

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.

AUDIT REPORT

JUNE 30, 2017 AND 2016

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
AUDIT REPORT
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Independent Auditor's Report

Board of Directors
Vermont School Boards
Insurance Trust, Inc.
52 Pike Drive
Berlin, Vermont 05602

Report on the Financial Statements

We have audited the accompanying financial statements of the Vermont School Boards Insurance Trust, Inc. as of and for the years ended June 30, 2017 and 2016 and the related notes to the financial statements, which collectively comprise the Vermont School Boards Insurance Trust, Inc.'s basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Vermont School Boards Insurance Trust, Inc. as of June 30, 2017 and 2016 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

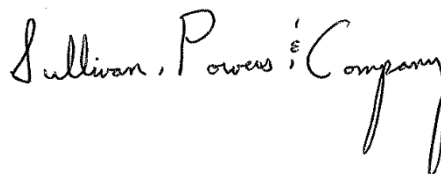
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 and the financial information listed as Tables 1 through 3 in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

As discussed in Note 1, it is not presently possible to determine whether actual loss experience will conform to the assumptions used in determining its reserve for losses and loss adjustment expenses. Accordingly, the ultimate liability could be significantly in excess of or less than the amount indicated in the financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. Schedules 1 through 5 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

October 30, 2017
Montpelier, Vermont
VT Lic. #92-000180



VERMONT SCHOOL BOARDS INSURANCE TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2017

The Vermont School Boards Insurance Trust (VSBIT), which was organized in 1978, is owned by member school districts. VSBIT offers its members a wide range of risk management services as well as educational and professional development opportunities through a series of programs.

VSBIT operates an unemployment compensation program for school districts which protects members from unexpected unemployment benefit expense. Effective July 1, 2004, VSBIT's Multi-Line Intermunicipal School Program (multi-line program) began operations. This program, which was formed by member districts as an alternative to commercial insurance, provides property, workers' compensation and various forms of liability coverage. VSBIT's educational and risk management services are provided through its School Management Resource Center (SMRC). These services focus on human resource, policy, physical plant and enterprise risk management issues.

VSBIT receives revenue from the Vermont Education Health Initiative [VEHI] via a service contract. VEHI provides health, dental, life and long-term disability insurance and related health promotion programs.

Fiscal 2017 Highlights and Overall Financial Position

During the year ending June 30, 2017, VSBIT provided unemployment insurance to 200 schools and supervisory unions as well as property/casualty and workers' compensation coverage to 39 supervisory unions, 1 supervisory district, 9 stand-alone supervisory districts, and 3 stand-alone technical centers.

VSBIT's program contributions totaled \$13 million in FY17; \$1.3 million from unemployment contributions and \$11.7 million from the multi-line program.

VSBIT earned \$1 million in interest and dividends and had a market gain of \$2.2 million on investments following a \$780 thousand market gain in FY16. VSBIT also received \$790 thousand from VEHI per the administrative contract.

VSBIT's net position increased by \$4.6 million; from \$41.7 million to \$46.3 million in FY16. This is a result of a \$443 thousand gain prior to transferring \$900 thousand through to the unemployment reserve fund from the unemployment program fund, a \$1.9 million gain on the multi-line program and a gain of \$2.7 million on the general reserve, unemployment reserve and multi-line reserve funds which primarily was from investment income. VSBIT holds general reserves in the amount of \$23.1 million, up from \$21.1 million in FY16. Unemployment reserve and operating funds are up \$662 thousand from \$3.6 million in FY16. Multi-line reserve and operating funds of \$17.1 million increased from \$15.2 million in FY16. The workers' compensation reserves, from the program operated between 1992 and 1998, total \$482 thousand down from \$520 thousand in 2016.

VSBIT's FY17 general operating budget totaled \$2,756,562. Actual FY17 spending levels were under budget by \$122 thousand with 95.6% of the general operating budget being spent. Actual spending for the SMRC was \$99 thousand less than the budgeted amount.

The Financial Statements

VSBIT's financial statements are a series of reports that detail financial information using enterprise fund accounting and financial reporting. VSBIT uses the accrual basis method of accounting in preparing its financial statements.

The statement of net position includes all the corporation's assets and liabilities. The statement also presents the balance of assets in excess of liabilities, or net position.

The statement of revenues, expenses, and change in net position presents the results of VSBIT's operations. The statement reports all revenues and expenses, and reconciles the beginning and end of year net position balances.

The statement of cash flows supplements these statements providing relevant information about cash receipts and payments to the corporation.

FINANCIAL INFORMATION

SUMMARY OF NET POSITION

	<u>2017</u>	<u>2016</u>
Assets:		
Cash and Investments	\$ 52,305,511	\$ 49,937,657
Receivables	1,158,241	213,976
Other Assets	2,573,406	162,680
Property Plant and Equipment	<u>3,477,623</u>	<u>3,589,383</u>
Total Assets	\$ <u>59,514,781</u>	\$ <u>53,903,696</u>
Liabilities:		
Claims Liabilities	\$ 9,777,759	\$ 9,057,410
Other Program Liabilities	1,044,471	655,213
General Liabilities	247,621	173,326
Long Term Liabilities-Bond Payable	<u>2,130,383</u>	<u>2,309,311</u>
Total Liabilities	<u>13,200,234</u>	<u>12,195,260</u>
Net Position:		
Net Position	<u>46,314,547</u>	<u>41,708,436</u>
Total Net Position	<u>46,314,547</u>	<u>41,708,436</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>59,514,781</u>	\$ <u>53,903,696</u>

Assets

Cash and other near liquid assets are held at the Peoples United Bank, while investments are with Vanguard Group in the form of government and corporate bonds and mutual funds as of June 30, 2017.

Receivables for FY17 represent \$958 thousand due for reinsurance for the multi-line program, \$143 thousand due in estimated contributions from multi-line members as a result of the FY17 payroll audit, and \$57 thousand of various other receivables. Receivables for FY16 were mostly comprised from the estimated amounts due in contributions from multi-line members as a result of the FY16 payroll audit.

VSBIT held \$3.48 million in net capital assets as of June 30, 2017 as compared to \$3.59 million as of a year ago. The majority of the value of VSBIT's fixed assets is comprised of the office building located at 52 Pike Drive in Berlin, VT. FY17 other assets represents \$2.5 million in prepaid expenses, \$47 thousand advanced to the Vermont School Boards Association and a \$5 thousand working fund deposit held by Chartis Insurance Company. FY16 other assets represents \$158 thousand in prepaid expenses and amounts advanced to the Vermont School Boards Association.

Liabilities

Claims liabilities total \$9.77 million, up \$720 thousand from FY16. This includes \$137 thousand of claims payable for the unemployment program. These are claims incurred prior to June 30, 2017 but not yet reimbursed by VSBIT. Also included is \$4.6 million (up from \$3.88 million for FY16) which represents the projected cost of claims already filed for the multi-line and workers' compensation (92-98) programs. The remaining \$5 million (down slightly from \$5.05 million for FY16) represents reserves for anticipated incurred claims not yet reported (IBNR) for the multi-line program. This is based on non-discounted actuarial forecasting derived from industry related trends and VSBIT's own data. As a result of the young age of the multi-line program which began operations on July 1, 2004, the amount of Vermont school specific loss development data is limited, particularly for long-tail lines of coverage such as workers' compensation and school board legal liability. Each year, as the VSBIT data becomes more credible, additional school specific data is incorporated into the actuarial calculations for this program.

Other program liabilities represent \$928 thousand in estimated claims adjustment reserves (up from \$550 thousand in FY16) and \$116 thousand for the Vermont Department of Labor assessment. These reserves are calculated based on case reserves and IBNR values as of June 30, 2017.

General liabilities include \$176,480 due to vendors, \$61,048 in accrued vacation payable, and \$10,093 in accrued payroll liabilities.

The long term liabilities-bond payable is the amount due to the Peoples United Bank for the mortgage on the office building at 52 Pike Drive in Berlin VT.

