



*Our Mission Is Serving
Maryland Local Governments*

Comprehensive Annual Financial Report

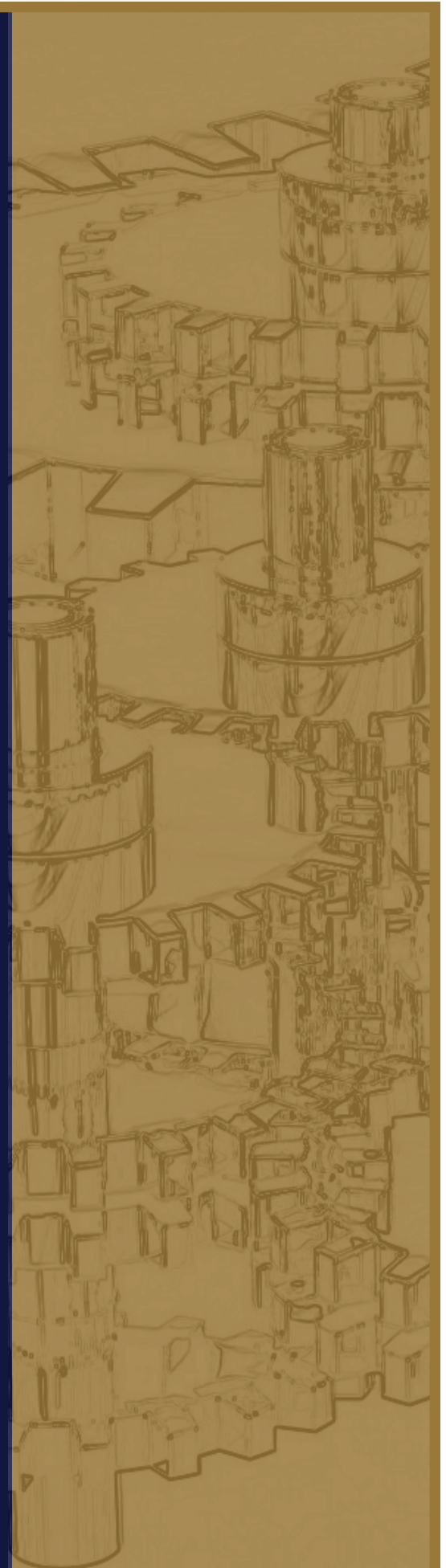
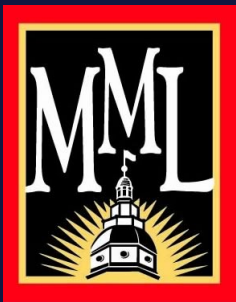
*for the fiscal years ended
June 30, 2018 and
June 30, 2017*





Local Government Insurance Trust
7225 Parkway Drive
Hanover, Maryland 21076
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www.lgit.org

FOUNDING ORGANIZATIONS



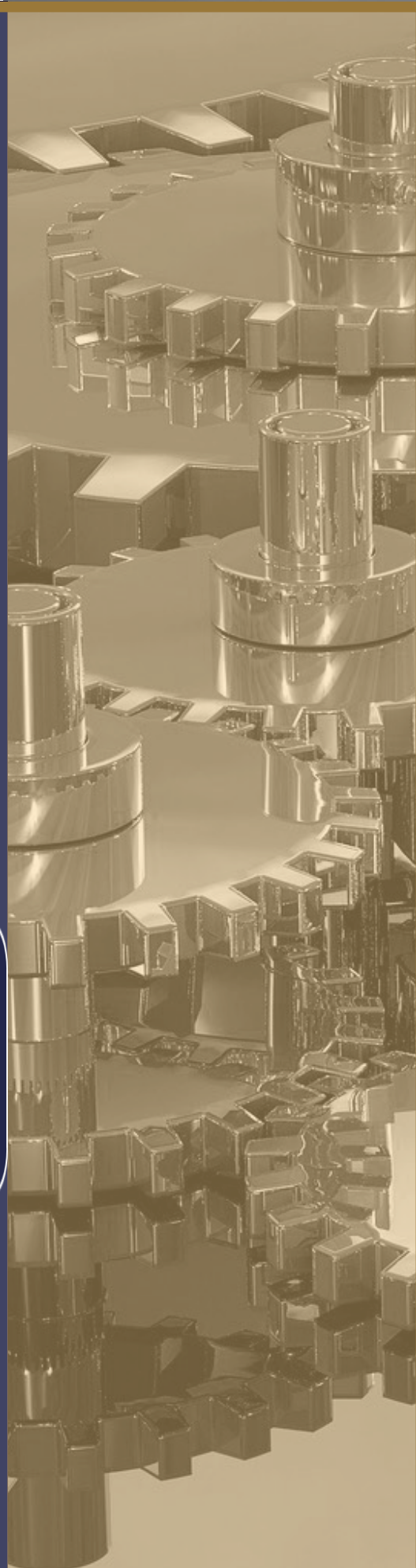


*Our Mission Is Serving
Maryland Local Governments*

Comprehensive Annual Financial Report

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

*for the fiscal years ended
June 30, 2018 and
June 30, 2017*



A large, 3D-rendered silver gear is positioned in the center of the page, overlapping the text box and extending towards the top and bottom edges. The gear has a metallic texture and is set against a dark blue background.

*The Comprehensive Annual Financial Report
of the Local Government Insurance Trust
for the fiscal years ended June 30, 2018 and June 30, 2017
is hereby respectfully submitted.*



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Letter from the Chair

Your Trust in FY 2018



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 2018, the Trust retained all but one of its member municipalities and all its member counties from the previous year and welcomed three new sponsored entities. In fiscal year 2018, Trust membership includes 17 counties, 143 municipalities, 22 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 2018, the Trust provided 62 training and educational opportunities across the state, which were attended by 1,473 local government officials and employees.

In 2018, 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 School of Public Policy at the University of Maryland, to conduct the Academy for Excellence in Local Governance.

From a financial standpoint, for fiscal year 2018, the Trust reports an overall increase in net position of approximately \$677,000 and this is after \$2,947,000 was returned to LGIT members in the form of premium credits. The premium credits were granted as follows: \$2,259,000 was returned to the members of the Primary Liability Pool (PLP), \$262,000 to the members of the Property Pool and \$426,000 to members of the Excess Pool. We also anticipate returning an additional \$3,000,000 of credits in the coming fiscal year 2019. Overall, the Trust continues to maintain a very healthy reserve and is in excellent financial condition with a net position over \$51,000,000. 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

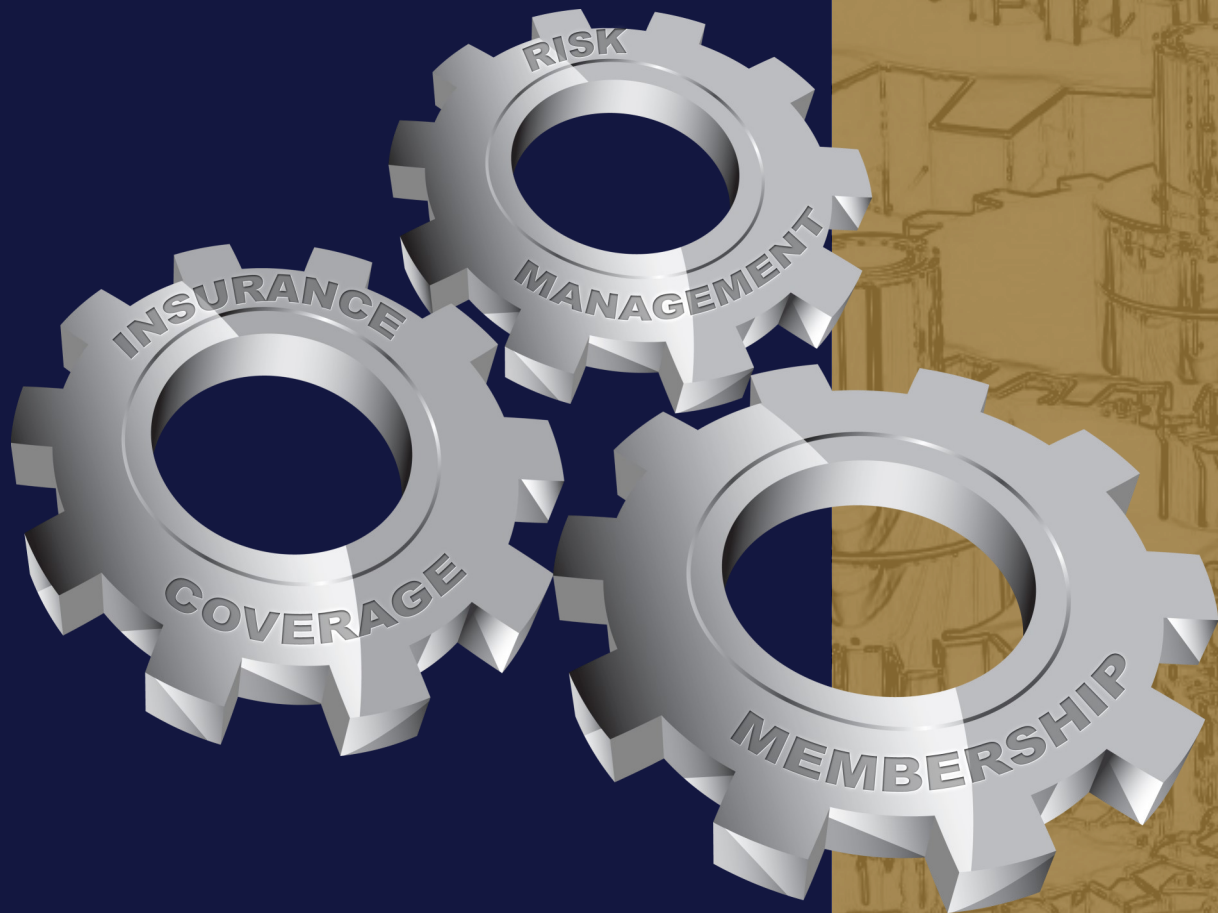
Transmittal Letter

Certificate of Achievement
for Excellence in Financial
Reporting

Membership
Board of Trustees

LGIT Staff

LGIT Organizational Chart





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October 17, 2018

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, 2018 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 2017 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, 2018, 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 2018, Trust participants continues to grow with the addition of three new sponsored entities and 100% retention of counties and 99% retention of municipalities from fiscal year 2017. In fiscal year 2018, the Trust welcomed Calvert Library, Ride With Us Inc, and Ruth Enlow Library of Garrett County.

The current economic indicators point to a relatively stable property & liability insurance market for the remainder of calendar year 2018 and even possibly for the entire fiscal year of 2019. The recent reinsurance renewal rates for the Property pool increased by 4.8% while the renewal rates for both the Equipment Breakdown and Excess pool remained flat. The fiscal year 2018 surplus for the Excess pool is large enough to support the reinsurance premium at the \$1,000,000 layer in coverage at no charge to members in fiscal.

MAJOR INITIATIVES

For the Year

The following highlights some of the Trust's major accomplishments during fiscal year 2018:

- ❑ **INFORMATION TECHNOLOGY** – During Fiscal Year 2018, several Member Portal enhancements were implemented to improve work-flow processes. First, was the Analysis Dashboard, which provides members with the ability to filter and export real-time premium and loss analytic data for premium drivers, natures of loss, causes of loss, cause and effect, and sources of loss. The dashboard also allows members to filter and download loss run reports in real-time.

Secondly, when a member requests a certificate of insurance, a 5-step wizard opens providing templated data entry fields for certificate holder, type of certificate, product, exposure, and the ability to upload supporting documentation. To process the request, the underwriter simply reviews, applies, issues and automatically emails the certificate to the parties the member listed to receive a copy.

