JOHNSON LAMBERT LLP

VLCT Property and Casualty Intermunicipal Fund, Inc.

Audited Financial Statements
with Supplementary Information

Years ended December 31, 2015 and 2014
with Report of Independent Auditors

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Contents

JOHNSON LAMBERT LLP

Report of Independent Auditors

The Board of Directors
VLCT Property and Casualty Intermunicipal Fund, Inc.

We have audited the accompanying financial statements of VLCT Property and Casualty Intermunicipal Fund, Inc. ("the Fund"), which comprise the statements of net position as of December 31, 2015 and 2014, and the related statements of contributions, expenses, and changes in net position and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Property and Casualty Intermunicipal Fund, Inc. as of December 31, 2015 and 2014 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

The accounting principles generally accepted in the United States require that Management's Discussion and Analysis on pages 4 - 19 and the accompanying supplementary schedules listed on pages 39 - 41 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 schedules 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 audits were conducted for the purpose of forming an opinion on the Fund's basic audited financial statements. The other information on pages 42 - 44 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.

Johnson Lambert LLP

Burlington, Vermont
March 9, 2016

Vermont firm registration: 092-0000267

VLCT Property and Casualty Intermunicipal Fund, Inc.

Management's Discussion and Analysis

December 31, 2015 and 2014

Management of the VLCT Property and Casualty Intermunicipal Fund, Inc., (the "Fund" or "PACIF") 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

- The Fund engaged a new actuarial firm in 2015 after many years with the previous actuary. Reserves increased significantly as a result of the new actuary's estimate. This resulted in a substantial increase in the Fund's liabilities, and corresponding decrease in net position. The Fund's new actuary provided a range of reasonable reseve estimates. Management has booked reserves at the low end of this range, which still leads to reserves higher than estimated by the previous actuary.

- Net case and non-case (incurred but not reported or "IBNR") reserves as of December 31, 2015, increased by 46% or $10,287,054 from December 31, 2014, from $22,338,893 to $32,625,947. By comparison, net case and non-case (IBNR) reserves as of December 31, 2014 increased by 3% or $575,388 from 2013, from $21,763,505 to $22,338,893. The claims expense reserve and the workers' compensation state assessment reserve increased 114% over last year, from $2,110,295 in 2014 to $4,512,790 in 2015. As with the case and non-case reserves, this figure reflects a higher estimate by the Fund's new actuary. By contrast, this reserve decreased by .8% from 2013 to 2014.

- As of December 31, 2015 net ultimate incurred for prior years (not including safety margin or unallocated loss adjustment expense or workers' comp assessment reserve) increased by $11,371,363. The current actuary's estimate for 1993-2014 Fund years is $162,998,220 compared to the prior actuary's estimate of $151,626,857, a 7.5% increase. As of December 31, 2014 prior years claims (1993-2013) increased .5% or $708,521 from $139,254,970 to $139,963,491.

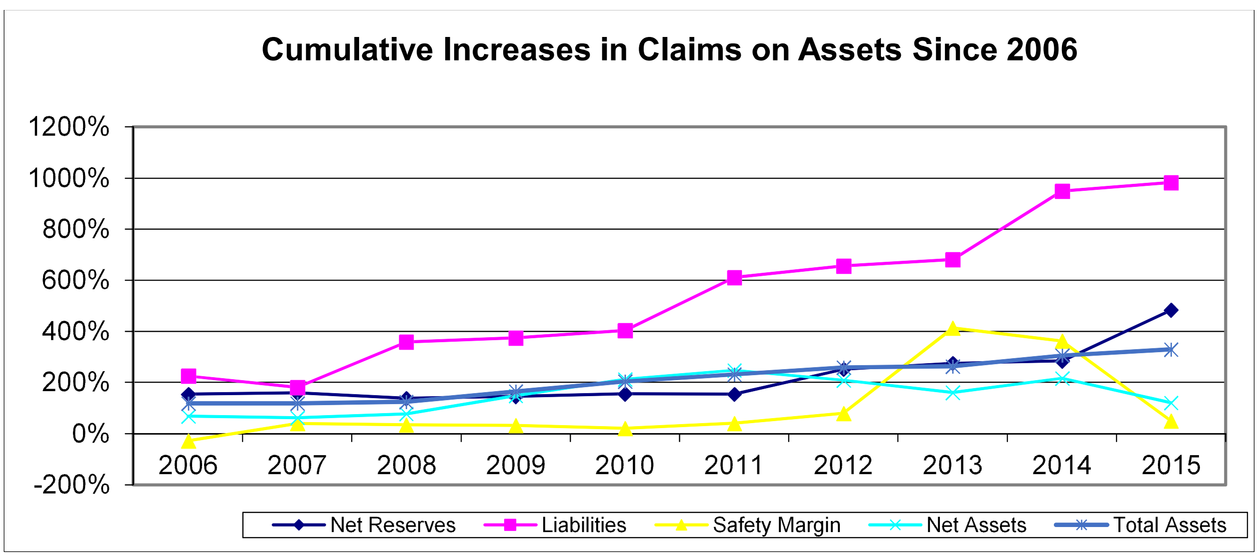
- Unrestricted net position in 2015 decreased by $8,897,848 or almost 34% from 2014. The ratio of unrestricted net position to total assets decreased to 28% in 2015 from 45% in 2014, with an increase in assets of $3,526,184 offset by a $12,924,032 increase in liabilities. By comparison, 2014 reflected an increase in assets of $6,174,704 offset with a $2,440,694 increase in liabilities, resulting in an increase in unrestricted net position ratio from 43% in 2013 to 45% in 2014. Adverse loss development for prior years reduced net position but significantly more so in 2015 than in 2014.

- Assets exceeded liabilities at the end of 2015 by $17,461,959. Of this amount, $17,261,959 is unrestricted, and $200,000 has been restricted by the Board. Total liabilities in 2015 represent 72% of total assets, compared to 54% at the end of 2014 and 56% at the end of 2013. A large increase in reserves in 2015 elevated this ratio from the prior year. Due to a change in the accounting for contribution credits, distributions to members are no longer shown as restricted net position, but rather as a liability. The restricted amount therefore represents only the amount set aside for safety grants. The Board has also designated $7,441,272 for the safety margin. This Board designated amount is included within the total unrestricted net position.

Highlights (Continued)

- In 2014, assets exceeded liabilities by $26,859,807, of which $26,159,807 was unrestricted as of the end of the year. In 2013, assets exceeded liabilities by $23,125,797, of which $22,625,797 was unrestricted as of the end of the year. Restricted funds for 2014 and 2013 were $700,000 and $500,000, respectively. Restricted net position for 2014 consisted of $500,000 of distribution credits to be applied to the 2015 renewal and $200,000 in safety grants. Restricted net position for 2013 consisted of $500,000 of distribution credits to be applied to the 2014. The Board also designated $3,427,595 in safety margin for 2014 and $3,809,762 in 2013.

The graph below measures the trend of the breakdown for each type of obligation (liabilities, reserves, safety margin and unrestricted net position) against the Fund's total assets. It shows that the Fund grew net position from 2005-2014, with a sharp drop in net position in 2015. Net reserves remained fairly stable between 2006 and 2011, allowing the Fund to strengthen its net position. However, between 2012 and 2014, net reserves were higher and decreased net position, but as shown in the graph, total assets continued to climb due primarily to strong investment performance in 2012 and 2014. Net position dropped substantially in 2015 due to increased reserves. However, this reserve strengthening should allow for less volatile future operating results. This is because the Fund's higher reserve increases the likelihood that reserves are sufficient to cover prior year claim development. The safety margin has been discounted for future investment earnings at a rate of 3.5% for 2008-2015.



Overview of the Fund's Financial Statements

The Fund's fiscal year is January 1 through December 31 and there are a total of twenty-six active funds, twenty-five of them constituting fund years to account for claims in their respective coverage years. The remaining one, the surplus reserve fund, enables the Fund to absorb unexpected adverse loss development and growth in membership, as well as to take on more risk with higher self-insured retentions and long term investment strategies.

The Fund operations are divided into six cost centers in order to better internally manage the budgets for administrative costs. These cost centers are:

- Reinsurance
- Administration
- Underwriting
- Member Relations
- Loss Control (Safety and Health Promotion)
- Claims

The first and last cost centers are shown under the titles of "reinsurance expenses and broker fees for reinsurance" and "losses and loss adjustment expenses, net of reinsurance" in the financial statements presented in this report. The middle four cost centers, administration through loss control, are combined and included under the title of "general and administrative expenses" in the financial statements.

The annual financial report consists of four parts:

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

Required Financial Statements include:

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

These statements present the Fund's status at December 31, 2015 and 2014 and financial developments during 2015 for all cost centers combined.

Overview of the Fund's Financial Statements (Continued)

The statement of net position presents the economic position of the Fund, showing the assets owned by the Fund and how those assets are financed: by debt or short-term obligations, actuarially determined reserves, and by net position (the Fund's equity). Equity is more commonly known in the insurance industry as "surplus."

The statement of contributions, expenses, and changes in net position shows the operating transactions for the year, revenue and expenses. This statement is classified by operating and non-operating revenues and expenses. As required by Governmental Accounting Standards Board ("GASB"), investment income is considered a non-operating revenue and member distributions a non-operating expense. Despite this categorization, investment income and member distributions are integral to Fund operations. The net result of operations is known as 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 statement of net position as well as the statement of contributions, expenses and changes in net position. Net position is made up of both restricted and unrestricted fund balance. Restricted net position is that portion that is limited for a particular use by action of the governing board. All remaining fund balance is considered unrestricted net position.

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

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 required supplementary schedules include the ten year claims development schedule and the reconciliation of claim liabilities by type of contract. The other information schedules include the combining statement of net position, combining statement of contributions, expenses, and changes in net position and the schedule of general and administrative expenses. The other information is presented to provide additional analysis and therefore 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. In the insurance industry "surplus" is used for the accounting term "net position." Accounting and insurance terms may be used interchangeably in the following sections when discussing ratios.

Results and Analysis

The following table summarizes the statement of net position for 2015 with a comparison to 2014 and 2013, and shows the percentage change. The safety margin is a discounted amount, above what is held in reserves, that the actuary has estimated to be sufficient to cover adverse development and catastrophic losses. The safety margin is included in unrestricted surplus.