SUMMARY OF REVENUE AND EXPENSES

	<u>2017</u>	<u>2016</u>
Operating Revenues:		
Program Contributions	\$ 13,010,799	\$ 11,689,968
VEHI Administrative Contract/Other Income	<u>861,057</u>	<u>844,743</u>
Total Operating Revenues	<u>13,871,856</u>	<u>12,534,711</u>
Operating Expenses:		
Net Change in Claims Paid & Reserved	5,441,235	5,510,836
Other Program Expenses	4,407,285	3,923,680
General and Administrative Expenses	2,165,147	1,976,231
SMRC	<u>415,518</u>	<u>326,219</u>
Total Operating Expenses	<u>12,429,185</u>	<u>11,736,966</u>
Operating Income	<u>1,442,671</u>	<u>797,745</u>
Non-Operating Revenues/(Expenses):		
Total Investment Activity	3,227,992	1,699,273
Interest Expense	<u>(64,552)</u>	<u>(69,735)</u>
Change in Net Position	4,606,111	2,427,283
Net Position – Beginning of Year	<u>41,708,436</u>	<u>39,281,153</u>
Net Position - End of Year	<u>\$ 46,314,547</u>	<u>\$ 41,708,436</u>

Revenue

VSBIT revenue is primarily made up of program contributions from members. Total revenues for FY17 increased from FY16; from \$12.5 million to \$13.9 million.

Investment activity generated a \$3.2 million dollar gain reflecting positive market results of \$2.2 million and \$1 million in dividends and interest earnings.

Expenses

VSBIT incurred unemployment claims in the amount of \$724 thousand as compared to \$817 thousand in FY16. The Multi-Line Intermunicipal School Program's change in claims paid and reserved decreased by \$6,786; from \$4,693,992 in FY16 to \$4,687,206 in FY17. The change in claims paid and reserved for workers' compensation (92-98) was increased by \$30,223 dollars.

Other expenses include general expenses of \$2.17 million, increasing from \$1.98 million in FY16, and the School Management Resource Center expenses totaling \$415,518, an increase of \$89,299 from FY16. SMRC uses these funds for staff and all program expenses associated with providing popular services in the areas of physical plant, policy, human resources and enterprise risk management.

VSBIT's actual general and administrative expenses for FY17 concluded at 4.4% below budget; for FY16 VSBIT ended the year at 5.5% below budget.

Change in Net Position

VSBIT's FY17 operations resulted in an increase in net position of \$4.6 million, up from \$2.4 million in FY16. This is primarily due to investment activity and increased operating revenues. During FY17 the investment activity resulted in a gain of \$3.2 million, following a gain of \$1.7 million in FY16. Revenues increased by \$1.3 million over the FY16 results.

Economic Factors

FY17 marked the thirteenth year for VSBIT's multi-line program. For FY17, the workers' compensation base rate was adjusted up by 8.9% and the property casualty rates were adjusted down by 1%. For FY18 base rates remained unchanged. Net position for this program increased from \$15.2 million to \$17 million in FY17 following a \$1.4 million increase in net position in FY16. Two new members joined the program in FY17. Membership did not change for FY18.

Unemployment claims expense for FY17 was \$724 thousand, down from \$817 thousand in FY16. VSBIT decreased the rate structure by 15% for FY18. VSBIT added \$662 thousand to unemployment net position during FY17 as compared to the \$442 thousand increase in FY16. Due to mergers, the overall membership count decreased in FY17. However the program actually added two new members in FY17 and lost no entities.

The FY18 operating budget was set at \$2,933,620. This is an increase of \$177,058 or 6.4% over FY17. The salary and benefits budget increased by \$89K. Computer expense increased by \$39K as VSBIT moved away from in house servers to a hosted environment. The SMRC budget related to health care transition and ACT46 support increased by \$42K as schools move closer to the January 1, 2018 effective date for VEHI's new health plan offerings and continue to navigate through changes in school district and supervisory union structuring.

Requests for Information

The financial report is designed to provide a general overview of VSBIT's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the President, Vermont School Boards Insurance Trust, 52 Pike Drive, Berlin, VT 05602.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
STATEMENT OF NET POSITION
JUNE 30, 2017 AND 2016

ASSETS

	2017	2016
Cash - Note 2	\$ 1,275,302	\$ 5,200,329
Investments - Note 2	51,030,209	44,737,328
Contributions Receivable - Note 3	142,630	127,190
Other Receivables	5,453	9,288
Deductibles Receivable	32,762	24,603
Subrogation Receivable	19,141	60
Reinsurance Receivable	958,255	52,835
Prepaid Expenses - Note 4	2,521,539	38,220
Advance to Vermont School Boards Association - Note 5	46,867	119,460
Working Fund Deposit - Note 6	5,000	5,000
Property, Plant and Equipment - Net of Accumulated Depreciation of \$579,335 and \$453,170 as of June 30, 2017 and 2016, Respectively - Note 7	3,477,623	3,589,383
TOTAL ASSETS	\$ 59,514,781	\$ 53,903,696

LIABILITIES AND NET POSITION

Liabilities:

Accounts Payable	\$ 151,911	\$ 93,452
Accrued Payroll and Related Taxes Payable	10,093	3,890
Accrued Vacation Payable	61,048	66,625
Accrued Interest Payable	5,113	5,529
Other Payables	19,456	3,830
Claims Payable - Note 8	138,719	128,798
Workers' Compensation State Assessment Reserve	116,471	105,213
Claims to be Paid - Note 9	4,641,040	3,881,612
Anticipated Claims Not Reported - Note 9	4,998,000	5,047,000
Reserve for Unallocated Loss Adjustment Expenses	928,000	550,000
Bonds Payable - Note 10	2,130,383	2,309,311
Total Liabilities	13,200,234	12,195,260

Net Position:

Net Investment in Property, Plant and Equipment	1,347,240	1,280,072
Unrestricted Net Position	44,967,307	40,428,364
Total Net Position - Note 11	46,314,547	41,708,436
TOTAL LIABILITIES AND NET POSITION	\$ 59,514,781	\$ 53,903,696

The accompanying notes are an integral part of this financial statement.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Operating Revenues:		
Program Contributions	\$ 13,010,799	\$ 11,689,968
Other Income	71,167	67,131
VEHI Administration Contract	789,890	777,612
Total Operating Revenues	13,871,856	12,534,711
Operating Expenses:		
Net Change in Claims Paid and Reserved - Unemployment Insurance - Note 12	723,806	816,867
Net Change in Claims Paid and Reserved - Workers' Compensation - Note 12	30,223	(23)
Net Change in Claims Paid and Reserved - Multi-Line Program - Note 12	4,687,206	4,693,992
Reinsurance Premiums	2,322,066	2,280,140
Administration	684,789	603,674
Other Program Expenses - Note 13	1,400,430	1,039,865
General and Administrative Expenses - Note 14	2,165,147	1,976,232
School Management Resource Center Expenses	415,518	326,219
Total Operating Expenses	12,429,185	11,736,966
Net Operating Income	1,442,671	797,745
Non-Operating Revenues/(Expenses):		
Investment Income - Interest and Dividends	1,017,381	919,120
Investment Income - Other	2,210,611	780,153
Interest Expense	(64,552)	(69,735)
Total Non-Operating Revenues/(Expenses)	3,163,440	1,629,538
Change in Net Position	4,606,111	2,427,283
Net Position - Beginning of Year	41,708,436	39,281,153
Net Position - End of Year	\$ 46,314,547	\$ 41,708,436

The accompanying notes are an integral part of this financial statement.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Cash Received from Unemployment Contributions	\$ 1,286,301	\$ 1,297,178
Cash Received from Multi-Line Contributions	11,717,475	10,394,727
Cash Received from VEHI for Administration	789,890	777,612
Other Income Received	58,712	54,128
Cash Paid for Unemployment Claims	(707,608)	(798,852)
Cash Paid for Workers' Compensation Claims (92-98)	(5,018)	(6,092)
Cash Paid for Multi-Line Claims	(4,932,920)	(4,455,850)
Cash Paid for Reinsurance	(4,785,550)	(59,089)
Cash Paid for General and Administrative Expenses	(2,032,525)	(1,860,557)
Cash Paid for School Management Resource Center Expenses	(342,902)	(445,679)
Cash Paid for Other Program Expenses	<u>(1,645,534)</u>	<u>(1,552,943)</u>
Net Cash Provided/(Used) by Operating Activities	<u>(599,679)</u>	<u>3,344,583</u>
Cash Flows from Noncapital Financing Activities:		
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of Property, Plant and Equipment	(16,563)	(187,921)
Principal Paid on Bonds Payable	(178,928)	(173,759)
Interest Paid on Bonds Payable	<u>(64,968)</u>	<u>(70,139)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(260,459)</u>	<u>(431,819)</u>
Cash Flows from Investing Activities:		
Net Proceeds/(Purchase) of Investments	(4,082,270)	(927,124)
Cash Received from Interest and Dividends	<u>1,017,381</u>	<u>919,120</u>
Net Cash Provided/(Used) by Investing Activities	<u>(3,064,889)</u>	<u>(8,004)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(3,925,027)	2,904,760
Cash and Cash Equivalents, Beginning of Year	<u>5,200,329</u>	<u>2,295,569</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,275,302</u>	<u>\$ 5,200,329</u>