Lastly, members were given the ability to self-manage their issued certificates of insurance. Issued certificates are stored, searchable, viewable, printable, and downloadable from the Issued Certificates section. Members can now review and discard certificates that are no longer valid by turning off automatic renewal. Certificates can also be marked to automatically renew for another year.

- ❑ **TRAINING** – Training continues to be a primary focus of our risk management efforts. In Fiscal Year 2018, the Trust provided 56 training and educational opportunities across the state attended by 1,427 local government officials and employees. The most requested types of training include Defensive Driving, Certified Flagger training for public works employees, Supervisory training, Reasonable Suspicion for drug and alcohol abuse in the workplace, Cyber Loss Prevention Training and Informational sessions on the new Maryland Healthy Family Leave Act provided by the MD Department of Licensing, Labor and Regulation. The Legal Department conducts Workplace Harassment seminars throughout the State. In addition to the Trust's traditional training, the LGIT Online Campus saw member employees take 2,361 individual classes via the Internet.
- ❑ **LOSS CONTROL CREDIT SURVEY** – As part of a larger plan to return surplus from the PLP, the intent of this credit is to reward those members who have engaged in exceptional loss control activities. Funding of \$250,000 was allocated to this effort in Fiscal Year 2018. 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 2018, for the tenth 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.

- ❑ **MEMBERSHIP CREDITS** – As part of a larger plan to return surplus from the PLP, the intent of this credit is to reward all pool members with a general membership credit for participation in the PLP. The total available funding for this credit is \$500,000 and is distributed across the membership in relation to individual premiums paid. A second membership credit rewards all pool members based on membership longevity. The total available funding for this credit is \$500,000.
- ❑ **PROPERTY CREDIT** – All members of the Property pool who carry a \$10,000 deductible for machinery and equipment claims will receive the coverage at no cost and is given back in the form of a credit on their annual premium invoices.
- ❑ **LAW ENFORCEMENT LOSS CONTROL CONSULTANT** – A Law Enforcement Loss Control Consultant joined the staff of the Trust in December 2017 to work with our law enforcement community. His primary role is providing a resource to help our municipal and county law enforcement agencies in their risk management efforts. The new consultant came to the Trust very well regarded as a retired Major in the Prince George's County Police Department and the former Executive Director of the Maryland Corrections Police Training Commissions.
- ❑ **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 procedures and staff training.
- ❑ **LAW ENFORCEMENT BODY CAMERA GRANT PROGRAM** – The Board of Trustees approved a special equipment grant with total available funding of \$75,000 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.
- ❑ **LAW ENFORCEMENT MEMORIAL GRANT PROGRAM** – The Board of Trustees approved a special law enforcement memorial grant with total available funding of \$5,000 to provide training for one police recruit who is employed by a Trust member law enforcement agency. Grant funds are awarded to one local government member and may be used to send the designated individual to a state approved police academy training facility.
- ❑ **LEGAL SERVICES** – The legal staff carries an average of 65-75 open assignments per month, approximately 80% of which are pending lawsuits, with the remainder being administrative charges of employment discrimination. Over the past year, legal staff achieved numerous successful outcomes in both jury and bench trials, and achieved even more favorable results through motions and settlements. Staff expanded to four in-house attorneys effective July 1. Staff continued to publish the Roll Call Reporter and Commander's Log, and presented "Unlawful Harassment in the Workplace" to numerous members throughout the State. Staff also published a stand-alone paper titled "When Police Officers Are Sued In Maryland." Finally, staff worked closely with MML and MACo in working to defeat proposed attorney's fees legislation.
- ❑ **HEALTH COOPERATIVE** – The Health Cooperative, consisting of 24 LGIT members, completed its ninth year as of June 30, 2018. In February, the Coop returned \$2,350,850 in surplus funds to its members with good claim experience in plan year 2017. The surplus numbers for plan year 2018 should be finalized by the end of calendar year 2018.

For the Future

In Fiscal Year 2019, Synergistic Solutions Technology (SST), in support of LGIT's claims department's effort to go paperless, plans to provide the ability for claims staff to forward emails and store the content and attachments directly to the claim system files. This enhancement will save time for claims staff having to copy and paste email content and download then upload email attachments sent by members to the claims system. Additionally, SST will provide claims management with a claims performance metrics dashboard.

The Legal staff in Fiscal Year 2019 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 2019 per pool are an increase of approximately 3.1 % for the Primary Liability Pool, 1.7% decrease for the Property Pool and 14% decrease 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, 2018 and 2017 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, 2017. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. FY2017 marks the 18th year in a row that the Trust has received this significant award.

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

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

Respectfully submitted,



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, 2017

Christopher P. Morill

Executive Director/CEO

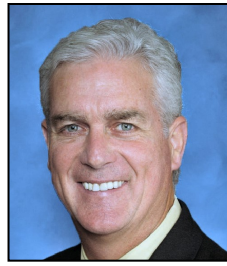
Fiscal Year 2018 Membership

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

Fiscal Year 2018 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 Gant
*Mayor,
Town of Edmonston*



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



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



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



Don B. Satterfield
*Councilman,
Dorchester County*



Tony Tomasello
*City Manager,
City of Gaithersburg*

Fiscal Year 2018 Management and Staff

Executive



Timothy S. Ailsworth
Executive Director



Sandy Tedrow
Office Manager

Finance and Information Technology Services



J. Earle Beyer
Director



Betty Breads
Controller



Michael Becker
Systems Engineer



Sheryl Browning
Applications Systems Analyst

Underwriting Services



Scott Soderstrom
Director



Ellen Nudd
Underwriter



Michelle Yanonne
Staff Associate



Michele Keplinger
*Communications
and Member
Services Manager*

Field Services



Larry Bohlen
Director



Vance Petrella
*Loss Control
Manager*



Jeff Perkins
*Loss Control
Consultant*



Everett Sesker
*Law Enforcement
Consultant*

Fiscal Year 2018 Management and Staff

Claims Services



J. Steven Lee
Interim Director



Elisabeth Beekman
Manager/Litigation Analyst



Elizabeth Martinez
Litigation Analyst



Dorie Schwartz
*Senior Claims Analyst /
Property Claims Manager*



Clyde Bessicks
Claims Analyst



Tia Bowman
Claims Analyst



Hollis Henry
Claims Analyst



Dalas Salters
Claims Analyst



Charise Henderson
Claims Staff Associate



Laura Swaggerty
Claims Staff Associate



Sherri Butler
Director (retired 1/18)

Legal Services



John F. Breads, Jr.
Director



Christine Altemus
Senior Attorney



Matthew Peter
Senior Attorney

Human Resources and Administrative Services



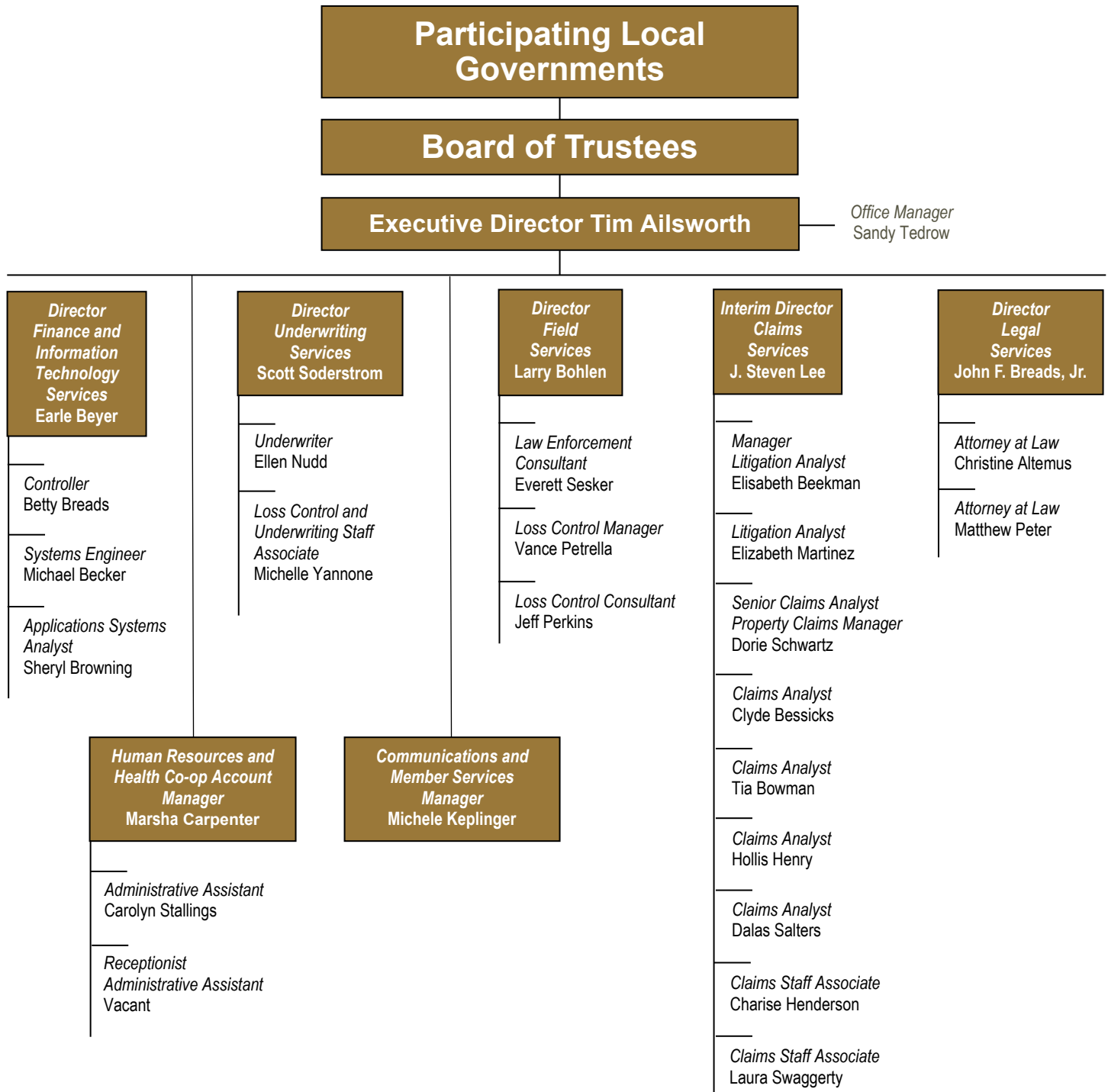
Marsha Carpenter
HR/Health Co-Op Account Manager



