

The Trust is a joint association of Maryland local governments formed July 1, 1987 to provide insurance coverage and other risk management services.



ANNUAL COMPREHENSIVE FINANCIAL REPORT



Annapolis City Hall

*A foundation of Trust,
a reserve of knowledge,
experience and the ability to serve
Maryland local governments*

**For Fiscal Years Ended
June 30, 2023 and
June 30, 2022**

Local Government Insurance Trust

7225 Parkway Drive

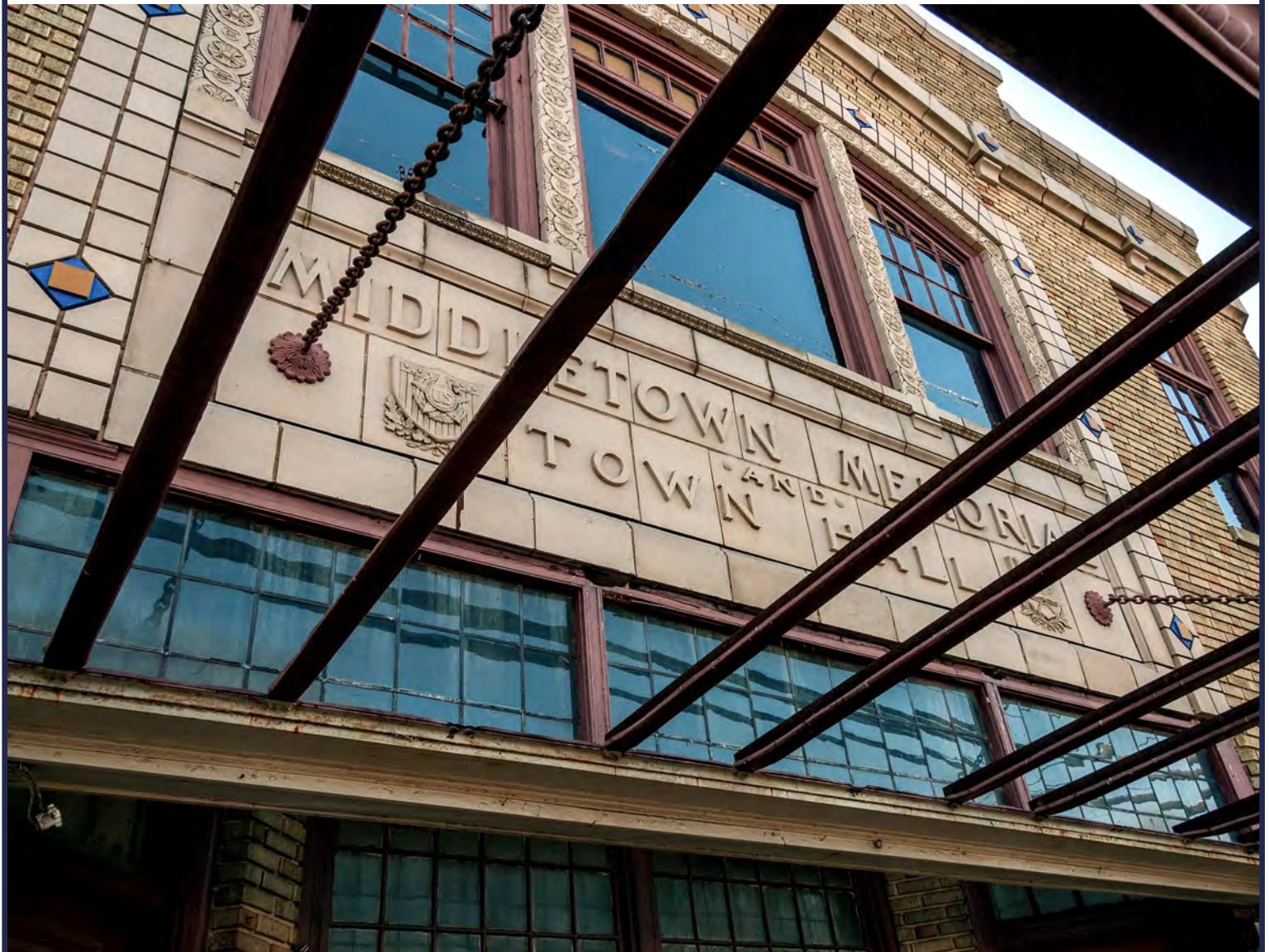
Hanover, Maryland 21076

ph) 443.561.1700

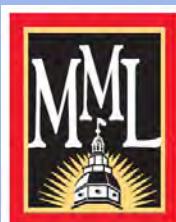
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www.lgit.org



FOUNDING ORGANIZATIONS



THE
MARYLAND
MUNICIPAL
LEAGUE



MARYLAND
Association of
COUNTIES

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



ANNUAL COMPREHENSIVE FINANCIAL REPORT

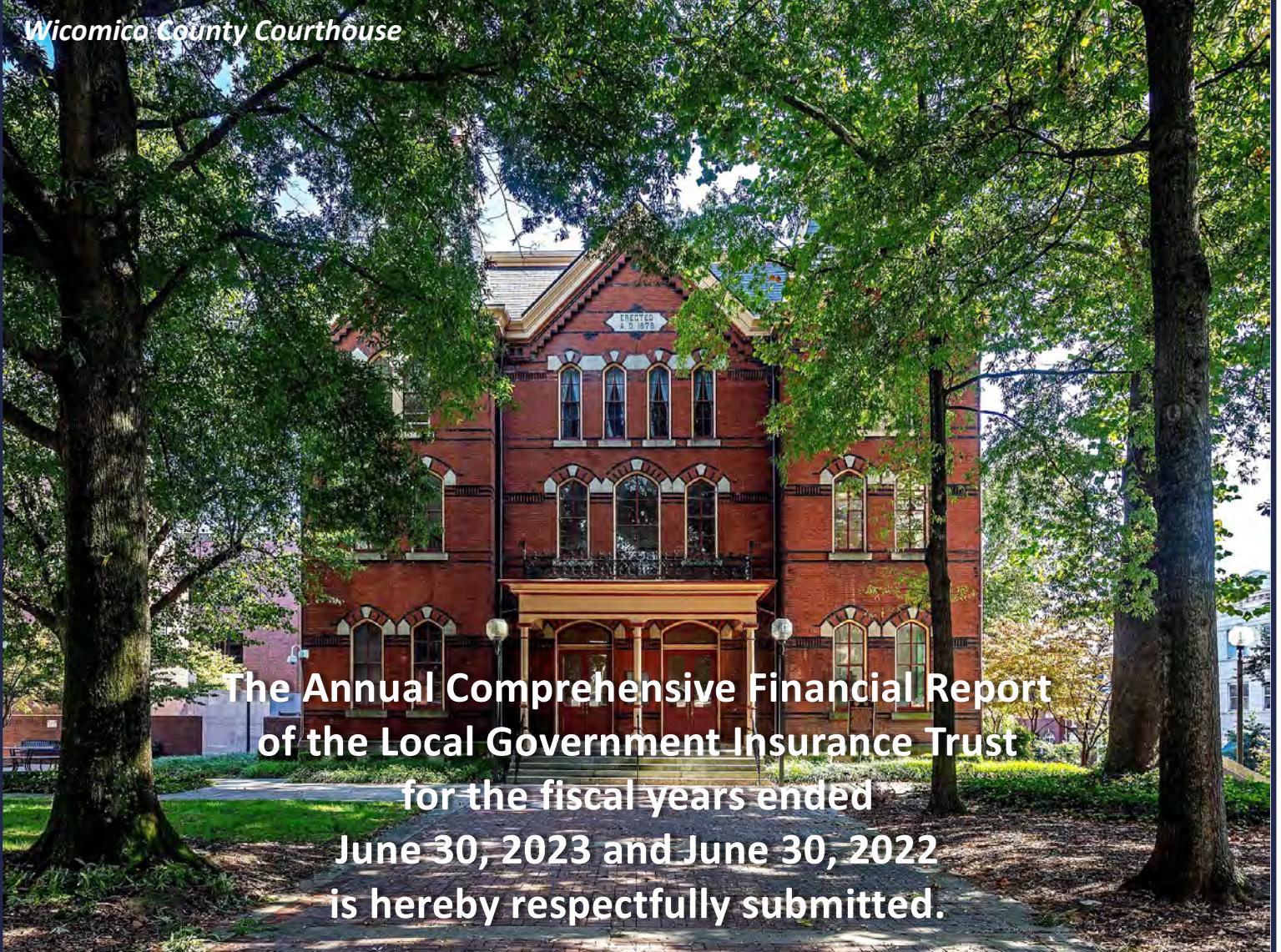


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**For Fiscal Years Ended
June 30, 2023 and
June 30, 2022**



Wicomico County Courthouse



The Annual Comprehensive Financial Report
of the Local Government Insurance Trust
for the fiscal years ended
June 30, 2023 and June 30, 2022
is hereby respectfully submitted.

The background image shows the Wicomico County Courthouse, a large, red brick building with a prominent gabled roof and arched windows. A plaque on the front of the building reads "ERECTED A.D. 1878". The building is surrounded by trees and a paved walkway.

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**For Fiscal Years Ended
June 30, 2023 and
June 30, 2022**



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Letter from the Chair

Your Trust in FY 2023



Our 36th year of continuous operation was remarkable in many respects. There was considerable turbulence in the economy, some disappointing outcomes in a few police liability lawsuits, a worsening trend in automobile losses, headwinds in the price of our catastrophic loss protection, and a decline of about 5% in our net equity position. However, the year also included a significant rebound in investment earnings from the prior year to help overall financial results. There were transitions for some of our Trustees and staff members during the year that helped invigorate our efforts. And because of our strong balance sheet, we were able to use premium credits of almost \$3.2 million to help hold down the member contributions for the FY23 budget. LGIT Health once again returned surplus to its participants and delivered on the promise of quality treatment and communication in these times of constant change in the health care delivery field and advances in medical science.

Through it all, members continued to engage with each other and the staff in daily interactions and in our Annual Meeting and Renewal Workshops. During FY23, membership included 17 counties, 149 municipalities, 25 sponsored entities, the Maryland Municipal League (MML), the Maryland Association of Counties (MACo) and the Local Government Insurance Trust. Three new members joined during the year: Baltimore Metropolitan Council, City of Fruitland, and Town of Templeville.

Training continued to be a major component of our risk improvement efforts. Local government officials and employees attended more than 160 educational opportunities across the state. More detailed information concerning our training efforts can be found in the Trust's Executive Director and Finance Director Transmittal letter.

In our daily activities, we stayed true to our purpose of meeting the risk management needs of members with stability and savings. Direct access to Trustees and a deeply engrained sense of ownership were helpful to our common cause. Collectively, we reaped benefits from our nonprofit status, our governance model, and the values that make us different from a commercial insurer. One thing that Maryland's local governments did not have to worry about was the availability of broad coverage and responsive claims service. Members regularly expressed their appreciation for the way that LGIT responded to adverse circumstances and sought the best possible outcomes in the face of difficult realities.

LGIT also continued engagement and support of the Maryland Sheriff's Association, the Maryland Police and Correctional Training Commission, the Maryland GFOA, the Maryland Chapter of 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 financial support of the Academy for Excellence in Local Governance, in association with the University of Maryland School of Public Policy, MML and MACo.

Four new Trustees were welcomed on board during the year. Theresa Kuhns succeeded Scott Hancock who retired in October as executive director of MML after 20 years of service. She also took over for Scott as a trustee for the National League of Cities Mutual Insurance Company. Lenny Pfeffer, Monique Ashton, and Chris Corchiarino were chosen as new Trustees to succeed Amy Langham, John O'Connor, and Emily Keller.

On the staff side, Law Enforcement Specialist Everett Sesker was elected Sheriff of Anne Arundel County in November. His successor Kenny Rhodes was appointed in May. Attorney Chris Altemus retired in January after 21 years of service to LGIT. Olivia Haartz was hired to take over her responsibilities. Jason Levine was elevated in December to serve Director of Legal Services. Winter Jordan was promoted in February to the position of Law Enforcement and Public Officials analyst. Ellen Nudd who served 21 years at LGIT in the underwriting department was succeeded in August by Tammy Morrison. Tim Ailsworth retired in November after more than 25 years service in public entity risk management, including 11 as LGIT's executive director. Lee Gaby was chosen to fill the position, and he started in early December. In May, Earle Beyer announced plans for retirement to take effect when a successor was appointed and smooth transition completed. He has earned our deepest gratitude for 26 years of faithful service and stewardship of LGIT's financial affairs.

