

VLCT Employment Resource and Benefits Trust, Inc.

Audited Financial Statements  
with Supplementary Information

*Year ended December 31, 2015  
with Report of Independent Auditors*

VLCT Employment Resource and Benefits Trust, Inc.

Audited Financial Statements  
with Supplementary Information

Year ended December 31, 2015

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## Report of Independent Auditors

The Board of Directors  
VLCT Employment Resource and Benefits Trust, Inc.

We have audited the accompanying financial statements of VLCT Employment Resource and Benefits Trust, Inc., which comprise the statement of net position as of December 31, 2015 and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended and the related notes to the financial statements.

### **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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of VLCT Employment Resource and Benefits Trust, Inc. as of December 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

The accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 - 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the VLCT Employment Resource and Benefits Trust, Inc.'s basic audited financial statements. The other information on page 28 - 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information has 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 it.

**Emphasis of Matter**

As more fully described in Note A, effective January 1, 2015, VLCT Unemployment Insurance Trust, Inc. merged with VLCT Health Trust, Inc. VLCT Health Trust, Inc. was the surviving entity and was subsequently renamed VLCT Employment Resource and Benefits Trust, Inc. All pre-merger services provided by VLCT Unemployment Trust, Inc. and VLCT Health Trust, Inc. have continued uninterrupted through VLCT Employment Resource and Benefits Trust, Inc. Our opinion is not modified for this matter.

A handwritten signature in cursive script that reads "Johnson Lambert LLP". The signature is written in black ink and is positioned to the right of the main text block.

Burlington, Vermont  
April 18, 2016

Vermont firm registration: 092-0000267

# VLCT Employment Resource and Benefits Trust, Inc.

## Management's Discussion and Analysis

Year ended December 31, 2015

The management of VLCT Employment Resource and Benefits Trust, Inc. (the Trust) presents the following overview and analysis of its financial operations for the fiscal year ended December 31, 2015, to be reviewed and considered in conjunction with the more detailed statements, schedules, exhibits and notes in the ensuing pages of this report.

### ***Highlights***

- Assets exceeded liabilities in 2015 by \$4,597,762, with an increase in total assets of \$92,643 (1.9%) and a decrease in liabilities of \$8,170 (2.8%). Assets exceeded liabilities in 2014 by \$4,496,949. Claim benefit payments were less than half of what was projected resulted in an operating surplus, making up most of the increase in 2015. An operating deficit offset by strong investment earnings strengthened total assets in 2014.
- Net position in 2015 increased by \$100,813 or 2.2% from 2014. This compares to an increase of \$176,530 or 4% experienced last year. The increase in 2015 was primarily due to an operating surplus with claims that were less than forecasted. Member contribution rates are set based on the worst case scenario to ensure that there would be enough funds to cover claim payments and yield a positive net position. The excess will serve as a reserve during economic downturns or returned, in part, to the membership in the form of contribution credits. The increase in 2014 was primarily the result of investment earnings.
- The ratio of net position to total assets increased from 93.9% in 2014 to 94.2% in 2015. This ratio measures the ability of the Trust to withstand both unanticipated increases in claims that are not offset by contributions and negative market performance during the year. The increase from 2014 to 2015 was due to a combination of conservative underwriting and an improved economy resulting in fewer claims.
- The Trust returned \$302,925 in the form of rate credits to the members during the 2015 renewal. Rate credits of \$400,000 were returned to members in 2014. In 2015, the Board of Directors (the Board) approved rate credits of \$350,000 to be applied against 2016 contributions. This amount has been restricted in the statement of net position as of December 31, 2015.

### ***Overview of the Trust's Financial Statements***

The Trust's fiscal year is January 1 through December 31. All activities of the Trust are accounted for as an enterprise fund and are the combination of the financial statements for the former VLCT Health Trust (HT) and VLCT Unemployment Insurance Trust (UIT), merged as of January 1st, 2015. For presentation purposes of the MD&A, all 2014 balances have been combined. The new Trust's operations primarily include the determination and collection of appropriate member unemployment contributions, collection of broker commissions for health and other insurance programs for members, issuance of claim benefit payments and payment of

## VLCT Employment Resource and Benefits Trust, Inc.

### Management's Discussion and Analysis (Continued)

#### ***Overview of the Trust's Financial Statements- Continued***

administrative costs of operating the Trust. Administrative costs include direct costs from operating the Trust, as well as indirect or fixed costs that are incurred by Vermont League of Cities and Towns (VLCT) and allocated to the two VLCT sponsored insurance trusts. Claims payments are made to claimants by the State of Vermont Department of Labor, with Equifax Corporation contracted to administer and report claims. The Trust reimburses the State of Vermont Department of Labor for these payments on a quarterly basis.

The Trust operations are divided into four cost centers in order to better manage the budgets for administrative costs, although they are combined under operating expenses in the financial statements that follow this discussion and analysis. These cost centers include administration, human resources and benefits programs, underwriting and claims, and member relations. Each cost center includes an allocation of overhead paid to VLCT.

The first cost center is to account for all administrative costs of the Trust operations. This includes any cost of general administration that is not included in another cost center.

The human resources and benefits programs cost center includes costs for human resources consulting as well as contracts providing health related services and other benefits to members.

The third cost center, underwriting and claims, includes all costs related to the underwriting and administration of the unemployment insurance program.

Finally, the member relations cost center includes both indirect and direct costs attributable to marketing its products and providing customer service to members of the Trust. These products include unemployment, health, dental, life, vision, disability and long-term care insurances as well as consulting services.

The annual financial report consists of three parts:

- Management's Discussion and Analysis
- Financial Statements and Disclosures
- Supplementary Information

Management's discussion and analysis provides a narrative overview of the statements and comments on significant developments during the reporting period. The intention is to present a financial summary of operations for the past fiscal year and discuss the outlook for the ensuing year.

# VLCT Employment Resource and Benefits Trust, Inc.

## Management's Discussion and Analysis (Continued)

### *Overview of the Trust's Financial Statements- Continued*

Required financial statements include:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows
- Notes to the Financial Statements

These statements present the Trust's status at December 31, 2015 and financial developments during 2015 for all activities.

The statement of net position presents the economic position of the Trust as of December 31, 2015 showing the assets owned by the Trust and how those assets are financed: by debt or short-term obligations, and by net position (the Trust's equity) or "surplus" as it is referred to in the insurance industry.