The accompanying notes are an integral part of this financial statement.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of Net Operating Income to Net Cash Provided/(Used) by Operating Activities		
Net Operating Income	\$ 1,442,671	\$ 797,745
Adjustments to Reconcile the Change in Net Position to Net Cash Provided/(Used) by Operating Activities:		
Depreciation	128,323	127,782
Loss on Disposal of Equipment	0	18,934
Changes in Operating Assets and Liabilities:		
Decrease/(Increase) in Contributions Receivable	(128,440)	(11,587)
Decrease/(Increase) in Other Receivables	116,835	642
Decrease/(Increase) in Deductibles Receivable	(8,159)	8,865
Decrease/(Increase) in Subrogation and Reinsurance Receivable	(924,501)	(16,127)
Decrease/(Increase) in Prepaid Expenses	(2,483,319)	2,186,381
Decrease/(Increase) in Advance to Vermont School Boards Association	72,593	(119,460)
Increase/(Decrease) in Accounts Payable	58,459	1,755
Increase/(Decrease) in Accrued Payroll	6,203	(6,330)
Increase/(Decrease) in Accrued Vacation Payable	(5,577)	6,447
Increase/(Decrease) in Other Payables	15,626	784
Increase/(Decrease) in Claims Payable	9,921	16,975
Increase/(Decrease) in Workers' Compensation State Assessment Reserve	11,258	(5,490)
Increase/(Decrease) in Claims to be Paid and Anticipated Claims Not Reported	710,428	241,267
Increase/(Decrease) in Reserve for Unallocated Loss Adjustment Expenses	<u>378,000</u>	<u>96,000</u>
Net Cash Provided/(Used) by Operating Activities	<u>\$ (599,679)</u>	<u>\$ 3,344,583</u>

Supplemental Disclosures:

Equipment with a cost of \$2,158 and accumulated depreciation of \$2,158 was disposed of during fiscal year 2017.

Equipment with a cost of \$57,134 and accumulated depreciation of \$38,200 was disposed of during fiscal year 2016.

The accompanying notes are an integral part of this financial statement.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

The Vermont School Boards Insurance Trust, Inc. (herein, the Trust) was organized in 1978. The Trust is treated as an instrumentality of its member political subdivisions. The Trust offers educational and professional development opportunities to school district employees and administrators and also provides insurance and risk management services. The educational opportunities are delivered through the Trust's School Management Resource Center. The Resource Center provides educational seminars and web based resources on matters critical to the operation of a school district.

School districts joining the Trust must remain members for a minimum of one year. Trust underwriting and ratesetting policies have been established after consultation with its business partners and actuaries, as necessary. The Trust currently provides unemployment coverage to 200 school districts, continues to administer the workers' compensation program for policies issued prior to June 30, 1998, and, on July 1, 2004, began operating its Multi-Line Intermunicipal School Program to supervisory unions which provides members with coverage for property damage, workers' compensation and various forms of liability. As of June 30, 2017, there were 42 supervisory unions, 7 stand-alone supervisory districts and 3 stand alone technical centers in the program. All school districts within a supervisory union must participate to be a member in the Multi-Line Program.

The major accounting policies followed by the Trust are presented below to assist the reader in evaluating the financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Trust conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

The Trust is using enterprise fund accounting and reporting. Enterprise Funds are financed in whole or in part by fees charged to external parties.

The Trust uses the accrual basis of accounting in preparing its financial statements. Income is recognized in the period in which the applicable coverage is provided and expenses are recognized in the period in which they are incurred.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 1:
(Cont'd)

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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 results could differ from those estimates.

The Vermont School Boards Insurance Trust, Inc. is exempt from income tax on its exempt function income under Section 501(c)(3) of the Internal Revenue Code.

Property, plant and equipment is capitalized when purchased. It is the Trust's policy to capitalize all property, plant and equipment with a cost of \$1,500 or more. A reserve from net position is established for the book value of the property, plant and equipment net of related debt. Straight-line depreciation is being taken over lives as follows:

Land	N/A
Building and Building Components	10-75 Years
Infrastructure	10 Years
Furniture and Equipment	3 to 10 Years

The Trust receives its unemployment contributions from school districts based on taxable payroll reported multiplied by a rate established by the Board of Directors. The Vermont Department of Labor pays the actual claims filed against members of the Trust and then bills the Trust for reimbursement.

The Multi-Line Intermunicipal School Program received approval from the Vermont Department of Financial Regulation to begin operations on July 1, 2004. This self-funded program receives its contributions from member supervisory unions and supervisory districts based on a rating method developed by the Trust's actuary. In an experience rating system, contributions are determined, in part, by a member's historical losses. Contributions for the workers' compensation portion of the program are adjusted based on actual payrolls subsequent to the end of each year. The contributions are billed on an annual or quarterly basis. If the member elects quarterly billing, then 1% of the premium is charged as a service fee.

The self-funded workers' compensation program that operated from July 1, 1992 to June 30, 1998 was suspended effective June 30, 1998.

Cash includes amounts in demand deposits. Cash does not include the cash equivalents included with the investments.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 1:
(Cont'd)

Investments with readily determinable fair values are reported at their fair values on the statement of net position. Unrealized gains and losses are included in revenue.

The Trust uses the allowance method for uncollectible accounts. They have determined that all accounts are collectible and the allowance is zero (0).

The liability for claims to be paid include case basis estimates by management of reported losses. The liability for anticipated claims not reported and loss adjustment expenses at year end represents an estimate, based upon the available data, of the amount necessary to cover the ultimate cost of losses as determined by the Trust's actuaries however, actual loss experience may not conform to the assumptions used in determining the estimated amounts for such liability. Accordingly, the ultimate liability could be significantly in excess of or less than the amount indicated. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

Operating revenues include unemployment contributions, multi-line contributions and fees received from providing services. Operating expenses include unemployment claims paid, multi-line claims paid and the costs of providing services and operating all programs.

Note 2:

CASH AND INVESTMENTS

Cash and Investments as of June 30, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
Deposits with Financial Institutions	\$ 1,275,302	\$ 5,200,329
Investments	<u>51,030,209</u>	<u>44,737,328</u>
Total	<u>\$ 52,305,511</u>	<u>\$49,937,657</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Trust will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, the Trust will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Trust invests in money market accounts and open-ended mutual funds which are not subject to custodial credit risk. The Trust does not have any policy to limit the exposure to custodial credit risk, however, the Board of Directors monitors this annually. All cash deposits are in the People's United Bank. The table below shows the custodial credit risk of the Trust's deposits.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 2:
(Cont'd)

	<u>2017</u>		<u>2016</u>	
	<u>Book Balance</u>	<u>Bank Balance</u>	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
Uninsured, Collateralized by U.S. Government Agencies Held by the Pledging Financial Institution's Agent	<u>1,025,302</u>	<u>1,792,348</u>	<u>4,950,329</u>	<u>5,102,522</u>
Total Cash Deposits	<u>\$ 1,275,302</u>	<u>\$ 2,042,348</u>	<u>\$ 5,200,329</u>	<u>\$ 5,352,522</u>

Investments

Investments of the Trust are held by the Vanguard Group.

Investments at June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Mutual Funds – Equities	\$18,747,295	\$16,066,250
Mutual Funds – Fixed Income	<u>32,282,914</u>	<u>28,671,078</u>
Total	<u>\$51,030,209</u>	<u>\$44,737,328</u>

The Trust's Board of Directors has established an investment policy which indicates which types of investments the Trust will own. There are no outside restrictions on the type of investment the Trust may invest in for reserve funds. Investment practices for operating funds must comply with requirements set forth in 8 V.S.A., section 3463 as referenced in section 9 of Regulation I-90-1.