Included in the ACFR 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 all of the highly experienced staff for its hard work throughout the year. Their commitment and dedication to Maryland's local governments are what drives excellence and makes LGIT a leader among our peer organizations.

Respectfully submitted,

John D. Miller, Chair
Burgess, Middletown

Introductory Section



[Transmittal Letter](#)

[Certificate of Achievement for Excellence in Financial Reporting](#)

[Membership](#)

[Board of Trustees](#)

[LGIT Staff](#)

[LGIT Organizational Chart](#)



Cumberland City Hall



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

November 1, 2023

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

Ladies and Gentlemen:

The Annual Comprehensive Financial Report (ACFR) of the Local Government Insurance Trust (Trust) for the year ended June 30, 2023, is hereby respectfully submitted. The Trust's finance department prepared this report. Responsibility for both the accuracy of the data presented 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 ACFR 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 2022 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, presented on a multi-year basis.

The Reporting Entity and Its Services

The Trust is a legislatively authorized insurance and risk sharing association of Maryland local governments formed July 1, 1987. Specifically, the Trust coverage includes several lines of liability and property-related risks. Support services include administration and management of claims, litigation, loss control guidance, training and property valuations. 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).

As of June 30, 2023, the Trust operates three pools of coverage: the Primary Liability Pool, the Property Pool, and the Excess Liability Pool. The Trust offers its members Cyber-Data Breach and Equipment Break-down coverage programs for which it retains limited financial risk. The Trust refers members to a qualified insurance broker for their other specialty coverage needs. Outside insurance carriers hold the financial risk of these lines. The Trust also serves as the administrator and treasurer for the Local Government Insurance Trust Health Cooperative (LGIT Health), a means for self-insurance and stop-loss coverage among member governments. LGIT Health is a separate entity from the Trust, and the Trust holds no financial risk associated with the role of treasurer and administrator.

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 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, By-Laws, as well as the Board policy manual and other policies established by the Board.

MAJOR INITIATIVES

For the Year

The following highlights some of the Trust's major accomplishments during fiscal year 2023:

- ❑ **INFORMATION TECHNOLOGY** – Several enhancements to increase user efficiency in the Member Portal and Risk360 Policy & Claim Administration System were completed by Synergistic Solution Technologies. The file upload mechanism was modified to allow multiple files to be selected and captioned at a time. An exposure search field was added to the vehicle and property incident forms so members could search and select an exposure using any of Item number, VIN or SNID, Inventory ID, Make, Model, Structure ID, Street Address, or City, which then copied the data to the form.

LGIT's human resources director and field services director evaluated needs for on-site Law Enforcement risk assessment and consultative services, in-person liability training, policy review and assistance, executive search assistance. IT staff configured and implemented in the Member Portal a new Law Enforcement Training and General Orders Survey.

- ❑ **TRAINING** – Training continued to be a primary focus of risk control efforts. The Trust provided 163 training and educational opportunities across the state, attended by 4,705 local government officials and employees. The most requested types of training included: Civility in the Workplace, Defensive Driving, Supervisory training, Reasonable Suspicion of drug and alcohol abuse in the workplace and Harassment in the Workplace. In addition to the Trust's in-person training, there were 3,372 online courses taken member employees. The Trust subsidized the tuition costs for law enforcement personnel from 18 members to attend two Emergency Vehicle Operations Classes at the Maryland Corrections & Police Training Commissions.

For the Academy for Excellence in Local Government, the Employment Issues core course was presented at the LGIT Annual Meeting; the Basics of Risk Management core course was delivered at the MML Summer Conference.

- ❑ **RATE STABILIZATION CREDITS** – For the fifteenth 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 (Primary Liability Pool). 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 accounts were used by each member, at their discretion, as credit for their annual primary liability premiums. The Board limited the annual credit to 50% of the account balance. The remainder was left in the account and would be available in subsequent years. The Board approved a total funding of \$1,000,000.
- ❑ **MEMBERSHIP CREDITS** – As part of the Trustees overall plan to return surplus from the Primary Liability Pool (PLP), members received: (1) a general membership credit for continued participation based on the amount of premium paid, and (2) a credit based on membership longevity. The total funding for these two credits was \$500,000.
- ❑ **PROPERTY CREDIT** – All members of the Property pool who carry a \$10,000 deductible for boiler and machinery claims receive the coverage at no cost and is given back in the form of a credit on their annual premium invoices.
- ❑ **LOSS CONTROL CREDIT SURVEY** – As part of a larger plan to return surplus from the PLP the Board of Trustees approved a Loss Control Credit to support members who engaged in exceptional loss control activities. Funding of \$300,000 was allocated to all members that completed an online survey with the amount being distributed as a 4% credit for the law enforcement liability premium.

- ❑ **LOSS REDUCTION TRAINING GRANTS** – The Board approved Risk Management grants totaling \$100,000 for 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 \$5,000 for member law enforcement agencies pursuing purchasing body cameras for their personnel.
- ❑ **LAW ENFORCEMENT MEMORIAL GRANT PROGRAM** – The Board awarded its annual law enforcement memorial grant to the City of Seat Pleasant of \$5,000 for training of one police recruit to attend state approved police academy training.
- ❑ **LEGAL SERVICES** – Legal staff achieved numerous successful outcomes in both jury and bench trials and achieved even more favorable results through motions and settlements in both federal and state courts. The staff of four full-time attorneys supported a monthly average of about 100 claims in litigation, of which approximately 40 were general and auto related, and approximately 60 were police/public official liability cases. Legal staff also supported a monthly average of approximately 20 administrative charges of employment discrimination. Legal staff worked directly with Claims Services on each police/public official claim, providing analysis, strategy, attorney assignment, proper reserves, and settlement recommendations.
- ❑ **HEALTH COOPERATIVE** – LGIT Health, consisting of 23 local governments, MML and LGIT, completed its fourteenth year of operation. \$3,365,859 in surplus funds from prior year experience was distributed to the members.

ADJUSTING TO ECONOMIC and MARKETPLACE CONDITIONS

As the end of FY23 ended, economic indicators pointed to continued uncertainty about the costs of reinsurance from domestic and global providers. Inflation and social factors were also difficult to assess. Various sources indicated that future pricing of catastrophic risk contracts would hinge on outcomes in the war in Ukraine and infusion of new capital into the insurance market. The sudden increases of the first half of 2023 left many experts unsure about future easing or continued increases.

To achieve its stated objective of premium stability for FY24, the Board of Trustees authorized a downward adjustment in the funding level, allocating approximately \$800,000 additional surplus beyond the amount approved in the FY24 budget. The outlook for investment earnings was seen as generally positive. The adjustment was made without causing an adverse effect to LGIT's overall projected equity position or the high confidence level based on target equity levels.

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 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 before each fiscal year starts 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 evaluating performance. Detailed reports comparing budget to actual are provided to the Board quarterly. 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 and 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 programs to help its members control losses and manage risk including 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 losses.

Independent Financial Audit

Mitchell & Titus, 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). Mitchell Titus's unmodified opinion on the Trust's basic financial statements as of and for the fiscal years ended June 30, 2023, 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 Annual Comprehensive Financial Report (ACFR) for the Fiscal Year ended June 30, 2022. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. FY2022 marks the 24th year in a row that the Trust has received this significant award. A Certificate of Achievement is valid for one year only. We believe our current report conforms to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

Continued from page 4

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

Respectfully submitted,

A handwritten signature of Lee Gaby.

Lee Gaby
Executive Director

A handwritten signature of J. Earle Beyer.

J. Earle Beyer
Director, Finance and IT

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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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

Fiscal Year 2023 Membership

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

Fiscal Year 2023 Board of Trustees



John D. Miller, Chair
Burgess, Town of Middleton



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



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



Theresa Kuhns, Ex-Officio
*Chief Executive Director,
Maryland Municipal League*



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



Monique Ashton
*Councilmember,
City of Rockville*



Chris Corchiarino
*County Commissioner,
Queen Anne's County*



Tracy Gant
*Mayor,
Town of Edmonston*



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



Eric L. Jackson
*Chief of Treasury,
Charles County*



Daniel Mears
*Assistant City Manager,
City of Bowie*



Lenny Pfeffer
*County Council President
Dorchester County*

Fiscal Year 2023 Management and Staff

Executive and Human Resources



Lee Gaby
Executive Director



Matthew Peter
*Assistant to the Executive Director,
Human Resources Director &
Health Co-Op Account Manager*