Carolyn Stallings
Administrative Assistant

Vacant
Receptionist/Administrative Assistant

Fiscal Year 2018 Organizational Chart





Financial Section

**Independent Auditor's
Report**

**Management's Discussion
and Analysis**

Statements of Net Position

**Statements of Revenues,
Expenses and Changes in
Net Position**

Statements of Cash Flows

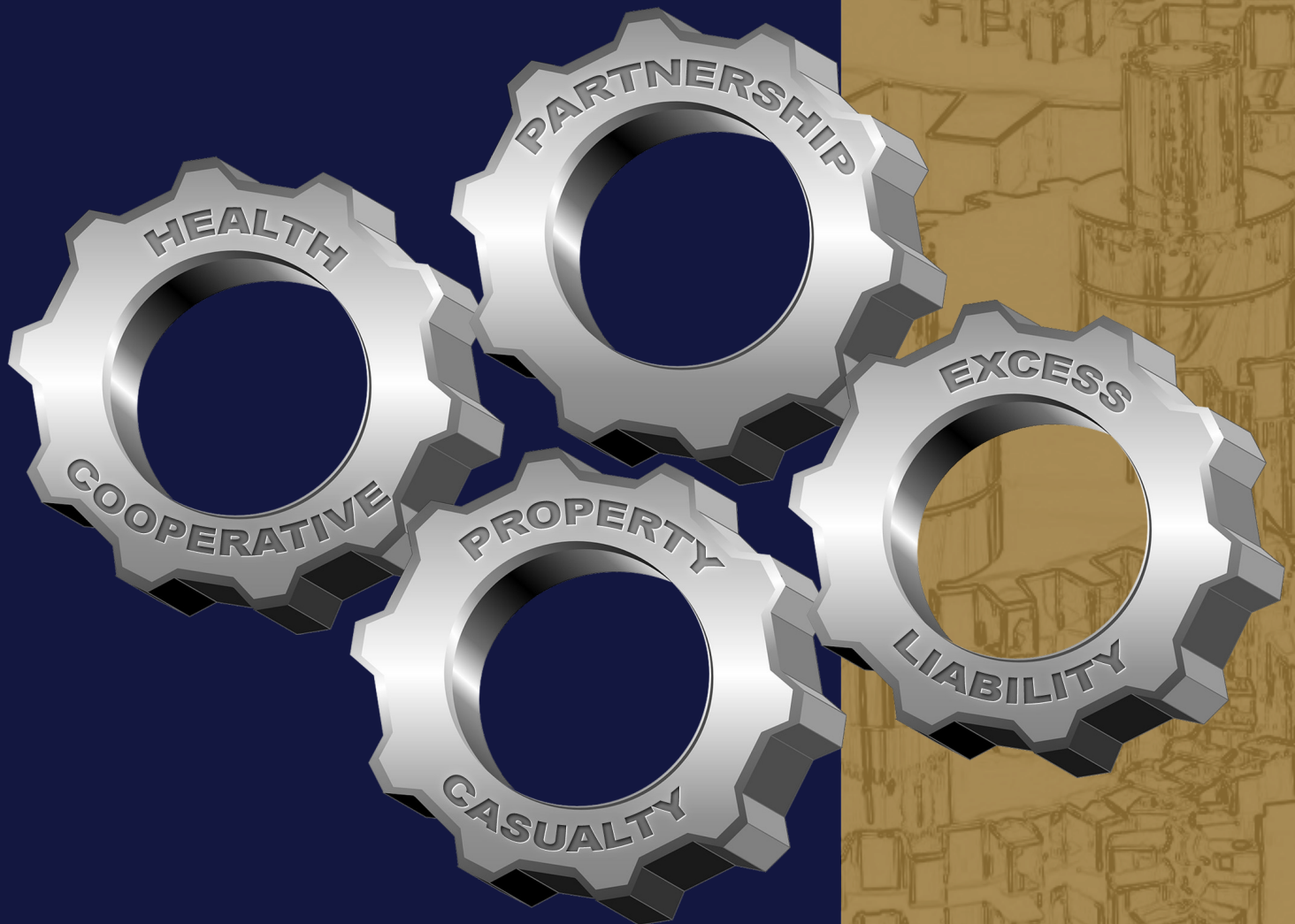
**Notes to Financial
Statements**

**Explanation of Required
Supplementary
Information**

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

**Claims Development
Information**

**Supplementary Combining
Schedules**



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, 2018 and 2017, 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, 2018 and 2017, 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 37 through 39 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 as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary combining schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The letter from the Chair, introductory section, and statistical tables listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



CliftonLarsonAllen LLP

Baltimore, Maryland
October 17, 2018



Local Government Insurance Trust

Management's Discussion and Analysis

Years Ended June 30, 2018 and 2017

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, 2018 and 2017. 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, 2018, 2017 and 2016, respectively.

Summary of Net Position

	2018	2017	2016
ASSETS			
Current assets	\$ 37,606,518	\$ 42,658,941	\$ 36,349,542
Capital assets	3,268,509	3,283,867	3,394,134
Other noncurrent assets	29,528,497	21,272,915	21,011,093
Total Assets	70,403,524	67,215,723	60,754,769
LIABILITIES			
Current liabilities	9,759,488	8,064,145	5,717,704
Noncurrent liabilities	9,329,524	8,514,143	8,622,849
Total Liabilities	19,089,012	16,578,288	14,340,553
NET POSITION			
Net Investment in capital assets	3,268,509	3,283,867	3,394,134
Unrestricted	48,046,003	47,353,568	43,020,082
TOTAL NET POSITION	\$ 51,314,512	\$ 50,637,435	\$ 46,414,216

Total Assets

Total assets increased by approximately \$3,188,000 between June 30, 2017 and 2018 primarily due to positive change in Net Position of approximately \$3,287,000 driven by investment income plus an increase in Health Cooperative cash of approximately \$1,637,000 as member deposits exceeded member payments for fiscal year 2018.

Total assets increased by approximately \$6,461,000 between June 30, 2016 and 2017 primarily due to positive change in Net Position of approximately \$4,223,000 driven by investment income plus an increase in Health Cooperative cash of approximately \$2,089,000 as member deposits exceeded member payments for fiscal year 2017.

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 increased approximately \$967,000 from year end 2017 primarily involving law enforcement. The liability also grew in fiscal year 2017 by approximately \$333,000.

The balance of the health plan cooperative payable increased by \$1,637,000 due to member deposits exceeding member payouts in fiscal year 2018.

The balance of the health plan cooperative payable increased by \$1,883,000 due to member deposits exceeding member payouts in fiscal year 2017.

The following table summarizes the change in net assets for fiscal years ended June 30, 2018, 2017 and 2016, respectively.

Summary of Revenues, Expenses and Changes in Net Position

	2018	2017	2016
Operating revenues	\$ 12,468,504	\$ 12,441,357	\$ 11,581,624
Operating expenses	15,078,002	12,451,702	12,159,787
Operating loss	(2,609,498)	(10,345)	(578,163)
Nonoperating income (loss)	3,286,575	4,233,564	(147,823)
Change in net position	677,077	4,223,219	(725,986)
Net position, beginning of year	50,637,435	46,414,216	47,140,202
Net position end of year	\$ 51,314,512	\$ 50,637,435	\$ 46,414,216

Results of operations

Revenues

Total operating revenues remained for fiscal year 2018 relatively unchanged from fiscal year 2017.

Total operating revenues increased by approximately \$860,000 for fiscal year 2017 compared to fiscal year 2016 primarily caused by higher earned premiums for the liability and property pools.

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 \$1,959,000 in fiscal year 2018 compared to fiscal year 2017 primarily driven by higher PLP claims involving the general liability coverages.

The total operating expenses increased by approximately \$292,000 in fiscal year 2017 compared to fiscal year 2016 primarily due to higher incurred claims and claim adjustment expenses coupled with higher general and administrative 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.

Nonoperating Revenue

Investment income was approximately \$947,000 lower in fiscal year 2018 compared to 2017. This was due to the very strong markets during fiscal year 2017 along with the rising interest rate environment during fiscal year 2017 which eroded the values of fixed income investments. There was also a change in investment policy with a smaller commitment to equity and alternative strategies.

Investment income was approximately \$4,382,000 higher in fiscal year 2017 compared to 2016 which is the difference between a net growth of the investment portfolio in fiscal year 2017 versus a net loss for fiscal year 2016. This change in performance is essentially investment market driven. 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 2018, 2017 and 2016 are summarized by investment type as follows. The portfolio returns for fiscal year 2018 are not available due to the change in investment advisors and change in portfolio investment makeup. The information will be available in the coming fiscal years. These returns do not include any return or loss on the Trust's deposit with the reinsurance pool.

	2018	2017	2016
Fixed income portfolio	N/A	1.44%	4.03%
Equity portfolio	N/A	14.32%	-2.91%
Alternative strategies	N/A	4.83%	-5.65%
Total LGIT investments	4.43%	7.07%	-1.75%

As of June 30, 2018, the Trust's portfolio allocations were 49% fixed, 44% equity, 0% alternatives and 7% real return tactical. As of June 30, 2017, the Trust's portfolio allocations were 47% fixed income, 41% equity and 12% 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, 2018 and 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents (note 3)	\$ 1,320,418	\$ 1,043,788
Investments (note 4)	34,836,159	40,807,847
Premiums receivable	64,602	41,528
Interest income receivable	204,208	97,882
Reinsurance receivable (note 8)	965,721	337,804
Other	215,410	330,092
Total current assets	37,606,518	42,658,941
Noncurrent assets:		
Investments (note 4)	21,856,400	13,881,551
Capital assets (note 5)	3,268,509	3,283,867
Deposit with reinsurance pool (note 8)	7,672,097	7,391,364
Total noncurrent assets	32,797,006	24,556,782
Total assets	70,403,524	67,215,723
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	36,764	33,677
Unpaid claims and claim adjustment expenses (note 6)	5,470,072	5,359,055
Health plan cooperative payable	3,520,344	1,882,556
Rate stabilization fund (note 7)	541,804	582,550
Other	190,504	206,307
Total current liabilities	9,759,488	8,064,145
Noncurrent liabilities:		
Unpaid claims and claim adjustment expenses (note 6)	8,786,080	7,929,953
Capitalization contributions	1,640	1,640
Rate stabilization fund (note 7)	541,804	582,550
Total noncurrent liabilities	9,329,524	8,514,143
Total liabilities	19,089,012	16,578,288
NET POSITION		
Net investment in capital assets	3,268,509	3,283,867
Unrestricted	48,046,003	47,353,568
Total net position	\$ 51,314,512	\$ 50,637,435

See accompanying notes to the financial statements.



Local Government Insurance Trust
Statements of Revenues, Expenses and Changes in Net Position
 Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Gross premiums earned	\$ 19,628,413	\$ 19,613,355
Less: Premium credits	(2,947,572)	(3,008,046)
Ceded premiums	(4,355,756)	(4,332,646)
Net premiums earned	12,325,085	12,272,663
Other revenues	143,419	168,694
Total operating revenues	<u>12,468,504</u>	<u>12,441,357</u>
Operating Expenses		
Claims and claim adjustment expenses incurred (note 6)		
Paid, net of recoveries	8,723,391	6,764,049
Change in liability for unpaid claims and adjustment expenses	967,145	333,371
General and administrative expenses	5,229,457	5,216,729
Depreciation expense	158,009	137,553
Total operating expenses	<u>15,078,002</u>	<u>12,451,702</u>
Operating loss	<u>(2,609,498)</u>	<u>(10,345)</u>
Nonoperating Revenues (Expenses)		
Investment (loss)	<u>3,286,575</u>	<u>4,233,564</u>
Change in net position	677,077	4,223,219
Net position, beginning of year	<u>50,637,435</u>	<u>46,414,216</u>
Net position, end of year	<u>\$ 51,314,512</u>	<u>\$ 50,637,435</u>

See accompanying notes to the financial statements.



Local Government Insurance Trust

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Premiums collected	\$ 16,576,294	\$ 16,573,995
Other revenue collected	143,419	168,695
Recoveries of claims paid	1,235,935	1,770,482
Ceded premiums paid	(4,355,756)	(4,332,646)
Claims and claim adjustment expenses paid	(10,584,166)	(8,543,879)
General and administrative expenses paid	(5,130,667)	(5,204,725)
Net cash provided by (used in) operating activities	<u>(2,114,941)</u>	<u>431,922</u>
Cash flows from noncapital financing activities:		
Member deposits	25,205,752	21,991,524
Health Cooperative payments	(23,567,964)	(19,902,035)
Net cash provided by noncapital financing activities	<u>1,637,788</u>	<u>2,089,489</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(142,651)	(27,286)
Net cash (used) in capital and related financing activities	<u>(142,651)</u>	<u>(27,286)</u>
Cash flows from investing activities:		
Purchase of investments	(88,650,278)	(26,520,232)
Proceeds from maturities of investments	85,185,672	21,787,185
Investment income received	4,361,040	1,257,820
Net cash provided (used in) by investing activities	<u>896,434</u>	<u>(3,475,227)</u>
Net change in cash and cash equivalents	276,630	(981,102)
Cash and cash equivalents, beginning of year	<u>1,043,788</u>	<u>2,024,890</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,320,418</u></u>	<u><u>\$ 1,043,788</u></u>
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating loss	\$ (2,609,597)	\$ (10,345)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation expense	158,009	137,553
Loss on disposal of assets	-	-
Effects of changes in operating assets and liabilities:		
Premiums receivable	(23,074)	(30,886)
Reinsurance receivable	(627,916)	(27,780)
Deposit with reinsurance pool	-	-
Other assets	114,682	8,202
Accounts payable and accrued expenses	3,087	(13,758)
Unpaid claims and claim adjustment expenses	967,143	333,372
Other liabilities	(97,275)	35,564
Total adjustments	<u>494,656</u>	<u>442,267</u>
Net cash provided by (used in) operating activities	<u><u>\$ (2,114,941)</u></u>	<u><u>\$ 431,922</u></u>
Noncash investing, capital and financing activities:		
Net unrealized gain (loss) in fair value of investments included in investment income	<u><u>\$ 232,588</u></u>	<u><u>\$ 2,236,079</u></u>

See accompanying notes to the financial statements.