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. All of the Trust's assets can be changed daily thereby creating no interest rate risk.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 2:
(Cont'd)

Credit Risk

Investments of operating funds shall be limited to insured bank deposits, repurchase agreements, U.S. Treasury or agency securities, money market funds, and commercial paper rated A-1 or P-1 or better by Standard & Poor's and Moody's respectively or to funds such as the Vanguard Total Stock Market Index Fund and the Vanguard Short-Term Bond Index Fund and, beginning in 2014, the Vanguard Long-Term Corporate Bond Fund which invest in similar instruments. On May 28, 2015, the Board amended the policy to allow the investment of multi-line operating funds in equities within the parameters of I-90-1. Investments of reserve funds in equities shall mirror, to the extent possible, the performance of the entire stock market. All of the investments of the Trust are unrated.

Concentration of Credit Risk

The Trust has no limit on the amount that they may invest in any one issuer. Multi-line operating funds may only be invested in cash equivalents, bonds and equities within the parameters as allowed by I-90-1. Reserve funds, including the unemployment insurance program, must be invested 45% to 55% in equities and 45% to 55% in bonds. The Trust has invested 100% of their portfolio in three mutual funds of the Vanguard Group as of June 30, 2017 and June 30, 2016.

Note 3: CONTRIBUTIONS RECEIVABLE

Contributions receivable of \$142,630 and \$127,190 as of June 30, 2017 and June 30, 2016, respectively, represent unemployment and multi-line program contributions received after year end. \$130,000 and \$113,000 of these amounts as of June 30, 2017 and 2016, respectively, represent estimated contributions from future workers compensation reconciliations.

Note 4: PREPAID EXPENSES

Prepaid expenses of \$2,521,539 and \$38,220 as of June 30, 2017 and 2016, respectively, represents amounts paid during the current year that will benefit future years. The 2017 balance consists primarily of reinsurance premiums paid in advance.

Note 5: ADVANCE TO VERMONT SCHOOL BOARDS ASSOCIATION

The Trust joined the Vermont School Boards Association (VSBA) and the Vermont Superintendents Association (VSA) in forming the Act 46 Implementation Collaborative to support school districts in responding to the goals and requirements of Act 46 in a manner that effectively manages risk. The Trust is providing financial resources to the Collaborative and VSBA is acting as the fiscal agent. The advance to Vermont School Boards Association in the amount of \$46,867 and \$119,460 as of June 30, 2017 and 2016, respectively, represents the amount paid during the current year that will benefit future years.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 6: WORKING FUND DEPOSIT

The Working Fund Deposit consists of a non-interest bearing cash account in the amount of \$5,000 as of June 30, 2017 and 2016 that is maintained by Chartis Insurance Company (formally AIG). This imprest account is used to pay workers' compensation claims by the Trust's claims processors for the Workers' Compensation Program of 1992-1998.

Note 7: PROPERTY, PLANT AND EQUIPMENT

The following is a summary of changes in property, plant and equipment during the fiscal years.

	Balance 7/1/2016	Additions	Disposals	Balance 6/30/2017	Accumulated Depreciation 6/30/2017	Plant and Equipment 6/30/2017
Land	\$ 282,023	\$ 0	\$ 0	\$ 282,023	\$ 0	\$ 282,023
Furniture and Equipment	410,966	16,563	2,158	425,371	280,107	145,264
Infrastructure	113,078	0	0	113,078	49,944	63,134
Building and Building Components	<u>3,236,486</u>	<u>0</u>	<u>0</u>	<u>3,236,486</u>	<u>249,284</u>	<u>2,987,202</u>
Total	<u>\$ 4,042,553</u>	<u>\$ 16,563</u>	<u>\$ 2,158</u>	<u>\$ 4,056,958</u>	<u>\$ 579,335</u>	<u>\$ 3,477,623</u>

2016

	Balance 7/1/2015	Additions	Disposals	Balance 6/30/2016	Accumulated Depreciation 6/30/2016	Net Property Plant and Equipment 6/30/2016
Land	\$ 282,023	\$ 0	\$ 0	\$ 282,023	\$ 0	\$ 282,023
Furniture and Equipment	398,995	69,105	57,134	410,966	222,784	188,182
Infrastructure	113,078	0	0	113,078	38,635	74,443
Building and Building Components	<u>3,117,670</u>	<u>118,816</u>	<u>0</u>	<u>3,236,486</u>	<u>191,751</u>	<u>3,044,735</u>
Total	<u>\$ 3,911,766</u>	<u>\$ 187,921</u>	<u>\$ 57,134</u>	<u>\$ 4,042,553</u>	<u>\$ 453,170</u>	<u>\$ 3,589,383</u>

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 8: CLAIMS PAYABLE

At June 30, 2017 and 2016, the Trust owed \$136,996 and \$128,798, respectively, to the Vermont Department of Labor and the Trust owed \$1,723 and \$-0-, respectively to Chartis Insurance Company for the Workers' Compensation Program of 1992-1998. These consist of claims actually paid by them but not yet reimbursed by the Trust as of these dates. This liability does not include claims accrued as of June 30, 2017 and 2016 but not yet paid as of these dates.

Note 9: CLAIMS TO BE PAID/ANTICIPATED CLAIMS NOT REPORTED

WORKERS' COMPENSATION (92-98)

The claims to be paid/anticipated claims not reported for workers' compensation are difficult to estimate. There is no set settlement date and each fund year must remain open until all cases are settled which, in some cases, can take many years. Claims to be paid (case reserves) indicate the amount of reserves assigned to specific cases and are estimated to be \$40,000 net of \$-0- of reinsurance as of June 30, 2017 and \$16,518 net of \$-0- of reinsurance as of June 30, 2016. Anticipated claims not reported (non-case reserves) consist of reserves for claims incurred but not reported and are estimated to be \$3,000 net of \$-0- of reinsurance as of June 30, 2017 and 2016. Coverage is on an occurrence basis. Accordingly, claims incurred in one year but not reported until a subsequent year, are accounted for in the year in which they occurred.

MULTI-LINE INTERMUNICIPAL SCHOOL PROGRAM

The claims to be paid/anticipated claims not reported for the multi-line program are difficult to estimate. There is no set settlement date and each fund year must remain open until all cases are settled which, in some cases, can take many years. Claims to be paid (case reserves) indicate the amount of reserves assigned to specific cases and are estimated to be \$4,601,040 net of \$79,423, of reinsurance as of June 30, 2017 and \$3,865,094 net of \$883,681 of reinsurance as of June 30, 2016. Anticipated claims not reported (non-case reserves) consist of reserves for claims incurred but not reported and are estimated to be \$4,995,000 net of \$1,614,000 of reinsurance as of June 30, 2017 and \$5,044,000 net of \$1,528,000 of reinsurance as of June 30, 2016. Coverage is on an occurrence basis. Accordingly, claims incurred in one year but not reported until a subsequent year, are accounted for in the year in which they occurred.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 9:
(Cont'd)

The Trust establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors such as jury decisions, court interpretations, legislative changes, changes in the medical condition of claimants, public attitudes, and social/economic conditions such as inflation, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as indemnity. In addition, the Trust has a small volume of annual losses for some coverages. Loss projections based on a small volume of data tend to be volatile. The Trust's workers' compensation coverage has a relatively high per occurrence retention relative to the average ultimate severity level, which increases the uncertainty associated with the retained unpaid liability estimates. The Trust's retained losses are weighted toward coverages such as general liability, school board legal liability and workers' compensation for which the estimation of expected loss is more uncertain than for short-tailed property/casualty lines of business. The Trust's geographic concentration could cause adverse results due to legislative or judicial changes or catastrophic events (e.g., terrorism or hurricanes).

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 reflects 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.

