	<u>(15,468)</u>	<u>-</u>	<u>(15,468)</u>
Cash flows from investing activities:							
Purchase of investments	-	-	-	-	(57,443,190)	-	(57,443,190)
Proceeds from maturities of investments	-	-	-	-	56,252,428	-	56,252,428
Investment income received	-	-	-	-	1,333,274	-	1,333,274
Net cash provided by in investing activities	-	-	-	-	<u>142,512</u>	<u>-</u>	<u>142,512</u>
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>(\$8,267,280)</u>	<u>\$ 572,857</u>	<u>\$ 1,640</u>	<u>\$ 3,008,178</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ 4,313,997	\$ 716,827	\$ (275,956)	\$ (4,913,320)	\$ -	\$ -	\$ (158,452)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	-	-	-	-	-	-	-
Depreciation expense	-	-	-	-	181,296	-	181,296
Loss on disposal of assets	-	-	-	-	3,360	-	3,360
Effects of changes in operating assets and liabilities:	-	-	-	-	-	-	-
Premiums receivable	47,577	22,651	1,453	-	-	-	71,681
Reinsurance receivables	-	386,796	-	-	-	-	386,796
Deposit with reinsurance pool	-	-	-	-	-	-	-
Other assets	-	-	-	(50,025)	-	-	(50,025)
Operating accounts payable and accrued expenses	121,905	-	6,334	(31,975)	-	-	96,264
Unpaid claims and claim adjustment expenses	(301,721)	280,829	-	-	-	-	(20,892)
Other liabilities	(184,245)	-	-	6,289	-	-	(177,956)
Total adjustments	<u>(316,484)</u>	<u>690,276</u>	<u>7,787</u>	<u>108,945</u>	<u>-</u>	<u>-</u>	<u>490,524</u>
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>

See accompanying notes to supplementary combining schedules.

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Local Government Insurance Trust
Notes to Supplementary Combining Schedules
 Years Ended June 30, 2016 and 2015

■ **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 2016 and 2015.

	POOL TOTALS		COUNTIES		MUNICIPALITIES		OTHER	
	2016	2015	2016	2015	2016	2015	2016	2015
Primary	174	173	15	14	141	140	19	19
Property	154	151	17	16	127	124	11	11
Excess	178	177	15	15	141	140	22	22

■ NOTE 2 — DESCRIPTION OF ACCOUNTS

Operating Account

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

To accomplish this, each pool was allocated a portion of the revenues and expenses accumulated within the operating account for fiscal years 2016 and 2015. 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 2015 amounts have been reclassified to conform to fiscal year 2016 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, 2007 through June 30, 2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
REVENUES										
Gross premiums earned (1)	\$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	\$19,005,448
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)	(2,912,176)
Net premiums earned	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	11,405,024
Other	28,080	18,790	30,631	29,436	38,483	146,258	92,821	86,103	163,691	176,600
Total operating revenues	10,436,163	10,642,157	9,259,681	10,282,371	9,481,021	8,365,841	8,772,712	10,673,133	10,867,318	11,581,624
Operating Expenses										
Incurred claims and claim adjustment expenses: (1)										
Paid (net of recoveries)	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	6,584,676
Change in liability for unpaid claims and claim adjustment exp.	3,117,010	(1,208,238)	419,498	(641,155)	119,569	(366,551)	1,659,613	(261,026)	(20,892)	381,229
General and administrative	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	5,193,882
Total operating expenses	11,431,763	10,849,430	10,732,903	10,711,185	9,962,316	9,517,725	12,647,504	11,853,885	11,025,770	12,159,787
Operating income	(995,600)	(207,273)	(1,473,222)	(428,814)	(481,295)	(1,151,884)	(3,874,792)	(1,180,752)	(158,452)	(578,163)
NONOPERATING REVENUES (EXPENSES)										
Investment income	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)	(147,823)
Interest expense	-	(132,081)	(96,715)	(51,298)	(46,974)	(157,954)	-	-	-	-
Total nonoperating revenues (expenses)	3,430,324	1,693,430	694,950	3,527,459	4,346,496	2,097,090	974,644	3,921,454	(1,074,951)	(147,823)
Change in net position	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)	(725,986)
Total net position beginning of year	37,481,390	39,916,114	41,402,271	40,623,999	43,722,644	47,587,845	48,533,051	45,632,903	48,373,605	47,140,202
Total net position end of year	\$39,916,114	\$41,402,271	\$40,623,999	\$43,722,644	\$47,587,845	\$48,533,051	\$45,632,903	\$48,373,605	\$47,140,202	\$46,414,216