Samantha Fallat
*Office Manager/
Executive Assistant &
Human Resources*



Carolyn Stallings
Administrative Assistant

Finance and Information Technology Services



J. Earle Beyer
Director



Michael Becker
Systems Engineer



Sheryl Browning
*Applications Systems
Analyst*



Sheena Bell
Accountant



Lynette Voegtli
Accountant

Underwriting Services



Scott Soderstrom
Director



Michelle Yannone
*Loss Control &
Underwriting Associate*



Tammy Morrison
Underwriting Associate

Field Services



Larry Bohlen
Director



Kenny Rhodes
*Law Enforcement Loss
Control Specialist*



Allison Pinkine
Loss Control Associate



Anne Tyeryar
Loss Control Associate

Fiscal Year 2023 Management and Staff

Communications & Member Services



Michele Keplinger
Director



Samuel Becker
*Communications
& Member Services Associate*

Claims Services



Tia Bowman
Director



Elizabeth Martinez
Litigation Analyst



Dorie Schwartz
*Senior Claims Analyst /
Property Claims Manager*



Charise Henderson
Claims Staff Associate



Warren Baskerville
Claims Analyst



Clyde Bessicks
Claims Analyst



Hollis Henry
Claims Analyst



Winter Jordan
Claims Analyst



Dalas Salters
Claims Analyst

Legal Services



Jason Levine
Director

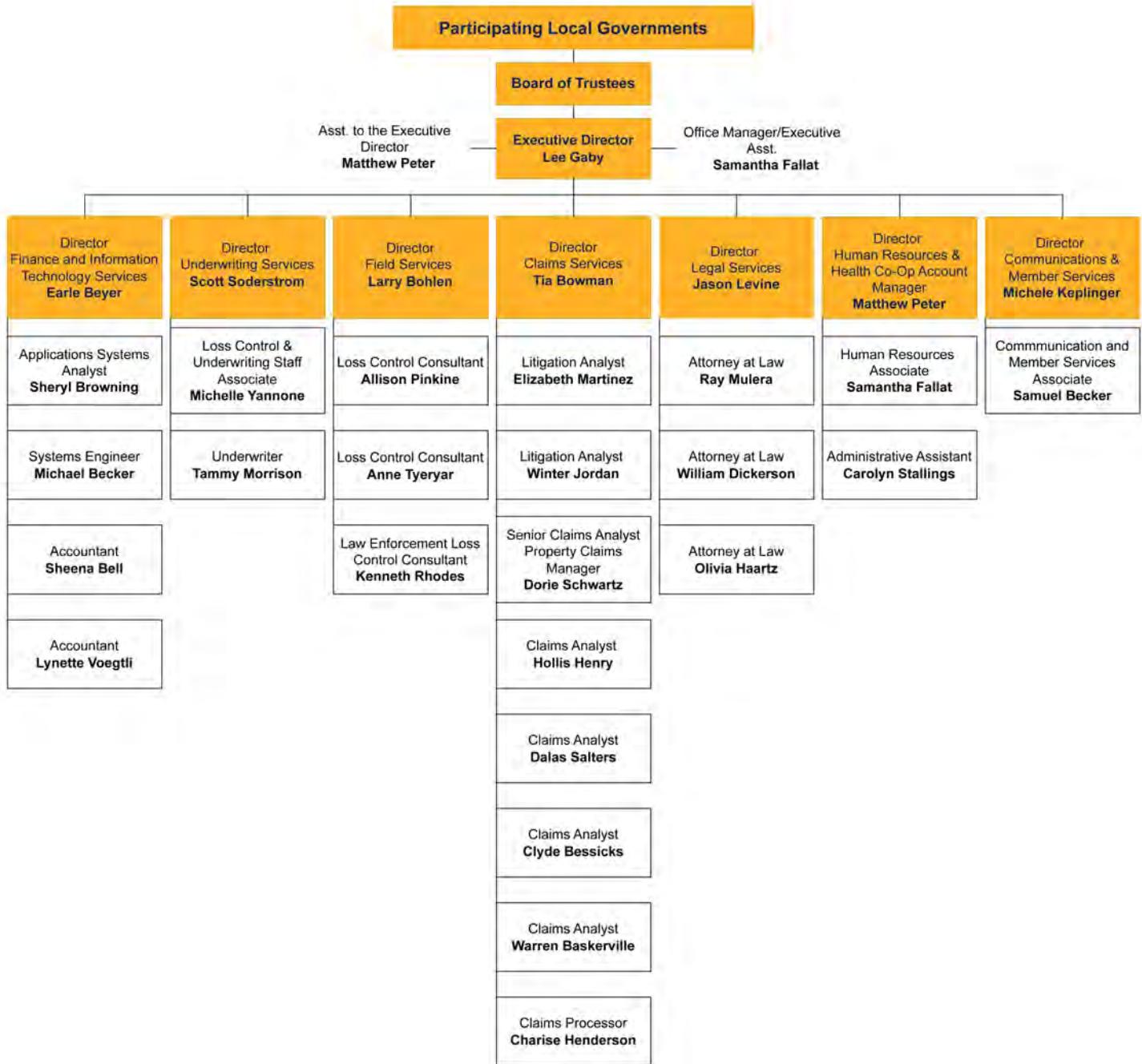


Ray Mulera
Attorney at Law



William Dickerson
Attorney at Law

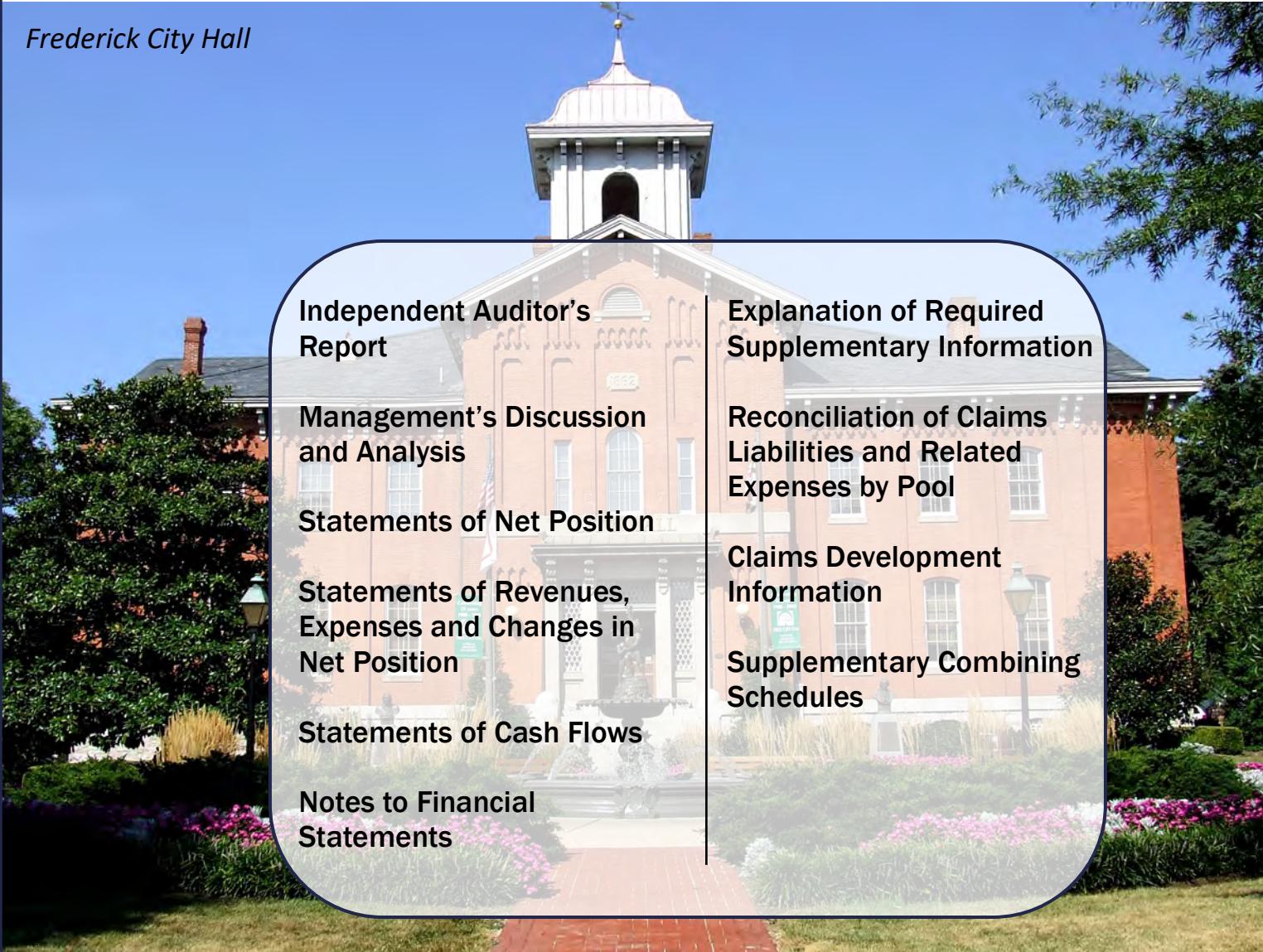
Fiscal Year 2023 Organizational Chart



Financial Section



Frederick City Hall



Independent Auditor's Report

Management's Discussion and Analysis

Statements of Net Position

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Statements of Cash Flows

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Explanation of Required Supplementary Information

Reconciliation of Claims Liabilities and Related Expenses by Pool

Claims Development Information

Supplementary Combining Schedules





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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Local Government Insurance Trust
Hanover, Maryland

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of the Local Government Insurance Trust (the Trust), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Local Government Insurance Trust as of June 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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



Mitchell Titus

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.



Mitchell Titus

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal-control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 19 through 21 and the required supplementary information on pages 43 through 45 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trust's basic financial statements. The Supplementary Combining Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.



Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Letter from the Chair, Introductory Section, and Statistical Tables listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any other form of assurance thereon.

Mitchell Titus, LLP

November 1, 2023



Local Government Insurance Trust Management's Discussion and Analysis

Years Ended June 30, 2023 and 2022

This section of the Annual Comprehensive 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, 2023 and 2022. 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, 2022, 2021 and 2020, respectively.

Summary of Net Position

	2023	2022	2021
ASSETS			
Current assets	\$ 43,021,212	\$ 34,925,152	\$ 51,124,572
Capital assets	2,661,898	2,769,587	2,897,106
Other noncurrent assets	33,242,615	38,818,343	32,169,835
Total Assets	78,925,725	76,513,082	86,191,513
LIABILITIES			
Current liabilities	13,361,925	9,153,985	11,119,638
Noncurrent liabilities	18,042,844	17,553,873	14,686,526
Total Liabilities	31,404,769	26,707,858	25,806,164
NET POSITION			
Net Investment in capital assets	2,661,898	2,769,587	2,897,106
Unrestricted	44,859,058	47,035,636	57,488,243
TOTAL NET POSITION	\$ 47,520,956	\$ 49,805,223	\$ 60,385,349

Total Assets

Total assets increased by approximately \$2,412,000 between June 30, 2023 and 2022 primarily due to the timing of the cash flows of the Health Pool Cooperative. Surplus Health Cooperative excess cash will be distributed to the membership in fiscal year 2024.

Total assets decreased by approximately \$9,678,000 between June 30, 2022 and 2021 primarily due to investment losses of approximately \$4,914,000 combined with a several large claim payments included as part of incurred claims on the Statement of Revenues, Expenses and Changes in Net Position.

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 (with short-term and long-term components) calculated by the Trust's actuary for all pools and it increased by approximately \$1,925,000 from year end 2022 across all lines of coverages. The change in liability is also reported on the Statement of Revenues, Expenses and Changes in Net Position. The liability increased in fiscal year 2022 by approximately \$3,115,000.

The balance of the health plan cooperative payable increased by \$2,570,000 due to member deposits exceeding member payouts in fiscal year 2023 due to the timing of transactions mainly involving reinsurance reimbursements.

The balance of the health plan cooperative payable decreased by \$2,448,000 due to member payouts exceeding member deposits in fiscal year 2022.

The following table summarizes the change in net position for fiscal years ended June 30, 2023, 2022 and 2021, respectively.

Summary of Revenues, Expenses and Changes in Net Position

	2023	2022	2021
Operating revenues:			
Plp premiums	\$ 12,304,028	\$ 11,683,123	\$ 11,192,784
Property pool revenues	2,778,900	1,683,353	1,597,485
Excess Pool Revenues	(317,767)	(268,774)	(314,267)
Other	408,076	285,742	188,384
Total Operating Revenues	15,173,237	13,383,444	12,664,386
Total Operating Expenses	22,101,358	19,049,143	17,999,067
Operating income (loss)	(6,928,121)	(5,665,699)	(5,334,681)

Results of operations

Revenues

Total operating revenues grew by approximately \$1.8 million or 13% from fiscal year 2022 to fiscal year 2023 driven by increases in PLP and Property funding rates needed to cover the growing incurred claims and claim adjustment expenses and in the cost of reinsurance.

Total operating revenues remained relatively consistent throughout the period from fiscal year 2021 to fiscal year 2022 with a minor growth of approximately 5.7%.

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 \$3,052,000 in fiscal year 2023 compared to fiscal year 2022 due to the increase in incurred claims both in actual claim payments made and in growth in the internal claims case reserves and the associated incurred but not reported claims calculated by the Trust's Actuary.

The total operating expenses increased by approximately \$1,050,000 in fiscal year 2022 compared to fiscal year 2021 due to the increase in incurred claims.

Nonoperating Revenue

Investment income was approximately \$9,558,000 higher in fiscal year 2023 compared to 2022. This was due to a declining investment market in fiscal year 2022 and a strong rebound in the market during fiscal year 2023. Investment strategies and policies remained consistent over this two-year period.

Investment income was approximately \$18,034,000 lower in fiscal year 2022 compared to 2021. This was partly due to the very strong investment performance in fiscal year 2021 compared to the approximate \$4,914,000 of investment loss in fiscal year 2022.

The annualized investment returns for fiscal years 2023, 2022 and 2021 are summarized by investment type as follows. These returns do not include any return or loss on the Trust's deposit with the reinsurance pool.

	2023	2022	2021
Fixed income	0.38%	-8.42%	0.66%
Equity	17.00%	-10.62%	44.39%
Alternative strategies	4.63%	-9.85%	29.55%
Total LGIT investments	8.15%	-9.09%	20.72%

As of June 30, 2023 and June 30, 2022 respectively, the Trust's portfolio allocations remained 48% fixed income and 52% equity, and 7% 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

Years Ended June 30, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents (note 3)	\$ 2,980,929	\$ 2,480,791
Investments (note 4)	37,588,060	29,569,998
Premiums receivable	29,705	200,699
Interest income receivable	203,247	144,222
Reinsurance receivable (note 8)	2,115,723	2,442,759
Other	103,548	86,683
Total current assets	<u>43,021,212</u>	<u>34,925,152</u>
Noncurrent assets:		
Investments (note 4)	22,218,856	28,035,703
Capital assets (note 5)	2,661,898	2,769,587
Deposit with reinsurance pool (note 8)	11,023,759	10,782,640
Total noncurrent assets	<u>35,904,513</u>	<u>41,587,930</u>
Total assets	<u>78,925,725</u>	<u>76,513,082</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	522,266	295,656
Unpaid claims and claim adjustment expenses (note 6)	9,225,136	7,794,522
Due to health plan cooperative custodial fund	2,848,946	278,619
Rate stabilization fund (note 7)	502,600	508,358
Other	262,977	276,830
Total current liabilities	<u>13,361,925</u>	<u>9,153,985</u>
Noncurrent liabilities:		
Unpaid claims and claim adjustment expenses (note 6)	17,538,604	17,043,874
Capitalization contributions	1,640	1,640
Rate stabilization fund (note 7)	502,600	508,359
Total noncurrent liabilities	<u>18,042,844</u>	<u>17,553,873</u>
Total liabilities	<u>31,404,769</u>	<u>26,707,858</u>
NET POSITION		
Net investment in capital assets	2,661,898	2,769,587
Unrestricted	44,859,058	47,035,636
Total net position	<u>\$ 47,520,956</u>	<u>\$ 49,805,223</u>

See accompanying notes to the financial statements.