The statement of revenue, expenses and changes in net position shows the operating transactions for the year, revenue and expenses. The result of operations is the change in net position. This figure added to last fiscal year's net position is the new net position total shown in both the statements of net position as well as the statements of revenue, expenses and changes in net position.

The statement of cash flows outlines the cash flows resulting from operations, investment, and financing activities of the Trust.

Notes to the financial statements provide explanations of the accounting principles followed and of key items in the statements. They include tables showing detailed analysis of certain accounts.

The supplementary schedule presents revenues and expenses, comparing budget to actual for the year ending December 31, 2015. The supplementary schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Please note that in the following analysis, when ratios are discussed, insurance terms are used along with the standard accounting terms. "Surplus" is used in the insurance industry for the accounting term "net position," and the terms may be used interchangeably in the following sections when discussing ratios.

## VLCT Employment Resource and Benefits Trust, Inc.

### Management's Discussion and Analysis (Continued)

#### **Results and Analysis**

The following table summarizes the statements of net position:

	December 31, 2015	December 31, 2014	Percentage Change
<b>Assets</b>			
Cash and investments	\$ 4,777,619	\$ 4,701,407	1.6 %
Other assets	105,453	89,022	18.5 %
Total assets	\$ 4,883,072	\$ 4,790,429	1.9 %
<b>Liabilities</b>			
	\$ 285,310	\$ 293,480	(2.8)%
<b>Net Position</b>			
Restricted	350,000	302,925	15.5 %
Unrestricted	4,247,762	4,194,024	1.3 %
Total net position	4,597,762	4,496,949	2.2 %
Total liabilities and net position	\$ 4,883,072	\$ 4,790,429	1.9 %

As of December 31, 2015, total assets increased by 1.9% from \$4,790,429 to \$4,883,072. Cash and cash equivalents comprised most of the increase as a result of the positive operating surplus. Investments, both fixed income and equities, increased by a net of \$16,570 from a combination of reinvested interest and dividends, and market losses, both realized and unrealized.

The investment portfolio returned .29% on the total portfolio in 2015. The return on fixed income was .47% Equities returned -.41%. The asset allocation at the end of 2015 is comprised of 19.4% equities, 79.9% fixed income, and .7% cash equivalents. Return and asset allocation figures are based on those assets held in custodial accounts and managed by the Trust's investment advisor or investment manager. It includes cash in these accounts held for liquidity purposes, but does not include cash in the Trust's checking and investment sweep accounts.

As of December 31, 2015, total current liabilities decreased by 2.8% from \$293,480 to \$285,310. This is due to a combination of lower unearned income and claims payable to the Vermont Department of Labor offset by an increase in accounts payable.

Net position increased in 2015 by 2.2% or \$100,813 from 2014. Operations in 2015 produced an underwriting surplus, primarily due to a reduction in claim benefit payments as indicated in the highlights section.

As can be seen in the following chart, net position or surplus as a ratio to total assets has been impacted by the recent recession. A higher ratio is preferable because it provides more of a cushion against unexpected losses, poor investment returns, or revenue shortfalls from insufficient contributions to cover benefit payments. In addition, benefit amounts or benefit duration changes that occur as a result of legislative actions could significantly impact this ratio.

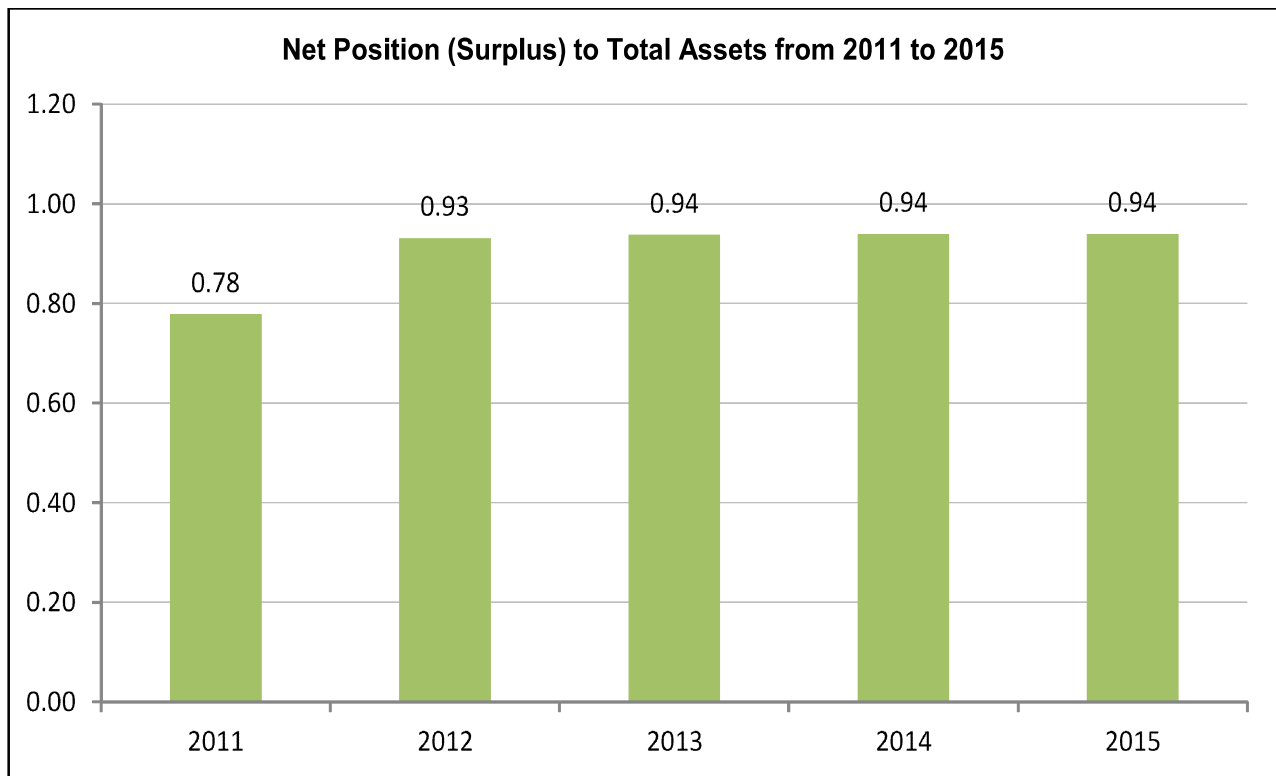


## VLCT Employment Resource and Benefits Trust, Inc.

### Management's Discussion and Analysis (Continued)

#### *Results and Analysis - Continued*

Because the Trust is fully self-insured and has no reinsurance to fall back on, a positive net position amount is particularly important for financial stability. The chart below shows the ratio of surplus to total assets from 2011 through 2015. In 2011 the Fund had not yet regained the net position lost during the 2007-2009 recession and this is reflected in the lower ratio for that year. As the economy improved, claims cost fell and investment income was more favorable. This allowed the Fund to rebuild surplus as shown in the up-trend in the chart below.