Local Government Insurance Trust

Member Growth Analysis

Ten Years Ended June 30, 2007 through June 30, 2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total number of members	175	175	175	174	176	177	179	179	181	182
Total employees	33	33	32	32	32	32	31	30	30	30
Total annual payroll	\$ 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	\$ 2,946,263
Total net premiums earned	\$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	\$11,405,024
Total number of claims	1,563	1,544	1,517	1,878	1,588	1,592	1,441	1,616	1,564	1,629
Total reported losses	\$ 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	\$ 4,079,032

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, 2007 through June 30, 2016

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Auto Liability	\$1,041,324	\$1,610,989	\$1,250,455	\$1,257,234	\$1,155,428	\$ 733,057	\$ 999,971	\$1,465,381	\$2,060,138	\$ 795,009
Auto Physical	921,613	1,089,572	1,068,104	1,080,565	996,785	856,128	805,983	1,118,999	1,166,988	1,748,008
General Liability	1,435,673	2,391,206	3,495,787	2,180,737	3,217,390	3,070,272	4,495,723	2,213,961	1,820,840	907,100
Property	912,920	809,594	627,021	743,680	545,636	1,265,893	971,904	663,269	1,342,532	628,915
Excess	-	-	-	-	-	-	-	-	-	-
Total	\$4,311,529	\$5,901,362	\$6,441,367	\$5,262,215	\$5,915,239	\$5,925,350	\$7,273,581	\$5,461,610	\$6,390,498	\$4,079,032

Average Cost per Claim

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Auto Liability	\$ 2,684	\$ 4,487	\$ 3,166	\$ 2,350	\$ 3,201	\$ 2,485	\$ 3,226	\$ 3,464	\$ 5,379	\$ 1,949
Auto Physical	1,999	2,348	2,158	2,086	2,318	1,915	2,067	2,247	2,559	2,973
General Liability	2,537	4,173	6,710	3,677	4,809	5,248	9,270	3,791	3,107	1,825
Property	6,813	5,783	6,464	3,350	4,585	4,907	3,872	6,085	10,827	4,659
Excess	-	-	-	-	-	-	-	-	-	-



Local Government Insurance Trust

Reported Claim Activity

Ten Years Ended June 30, 2007 through June 30, 2016

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Auto Liability	388	359	395	535	361	295	310	423	383	408
Auto Physical	461	464	495	518	430	447	390	498	456	588
General Liability	566	573	521	593	669	585	485	584	586	497
Property	134	140	97	222	119	258	251	109	124	135
Excess	14	8	9	10	9	7	5	2	15	1
Total	1,563	1,544	1,517	1,878	1,588	1,592	1,441	1,616	1,564	1,629
 Closed Claims	 852	 1,076	 1,118	 1,362	 1,127	 1,149	 908	 1,111	 1,087	 1,159
Open Claims	711	468	399	516	461	443	533	505	477	470
Total	1,563	1,544	1,517	1,878	1,588	1,592	1,441	1,616	1,564	1,629
 Prior year claims closed	 967	 787	 397	 610	 858	 783	 768	 707	 873	 661
Current year claims closed	852	1,076	1,118	1,362	1,127	1,149	908	1,111	1,087	1,159
Total claims closed during year	1,819	1,863	1,515	1,972	1,985	1,932	1,676	1,818	1,960	1,820
 Number of Members	 175	 175	 174	 174	 176	 177	 179	 179	 181	 182