Local Government Insurance Trust
Statements of Revenues, Expenses and Changes in Net Position
 Years Ended June 30, 2023 and 2022

	2023	2022
Operating Revenues		
Gross premiums earned	\$ 26,658,911	\$ 24,530,156
Less: Premium credits	(3,182,094)	(3,541,056)
Ceded premiums	(8,711,656)	(7,891,398)
Net premiums earned	14,765,161	13,097,702
Other revenues	408,076	285,742
Total operating revenues	<u>15,173,237</u>	<u>13,383,444</u>
Operating Expenses		
Claims and claim adjustment expenses incurred (note 6)		
Paid, net of recoveries	13,798,716	9,831,221
Change in liability for unpaid claims and adjustment expenses	1,925,344	3,114,687
General and administrative expenses	6,257,925	5,967,189
Depreciation expense	119,373	136,046
Total operating expenses	<u>22,101,358</u>	<u>19,049,143</u>
Operating loss	<u>(6,928,121)</u>	<u>(5,665,699)</u>
Nonoperating Revenues		
Investment income	<u>4,643,854</u>	<u>(4,914,427)</u>
Change in net position	<u>(2,284,267)</u>	<u>(10,580,126)</u>
Net position, beginning of year	<u>49,805,223</u>	<u>60,385,349</u>
Net position, end of year	<u><u>\$ 47,520,956</u></u>	<u><u>\$ 49,805,223</u></u>

See accompanying notes to the financial statements.



Local Government Insurance Trust

Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Premiums collected	\$ 23,682,364	\$ 21,161,926
Other revenue collected	408,076	340,905
Recoveries of claims paid	4,013,527	1,978,364
Ceded premiums paid	(8,589,566)	(7,615,214)
Claims and claim adjustment expenses paid	(17,500,815)	(13,929,273)
General and administrative expenses paid	(6,214,586)	(5,997,145)
Net cash (used in) operating activities	<u>(4,201,000)</u>	<u>(4,060,437)</u>
Cash flows from noncapital financing activities:		
Net Health Cooperative cash flows	2,570,327	(2,448,011)
Net cash provided by (used in) noncapital financing activities	<u>2,570,327</u>	<u>(2,448,011)</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(24,891)	(8,527)
Net cash (used in) capital and related financing activities	<u>(24,891)</u>	<u>(8,527)</u>
Cash flows from investing activities:		
Purchase of investments	(35,632,957)	(37,784,073)
Proceeds from maturities of investments	36,501,408	40,921,227
Investment income received	1,287,251	3,524,197
Net cash provided by (used in) investing activities	<u>2,155,702</u>	<u>6,661,351</u>
Net change in cash and cash equivalents	500,138	144,376
Cash and cash equivalents, beginning of year	2,480,791	2,336,415
Cash and cash equivalents, end of year	\$ 2,980,929	\$ 2,480,791
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating income (loss)	\$ (6,928,121)	\$ (5,665,699)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation expense	119,373	136,046
Effects of changes in operating assets and liabilities:		
Premiums receivable	170,994	183,394
Reinsurance receivable	327,036	(2,117,727)
Other assets	(16,865)	53,845
Accounts payable and accrued expenses	226,610	272,277
Unpaid claims and claim adjustment expenses	1,925,344	3,114,687
Other liabilities	(25,371)	(37,260)
Total adjustments	<u>2,727,121</u>	<u>1,605,262</u>
Net cash (used in) operating activities	\$ (4,201,000)	\$ (4,060,437)
Noncash investing, capital and financing activities:		
Net unrealized gain (loss) in fair value of investments included in investment income	\$ 665,809	\$ (8,847,636)

See accompanying notes to the financial statements.



Local Government Insurance Trust
Statements of Fiduciary Net Position
Years Ended June 30, 2023 and 2022

	2023	2022
Assets		
Due from Local Government Insurance Trust	\$ 2,848,946	\$ 278,618
Net Position		
Net Position Restricted for other organizations	\$ 2,848,946	\$ 278,618



Local Government Insurance Trust
Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2023 and 2022

	2023	2022
Additions		
Member deposits	\$ 31,416,092	\$ 31,503,650
Deductions		
Claims and administrative expenses	<u>28,845,764</u>	<u>33,951,661</u>
Change	2,570,328	(2,448,011)
Net Position, beginning of year	278,618	2,726,629
Net Position, end of year	<u>\$ 2,848,946</u>	<u>\$ 278,618</u>

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Local Government Insurance Trust

Notes to Financial Statements

Years Ended June 30, 2023 and 2022

■ **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, 2023, the currently active pools are the following: the Primary Liability Pool (187 participants), the Property Pool (175 participants), and the Excess Liability Pool (191 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.

In fiscal year 2011, the Trust established LGIT Health, a self-insurance alliance between member governments. LGIT Health 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, 2022. 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 LGIT Health, and establishing qualifications for membership. Each LGIT Health 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. Fiduciary funds are used to account for resources that an entity holds as a trustee or custodian on behalf of an outside party that cannot be used to support that entity's own programs. The Trust reports a custodial fund for LGIT Health.

■ **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, 2022 and 2021.

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, 2023 and 2022.

Capital Assets

All capital assets are carried at cost, net of accumulated depreciation. All acquisitions of individual 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

The Trust implemented GASB Statement No. 84, Fiduciary Activities, during fiscal year ended June 30, 2021, which is effective for fiscal years beginning after December 15, 2019. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments to determine whether an activity should be reported in a fiduciary fund in the financial statements. The implementation of GAB 84 resulted in the LGIT Health Fund being reported as a custodial fund.

The Trust implemented GASB 87, Leases, which is effective for fiscal years beginning after June 15, 2021. Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In other words, most leases currently classified as operating leases will be accounted for and reported in the same manner as capital leases. The Trust has determined that the adoption of GASB Statement No. 87 will have no material effect on its financial statements.

The Trust implemented GASB Statement 92, Omnibus 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. There was only one provision

of this Omnibus that was relevant for The Trust and it involved the reporting of recoveries from reinsurance and excess insurers per GASB Statement 10. The first sentence in paragraph 37 of Statement 10 states that amounts that are recoveries from reinsurers or excess insurers are required to be reported as reductions of expenses by public entity risk pools. The GASB Board determined that this first sentence should be amended to not require that recoveries be reported as reductions of expenses. Governments that have been reporting reinsurance recoveries as reductions of expenses will still have the option to do so. The Trust will continue to report reinsurance recoveries as reductions of expenses, therefore the adoption of GASB Statement No 92 will have no effect of its financial statements.

The Trust implemented GASB Statement No 93, Replacement of Interbank offered Rates (IBORS), which is effective for fiscal year beginning after June 15, 2021. This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. This Statement also amends Statement No. 40, Deposit and Investment Risk Disclosures, paragraph 16; Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, paragraphs 22, 35, 37, 38, 46, 64, 76, and 82; Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, paragraph 135; and Implementation Guide No. 2015-1, Questions 1.4.3, 1.64.9–1.64.11, 1.64.14, 10.13.6, 10.13.7, 10.15.6, 10.15.9, 10.16.2, 10.16.3, 10.17.1, 10.18.1, 10.21.1–10.21.4, 10.22.2, 10.22.4, 10.27.4, and 10.29.2. The adoption of GASB Statement 93 in 2022 will have no impact on the Trust's financial statements.

In March 2020, the GASB issued Statement No. 94, Public-Private, Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Trust has determined that the adoption of GASB Statement 94 in 2023 will have no impact on the financial statements.

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangement, which is effective for fiscal years beginning after June 15, 2022. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. The Trust has determined GASB Statement No. 96 will have no impact on the financial statements.

The Trust implemented GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, which is effective for fiscal years beginning after December 15, 2021. The primary objectives of this Statement are to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Trust has determined GASB Statement No. 97 will have no impact on the financial statements.

The Trust implemented GASB Statement 98. This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. The Trust implemented this statement early.

In April 2022, the GASB issued Statement 99, Omnibus. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

Classification and reporting of derivative instruments within the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.

Clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.

Clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset. Clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.

Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).

Disclosures related to nonmonetary transactions.

Pledges of future revenues when resources are not received by the pledging Government.

Clarification of provisions in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as amended, related to the focus of the government-wide financial statements.

Terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

Terminology used in Statement 53 to refer to resource flows statements.

The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The Trust has determined that this requirement of GASB 99 will have no effect on its financial statements.

The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The Trust has determined that this requirement is not material to the financial statements.

The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The Trust has not yet determined the effect that this requirement may have on its financial statements.

The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The Trust has not yet determined the effect that this requirement may have on its financial statements.

In June 2022, the GASB issued Statement No. 100, Accounting Changes and Error Correction. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The Trust has not yet determined the effect that this requirement may have on its financial statements.

In June 2022, the GASB issued Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The Trust has not yet determined the effect that this requirement may have 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 \$2,184,568 and \$2,274,091, as of June 30, 2023 and 2022, 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. Total cash and temporary investments held by the bank and broker-dealers were \$3,130,723 and \$3,158,394 as of June 30, 2023 and 2022, respectively.

Cash and cash equivalents consisted of the following as of June 30, 2023 and 2022:

	2023	Percentage of portfolio	2022	Percentage of portfolio
Cash	\$ 2,284,774	76.6%	\$ 1,846,488	74.4%
Maryland Local Government Investment Pool (MLGIP)	35,554	1.2%	34,366	1.4%
Money Market Mutual Funds	660,601	22.2%	599,937	24.2%
Total Cash and Equivalents	\$ 2,980,929	100%	\$ 2,480,791	100%

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 fair 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 possess all the characteristics of a 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, 2023		
Less Than 1 Year	\$ 35,554	\$ 660,601
Total	\$35,554	\$660,601
June 30, 2022		
Less Than 1 Year	34,366	\$599,937
Total	\$34,366	\$599,937

■ 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 September 2022. In accordance with the policy, permitted investments for fiscal year 2023 remain the same as enforced during fiscal year 2022. 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.

The 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.

The Board of Trustees established the following asset allocation targets based on the Trust's financial projections, liquidity needs, and risk tolerance for both fiscal year 2023 and 2022, respectively.

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

June 30, 2023:

	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, 2023
Investments by fair value level:				
Equity				
US Equity	\$ 21,686,432	\$ -	\$ -	\$ 21,686,432
Non-US Equity	5,365,287	-	-	5,365,287
Fixed Income				
US Government Agencies	-	13,209,150	-	13,209,150
Corporate and Foreign bonds	-	12,249,708	-	12,249,708
Mutual Funds	-	4,143,504	-	4,143,504
Total investments, at fair value	<u>27,051,719</u>	<u>29,602,362</u>	<u>-</u>	<u>56,654,081</u>
Investment carried at the Net Asset Value (NAV):				
Common Collective Trusts				3,152,835
Total investments	<u>27,051,719</u>	<u>29,602,362</u>	<u>-</u>	<u>59,806,916</u>

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 debt like 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	\$ 3,152,835	-	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 appreciation of \$665,809 and a net depreciation of \$8,847,636 for the years ended June 30, 2023 and 2022, respectively.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Trust places no limit on the amount invested in any one issuer. The Trust owned one investment of a single source that exceeds 5% of the total value of the investment portfolio that are required to be reported for the Colchester Global fund which has a balance of \$3,152,835 and \$3,158,951 as of June 30, 2023 and June 30, 2022, respectively.

June 30, 2022:

	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, 2022
Investments by fair value level:				
Equity				
US Equity	\$ 20,678,812	\$ -	\$ -	\$ 20,678,812
Non-US Equity	5,139,871	-	-	5,139,871
Fixed Income				
US Government Agencies	-	11,782,475	-	11,782,475
Corporate and Foreign bonds	-	12,365,770	-	12,365,770
Mutual Funds	-	4,479,832	-	4,479,832
Total investments, at fair value	25,818,683	28,628,077	-	54,446,760
Investment carried at the Net Asset Value (NAV):				
Common Collective Trusts				3,158,951
Total investments	\$ 25,818,683	\$ 28,628,077	\$ -	\$ 57,605,711

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 \$62,959,751 and \$61,398,955 as of June 30, 2023 and 2022, 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 2023 and 2022 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. No rating was available for the mutual funds.