## VLCT Employment Resource and Benefits Trust, Inc.

### Management's Discussion and Analysis (Continued)

#### ***Results and Analysis - Continued***

The following table summarizes the statements of revenues, expenses and changes in net position:

	Years Ended December 31, <u>2015</u>	Years Ended December 31, <u>2014</u>	<u>Percentage Change</u>
<b>Operating Revenues</b>			
Fund contributions and management fees	\$ 801,446	\$ 715,920	11.9 %
Commission income	258,833	311,421	(16.9)%
Consulting fees	60,015	-	-
Other revenues	<u>604</u>	<u>37,874</u>	(98.4)%
Total operating revenues	1,120,898	1,065,215	5.2 %
<b>Operating Expenses</b>			
Claims benefit payments	368,349	433,869	(15.1)%
General and administrative expenses	<u>657,846</u>	<u>647,029</u>	1.7 %
Total operating expenses	<u>1,026,195</u>	<u>1,080,898</u>	(5.1)%
Operating income (loss)	<u>94,703</u>	<u>(15,683)</u>	(703.9)%
<b>Non-Operating Revenues</b>			
Investment income, net of fees	<u>6,110</u>	<u>192,213</u>	(96.8)%
Change in net position	100,813	176,530	(42.9)%
Net Position, Beginning of Year	<u>4,496,949</u>	<u>4,320,419</u>	4.1 %
Net Position, End of Year	<u>\$ 4,597,762</u>	<u>\$ 4,496,949</u>	2.2 %

The Trust had an operating income of \$94,703 in 2015 compared with an operating loss of \$15,683 for 2014. The 2015 positive results were due to the underwriting surplus explained above for the unemployment program. Claim benefit payments were less than the projected amount that was factored into the rate calculations. In 2014, prior to the merger, the HT ended the year with an anticipated operating deficit of \$48,381 and the UIT ended the year with a surplus of \$32,698. The HT deficit was anticipated as it continued to provide transition services to members while phasing out of its role as a provider of health care insurance. The UIT surplus, as in 2015, was from an underwriting surplus.

Contributions (before contribution credits) for 2015 reflected a rate of 1.8% on a \$16,400 wage base that was intended to cover 2015 projected claims based on a worst case scenario. The rate for 2012 through 2014 was 1.9%. The taxable wage base for years 2012-2014 was \$16,000.

## VLCT Employment Resource and Benefits Trust, Inc.

### Management's Discussion and Analysis (Continued)

#### *Results and Analysis - Continued*

Claim benefit payments decreased by 15.1% from 2014 to 2015 compared to a 10.8% decrease from 2013 to 2014. The total claim count for 2015 was 392, about 18% lower than the 476 total in 2014. This decrease was primarily due to a 36% drop in “lack of work” claims (153 to 98). In 2014, there was a 30% drop in “lack of work” claims, however claim totals increased by 24% from 2013 to 2014 while claim benefit payments decreased. This was due to a substantial shift from lack of work to subsequent employer claims which tend to be mostly part time workers that are less costly. In addition, a smaller percentage of higher cost claims occurred in 2014 offset by a larger number of credits.

General and administrative expenses for the year increased from 2014 by \$10,817 or 1.7%. The increase from last year is mainly in VLCT administrative costs of \$31,998 primarily due to a combination of the normal budgeted increase, a shift in direct costs attributable to the reduction in HT operations, and increased overhead costs from the new building space that were phased in (rental) or unanticipated in the prior year budget (electric and taxes).

Net investment earnings for 2015 were \$6,110 compared with net investment earnings of \$192,213 in 2014. Out of this total, there was a net market loss (net realized and net unrealized) of \$102,158 in 2015 compared with net gain of \$83,775 in 2014. Interest and dividends earned, net of fees, offset the 2014 net market loss and contributed to the 2015 net investment earnings, respectively. The decrease in earnings from 2014 to 2015 is attributable to poor market performance in the fixed income and equities, resulting from uncertainty about a federal reserve rate hike and a significant reduction throughout the year in oil prices.

VLCT Employment Resource and Benefits Trust, Inc.

Management's Discussion and Analysis (Continued)

**Results and Analysis - Continued**

The following table summarizes budgeted revenues and expenses versus actual results, showing the variance from budgeted for the year ended December 31, 2015:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Operating Revenues</b>			
Fund contributions	\$ 802,164	\$ 801,446	\$ (718)
Commission income	255,000	258,833	3,833
Other revenues	<u>42,400</u>	<u>60,619</u>	<u>18,219</u>
Total operating revenues	1,099,564	1,120,898	21,334
<b>Operating Expenses</b>			
Claims benefit payments	875,000	368,349	506,651
General and administrative expenses	<u>650,813</u>	<u>657,846</u>	<u>(7,033)</u>
Total operating expenses	<u>1,525,813</u>	<u>1,026,195</u>	<u>499,618</u>
Operating excess of revenues over expenditures	(426,249)	94,703	520,952
Non-operating - investment income	<u>65,100</u>	<u>6,110</u>	<u>(58,990)</u>
Excess of Revenues Over Expenditures	<u>\$ (361,149)</u>	<u>\$ 100,813</u>	<u>\$ 461,962</u>

As shown in this budget analysis, the operating surplus of \$94,703 significantly exceeded the budgeted operating loss of \$426,249. The variance in actual operating surplus to budget is attributable to the conservative rate-setting process, with estimated claim benefit payments based on worst case scenario as previously discussed.