Local Government Insurance Trust

Loss Development

Ten Years Ended June 30, 2007 through June 30, 2016

Paid Losses as of June 30

CLAIM YEAR	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	\$ 4,311,529
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	5,901,362
2009			2,400,779	4,494,349	5,221,188	5,628,783	5,881,355	6,373,674	6,439,766	6,441,367
2010				2,210,347	3,542,066	4,041,910	4,756,403	4,997,935	5,090,733	5,102,234
2011					2,281,860	3,713,673	4,716,102	5,185,596	5,623,478	5,911,698
2012						2,716,683	4,315,814	5,572,496	5,691,120	5,819,083
2013							2,555,929	4,901,366	5,683,053	6,534,676
2014								2,258,231	4,129,786	4,638,823
2015									2,557,301	4,404,013
2016										2,906,287
Total	<u>\$ 2,010,184</u>	<u>\$ 5,092,192</u>	<u>\$ 9,368,903</u>	<u>\$15,613,228</u>	<u>\$20,816,258</u>	<u>\$26,260,988</u>	<u>\$32,446,776</u>	<u>\$39,504,792</u>	<u>\$45,426,717</u>	<u>\$49,064,785</u>

Loss Payments During the Year Ended

CLAIM YEAR	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
2007	\$ 2,010,184	\$ 978,262	\$ 330,315	\$ 574,815	\$ 275,258	\$ 100,260	\$ 49,855	\$ (4,760)	\$ (933)	\$ (1,727)
2008		2,103,746	1,545,617	1,365,593	587,354	288,535	11,379	(919)	(3,081)	3,138
2009			2,400,779	2,093,570	726,839	407,595	252,572	492,319	66,092	1,600
2010				2,210,347	1,331,719	499,844	714,493	241,532	92,798	11,501
2011					2,281,860	1,431,813	1,002,429	469,494	437,882	288,221
2012						2,716,683	1,599,131	1,256,682	118,624	127,963
2013							2,555,929	2,345,437	781,687	851,623
2014								2,258,231	1,871,555	509,037
2015									2,557,301	1,846,712
2016										2,906,287
Sub-total	<u>\$ 2,010,184</u>	<u>\$ 3,082,008</u>	<u>\$ 4,276,711</u>	<u>\$ 6,244,325</u>	<u>\$ 5,203,030</u>	<u>\$ 5,444,730</u>	<u>\$ 6,185,788</u>	<u>\$ 7,058,016</u>	<u>\$ 5,921,925</u>	<u>\$ 6,544,355</u>

Losses Paid for

Years Prior to 2007	2,285,625	4,674,313	1,624,175	625,080	106,073	(39,150)	25,061	91,239	47,726	40,321
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Total Losses per Statements of Revenues, Expenses and

Changes in Net Asset	<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>	<u>\$ 6,584,676</u>
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Local Government Insurance Trust

Loss Development

Ten Years Ended June 30, 2007 through June 30, 2016

Case Reserves as of June 30

CLAIM YEAR	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	159,981
2011					1,386,016	1,088,682	742,751	627,899	292,648	3,541
2012						1,080,676	1,047,115	277,807	323,085	106,267
2013							2,564,635	1,307,662	907,151	738,905
2014								1,547,656	702,160	822,787
2015									2,454,573	1,986,485
2016										1,172,745
Total	<u>\$ 1,807,231</u>	<u>\$ 2,625,333</u>	<u>\$ 4,164,669</u>	<u>\$ 3,789,994</u>	<u>\$ 3,965,641</u>	<u>\$ 3,702,957</u>	<u>\$ 5,969,212</u>	<u>\$ 4,419,899</u>	<u>\$ 4,798,803</u>	<u>\$ 4,990,711</u>

Change in Case Reserves During the Year Ended

CLAIM YEAR	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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)	(806)
2010				1,553,528	(721,942)	(251,925)	(9,394)	(428,434)	(23,453)	41,602
2011					1,386,016	(297,334)	(345,931)	(114,852)	(335,251)	(289,108)
2012						1,080,676	(33,561)	(769,308)	45,278	(216,818)
2013							2,564,635	(1,256,973)	(400,511)	(168,246)
2014								1,547,656	(845,496)	120,627
2015									2,454,573	(468,088)
2016										1,172,745
Total	<u>\$ 1,807,231</u>	<u>\$ 818,102</u>	<u>\$ 1,539,336</u>	<u>\$ (374,675)</u>	<u>\$ 175,647</u>	<u>\$ (262,684)</u>	<u>\$ 2,266,255</u>	<u>\$ (1,549,313)</u>	<u>\$ 378,904</u>	<u>\$ 191,908</u>



