Exhibit 8

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LOCAL GOVERNMENT CENTER PROPERTY-LIABILITY TRUST, LLC

(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2012 and 2011

With Independent Auditor's Report

LOCAL GOVERNMENT CENTER PROPERTY-LIABILITY TRUST, LLC
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Managers of
Local Government Center Property-Liability Trust, LLC.
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

Report on the Financial Statements

We have audited the accompanying financial statements of Local Government Center Property-Liability Trust, LLC (A Wholly-Owned Subsidiary of Local Government Center, Inc.) (Property-Liability Trust), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of revenues, 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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 financial position of Property-Liability Trust as of December 31, 2012 and 2011, and the changes in its net position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Correction of an Error

As discussed in Note 17 to the financial statements, certain errors resulting in an overstatement of amounts previously reported for accounts payable and other expenses as of December 31, 2011, were discovered by management of Property-Liability Trust during the current year. Accordingly, amounts reported for accounts payable and other expenses have been restated in the 2011 financial statements now presented, and an adjustment has been made to net position as of December 31, 2011 and 2010, to correct the error. Our opinion is not modified with respect to that matter.

Emphasis of Matters

As discussed in Note 10, during 2011, Property-Liability Trust was required to maintain an investment totaling $1,000,000 with a fiduciary, the purpose of which was restricted to be used in the event of default of Property-Liability Trust in its obligations related to the workers compensation pool. In 2012, the New Hampshire Department of Labor imposed a new requirement, in that Property-Liability Trust for the workers' compensation pool would be required to set aside investments in a security deposit fund totaling 120% of the value of the total claim reserves as determined by the actuaries and as reported in its financial statements. As a result of this change in requirement, the previous $1,000,000 restriction was released and the restricted net position was reclassified to unrestricted net position in 2012.

As noted in Note 16 to the financial statements, the Property-Liability Trust Board of Managers transferred all the assets, liabilities and ongoing operations of Property-Liability Trust to the newly formed Property-Liability Trust, Inc. effective September 1, 2013. Following that transaction, management expects to dissolve Property-Liability Trust, LLC.

Other Matters

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 through 17, reconciliation of claims liabilities by type of contract on pages 44 and 45, and ten-year claims development information on pages 46 through 48 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 U.S. generally accepted auditing standards, 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information included in the accompanying combining statements of financial position, revenue, expenses, and changes in net position, and cash flows is presented for the purposes of additional analysis rather than to present the financial position, changes in net position, and cash flows of the individual operations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted accounting standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2013, on our consideration of Property-Liability Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Property-Liability Trust's internal control over financial reporting and compliance.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
November 14, 2013

LOCAL GOVERNMENT CENTER PROPERTY-LIABILITY TRUST, LLC
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

Management's Discussion and Analysis (Unaudited)

December 31, 2012

Overview:

Local Government Center Property-Liability Trust, LLC (Property-Liability Trust) offers property, liability, workers' compensation and unemployment compensation coverage options to its participating groups (hereafter "Members"). Property-Liability Trust operates under New Hampshire RSA 5-B. This statute and the Property-Liability Trust By-Laws permit all political subdivisions of the State of New Hampshire, and their instrumentalities, to participate in its pooled risk management services.

From 2003 until November of 2012, the Local Government Center Board of Directors governed the operations of Property-Liability Trust. In November 2012, the Local Government Center (LGC) Board of Directors separated the governance of Property-Liability Trust by establishing a Property-Liability Trust Board of Managers (Board) to independently govern the Local Government Center Property-Liability Trust, LLC.

Property-Liability Trust's objectives are to formulate, develop and administer, on behalf of the participating political subdivisions, a comprehensive risk pool and to obtain lower costs for that coverage. Property-Liability Trust operates as a limited liability corporation, with its income not subject to federal income taxation under Internal Revenue Code Section 115 and 501(c)(4). Property-Liability Trust believes that operating on a not for profit basis contributes to its ability to deliver services and coverage to political subdivisions at lower costs than might otherwise be obtained in the private sector.