To determine member contributions or premiums, the Trust has used a retrospective rate-setting approach, budgeting for the worst case and paying back to members the difference between the actual and budgeted amounts, along with any investment income earned on the surplus funds. Both the budget for the ensuing year and distributions from prior year claims activity are based on an actuarial rate study completed annually. Distributions of \$302,925 in the form of renewal rate credits were returned to members in 2015. A \$400,000 distribution was returned to members in 2014.

Revenues exceeded budget by \$21,334, primarily due to the introduction of a new human resources consulting program that was approved by the VLCT, VLCT Property and Casualty Intermunicipal Fund, Inc. (PACIF) and Trust board in the spring and commenced providing services late in the year. This includes revenue from PACIF for work done for their loss control program.

## VLCT Employment Resource and Benefits Trust, Inc.

### Management's Discussion and Analysis (Continued)

#### ***Results and Analysis - Continued***

Actual investment earnings (of which only investment fees and interest are budgeted) produced net investment income of \$6,110, which was 58,990 under budget, decreasing the overall variance over budget to \$461,962.

Claims benefit payments were budgeted based on a maximum benefit ratio calculated from trend data for the period 2001 to 2014 (with 2014 projected), and applied to the 2015 projected taxable wage base of \$58.5 million. Years 2009 through 2011 trended high with 2009 being the worst benefit payout year at a 1.46% benefit ratio (2010 and 2011 were 1.31% and 1.14%, respectively). The payout for 2012, 2013 and 2014 dropped to .75%, .84% and .77%.

Actual benefit payments for 2015 were 15.1% lower than in 2014 and the 2014 totals were 10.8% lower than in 2013. All quarters in 2015 were down from 2014: by 18% for the first, 9% the second, 15% the third and 17% the fourth quarter. In 2014, the first and second quarters were each 2% higher than the same period in 2013; the third quarter was 28% below 2013, and the fourth quarter was 27% below 2013.

General and administrative expenses were higher than budgeted by \$7,033 primarily due to the initial cost of the HR consulting program. This program was approved by all three VLCT Boards in the spring and was not operational until year-end. Some beginning costs, mostly offset by revenue, were booked for 2015. The majority of the approved funds will be collected and spent in 2016 and are included in the 2016 budget.

A couple of additional variances to note include:

- Internship program is over budget by \$14,480. This item was used to account for expenses relating the UVM MPA intern. This was an expense approved by the Board to be spent from surplus, and was therefore not included in the budget.
- Board Travel/Training is below budget by \$4,536 or 76%. A total of \$6,000 is budgeted for Board member attendance at national conferences and participation depends on the availability of each member as well as the agenda for the conference and its relevance to VERB operations. In 2015 fewer members attended than anticipated.

#### ***Outlook and Economic Factors***

The merger of the HT and UIT to create the VLCT Employment Resource and Benefits Trust (the "Trust") was successfully implemented on January 1, 2015. The newly merged program has operated smoothly, as was expected. The discussion below addresses the programs operated by the Trust.

VLCT Employment Resource and Benefits Trust, Inc.

Management's Discussion and Analysis (Continued)

***Outlook and Economic Factors - Continued***

***Unemployment Insurance***

Unemployment rates in Vermont continue to be well below 6%. The U.S. economic recovery continues and the Trust has benefited from this improvement. The Trust saw a 15 percent reduction in its claim charges over the past year. This continues a trend of stable or dropping claims which began in the second quarter of 2010.

Claims have remained relatively stable and are below their 2009-2010 highs. This should allow the Trust to continue to maintain a strong net position to meet its obligations going forward.

As a result of continuing positive results, the Trust's rates for 2016 were renewed at a rate lower than the prior year

The chart below illustrates the average rate and estimated taxable wages for the current and previous three years:

<b>Year</b>	<b>Average Rate</b>	<b>Trust Taxable Wages*</b>	<b>Taxable Wage Base</b>
2016	1.65%	\$61.6 million	\$16,800
2015	1.80%	\$58.5 million	\$16,400
2014	1.90%	\$58.2 million	\$16,000
2013	1.90%	\$57.8 million	\$16,000

The taxable wage base is the maximum amount used per employee, or their actual wages if below the maximum. The wage base is set by the State and had historically been \$8,000 for many years. Due to the impact of the 2009 recession on the State's unemployment insurance trust, the amount was increased to \$10,000 in 2010 and then increased three more times to \$13,000 in 2011, to \$16,000 in 2012 and to \$16,400 in 2015. The State increased the amount to \$16,800 for 2016. Adjustments will continue going forward.

The 2015 actuarial study projected a net gain for the Trust and recommended granting a contribution rate credit. The Board voted to provide a contribution rate credit for 2016 in the amount of \$350,000, which is an increase over the 2015 contribution rate credit of \$302,925.

***Employee Benefit Programs***

The state launched Vermont Health Connect (VHC), its federally mandated health benefits exchange, in October 2013 for coverage effective January 1, 2014. Unlike other states, Vermont law does not allow for a small group health insurance market outside of the exchange. Most Vermont municipalities have fifty or fewer employees and thus purchased health insurance

## VLCT Employment Resource and Benefits Trust, Inc.

### Management's Discussion and Analysis (Continued)

#### *Outlook and Economic Factors - Continued*

through VHC in 2014. This resulted in much reduced revenue to HT, now the Trust, because insurance agent commissions are no longer paid by the health insurance company. In 2016 employers with one hundred or fewer employees are required to purchase health insurance through VHC. This will further reduce commission revenue to the Trust.

To offset this loss of commission revenue the Trust now offers members an option to enter into a contract for employment benefit advisory service. Fees for this service will replace some of the lost commission revenue. Revenues from this program will be shared with our broker/partner Hickok Boardman HR Intelligence in a manner similar to the way that commission revenue was shared. It is expected that this service will be most beneficial for larger Trust members and those with more complex employee benefit programs.

As a result of the launch of VHC, significant changes have been made to the Trust's business model. With the migration to VHC, the bulk of commission revenue flow has stopped and projected 2014 revenues dropped by 63%. HT had correspondingly reduced its operating 2014 budget by 62%. This decrease resulted from reductions in staffing, trimming expenses and transferring the Health Promotion/Wellness program to PACIF. Previously, the costs of this program were shared between HT and PACIF. This budget discipline has continued. In 2016 the Trust's budget for commission revenue is 29.4% less than 2015 and 75.8% less than the HT budget in 2013, the year before VHC opened for business.