Note 10:

BONDS PAYABLE

	<u>2017</u>	<u>2016</u>
Revenue Bond Payable – 2012 Series A Issued by the Vermont Economic Development Authority, Administered by Peoples United Bank, Building Construction, Monthly Principal and Interest Payments of \$10,827 Due from September 1, 2012 through August 1, 2032, Interest at 2.96%, Due August 1, 2032, Secured by Building	\$1,581,145	\$1,662,284
Revenue Bond Payable – 2012 Series B Issued By the Vermont Economic Development Authority, Administrated by Peoples United Bank, Building Construction, Monthly Principal and Interest Payments of \$9,498 Due from September 1, 2012 through August 1, 2022, Interest at 2.65%, Due August 1, 2022, Secured by Building	<u>549,238</u>	<u>647,027</u>
Total Bonds Payable	<u>\$2,130,383</u>	<u>\$2,309,311</u>

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 10:
(Cont'd)

The future maturities of bonds payable at June 30, 2017 are estimated to be as follows:

Year Ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 184,058	\$ 59,840	\$ 243,898
2019	189,334	54,563	243,897
2020	194,629	49,268	243,897
2021	200,342	40,555	240,897
2022	206,087	37,789	243,876
2023-2027	534,919	133,672	668,591
2028-2032	599,443	50,151	649,594
2033-2037	<u>21,571</u>	<u>81</u>	<u>21,652</u>
	<u>\$ 2,130,383</u>	<u>\$ 425,919</u>	<u>\$ 2,556,302</u>

The changes in long-term debt were as follows:

	<u>2017</u>	<u>2016</u>
Beginning Balance	\$ 2,309,311	\$ 2,483,070
Additions	0	0
Payments	<u>(178,928)</u>	<u>(173,759)</u>
Ending Balance	<u>\$ 2,130,383</u>	<u>\$ 2,309,311</u>

The bonds contain certain operating and financial covenants. The two financial covenants that must be verified is that the Trust had a minimum annual debt service coverage ratio of 1.20 and that the Trust maintain \$12,000,000 in liquidity. The Trust adhered to these covenants for 2017 and 2016.

Interest expense on the bonds was \$64,552 and \$69,735 during fiscal year 2017 and 2016, respectively.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 11: NET POSITION

Net position consists of the following:

	<u>2017</u>	<u>2016</u>
Designated for Unemployment Insurance	\$ 1,549,625	\$ 2,006,729
Designated for Workers' Compensation (92-98)	482,146	520,963
Designated for Multi-Line Program	12,177,701	10,281,025
Designated for General Reserve	23,146,945	21,128,335
Designated for Unemployment Reserve	2,699,557	1,579,979
Designated for Multi-Line Reserve	4,911,333	4,911,333
Designated for General Operating - Net Investment in Property, Plant and Equipment	<u>1,347,240</u>	<u>1,280,072</u>
	<u>\$ 46,314,547</u>	<u>\$ 41,708,436</u>

The net position (accumulated excess of revenue over expenses) shall accrue to the benefit of the members as it is earned. Any funds not needed to pay claims and maintain prudent reserves will be available for distribution to the members or credit toward future member contributions as determined by the Board of Directors of the Trust. Alternately, the Board of Directors and management of the Trust may increase retention on reinsurance policies or offer additional services to the members.

Note 12: CLAIMS PAID AND RESERVED

An analysis of the net change in claims paid and reserved is as follows:

	<u>2017</u>		
	<u>Unemployment</u>	<u>Workers'</u>	<u>Multi-Line</u>
	<u>Insurance</u>	<u>Compensation</u>	<u>Multi-Line</u>
		<u>(92-98)</u>	
Claims Paid (Net of Recoveries)	\$ 723,806	\$ 6,741	\$ 4,000,260
Reserves - End of Year	0	43,000	9,596,040
Less: Reserves - Beginning of Year	<u>0</u>	<u>(19,518)</u>	<u>(8,909,094)</u>
Net Change in Claims Paid and Reserved	<u>\$ 723,806</u>	<u>\$ 30,223</u>	<u>\$ 4,687,206</u>

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 12:
(Cont'd)

	2016		
	Unemployment Insurance	Workers' Compensation (92-98)	Multi-Line
Claims Paid (Net of Recoveries)	\$ 816,867	\$ 4,114	\$ 4,448,588
Reserves - End of Year	0	19,518	8,909,094
Less: Reserves - Beginning of Year	0	(23,655)	(8,663,690)
Net Change in Claims Paid and Reserved	\$ 816,867	\$ (23)	\$ 4,693,992

Note 13: OTHER PROGRAM EXPENSES

Other Program Expenses is comprised of the following:

	2017	2016
Bank Fees	\$ 1,276	\$ 1,209
Unallocated Loss Adjustment Expense - Multi-Line	378,000	96,000
Workers' Compensation State Assessment - Multi-Line	41,868	44,318
Workers' Compensation State Assessment - Workers' Compensation (92-98)	302	946
Actuarial Services - Multi-Line	113,923	109,656
Consulting - Multi-Line	231,750	231,750
Appraisal Expense - Multi-Line	26,921	3,000
Loss Prevention - Multi-Line	80,294	64,592
Loss Prevention Grant Expense - Multi-Line	368,393	340,119
Other Operating Expenses - Multi-Line	157,603	147,314
Other Operating Expenses - Workers Compensation (92-98)	0	11
Other Operating Expenses - Unemployment Insurance	100	950
	\$ 1,400,430	\$ 1,039,865

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 14: ALLOCATION OF GENERAL AND ADMINISTRATIVE EXPENSES

The Vermont School Boards Insurance Trust, Inc. has incurred General and Administrative Expenses of \$2,165,147 and \$1,976,232 for the years ended June 30, 2017 and 2016, respectively. These expenses are allocated to Vermont Education Health Initiative (VEHI), to the Unemployment Insurance Fund, to the Multi-Line Program and to the Workers' Compensation Fund (92-98) based upon estimates by management. The General Reserve pays the balance after the above allocations.

Note 15: TRANSFERS

Transfers between programs during 2017 consisted of the following:

	<u>Unemployment Insurance</u>	<u>General Reserve</u>	<u>Unemployment Reserve</u>	<u>Multi-Line Reserve</u>	<u>General Operating</u>	<u>Total</u>
Transfer from Unemployment Insurance Fund to the Unemployment Insurance Reserve Fund to Increase Reserves	\$ (900,000)	\$ 0	\$ 900,000	\$ 0	\$ 0	\$ 0
Transfer From the General Reserve Fund to the General Operating Fund for the Difference Between Capital Purchases, Depreciation Expense and Debt Service Payments	0	(67,168)	0	0	67,168	0
Transfer from the General Reserve Fund to the General Operating Fund to Cover the School Management Resource Center Net Expense and New Program Development Expenses	0	(415,518)	0	0	415,518	0
Transfer from the General Operating Fund to the General Reserve Fund of its Interest Earnings	0	257	0	0	(257)	0
Transfer from the Multi-Line Reserve Fund to the General Reserve Fund of its Interest and Dividend Earnings and Positive Market Value Changes	<u>0</u>	<u>556,507</u>	<u>0</u>	<u>(556,507)</u>	<u>0</u>	<u>0</u>
Net Transfers In/(Out)	<u>\$ (900,000)</u>	<u>\$ 74,078</u>	<u>\$ 900,000</u>	<u>\$ (556,507)</u>	<u>\$ 482,429</u>	<u>\$ 0</u>

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 16: PENSIONS

The Trust provides its employees a defined contribution pension plan under Internal Revenue Code Section 401(a). In a defined contribution plan, benefits depend solely on amounts contributed plus investment earnings. The Plan is administered by the Vermont School Boards Insurance Trust, Inc.. Employees are eligible after reaching the age of 21 and completing one year of service. The Plan may be amended at any time, however, Plan assets may not be used for any other purpose and amendments may not cause any reduction in the amount credited to employees' accounts. Employees are 20% vested after 1 year of service and the vested portion increases 20% each year until fully vested after 5 years of service. The Trust contributed 8.5% of employees gross salaries for thirteen (13) employees in 2017 and 2016 to the 401(a) plan.

The Trust also has a 403(b) plan which allows for employee contributions if they elect to contribute. In 2016, the Trust also increased one new employee's salary by 8.5% for a portion of the year which was then deferred and contributed to the 403(b) plan. This was done as the new employee was not eligible for the Trust's 401(a) plan. The amount of the contribution was \$955 for fiscal year 2016 and is included as salary.

TIAA is the custodian of the plans' assets. Total payroll for the Trust was \$1,196,683 and \$1,091,957 while covered payroll was \$1,080,635 and \$983,353 for fiscal year 2017 and 2016, respectively. Pension expense for the year ended June 30, 2017 and 2016 was \$91,854 and \$83,585, respectively

Note 17: REINSURANCE/CONTINGENT LIABILITY

WORKERS' COMPENSATION (92-98)

The Trust used reinsurance agreements to reduce its exposure for losses in the workers' compensation program. 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 reports reinsured risks to the reinsurance attachment point. The Trust does not report the reinsured value as a liability unless it is probable that those risks will not be covered by reinsurers. The amount deducted from claims to be paid (case reserves) and incurred but not reported claims liabilities (non-case reserves) for reinsurance was \$-0- as of June 30, 2017 and 2016, respectively.