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Local Government Insurance Trust

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

■ 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, 2017, the currently active pools are the following: the Primary Liability Pool (175 participants), the Property Pool (156 participants), and the Excess Liability Pool (179 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.

Fair value of certain investments that do not have a readily determinable fair value is established using net asset value (or its equivalent) as a practical expedient. These investments are not categorized according to the fair value 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, 2018 and 2017.

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, 2018 and 2017.

Capital Assets

All capital assets are carried at cost, net of accumulated depreciation. 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 April 2018, the GASB issued Statement No. 88. Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, which is effective for fiscal years beginning after June 15, 2018. The objective of the Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt.

In June 2018, the GASB issued Statement No. 89. Accounting for Interest Cost Incurred before the End of a Construction Period, which is effective for fiscal years beginning after December 15, 2019. The objectives of the Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for certain interest costs.

In August 2018, the GASB issued Statement No. 90. Majority Equity Interests (an amendment of GASB Statements No. 14 and No. 61), which is effective for fiscal years beginning after December 15, 2018. The primary objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interest in legally separate organization and to improve the relevance of financial statement information for certain component units.

The Trust has determined that Statements No. 88, 89 and 90 will not have a significant impact 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. Bank balances exceeded the \$250,000 FDIC coverage amount by \$1,362,557, and \$0 as of June 30, 2018 and 2017, respectively. Any Deposits throughout the fiscal year in excess of the FDIC specified limits were 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 \$2,022,092 and \$1,334,985 of June 30, 2018 and 2017, respectively.

Cash and cash equivalents consisted of the following as of June 30, 2018 and 2017:

	2018	Percentage of portfolio	2017	Percentage of portfolio
Cash	\$ 910,883	22.1%	\$ (220,679)	22.1%
Maryland Local Government Pool Investment Pool (MLGIP)	132,575	6.4%	130,929	6.4%
Money Market Mutual Funds	276,960	71.5%	1,133,528	71.5%
Total Cash and Equivalents	\$ 1,320,418	100.0%	\$ 1,043,778	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, 2018		
Less Than 1 Year	\$ 132,575	\$ 589,977
Total	\$ 132,575	\$ 589,977
June 30, 2017		
Less Than 1 Year	\$ 130,929	\$ 1,133,528
Total	\$ 130,929	\$ 1,133,528

■ NOTE 4 — Investments

The Trust’s investments are held in externally managed portfolios. There are no legal restrictions on the Trust’s investments.

The Trust’s investments are managed under the guidelines of a Board approved investment policy. This policy was amended in August 2017. In accordance with the policy, permitted investments were not changed during fiscal year 2018 by the amendment and remain the same as enforced during fiscal year 2017. 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 short-term operating cash stipulates 100% cash equivalents.

With the change in policy during fiscal year 2018, Board of Trustees has established a strategic capital allocation approach based on Trust financial projections, risk tolerance, and the desire for surplus growth. Strategically, the Trust's liabilities plus 25% of Net Position will be invested in a Reserve portfolio. The Reserve portfolio consists of a combination of high quality fixed income and cost-efficient equity exposure, with the objective of supporting liabilities. The remaining 75% of net position will be invested in an Equity Enhancement portfolio, which consists of equities, opportunistic fixed income, and other growth-oriented strategies. The objective of the portfolio is capital appreciation and long-term growth of the Trust Net Position. After fiscal year end, the portfolio will be rebalanced, if necessary, to comply with the investment policy.

During Fiscal Year 2018, the Board of Trustees established the following asset allocation targets based on the Trust's financial projections, liquidity needs, and risk tolerance.

Reserve Portfolio:

	Minimum	Maximum
US Equity	0%	15%
US Dividend Equity	0%	15%
Non-US Equity	0%	10%
Fixed Income – Intermediate	70%	100%
Cash Equivalents	0%	20%

Equity Enhancement Portfolio:

	Minimum	Maximum
US Large Cap Equity	30%	90%
US Small Cap Equity	10%	30%
Global Equity	20%	40%
Absolute Return/Alternatives	5%	25%
Fixed Income	5%	25%
Cash Equivalents	0%	20%

For Fiscal Year 2017, It was the policy of the Board of Trustees to invest the funds not needed for current operations to a 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%

As of June 30, 2018:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2018
Investments by fair value level:				
Equity				
US Equity	\$ 19,151,022	\$ -	\$ -	\$ 19,151,022
Non-US Equity	4,591,735	-	-	4,591,735
Fixed Income				
US Government Agencies	-	9,546,475	-	9,546,475
Asset Backed	-	12,733,418	-	12,733,418
Corporate	-	7,309,931	-	7,309,931
Investment carried at the Net Asset Value (NAV):	\$ 23,742,757	\$ 29,589,824	\$ -	\$ 53,332,581
Common Collective Trusts	-	-	-	3,359,978
Total investments, at fair value	\$ 23,742,757	\$ 29,589,824	\$ -	\$ 56,692,559

The Trust invests in one collective trust fund which consists of one investment, the objective is to achieve favorable income-oriented returns from a globally diversified portfolio of primarily debt or debtlike securities and the preservation and enhancement of principal. This investment is valued at net asset value (NAV) of units of the commingled trust. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investment held by the fund less its liabilities. The valuation method of investments measured at the net asset value per share (or its equivalent) is presented on the following table:

Investment	NAV	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Colchester Global Bond Fund	\$ 3,359,978	-	Bimonthly	5 Days

The changes in values for all investments are included in investment income. The net unrealized change in value of the investments included in investment income was a net depreciation of \$232,588 and net appreciation of \$2,236,079 for the years ended June 30, 2018 and 2017, respectively.

As of June 30, 2017:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2017
Investments by fair value level				
Equity				
US Equity	\$ 14,310,280	\$ -	\$ -	\$ 14,310,280
Non-US Equity	8,005,323	-	-	8,005,323
Fixed Income				
US Government Securities	-	4,921,191	-	4,921,191
US Government Agencies	-	1,853,195	-	1,853,195
Asset Backed	-	913,667	-	913,667
Corporate	-	7,240,965	-	7,240,965
Municipals	174,053	-	-	174,053
Mutual Funds and ETFs	10,797,002	-	-	10,797,002
Non-Traditional				
Liquid Alternatives	6,473,722	-	-	6,473,722
Total investments, at fair value	\$ 39,760,380	\$ 14,929,018	\$ -	\$ 54,689,398

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 that are required to be reported with the exception for the Colchester Global fund which has a balance of \$3,359,978 as of June 30, 2018.

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 \$57,102,097 and \$56,051,737 as of June 30, 2018 and 2017, 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 2018 and 2017 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	Corporate & Foreign Bonds	
June 30, 2018			
AAA	\$ 9,546,475	\$ 105,566	
AA	-	518,396	
A	-	4,219,079	
BBB	-	7,889,394	
BB	-	983	
Total	\$ 9,546,475	\$ 12,733,418	

	U.S. Government Agencies Instrumentalities	Asset Backed and Corporate Bonds	Municipal Bonds
June 30, 2017			
AAA	\$ 6,774,386	\$ 961,628	\$ 44,888
AA	-	1,346,616	104,228
A	-	2,956,896	24,937
BBB	-	2,536,605	-
Not Rated	-	-	-
Not Investment Grade	-	353,887	-
Total	\$ 6,774,386	\$ 8,154,632	\$ 174,053

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 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 (4.08 and 4.08 years as of June 30, 2018 and 2017.) 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 Agencies	Corporate and Foreign Bonds		
June 30, 2018				
Less Than 1 Year	\$ 1,493	\$ 422,000		
1 to 5 Years	7,470,300	8,684,946		
6 to 10 Years	2,054,101	3,343,939		
Over 10 Years	20,581	282,533		
Total	\$ 9,546,475	\$ 12,733,418		

	U.S. Government Securities	U.S. Government Agencies	Corporate Bonds/Asset Backed	Municipal Bonds
June 30, 2017				
Less Than 1 Year	\$ 255,568	\$ 146,028	\$ 819,925	\$ -
1 to 5 Years	2,024,103	309,335	4,650,698	138,515
6 to 10 Years	2,629,195	210,436	2,368,565	35,537
Over 10 Years	12,325	1,187,396	315,444	-
Total	\$ 4,921,191	\$ 1,853,195	\$ 8,154,632	\$ 174,053

The Trust invests in loan-backed securities which totaled \$38,578 and \$2,766,862 as of June 30, 2018 and 2017, respectively. U.S. Government Agency Securities reported above include \$38,578 and \$1,853,195 of loan-backed securities as of June 30, 2018 and 2017, respectively. Corporate securities reported above included \$913,667 of loan-backed securities as of June 30, 2017. Loan-backed securities are based on cash flows from the underlying assets, therefore making them sensitive to prepayments that may result from a decline in interest rates. The Trust's investment policy limits the amount invested in loan-backed securities to no more than 50% of the fixed income portfolio

Foreign Currency Risk:

Foreign currency risk is the risk that changes in the exchange rate of investments will adversely affect the fair value of an investment. The Trust's exposure to foreign currency risk derives from its positions in American Depositary Receipts (ADR) of foreign common stocks. ADRs are paper securities issued by U.S. banks that evidence the ownership of actual shares of foreign stocks held in the bank's foreign branches or with a foreign correspondent on behalf of the ADR holder. The Trust had no holdings of ADRs as of June 30, 2018 and 2017, respectively. The Trust has no formal policy concerning foreign currency risk.