June 30, 2023	U.S. Government Agencies	Corporate & Foreign Bonds
AAA	\$ 13,209,150	\$ -
AA	-	404,178
A	-	4,903,107
BBB	-	6,702,110
BB	-	240,313
Not Rated	-	-
Total	\$ 13,209,150	\$ 12,249,708

	U.S. Government Agencies	Corporate & Foreign Bonds
June 30, 2022		
AAA	\$ 11,782,745	\$ -
AA	-	444,879
A	-	4,810,265
BBB	-	6,979,674
BB	-	130,952
Not Rated	-	-
Total	\$ 11,782,745	\$ 12,365,770

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 3.74 and 3.96 years as of June 30, 2023 and 2022. 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, 2023		
Less Than 1 Year	\$ 2,748,603	\$ 491,400
1 to 5 Years	7,384,162	8,112,299
6 to 10 Years	1,464,799	3,646,009
Over 10 Years	1,611,587	-
Total	\$ 13,209,151	\$ 12,249,708

	U.S. Government Agencies	Corporate and Foreign Bonds
June 30, 2022		
Less Than 1 Year	\$ -	\$ 592,184
1 to 5 Years	9,023,959	6,223,100
6 to 10 Years	2,754,768	5,550,486
Over 10 Years	3,748	-
Total	\$ 11,782,475	\$ 12,365,770

The Trust invests in loan-backed securities which totaled \$1,611,587 and \$3,748 as of June 30, 2023 and 2022 respectively. U.S. Government Agency Securities reported above include \$1,611,587 and \$3,748 of loan-backed securities as of June 30, 2023 and 2022, respectively. Loan-backed securities are based on cash flows from the underlying assets, therefore making them sensitive to prepayments that may result from a decline in interest rates. The Trust's investment policy limits the amount invested in loan-backed securities to no more than 50% of the fixed income portfolio.

Foreign Currency Risk:

Foreign currency risk is the risk that changes in the exchange rate of investments will adversely affect the fair value of an investment. The Trust was not exposed to foreign currency risk as of June 30, 2023 and 2022 as the Trust did not have investments denominated in foreign currencies.

■ **NOTE 5 — Change in Capital Assets**

	Beginning Balance	Additions	Deletions	Ending Balance
2023				
Capital assets – not depreciated:				
Land	\$ 252,408	\$ -	\$ -	\$ 252,408
Total capital assets not depreciated	<u>252,408</u>	<u>-</u>	<u>-</u>	<u>252,408</u>
Capital assets being depreciated:				
Building	3,947,564	-	-	3,947,564
EDP	1,467,143	10,495	294,078	1,183,560
Furniture & Equipment	<u>362,164</u>	<u>14,396</u>	<u>50,774</u>	<u>325,786</u>
Total capital assets - depreciated	<u>5,776,871</u>	<u>24,891</u>	<u>344,852</u>	<u>5,456,910</u>
Total capital assets	<u>6,029,279</u>	<u>24,891</u>	<u>344,852</u>	<u>5,709,318</u>
Accumulated Depreciation:				
Building	1,472,112	98,689	-	1,570,801
EDP	1,456,068	7,342	294,079	1,169,331
Furniture & Equipment	<u>331,508</u>	<u>13,342</u>	<u>37,562</u>	<u>307,288</u>
Total accumulated depreciation	<u>3,259,688</u>	<u>119,373</u>	<u>331,641</u>	<u>3,047,420</u>
Net Balance – Capital Assets	\$ 2,769,591	\$ (94,482)	\$ 13,211	\$ 2,661,898
2022				
Capital assets – not depreciated:				
Land	\$ 252,408	\$ -	\$ -	\$ 252,408
Total capital assets not depreciated	<u>252,408</u>	<u>-</u>	<u>-</u>	<u>252,408</u>
Capital assets being depreciated:				
Building	3,947,564	-	-	3,947,564
EDP	1,458,701	8,442		1,467,143
Furniture & Equipment	<u>389,040</u>		<u>26,876</u>	<u>362,164</u>
Total capital assets - depreciated	<u>5,795,305</u>	<u>8,442</u>	<u>26,876</u>	<u>5,776,871</u>
Total capital assets	<u>6,047,713</u>	<u>8,442</u>	<u>26,876</u>	<u>6,029,279</u>
Accumulated Depreciation:				
Building	1,373,423	98,689	-	1,472,112
EDP	1,448,455	7,613		1,456,068
Furniture & Equipment	<u>328,640</u>	<u>29,744</u>	<u>26,876</u>	<u>331,508</u>
Total accumulated depreciation	<u>3,150,518</u>	<u>136,046</u>	<u>26,876</u>	<u>3,259,688</u>
Net Balance – Capital Assets	\$ 2,897,195	\$ (127,604)	\$ -	\$ 2,769,591

■ **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:

	2023	2022
Balance at beginning of year	<u>\$ 24,838,396</u>	<u>\$ 21,723,709</u>
Incurred related to:		
Current year	14,654,172	12,539,772
Prior years	1,069,888	406,136
Total incurred	<u>15,724,060</u>	<u>12,945,908</u>
Paid related to:		
Current year	4,895,056	3,636,076
Prior years	8,903,660	6,195,145
Total paid	<u>13,798,716</u>	<u>9,831,221</u>
Balance at end of year	<u>\$ 26,763,740</u>	<u>\$ 24,838,396</u>

Incurred claims and claim adjustment expenses related to prior years increased by approximately \$1,069,888 and by approximately \$406,136 in fiscal years 2023 and 2022, 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 2023 and 2022, 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 2023 and 2022 respectively. Rate stabilization credits of \$1,011,517 and \$1,022,331 were applied and shown as an offset to annual premiums on member invoices in fiscal years 2023 and 2022, 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, 2023 and 2022:

	2023	2022
Current	\$ 502,600	\$ 508,358
Noncurrent	502,600	508,359
Total	<u>\$ 1,005,200</u>	<u>\$ 1,016,717</u>

■ **NOTE 8 — Reinsurance**

The Trust uses reinsurance agreements to reduce its exposure to certain large losses. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Trust as direct insurer of the risks 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, 2023 and 2022. 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 \$11,023,759 and \$10,782,640 as of June 30, 2023 and 2022, respectively.

The Trust did not purchase reinsurance for the standard coverages offered in the PLP for the years ended June 30, 2023 and 2022 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 \$1,040,832 and \$1,470,116, as of June 30, 2023 and 2022, 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, 2023 and 2022, respectively. There were no ceded unearned premiums as of both June 30, 2023 and 2022.

■ **NOTE 9 — LGIT Health**

The Trust paid premiums to LGIT Health totaling \$602,228 and \$645,816 for the years ended June 30, 2023 and 2022, respectively. These premiums represented the Trust’s maximum exposure for health care claims incurred during the year. Claims rebates received by the Trust from LGIT Health based on prior year actual medical claim activity totaled \$233,879 and \$176,113 for the years ended June 30, 2023 and 2022, respectively. Management fees earned by the Trust totaled \$85,913 and \$87,000 for the years ended June 30, 2023 and 2022 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 year.

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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 40 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 41 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 expenses (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, 2023 and 2022

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	COMBINED TOTAL
2023				
Balance at beginning of the year	\$ 23,605,936	\$ 1,232,460	\$ -	24,838,396
Incurred related to:				
Current year	12,734,658	1,919,514	-	14,654,172
Prior year	2,355,225	(1,285,337)	-	1,069,888
Total incurred	<u>15,089,883</u>	<u>634,177</u>	<u>-</u>	<u>15,724,060</u>
Paid related to:				
Current year	3,726,013	1,169,043	-	4,895,056
Prior year	9,220,866	(317,206)	-	8,903,660
Total paid	<u>12,946,879</u>	<u>851,837</u>	<u>-</u>	<u>13,798,716</u>
Balance at end of year	\$ 25,748,940	\$ 1,014,800	\$ -	\$ 26,763,740
2022				
Balance at beginning of the year	\$ 20,418,627	\$ 1,305,082	\$ -	\$ 21,723,709
Incurred related to:				
Current year	11,123,801	1,415,971	-	12,539,772
Prior year	352,775	53,361	-	406,136
Total incurred	<u>11,476,576</u>	<u>1,469,332</u>	<u>-</u>	<u>12,945,908</u>
Paid related to:				
Current year	3,130,042	506,034	-	3,636,076
Prior year	5,159,225	1,035,920	-	6,195,145
Total paid	<u>8,289,267</u>	<u>1,541,954</u>	<u>-</u>	<u>9,831,221</u>
Balance at end of year	\$ 23,605,936	\$ 1,232,460	\$ -	\$ 24,838,396

See explanation of required supplementary information on page 43.



Local Government Insurance Trust

Required Supplementary Information

Claims Development Information

Ten Years Ended June 30, 2014 through June 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Premiums and investment revenue:										
Earned,	28,120,671	16,074,673	31,497,331	20,753,326	20,836,691	19,967,515	20,838,873	15,945,449	14,283,844	19,010,252
Ceded	(8,711,656)	(7,891,398)	(5,902,115)	(5,098,027)	(4,566,018)	(4,355,756)	(4,332,646)	4,688,248	(4,655,168)	(4,501,768)
Net earned	19,409,015	8,183,275	25,595,216	15,655,299	16,270,673	15,611,759	16,506,227	20,633,697	9,628,676	14,508,484
Allocated and unallocated expenses	6,377,298	6,103,235	6,087,499	5,740,719	5,727,134	5,387,466	5,354,282	5,193,882	5,077,011	4,965,655
Estimated claims and allocated expenses, end of policy year:										
Incurred	14,755,073	14,084,945	13,545,442	11,324,678	11,900,280	9,981,174	9,947,537	7,830,351	9,596,943	7,638,005
Ceded	100,901	1,545,173	1,943,427	681,279	472,628	1,388,144	461,543	153,916	927,079	330,666
Net incurred	14,654,172	12,539,772	11,602,015	10,643,399	11,427,652	8,593,030	9,485,994	7,676,435	8,669,864	7,307,339
Net paid claims (cumulative) as of:										
End of policy year	4,895,056	3,636,076	4,204,082	3,482,517	3,557,676	2,961,859	3,183,550	2,906,287	2,557,301	2,258,231
One year later		6,523,396	6,196,766	4,973,985	5,867,936	4,823,465	5,022,009	4,181,666	4,404,013	4,129,786
Two years later			6,896,367	5,940,988	6,629,966	5,773,505	5,610,798	5,031,164	5,373,219	4,638,823
Three years later				7,462,552	8,048,193	6,037,760	5,857,321	5,878,945	6,401,865	5,375,413
Four years later					11,106,496	7,324,549	6,071,654	7,395,875	6,688,115	6,418,744
Five years later						7,869,433	6,272,533	7,636,221	6,979,333	7,170,151
Six years later							6,293,953	7,942,706	7,019,596	7,248,685
Seven years later								8,113,862	7,044,574	7,255,688
Eight years later									7,045,812	7,255,324
Nine years later										7,255,324
Reestimated ceded claims and expenses	100,901	1,545,173	1,943,427	681,279	472,628	1,388,144	461,543	153,916	927,079	330,666
Reestimated net incurred claims and allocated expenses:										
End of policy year	14,654,172	12,539,772	11,602,015	10,643,399	11,427,652	8,593,030	9,485,994	7,676,435	8,669,864	7,307,339
One year later		12,696,239	10,666,074	9,627,344	10,255,252	8,944,499	7,153,886	6,989,477	8,912,845	6,452,752
Two years later			11,269,938	9,725,610	10,412,453	8,053,963	7,573,178	8,463,476	7,350,055	6,402,323
Three years later				10,325,967	12,660,830	8,609,794	6,481,067	9,373,670	8,358,628	6,443,443
Four years later					12,048,825	8,307,224	6,968,105	9,137,338	7,813,604	7,248,606
Five years later						8,503,811	6,490,862	9,492,800	7,538,239	7,741,291
Six years later							6,553,307	9,328,668	7,478,835	7,400,228
Seven years later								9,339,003	7,504,413	7,255,622
Eight years later									7,569,071	7,255,259
Nine years later										7,255,259
Decrease in estimated net incurred claims and allocated expenses from end of policy year	156,468	(332,077)	(317,431)	621,173	(89,219)	(2,932,687)	1,662,568	(1,100,793)	(52,080)	

See explanation of required supplementary information on page 43.