The Trust continues to help all VLCT member municipalities with employee benefits. To fund this service, the Trust has committed to use a portion of its net position to fund its program while the transition in health benefits provision takes place, even though there is diminishing revenue from the health insurance related portion of the Trust's revenue stream.

The Trust continues to partner with Hickok Boardman HR Intelligence to provide health insurance brokerage services to municipal employers with more than 100 employees, as well as continuing with the sponsored life and disability program. The Trust continues to offer group rates for dental, vision, life, disability and long term care insurances, as well as assistance with cafeteria plans. New in 2016 the Trust began promoting an individual dental insurance product from Delta Dental.

It is management's strong belief that VERB's net position and funding sources will be adequate to carry the Trust, through the challenging and exciting process of healthcare system reform.

VLCT Employment Resource and Benefits Trust, Inc.

Management's Discussion and Analysis (Continued)

***Requests for Information***

This financial report is designed to provide a general overview of the Trust's finances for all those with an interest in the Trust's finances. Questions concerning any of the information provided in this report or requests for financial information should be addressed to the Chief Financial Officer at the Vermont League of Cities and Towns, 89 Main Street, Suite 4, Montpelier, Vermont, 05602-2948, or by calling 802-229-9111.



VLCT Employment Resource and Benefits Trust, Inc.

Statement of Net Position

As of December 31, 2015

	<u>2015</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 663,965
Debt securities, at fair value	3,310,933
Mutual funds, at fair value	802,721
Accrued investment income	22,014
Due from Affiliates	18,837
Accounts receivable	14,347
Prepaid expenses	<u>50,255</u>
Total Assets	<u>\$ 4,883,072</u>
 <b>Liabilities and Net Position</b>	
<b>Liabilities</b>	
Due to Vermont Department of Labor	\$ 79,309
Unearned income	145,992
Due to Affiliates	43,934
Accounts payable	<u>16,075</u>
Total liabilities	285,310
 <b>Net Position</b>	
Restricted	350,000
Unrestricted	<u>4,247,762</u>
Total net position	<u>4,597,762</u>
Total Liabilities and Net Position	<u>\$ 4,883,072</u>

*See accompanying notes to the financial statements.*

VLCT Employment Resource and Benefits Trust, Inc.

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended December 31, 2015

	<u>2015</u>
<b>Operating Revenues</b>	
Member contributions	\$ 749,446
Consulting income	60,015
Commission income	258,833
Management fees	52,000
Other income	<u>604</u>
Total operating revenues	1,120,898
<b>Operating Expenses</b>	
Claims benefit payments	368,349
General and administrative expenses	<u>657,846</u>
Total operating expenses	1,026,195
Net operating income	94,703
<b>Non-Operating Revenues (Expenses)</b>	
Investment income	121,780
Investment income - net realized gains and change in fair value	(102,158)
Investment management fees	(4,378)
Investment consulting fees	(3,268)
Investment banking fees	<u>(5,866)</u>
Net non-operating revenues	<u>6,110</u>
Change in Net Position	100,813
Net Position, Beginning of Year	<u>4,496,949</u>
Net Position, End of Year	<u>\$ 4,597,762</u>

*See accompanying notes to the financial statements.*

VLCT Employment Resource and Benefits Trust, Inc.

Statement of Cash Flows

For the Year Ended December 31, 2015

	<u>2015</u>
<b>Cash Flows from Operating Activities</b>	
Receipts for member contributions	\$ 711,208
Receipts for commissions	253,685
Receipts for management fees	52,000
Other receipts	60,619
Payments for claims	(384,200)
Payments for general and administrative expenses	<u>(623,236)</u>
Net cash provided by operating activities	70,076
<b>Cash Flows from Investing Activities</b>	
Receipts of interest income	121,804
Investment and bank fees	(13,512)
Purchases of investments	(1,968,307)
Proceeds of investments	<u>1,778,438</u>
Net cash used in investing activities	(81,577)
Net Change in Cash and Cash Equivalents	(11,501)
Cash and Cash Equivalents, Beginning of Year	<u>675,466</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 663,965</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</b>	
Net operating income	\$ 94,703
Changes in assets and liabilities:	
Due from Affiliates	818
Accounts receivable	(28,867)
Prepaid expenses	11,594
Due to Affiliates	40,153
Due to Vermont Department of Labor	(15,851)
Unearned income	(14,519)
Accounts payable	<u>(17,955)</u>
Net cash provided by operating activities	<u><u>\$ 70,076</u></u>

*See accompanying notes to the financial statements.*

# VLCT Employment Resource and Benefits Trust, Inc.

## Notes to the Financial Statements

Year ended December 31, 2015

### **Note A - Organization and Nature of Operations**

#### *Organization*

VLCT Employment Resource and Benefits Trust, Inc. was formed effective January 1, 2015. Prior to January 1, 2015, the Trust was operating as two separate trusts: VLCT Unemployment Insurance Trust, Inc. ("UIT") and VLCT Health Trust, Inc. ("HT"). Effective January 1, 2015, UIT merged into HT, with HT being the surviving entity. HT then renamed itself VLCT Employment Resource and Benefit Trust, Inc. ("VERB" or the "Trust"). The carrying values of the assets, liabilities and net position were not modified as of the date of the merger. UIT merged total assets of \$2,691,508, total liabilities of \$271,784 and total net position of \$2,419,724. HT contributed total assets of \$2,098,921, total liabilities of \$21,696 and total net position of \$2,077,225. No amounts were eliminated as a result of the merger. The Trust had 278 members as of December 31, 2015.

Services provided by the Trust include (1) payment of costs due to unemployment claims filed against the municipality; (2) a professional claims management system to review and monitor all data and reports upon filing for unemployment compensation; (3) to negotiate and procure on behalf of members of VLCT and their employees various forms health, dental, vision and group life and disability insurance; (4) provide effective cost-control programs on all aspects of the unemployment compensation law and how it affects cities and towns; (5) act as an advocate and provide information on legislation and representation before the Vermont legislature on unemployment and health related matters affecting Vermont municipalities; (6) to develop, promote and implement health maintenance programs for the benefit of Vermont municipalities and their employees; and (7) an affiliation with the Vermont League of Cities and Towns ("VLCT"), an organization dedicated to the betterment of Vermont local government.