Local Government Insurance Trust

Loss Development

Ten Years Ended June 30, 2007 through June 30, 2016

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

CLAIM YEAR	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	\$ 4,311,529
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	5,901,362
2009			4,275,659	5,293,158	6,052,925	6,426,467	6,893,683	6,881,745	6,440,572	6,441,367
2010				3,763,875	4,373,651	4,621,571	5,326,670	5,139,768	5,209,113	5,262,215
2011					3,667,876	4,802,355	5,458,853	5,813,495	5,916,126	5,915,239
2012						3,797,359	5,362,929	5,850,303	6,014,204	5,925,350
2013							5,120,564	6,209,028	6,590,204	7,273,581
2014								3,805,887	4,831,946	5,461,610
2015									5,011,874	6,390,498
2016										4,079,032
Total	<u>\$ 3,817,415</u>	<u>\$ 7,717,525</u>	<u>\$13,533,572</u>	<u>\$19,403,222</u>	<u>\$24,781,899</u>	<u>\$29,963,945</u>	<u>\$38,415,988</u>	<u>\$43,924,691</u>	<u>\$50,225,520</u>	<u>\$56,961,783</u>

Incremental Losses Reported During the Year Ended

CLAIM YEAR	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
2007	\$ 3,817,415	\$ 150,739	\$ 105,184	\$ 297,873	\$ 158,590	\$ (177,286)	\$ (33,565)	\$ (4,761)	\$ (933)	\$ (1,727)
2008		3,749,371	1,435,204	790,404	182,668	(193,968)	(29,339)	(24,064)	(12,052)	3,138
2009			4,275,659	1,017,499	759,767	373,542	467,216	(11,938)	(441,173)	794
2010				3,763,875	609,777	247,919	705,099	(186,902)	69,345	53,102
2011					3,667,876	1,134,479	656,498	354,642	102,631	(887)
2012						3,797,359	1,565,570	487,374	163,901	(88,855)
2013							5,120,564	1,088,464	381,176	683,377
2014								3,805,887	1,026,059	629,663
2015									5,011,874	1,378,625
2016										4,079,032
Total	<u>\$ 3,817,415</u>	<u>\$ 3,900,110</u>	<u>\$ 5,816,047</u>	<u>\$ 5,869,650</u>	<u>\$ 5,378,677</u>	<u>\$ 5,182,047</u>	<u>\$ 8,452,043</u>	<u>\$ 5,508,703</u>	<u>\$ 6,300,829</u>	<u>\$ 6,736,263</u>

State of Maryland Demographic and Economic Statistics:

	2016	2015
Population (1)	6,246,657	6,006,401
Approximate quarterly personal income (2)	\$ 317,527	\$ 311,301
Unemployment rate (3)	4.30%	5.10%
Land area – 12,406 square miles		

(1) U.S. Census Bureau, as of July 1, 2015. 2016 number estimates 4% increase.

(2) Maryland Department of Planning, Maryland Data Center. Per capita personal income is total person income divided by total quarterly population estimates. 2015 data is as of 4th quarter 2015. 2016 data not yet available. The 2016 number is an estimate based on 2% increase per the Bureau of Labor Statistics.

(3) U.S. Department of Labor, Bureau of Labor Statistics, as of June 30, 2016 and 2015, respectively.

Ten Largest Employers State of Maryland (1):

Fort George G. Meade	53,730	Military installation/intelligence
University System of Maryland	38,490	Higher education
Johns Hopkins University	30,910	Higher education
University of Maryland Medical System	23,450	Hospitals; health services
Aberdeen Proving Ground	22,800	Military Installation
National Institutes of Health	17,660	Federal Agency
Joint Base Andrews Naval Air Facility	17,500	Military Installation
Walmart	15,500	Consumer goods
U.S. Social Security Administration	14,350	Federal Agency
U.S. Food and Drug Administration	14,260	Federal Agency

(1) Source: Maryland Department of Business and Economic Development, 2015. 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, 2016 and
June 30, 2015*

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