■ NOTE 5 — Change in Capital Assets

	Beginning Balance	Additions and Transfers	Deletions and Transfers	Ending Balance
2018				
Capital assets – not depreciated:				
Land	\$ 252,408	\$ -	\$ -	\$ 252,408
Total capital assets not depreciated	252,408	-	-	252,408
Capital assets being depreciated:				
Building	3,947,564	-	-	3,947,564
EDP	1,392,519	59,950	(3,821)	1,456,290
Furniture & Equipment	259,327	82,701	-	342,028
Total capital assets - depreciated	5,599,410	142,651	(3,821)	5,745,882
Total capital assets	5,851,818	142,651	(3,821)	5,998,290
Accumulated Depreciation:				
Building	(978,666)	(98,689)	-	(1,077,355)
EDP	(1,353,156)	(33,604)	3,821	(1,390,581)
Furniture & Equipment	(236,129)	(25,716)	-	(261,845)
Total accumulated depreciation	(2,567,951)	(158,009)	3,821	(2,729,781)
Net Balance – Capital Assets	\$ 3,283,867	\$ (15,358)	\$ -	\$ 3,268,509
	Beginning Balance	Additions and Transfers	Deletions and Transfers	Ending Balance
2017				
Capital assets – not depreciated:				
Land	\$ 252,408	\$ -	\$ -	\$ 252,408
Total capital assets not depreciated	252,408	-	-	252,408
Capital assets being depreciated:				
Building	3,947,564	-	-	3,947,564
EDP	1,383,859	23,286	(14,626)	1,392,519
Furniture & Equipment	257,756	4,000	(2,429)	259,327
Total capital assets - depreciated	5,589,179	27,286	(17,055)	5,599,410
Total capital assets	5,841,587	27,286	(17,055)	5,851,818
Accumulated Depreciation:				
Building	(879,977)	(98,689)	-	(978,666)
EDP	(1,341,138)	(24,943)	12,925	(1,353,156)
Furniture & Equipment	(226,338)	(13,921)	4,130	(236,129)
Total accumulated depreciation	(2,447,453)	(137,553)	17,055	(2,567,951)
Net Balance – Capital Assets	\$ 3,394,134	\$ (110,267)	\$ -	\$ 3,283,867

■ 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:

	2018	2017
Balance at beginning of	\$ 13,289,008	\$ 12,955,636
Incurred related to:		
Current year	8,593,030	9,485,994
Prior years	1,097,505	(2,388,573)
Total incurred	9,690,535	7,097,420
Paid related to:		
Current year	2,961,859	3,183,550
Prior years	5,761,532	3,580,499
Total paid	8,723,391	6,764,049
Balance at end of year	\$ 14,256,152	\$ 13,289,008

Incurred claims and claim adjustment expenses related to prior years increased by approximately \$1,097,508 and decreased by approximately \$2,388,573 in fiscal years 2018 and 2017, 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 2018 and 2017, 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 2018 and 2017 respectively. Rate stabilization credits of \$1,081,492 and \$1,000,000 were applied and shown as an offset to annual premiums on member invoices in fiscal years 2018 and 2017, 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, 2018 and 2017:

	2018	2017
Current	\$ 541,804	\$ 582,550
Noncurrent	\$ 541,804	\$ 582,550
Total	\$ 1,083,608	\$ 1,165,100

■ NOTE 8 — REINSURANCE

The Trust uses reinsurance agreements to reduce its exposure to certain large losses. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Trust as direct insurer of the risks reinsured. The Trust reduces liabilities related to reinsured risks unless it is probable that those risks will not be covered by reinsurers. No allowances were considered necessary as of June 30, 2018 and 2017. 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 \$7,672,097 and \$7,391,364 as of June 30, 2018 and 2017, respectively.

The Trust did not purchase reinsurance for the standard coverages offered in the PLP for the years ended June 30, 2018 and 2017 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 also purchased reinsurance for the Property Pool from Alliant Property Insurance Program 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 \$888,406 and \$4,876 as of June 30, 2018 and 2017, 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, 2018 and 2017, respectively. There were no ceded unearned premiums as of both June 30, 2018 and 2017.

■ 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, 2018. 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 \$438,141 and \$455,527 for the years ended June 30, 2018 and 2017, 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 \$95,932 and \$40,270 for the years ended June 30, 2018 and 2017, respectively. Management fees earned by the Trust totaled \$75,612 and \$73,293 for the years ended June 30, 2018 and 2017, respectively. The Trust was owed \$91,000 for initial funding provided to the Cooperative as of June 30, 2018 and 2017, respectively. Amounts remitted by the Trust from the Cooperative toward medical claims not yet reimbursed by Cooperative members totaled \$1,080,850 and \$1,560,308 as of June 30, 2018 and 2017. Amounts collected by the Trust from Cooperative members, but not yet remitted toward member reimbursements totaled \$4,601,194 and \$3,442,864 and as of June 30, 2018 and 2017, 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.

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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 38 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 39 illustrates how the Trust's earned revenue (net of reinsurance) and investment income compare to related costs of claims (net of losses assumed by reinsurers) and other expenses assumed by the Trust as of the end of each of the past 10 fiscal years. The columns of the table show data for successive policy years. The rows of the table are defined as follows:

Premiums and investment revenue

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

Unallocated expenses

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

Estimated claims and allocated expenses, end of policy year

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

Net paid cumulative as of

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

Reestimated ceded claims and allocated expenses

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

Reestimated net incurred claims and allocated expenses

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

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

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



Local Government Insurance Trust

Required Supplementary Information

Reconciliation of Claims Liabilities and Related Expenses by Pool

Years Ended June 30, 2018 and 2017

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	COMBINED TOTAL
2018				
Balance at beginning of the year	\$ 11,970,057	\$ 1,318,951	\$ -	\$ 13,289,008
Incurred related to:				
Current year	7,486,770	1,106,260	-	8,593,030
Prior year	1,649,883	(552,378)	-	1,097,505
Total incurred	9,136,653	553,882	-	9,690,535
Paid related to:				
Current year	2,437,054	524,805	-	2,961,859
Prior year	5,137,882	623,650	-	5,761,532
Total paid	7,574,936	1,148,455	-	8,723,391
Balance at end of year	\$ 13,531,774	\$ 724,378	\$ -	\$ 14,256,152
	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	COMBINED TOTAL
2017				
Balance at beginning of the year	\$ 12,474,795	\$ 480,841	\$ -	\$ 12,955,636
Incurred related to:				
Current year	7,817,416	1,668,578	-	9,485,994
Prior year	(2,044,814)	(343,759)	-	(2,388,573)
Total incurred	5,772,602	1,324,818	-	7,097,420
Paid related to:				
Current year	2,571,949	611,601	-	3,183,550
Prior year	3,705,392	(124,893)	-	3,580,499
Total paid	6,277,341	486,708	-	6,764,049
Balance at end of year	\$ 11,970,057	\$ 1,318,951	\$ -	\$ 13,289,008

See explanation of required supplementary information on page 37.



Local Government Insurance Trust

Required Supplementary Information

Claims Development Information

Ten Years Ended June 30, 2009 through June 30, 2018

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Premiums and investment revenue:										
Earned,	19,967,515	20,838,873	15,945,449	14,283,844	19,010,252	13,466,254	14,128,339	18,226,498	14,466,938	17,268,023
Ceded	(4,355,756)	(4,332,646)	4,688,248	(4,655,168)	(4,501,768)	(3,811,719)	(3,653,712)	(4,394,806)	(4,446,223)	(4,819,145)
Net earned	15,611,759	16,506,227	20,633,697	9,628,676	14,508,484	9,654,535	10,474,627	13,831,692	10,020,715	12,448,878
Allocated and unallocated expenses	5,387,466	5,354,282	5,193,882	5,077,011	4,965,655	4,777,042	4,636,650	4,580,616	4,412,519	4,301,347
Estimated claims and allocated expenses, end of policy year:										
Incurred	8,617,350	9,754,340	7,754,380	9,596,943	7,638,005	10,295,917	9,269,463	7,121,248	9,930,100	7,801,951
Ceded	24,320	268,346	77,945	927,079	330,666	1,767,668	2,053,432	21,604	2,826,465	302,136
Net incurred	8,593,030	9,485,994	7,676,435	8,669,864	7,307,339	8,528,249	7,216,031	7,099,644	7,103,635	7,499,815
Net paid claims (cumulative) as of:										
End of policy year	2,961,859	3,183,550	2,906,287	2,557,301	2,258,231	2,555,929	2,716,683	2,281,860	2,210,347	2,400,779
One year later		5,022,009	4,181,666	4,404,013	4,129,786	4,901,366	4,315,814	3,713,673	3,542,066	4,494,349
Two years later			5,031,164	5,373,218	4,638,823	5,683,053	5,572,496	4,716,102	4,041,910	5,221,188
Three years later				6,401,864	5,375,413	6,534,676	5,691,120	5,185,596	4,756,403	5,628,783
Four years later					6,418,744	6,955,798	5,819,083	5,623,478	4,997,935	5,881,355
Five years later						7,708,288	5,817,455	5,911,698	5,090,733	6,373,674
Six years later							5,824,343	5,912,077	5,102,234	6,439,766
Seven years later								5,912,077	5,255,385	6,441,367
Eight years later									5,497,345	6,441,117
Nine years later										6,440,867
Reestimated ceded claims and expenses	24,320	268,346	77,945	927,079	330,666	1,767,668	2,053,432	21,604	2,826,465	302,136
Reestimated net incurred claims and allocated expenses:										
End of policy year	8,593,030	9,485,994	7,676,435	8,669,864	7,307,339	8,528,249	7,216,031	7,099,644	7,103,635	7,499,815
One year later		7,153,886	6,989,477	8,912,845	6,452,751	8,387,713	6,887,651	6,648,854	5,777,078	7,171,802
Two years later			8,463,476	7,350,055	6,402,323	7,963,399	6,762,133	6,330,868	5,331,063	7,161,862
Three years later				8,358,628	6,443,443	7,906,884	6,391,869	6,285,650	5,689,365	7,256,167
Four years later					7,248,605	7,679,261	6,053,056	6,153,289	5,252,403	7,420,166
Five years later						7,745,837	5,818,903	5,917,734	5,304,182	7,148,675
Six years later							5,817,212	5,906,671	5,343,803	6,451,123
Seven years later								5,904,978	5,663,713	6,445,136
Eight years later									5,742,150	6,444,886
Nine years later										6,444,636
Decrease in estimated net incurred claims and allocated expenses from end of policy year		(2,332,109)	787,041	(311,236)	(58,734)	(782,412)	(1,398,819)	(1,194,666)	(1,361,485)	(1,055,179)

See explanation of required supplementary information on page 37.



Local Government Insurance Trust
Combining Schedule of Net Position
June 30, 2018

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	HEALTH COOPERATIVE	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 40,794,932	\$ 11,505,490	\$ 8,542,169	\$(63,044,157)	\$ 3,520,344	\$ 1,640	\$ 1,320,418
Investments	-	-	-	34,836,159	-	-	34,836,159
Premiums receivable	29,120	35,420	62	-	-	-	64,602
Interest income receivable	-	-	-	204,208	-	-	204,208
Reinsurance receivables	-	965,721	-	-	-	-	965,721
Due from (to) other pools/accounts	(2,429,885)	(481,518)	(98,079)	3,009,482	-	-	-
Other	119,074	-	-	96,336	-	-	215,410
Total current assets	38,513,241	12,025,113	8,444,152	(24,897,972)	3,520,344	1,640	37,606,518
Noncurrent assets:							
Investments	-	-	-	21,856,400	-	-	21,856,400
Capital assets	-	-	-	3,268,509	-	-	3,268,509
Deposit with reinsurance pool	4,062,681	2,226,282	1,383,134	-	-	-	7,672,097
Other assets	-	-	-	-	-	-	-
Total noncurrent assets	4,062,681	2,226,282	1,383,134	25,124,909	-	-	32,797,006
Total assets	42,575,922	14,251,395	9,827,286	226,937	3,520,344	1,640	70,403,524
LIABILITIES							
Current Liabilities:							
Accounts payable and accrued expenses	-	-	-	36,764	-	-	36,764
Unpaid claims and claims adjustment exp.	5,035,446	434,626	-	-	-	-	5,470,072
Health plan payable cooperative	-	-	-	-	3,520,344	-	3,520,344
Rate stabilization fund	541,804	-	-	-	-	-	541,804
Other liabilities	331	-	-	190,173	-	-	190,504
Total current liabilities	5,577,581	434,626	-	226,937	3,520,344	-	9,759,488
Noncurrent liabilities:							
Unpaid claims and claims adjustment exp.	8,496,328	289,752	-	-	-	-	8,786,080
Capitalization contributions	-	-	-	-	-	1,640	1,640
Rate stabilization fund	541,804	-	-	-	-	-	541,804
Total noncurrent liabilities	9,038,132	289,752	-	-	-	1,640	9,329,524
Total liabilities	14,615,713	724,378	-	226,937	3,520,344	1,640	19,089,012
NET POSITION							
Net investment in capital assets,	-	-	-	3,268,509	-	-	3,268,509
Unrestricted, net position	27,960,209	13,527,017	9,827,286	(3,268,509)	-	-	48,046,003
Total net position	\$ 27,960,209	\$ 13,527,017	\$ 9,827,286	\$ -	\$ -	\$ -	\$ 51,314,512

See accompanying notes to supplementary combining schedules.