Local Government Insurance Trust Combining Schedule of Net Position

Year Ended June 30, 2023

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 43,834,126	\$ 14,526,811	\$ 5,739,564	\$ (61,121,212)	\$ 1,640	\$ 2,980,929
Investments	-	-	-	37,588,060	-	37,588,060
Premiums receivable	29,705	-	-	-	-	29,705
Interest income receivable	-	-	-	203,247	-	203,247
Reinsurance receivables	-	2,115,723	-	-	-	2,115,723
Due from (to) other pools/accounts	(1,428,518)	(508,727)	352,026	1,585,219	-	-
Other	61,887	-	-	41,661	-	103,548
Total current assets	<u>42,497,200</u>	<u>16,133,807</u>	<u>6,091,590</u>	<u>(21,703,025)</u>	<u>1,640</u>	<u>43,021,212</u>
Noncurrent assets:						
Investments	-	-	-	22,218,856	-	22,218,856
Capital assets	-	-	-	2,661,898	-	2,661,898
Deposit with reinsurance pool	4,942,435	2,148,105	3,933,219	-	-	11,023,759
Other assets	-	-	-	-	-	-
Total noncurrent assets	<u>4,942,435</u>	<u>2,148,105</u>	<u>3,933,219</u>	<u>24,880,754</u>	<u>-</u>	<u>35,904,513</u>
Total assets	<u>47,439,635</u>	<u>18,281,912</u>	<u>10,024,809</u>	<u>3,177,729</u>	<u>1,640</u>	<u>78,925,725</u>
LIABILITIES						
Current Liabilities:						
Accounts payable and accrued expenses	-	455,862	267	66,137	-	522,266
Unpaid claims and claims adjustment exp.	8,464,036	761,100	-	-	-	9,225,136
Due to health plan cooperative custodian fund	-	-	-	2,848,946	-	2,848,946
Rate stabilization fund	502,600	-	-	-	-	502,600
Other liabilities	331	-	-	262,646	-	262,977
Total current liabilities	<u>8,966,967</u>	<u>1,216,962</u>	<u>267</u>	<u>3,177,729</u>	<u>-</u>	<u>13,361,925</u>
Noncurrent liabilities:						
Unpaid claims and claims adjustment exp.	17,284,904	253,700	-	-	-	17,538,604
Capitalization contributions	-	-	-	-	1,640	1,640
Rate stabilization fund	502,600	-	-	-	-	502,600
Total noncurrent liabilities	<u>17,787,504</u>	<u>253,700</u>	<u>-</u>	<u>-</u>	<u>1,640</u>	<u>18,042,844</u>
Total liabilities	<u>26,754,471</u>	<u>1,470,662</u>	<u>267</u>	<u>3,177,729</u>	<u>1,640</u>	<u>31,404,769</u>
NET POSITION						
Net investment in capital assets	-	-	-	2,661,898	-	2,661,898
Unrestricted, net position	20,685,164	16,811,250	10,024,542	(2,661,898)	-	44,859,058
Total net position	<u>\$ 20,685,164</u>	<u>\$ 16,811,250</u>	<u>\$ 10,024,542</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,520,956</u>

See accompanying notes to supplementary combining schedules.



Local Government Insurance Trust

Combining Schedule of Net Position

Year Ended June 30, 2022

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 53,536,392	\$ 12,816,837	\$ 8,531,086	\$ (72,405,164)	\$ 1,640	\$ 2,480,791
Investments	-	-	-	29,569,998	-	29,569,998
Premiums receivable	-	197,161	3,538	-	-	200,699
Interest income receivable	-	-	-	144,222	-	144,222
Reinsurance receivables	-	2,442,759	-	-	-	2,442,759
Due from (to) other pools/accounts	(8,990,800)	(2,229,419)	(1,187,837)	12,408,056	-	-
Other	46,279	-	-	40,404	-	86,683
Total current assets	<u>44,591,871</u>	<u>13,227,338</u>	<u>7,346,787</u>	<u>(30,242,484)</u>	<u>1,640</u>	<u>34,925,152</u>
Noncurrent assets:						
Investments	-	-	-	28,035,703	-	28,035,703
Capital assets	-	-	-	2,769,587	-	2,769,587
Deposit with reinsurance pool	4,942,435	3,384,222	2,455,983	-	-	10,782,640
Other assets	-	-	-	-	-	-
Total noncurrent assets	<u>4,942,435</u>	<u>3,384,222</u>	<u>2,455,983</u>	<u>30,805,290</u>	<u>-</u>	<u>41,587,930</u>
Total assets	<u>49,534,306</u>	<u>16,611,560</u>	<u>9,802,770</u>	<u>562,806</u>	<u>1,640</u>	<u>76,513,082</u>
LIABILITIES						
Current Liabilities:						
Accounts payable and accrued expenses	11,785	276,184	-	7,687	-	295,656
Unpaid claims and claims adjustment exp.	6,870,177	924,345	-	-	-	7,794,522
Due to health plan cooperative custodian fund	-	-	-	278,619	-	278,619
Rate stabilization fund	508,358	-	-	-	-	508,358
Other liabilities	331	-	-	276,499	-	276,830
Total current liabilities	<u>7,390,651</u>	<u>1,200,529</u>	<u>-</u>	<u>562,805</u>	<u>-</u>	<u>9,153,985</u>
Noncurrent liabilities:						
Unpaid claims and claims adjustment exp.	16,735,759	308,115	-	-	-	17,043,874
Capitalization contributions	-	-	-	-	1,640	1,640
Rate stabilization fund	508,359	-	-	-	-	508,359
Total noncurrent liabilities	<u>17,244,118</u>	<u>308,115</u>	<u>-</u>	<u>-</u>	<u>1,640</u>	<u>17,553,873</u>
Total liabilities	<u>24,634,769</u>	<u>1,508,644</u>	<u>-</u>	<u>562,805</u>	<u>1,640</u>	<u>26,707,858</u>
NET POSITION						
Net investment in capital assets	-	-	-	2,769,587	-	2,769,587
Unrestricted, net position	24,899,537	15,102,916	9,802,770	(2,769,587)	-	47,035,636
Total net position	<u>\$ 24,899,537</u>	<u>\$ 15,102,916</u>	<u>\$ 9,802,770</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,805,223</u>

See accompanying notes to supplementary combining schedules.



Local Government Insurance Trust
Combining Schedule of Revenues, Expenses and
Changes in Net Position
 Year Ended June 30, 2023

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
OPERATING REVENUES						
Gross premiums earned	\$ 14,728,867	\$ 10,997,470	\$ 932,574	\$ -	\$ -	\$ 26,658,911
Less: premium credits	(2,424,839)	(346,914)	(410,341)	-	-	(3,182,094)
ceded premiums	-	(7,871,656)	(840,000)	-	-	(8,711,656)
Net premiums earned	12,304,028	2,778,900	(317,767)	-	-	14,765,161
Other Revenues	-	-	-	408,076	-	408,076
Total operating revenues	12,304,028	2,778,900	(317,767)	408,076	-	15,173,237
OPERATING EXPENSES						
Incurred claims and claim adjustment expenses:						
Paid (net of recoveries)	12,946,879	851,837	-	-	-	13,798,716
Change in liability for unpaid claims and claim adjustment expenses	2,143,004	(217,660)	-	-	-	1,925,344
General and administrative expenses	-	-	-	6,257,925	-	6,257,925
Depreciation expense	-	-	-	119,373	-	119,373
Total operating expenses	15,089,883	634,177	-	6,377,298	-	22,101,358
Operating income (loss)	(2,785,855)	2,144,723	(317,767)	(5,969,222)	-	(6,928,121)
NONOPERATING REVENUES (EXPENSES)						
Investment income	-	72,338	187,513	4,384,003	-	4,643,854
Interest expense	-	-	-	-	-	-
Allocations of operating account revenues (note 2)	3,354,456	766,733	670,891	(4,792,080)	-	-
Allocations of operating account expenses (note 2)	(4,782,974)	(1,275,460)	(318,865)	6,377,299	-	-
Total nonoperating revenues (expenses)	(1,428,518)	(436,389)	539,539	5,969,222	-	4,643,854
Change in net position	(4,214,373)	1,708,334	221,772	-	-	(2,284,267)
Net position, beginning of year	24,899,537	15,102,916	9,802,770	-	-	49,805,223
Net position, end of year	\$ 20,685,164	\$ 16,811,250	\$ 10,024,542	\$ -	\$ -	\$ 47,520,956

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, 2022

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
OPERATING REVENUES						
Gross premiums earned	\$ 14,110,701	\$ 9,473,855	\$ 945,600	\$ -	\$ -	\$ 24,530,156
Less: premium credits	(2,383,769)	(742,913)	(414,374)	-	-	(3,541,056)
ceded premiums	(43,809)	(7,047,589)	(800,000)	-	-	(7,891,398)
Net premiums earned	11,683,123	1,683,353	(268,774)	-	-	13,097,702
Other Revenues	-	-	-	285,742	-	285,742
Total operating revenues	11,683,123	1,683,353	(268,774)	285,742	-	13,383,444
OPERATING EXPENSES						
Incurred claims and claim adjustment expenses:						
Paid (net of recoveries)	8,289,267	1,541,954	-	-	-	9,831,221
Change in liability for unpaid claims and claim adjustment expenses	3,187,309	(72,622)	-	-	-	3,114,687
General and administrative expenses	-	-	-	5,967,189	-	5,967,189
Depreciation expense	-	-	-	136,046	-	136,046
Total operating expenses	11,476,576	1,469,332	-	6,103,235	-	19,049,143
Operating income (loss)	206,547	214,021	(268,774)	(5,817,493)	-	(5,665,699)
NONOPERATING REVENUES (EXPENSES)						
Investment income	889,812	483,303	303,021	(6,590,563)	-	(4,914,427)
Interest expense	-	-	-	-	-	-
Allocations of operating account revenues (note 2)	(4,413,374)	(1,008,772)	(882,675)	6,304,821	-	-
Allocations of operating account expenses (note 2)	(4,577,426)	(1,220,647)	(305,162)	6,103,235	-	-
Total nonoperating revenues (expenses)	(8,100,988)	(1,746,116)	(884,816)	5,817,493	-	(4,914,427)
Change in net position	(7,894,441)	(1,532,095)	(1,153,590)	-	-	(10,580,126)
Net position, beginning of year	32,793,978	16,635,011	10,956,360	-	-	60,385,349
Net position, end of year	\$ 24,899,537	\$ 15,102,916	\$ 9,802,770	\$ -	\$ -	\$ 49,805,223

See accompanying notes to supplementary combining schedules.