The Trust has two types of reinsurance: specific and aggregate. Specific reinsurance protects the Trust in the event of an unusually large claim. Currently, any occurrence resulting in losses greater than \$250,000 are reinsured over \$250,000 up to policy limits (Statutory Coverage A; \$1,000,000 Coverage B).

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017 AND 2016

Note 17:
 (Cont'd)

Aggregate reinsurance protects the Trust in the event of an unusually large number of claims. Currently, all losses (on occurrences of \$250,000 or less) in excess of the aggregate retention are reinsured up to the aggregate coverage limit of \$5,000,000. The aggregate retention for fund year 1998, 1997 and 1996 is calculated based on 100% of the group's collective normal deviated premium with minimums, for 1995 and 1994 on 90% of the group's collective deviated manual premium and for 1993 on 90% of the group's collective manual premium. This amount is \$850,000 for 1998, \$1,444,660 for 1997, \$2,108,143 for 1996, \$2,260,932 for 1995, \$2,222,276 for 1994 and \$1,567,701 for 1993.

MULTI-LINE INTERMUNCIPAL SCHOOL PROGRAM

The Trust uses reinsurance agreements to reduce its exposure to losses in its multi-line program. 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 reports reinsured risks to the reinsurance attachment point. The Trust does not report the reinsured value as a liability unless it is probable that those risks will not be covered by reinsurers. The amount deducted from claims to be paid (case reserves) and incurred but not reported claims liabilities (non-case reserves) for reinsurance as of June 30, 2017 was \$79,423 and \$1,614,000, respectively, and as of June 30, 2016 was \$883,681 and \$1,528,000, respectively.

The Trust has two types of reinsurance: specific and aggregate. Specific reinsurance protects the Trust in the event of an unusually large claim. For 2015, 2016 and 2017, any occurrence resulting in a liability loss greater than \$350,000 is reinsured over \$350,000 whereas for prior years, it was any loss greater than \$250,000. Property losses have been reinsured at \$250,000 per occurrence since inception of the program. For fund years 2005 and 2006, any occurrence resulting in a workers' compensation loss greater than \$400,000 is reinsured over \$400,000 up to policy limits. (Statutory Coverage A; \$1,000,000 Coverage B). For fund years 2007 through 2015, any occurrence resulting in a workers' compensation loss greater than \$500,000 is reinsured over \$500,000 up to policy limits, (Statutory Coverage A; \$1,000,000 Coverage B). For fund year 2016, any occurrence resulting in a workers compensation loss greater than \$550,000 is reinsured over \$550,000 up to policy limits, (Statutory Coverage A; \$1,000,000 Coverage B).

Aggregate reinsurance protects the Trust in the event of an unusually large number of claims. Currently, only property losses (on occurrences of \$350,000 or less) in excess of the aggregate retention are reinsured up to the aggregate coverage limit of \$250,000,000. The aggregate retention for the fund years are as follows:

<u>Year(s)</u>	<u>Aggregate Retention</u>
2014-2017	\$850,000
2011-2013	885,000
2010	909,606
2009	885,751
2008	938,862
2007	849,585

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 18: GENERAL RESERVE

The General Reserve was established at the annual meeting of the members on October 31, 1986 to achieve better utilization of assets, provide maximum protection for all funds and reduce the cost of reinsurance. The Reserve was initially created through a transfer from the Unemployment program. During 1997, the Health Reserve transferred approximately \$4,800,000 back to the General Reserve and in 2001 transferred the remaining assets totaling approximately \$10,700,000. Excess earnings, if any, may be distributed to the respective programs in accordance with a prorated formula established by the Board of Directors.

Note 19: UNEMPLOYMENT RESERVE

The Unemployment Reserve was established by the Board of Directors in 2013 to protect the Trust in the event that unemployment claims exceeded operating funds. The Reserve was funded with a \$1,142,265 transfer from the Unemployment Insurance Operating Fund in 2013 and another \$900,000 was transferred in fiscal year 2017.

Note 20: MULTI-LINE RESERVE

On July 1, 2004, the Board established a Multi-Line Reserve to protect the Trust in the event that claims and expenses exceed aggregate reinsurance. The Multi-Line Reserve was funded with a \$3,500,000 transfer from the General Reserve. Beginning in 2012, the Board has elected to transfer all interest and dividend income earned back to the General Reserve. Beginning in 2015, the Board has elected to transfer all positive market change as well as all interest and dividend income earned back to the General Reserve. In addition, the Board has elected to transfer a portion of the initial principal back to the General Reserve because it had adequate reserves. As of June 30, 2017, \$2,238,761 has been transferred back to the General Reserve which is inclusive of all three types of transfers described previously.

Note 21: 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 disasters. The Trust maintains commercial insurance coverage. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Trust. Settled claims have not exceeded this coverage in any of the past three fiscal years.

Note 22: AFFILIATED ORGANIZATION

The Trust and the Vermont National Education Association (VT-NEA) jointly manage the Vermont Education Health Initiative (VEHI). VEHI provides health, dental, life and disability coverage to member Vermont schools. VEHI contracts with the Trust to provide management, wellness and accounting services. VEHI paid the Trust \$789,890 and \$777,612 for these services during fiscal years 2017 and 2016, respectively. Furthermore, the Trust's President is the President of VEHI.

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
CLAIMS DEVELOPMENT INFORMATION – MULTI-LINE PROGRAM
JUNE 30, 2017

This table illustrates how the Trust's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Trust since inception for the Multi-Line Program. The rows of the tables are defined as follows: (1) This line shows the gross of each fiscal year's earned contribution revenues and investment revenues. (2) This line shows each fiscal year's reinsurance premiums. (3) This line shows the net of each fiscal year's earned contribution revenues and investment revenues. (4) This line shows each fiscal year's other operating costs of the Trust including overhead and claims expense not allocable to individual claims. (5) This line shows the Trust's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year). (6) This section of rows shows the cumulative amounts paid as of the end of successive years for each policy year. (7) This section of rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (8) This line compares the latest reestimated incurred claims amount to the amount originally established (line 5) and shows whether this latest estimate of claims cost is greater or less than originally determined.

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VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
CLAIMS DEVELOPMENT INFORMATION - MULTI-LINE PROGRAM
JUNE 30, 2017

	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
1. Gross Contribution and Investment Revenues	\$ 7,278,082	\$ 7,381,917	\$ 7,924,574	\$ 8,012,234	\$ 7,773,136	\$ 8,447,953	\$ 9,466,591	\$ 10,087,012	\$ 10,539,822	\$ 11,710,977
2. Reinsurance Premiums	1,909,606	1,774,847	1,842,890	1,608,741	1,662,139	1,810,211	1,967,253	2,169,599	2,281,683	2,313,199
3. Net Earned Required Contribution and Investment Revenues	5,368,476	5,607,070	6,081,684	6,403,493	6,110,997	6,637,742	7,499,338	7,917,413	8,258,139	9,397,778
4. Unallocated Expenses	852,629	979,295	1,076,816	1,182,275	1,510,872	1,883,627	1,930,229	2,207,608	2,539,161	2,887,408
5. Estimated Incurred Claim and Expense, End of Policy Year	4,564,974	4,209,539	3,596,999	4,133,954	5,473,170	4,294,863	4,689,534	5,259,771	5,011,505	6,097,313
6. Paid (cumulative) as of:										
End of Policy Year	1,201,639	1,258,044	877,356	1,229,414	2,108,603	1,272,490	1,203,784	1,607,633	1,270,430	1,698,977
One Year Later	2,267,767	2,714,712	1,532,382	2,395,235	3,418,076	2,840,374	2,683,043	2,972,413	2,047,786	
Two Years Later	2,695,534	3,062,989	2,103,729	2,652,291	3,966,195	3,640,314	3,195,225	3,537,008		
Three Years Later	2,979,485	3,376,419	2,528,280	3,014,782	4,428,627	4,269,503	3,636,688			
Four Years Later	3,059,407	3,566,042	2,639,355	3,328,395	4,545,206	4,702,228				
Five Years Later	3,076,456	3,633,013	2,920,156	3,752,468	4,545,488					
Six Years Later	3,103,681	3,675,498	2,960,072	3,769,159						
Seven Years Later	3,312,422	3,754,236	2,966,285							
Eight Years Later	3,312,422	3,776,166								
Nine Years Later	3,312,422									
7. Reestimated Incurred Claims and Expense:										
End of Policy Year	4,564,974	4,209,539	3,596,999	4,133,954	5,473,170	4,294,863	4,689,534	5,259,771	5,011,505	6,097,313
One Year Later	4,174,765	3,942,083	2,903,687	3,850,255	4,898,859	4,677,396	4,382,662	5,105,904	4,141,287	
Two Years Later	3,413,047	3,911,679	2,897,573	3,287,719	4,801,233	5,389,684	4,312,603	4,729,597		
Three Years Later	3,358,594	4,051,828	2,777,937	3,444,168	4,772,989	5,465,483	4,325,017			
Four Years Later	3,224,769	3,998,851	2,869,875	3,884,766	4,563,983	5,346,219				
Five Years Later	3,311,179	3,929,503	3,066,296	3,938,179	4,564,489					
Six Years Later	3,361,579	4,073,748	3,066,412	3,918,513						
Seven Years Later	3,312,423	4,074,480	3,046,839							
Eight Years Later	3,312,423	3,996,622								
Nine Years Later	3,312,423									
8. Increase/(Decrease) in Estimated Incurred Claims and Expense from End of Policy Year	(1,252,551)	(212,917)	(550,160)	(215,441)	(908,681)	1,051,356	(364,517)	(530,174)	(870,218)	N/A