Local Government Insurance Trust
Combining Schedule of Net Position
June 30, 2017

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	HEALTH COOPERATIVE	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 39,994,986	\$ 10,670,524	\$ 8,135,092	\$(59,641,010)	\$ 1,882,556	\$ 1,640	\$ 1,043,788
Investments	-	-	-	40,807,847	-	-	40,807,847
Premiums receivable	26,708	14,540	280	-	-	-	41,528
Interest income receivable	-	-	-	97,882	-	-	97,882
Reinsurance receivables	-	337,804	-	-	-	-	337,804
Due from (to) other pools/accounts	(1,442,428)	(256,268)	97,022	1,601,674	-	-	-
Other	122,250	-	-	207,842	-	-	330,092
Total current assets	38,701,516	10,766,600	8,232,394	(16,925,765)	1,882,556	1,640	42,658,941
Noncurrent assets:							
Investments	-	-	-	13,881,551	-	-	13,881,551
Capital assets	-	-	-	3,283,867	-	-	3,283,867
Deposit with reinsurance pool	3,739,950	1,963,255	1,688,159	-	-	-	7,391,364
Other assets	-	-	-	-	-	-	-
Total noncurrent assets	3,739,950	1,963,255	1,688,159	17,165,418	-	-	24,556,782
Total assets	42,441,466	12,729,855	9,920,553	239,653	1,882,556	1,640	67,215,723
LIABILITIES							
Current Liabilities:							
Accounts payable and accrued expenses	-	-	-	33,677	-	-	33,677
Unpaid claims and claims adjustment exp.	4,699,580	659,475	-	-	-	-	5,359,055
Health plan payable cooperative	-	-	-	-	1,882,556	-	1,882,556
Rate stabilization fund	582,550	-	-	-	-	-	582,550
Other liabilities	331	-	-	205,976	-	-	206,307
Total current liabilities	5,282,461	659,475	-	239,653	1,882,556	-	8,064,145
Noncurrent liabilities:							
Unpaid claims and claims adjustment exp.	7,270,477	659,476	-	-	-	-	7,929,953
Capitalization contributions	-	-	-	-	-	1,640	1,640
Rate stabilization fund	582,550	-	-	-	-	-	582,550
Total noncurrent liabilities	7,853,027	659,476	-	-	-	1,640	8,514,143
Total liabilities	13,135,488	1,318,951	-	239,653	1,882,556	1,640	16,578,288
NET POSITION							
Net investment in capital assets,	-	-	-	3,283,867	-	-	3,283,867
Unrestricted, net position	29,305,978	11,410,904	9,920,553	(3,283,867)	-	-	47,353,568
Total net position	\$ 29,305,978	\$ 11,410,904	\$ 9,920,553	\$ -	\$ -	\$ -	\$ 50,637,435

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, 2018

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
OPERATING REVENUES						
Gross premiums earned	\$ 12,004,834	\$ 6,583,003	\$ 1,040,576	\$ -	\$ -	\$ 19,628,413
Less: premium credits	(2,259,547)	(261,686)	(426,339)	-	-	(2,947,572)
ceded premiums	(50,472)	(3,432,832)	(872,452)	-	-	(4,355,756)
Net premiums earned	9,694,815	2,888,485	(258,215)	-	-	12,325,085
Other Revenues	-	-	-	143,419	-	143,419
Total operating revenues	9,694,815	2,888,485	(258,215)	143,419	-	12,468,504
OPERATING EXPENSES						
Incurred claims and claim adjustment expenses:						
Paid (net of recoveries)	7,574,936	1,148,455	-	-	-	8,723,391
Change in liability for unpaid claims and claim adjustment expenses	1,561,718	(594,573)	-	-	-	967,145
General and administrative expenses	-	-	-	5,229,457	-	5,229,457
Depreciation expense	-	-	-	158,009	-	158,009
Total operating expenses	9,136,654	553,882	-	5,387,466	-	15,078,002
Operating income (loss)	558,161	2,334,603	(258,215)	(5,244,047)	-	(2,609,498)
NONOPERATING REVENUES (EXPENSES)						
Investment income	525,955	263,028	263,027	2,234,565	-	3,286,575
Interest expense	-	-	-	-	-	-
Allocations of operating account revenues (note 2)	1,664,589	380,477	332,918	(2,377,984)	-	-
Allocations of operating account expenses (note 2)	(4,094,474)	(861,995)	(430,997)	5,387,466	-	-
Total nonoperating revenues (expenses)	(1,903,930)	(218,490)	164,948	5,244,047	-	3,286,575
Change in net position	(1,345,769)	2,116,113	(93,267)	-	-	677,077
Net position, beginning of year	29,305,978	11,410,904	9,920,553	-	-	50,637,435
Net position, end of year	\$ 27,960,209	\$ 13,527,017	\$ 9,827,286	\$ -	\$ -	\$ 51,314,512

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, 2017

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
OPERATING REVENUES						
Gross premiums earned	\$ 12,159,738	\$ 6,380,526	\$ 1,073,091	\$ -	\$ -	\$ 19,613,355
Less: premium credits	(2,321,579)	(254,796)	(431,671)	-	-	(3,008,046)
ceded premiums	(46,688)	(3,389,426)	(896,532)	-	-	(4,332,646)
Net premiums earned	9,791,471	2,736,304	(255,112)	-	-	12,272,663
Other Revenues	-	-	-	168,694	-	168,694
Total operating revenues	9,791,471	2,736,304	(255,112)	168,694	-	12,441,357
OPERATING EXPENSES						
Incurred claims and claim adjustment expenses:						
Paid (net of recoveries)	6,277,341	486,708	-	-	-	6,764,049
Change in liability for unpaid claims						
and claim adjustment expenses	(504,739)	838,110	-	-	-	333,371
General and administrative expenses	-	-	-	5,216,729	-	5,216,729
Depreciation expense	-	-	-	137,553	-	137,553
Total operating expenses	5,772,602	1,324,818	-	5,354,282	-	12,451,702
Operating income (loss)	4,018,869	1,411,486	(255,112)	(5,185,588)	-	(10,345)
NONOPERATING REVENUES (EXPENSES)						
Investment income	260,573	189,110	199,967	3,583,914	-	4,233,564
Interest expense	-	-	-	-	-	-
Allocations of operating account revenues (note 2)	2,626,827	600,417	525,365	(3,752,609)	-	-
Allocations of operating account expenses (note 2)	(4,069,255)	(856,685)	(428,343)	5,354,283	-	-
Total nonoperating revenues (expenses)	(1,181,855)	(67,158)	296,989	5,185,588	-	4,233,564
Change in net position	2,837,014	1,344,328	41,877	-	-	4,223,219
Net position, beginning of year	26,468,964	10,066,576	9,878,676	-	-	46,414,216
Net position, end of year	\$ 29,305,978	\$ 11,410,904	\$ 9,920,553	\$ -	\$ -	\$ 50,637,435

See accompanying notes to supplementary combining schedules.



Local Government Insurance Trust
Combining Schedule of Cash Flows
Year Ended June 30, 2018

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	HEALTH COOPERATIVE	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
Cash flows from operating activities:							
Premiums collected	\$ 9,661,383	\$ 6,300,437	\$ 614,474	\$ -	\$ -	\$ -	\$ 16,576,294
Other revenue collected	-	-	-	143,419	-	-	143,419
Recoveries of claims paid	735,330	500,605	-	-	-	-	1,235,935
Ceded premiums paid	(50,472)	(3,432,832)	(872,452)	-	-	-	(4,355,756)
Claims and claim adjustment expenses paid	(8,307,190)	(2,276,976)	-	-	-	-	(10,584,166)
General and administrative expenses paid	-	-	-	(5,130,667)	-	-	(5,130,667)
Net cash provided by (used in) operating activities	2,039,051	1,091,234	(257,978)	(4,987,248)	-	-	(2,114,941)
Cash flows from noncapital financing activities:							
Transfers from (to) other pools/accounts	(1,442,428)	(256,268)	97,022	1,601,674	-	-	-
Member deposits	-	-	-	-	25,205,752	-	25,205,752
Health Cooperative payments	-	-	-	-	(23,567,964)	-	(23,567,964)
Net cash provided by (used in) noncapital financing activities	(1,442,428)	(256,268)	97,022	1,601,674	1,637,788	-	1,637,788
Cash flows from capital and related financing activities:							
Purchase of capital assets	-	-	-	(142,651)	-	-	(142,651)
Net cash flows used in capital and related financing activities	-	-	-	(142,651)	-	-	(142,651)
Cash flows from investing activities:							
Purchase of investments	-	-	-	(88,650,278)	-	-	(88,650,278)
Proceeds from maturities of investments	-	-	-	85,185,672	-	-	85,185,672
Investment income received	203,323	-	568,033	3,589,684	-	-	4,361,040
Net cash provided by in investing activities	203,323	-	568,033	125,078	-	-	896,434
Net change in cash and cash equivalents	799,946	834,966	407,077	(3,403,147)	1,637,788	-	276,630
Cash and cash equivalents, beginning of year	39,994,986	10,670,524	8,135,092	(59,641,010)	1,882,556	1,640	1,043,788
Cash and cash equivalents, end of year	\$ 40,794,932	\$ 11,505,490	\$ 8,542,169	\$ (63,044,157)	\$ 3,520,344	\$ 1,640	\$ 1,320,418
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ 558,061	\$ 2,334,604	\$ (258,215)	\$ (5,244,047)	\$ -	\$ -	\$ (2,609,597)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation expense	-	-	-	158,009	-	-	158,009
Loss on disposal of assets	-	-	-	-	-	-	-
Effects of changes in operating assets and liabilities:							
Premiums receivable	(2,412)	(20,880)	218	-	-	-	(23,074)
Reinsurance receivables	-	(627,916)	-	-	-	-	(627,916)
Deposit with reinsurance pool	-	-	-	-	-	-	-
Other assets	3,176	-	-	111,506	-	-	114,682
Operating accounts payable and accrued expenses	-	-	-	3,087	-	-	3,087
Unpaid claims and claim adjustment expenses	1,561,717	(594,574)	-	-	-	-	967,143
Other liabilities	(81,491)	-	19	(15,803)	-	-	(97,275)
Total adjustments	1,480,990	(1,243,370)	237	256,799	-	-	494,656
Net cash provided by (used in) operating activities	\$ 2,039,051	\$ 1,091,234	\$ (257,978)	\$ (4,987,248)	\$ -	\$ -	\$ (2,114,941)

See accompanying notes to supplementary combining schedules.