Local Government Insurance Trust Combining Schedule of Cash Flows

Year Ended June 30, 2023

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
Cash flows from operating activities:						
Premiums collected	\$ 12,251,021	\$ 10,905,305	\$ 526,038	\$ -	\$ -	\$ 23,682,364
Other revenue collected	-	-	-	408,076	-	408,076
Recoveries of claims paid	1,045,086	2,968,441	-	-	-	4,013,527
Ceded premiums paid	-	(7,749,566)	(840,000)	-	-	(8,589,566)
Claims and claim adjustment expenses paid	(14,007,573)	(3,493,242)	-	-	-	(17,500,815)
General and administrative expenses paid	-	-	-	(6,214,586)	-	(6,214,586)
Net cash provided by (used in) operating activities	<u>(711,466)</u>	<u>2,630,938</u>	<u>(313,962)</u>	<u>(5,806,510)</u>	<u>-</u>	<u>(4,201,000)</u>
Cash flows from noncapital financing activities:						
Transfers from (to) other pools/accounts	(8,990,800)	(2,229,419)	(1,187,837)	12,408,056	-	-
Net Health Cooperative cash flows	-	-	-	2,570,327	-	2,570,327
Net cash provided by (used in) noncapital financing activities	<u>(8,990,800)</u>	<u>(2,229,419)</u>	<u>(1,187,837)</u>	<u>14,978,383</u>	<u>-</u>	<u>2,570,327</u>
Cash flows from capital and related financing activities:						
Purchase of capital assets	-	-	-	(24,891)	-	(24,891)
Net cash flows used in capital and related financing activities	-	-	-	(24,891)	-	(24,891)
Cash flows from investing activities:						
Purchase of investments	-	-	(1,308,455)	(34,324,502)	-	(35,632,957)
Proceeds from maturities of investments	-	1,308,455	-	35,192,953	-	36,501,408
Investment income received	-	-	18,732	1,268,519	-	1,287,251
Net cash provided by in investing activities	-	1,308,455	(1,289,723)	2,136,970	-	2,155,702
Net change in cash and cash equivalents	(9,702,266)	1,709,974	(2,791,522)	11,283,952	-	500,138
Cash and cash equivalents, beginning of year	53,536,392	12,816,837	8,531,086	(72,405,164)	1,640	2,480,791
Cash and cash equivalents, end of year	<u>\$ 43,834,126</u>	<u>\$ 14,526,811</u>	<u>\$ 5,739,564</u>	<u>\$ (61,121,212)</u>	<u>\$ 1,640</u>	<u>\$ 2,980,929</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ (2,785,854)	\$ 2,144,723	\$ (317,767)	\$ (5,969,223)	\$ -	\$ (6,928,121)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	-	-	-	119,373	-	119,373
Effects of changes in operating assets and liabilities:						
Premiums receivable	(29,705)	197,161	3,538	-	-	170,994
Reinsurance receivables	-	327,036	-	-	-	327,036
Other assets	(15,608)	-	-	(1,257)	-	(16,865)
Operating accounts payable and accrued expenses	(11,785)	179,678	267	58,450	-	226,610
Unpaid claims and claim adjustment expenses	2,143,004	(217,660)	-	-	-	1,925,344
Other liabilities	(11,518)	-	-	(13,853)	-	(25,371)
Total adjustments	<u>2,074,388</u>	<u>486,215</u>	<u>3,805</u>	<u>162,713</u>	<u>-</u>	<u>2,727,121</u>
Net cash provided by (used in) operating activities	<u>\$ (711,466)</u>	<u>\$ 2,630,938</u>	<u>\$ (313,962)</u>	<u>\$ (5,806,510)</u>	<u>\$ -</u>	<u>\$ (4,201,000)</u>

See accompanying notes to supplementary combining schedules.



Local Government Insurance Trust Combining Schedule of Cash Flows

Year Ended June 30, 2022

	PRIMARY LIABILITY POOL	PROPERTY POOL	EXCESS LIABILITY POOL	OPERATING ACCOUNT	ESCROW DEPOSIT ACCOUNT	COMBINED TOTAL
Cash flows from operating activities:						
Premiums collected	\$ 11,877,518	\$ 8,749,659	\$ 534,749	\$ -	\$ -	\$ 21,161,926
Other revenue collected	-	-	-	340,905	-	340,905
Recoveries of claims paid	1,031,099	947,265	-	-	-	1,978,364
Ceded premiums paid	(43,809)	(6,771,405)	(800,000)	-	-	(7,615,214)
Claims and claim adjustment expenses paid	(9,322,327)	(4,606,946)	-	-	-	(13,929,273)
General and administrative expenses paid	-	-	-	(5,997,145)	-	(5,997,145)
Net cash provided by (used in) operating activities	<u>3,542,481</u>	<u>(1,681,427)</u>	<u>(265,251)</u>	<u>(5,656,240)</u>	<u>-</u>	<u>(4,060,437)</u>
Cash flows from noncapital financing activities:						
Transfers from (to) other pools/accounts	3,637,708	914,961	1,165,841	(5,718,510)	-	-
Net Health Cooperative cash flows	-	-	-	(2,448,011)	-	(2,448,011)
Net cash provided by (used in) noncapital financing activities	<u>3,637,708</u>	<u>914,961</u>	<u>1,165,841</u>	<u>(8,166,521)</u>	<u>-</u>	<u>(2,448,011)</u>
Cash flows from capital and related financing activities:						
Purchase of capital assets	-	-	-	(8,527)	-	(8,527)
Net cash flows used in capital and related financing activities	-	-	-	<u>(8,527)</u>	<u>-</u>	<u>(8,527)</u>
Cash flows from investing activities:						
Purchase of investments	-	-	-	(37,784,073)	-	(37,784,073)
Proceeds from maturities of investments	-	-	-	40,921,227	-	40,921,227
Investment income received	400,514	153,560	58,374	2,911,749	-	3,524,197
Net cash provided by in investing activities	<u>400,514</u>	<u>153,560</u>	<u>58,374</u>	<u>6,048,903</u>	<u>-</u>	<u>6,661,351</u>
Net change in cash and cash equivalents	7,580,703	(612,906)	958,964	(7,782,385)	-	144,376
Cash and cash equivalents, beginning of year	45,955,689	13,429,743	7,572,122	(64,622,779)	1,640	2,336,415
Cash and cash equivalents, end of year	<u>\$ 53,536,392</u>	<u>\$ 12,816,837</u>	<u>\$ 8,531,086</u>	<u>\$ (72,405,164)</u>	<u>\$ 1,640</u>	<u>\$ 2,480,791</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 206,547	\$ 214,021	\$ (268,774)	\$ (5,817,493)	\$ -	\$ (5,665,699)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	-	-	-	136,046	-	136,046
Effects of changes in operating assets and liabilities:						
Premiums receivable	161,154	18,717	3,523	-	-	183,394
Reinsurance receivables	-	(2,117,727)	-	-	-	(2,117,727)
Other assets	(1,961)	-	-	55,806	-	53,845
Operating accounts payable and accrued expenses	11,785	276,184	-	(15,692)	-	272,277
Unpaid claims and claim adjustment expenses	3,187,309	(72,622)	-	-	-	3,114,687
Other liabilities	(22,353)	-	-	(14,907)	-	(37,260)
Total adjustments	<u>3,335,934</u>	<u>(1,895,448)</u>	<u>3,523</u>	<u>161,253</u>	<u>-</u>	<u>1,605,262</u>
Net cash provided by (used in) operating activities	<u>\$ 3,542,481</u>	<u>\$ (1,681,427)</u>	<u>\$ (265,251)</u>	<u>\$ (5,656,240)</u>	<u>\$ -</u>	<u>\$ (4,060,437)</u>

See accompanying notes to supplementary combining schedules.

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Local Government Insurance Trust

Notes to Supplementary Combining Schedules

Years Ended June 30, 2023 and 2022

■ NOTE 1 — DESCRIPTION OF POOL COVERAGES

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

Primary Liability Pool Coverage

<u>POOL COVERAGE</u>	<u>COVERAGE LIMITS</u>
COMMERCIAL GENERAL LIABILITY	
Bodily Injury and Property Damage	\$ 1,000,000 each occurrence \$ 3,000,000 annual aggregate
LIABILITY SUBLIMITS	
Products and Completed Operations	\$ 3,000,000 annual aggregate
Personal Injury and Advertising Injury	\$ 1,000,000 each offense
Medical Payments	\$ 5,000 each person \$ 1,000,000 each occurrence
Fire Legal Liability	\$ 1,000,000 each occurrence
POLICE LEGAL LIABILITY	
	\$ 1,000,000 each wrongful act \$ 3,000,000 annual aggregate
PUBLIC OFFICIALS LIABILITY	
	\$ 1,000,000 each wrongful act \$ 3,000,000 annual aggregate
BUSINESS AUTOMOBILE COVERAGE	
Automobile Liability	\$ 1,000,000 per accident
Garagekeepers Liability	
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 claim 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 2023 and 2022.

	POOL TOTALS		COUNTIES		MUNICIPALITIES		OTHER	
	2023	2022	2023	2022	2023	2022	2023	2022
Primary	187	184	14	14	147	145	26	25
Property	175	170	17	17	141	138	17	16
Excess	191	187	15	15	148	146	28	27

■ 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 2023 and 2022. 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 2022 amounts have been reclassified to conform to fiscal year 2023 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

College Park City Hall



Cambridge City Hall



Local Government Insurance Trust

Comparative Schedule of Revenues, Expenses and Changes in Net Position

Ten Years Ended June 30, 2014 through June 30, 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
REVENUES										
Gross premiums earned	\$18,068,092	\$18,309,555	\$19,005,448	\$19,613,355	\$19,628,413	\$ 19,902,539	\$ 20,949,856	\$ 21,623,423	\$ 24,530,156	\$ 26,658,911
Less: premium credits ceded premiums	(2,979,294)	(2,950,760)	(2,912,176)	(3,008,046)	(2,947,572)	(3,224,731)	(3,102,287)	(3,245,306)	(3,541,056)	(3,182,094)
Net premiums earned	10,587,030	10,703,627	11,405,024	12,272,663	12,325,085	12,111,790	12,749,542	12,476,002	13,097,702	14,765,161
Other	86,103	163,691	176,600	168,694	143,419	324,370	133,528	188,384	285,742	408,076
Total operating revenues	10,673,133	10,867,318	11,581,624	12,441,357	12,468,504	12,436,160	12,883,070	12,664,386	13,383,444	15,173,237
Operating Expenses										
Incurred claims and claim adjustment expenses:										
Paid (net of recoveries)	7,149,256	5,969,651	6,584,676	6,764,049	8,723,391	7,937,092	8,904,691	7,231,918	9,831,221	13,798,716
Change in liability for unpaid claims and claim adjustment exp.	(261,026)	(20,892)	381,229	333,371	967,145	5,050,472	(2,262,564)	4,679,650	3,114,687	1,925,344
General and administrative	4,965,655	5,077,011	5,193,882	5,354,282	5,387,466	5,727,133	5,740,719	6,087,499	6,103,235	6,377,298
Total operating expenses	11,853,885	11,025,770	12,159,787	12,451,702	15,078,002	18,714,697	12,382,846	17,999,067	19,049,143	22,101,358
Operating income	(1,180,752)	(158,452)	(578,163)	(10,345)	(2,609,498)	(6,278,537)	500,224	(5,334,681)	(5,665,699)	(6,928,121)
NONOPERATING REVENUES (EXPENSES)										
Investment income	3,921,454	(1,074,951)	(147,823)	4,233,564	3,286,575	4,158,883	2,905,757	13,119,191	(4,914,427)	4,643,854
Interest expense	-	-	-	-	-	-	-	-	-	-
Total nonoperating revenues (expenses)	3,921,454	(1,074,951)	(147,823)	4,233,564	3,286,575	4,158,883	2,905,757	13,119,191	(4,914,427)	4,643,854
Change in net position	2,740,702	(1,233,403)	(725,986)	4,223,219	677,077	(2,119,654)	3,405,981	7,784,510	(10,580,126)	(2,284,267)
Total net position beginning of year	45,632,903	48,373,605	47,140,202	46,414,216	50,637,435	51,314,512	49,194,858	52,600,839	60,385,349	49,805,223
Total net position end of year	\$48,373,605	\$47,140,202	\$46,414,216	\$50,637,435	\$51,314,512	\$49,194,858	\$52,600,839	\$60,385,349	\$49,805,223	\$47,520,956
Total assets	63,013,526	61,788,515	60,754,769	67,215,723	70,403,524	71,886,236	71,982,644	86,191,513	76,513,082	78,925,725
Total liabilities	14,639,921	14,648,313	14,340,553	16,578,288	19,089,012	22,691,378	19,381,805	25,806,164	26,707,858	31,404,769
Net assets	48,373,605	47,140,202	46,414,216	50,637,435	51,314,512	49,194,858	52,600,839	60,385,349	49,805,224	47,520,956



Local Government Insurance Trust

Member Growth Analysis

Ten Years Ended June 30, 2014 through June 30, 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total number of members	179	181	182	183	185	190	190	190	191	194
Total employees	30	30	30	30	30	28	28	30	31	30
Total annual payroll	\$ 2,811,433	\$ 2,795,156	\$ 2,946,263	\$ 3,105,795	\$ 2,931,027	\$ 3,343,480	\$3,416,558	\$3,397,230	\$3,494,401	\$3,725,597
Total net premiums earned	\$ 10,587,030	\$ 10,703,627	\$ 11,398,734	\$ 12,272,663	\$ 12,325,085	\$ 12,111,790	\$ 12,749,542	\$ 12,476,002	\$ 13,097,702	\$ 14,765,162
Total number of claims	1,616	1,564	1,629	1,505	1,733	1,827	1,589	1,757	1,733	1,796
Total reported losses	\$ 3,805,887	\$ 5,011,874	\$ 4,079,032	\$ 5,127,450	\$ 4,376,102	\$ 6,923,713	\$ 5,587,331	\$ 6,523,455	\$ 6,691,373	\$ 7,855,965