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
RECONCILIATION OF CLAIMS LIABILITIES - MULTI-LINE PROGRAM
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

The schedule below presents the changes in claims liabilities for the Trust's two types of coverage, property and casualty (including general liability and school board liability) and workers' compensation:

	2017			2016		
	Property and Casualty	Workers' Compensation	Total	Property and Casualty	Workers' Compensation	Total
Unpaid Claims at Beginning of Year	\$ <u>1,946,437</u>	\$ <u>6,962,657</u>	\$ <u>8,909,094</u>	\$ <u>2,022,417</u>	\$ <u>6,641,273</u>	\$ <u>8,663,690</u>
Incurred Claims:						
Provision for Covered Events of the Current Year	1,546,927	4,550,386	6,097,313	1,461,563	3,549,942	5,011,505
Increase/(Decrease) in Provision for Covered Events of Prior Years	<u>(43,074)</u>	<u>(1,367,033)</u>	<u>(1,410,107)</u>	<u>(222,769)</u>	<u>(94,744)</u>	<u>(317,513)</u>
Total Incurred Claims	<u>1,503,853</u>	<u>3,183,353</u>	<u>4,687,206</u>	<u>1,238,794</u>	<u>3,455,198</u>	<u>4,693,992</u>
Payments:						
Claims Attributable to Covered Events of the Current Year	564,483	1,134,494	1,698,977	510,988	759,442	1,270,430
Claims Attributable to Covered Events of Prior Years	<u>646,351</u>	<u>1,654,932</u>	<u>2,301,283</u>	<u>803,786</u>	<u>2,374,372</u>	<u>3,178,158</u>
Total Payments	<u>1,210,834</u>	<u>2,789,426</u>	<u>4,000,260</u>	<u>1,314,774</u>	<u>3,133,814</u>	<u>4,448,588</u>
Total Unpaid Claims at End of Year	\$ <u><u>2,239,456</u></u>	\$ <u><u>7,356,584</u></u>	\$ <u><u>9,596,040</u></u>	\$ <u><u>1,946,437</u></u>	\$ <u><u>6,962,657</u></u>	\$ <u><u>8,909,094</u></u>

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VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
 RECONCILIATION OF CLAIMS LIABILITIES - WORKERS' COMPENSATION PROGRAM (92-98)
 FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

The schedule below presents the changes in claims liabilities.

	2017	2016
Unpaid Claims and Allocated Claim Adjustment Expenses at Beginning of the Year	\$ <u>19,518</u>	\$ <u>23,655</u>
Incurred Claims and Claim Adjustment Expenses:		
Increase/(Decrease) in Provision for Insured Events of Prior Years	<u>30,223</u>	<u>(23)</u>
Total Incurred Claims and Claim Adjustment Expenses	<u>30,223</u>	<u>(23)</u>
Payments:		
Claims and Allocated Claim Adjustment Expenses Attributable to Insured Events of Prior Years	<u>6,741</u>	<u>4,114</u>
Total Payments	<u>6,741</u>	<u>4,114</u>
Total Unpaid Claims and Allocated Claim Adjustment Expenses at End of the Year	<u><u>\$ 43,000</u></u>	<u><u>\$ 19,518</u></u>

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VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
 COMBINING STATEMENT OF NET POSITION
 JUNE 30, 2017

<u>ASSETS</u>	<u>Unemployment Insurance</u>	<u>Workers' Compensation (1992-1998)</u>	<u>Multi-Line</u>
Cash	\$ 1,673,351	\$ 535,496	\$ (1,275,768)
Investments	0	0	20,593,423
Contributions Receivable	12,102	0	130,203
Other Receivables	1,168	0	4,079
Deductibles Receivable	0	0	32,762
Subrogation Receivable	0	0	19,141
Reinsurance Receivable	0	0	958,255
Prepaid Expenses	0	0	2,464,259
Advance to VSBA	0	0	0
Working Fund Deposit	0	5,000	
Property, Plant and Equipment - Net of Accumulated Depreciation of \$579,335	0	0	0
TOTAL ASSETS	\$ <u>1,686,621</u>	\$ <u>540,496</u>	\$ <u>22,926,354</u>
 <u>LIABILITIES AND NET POSITION</u>			
Liabilities:			
Accounts Payable	\$ 0	\$ 0	\$ 121,298
Accrued Payroll and Related Payroll Taxes	0	0	0
Accrued Vacation Payable	0	0	0
Accrued Interest Payable	0	0	0
Other Payables	0	0	471
Claims Payable	136,996	1,723	0
Workers' Compensation State Assessment Reserve	0	627	115,844
Claims to be Paid	0	40,000	4,601,040
Anticipated Claims Not Reported	0	3,000	4,995,000
Reserve for Unallocated	0		
Loss Adjustment Expenses	0	13,000	915,000
Bonds Payable	0	0	0
Total Liabilities	136,996	58,350	10,748,653
Net Position:	<u>1,549,625</u>	<u>482,146</u>	<u>12,177,701</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>1,686,621</u>	\$ <u>540,496</u>	\$ <u>22,926,354</u>

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General Reserve	Unemployment Reserve	Multi-Line Reserve	General Operating	Total
\$ 321,049	\$ 0	\$ 0	\$ 21,174	\$ 1,275,302
22,825,896	2,699,557	4,911,333	0	51,030,209
0	0	0	325	142,630
0	0	0	206	5,453
0	0	0	0	32,762
0	0	0	0	19,141
0	0	0	0	958,255
0	0	0	57,280	2,521,539
0	0	0	46,867	46,867
0	0	0	0	5,000
0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>3,477,623</u>	<u>3,477,623</u>
<u>\$ 23,146,945</u>	<u>\$ 2,699,557</u>	<u>\$ 4,911,333</u>	<u>\$ 3,603,475</u>	<u>\$ 59,514,781</u>
\$ 0	\$ 0	\$ 0	\$ 30,613	\$ 151,911
0	0	0	10,093	10,093
0	0	0	61,048	61,048
0	0	0	5,113	5,113
0	0	0	18,985	19,456
0	0	0	0	138,719
0	0	0	0	116,471
0	0	0	0	4,641,040
0	0	0	0	4,998,000
0	0	0	0	928,000
<u>0</u>	<u>0</u>	<u>0</u>	<u>2,130,383</u>	<u>2,130,383</u>
0	0	0	2,256,235	13,200,234
<u>23,146,945</u>	<u>2,699,557</u>	<u>4,911,333</u>	<u>1,347,240</u>	<u>46,314,547</u>
<u>\$ 23,146,945</u>	<u>\$ 2,699,557</u>	<u>\$ 4,911,333</u>	<u>\$ 3,603,475</u>	<u>\$ 59,514,781</u>