Property-Liability Trust receives its operational, management and administrative services from its parent organization, LGC. Property-Liability Trust is wholly owned by LGC. Property-Liability Trust's financial statements are based on a calendar year.

Property-Liability Trust offers property and liability protection as set forth in its Member Agreement and Educators' Member Agreement coverage documents. The Educators' Member Agreement was introduced on July 1, 2005 to meet the unique needs of school participating risk pool groups. Property and general liability protection is offered on an occurrence basis while professional liability protection is offered on a claims-made basis. It procures excess and reinsurance for liability claims in excess of $1,000,000 per loss, property claims in excess of $500,000 per loss and reinsurance for third-party claims in excess of $1,000,000 per accident or wrongful act. LGC administers these Property-Liability Trust claims with its own in-house claims staff. The property and liability term for protection runs from July 1 to June 30.

Property-Liability Trust also provides workers' compensation and unemployment compensation coverage to political subdivisions of the State of New Hampshire and their instrumentalities. Property-Liability Trust purchased specific excess insurance, above a $600,000 self-insured, retention, for all workers' compensation job classifications. Unemployment claims are handled under a reimbursement arrangement where participating risk pool groups pay a contribution and the pool reimburses the state for claims for covered participating risk pool groups.

Discussion of the Basic Financial Statements:

Following the pronouncements of the Governmental Accounting Standards Board, Property-Liability Trust's financial information is presented in three basic financial statements.

Statement of Financial Position: This statement provides information about the Property-Liability Trust's assets, liabilities, and net position as of the end of its fiscal year. The majority of the Property-Liability Trust assets are in the "current asset" category, meaning that they are either cash, can be converted to cash quickly, or are expected to become cash soon. The liabilities reflect amounts owed to outside companies for 2012 services that were paid in 2013, amounts calculated as reasonable estimates for claims incurred but not enough reported or not reported, and other accrued expenses. Net position represents the difference between assets and liabilities. The Property-Liability Trust's Board of Managers reviews the level of net position with its consulting actuary to insure it is adequate to protect participating risk pool groups for the risk if rates would be insufficient to meet claims.

The presentation of net position in the Statements of Financial Position as of December 31, 2012 and 2011 reflects the components of net position as required by Governmental Accounting Standards Board (GASB) No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments". Under GASB No. 63, net position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Since the year ended December 31, 2000, the State of New Hampshire Department of Labor has required the posting of a $1,000,000 surety bond for funding of the workers' compensation pool. In 2011, the surety bond value was $1,000,000. In 2012, the Department of Labor required an increase in the surety bond to fund 120% of the workers' compensation claims reserves, unallocated loss adjustment expense reserve, and the Department of Labor assessment reserve. With this requirement, the total Security Deposit Agreement increased to $14,371,200. Certain amounts of the increase were funded in CY 2012 while the remainder was funded in 2013.

Statement of Revenue, Expenses, and Changes in Net Position: The results of the Property-Liability Trust's operations are shown on this statement. The statement provides information about the level of contributions, reinsurance, claims and operating expenses for 2012 and changes in claims reserves for prior fiscal periods. Lastly, this statement sets forth the Property-Liability Trust's change in net position for the year.

Statement of Cash Flows: This statement reviews how Property-Liability Trust's cash balance changed during the fiscal year. It is divided into three different areas explaining where Property-Liability Trust provided or used cash during the year. These areas relate to Property-Liability Trust's operations, investing activities and capital and related financing activities (sale and acquisition of capital assets). It substantiates and reconciles the increase or decrease in Property-Liability Trust's cash position.