Results and Analysis (Continued)

Financial Analysis

	December 31, 2015	December 31, 2014	Percentage Change	December 31, 2013	Percentage Change
Cash and investments	$ 58,717,169	$ 56,247,490	4.4 %	$ 49,904,039	12.7 %
Other assets	3,455,133	2,398,628	44.0 %	2,567,375	(6.6)%
Total assets	62,172,302	58,646,118	6.0 %	52,471,414	11.8 %
Other liabilities	7,571,606	7,337,123	3.2 %	5,455,577	34.5 %
Net reserves	37,138,737	24,449,188	51.9 %	23,890,040	2.3 %
Total liabilities	44,710,343	31,786,311	40.7 %	29,345,617	8.3 %
Net position					
Restricted	200,000	700,000	(71.4)%	500,000	40.0 %
Unrestricted	17,261,959	26,159,807	(34.0)%	22,625,797	15.6 %
Total net position	$ 17,461,959	$ 26,859,807	(35.0)%	$ 23,125,797	16.1 %

As of December 31, 2015, total assets increased by 6% from $58,646,118 to $62,172,302, compared to an increase of 12% from 2013 to 2014. The increase in assets in 2015 came primarily from cash and reinsurance recoverable on paid losses. Positive investment performance accounts for the increase in total assets during 2014. Investment performance and an increase in reinsurance and subrogated claims accounts for the 2013 increase in total assets.

As of December 31, 2015, current liabilities increased by 3% from $7,337,123 to $7,571,606. A decline in accounts payable was offset by increases contribution credits payable and contributions collected in advance. The accounts payable balance at the end of 2014 included a large claim settlement that was paid in 2015. Contribution credits for the following year (2016 renewal) appear as a current liability for the first time. This is due to the aforementioned change in accounting for contribution credits. Receipts for contributions paid in advance are not recognized as revenue until the ensuing year and are therefore a liability to the Fund.

Results and Analysis (Continued)

Net loss reserves (including unallocated loss adjustment expense) are up 52% in 2015 due to the increase in actuarial estimates for prior year reserves, and to a lesser extent adverse development on prior year claims. This compares to a 2% increase in 2014. The small growth in 2014 was due to a moderate amount of adverse development on prior year claims.

Total losses and loss adjustment expenses, net of reinsurance, are broken out by fund year in the following table:

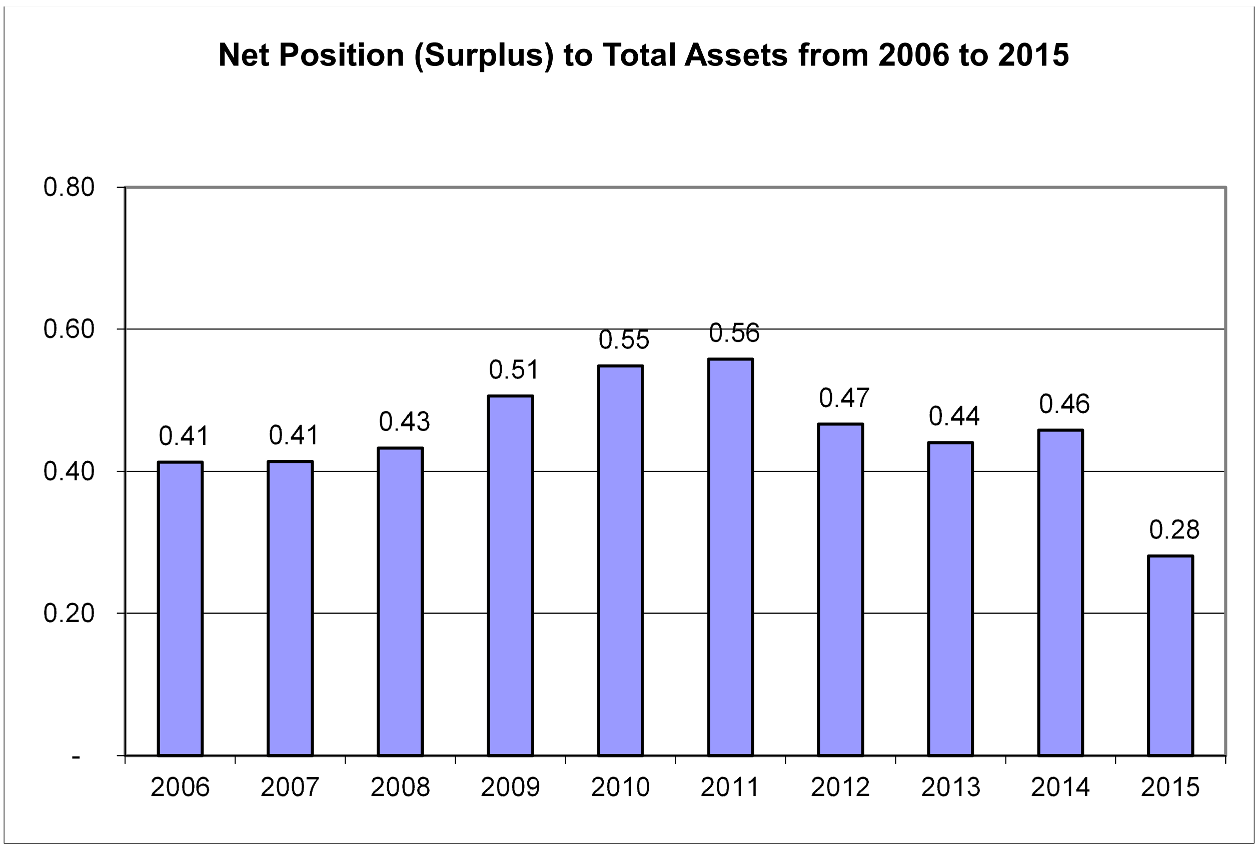
Fund Year	12/31/2015	12/31/2014	12/31/2013
1993	$ (266)	$ -	$ 141,280
1994	110,840	33,224	-
1998	56,539	60,829	3,863
1999	(5,387)	(10,242)	(11,221)
2001	91,783	169,097	164,389
2002	166,249	138,710	203,239
2003	150,820	116,997	159,394
2004	252,672	277,561	126,512
2005	207,054	182,008	172,170
2006	327,462	396,899	227,051
2007	528,656	884,436	645,803
2008	531,977	541,058	1,733,314
2009	530,043	654,663	1,221,277
2010	1,790,737	1,212,454	1,817,362
2011	1,980,484	2,580,588	3,291,091
2012	3,092,417	3,357,275	5,112,997
2013	5,355,346	3,738,250	6,754,984
2014	6,999,777	8,005,086	-
2015	10,458,744	-	-
Totals	$ 32,625,947	$ 22,338,893	$ 21,763,505

As outlined in the Highlights section, total net position at year end was $17,461,959. This is down from $26,859,807 at the same time last year. The 2014 to 2015 decrease of $9,397,848 was primarily due to increased reserve estimates. The $3,734,010 increase in net position in 2014 was the result of strong investment performance aided by an underwriting gain.

A look at the total net position to total assets ratio allows us to measure the Fund's surplus against the value of its total assets. A higher ratio is positive, providing more of a cushion against unexpected losses, poor investment returns, or operating deficits. The 2015 ratio of 0.28 indicates that more than a quarter of all the Fund's assets are available to cover any of these potential problems. Net position or surplus as a ratio to total assets has fluctuated over time from 0.41 in 2006 and 2007 to a high of 0.56 in 2011.

Results and Analysis (Continued)

Improved investment earnings played a large part in the increase from 0.43 in 2008 to 0.51 in 2009. In 2010 and 2011 the upward trend continued from both positive earnings and operating surpluses. The ratio declined in 2012 and 2013 due to losses stemming from adverse development. In 2014 the Fund regained the ground lost in 2012 and 2013. Then in 2015 the ratio declined substantially due to a decline in net position from the increase in reserve estimates. Related ratios examining pool solvency are presented later in this report along with the analysis of the statement of contributions, expenses, and changes in net position.



Results and Analysis (Continued)

The following table summarizes the Statement of Contributions, Expenses, and Changes in Net Position as of 2015 with a comparison to 2014 and 2013, showing the percentage changes:

	2015	2014	Percentage Change	2013	Percentage Change
Fund contributions	$ 22,601,349	$ 21,706,428	4.1 %	$ 20,465,452	6.1 %
Other revenues	57,194	97,927	(41.6)%	39,446	148.3 %
Total operating revenues	22,658,543	21,804,355	3.9 %	20,504,898	6.3 %
Operating expenses:					
Provision for losses and loss adjustment expenses	22,725,704	12,701,817	78.9 %	13,033,689	(2.5)%
Broker fees	115,000	115,000	- %	145,000	(20.7)%
Reinsurance expenses	3,541,784	3,258,254	8.7 %	3,940,030	(17.3)%
General and administrative expenses	4,803,569	4,620,633	4.0 %	4,191,589	10.2 %
Total operating expenses	31,186,057	20,695,704	50.7 %	21,310,308	(2.9)
Operating (loss) income	(8,527,514)	1,108,651	869.2 %	(805,410)	237.7 %
Non-operating revenues:					
Investment income	1,539,085	1,634,245	(5.8)%	1,531,184	6.7 %
Net increase (decrease) in fair value of investments	(1,323,166)	1,609,568	182.2 %	(692,645)	332.4 %
Investment fees	(86,253)	(118,454)	27.2 %	(125,419)	(5.6)%
Total non-operating revenues	129,666	3,125,359	(95.9)%	713,120	338.3 %
Member distribution-contribution credit	1,000,000	500,000	100.0 %	1,000,000	(50.0)%
Non-operating (loss) income	(870,334)	2,625,359	133.2 %	(286,880)	(1,015.1)%
Change in net position	(9,397,848)	3,734,010	351.7 %	(1,092,290)	441.9 %
Net position at beginning of year	26,859,807	23,125,797	16.1 %	24,218,087	(4.5)%
Net position at end of year	$ 17,461,959	$ 26,859,807	(35.0)%	$ 23,125,797	16.1 %

The 2015 year ended with an operating deficit of $8,527,514 as losses (including reserve increases), reinsurance, and general and administrative costs exceeded contributions. Losses and loss adjustment expenses were up $10,023,887 or 79% from 2014, due to the increase in reserve estimates and adverse development on prior year claims. Investment earnings did little to offset the operating deficit, adding only $129,666 to income. Due to a change in accounting for distribution credits, two years’ worth of credits were recognized in 2015. This subtracted $1,000,000 for a total decrease in net position of $9,397,848.

Results and Analysis (Continued)

In contrast, 2014 generated an operating gain of $1,108,651, which added to investment returns of $3,125,359 resulting in a net gain before credit distributions of $4,234,010. After applying member contribution credits of $500,000, net position decreased by $3,734,010.