Local Government Insurance Trust
Combining Schedule of Cash Flows
Year Ended June 30, 2017

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	HEALTH COOPERATIVE	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
Cash flows from operating activities:							
Premiums collected	\$ 9,815,258	\$ 6,118,025	\$ 640,712	\$ -	\$ -	\$ -	\$ 16,573,995
Other revenue collected	-	-	-	168,695	-	-	168,695
Recoveries of claims paid	1,020,148	750,334	-	-	-	-	1,770,482
Ceded premiums paid	(46,688)	(3,389,426)	(896,532)	-	-	-	(4,332,646)
Claims and claim adjustment expenses paid	(7,279,057)	(1,264,822)	-	-	-	-	(8,543,879)
General and administrative expenses paid	-	-	-	(5,204,725)	-	-	(5,204,725)
Net cash provided by (used in) operating activities	3,509,661	2,214,111	(255,820)	(5,036,030)	-	-	431,922
Cash flows from noncapital financing activities:							
Transfers from (to) other pools/accounts	(4,375,129)	(897,297)	(523,963)	5,796,389	-	-	-
Member deposits	-	-	-	-	21,991,524	-	21,991,524
Health Cooperative payments	-	-	-	-	(19,902,035)	-	(19,902,035)
Net cash provided by (used in) noncapital financing activities	(4,375,129)	(897,297)	(523,963)	5,796,389	2,089,489	-	2,089,489
Cash flows from capital and related financing activities:							
Purchase of capital assets	-	-	-	(27,286)	-	-	(27,286)
Net cash flows used in capital and related financing activities	-	-	-	(27,286)	-	-	(27,286)
Cash flows from investing activities:							
Purchase of investments	-	-	-	(26,520,232)	-	-	(26,520,232)
Proceeds from maturities of investments	-	400,000	-	21,387,185	-	-	21,787,185
Investment income received	-	53,394	53,395	1,151,031	-	-	1,257,820
Net cash provided by in investing activities	-	453,394	53,395	(3,982,016)	-	-	(3,475,227)
Net change in cash and cash equivalents	(865,468)	1,770,208	(726,388)	(3,248,943)	2,089,489	-	(981,102)
Cash and cash equivalents, beginning of year	40,860,454	9,300,316	8,461,480	(56,392,067)	(206,933)	1,640	2,024,890
Cash and cash equivalents, end of year	\$ 39,994,986	\$ 11,070,524	\$ 7,735,092	\$ (59,641,010)	\$ 1,882,556	\$ 1,640	\$ 1,043,788
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ 4,018,869	\$ 1,411,486	\$ (255,112)	\$ (5,185,588)	\$ -	\$ -	\$ (10,345)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation expense	-	-	-	137,553	-	-	137,553
Loss on disposal of assets	-	-	-	-	-	-	-
Effects of changes in operating assets and liabilities:							
Premiums receivable	(22,901)	(7,705)	(280)	-	-	-	(30,886)
Reinsurance receivables	-	(27,780)	-	-	-	-	(27,780)
Deposit with reinsurance pool	-	-	-	-	-	-	-
Other assets	18,431	-	-	(10,229)	-	-	8,202
Operating accounts payable and accrued expenses	-	-	(428)	(13,330)	-	-	(13,758)
Unpaid claims and claim adjustment expenses	(504,738)	838,110	-	-	-	-	333,372
Other liabilities	-	-	-	35,564	-	-	35,564
Total adjustments	(509,208)	802,625	(708)	149,558	-	-	442,267
Net cash provided by (used in) operating activities	\$ 3,509,661	\$ 2,214,111	\$ (255,820)	\$ (5,036,030)	\$ -	\$ -	\$ 431,922

See accompanying notes to supplementary combining schedules.

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Local Government Insurance Trust
Notes to Supplementary Combining Schedules
 Years Ended June 30, 2018 and 2017

■ **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 2018 and 2017.

	POOL TOTALS		COUNTIES		MUNICIPALITIES		OTHER	
	2018	2017	2018	2017	2018	2017	2018	2017
Primary	177	175	14	14	141	142	22	19
Property	161	156	17	17	131	128	13	11
Excess	181	179	15	15	141	142	25	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 2017 and 2016. 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 2017 amounts have been reclassified to conform to fiscal year 2018 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**

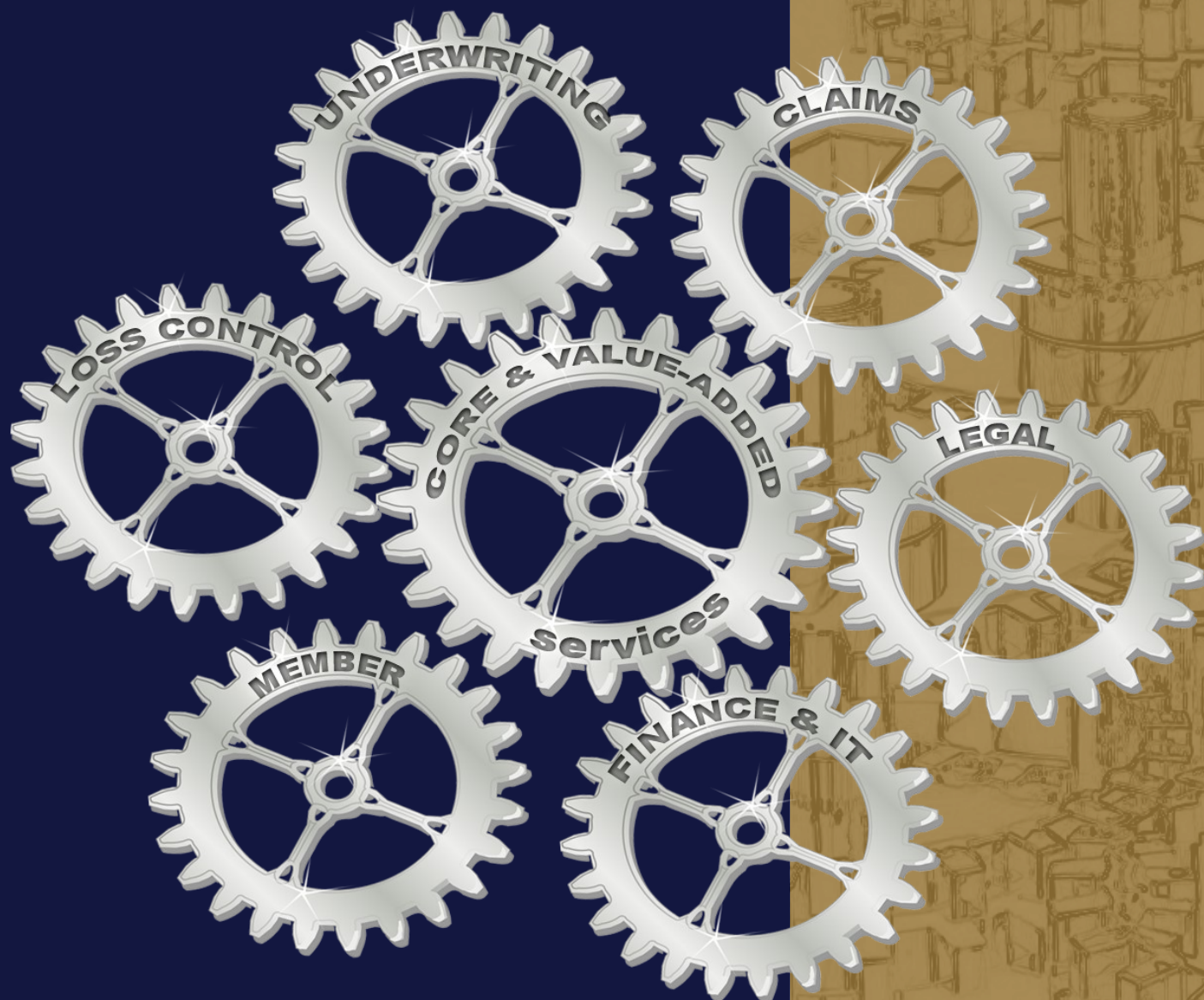
Member Growth Analysis

**Loss History and Average
Claim Costs**

**Reported Claim Activity
Loss Development**

**State of Maryland
Demographic and
Economic Statistics**

**Ten Largest Employers
State of Maryland**





Local Government Insurance Trust

Comparative Schedule of Revenues, Expenses and Changes in Net Position

Ten Years Ended June 30, 2009 through June 30, 2018

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
REVENUES										
Gross premiums earned (1)	\$15,675,273	\$16,947,741	\$15,996,348	\$15,628,087	\$15,764,047	\$18,068,092	\$18,309,555	\$19,005,448	\$19,613,355	\$19,628,413
Less: premium credits	(2,000,000)	(2,300,000)	(3,297,332)	(3,754,792)	(3,272,437)	(2,979,294)	(2,950,760)	(2,912,176)	(3,008,046)	(2,947,572)
ceded premiums	(4,446,223)	(4,394,806)	(3,256,478)	(3,653,712)	(3,811,719)	(4,501,768)	(4,655,168)	(4,688,248)	(4,332,646)	(4,355,756)
Net premiums earned	9,229,050	10,252,935	9,442,538	8,219,583	8,679,891	10,587,030	10,703,627	11,405,024	12,272,663	12,325,085
Other	30,631	29,436	38,483	146,258	92,821	86,103	163,691	176,600	168,694	143,419
Total operating revenues	9,259,681	10,282,371	9,481,021	8,365,841	8,772,712	10,673,133	10,867,318	11,581,624	12,441,357	12,468,504
Operating Expenses										
Incurring claims and										
claim adjustment expenses: (1)										
Paid (net of recoveries)	5,900,886	6,869,405	5,309,105	5,405,580	6,210,849	7,149,256	5,969,651	6,584,676	6,764,049	8,723,391
Change in liability for unpaid										
claims and claim adjustment exp.	419,498	(641,155)	119,569	(366,551)	1,659,613	(261,026)	(20,892)	381,229	333,371	967,145
General and administrative	4,412,519	4,482,935	4,533,642	4,478,696	4,777,042	4,965,655	5,077,011	5,193,882	5,354,282	5,387,466
Total operating expenses	10,732,903	10,711,185	9,962,316	9,517,725	12,647,504	11,853,885	11,025,770	12,159,787	12,451,702	15,078,002
Operating income	(1,473,222)	(428,814)	(481,295)	(1,151,884)	(3,874,792)	(1,180,752)	(158,452)	(578,163)	(10,345)	(2,609,498)
NONOPERATING REVENUES										
(EXPENSES)										
Investment income	791,665	3,578,757	4,393,470	2,255,044	974,644	3,921,454	(1,074,951)	(147,823)	4,233,564	3,286,575
Interest expense	(96,715)	(51,298)	(46,974)	(157,954)	-	-	-	-	-	-
Total nonoperating revenues										
(expenses)	694,950	3,527,459	4,346,496	2,097,090	974,644	3,921,454	(1,074,951)	(147,823)	4,233,564	3,286,575
Change in net position	(778,272)	3,098,645	3,865,201	945,206	(2,900,148)	2,740,702	(1,233,403)	(725,986)	4,223,219	677,077
Total net position beginning of year	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	50,637,435
Total net position end of year	\$40,623,999	\$43,722,644	\$47,587,845	\$48,533,051	\$45,632,903	\$48,373,605	\$47,140,202	\$46,414,216	\$50,637,435	\$51,314,512



Local Government Insurance Trust
Member Growth Analysis
 Ten Years Ended June 30, 2009 through June 30, 2018

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total number of members	175	174	176	177	179	179	181	182	183	185
Total employees	32	32	32	32	31	30	30	30	30	30
Total annual payroll	\$2,360,333	\$2,442,281	\$2,502,173	\$2,558,615	\$2,672,691	\$2,811,433	\$2,795,156	\$2,946,263	\$3,105,795	\$2,931,027
Total net premiums earned	\$9,229,050	\$10,252,935	\$9,442,538	\$8,219,583	\$8,679,891	\$10,587,030	\$10,703,627	\$11,398,734	\$12,272,663	\$12,325,085
Total number of claims	1,517	1,878	1,588	1,592	1,441	1,616	1,564	1,629	1,505	1,733
Total reported losses	\$6,881,745	\$5,139,768	\$5,813,495	\$5,850,303	\$6,209,028	\$3,805,887	\$5,011,874	\$4,079,032	\$5,127,450	\$4,376,102

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, 2009 through June 30, 2018