LOCAL GOVERNMENT CENTER PROPERTY-LIABILITY TRUST, LLC
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

Management's Discussion and Analysis (Unaudited)

December 31, 2012

Operating Results:

Property-Liability Trust's results for the year ended December 31, 2012 resulted in an increase in net position of $793,383. Property-Liability Trust had an operating loss of $2,491,808 during the year ended December 31, 2012 compared to an operating loss of $431,925 during the year ended December 31, 2011. The change in operating results during 2012 is due to two major reasons: the declaration of a return of surplus (contribution holiday) to the members and the recognition of a return of surplus liability as the result of the Bureau of Securities Regulation Hearing Officer's Order. It is, however, important to note that claims incurred in CY 2012 were $3,592,336 lower than in CY 2011. Other expenses and loss prevention expenses were also lower in CY 2012 than in CY 2011. In the CY 2012 changes in net position included the transfer of ownership in LGC Real Estate from LGC in the amount of $1,761,089.

Total assets increased during 2012 by $1,682,840. The cash balance was lower at the end of 2012 primarily due to cash used by investing activities of $3,157,588. Contributions receivable decreased $54,030. There was $15,362 in claims recovery receivable at December 31, 2012 representing amounts due in excess of the self-insured retention. During 2012, Property-Liability Trust's investment securities increased by $2,008,802 primarily due to funding a Security Deposit Agreement required by the Department of Labor to securitize workers' compensation claims reserves. During 2012, the market value of Property-Liability Trust's portfolio increased $420,111. Prepaid expenses increased $48,082 primarily due to a timing difference of the payment of reinsurance premiums for the workers' compensation pool. There were additions to the equipment category during 2012 that amounted to $65,595, which was offset by the recognition of depreciation expense on these assets.

Total liabilities increased $889,457 from 2011. Claims and claims adjustment and administrative reserves decreased $3,204,303 as the result of improved claims experience. Accounts payable, accrued expenses and due to LGC decreased $59,472 due to the timing of actual payment for services and reinsurance. Unearned contributions were lower as the result of a decrease in the number of participating risk pool groups.

Property-Liability Trust recognized a return of surplus liability of $3,100,000 as the result of the Bureau of Securities Regulation Hearing Officer's decision, which ordered that $3,100,000 in 2010 surplus be returned by September 1, 2013 to Property-Liability Trust Members who were participating in Property-Liability Trust on August 16, 2012. Property-Liability Trust distributed this $3,100,000 on August 30, 2013. A group of former Property-Liability Trust members have filed a complaint in Superior Court to enjoin this payment arguing that former members who left the pool prior to August 16, 2012 should also be entitled to a portion of the ordered return. These former members previously filed a motion to intervene and a request for a stay in the pending Supreme Court appeal both of which the Court denied.

Additionally in October 2012, based on CY 2011 Property and Liability risk pool results, the Local Government Center, Inc. Board of Directors declared a $1,700,000 contribution holiday to be distributed in 2013. This is recognized as a liability of contribution holiday payable.

Net position for Property-Liability Trust stands at $12,719,623, an increase of $793,383 in 2012. This increase is primarily due to the improved claims results during 2012.

Within net position, the Board has designated $5,435,000 of unrestricted net position at a 90% confidence level which is estimated by the actuaries. The Bureau of Securities Regulation Hearing Officer's Order directed that the Property-Liability Trust utilize a generally accepted actuarial method to determine a level of net position to maintain. The 90% confidence level as determined by the actuaries is $5,435,000 at December 31, 2012.

Property-Liability Trust's two main sources of revenue are contributions from participating risk pool groups and investment income. The major Property-Liability Trust expense is for recognition of claims obligations. Other expenses include reinsurance, loss prevention, and administrative expenses. The following breaks down the percentage of expenses by category, not including the contribution holiday declared and return of surplus liability expense.

	2012	2011	Change
Claims incurred	40.0%	58.6%	(18.6)%
Administrative and other expenses	21.8	25.0	(3.2)
Reinsurance	12.8	14.2	(1.2)
Loss prevention	1.5	2.2	(0.7)

Major Accounting Policies:

The Property-Liability Trust Board of Managers exercises its business judgment in establishing reserves, setting rates, providing an adequate level for net assets, and investing funds. In doing so, outside independent professional advice is obtained to provide guidance in these decisions. Among other requirements, NH RSA 5-B specifically requires an organization like Property-Liability Trust to obtain an annual independent audit of its financial statements and to obtain an annual independent actuarial valuation of the rates and reserves. Property-Liability Trust retained Towers Watson as its actuarial consultant for the purposes of obtaining professional advice about rate setting, reserve levels, and net assets.