The total incurred losses as of December 31, 2015 were $22,725,704. Incurred losses are comprised of two components: (1) the provision for losses which relate to insured events of the current year; and (2) a charge (or credit) for adjustments to incurred losses for all prior coverage years. The adjustment for all prior coverage years is referred to as positive (favorable) or adverse (unfavorable) development. The Fund incurred losses of $14,552,016 on the 2015 coverage year, and recorded adverse development of $8,173,688 on prior coverage years from 1993 to 2014. Most of the prior year adverse loss development occurred in fund years 2010, 2013, and 2014. About 47% of development was in fund year 2013 in large part because of two large claims, one workers' comp and one liability. Looking at all prior years, workers' comp continues to drive about two-thirds of adverse development with the remaining third from liability. The ten claims with the largest amounts of adverse development account for 84% of the total development. In comparison the Fund incurred losses of $12,149,946 on the 2014 coverage year, and recorded adverse development of $551,871 on prior coverage years from 1993 to 2013. Losses incurred during 2013 totaled $10,565,461 for the 2013 fund year with adverse development of $2,468,228 for prior fund years.

Investment returns net of fees (including unrealized gains and losses) decreased by $2,995,693 or 96% in 2015 from 2014, compared to a increase of $2,412,239 or 338% from 2013 to 2014. Interest and dividend income decreased 6% in 2015 and increased 7% in 2014. In 2015 both the fixed income and equity portions of the portfolio suffered unrealized losses, which offset a small amount of realized gains from the equity portion, and interest and dividend income. The strong investment performance in 2014 was across the board: the fund experience both realized and unrealized gains that added to income from interest and dividends.

The Fund had 78% of its investments in fixed maturity securities. Including the investment in NLC Mutual Insurance Company, the Fund had 22% invested in equity securities. While there has not been a substantial increase in the value of the equity portfolio, the recent decline in net position has elevated equities to 62% of surplus. This is slightly above the target range of 40-60%, but below the 100% maximum laid out in the investment policy.

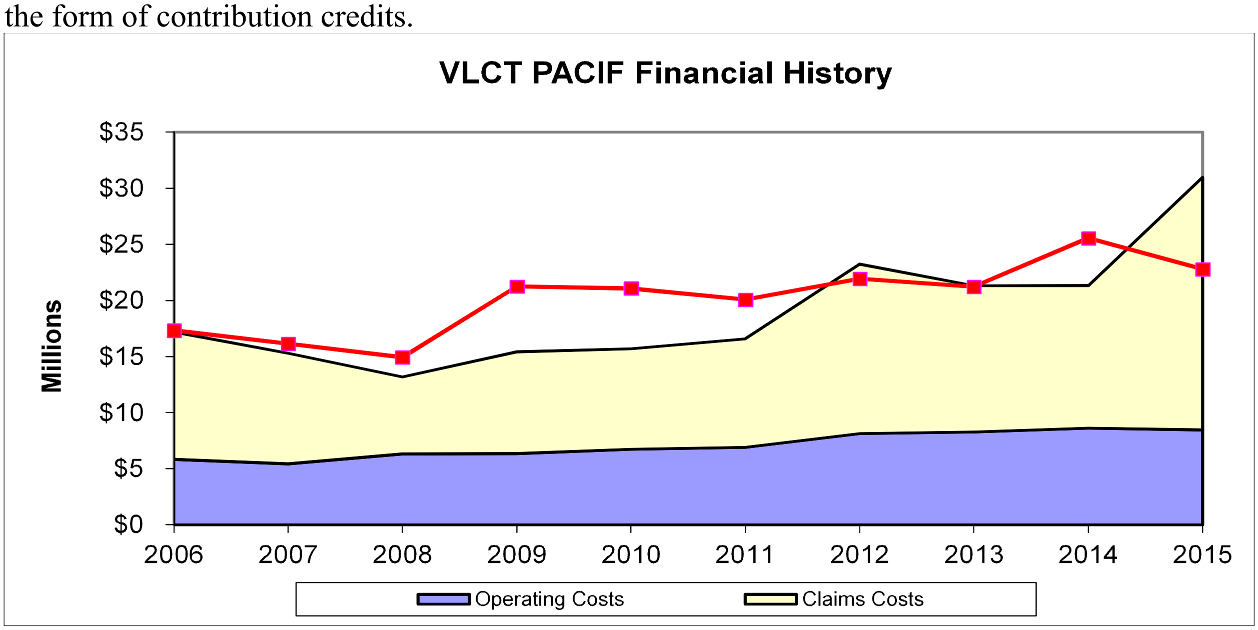
The Fund's investment policy target asset allocation is 75% fixed maturity and 25% equities. The policy further states the target range for equities and high yield fixed income is 40-60% of surplus, and that these asset classes shall not exceed 100% of surplus.

Results and Analysis (Continued)

The Fund's fixed maturity investments had a weighted return net of fees of .14% (down from 6.28% last year), 0.01% below the Fund's benchmark of .15%, which represents the Barclays Government/Credit Index benchmark. Equity investments had a weighted return of .43% (down from 10.12% last year), 1.22% above the Fund's benchmark of -1.65%, a blend of component fund specific benchmarks effective July 1, 2013.

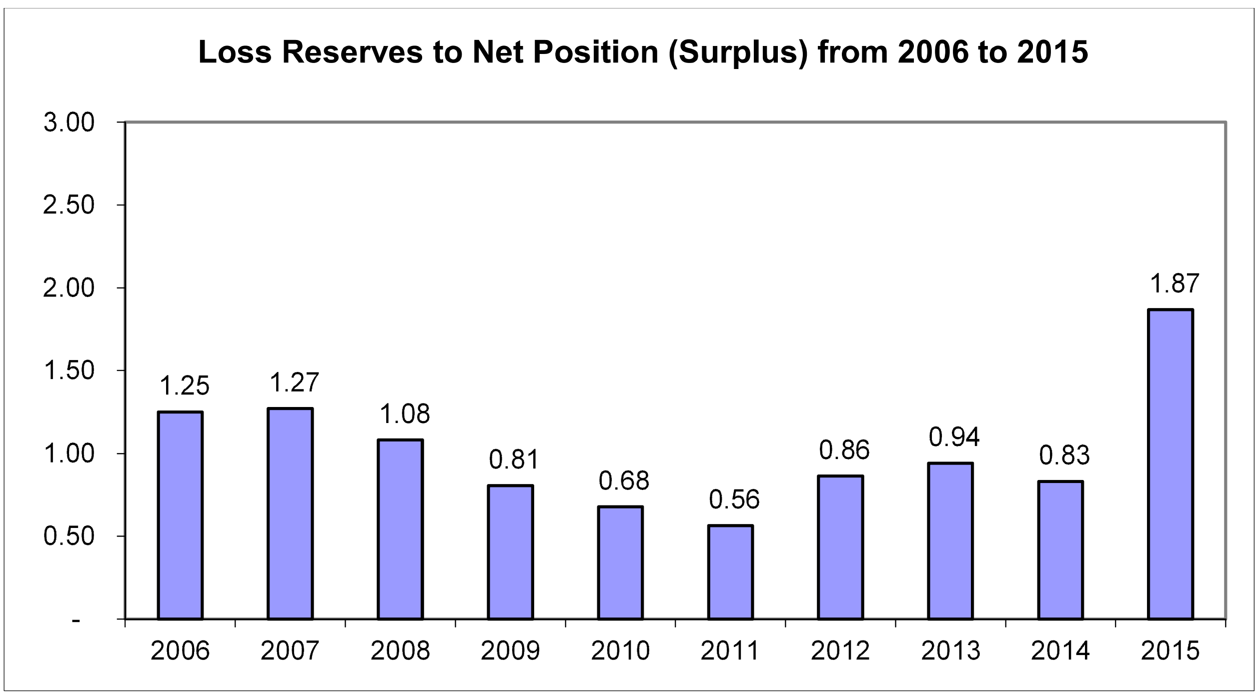
The graph below shows in summary form the trend of the Fund's revenues and expenses with the line on the chart representing revenue and the shaded areas representing operating and claims expenses. The expenses do not include distributions, which are taken from prior year surpluses (net position). The gap between the revenue trend line and the combined claims and operating costs line represents the surplus or deficit (if the line drops into the area representing costs) each year. A portion of these annual surpluses become distributions to members as determined by the actuary and approved by the Board.

As clearly shown on the graph below, the fund built surplus between 2006 and 2011. Burlington left the pool in 2006. This resulted in a drop in contributions, but an even greater drop in claims. The shaded area breaches the red line in 2012 representing claims and administrative costs that exceeded revenues in that year. This was due to adverse development. As that development moderated, the Fund broke even in 2013 as shown by the convergence of the red line and the shaded area. The Fund added to surplus in 2014 as adverse development continued to slow and the Fund's investment portfolio posted strong returns. The most recently year clearly shows the significant increase in claims cost due to reserve strengthening. Revenue is also down somewhat in the current year due to nearly flat investment returns. Taken together these factors explain the decline in net position in the most recent year, represented by the shaded area over taking the red line. Note that the graph below shows results before returning surplus to members in the form of contribution credits.



Results and Analysis (Continued)

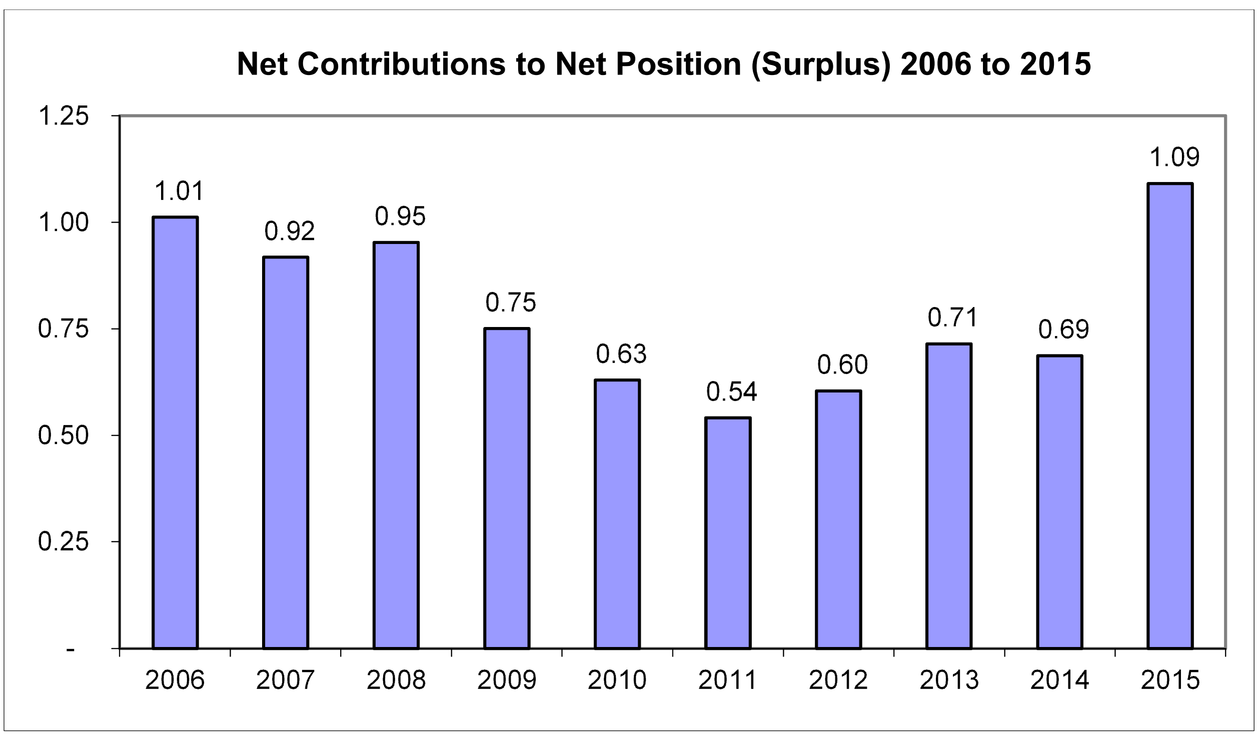
To achieve the appropriate balance between holding or returning surplus, the Fund makes use of a number of indicators to determine the strength of the pool. One way to measure the adequacy of net position or surplus is to analyze the accuracy of its loss development projections. Loss reserves estimates are actuarially determined to enable the Fund to pay losses as they develop. Measuring reserves against net position (surplus) gives an indication of the Fund's solvency by looking at whether or not it is able to cover higher than expected losses from loss development that exceeds management's best estimate. The higher the reserve to net position ratio the more important it is to accurately estimate IBNR claims to be certain that reserves are adequate to cover those future claim costs. A high ratio may indicate that surplus is too low and there is a significant risk of insolvency if losses are greater than anticipated. A ratio of less than 3.00 (3:1) is considered a comfortable margin for deviations in expected reserve estimates. The Fund's loss reserve to surplus ratio over the past ten years is shown below.