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Auto Liability	\$ 1,250,455	\$ 1,257,159	\$ 1,155,281	\$ 732,869	\$ 1,109,764	\$ 1,524,661	\$ 1,635,870	\$ 1,311,329	\$ 972,964	\$ 768,764
Auto Physical	1,068,104	1,080,115	995,467	859,043	809,679	1,108,351	1,062,819	1,540,259	1,718,054	1,441,404
General Liability	3,492,786	2,595,737	3,215,099	2,963,441	4,832,351	3,594,006	3,606,175	3,246,564	1,675,233	1,218,726
Property	629,522	741,248	546,230	1,268,990	969,152	691,527	1,105,811	675,863	1,081,269	947,208
Excess	-	-	-	-	-	-	-	-	-	-
Total	<u>\$ 6,440,867</u>	<u>\$ 5,674,259</u>	<u>\$ 5,912,077</u>	<u>\$ 5,824,343</u>	<u>\$ 7,720,946</u>	<u>\$ 6,918,545</u>	<u>\$ 7,410,675</u>	<u>\$ 6,774,015</u>	<u>\$ 5,447,520</u>	<u>\$ 4,376,102</u>

Average Cost per Claim

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Auto Liability	\$ 3,166	\$ 2,350	\$ 3,200	\$ 2,484	\$ 3,580	\$ 3,604	\$ 4,271	\$ 3,214	\$ 2,853	\$ 2,147
Auto Physical	2,158	2,085	2,315	1,922	2,076	2,226	2,331	2,619	3,062	2,451
General Liability	6,704	4,377	4,806	5,066	9,964	6,154	6,154	6,532	3,731	2,236
Property	6,490	3,339	4,590	4,919	3,861	6,344	8,918	5,006	7,161	4,100
Excess	-	-	-	-	-	-	-	-	-	-



Local Government Insurance Trust
Reported Claim Activity
 Ten Years Ended June 30, 2009 through June 30, 2018

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Auto Liability	395	535	361	295	310	423	383	408	341	358
Auto Physical	495	518	430	447	390	498	456	588	561	588
General Liability	521	593	669	585	485	584	586	497	449	545
Property	97	222	119	258	251	109	124	135	151	231
Excess	9	10	9	7	5	2	15	1	3	11
Total	1,517	1,878	1,588	1,592	1,441	1,616	1,564	1,629	1,505	1,733
Closed Claims	1,118	1,362	1,127	1,149	908	1,111	1,087	1,159	1,075	1,124
Open Claims	399	516	461	443	533	505	477	470	430	609
Total	1,517	1,878	1,588	1,592	1,441	1,616	1,564	1,629	1,505	1,733
Prior year claims closed	397	610	858	783	768	707	873	661	649	664
Current year claims closed	1,118	1,362	1,127	1,149	908	1,111	1,087	1,159	1,075	1,124
Total claims closed during year	1,515	1,972	1,985	1,932	1,676	1,818	1,960	1,820	1,724	1,788
Number of Members	174	174	176	177	179	179	181	182	183	185



Local Government Insurance Trust

Loss Development

Ten Years Ended June 30, 2009 through June 30, 2018

Paid Losses as of June 30

CLAIM YEAR	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	\$ 6,441,117	\$ 6,440,867
2010		2,210,347	3,542,066	4,041,910	4,756,403	4,997,935	5,090,733	5,102,234	5,255,385	5,497,345
2011			2,281,860	3,713,673	4,716,102	5,185,596	5,623,478	5,911,698	5,912,077	5,912,077
2012				2,716,683	4,315,814	5,572,496	5,691,120	5,819,083	5,817,455	5,824,343
2013					2,555,929	4,901,366	5,683,053	6,534,676	6,955,798	7,708,288
2014						2,258,231	4,129,786	4,638,823	5,375,413	6,418,744
2015							2,557,301	4,404,013	5,373,218	6,401,864
2016								2,906,287	4,181,666	5,031,164
2017									3,183,550	5,022,009
2018										2,961,859
Total	<u>\$ 2,400,779</u>	<u>\$ 6,704,696</u>	<u>\$11,045,114</u>	<u>\$16,101,049</u>	<u>\$22,225,603</u>	<u>\$29,289,298</u>	<u>\$35,215,237</u>	<u>\$41,758,181</u>	<u>\$48,495,679</u>	<u>\$57,218,560</u>

Loss Payments During the Year Ended

CLAIM YEAR	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
2009	\$ 2,400,779	\$ 2,093,570	\$ 726,839	\$ 407,595	\$ 252,572	\$ 492,319	\$ 66,092	\$ 1,601	\$ (250)	\$ (250)
2010		2,210,347	1,331,719	499,844	714,493	241,532	92,798	11,501	153,151	241,960
2011			2,281,860	1,431,813	1,002,429	469,494	437,882	288,220	379	-
2012				2,716,683	1,599,131	1,256,682	118,624	127,963	(1,628)	6,888
2013					2,555,929	2,345,437	781,687	851,623	421,122	752,490
2014						2,258,231	1,871,555	509,037	736,590	1,043,331
2015							2,557,301	1,846,712	969,205	1,028,646
2016								2,906,287	1,275,379	849,498
2017									3,183,550	1,838,459
2018										2,961,859
Sub-total	<u>\$ 2,400,779</u>	<u>\$ 4,303,917</u>	<u>\$ 4,340,418</u>	<u>\$ 5,055,935</u>	<u>\$ 6,124,554</u>	<u>\$ 7,063,695</u>	<u>\$ 5,925,939</u>	<u>\$ 6,542,944</u>	<u>\$ 6,737,498</u>	<u>\$ 8,722,881</u>
Losses Paid for										
Years Prior to 2009	<u>3,500,107</u>	<u>2,565,488</u>	<u>968,685</u>	<u>349,645</u>	<u>86,295</u>	<u>85,560</u>	<u>43,712</u>	<u>41,733</u>	<u>26,551</u>	<u>510</u>
Total Losses per Statements of Revenues, Expenses and Changes in Net Position	<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>\$ 6,584,677</u>	<u>\$ 6,764,049</u>	<u>\$ 8,723,391</u>



Local Government Insurance Trust
Loss Development
Ten Years Ended June 30, 2009 through June 30, 2018

Case Reserves as of June 30

CLAIM YEAR	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	299,174	176,914
2011			1,386,016	1,088,682	742,751	627,899	292,648	3,541	1,318	-
2012				1,080,676	1,047,115	277,807	323,085	106,267	2,213	-
2013					2,564,635	1,307,662	907,151	738,905	396,679	12,658
2014						1,547,656	702,160	822,787	567,761	499,801
2015							2,454,573	1,986,485	871,596	1,008,811
2016								1,172,745	1,052,869	1,742,851
2017									1,943,901	425,511
2018										1,414,243
Total	\$ 1,874,880	\$ 2,352,337	\$ 3,049,338	\$ 3,546,703	\$ 5,937,096	\$ 4,410,928	\$ 4,798,803	\$ 4,990,711	\$ 5,135,511	\$ 5,280,789

Change in Case Reserves During the Year Ended

CLAIM YEAR	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
2009	\$ 1,874,880	\$(1,076,071)	\$ 32,928	\$ (34,053)	\$ 214,644	\$ (504,257)	\$ (507,265)	\$ (806)	\$ -	\$ -
2010		1,553,528	(721,943)	(251,924)	(9,394)	(428,434)	(23,453)	41,601	139,193	(122,260)
2011			1,386,016	(297,334)	(345,931)	(114,852)	(335,251)	(289,107)	(2,223)	(1,318)
2012				1,080,676	(33,561)	(769,308)	45,278	(216,818)	(104,054)	(2,213)
2013					2,564,635	(1,256,973)	(400,511)	(168,246)	(342,226)	(384,021)
2014						1,547,656	(845,496)	120,627	(255,026)	(67,960)
2015							2,454,573	(468,088)	(1,114,889)	137,215
2016								1,172,745	(119,876)	689,982
2017									1,943,901	(1,518,390)
2018										1,414,243
Total	\$ 1,874,880	\$ 477,457	\$ 697,001	\$ 497,365	\$ 2,390,393	\$(1,526,168)	\$ 387,875	\$ 191,908	\$ 144,800	\$ 145,278



Local Government Insurance Trust

Loss Development

Ten Years Ended June 30, 2009 through June 30, 2018

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

CLAIM YEAR	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	\$ 6,441,117	\$ 6,440,867
2010	-	3,763,875	4,373,651	4,621,571	5,326,670	5,139,768	5,209,113	5,262,215	5,554,559	5,674,259
2011	-	-	3,667,876	4,802,355	5,458,853	5,813,495	5,916,126	5,915,239	5,913,395	5,912,077
2012	-	-	-	3,797,359	5,362,929	5,850,303	6,014,205	5,925,350	5,819,668	5,824,343
2013	-	-	-	-	5,120,564	6,209,028	6,590,204	7,273,581	7,352,477	7,720,946
2014						3,805,887	4,831,946	5,461,610	5,943,174	6,918,545
2015							5,011,874	6,390,498	6,244,814	7,410,675
2016								4,079,032	5,234,535	6,774,015
2017									5,127,451	5,447,520
2018									-	4,376,102
Total	\$ 4,275,659	\$ 9,057,033	\$14,094,452	\$19,647,752	\$28,162,699	\$33,700,226	\$40,014,040	\$46,748,892	\$53,631,190	\$62,499,349

Incremental Losses Reported During the Year Ended

CLAIM YEAR	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
2009	\$ 4,275,659	\$ 1,017,499	\$ 759,767	\$ 373,542	\$ 467,216	\$ (11,938)	\$ (441,173)	\$ 795	\$ (250)	\$ (250)
2010		3,763,875	609,776	247,920	705,099	(186,902)	69,345	53,102	292,344	119,700
2011			3,667,876	1,134,479	656,498	354,642	102,631	(887)	(1,844)	(1,318)
2012				3,797,359	1,565,570	487,374	163,902	(88,855)	(105,682)	4,675
2013					5,120,564	1,088,464	381,176	683,377	78,896	368,469
2014						3,805,887	1,026,059	629,664	481,564	975,371
2015							5,011,874	1,378,624	(145,684)	1,165,861
2016								4,079,032	1,155,503	1,539,480
2017									5,127,451	320,069
2018										4,376,102
Total	\$ 4,275,659	\$ 4,781,374	\$ 5,037,419	\$ 5,553,300	\$ 8,514,947	\$ 5,537,527	\$ 6,313,814	\$ 6,734,852	\$ 6,882,298	\$ 8,868,159

State of Maryland Demographic and Economic Statistics:

	<u>2018</u>	<u>2017</u>
Population (1)	6,052,177	6,046,447
Median household income (2)	\$ 78,945	\$ 78,945
Unemployment rate (3)	4.30%	4.30%
Land area – 12,406 square miles		
(1) U.S. Census Bureau estimate as of July 1, 2016. The 2017 estimate reflects an increase of .095% as updated data is not yet available.		
(2) Maryland Department of Commerce. Maryland has the highest median household income for 2017 (2016 data), which is 37% above the national median. Maryland is home to three of the top 20 large counties in the nation for median household income, Howard County ranks second (\$120,941), Montgomery 17 th (\$99,763) and Calvert 18 th (\$98,732) among 800+ counties with a population of 65,000 or greater.		
(3) U.S. Department of Labor, Bureau of Labor Statistics, as of July 31, 2018 and April 30, 2017, respectively.		

Ten Largest Employers State of Maryland (1):

Fort George G. Meade	54,000	Military installation/intelligence
University System of Maryland	39,900	Higher education
Johns Hopkins University	33,000	Higher education
University of Maryland Medical System	25,620	Hospitals; health services
Johns Hopkins Hospital & Health System	23,810	Hospitals; health services
Aberdeen Proving Ground	21,000	Military Installation
National Institutes of Health	17,940	Federal Agency
Joint Base Andrews	17,500	Military Installation
U.S. Food and Drug Administration	13,855	Federal Agency
U.S. Social Security Administration	12,600	Federal Agency

- (1) Source: Maryland Department of Commerce, 2017. Excludes post offices, state and local governments; includes public higher education institutions.



The LGIT Mission

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.



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FOUNDING ORGANIZATIONS