### **Note B - Summary of Significant Accounting Policies**

#### *Basis of Accounting*

The financial statements of the Trust have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental entities. The Trust also follows all statements in accordance with Government Accounting Standards Board ("GASB"). The Trust uses the economic resources measurement focus and the accrual basis of accounting and is accounted for as a proprietary enterprise fund.

## VLCT Employment Resource and Benefits Trust, Inc.

### Notes to the Financial Statements (Continued)

#### **Note B - Summary of Significant Accounting Policies (Continued)**

##### *Risks and Uncertainties*

The Trust's operating results and financial condition are affected by numerous factors and circumstances inherent within the insurance industry, some of which it can neither predict nor control. Among them are (1) the state of the economy and the associated unemployment levels which impact claims benefit payments; (2) the Trust's ability to enter into suitable future contracts or compensation agreements (3) fluctuations in the market affect the value and income yield of the Trust's investment portfolio in the short-term, and often affect default and prepayment rates over time; (4) legislation that might impact benefit payments, duration of benefits, or healthcare may continue to require the Trust to review its programs and services, as well as member needs. Should any of these or similar events occur, the Trust's operating results and financial condition may be affected.

##### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

The Trust engages an independent actuary to estimate a target net position to protect against potential future financial losses. The Trust does not record a liability for future claims and claims handling expenses due to the nature of the contracted relationship between the Trust and its members, and the claims paid nature of the Participation and Indemnification Agreement ("the Agreement") signed by each member upon joining the Trust. The Trust is only responsible for the claims of its current members, as outlined by the Agreement. As more fully described in Note E, the target net position helps protect against potential financial losses in the event of inadequate rates charged to members due to unexpectedly high claims and/or negative investment income.

##### *Due to Vermont Department of Labor*

The Vermont Department of Labor pays claims benefits when incurred and is reimbursed by the Trust on a quarterly basis, a quarter in arrears. Claims benefits payable for claims incurred in the last quarter of December 31, 2015 are classified as due to Vermont Department of Labor on the statement of net position.

##### *Debt Securities/Mutual Funds*

The Trust accounts for its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* ("Statement No. 31"). Statement No. 31 establishes fair value standards on accounting for all investments held by governmental external investment pools and governmental entities. All investment income, including changes in the fair value of investments, is recognized in the statement of revenues, expenses and changes in net position. Realized gains and losses are determined using the specific identification method for debt securities and the average cost method for mutual

VLCT Employment Resource and Benefits Trust, Inc.

Notes to the Financial Statements (Continued)

**Note B - Summary of Significant Accounting Policies (Continued)**

funds. The calculation of realized gains and losses is independent of the calculation of the net change in fair value of investments. Realized gains and losses on investments that had been held for more than one year and sold in the current year were included as a change in the fair value of investments reported in the prior years and the current year. Investment purchases are recognized on the trade date. Investments are stated at fair value based on quoted market prices or prices obtained from a recognized pricing service.

*Cash and Cash Equivalents*

The Trust's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date acquired by the Trust.

The Federal Depository Insurance Corporation ("FDIC") insures amounts on deposit up to the limits as prescribed by the law. The Trust holds funds with financial institutions in excess of or non FDIC insured amount, however, the Trust has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

The Trust's carrying amount of cash deposits and the bank balance at December 31, 2015 were as follows:

	<u>December 31, 2015</u>	
	<u>Book</u>	<u>Bank</u>
	<u>Balance</u>	<u>Balance</u>
Insured/FDIC	\$ 250,000	\$ 250,000
Uninsured, Collateralized by US Gov't and Agency Securities held by the People's United Bank Trust Department with a security interest granted to the Trust	<u>413,965</u>	<u>419,731</u>
Total	<u>\$ 663,965</u>	<u>\$ 669,731</u>

The difference between the book balance and the bank balance is due to reconciling items such as deposits in transit and outstanding checks.

*Due To/Due From Affiliates*

As more fully described in Note D, the Trust provides and receives services from several affiliated organizations. The amounts due to and due from affiliates relates to these services.

VLCT Employment Resource and Benefits Trust, Inc.

Notes to the Financial Statements (Continued)

**Note B - Summary of Significant Accounting Policies (Continued)**

*Accounts Receivable*

Accounts receivable relate to contributions and commissions billed and not yet collected. Management anticipates no uncollectible accounts and, therefore, has not established an allowance for doubtful accounts.

*Accounts Payable*

Accounts payable consists of miscellaneous balances due for various services performed.

*Prepaid Expenses*

Prepaid expenses represent amounts relating to the unexpired portion of the insurance agreements and subscriptions. It also includes payments for the unexpired portion of software and software-related service agreements.

*Member Contributions/Management Fees*

The Trust bills member contributions based on the members' reported taxable payroll from prior periods limited to \$16,000 per employee multiplied by a rate established by the Board. Underwriting and rate-setting methods and policies are established and applied after consultation with an independent actuary. In addition, the Trust bills members an annual fee of \$250 to cover expenses related to the program. Contributions and management fees are recognized over the term of the benefits provided.

*Commission Income*

The Trust receives commission income for facilitating the placement of health coverage, dental coverage, vision coverage, group and voluntary life and disability insurance.

*Unearned Income*

Unearned income represents the amounts billed and collected at December 31, 2015 for member contributions with a coverage effective date of January 1, 2016.

*Income Taxes*

The Trust is incorporated as a nonprofit corporation under the Vermont Nonprofit Corporation Act. The Trust's income is tax-exempt under Internal Revenue Code Section 115, which pertains to political subdivisions. Accordingly, the accompanying financial statements do not include a provision for federal or state income taxes.

*Classification of Revenues and Expenses*

The Trust reports itself as a business-type activity as defined in GASB 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Business-type activities are financed in whole or in part by fees charged to external parties. Business-type activities distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering

## VLCT Employment Resource and Benefits Trust, Inc.

### Notes to the Financial Statements (Continued)

#### **Note B - Summary of Significant Accounting Policies (Continued)**

goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Trust's enterprise fund include fund contributions and fees received from providing services. Operating expenses include claims paid and the costs of providing services and operating all programs. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### *Subsequent Events*

The Trust has evaluated subsequent events for disclosure and recognition through April 18, 2016, as more fully described in Note F, the date on which these financial statements were available to be issued.