This ratio continues to be well below 3.00 and shows that the Fund's net position has the capacity to sustain material impacts from adverse (unfavorable) development without catastrophic consequences to its financial strength. Years showing a ratio exceeding 1.0 were years with adverse claim development combined with lower surplus. The 2012 through 2014 ratios, despite an adverse loss development trend, remained under 1.0 mainly due to the surplus developed from positive operating and investment results between 2009 and 2011. Increased reserves, and the resulting lower surplus, pushed this ratio to an all-time high of 1.87 in 2015. Despite this increase, it remains below the 3.0 level.

Results and Analysis (Continued)

In addition to analyzing the sufficiency of funds to cover for unexpected deficits and deviations from loss estimation, it is also necessary to determine if net position (surplus) will be adequate if the Fund's pricing doesn't cover potential losses. Ratios of net contributions (contributions less reinsurance) to net position, as shown on the following chart, will measure this type of exposure. A ratio over 3.00 means that there is significantly less net position or surplus to cover an unexpected contribution shortfall due to unanticipated unfavorable loss development, thereby increasing risk exposure. A ratio at or below 1.00 is considered a comfortable margin in public risk pools as a general rule. This ratio was on a downward trend between 2006 and 2014. In the current year, however, the increase in reserves and corresponding decrease in net position have elevated the ratio. Fund years 2012 through 2014 experienced an increase in this ratio, but it remained well below the industry standard. At 1.09 the current ratio is above the desired level, but still below the warning level of 3.0. Commercial standards use a 2:1 ratio as a benchmark, considering a 1:1 ratio to be a very strong position. The current ratio meets the pool standard and, with a solid surplus, allows more flexibility in underwriting in future years.



Results and Analysis (Continued)

Over the past ten years the Fund saw variability in claims which contributed to variability in operating results. On the whole, however, the Fund added substantially to surplus over the past decade. This allowed the Fund to absorb the sharp increase in reserves in the current year.

This reserve strengthening comes after three years of significant adverse development on prior year claims. The new higher reserve level increases the likelihood that the Fund will be able to absorb future development without adversely affecting results. This means that while the Fund has taken a hit to net position in 2015, it should experience smoother operating results in the future.

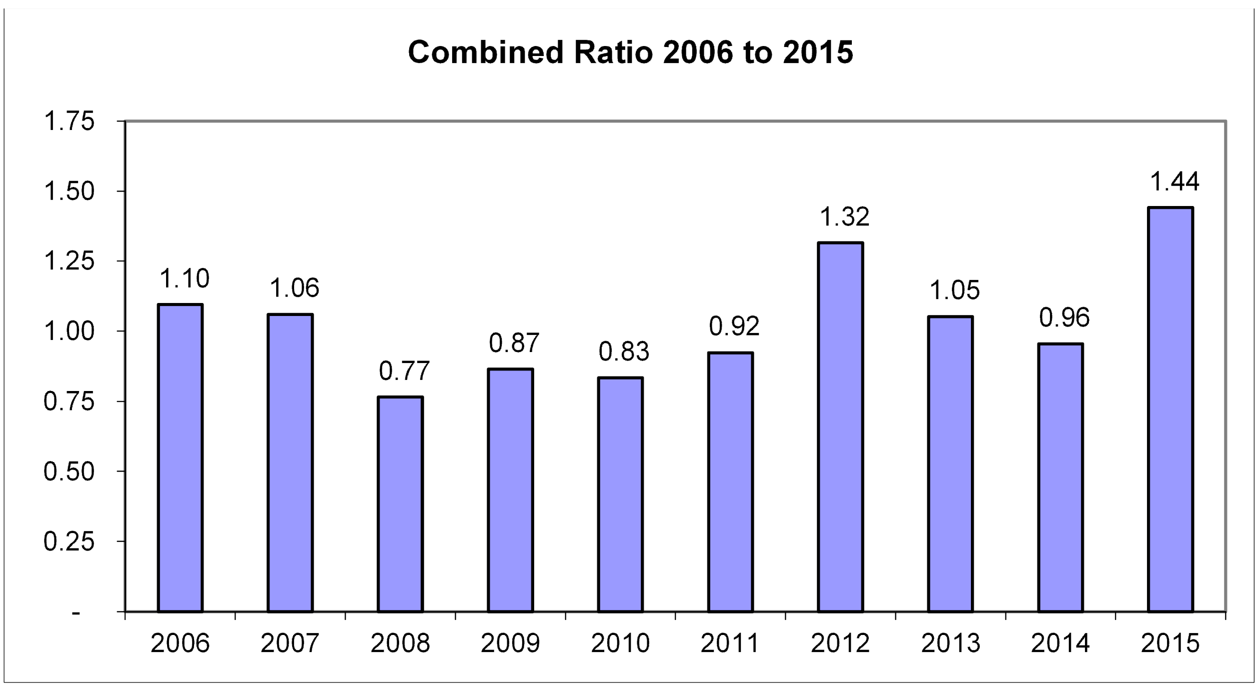
Even with this reserve increase the Fund maintains ample surplus to buffer against unanticipated loss development, catastrophes, and other unforeseen negative events. Potential problems that create fiscal stress include higher than projected losses in a given year or investment income that does not meet expectations, which the Fund experienced in 2005, 2006 and 2008, as well as more recently in 2012 and 2013. The Fund was able to absorb the 2005/2006 adverse loss development and poor investment results in 2008 with surplus from previous years. From 2009 to 2011, the Fund was able to build surplus from strong investment earnings and positive operating results. Tropical Storm Irene related property claims in 2011 might have had a significant impact on this surplus if property reinsurance had not covered all but the Fund's $500,000 retention per claim. However net position at the beginning of 2011 was $10 million higher than before 2008, so the impact of Irene without the reinsurance would have been much less devastating to the Fund than it would have been had it happened in 2008.

It should also be noted that there are two other factors to consider when analyzing the Fund’s susceptibility to risk. First, liability and workers' compensation coverage are generally subject to more risk or unpredictability than property coverage due to a longer "tail" or run-out period. As these coverages increase as a percentage of overall exposures, so too does the risk. As a general rule, when you have more liability and workers' compensation exposures in your book of business, it becomes more important to show a lower ratio of contributions to net position. However, because the mix of liability and property coverage for pool members is generally stable over time, i.e., changes occur in membership rather than in lines of coverage, there would be little variability in the amount of risk over time that was attributable to a coverage shift. Although the Fund's workers' compensation contributions constitute only 42% of the total book of business, 67% of the reserves for future claims are for workers' compensation claims. The longer tail for these claims makes forecasting future costs less certain, making it more important to maintain a substantial cushion against unexpected losses. Workers' compensation and liability coverages, which are all long tail in nature, comprise 96% of total net loss reserves. Property and automobile physical damage coverages, which generally settle quickly, make up the remaining 4% of net loss reserves.

Results and Analysis (Continued)

Secondly, the higher the proportion of more risky investments there are in the investment portfolio, the greater the impact of a bad investment year on any available net position. However, with 96% of the reserves in longer tail liability and workers' compensation, the Fund has more time to recoup market losses and can thus tolerate more investment risk.

Another useful measure of the Fund's financial condition is the combined ratio, the total of the loss and expense ratios. It is a common insurance industry ratio with a benchmark of 1.00. The difference between the combined ratio and 1.00 is an "underwriting gain" or an "underwriting loss." Underwriting losses can be offset by investment gains. Higher loss or expense ratios make it more important to maximize investment income in order to end the year with a surplus. That surplus, of course, may ultimately result in member distributions, depending on how losses develop over the course of time. In 2006, the spike occurred after two years of adverse claim development and was followed by a reversal of this trend through 2011. A reduction in contributions combined with increases in losses and reinsurance moved this ratio from 0.83 in 2010 to 0.92 in 2011 and adverse claim development in 2012 increased it to 1.32. A sharp decrease in adverse loss development combined with an increase in rates moved the ratio down significantly to 1.05 in 2013. Another decrease in 2014 dropped the ratio back below 1.00. The ratio increased greatly in 2015 to 1.44. This represents the underwriting loss due to reserve strengthening.



Outlook/Economic Factors

Fund year 2016 renewal contribution rates increased 5.8% on average across all lines of coverage. However, several lines of coverage were specifically targeted for significant increases due to their particular claim experience. For example employment practices liability increased 67.2%; law enforcement liability increased 28.2%; crime coverage increased 47.4%; no-fault sewer back-up liability increased 25.9% and workers' compensation rates increased 14.8% on average (varies by class code). On the other hand rates for several other lines of coverage saw no increase (0%) such as property, auto, general and public officials' liability, and auto physical damage. All members renewed their membership in PACIF for 2016 and two new accounts were written bringing total PACIF membership to 337 members.

PACIF began working with its new actuary, Milliman, in 2015, and the Fund significantly strengthened reserves and increased renewal rates. Management believes the Fund is in a much stronger and stable financial posture and well positioned to meet its ongoing and future commitments to the membership.