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2017

	Unemployment Insurance	Workers' Compensation (1992-1998)	Multi-Line
Revenues:			
Program Contributions	\$ 1,284,553	\$ 0	\$ 11,726,246
Other Income	0	432	12,470
Investment Income - Interest and Dividends	3,000	871	318,568
Investment Income - Other	0	0	(110,471)
Total Revenues	1,287,553	1,303	11,946,813
Expenses:			
Net Change in Claims Paid and Reserved	723,806	30,223	4,687,206
Reinsurance Premiums	0	0	2,322,066
Administration Fees to Outside Administrator	38,619	0	646,170
Other Program Expenses	100	302	1,400,028
General and Administrative Expenses	82,132	9,595	994,667
School Management Resource Center Expenses	0	0	0
Total Expenses	844,657	40,120	10,050,137
Net Income/(Loss)	442,896	(38,817)	1,896,676
Transfers:			
Transfers In/(Out)	(900,000)	0	0
Change in Net Position	(457,104)	(38,817)	1,896,676
Net Position - July 1, 2016	2,006,729	520,963	10,281,025
Net Position - June 30, 2017	\$ 1,549,625	\$ 482,146	\$ 12,177,701

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General Reserve	Unemployment Reserve	Multi-Line Reserve	General Operating	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,010,799
0	0	0	58,265	71,167
524,906	48,172	121,607	257	1,017,381
<u>1,714,776</u>	<u>171,406</u>	<u>434,900</u>	<u>0</u>	<u>2,210,611</u>
<u>2,239,682</u>	<u>219,578</u>	<u>556,507</u>	<u>58,522</u>	<u>16,309,958</u>
0	0	0	0	5,441,235
0	0	0	0	2,322,066
0	0	0	0	684,789
0	0	0	0	1,400,430
295,150	0	0	58,265	1,439,809
<u>0</u>	<u>0</u>	<u>0</u>	<u>415,518</u>	<u>415,518</u>
<u>295,150</u>	<u>0</u>	<u>0</u>	<u>473,783</u>	<u>11,703,847</u>
1,944,532	219,578	556,507	(415,261)	4,606,111
<u>74,078</u>	<u>900,000</u>	<u>(556,507)</u>	<u>482,429</u>	<u>0</u>
2,018,610	1,119,578	0	67,168	4,606,111
<u>21,128,335</u>	<u>1,579,979</u>	<u>4,911,333</u>	<u>1,280,072</u>	<u>41,708,436</u>
<u>\$ 23,146,945</u>	<u>\$ 2,699,557</u>	<u>\$ 4,911,333</u>	<u>\$ 1,347,240</u>	<u>\$ 46,314,547</u>

VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
SCHEDULE OF GENERAL AND ADMINISTRATIVE AND SCHOOL
MANAGEMENT RESOURCE CENTER REVENUES AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016		
	General and Administrative	School Management Resource Center/ Other	Total	General and Administrative	School Management Resource Center/ Other	Total
Sources of Revenue:						
VEHI Administration Contract	\$ 789,890	\$ 0	\$ 789,890	\$ 777,612	\$ 0	\$ 777,612
Unemployment Insurance Program	82,132	0	82,132	79,192	0	79,192
Workers' Compensation Insurance Program (92-98)	9,595	0	9,595	9,425	0	9,425
General Reserve	295,150	415,518	710,668	200,595	326,219	526,814
Multi-Line Program	994,667	0	994,667	925,065	0	925,065
Other Income	58,265	0	58,265	54,078	0	54,078
Total Sources of Revenue	\$ 2,229,699	\$ 415,518	\$ 2,645,217	\$ 2,045,967	\$ 326,219	\$ 2,372,186
Expenses:						
Salaries	\$ 1,017,177	\$ 0	\$ 1,017,177	\$ 927,572	\$ 0	\$ 927,572
Benefits and Payroll Taxes	537,388	0	537,388	490,230	0	490,230
Accounting Services	34,500	0	34,500	34,000	0	34,000
Bank Fees	3,577	0	3,577	3,595	0	3,595
Computer Upgrade and Maintenance	109,752	0	109,752	47,136	0	47,136
Consulting	499	0	499	1,063	0	1,063
Conference Expenses	51,744	0	51,744	51,024	0	51,024
Depreciation	128,323	0	128,323	127,782	0	127,782
Director's Expense	2,036	0	2,036	1,353	0	1,353
Dues and Subscriptions	5,549	0	5,549	5,797	0	5,797
Employee Relations	3,224	0	3,224	16,412	0	16,412
Equipment Expense	9,310	0	9,310	8,535	0	8,535
Insurance	40,342	0	40,342	45,347	0	45,347
Internet Expense	10,550	0	10,550	5,880	0	5,880
Legal Services	1,837	0	1,837	1,903	0	1,903
Loss on Disposal of Capital Assets	0	0	0	18,934	0	18,934
Occupancy:						
Building Interest	64,552	0	64,552	69,735	0	69,735
Custodial	24,123	0	24,123	25,337	0	25,337
Grounds Care	8,900	0	8,900	8,922	0	8,922
Building Maintenance	25,656	0	25,656	11,856	0	11,856
Property Taxes	29,560	0	29,560	29,541	0	29,541
Utilities	23,287	0	23,287	24,043	0	24,043
Office Supplies	16,784	0	16,784	15,393	0	15,393
Postage	9,974	0	9,974	10,687	0	10,687
Printing/Photocopying	24,090	0	24,090	22,618	0	22,618
Public Relations/Promotional Expense	8,568	0	8,568	9,150	0	9,150
State-wide Initiatives	0	403,014	403,014	0	313,685	313,685
Telephone	15,538	0	15,538	14,365	0	14,365
Travel, Meals and Lodging	8,840	0	8,840	5,825	171	5,996
VSBA Policy Support	0	12,504	12,504	0	12,363	12,363
VSBIT U/Training Room	13,178	0	13,178	10,138	0	10,138
Website Maintenance and Fees	841	0	841	321	0	321
Wellness - Employee	0	0	0	1,473	0	1,473
Total Expenses	\$ 2,229,699	\$ 415,518	\$ 2,645,217	\$ 2,045,967	\$ 326,219	\$ 2,372,186

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VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
 COMPARATIVE STATEMENT OF NET POSITION -
 MULTI-LINE AND MULTI-LINE RESERVE FUNDS
 JUNE 30, 2017 AND 2016

<u>ASSETS</u>	2017	2016
Cash	\$ (1,275,768)	\$ 2,320,922
Investments	25,504,756	22,302,390
Receivables	134,282	113,041
Deductibles Receivable	32,762	24,603
Subrogation and Reinsurance Receivable	977,396	52,895
Prepaid Expenses	2,464,259	775
TOTAL ASSETS	\$ 27,837,687	\$ 24,814,626
<u>LIABILITIES AND NET POSITION</u>		
Liabilities:		
Accounts Payable	\$ 121,769	\$ 71,342
Workers' Compensation State Assessment Reserve	115,844	104,832
Claims to be Paid	4,601,040	3,865,094
Anticipated Claims Not Reported	4,995,000	5,044,000
Reserve for Unallocated Loss Adjustment Expenses	915,000	537,000
Total Liabilities	10,748,653	9,622,268
Net Position:	17,089,034	15,192,358
TOTAL LIABILITIES AND NET POSITION	\$ 27,837,687	\$ 24,814,626

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VERMONT SCHOOL BOARDS INSURANCE TRUST, INC.
 COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 MULTI-LINE AND MULTI-LINE RESERVE FUNDS
 FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Revenues:		
Program Contributions	\$ 11,726,246	\$ 10,386,543
Other Income	12,470	12,663
Investment Income - Interest and Dividends	440,175	396,957
Investment Income - Other	324,429	322,611
Total Revenues	12,503,320	11,118,774
Expenses:		
Net Change in Claims Paid and Reserved	4,687,206	4,693,992
Reinsurance Premiums	2,322,066	2,280,140
Administration Fees to Outside Administrator	646,170	565,079
Other Program Expenses General and Administrative Expenses	994,667	925,065
Total Expenses	10,050,137	9,502,234
Excess of Revenues Over Expenses	2,453,183	1,616,540
Transfers:		
Transfers In/(Out)	(556,507)	(223,579)
Change in Net Position	1,896,676	1,392,961
Net Position - Beginning of Year	15,192,358	13,799,397
Net Position - End of Year	\$ 17,089,034	\$ 15,192,358

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