Reserves: In recommending claim reserves, the actuary provides advice concerning the incurred but not enough reported and not reported amounts for prior periods. The actuary reviews Property-Liability Trust's actual results as well as performing several other actuarial analyses. After review of these results, the actuary recommends ultimate loss levels for each open fund year. In addition, the actuary recommends a level for unallocated loss adjustment expenses.

The actuary also recommends an amount to reserve for Department of Labor's self-funded workers' compensation providers' assessment.

Level of Net Position: The actuary provides funding level recommendations for the Board. During 2012, the Board adopted a 90% confidence level to diminish the possibility of an unfunded loss. Property, liability and workers' compensation claims might exceed expected levels for various reasons including a small number of very large randomly occurring claims, membership changes with incoming members having more claims and department members having fewer claims, legislation that results in higher costs, medical trend significantly higher than expected, natural disasters, new technologies such as high-costs drugs and advance imaging techniques, and acts of terrorism. The 90% confidence level of net assets provides for sufficient capital to cover these risks. Effective December 31, 2012, the Property-Liability Trust Board of Managers adopted a net position designation equal to a 90% confidence level of $5,435,000.

Rates: Property-Liability Trust has one renewal period for property-liability coverage in July of each year. New property liability groups can join at any date with a subsequent renewal date of July 1. Workers' compensation coverage can be renewed in either January or July. New workers' compensation groups can join at any date with a subsequent renewal date of January 1 or July 1. Rates are established based on information for prior actual results. In addition, the actuary utilizes assumptions about expense ratios and investment income in recommending rate levels.

The established rates for all coverage lines are applied to every participating risk pool group's underwriting criteria equally; that is to say that the rate for a vehicle, police officer, property value, etc. is the same for every participating property liability group. Similarly, the payroll class rate is the same for every group participating in workers' compensation coverage. Workers' compensation charges are adjusted (modified) based on each group's individual experience to arrive at the amount due for the coverage period. Property-liability rates are not currently adjusted to reflect a group's actual experience.

Investments: The Property-Liability Trust Board of Managers has adopted an investment policy and works with its investment advisor (Strategic Asset Alliance) to ensure compliance with that policy and to make improvements to that policy. The Policy has four basic goals. They are:

- Preservation of aggregate principal within prudent investment standards
- Achievement of total returns (income and price appreciation) consistent with the quality and maturity risks specified
- Prudent diversification with respect to types of assets, issuers, credit quality, strategic styles and investment managers
- Adequate matching of investment cash inflow against anticipated liability outflow with provision for contingencies

The Policy requires the Board of Managers to hire an investment manager to determine the best investments within the Policy's guidelines. Property-Liability Trust's investments are managed by Wellington Management Company, a worldwide investment company located in Boston, Massachusetts. The Policy permits investments within specific guidelines. In general, the Policy permits investing in investment grade fixed income government, agency, and corporate investments with an average duration between three and five years. The Board meets with the Investment Advisor on an annual basis to review the Investment Policy and investment manager's performance.

Property-Liability Trust initially records its investments at cost plus or minus any discount or premium paid at the time of purchase; discounts and premiums are amortized over the life of the investment. Property-Liability Trust values its investments at market value at the end of each month. Market value is a measure at the end of each period of what the Property-Liability Trust would receive if it sold its investments at that time. This provides a reasonable measure of the value of the investments moving through time and improves the ability of Directors and management to monitor investment values.