The Board again directed $500,000 from net position to be returned to the membership based on an actuarial analysis of the financial status of prior fund years. The distribution amount is shown as credit against the members' 2016 contributions, and the member must renew with the Fund in order to receive the credit. In addition, $200,000 from net position was allocated to fund the PACIF Equipment Grant program. Since inception, the Fund has returned over $18 million in contribution credits to the membership. Each member's specific credit is derived via a formula that contemplates the fund years generating the surplus, the overall Fund loss ratio for those years, the number of surplus generating years that the member was in the Fund, and the member's loss ratio in those years. This credit distribution program is one of the many benefits of belonging to a member owned, nonprofit intermunicipal insurance association.

The Fund is continuing to assist members in their risk management initiatives with a focus on workers' compensation and law enforcement liability. These are areas where the Fund believes it can have a big impact on reducing claims and driving down members' contribution charges by helping them to help themselves. This is most effective when every employee, administrative staff person and the governing body of every member acknowledges that they all share in the responsibility to develop and maintain a culture of safety in the workplace and community. In 2015 efforts to control workers' compensation costs were implemented. These include enhanced medical case management utilizing services from Best Doctors' Occupational Health Institute (BDOHI) and prescription drug management (PBM) services through Express Scripts, Inc. (ESI). Workers' compensation medical bill review (MBR) services are in the process of implementation and will be live by April 1, 2016.

Outlook/Economic Factors (Continued)

In 2014, PACIF assumed full funding and control of the health promotion/wellness program. In previous years this was a joint VLCT Health Trust and PACIF program. The program is now called Work Strong and the emphasis of this program is on workers' fitness. The program works to improve employee flexibility, weight management and other worker wellness goals. Data shows that as obesity decreases and flexibility increases, workplace injuries and recovery times decrease.

A law enforcement risk management program will be built around the President's Task on 21st Century Policing report issued in 2015 that included six main topic areas (aka pillars) of best practices in law enforcement.

In addition to an emphasis on workers' compensation safety and law enforcement, the Fund continues to provide a wide range of training and educational services to the membership to bring awareness to and assistance in implementing risk management best practices in areas such as driving skills, flagger certification, law enforcement training, employment practices and internal financial controls.

In 2010, the Fund launched the PACIF Equipment Grant Program, which provides a 50/50 funding match up to $5,000 for the purchase of specific safety and protection related equipment. This program continues to be enormously successful. Also continuing is a contract with Agility Recovery that will give members access to services that help them to prepare for a potential disaster before it strikes and have access to temporary onsite resources for recovering quickly from a damaging event.

In 2014 an employment practices liability assistance program was put in place that utilizes the VLCT Municipal Assistance Center and local attorneys. This program is designed to provide members with pre-claim employment practices liability consultation from experienced labor attorneys. This program has been well received and utilized by our members. We believe this program has prevented a number of employment related claims and lawsuits.

The success of the Fund's programs is a testament of the power of pooling Vermont municipalities together for their mutual benefit. It is the Fund's mission to relentlessly pursue the goal of providing member municipalities with broad coverage and superior risk management services and consultation for a fair and competitive price. PACIF may not be the low bid in any given year, but it is always the better value and will prove to be the overall lower cost in the long run.

Requests for Information:

For additional information, please contact the Finance Department of the Vermont League of Cities and Towns, 89 Main Street, Suite 4, Montpelier, Vermont, 05602-2948, or call 802-229-9111.

VLCT Property and Casualty Intermunicipal Fund, Inc.

Statements of Net Position

	As of December 31, 2015	As of December 31, 2014
Assets		
Investments		
Fixed-maturity securities, at fair value	$ 37,474,491	$ 36,971,660
Mutual funds, at fair value	8,312,298	8,345,786
Investment in NLC Mutual Insurance Company	2,454,930	2,333,593
Total investments	48,241,719	47,651,039
Cash and cash equivalents	10,475,450	8,596,451
Accrued investment income	267,724	261,194
Contributions receivable	157,727	178,860
Net subrogation and deductible receivable	488,101	627,950
Prepaid expenses	939,024	991,094
Reinsurance recoverable - paid losses	1,334,190	122,123
Other assets	268,367	217,407
Total Assets	$ 62,172,302	$ 58,646,118
Liabilities and Net Position		
Liabilities		
Losses and loss adjustment expenses, net of reinsurance	$ 32,625,947	$ 22,338,893
Accounts payable	410,674	1,015,520
Contributions collected in advance	6,660,932	6,321,603
Claims expense and workers' compensation state assessment reserve	4,512,790	2,110,295
Contributions credits payable	500,000	-
Total liabilities	44,710,343	31,786,311
Net Position		
Restricted		
Contribution credits	-	500,000
Safety grant program	200,000	200,000
Unrestricted	17,261,959	26,159,807
Total net position	17,461,959	26,859,807
Total Liabilities and Net Position	$ 62,172,302	$ 58,646,118

See accompanying notes to the financial statements.

VLCT Property and Casualty Intermunicipal Fund, Inc.

Statements of Contributions, Expenses, and Changes in Net Position

	Years ended December 31, 2015	2014
Operating Revenues		
Fund contributions	$ 22,601,349	$ 21,706,428
Other income	57,194	97,927
Total operating revenues	22,658,543	21,804,355
Operating Expenses		
Losses and loss adjustment expenses, net of reinsurance	22,725,704	12,701,817
General and administrative expenses	4,803,569	4,620,633
Reinsurance expenses	3,541,784	3,258,254
Broker fees for reinsurance	115,000	115,000
Total operating expenses	31,186,057	20,695,704
Operating (loss) income	(8,527,514)	1,108,651
Non-Operating Revenues (Expenses)		
Investment income - interest and dividends	1,417,748	1,522,064
Investment (loss) income - net change in fair value	(1,323,166)	1,609,568
Investment income - NLC Mutual Insurance Company	121,337	112,181
Investment management fees	(86,253)	(118,454)
Net non-operating revenues	129,666	3,125,359
Member distributions - contribution credits	1,000,000	500,000
Net non-operating (loss) income	(870,334)	2,625,359
Change in Net Position	(9,397,848)	3,734,010
Net Position, Beginning of Year	26,859,807	23,125,797
Net Position, End of Year	$ 17,461,959	$ 26,859,807

See accompanying notes to the financial statements.

VLCT Property and Casualty Intermunicipal Fund, Inc.

Statements of Cash Flows

	Years ended December 31, 2015	2014
Cash Flows from Operating Activities		
Receipts from members	$ 22,461,811	$ 22,334,043
Receipts for miscellaneous income	57,194	97,927
Payments for reinsurance expenses	(3,489,714)	(3,477,511)
Net payments for losses and loss adjustment expenses	(11,108,375)	(11,681,749)
Payments for general and administrative expenses	(5,574,371)	(4,061,680)
Net cash provided by operating activities	2,346,545	3,211,030
Cash Flows from Investing Activities		
Cost of investments purchased	(28,404,034)	(37,252,698)
Proceeds from sales and maturities of investments	26,490,186	34,818,278
Reinvested investment income	1,446,302	1,522,853
Net cash used in investing activities	(467,546)	(911,567)
Net change in cash and cash equivalents	1,878,999	2,299,463
Cash and Cash Equivalents, Beginning of Year	8,596,451	6,296,988
Cash and Cash Equivalents, End of Year	$ 10,475,450	$ 8,596,451
Reconciliation of Net Operating (Loss) Income to Net Cash Provided By Operating Activities		
Operating (Loss) Income	$ (8,527,514)	$ 1,108,651
Add (deduct) items not affecting cash:		
Member distributions - contribution credits	(1,000,000)	(500,000)
Changes in assets and liabilities:		
Contributions receivable	21,133	(58,880)
Net subrogation and reinsurance receivable	139,849	396,565
Prepaid expenses	52,070	(219,257)
Reinsurance recoverable - paid losses	(1,212,067)	64,357
Other assets	(50,960)	(21,100)
Losses and loss adjustment expenses, net of reinsurance	10,287,056	575,388
Accounts payable	(604,846)	695,051
Contributions collected in advance	339,329	1,186,495
Contributions credits payable	500,000	-
Claims expense and workers' compensation state assessment reserve	2,402,495	(16,240)
Net Cash Provided By Operating Activities	$ 2,346,545	$ 3,211,030

See accompanying notes to the financial statements.

Note A - Organization and Nature of Operations

VLCT Property and Casualty Intermunicipal Fund, Inc. ("the Fund") was established in June 1986, to (1) provide, directly and indirectly, members of the Vermont League of Cities and Towns ("VLCT") with various forms of property, workers' compensation, casualty and fidelity insurance, reinsurance, and excess insurance, (2) develop self-insurance and risk retention pools for the benefit of members of VLCT, (3) act as an advocate before governmental regulatory agencies with respect to municipal property and casualty insurance coverage and availability, and (4) develop, promote and implement risk management, risk containment and loss control programs for the benefit of Vermont municipalities and their employees.

Political subdivisions joining the Fund must remain members for a minimum of one year and may withdraw from the Fund after that time by giving notice sixty (60) days prior to the end of the fund year. Fund underwriting and rate setting policies have been established after consultation with an actuary. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund’s liabilities. At December 31, 2015 and 2014, the Fund provided coverage to 335 and 332 members, respectively. The Fund's members include political subdivisions of the State of Vermont such as cities, towns, villages and special purpose districts providing water, solid waste management and fire protection.

The Fund receives its contributions from municipalities based upon the loss experience of the Fund, operating expenses, excess insurance and reinsurance costs, and exposures for each member. Such contributions are used to pay all administrative, reinsurance, and claims and claims-related expenses. The Fund maintains separate funds for each plan year to reserve monies for claims related to those years.

Fund members may be subject to an additional assessment for an amount determined by the Fund's Board of Directors ("the Board") to fund the loss fund. In the event that an assessment is required, such assessment shall be made against individual members in the proportionate share of each member's contribution to the total contribution for that fund year. The Board shall adjust the assessment of members prior to the commencement of each subsequent fund year, upon the advice of an actuary as to the extent of the loss fund deficiency. No such assessment has been determined since the Fund's inception in 1986. All directors and certain officers of the Fund are member insureds and certain officers of the Fund are also employees of VLCT.

Note B - Summary of Significant Accounting Policies

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

Note B - Summary of Significant Accounting Policies (Continued)

Subsequent Events
The Fund has evaluated subsequent events for disclosure and recognition through March 9, 2016, the date on which these financial statements were available to be issued.

Fund Detail
The Fund's fiscal year is January 1 through December 31 and there are a total of twenty-six active funds, twenty-five of them constituting fund years to account for claims in their respective coverage years. The remaining fund, the Surplus Reserve Fund, was established to cover unanticipated deficits in the individual fund years, as well as enables the Fund to take on more risk with higher self-insured retentions and long-term investment strategies, and absorb any unusual growth in membership or unexpected adverse claim development.