#### **Note C - Investments**

The Trust's investment policy, as approved by the Board, contains certain provisions and limitations intended to mitigate the Trust's exposure to various investment risks, such as credit risk (including custodial risk and concentration risk) and interest rate risk, as follows:

- *Credit risk* - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured by an assigned rating from a nationally recognized credit rating agency such as Standard and Poor's or Moody's Rating Services. These organizations look at a number of factors in order to evaluate the credit risk of an obligation and rate the risk. This rating allows investors to make informed buying and selling decisions. The Trust's investment policy is structured with limitations and guidelines intended to mitigate the components of credit risk as summarized in the following three bullet points.
- *Concentration of credit risk* - Concentration risk is the risk of loss attributable to the magnitude of an investment in a single issuer (with the exception of U.S. Government Obligations, which have no limit) to 5% of total investments. There are no single investments other than U.S. Government Obligations that exceed the limit as of December 31, 2015.
- *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. Neither the Vermont Statutes nor the Trust's investment policy guidelines contain requirements limiting custodial credit risk other than indicating that "prudent investment policies" should be followed. An agreement with People's United Bank, the custodial financial institution for the investment portfolio, is in place and indemnifies the Trust against losses caused by negligence or dishonesty.



VLCT Employment Resource and Benefits Trust, Inc.

Notes to the Financial Statements (Continued)

**Note C - Investments (Continued)**

- *Interest rate risk* - Interest rate risk is the risk that changes in interest 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 interest rates. The Trust's investment policy limits the average effective duration to +/- 10% of a blended benchmark made up of 50% of the Barclay's Government/Credit Index and 50% of the Barclay's Intermediate Government/Credit Index.

The following table provides a summary of the fair value of the Trust's investment portfolio by contractual maturity. The expected maturities in the following table may differ from the contractual maturities because certain borrowers may have the right to call or prepay obligations with or without penalty.

	December 31, 2015				
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Total
U.S. Treasuries	\$ 59,849	\$ 689,983	\$ 182,768	\$ 155,519	\$ 1,088,119
U.S. Agencies	-	-	9,594	141,107	150,701
U.S. Agency MBS	349	255,630	13,691	45,709	315,379
Corporate Bonds	23	798,673	565,252	292,464	1,656,412
Municipal Bonds	8,980	25,308	15,564	6,141	55,993
Foreign Bonds	-	31,622	-	12,707	44,329
<b>Total</b>	<b><u>\$ 69,201</u></b>	<b><u>\$1,801,216</u></b>	<b><u>\$ 786,869</u></b>	<b><u>\$ 653,647</u></b>	<b><u>\$ 3,310,933</u></b>

VLCT Employment Resource and Benefits Trust, Inc.

Notes to the Financial Statements (Continued)

**Note C - Investments (Continued)**

The table below outlines the Standard and Poor's credit ratings of the Trust's investment holdings as of December 31, 2015:

	U.S. <u>Treasuries</u>	U.S. <u>Agencies</u>	U.S.Agency <u>MBS</u>	Corporate <u>Bonds</u>	Municipal <u>Bonds</u>	Foreign <u>Bonds</u>	<u>Total</u>
AAA	\$ -	\$ -	\$ -	\$ 165,470	\$ -	\$ -	\$ 165,470
AA+	1,088,119	-	229,340	61,765	-	20,656	1,399,880
AA	-	-	-	68,893	16,247	-	85,140
AA-	-	-	-	52,020	39,746	-	91,766
A+	-	-	-	45,013	-	23,673	68,686
A	-	-	-	196,629	-	-	196,629
A-	-	-	-	169,921	-	-	169,921
BBB+	-	-	-	468,348	-	-	468,348
BBB	-	-	-	215,572	-	-	215,572
BBB-	-	-	-	90,002	-	-	90,002
Not Rated	-	150,701	86,039	122,779	-	-	359,519
<b>Total</b>	<b><u>\$1,088,119</u></b>	<b><u>\$ 150,701</u></b>	<b><u>\$ 315,379</u></b>	<b><u>\$1,656,412</u></b>	<b><u>\$ 55,993</u></b>	<b><u>\$ 44,329</u></b>	<b><u>\$ 3,310,933</u></b>

The effective duration is used to assess interest rate risk by estimating the sensitivity of fixed income securities to interest rate changes. The effective duration estimates the percentage change in the market value of an investment (or an investment portfolio) for a one percent change in interest rates. It makes assumptions regarding the most likely timing and amounts of variable cash flows for investments that are highly sensitive to interest rate changes, such as mortgage-backed securities, callable bonds, and variable-rate debt.

The following were the effective durations of investments held by the Trust as of December 31, 2015:

	<u>Fair Value</u>	<u>Effective Duration</u>
U.S. Treasuries	\$ 1,088,119	5.72
U.S. Agencies	150,701	4.11
U.S. Agency MBS	315,379	2.97
Corporate Bonds	1,656,412	5.06
Municipal Bonds	55,993	4.92
Foreign Bonds	44,329	3.74
<b>Total</b>	<b><u>\$ 3,310,933</u></b>	<b>4.98</b>

The average effective duration of the investment portfolio as of December 31, 2015 was 4.98.

## VLCT Employment Resource and Benefits Trust, Inc.

### Notes to the Financial Statements (Continued)

#### Note C - Investments (Continued)

The following table shows the classifications of the Fund's mutual fund investments as of December 31, 2015

<u>Classification</u>	<u>Fair Value</u>
Large Cap Blend	\$ 253,392
Large Cap Value	250,468
Mid Cap Blend	80,937
Small Cap Blend	75,153
High Yield	69,988
World Bond	<u>72,783</u>
Total	<u>\$ 802,721</u>

Net realized losses on the sale of investments were \$20,422 and net unrealized losses attributable to the change in fair value of investments were \$81,736 for the year ended December 31, 2015.

#### Note D - Affiliated Organizations and Related Party Transactions

The accompanying financial statements represent the general operations of the Trust and do not include the operations and financial condition of VLCT or other affiliated organizations. VLCT provides staff, office space and equipment usage to the Trust. The following VLCT expenses are attributable to the Trust.