The portfolio durations, as calculated by the investment managers, are as follows as of December 31:

	2012	2011
Property Liability program	**3.02 years**	2.88 years
Workers' Compensation program	**2.52 years**	2.58 years

Other Matters:

In 2011, the LGC Board of Directors adopted a resolution establishing a non-interest bearing note between risk pools to Local Government Center HealthTrust, LLC (HealthTrust) from the workers' compensation pool of the Property-Liability Trust in the amount of $17,111,804. The purpose of the promissory note between the risk pools is to formally acknowledge the Board of Directors' intent to repay the portion of the 1% of employer contributions funded by HealthTrust that was used to support the development of the workers' compensation pool between 2004 and 2010. Repayment to HealthTrust is to be made annually from any excess funds in the workers' compensation pool after accounting for other liabilities, operating expenses and needed reserves.

The Bureau of Securities Regulation Hearing Officer's Order (the Order) (see Note 15) requires Property-Liability Trust to repay the $17.1 million amount to HealthTrust no later than December 1, 2013. At this time, the Order is pending appeal before the New Hampshire Supreme Court which has accepted the case. Property-Liability Trust has filed its brief in the appeal. The BSR's brief is due September 26, 2013. As of the date of this report, the Court has not scheduled a hearing in the appeal.

Participation, Risk & Uncertainties and Outlook:

Property-Liability Coverage

Participation: Property liability coverage totaled 363 participating risk pool groups with annualized contributions of approximately $10.5 million. Property-Liability Trust provides risk coverage for more than 3,700 covered properties with a building and contents value of more than $3.5 billion. Additionally, Property-Liability Trust provides vehicle coverage for more than 4,100 vehicles with a total value of over $292 million.

Reinsurance: In order to mitigate risk, Property-Liability Trust purchases excess and reinsurance above specified self-insured retentions passing the risk above such thresholds from the risk pool to excess and reinsurance carriers. Generally, property liability excess and reinsurance markets have fluctuated in their pricing and capacity. In 2012, the markets hardened slightly and indications show that this may continue into 2013 due to recent catastrophic property losses across the country and poor investment returns. Nevertheless, Property-Liability Trust saw the benefit of existing relationships with its reinsurance and excess insurance partners, coupled with favorable historical claims experience. In July 2012, the property and casualty reinsurance policies were renewed at a slight increase in rates compared to the July 1, 2011 renewal.

Claim Activity: The Claims Department received 1001 claims for property liability coverage in 2012. Property-Liability Trust Members with property liability coverage averaged 2.8 claims, per member, in 2012. Over the past year, Property-Liability Trust has obtained summary judgment on numerous Federal constitutional claims at the United States District Court on behalf of our Members. Two cases went to trial that led to favorable settlement outcomes.

Claim Staff: Property-Liability Trust's claim professionals are licensed and experienced in their respective function areas. They actively participate in continuing professional education and training necessary to represent the best interests of Property-Liability Trust Members, their employees, public officials and volunteers. Property-Liability Trust continues to experience great success in bringing about timely and equitable resolutions. In the true spirit of cooperation, Property-Liability Trust Members, Property-Liability Trust's claim professionals, and defense counsel work collaboratively in the investigation, defense and successful resolution of claims.

Comprehensive Member Agreement: The Property-Liability Trust Member Agreement and Educator's Member Agreement are reviewed annually by staff and Benefits & Coverage Counsel to meet the changing needs of our municipal, school and county Members. With input from the Members, brokers, actuaries, reinsurance partners and information from other risk pools and commercial coverage documents, Property-Liability Trust strives to offer coverage that is up to date with industry coverage trends, while at the same time protecting the pool from unnecessary risks.

As Member Agreements are living documents that undergo revisions annually, we encourage the Property-Liability Trust Members' participation in this process through discussions of their evolving risk exposures with staff throughout the year. Members are also invited to attend public hearings where the any proposed reductions in coverage are discussed prior to being voted on by the Property-Liability Trust Board of Managers.

Workers' Compensation/Unemployment Compensation Coverage

Workers' compensation covers 220 Members with annualized contributions of approximately $6.4 million and provided coverage for over 26,000 employees. Unemployment compensation covers 99 Members with annualized contributions of slightly over $778,000 with net taxable wages of over $92 million.