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. Significant estimates included in these financial statements primarily relate to the assumptions and methods used to estimate the ultimate liability for unpaid losses and loss adjustment expenses as described below.

Both the Fund'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 Fund's ability to enter into suitable future reinsurance agreements is subject to prevailing conditions in the reinsurance markets which may change risk-retention levels; (2) fluctuations in interest rates impact the value and income yield of the Fund's investment portfolio in the short-term, and often affect default and prepayment rates over time; (3) fluctuations in market values for investments (4) future inflation may result in ultimate loss settlements different from the amounts originally anticipated; (5) future catastrophic or unusual losses, such as the effects of terrorist attacks, may distort historical experience; and (6) losses may not fully emerge for several years following the year in which the insured event occurred. Should any of these or similar events occur, the Fund's operating results and financial condition may be affected.

Investments
The Fund 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 government external investment pools and governmental entities. All investment income, including changes in the fair value of investments, is recognized in the statements of contributions, expenses, and changes in net position. Realized gains and losses on the sale of investments are recognized on the specific identification basis to determine the costs of the investments sold. 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

Note B - Summary of Significant Accounting Policies (Continued)

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 through a recognized pricing service.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3*, certain disclosures regarding deposit and investment risks have been provided in Note D.

Investment in NLC Mutual Insurance Company
The Fund is a member of the NLC Mutual Insurance Company ("NLC"), which qualifies as a joint venture in accordance with GASB Statement No. 14, *The Financial Reporting Entity*. Accordingly, the Fund initially recorded its interest at cost and subsequently records its equity interest calculated in accordance with the relevant participation agreements based on unaudited financial statements provided by NLC for the current year valuation and audited financial statements for the prior year valuation. Due to the nature of this investment, there is no readily determinable fair value as more fully described in Note E.

Cash and Cash Equivalents
The Fund'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 Fund.

The Fund's carrying amount of cash deposits and the bank balances at December 31, 2015 and 2014 were as follows:

	December 31, 2015		December 31, 2014	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Insured/FDIC	$ 250,000	$ 250,000	$ 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 Fund	10,225,450	11,296,347	8,346,451	8,372,797
Total	$10,475,450	$11,546,347	$ 8,596,451	$ 8,622,797

The difference between the book balance and the bank balance is caused by reconciling items such as deposits in transit and outstanding checks, as well as petty cash on hand.

Note B - Summary of Significant Accounting Policies (Continued)

The Federal Deposit Insurance Corporation ("FDIC") insures amounts on deposit up to the limits as prescribed by law. The Fund holds funds with financial institutions in excess of or non FDIC insured amounts, however, the Fund 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.

Fund Contributions/Reinsurance Expenses
Contributions are assessed on an individual member basis in advance of each fund year and are considered to be earned over the terms of the agreements. Contributions ceded to other companies pursuant to reinsurance agreements have been reported as reinsurance expenses.

Contributions Collected in Advance
Contributions received prior to the fund year to which they apply are classified as contributions collected in advance on the statements of net position.

Contributions Receivable
Contributions receivable consist primarily of billed premiums not yet collected. Management anticipates no uncollectible accounts, and therefore, has not established an allowance for doubtful accounts.

Contribution Credits Payable
The Board approved premium credits for certain prior fund years. The credits are applied towards subsequent fund year premium contributions. During 2015, the Fund recorded an accrual on the statement of net position. In prior years, the credits were recorded as restricted surplus in the year approved.

Losses and Loss Adjustment Expenses, Net of Reinsurance
The liability for unpaid losses and loss adjustment expenses includes case basis estimates for reported losses, plus amounts for incurred but not reported losses ("IBNR") calculated based on loss projections using the Fund's historical claim data and industry data. In establishing the liability for losses and loss adjustment expenses, the Fund utilizes the findings of an independent consulting actuary. Such reserves are presented net of reinsurance recoverable on unpaid losses and loss adjustment expenses. Reinsurance recoverables may not be collected until after such losses are paid by the Fund.

Management has recorded its reserves and believes that its aggregate liability for unpaid losses and loss adjustment expenses at year end represents its best estimate, based upon the available data, for the amount necessary to cover the ultimate cost of losses. However, because of the limited population of insured risks, jury decisions, court interpretations, legislative changes, changes in the medical condition of claimants, statutorily mandated changes in benefits or the delivery of those benefits, public attitudes, and social/economic conditions such as inflation and other uncertainties, it is not presently possible to

Note B - Summary of Significant Accounting Policies (Continued)

determine whether actual loss experience will conform to the assumptions used in estimating the liability. As a result, the actual liability may be significantly in excess of or less than the amount indicated in the financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

A portion of the net position has been designated as a safety margin or reserve for adverse development, as further described in Note I.

The liability for unpaid losses and loss adjustment expenses is recorded net of applicable reinsurance recoverable amounts. Reinsurance recoverable amounts are comprised of estimates of unpaid losses and loss adjustment expenses, which are expected to be recoverable from the Fund's reinsurers pursuant to reinsurance agreements. Such amounts have been estimated using actuarial assumptions consistent with those used to estimate the related liability for unpaid losses and loss adjustment expenses. Management believes that the reinsurance recoverable represents its best estimate of such amounts; however, as changes in the estimated ultimate liability for losses and loss adjustment expenses are determined, the estimated ultimate amount receivable from the reinsurance companies will also change. Accordingly, the ultimate receivable could be significantly in excess of or less than the amount indicated in the notes to the financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

Claims Expense and Workers' Compensation State Assessment Reserve
The claims expense and workers' compensation state assessment reserve is maintained for the cost of administering claims to their conclusion, based on open claims and for the future state assessments on workers' compensation on future claim payments as of December 31, 2015 and 2014. In establishing the liability for the claims and workers' compensation state assessment reserve, the Fund utilizes the findings of an independent consulting actuary.

Reinsurance
The Fund maintains occurrence basis reinsurance agreements related to each particular line of coverage to reduce its exposure to large losses. The Fund evaluates the financial condition of its reinsurers and monitors concentrations of credit risk to minimize exposure to losses from reinsurer insolvencies. In preparing financial statements, management makes estimates of amounts recoverable from reinsurers, which include consideration of amounts, if any, estimated to be uncollectible by management. Management evaluated the creditworthiness of its reinsurers and determined that no valuation allowance was required as of December 31, 2015 and 2014. In the event that any or all of the reinsuring companies are unable to meet their obligations under existing agreements, the Fund remains contingently liable for such amounts.

Note B - Summary of Significant Accounting Policies (Continued)

Reinsurance recoverable on paid losses and loss adjustment expenses was $1,334,190 and $122,123 at December 31, 2015 and 2014, respectively, and is presented as an asset in the accompanying statements of net position. Reinsurance recoverable on unpaid losses was $14,474,871 and $7,599,452 as of December 31, 2015 and 2014, respectively, and is netted against the liability for unpaid losses and loss adjustment expenses on the statements of net position.

Income Taxes
The Fund is incorporated as a nonprofit corporation under the Vermont Nonprofit Corporation Act. The Fund'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 Fund 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 goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Fund's enterprise fund include fund contributions (premiums) and fees received from providing services. Operating expenses include claims paid, reinsurance premiums, 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.

Note C - Affiliated Organizations and Related Party Transactions

The accompanying financial statements represent the general operations of the Fund 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 Fund. For the years ended December 31, 2015 and 2014, total VLCT expenses allocated to the Fund were $3,527,048 and $3,360,619, respectively, which amounted to 90.1% and 90.4%, respectively, of total allocable VLCT service fees. The following VLCT expenses are attributable to the Fund:

- 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

Note C - Affiliated Organizations and Related Party Transactions (Continued)

- Dues and subscriptions for administrative staff
- Services provided for administrative activities
- Miscellaneous costs related to administrative activities

As of December 31, 2015 and 2014, the Fund owed VLCT $55,430 and $318,784, respectively.

For 2015, 17% of the expenses paid were for administration and marketing, 18% for underwriting, 44% for claims handling and 21% for loss prevention.

For 2014, 15% of the expenses paid were for administration and marketing, 22% for underwriting, 44% for claims handling and 19% for loss prevention.

Effective July 1, 2015, the Fund entered into an agreement with two affiliated organizations, Vermont Employment Resources Board and Trust, Inc. ("VERB") and VLCT Municipal Assistance Center ("VLCT MAC", a division of VLCT). The agreement provides for the implementation of a Human Resources Consulting Services program. VERB will manage the program and provide the Fund with human resource consulting services to assist Fund members with employment related risk management and legal liability issues. VLCT MAC provides staffing for the program. Amounts incurred by the Fund in 2015 amounted to $18,620.

Note D - Investments

The Fund's investment policy, as approved by the Board, contains certain provisions and limitations intended to mitigate the Fund'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 Fund's investment policy is structured with limitations and guidelines intended to mitigate the components of credit risk as summarized in the following two bullet points.

Note D - Investments (Continued)

- *Custodial credit risk* - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Fund 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 Fund's investment policy guidelines contain requirements limiting custodial credit risk other than indicating that "prudent investment policies" should be followed. An agreement with the People's United Bank, the custodial financial institution for the investment portfolio, is in place and indemnifies the Fund against losses caused by negligence or dishonesty.

- *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%. There are no single investments that exceed this limit as of December 31, 2015 and 2014.

- *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 Fund's investment policy limits the average effective duration for the portfolio to 8 years.

The following table provides a summary of the fair value of the Fund's fixed-maturity security investment portfolio by contractual maturity as of December 31, 2015. 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.

	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	$ 179,549	$ 7,474,385	$ 893,042	$ 3,292,527	$ 11,839,503
U.S. Agencies	-	-	392,816	1,200,828	1,593,644
U.S. Agency MBS	7,536	3,145,312	149,875	-	3,302,723
Corporate Bonds	288,483	7,228,078	6,150,221	5,325,982	18,992,764
Municipal Bonds	-	695,171	186,766	301,105	1,183,042
Foreign Bonds	-	185,902	71,050	305,863	562,815
Total	$ 475,568	$ 18,728,848	$ 7,843,770	$ 10,426,305	$ 37,474,491

Note D - Investments (Continued)

The table below outlines the Standard and Poor's credit ratings of the Fund's fixed-maturity security investment holdings as of December 31, 2015:

	U.S. Treasuries	U.S. Agencies	U.S.Agency MBS	Corporate Bonds	Municipal Bonds	Foreign Bonds	Total
AAA	$ -	$ -	$ -	$ 2,622,367	$ 301,105	$ -	$ 2,923,472
AA+	11,839,503	-	2,840,084	779,756	-	-	15,459,343
AA	-	-	-	357,999	511,093	-	869,092
AA-	-	-	-	602,377	370,844	-	973,221
A+	-	-	-	460,137	-	491,765	951,902
A	-	-	-	2,672,611	-	-	2,672,611
A-	-	-	-	2,356,449	-	-	2,356,449
BBB+	-	-	-	4,557,702	-	-	4,557,702
BBB	-	-	-	2,403,775	-	71,050	2,474,825
BBB-	-	-	-	1,126,861	-	-	1,126,861
NR	-	1,593,644	462,639	1,052,730	-	-	3,109,013
Total	$11,839,503	$ 1,593,644	$ 3,302,723	$18,992,764	$ 1,183,042	$ 562,815	$ 37,474,491

Certain investments are considered not rated (NR) by Standard and Poor's, but are rated by Moody's and Fitch rating services as follows as of December 31, 2015:

Corporate Bonds - $962,973 - AAA
Corporate Bonds - $89,757 - AA

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.