- Salary and benefits for administrative staff including finance, human resource, production and general administrative support
- Office costs including all building-related expenses and insurances
- Equipment and communications costs
- Printing and supplies
- Travel and training for administrative functions
- Non-Trust Officers costs
- Contracted services
- Dues and subscriptions for administrative staff
- Services provided for administrative activities
- Miscellaneous costs related to administrative activities

For the year ended December 31, 2015, expenses allocated to the Trust were \$426,115. These costs are included as a component of general and administrative expenses on the statement of revenues, expenses and changes in net position.

## VLCT Employment Resource and Benefits Trust, Inc.

### Notes to the Financial Statements (Continued)

#### **Note D - Administrative Services Provided by VLCT (Continued)**

The Trust pays an annual fee to VLCT Property and Casualty Intermunicipal Fund, Inc. ("PACIF") for wellness services provided to the Trust's large group members. The annual fee incurred was \$40,000 for 2015. As of December 31, 2015, the Trust owed PACIF \$20,000.

Effective July 1, 2015, the Trust entered into an agreement with two affiliated organizations, PACIF and VLCT Municipal Assistance Center ("VLCT MAC", a division of VLCT). The agreement provides for the implementation of a Human Resources Consulting Services program. The Trust will manage the program and provide PACIF with human resource consulting services to assist members with employment related risk management and legal liability issues. VLCT MAC provides staffing for the program. As of December 31, 2015, amounts receivable by the Trust from PACIF amounted to \$18,837, and amounts payable by the Trust to VLCT amounted to \$23,934.

Certain board members and/or officers of the Trust are also Board members and/or officers of VLCT and PACIF.

Board members of the Trust are elected town officials for the municipalities that are the Trust's members.

Members of the Trust are also members and insureds of VLCT and/or PACIF.

#### **Note E - Net Position**

As discussed in Note B, the Trust does not record a liability for future claims due to the claims paid nature of unemployment insurance and the Agreement with its members.

As of December 31, 2015, the Trust has established a target net position of \$1,254,259 based on an actuarial assessment of variability of net income. The target net position represents a 99.9% confidence level as of December 31, 2015. The purpose of the net position target is to protect against potential financial losses in the event of unexpected high claims and/or possible poor investment returns. The net position target will be adjusted each year to reflect the most recent financial results.

The Trust budgets on a retrospective basis, giving back to members known surpluses in order to reduce future rates based on an actuarial assessment. The Trust returned \$302,925 of contribution credits to the members during the year ended December 31, 2015. During 2015, the Board also approved \$350,000 of contribution credits to be allocated to individual members upon renewal in 2016. Contribution credits approved by the Board for distribution during the following renewal year are recorded as restricted on the statement of net position.

VLCT Employment Resource and Benefits Trust, Inc.

Notes to the Financial Statements (Continued)

**Note F - Subsequent Event**

The Fund has evaluated subsequent events for disclosure and recognition through April 18, 2016, the date these financial statements were available for issuance and has noted that no significant events have occurred.

VLCT Employment Resource and Benefits Trust, Inc.

Schedule of Revenues and Expenses - Budgetary Basis

December 31, 2015

(Unaudited)

	Budget	Actual	Variance Favorable / (Unfavorable)
<b>Revenues</b>			
Contributions	\$ 750,164	\$ 749,446	\$ (718)
Consulting	41,400	60,015	18,615
Commission income	255,000	258,833	3,833
Management fees	52,000	52,000	-
Other income	1,000	604	(396)
Net investment income	65,100	108,268	43,168
Investment income - change in fair value	-	(102,158)	(102,158)
Total Revenues	1,164,664	1,127,008	(37,656)
<b>Administrative Expenses</b>			
VLCT direct costs	184,800	189,151	(4,351)
VLCT Admin Services Costs	90,518	90,715	(197)
Legal services	2,500	846	1,654
Audit and accounting services	18,000	14,866	3,134
Insurance	7,000	3,376	3,624
Board of Directors	17,000	15,204	1,796
Board travel and training	6,000	1,464	4,536
Staff travel - conferences	7,500	5,639	1,861
Staff travel - member outreach	400	522	(122)
Vehicle expenses	1,500	2,019	(519)
Program supplies	100	-	100
Printing	200	173	27
Dues and subscriptions	2,900	561	2,339
Internship program	-	14,480	(14,480)
Town Fair	1,000	-	1,000
Miscellaneous	-	859	(859)
Total Administrative Expenses	339,418	339,875	(457)
<b>HR and Benefits Programs</b>			
VLCT direct costs	751	564	187
VLCT admin services costs	368	368	-
Consulting services	-	63,934	(63,934)
Administrative contracts	40,000	36,837	3,163
Staff travel - conferences	1,000	64	936
Total HR and Benefits Programs	42,119	101,767	(59,648)
<b>Underwriting and Claims</b>			
VLCT direct costs	9,766	7,325	2,441
VLCT admin services costs	4,783	4,784	(1)
Data services	22,000	21,409	591
Claim services	34,500	33,781	719
Legal expenses	5,000	2,909	2,091
Actuarial services	7,000	5,249	1,751
Staff travel and training	1,500	1,143	357
Total Underwriting and Claims Expenses	84,549	76,600	7,949

VLCT Employment Resource and Benefits Trust, Inc.

Schedule of Revenues and Expenses - Budgetary Basis - Continued

December 31, 2015  
(Unaudited)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<b>Member Relations Expenses</b>			
VLCT direct costs	64,034	62,114	1,920
VLCT admin services costs	71,093	71,094	(1)
Staff travel - conferences	1,700	942	758
Staff travel - member outreach	1,500	1,055	445
Vehicle costs	3,500	3,005	495
Printing	500	425	75
Member training programs	1,000	-	1,000
Promotional	600	934	(334)
Communication	500	-	500
Dues and subscriptions	300	35	265
Total Member Relations Expenses	<u>144,727</u>	<u>139,604</u>	<u>5,123</u>
<b>Wellness</b>	-	-	-
Member training programs	<u>40,000</u>	<u>-</u>	<u>40,000</u>
<b>Claim Payments</b>	<u>875,000</u>	<u>368,349</u>	<u>506,651</u>
Total Expenses	<u>1,525,813</u>	<u>1,026,195</u>	<u>499,618</u>
Excess of Revenues over Expenses	<u>\$ (361,149)</u>	<u>\$ 100,813</u>	<u>\$ 461,962</u>