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, 2014 through June 30, 2023

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Auto Liability	1,473,339	1,605,273	1,390,875	980,940	1,697,831	2,366,328	2,055,319	1,699,006	2,329,254	1,494,127
Auto Physical	1,107,987	1,059,571	1,450,100	1,598,268	1,284,759	2,058,341	1,639,873	2,279,151	2,259,392	2,708,264
General Liability	3,932,949	3,651,403	5,624,054	2,903,058	4,307,504	6,514,189	3,933,743	3,647,272	2,720,782	1,950,250
Property	741,049	1,113,793	688,621	982,222	943,643	614,591	1,544,379	1,153,667	1,237,102	1,703,324
Excess	-	-	-	-	-	-	-	-	-	-
Total	\$ 7,255,324	\$ 7,430,040	\$ 9,153,650	\$ 6,464,488	\$ 8,233,737	\$ 11,553,449	\$ 9,173,313	\$ 8,779,096	\$ 8,546,530	\$ 7,855,965

Average Cost per Claim

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Auto Liability	\$ 3,483	\$ 4,191	\$ 3,409	\$ 2,877	\$ 4,743	\$ 6,115	\$ 6,739	\$ 5,164	\$ 6,347	\$ 4,116
Auto Physical	2,225	2,324	2,466	2,849	2,185	3,054	2,789	3,635	3,621	4,173
General Liability	6,735	6,231	11,316	6,466	7,904	10,785	7,536	6,299	4,974	3,289
Property	6,799	8,982	5,101	6,505	4,085	4,043	8,927	5,316	6,410	9,012
Excess	-	-	-	-	-	-	-	-	-	-



Local Government Insurance Trust

Reported Claims Activity

Ten Years Ended June 30, 2014 through June 30, 2023

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Auto Liability	423	383	408	341	358	387	305	329	367	363
Auto Physical	498	456	588	561	588	674	588	627	624	649
General Liability	584	586	497	449	545	604	522	579	547	593
Property	109	124	135	151	231	152	173	217	193	189
Excess	2	15	1	3	11	10	1	5	2	2
Total	1,616	1,564	1,629	1,505	1,733	1,827	1,589	1,757	1,733	1,796
<hr/>										
Closed Claims	1,111	1,087	1,159	1,075	1,124	1,354	1,213	1,248	1,228	963
Open Claims	505	477	470	430	609	473	376	509	505	833
Total	1,616	1,564	1,629	1,505	1,733	1,827	1,589	1,757	1,733	1,796
<hr/>										
Prior year claims closed	707	873	661	649	664	854	878	557	701	990
Current year claims closed	1,111	1,087	1,159	1,075	1,124	1,354	1,213	1,248	1,228	963
Total claims closed during year	1,818	1,960	1,820	1,724	1,788	2,208	2,091	1,805	1,929	1,953
<hr/>										
Number of Members	179	181	182	183	185	190	190	190	191	194
	<hr/>									



Local Government Insurance Trust

Loss Development

Ten Years Ended June 30, 2014 through June 30, 2023

Paid Losses as of June 30

CLAIM YEAR	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	2,258,231	4,129,786	4,638,823	5,375,413	6,418,744	7,170,151	7,248,685	7,255,688	7,255,324	7,255,324
2015		2,557,301	4,404,013	5,373,218	6,401,864	6,688,115	6,979,333	7,019,596	7,044,574	7,045,812
2016			2,906,287	4,181,666	5,031,164	5,878,945	7,395,875	7,636,221	7,942,706	8,113,862
2017				3,183,550	5,022,009	5,610,798	5,857,321	6,071,654	6,272,533	6,293,953
2018					2,961,859	4,823,465	5,773,505	6,037,760	7,324,549	7,869,433
2019						3,557,676	5,867,936	6,629,966	8,048,193	11,106,496
2020							3,482,517	4,973,985	5,940,988	7,462,552
2021								4,204,082	6,196,766	6,896,367
2022									3,636,076	6,523,396
2023										4,895,056
Total	\$ 2,258,231	\$ 6,687,087	\$ 11,949,123	\$ 18,113,847	\$ 25,835,640	\$ 33,729,150	\$ 42,605,173	\$ 49,828,953	\$ 59,661,709	\$ 73,462,251

Loss Payments During the Year Ended

CLAIM YEAR	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	2,258,231	1,871,555	509,037	736,590	1,043,331	751,407	78,534	7,003	(364)	-
2015		2,557,301	1,846,712	969,205	1,028,646	286,251	291,218	40,263	24,978	1,238
2016			2,906,287	1,275,379	849,498	847,781	1,516,930	240,346	306,485	171,156
2017				3,183,550	1,838,459	588,789	246,523	214,332	200,879	21,420
2018					2,961,859	1,861,606	950,040	264,255	1,286,789	544,884
2019						3,557,676	2,310,260	762,031	1,418,227	3,058,303
2020							3,482,517	1,491,468	967,002	1,521,565
2021								4,204,082	1,992,684	699,601
2022									3,636,076	2,887,320
2023										4,895,056
Sub-total	\$ 2,258,231	\$ 4,428,856	\$ 5,262,036	\$ 6,164,724	\$ 7,721,793	\$ 7,893,510	\$ 8,876,023	\$ 7,223,780	\$ 9,832,756	\$ 13,800,542

Losses Paid for

Years Prior to 2014	4,891,024	1,540,795	1,322,641	599,325	1,001,598	43,582	28,668	8,138	(1,535)	(1,826)
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Total Losses per Statements

of Revenues, Expenses and

Changes in Net Position	\$ 7,149,255	\$ 5,969,651	\$ 6,584,677	\$ 6,764,049	\$ 8,723,391	\$ 7,937,092	\$ 8,904,691	\$ 7,231,918	\$ 9,831,221	\$ 13,798,716
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Local Government Insurance Trust

Loss Development

Ten Years Ended June 30, 2014 through June 30, 2023

Case Reserves as of June 30

CLAIM YEAR	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	1,547,656	702,160	822,787	567,761	499,801	384,494	103,605	-	-	-
2015		2,454,573	1,986,485	871,596	1,008,811	792,083	363,986	326,161	321,722	384,228
2016			1,172,745	1,052,869	1,742,851	2,637,054	1,280,400	1,260,521	1,105,619	1,039,788
2017				1,943,901	425,511	629,449	243,907	571,065	98,441	170,535
2018					1,414,243	1,525,144	975,663	1,661,595	625,702	364,304
2019						3,366,037	1,636,666	2,277,841	3,965,984	446,953
2020							2,104,814	1,828,413	1,988,945	1,710,761
2021								2,319,373	1,538,775	1,882,729
2022									3,055,297	2,023,134
2023										2,960,909
Total	\$ 1,547,656	\$ 3,156,733	\$ 3,982,017	\$ 4,436,127	\$ 5,091,217	\$ 9,334,261	\$ 6,709,041	\$ 10,244,969	\$ 12,700,485	\$ 10,983,341

Change in Case Reserves During the Year Ended

CLAIM YEAR	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	1,547,656	(845,496)	120,627	(255,026)	(67,960)	(115,307)	(280,889)	(103,605)	-	-
2015		2,454,573	(468,088)	(1,114,889)	137,215	(216,728)	(428,097)	(37,825)	(4,439)	62,506
2016			1,172,745	(119,876)	689,982	894,203	(1,356,654)	(19,879)	(154,902)	(65,831)
2017				1,943,901	(1,518,390)	203,938	(385,542)	327,158	(472,624)	72,094
2018					1,414,243	110,901	(549,481)	685,932	(1,035,893)	(261,398)
2019						3,366,037	(1,729,371)	641,175	1,688,143	(3,519,031)
2020							2,104,814	(276,401)	160,532	(278,184)
2021								2,319,373	(780,598)	343,954
2022									3,055,297	(1,032,163)
2023										2,960,909
Total	\$ 1,547,656	\$ 1,609,077	\$ 825,284	\$ 454,110	\$ 655,090	\$ 4,243,044	\$ (2,625,220)	\$ 3,535,928	\$ 2,455,516	\$ (1,717,144)



Local Government Insurance Trust

Loss Development

Ten Years Ended June 30, 2014 through June 30, 2023

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

CLAIM YEAR	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	3,805,887	4,831,946	5,461,610	5,943,174	6,918,545	7,554,645	7,352,290	7,255,688	7,255,324	7,255,324
2015		5,011,874	6,390,498	6,244,814	7,410,675	7,480,198	7,343,319	7,345,757	7,366,296	7,430,040
2016			4,079,032	5,234,535	6,774,015	8,515,999	8,676,275	8,896,742	9,048,325	9,153,650
2017				5,127,451	5,447,520	6,240,247	6,101,228	6,642,719	6,370,974	6,464,488
2018					4,376,102	6,348,609	6,749,168	7,699,355	7,950,251	8,233,737
2019						6,923,713	7,504,602	8,907,807	12,014,177	11,553,449
2020							5,587,331	6,802,398	7,929,933	9,173,313
2021								6,523,455	7,735,541	8,779,096
2022									6,691,373	8,546,530
2023										7,855,965
Total	\$ 3,805,887	\$ 9,843,820	\$ 15,931,140	\$ 22,549,974	\$ 30,926,857	\$ 43,063,411	\$ 49,314,214	\$ 60,073,922	\$ 72,362,194	\$ 84,445,592

Incremental Losses Reported During the Year Ended

CLAIM YEAR	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	3,805,887	1,026,059	629,664	481,564	975,371	636,100	(202,355)	(96,602)	(364)	-
2015		5,011,874	1,378,624	(145,684)	1,165,861	69,523	(136,879)	2,438	20,539	63,744
2016			4,079,032	1,155,503	1,539,480	1,741,984	160,276	220,467	151,583	105,325
2017				5,127,451	320,069	792,727	(139,019)	541,490	(271,745)	93,514
2018					4,376,102	1,972,507	400,559	950,187	250,896	283,486
2019						6,923,713	580,889	1,403,206	3,106,370	(460,728)
2020							5,587,331	1,215,067	1,127,534	1,243,381
2021								6,523,455	1,212,086	1,043,555
2022									6,691,373	1,855,157
2023										7,855,965
Total	\$ 3,805,887	\$ 6,037,933	\$ 6,087,320	\$ 6,618,834	\$ 8,376,883	\$ 12,136,554	\$ 6,250,803	\$ 10,759,708	\$ 12,288,272	\$ 12,083,398

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State of Maryland Demographic and Economic Statistics:

	2023	2022
Population (1)	6,203,394	6,195,885
Median household income (2)	\$ 100,442	\$ 88,550
Unemployment rate (3)	1.8%	6.3%

Land area – 12,407 square miles

(1) U.S. Census Bureau estimate for 2020 as of April 1, 2020. The 2021 World Population Review estimate does not include year-end data. Maryland is ranked 19th in U.S. population and 42nd in size among the 50 states.

(2) Maryland Department of Commerce. Maryland's median household income is \$86,738 vs. \$62,843 for the country. Maryland is home to three of the top 20 counties in the nation for median household income, Howard County ranks second (\$120,941), Montgomery 17th (\$99,763) and Calvert 18th (\$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 2021, ranked 17th in the U.S.

Ten Largest Employers State of Maryland (1):

U.S. Social Security Administration	60,000	Federal Agency
Fort George G. Meade	54,000	Military installation/intelligence
University System of Maryland	42,000	Higher education
Naval Air Station Patuxent River	34,000	Military Installation
John Hopkins Health System	31,000	Hospitals; health services
Amazon	30,000	Retail Services
University of Maryland Medical System	29,300	Higher education
Fort Detrick Campus	18,375	Military Installation
National Institutes of Health	17,900	Federal Agency
John Hopkins University	16,850	Higher education

(1) Source: Maryland Department of Commerce, 2020-2021. Excludes post offices, state and local governments; includes public higher education institutions.

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Hagerstown City Hall

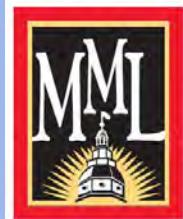
THE LGIT MISSION

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