Note D - Investments (Continued)

The following were the effective durations of fixed-maturity security investments held by the Fund as of December 31, 2015:

	Fair Value	Effective Duration
U.S. Treasuries	$ 11,839,503	7.44
U.S. Agencies	1,593,644	3.41
U.S. Agency MBS	3,302,723	3.22
Corporate Bonds	18,992,764	6.09
Municipal Bonds	1,183,042	5.92
Foreign Bonds	562,815	5.48
Total	$ 37,474,491	6.14

The average effective duration of the investment portfolio as of December 31, 2015 and 2014, was 6.14 and 6.01 years, respectively.

The following table shows the classifications of the Fund's mutual fund investments as of December 31, 2015 and 2014:

Classification	2015 Fair Value	2014 Fair Value
Large Cap Blend	$ 2,667,899	$ 2,598,564
Large Cap Value	2,604,643	2,596,877
Mid Cap Blend	879,166	891,099
Small Cap Blend	825,830	857,041
High Yield	672,499	701,432
World Bond	662,261	700,773
Total	$ 8,312,298	$ 8,345,786

Note D - Investments (Continued)

Gross realized gains and losses on the sale of investments were $401,412 and $301,930, respectively, and net unrealized losses attributable to the change in fair value of investments were $1,422,648 for the year ended December 31, 2015. Gross realized gains and losses on the sale of investments were $687,749 and $453,146, respectively, and net unrealized gains attributable to the change in fair value of investments were $1,374,965 for the year ended December 31, 2014.

Note E - Investment in NLC Mutual Insurance Company

The Fund is a member of NLC, which is a Vermont captive mutual insurance company founded with the assistance of the National League of Cities to provide reinsurance to state league sponsored risk sharing pools. Members make capital contributions and pay premiums in exchange for reinsurance. An analysis of the change in the Fund's investment in NLC is as follows:

	2015	2014
Capital contribution	$ 494,577	$ 494,577
Accumulated equity in earnings of NLC	1,960,353	1,839,016
Total investment in NLC	$ 2,454,930	$ 2,333,593

The Fund recognized investment income from NLC of $121,337 and $112,181 for the years ending December 31, 2015 and 2014, respectively.

At the sole discretion of the Fund, an election can be made to withdraw from NLC by giving written notice. The capital and accumulated earnings of $2,454,930 and $2,333,593 at December 31, 2015 and 2014, respectively, will be paid to the Fund after the designated number of years selected by the Fund after the completion of the first fiscal year following the termination notice. The Fund continues to be eligible to receive distributions to its capital account until the funds are returned and the account is closed. Termination of membership does not relieve the Fund of any liabilities and obligations for any unpaid capital contributions, required additional capital or annual premium, except that required additional capital shall be limited to forfeiture of the remaining balance in the Fund’s capital account. Any undistributed percentage of retained earnings shall be forfeited by the Fund.

Note E - Investment in NLC Mutual Insurance Company (Continued)

Upon termination, the percentage of retained earnings distributed is as follows:

No. of Years After Computation Date	% of Retained Earnings Distributed
2	20
3	30
4	40
5	50
6	60
7	70
8	80
9	90
10	100

Note F - Liability for Unpaid Losses, Net of Reinsurance

As discussed in Note B, the Fund establishes an estimated liability for unpaid losses for both reported and unreported insured events, which include estimates of both future payments of losses and related claim adjustment expenses. This liability for unpaid losses is estimated by an independent actuary based on claims information as of December 31, as well as assumptions for changes in membership and insurance product offerings. The Fund does not discount its loss reserves.

The components of the liability for losses and loss adjustment expenses and related reinsurance recoverable are as follows at December 31:

	2015	2014
Case-basis reserves	$ 24,273,244	$ 18,069,320
IBNR reserves	22,827,574	11,869,025
Gross reserves	47,100,818	29,938,345
Reinsurance recoverable on unpaid losses	(14,474,871)	(7,599,452)
Net reserves	32,625,947	22,338,893
Claims expense and WC state assessment reserve	4,512,790	2,110,295
Total reserves	$ 37,138,737	$ 24,449,188

Note F - Liability for Unpaid Losses, Net of Reinsurance (Continued)

The following represents changes in the liability for unpaid losses and loss adjustment expenses, net of the effects of reinsurance, during the years ended December 31:

	2015	2014
Liability at beginning of year, net of reinsurance recoverable of $7,599,452 and $4,666,291	$ 24,449,188	$ 23,890,040
Provision for losses:		
Provision for insured events of the current year	14,552,016	12,149,946
Increase in provision for insured events of prior years	8,173,688	551,871
Total provision for losses during the year	22,725,704	12,701,817
Payments:		
Claims and claims adjustment expenses attributable to insured events of the current year	2,625,548	3,392,459
Claims and claims adjustment expenses attributable to insured events of the prior years	7,410,607	8,750,210
Total payments during the year	10,036,155	12,142,669
Liability at end of year, net of reinsurance recoverable of $14,474,871 and $7,599,452	$ 37,138,737	$ 24,449,188

During 2015, the majority of the prior year adverse loss development occurred in fund years 2010, 2013 and 2014. Fund year 2013 experienced the most development due to two large claims, one workers' compensation and one liability. For other years, workers' compensation continues to drive about two-thirds of adverse development with the remaining third from liability. During 2014, the Fund experienced unfavorable loss development of prior years relating to fund years 2004, 2007, 2009 and 2010, which was offset by positive loss development in fund years 2012 and 2013. This development was primarily driven by two claims, a 2009 property claim and a 2013 public officials' liability claim. Positive development in other lines offset the impact of the 2013 claim.

Note G - Insurance Activity

Since its inception, the Fund has maintained various quota-share and excess of loss reinsurance agreements to limit its exposure to large claims. Such reinsurance reduces the magnitude of sudden and unpredictable changes in net position; however, the Fund remains contingently liable should the reinsurers fail for any reason to perform their obligations under the agreements.

Note G - Insurance Activity (Continued)

Reinsurance in place is as follows:

Line of Coverage	Reinsurance Term	Fund Retention	Policy Limit
Property	1/1/2014-1/1/2016	$500,000	$501,000,000[3]
	1/1/2009-1/1/2014	$500,000	$500,000,000[3]
	1/1/2005-1/1/2009	$150,000	$500,000,000[3]
	1/1/1996-1/1/2005	$150,000	$50,000,000[2]
Flood and Earthquake	1/1/2012-1/1/2015	$500,000	$50,000,000[1]
Casualty	1/1/2014-1/1/2016	$500,000	$10,000,000[1,4]
	1/1/2011-1/1/2014	$500,000	$10,000,000[1]
	1/1/2010-1/1/2011	$500,000	$5,000,000[1]
	1/1/2005-1/1/2010	$500,000	$2,000,000[1]
	1/1/1996-1/1/2005	$250,000	$2,000,000[1]
Workers' Compensation/ Employers Liability	1/1/2015-1/1/2016	$500,000	Statutory/$5,000,000[2]
	1/1/2014-1/1/2015	$600,000	Statutory/$5,000,000[2]
	1/1/2006-1/1/2014	$500,000	Statutory/$5,000,000[2]
	1/1/2005-1/1/2006	$350,000	Statutory/$5,000,000[2]
	1/1/1996-1/1/2005	$250,000	Statutory/$5,000,000[2]
Boiler & Machinery	1/1/1996-1/1/2016	$100,000	$50,000,000[3]

[1] per member per occurrence
[2] aggregate limit per member
[3] per occurrence limit
[4] subject to an annual aggregate deductible of $250,000

Amounts in excess of the Fund's retentions are ceded to various reinsurers up to various policy limits which also contain various sublimits.

Note H - Line of Credit

During 2011, the Fund entered into an agreement with People's United Bank for a $5,000,000 line of credit with interest being charged at the Prime Rate less 0.75%, with a floor of 0%. The line is secured by the Fund's cash and investments. Effective July 20, 2013, the line of credit was reduced to $3,000,000. All other terms remained the same. There have been no borrowings under this agreement.

Note I - Net Position

In accordance with laws of the State of Vermont ("the State"), for the purpose of submitting financial statements to the State for regulatory purposes, the Fund is required to use GAAP as applied to governmental entities with the exception of variances prescribed by Vermont laws and regulations or permitted by the Vermont Department of Financial Regulation ("the Department").

Net position accrues to the benefit of the participants as earned. Any funds not needed to pay claims and maintain prudent reserves will be available for distribution to the members or credited toward future member contributions, as determined by the Board. Alternately, the Board and management of the Fund may increase retentions on reinsurance policies or offer additional services to the members. The Board has elected to designate a portion of the net position to increase the probability to a 95% and 99% confidence level for 2015 and 2014, respectively, as a safety margin to ensure that sufficient funds are available to cover all losses. This amount has been estimated by the Fund's actuary and has been discounted to account for the significant time difference between the collection of premiums and the payment of claims. At December 31, 2015 and 2014 $7,441,272 and $3,427,595, respectively was designated for that margin.

Per State regulation, no distribution of the surplus funds shall be made earlier than twenty-four (24) months, without approval from the Commissioner of the Vermont Department of Financial Regulation, following the end of the Fund's fiscal year for which a surplus was declared. Such distribution shall not be made until certified by an actuary. If the distribution is in excess of 10% of the Fund's surplus, it shall be considered an extraordinary distribution and shall require prior approval of the Department. Application for the extraordinary distribution shall be submitted to the Department for approval and certified by an actuary.

The Board has approved funds for premium credits and the safety grant program for certain prior fund years. The credits are applied towards subsequent fund year premium contributions and expensed as member distributions - contribution credits on the statement of contributions, expenses, and changes in net position. The member safety grant expenses are included in general and administrative expenses.

During 2015, the Fund accrued for the contribution credits relating to the 2016 fund year. As of December 31, 2014, these amounts were included in restricted net position.

Note I - Net Position (Continued)

Distributions from the fund years were allocated as follows:

Year	2016 Credits	2015 Credits	2014 Credits
1995	32,112	-	-
1996	44,271	-	-
1997	123,617	-	-
2000	67,875	-	-
2003	-	-	53,878
2006	75,236	75,822	27,006
2007	-	162,184	112,631
2009	356,889	461,994	177,693
2010	-	-	128,792
Total	$ 700,000	$ 700,000	$ 500,000

Distributions were allocated between contribution credits and member safety as follows:

	2016 Credits	2015 Credits	2014 Credits
Amounts approved for contribution credits	$ 500,000	$ 500,000	$ 500,000
Member safety grant program	200,000	200,000	-
Total funds applied	$ 700,000	$ 700,000	$ 500,000

Note J - Commitments and Contingencies

The Fund is involved in various claims and legal actions arising in the ordinary course of business, which are considered in the estimate of the liability for losses and loss adjustment expenses.

VLCT Property and Casualty Intermunicipal Fund, Inc.

Claims Development Information (unaudited)

December 31, 2015

This table illustrates how the Fund'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 Fund as of the end of each of the last ten years.

The rows of the table 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 (ceded contributions), plus brokerage fees.
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 Fund including overhead, excluding investment fees.
5. This line shows the Fund'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 coverage year).
6. This section of rows shows the cumulative amounts paid as of the end of successive years for each coverage year.
7. This section of rows shows how each coverage year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation 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 re-estimated 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 thought.

The columns of the table show data for successive coverage years.

VLCT Property and Casualty Intermunicipal Fund, Inc.

Claims Development Information (unaudited)

December 31, 2015

	Fiscal and Coverage Year Ended (in thousands of dollars)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
(1) Gross contributions and investment income	$ 22,467	$ 21,855	$ 20,498	$ 18,100	$ 17,901	$ 18,607	$ 17,670	$ 16,485	$ 15,373	$ 16,034
(2) Less: Reinsurance expenses	3,508	3,219	3,614	3,324	2,667	2,984	2,690	2,805	2,523	2,783
(3) Net earned premiums and investment income	18,959	18,636	16,884	14,776	15,234	15,623	14,980	13,680	12,850	13,251
(4) Unallocated expenses	4,700	4,619	4,135	3,969	3,547	3,502	3,507	3,615	3,008	2,927
(5) Estimated losses and allocated expenses incurred, net at the end of year:	14,552	12,150	10,565	10,072	9,623	8,363	8,461	8,250	9,411	9,423
(6) Net paid (cumulative) as of:										
End of coverage year	2,626	3,392	2,987	2,501	4,133	3,131	2,646	2,509	2,881	2,321
One year later		5,757	5,103	5,735	6,714	5,054	5,214	4,432	4,848	5,044
Two years later			7,629	7,599	8,043	6,492	6,283	5,162	5,985	6,478
Three years later				8,305	8,949	8,740	7,140	5,859	6,566	7,390
Four years later					9,667	9,731	7,675	6,943	6,943	7,681
Five years later						10,021	8,694	7,559	7,253	8,436
Six years later							8,833	8,859	7,527	8,673
Seven years later								8,901	7,628	9,052
Eight years later									8,040	9,124
Nine years later										9,406
(7) Reestimated net incurred losses and allocated expenses										
End of coverage year	14,552	12,150	10,565	10,072	9,623	8,363	8,461	8,250	9,411	9,423
One year later		13,630	9,178	11,265	10,781	8,678	9,014	7,849	7,943	9,213
Two years later			13,802	11,224	11,602	9,981	8,483	7,448	7,406	9,311
Three years later				11,739	11,737	10,718	9,268	7,802	8,094	9,209
Four years later					11,918	11,062	8,886	9,242	7,759	9,037
Five years later						12,087	9,325	9,426	8,013	9,016
Six years later							9,404	9,489	8,185	9,278
Seven years later								9,525	8,527	9,282
Eight years later									8,548	9,541
Nine years later										9,739
(8) Increase (decrease) in estimated net incurred losses and allocated expenses from end of coverage year	$ -	$ 1,480	$ 3,237	$ 1,667	$ 2,295	$ 3,724	$ 943	$ 1,275	$ (863)	$ 316

VLCT Property and Casualty Intermunicipal Fund, Inc.

Reconciliation of Claim Liabilities by Type of Contract (unaudited)

December 31, 2015

	Workers' Compensation		Property and Casualty Lines		Total	
	2015	2014	2015	2014	2015	2014
Reserve for losses and LAE, claims expense and workers' compensation at beginning of year, net of reinsurance	$ 14,889,292	$ 12,554,991	$ 9,559,896	$ 11,335,049	$ 24,449,188	$ 23,890,040
Losses and LAE incurred relating to:						
Current year	9,420,536	7,413,291	5,131,480	4,736,655	14,552,016	12,149,946
Prior years	6,336,344	716,441	1,837,344	(164,570)	8,173,688	551,871
Total losses and LAE incurred	15,756,880	8,129,732	6,968,824	4,572,085	22,725,704	12,701,817
Losses and LAE paid relating to:						
Current year	1,649,448	1,430,741	976,100	1,961,718	2,625,548	3,392,459
Prior years	4,338,318	4,364,690	3,072,289	4,385,520	7,410,607	8,750,210
Total losses and LAE paid	5,987,766	5,795,431	4,048,389	6,347,238	10,036,155	12,142,669
Reserve for losses and LAE, claims expense and workers' compensation at end of year, net of reinsurance	$ 24,658,406	$ 14,889,292	$ 12,480,331	$ 9,559,896	$ 37,138,737	$ 24,449,188

VLCT Property and Casualty Intermunicipal Fund, Inc.

Combining Statement of Net Position (unaudited)

December 31, 2015

	Surplus Reserve Fund	2016 Fund Year	2015 Fund Year	1992 - 2014 Fund Year	Total
Assets					
Fixed-maturity securities, at fair value	$ 26,142,756	$ -	$ -	$ 11,331,735	$ 37,474,491
Mutual funds, at fair value	-	-	-	8,312,298	8,312,298
Investment in NLC Mutual Insurance Company	2,454,930	-	-	-	2,454,930
Total Investments	28,597,686	-	-	19,644,033	48,241,719
Cash and cash equivalents	(7,574,999)	5,721,891	11,621,779	706,779	10,475,450
Accrued investment income	124,253	-	-	143,471	267,724
Contributions receivable	-	-	162,693	(4,966)	157,727
Net subrogation and reinsurance receivable	-	-	25,128	462,973	488,101
Prepaid expenses	-	939,041	(17)	-	939,024
Reinsurance recoverable - paid losses	-	-	-	1,334,190	1,334,190
Other assets	173,492	-	94,822	53	268,367
Total Assets	$ 21,320,432	$ 6,660,932	$ 11,904,405	$ 22,286,533	$ 62,172,302
Liabilities					
Losses and loss adjustment expenses, net of reinsurance	$ -	$ -	$ 10,458,744	$ 22,167,203	$ 32,625,947
Accounts payable	1,032	-	350,799	58,843	410,674
Contributions collected in advance	-	6,660,932	-	-	6,660,932
Claims expense and workers' compensation state assessment reserve	-	-	1,467,724	3,045,066	4,512,790
Contributions credit payable	-	-	-	500,000	500,000
Total Liabilities	1,032	6,660,932	12,277,267	25,771,112	44,710,343
Net Position					
Restricted	-	-	200,000	-	200,000
Unrestricted	21,319,400	-	(572,862)	(3,484,579)	17,261,959
Total Net Position	21,319,400	-	(372,862)	(3,484,579)	17,461,959
Total Liabilities and Net Position	$ 21,320,432	$ 6,660,932	$ 11,904,405	$ 22,286,533	$ 62,172,302

VLCT Property and Casualty Intermunicipal Fund, Inc.

Combining Statement of Contributions, Expenses and Change in Net Position (unaudited)

December 31, 2015

	Surplus Reserve Fund	2016 Fund Year	2015 Fund Year	1992 - 2014 Fund Year	Total
Operating Revenues					
PC contributions	$ -	$ -	$ 13,223,035	$ (34,417)	$ 13,188,618
WC contributions	-	-	9,323,548	89,183	9,412,731
Other income	-	-	61,244	(4,050)	57,194
Total operating revenues (expenses)	-	-	22,607,827	50,716	22,658,543
Operating expenses					
Losses and loss adjustment expenses, net of reinsurance	-	-	14,552,016	8,173,688	22,725,704
General and administrative expenses	18,172	-	4,705,393	80,004	4,803,569
Reinsurance expenses	-	-	3,529,151	12,633	3,541,784
Broker fees for reinsurance	-	-	115,000	-	115,000
Total operating expenses	18,172	-	22,901,560	8,266,325	31,186,057
Operating (loss) income	(18,172)	-	(293,733)	(8,215,609)	(8,527,514)
Non-operating revenues (expenses)					
Investment income - interest and dividends	787,974	-	7,124	622,650	1,417,748
Investment income - net change in fair value	(867,739)	-	-	(554,909)	(1,422,648)
Net realized gains	112,872	-	-	(13,390)	99,482
Investment income - NLC Insurance Company	121,337	-	-	-	121,337
Investment management fees	-	-	(86,253)	-	(86,253)
Net non-operating revenues (expenses)	154,444	-	(79,129)	54,351	129,666
Member contributions - contribution credit	-	-	-	1,000,000	1,000,000
Non-operating income (loss)	154,444	-	(79,129)	(945,649)	(870,334)
Change in net position	136,272	-	(372,862)	(9,161,258)	(9,397,848)
Net position, beginning of year	21,183,128	-	-	5,676,679	26,859,807
Net position, end of year	$ 21,319,400	$ -	$ (372,862)	$ (3,484,579)	$ 17,461,959

VLCT Property and Casualty Intermunicipal Fund, Inc.

Schedule of General and Administrative Expenses (unaudited)

December 31, 2015 and 2014

	2015	2014
VLCT Administration	$ 3,527,048	$ 3,360,619
Data System	202,118	251,690
Consulting Services	145,269	50,493
Actuarial Services	71,687	57,341
Legal Services	10,102	5,567
Accounting	46,782	45,874
Banking Costs	37,783	38,454
Insurance	30,636	27,694
Board of Trustees	32,213	31,072
Staff Training	63,204	68,908
Vehicles	32,742	48,034
Printing	2,764	5,002
Member Training	139,526	161,481
Drug and Alcohol	193,999	192,717
Promotions	242,681	227,157
Dues and Subscriptions	24,840	24,119
Miscellaneous	175	24,411
Total	$ 4,803,569	$ 4,620,633