Claim Activity: The Claims Department received 1324 workers' compensation claims in 2012. Property-Liability Trust Members with workers' compensation coverage averaged 6.0 claims in 2012. Over the past year, Property-Liability Trust's workers' compensation program has begun to use LaserFiche in order to scan workers' compensation claims. This will result in a paperless system that will make claim handling more efficient.

The Claims Department received 382 claims for unemployment compensation in 2012. Property-Liability Trust members with unemployment compensation coverage averaged 3.9 claims in 2012. During 2012 the New Hampshire Employment Securities (NHES) developed a portal for employers to report quarterly tax and wage information online. We helped our Members to register, obtain a login ID and password, and help the Members to submit the data to NHES.

Value-Added Services for all Property-Liability Trust:

Rate Plans: Property-Liability Trust continues to offer multi-year rate guarantees for both property liability and workers' compensation coverage. Most Property-Liability Trust Members with property liability coverage participate in the multi-year rate guarantee, where the property liability rates will remain flat for FY2014 concluding the 3-year rate guarantee program. Additionally, most Property-Liability Trust members with workers' compensation coverage participate in the multi-year rate guarantee which will incur a 9% increase for both the 2013 or 2014 renewal period concluding the 3-year rate guarantee program. Property-Liability Trust members who elect to participate in medical, property liability and workers' compensation pools will continue to be eligible for package discounts such as the Total Risk Management (TRiM®) program during the final year of this multi-year rate plan.

ePLT: Property-Liability Trust Members with property liability coverage have access to an interactive website, *ePLT,* which allows for online access to the Member's specific exposure schedules along with the ability to download them for filing requirements. In addition, Members have the ability to terminate or add new exposures, print certificates of coverage, as well as view, download and print pertinent documents for the current fiscal year. For Members with workers' compensation coverage, they can see their current job classes, description and estimated payroll by class and rate. For Unemployment Compensation, Members can see their annual net taxable wages, rate and employee count. When it's time to renew their coverage(s), Members are now able to provide the required information for all coverage online.

Property-Liability/Workers' Compensation/Unemployment Compensation Coverage Guidance: Property-Liability Trust's staff continues to provide assistance to Members with property-liability coverage by reviewing indemnification and insurance language in their contracts. Additionally, staff responds to numerous inquiries regarding property liability, workers' compensation and unemployment compensation coverage.

Workers' Compensation Claim Reviews: As part of the array of services provided to Property-Liability Trust Members with Workers' Compensation coverage, Property-Liability Trust claim staff frequently meets with Members to review the status of claims and discuss action plans. The Property-Liability Trust conducts annual workers' compensation payroll audits to assure that Members are paying the appropriate amount in contribution based on their actual payroll per class code. Having in-house staff trained to complete this important process provides more control, greater accuracy and faster problem solving that benefits the Members.

Risk Management Services: Property-Liability Trust's risk management services are yet another factor that differentiates us from the private sector and other nonprofit pools. We are committed to providing risk management and educational opportunities to help Property-Liability Trust Members best serve the public by managing risk in their organizations. Property-Liability Trust develops many specialized services specifically targeted to provide proactive training in areas of potential high claims. Health & Safety staff and claim staff work collaboratively to identify emerging claims characteristics for targeted loss prevention programming. Property-Liability Trust's programs are offered in-person across the state, online as webinars, and through video conferencing sites—delivering high-quality content where Members are, when Members need it.

During 2012, there were 503 classes conducted and 9,304 employees trained in reducing losses for property liability and workers' compensation participating groups. The Health & Safety team established best practice training programs through the implementation of an integrated Health & Safety Management team approach process designed to reduce exposures and decrease expenses for our Risk Pool Groups. Below is a snapshot of many of the signature programs offered to Property-Liability Trust Members:

- **Employment Law Hotline:** Provides Members with direct access to attorneys that specialize in and are able to provide sound legal advice regarding Title VII, FMLA, ADA, Fair Labor Standards Act, and other employment matters. Participating risk pool groups are encouraged to call for advice on handling employee personnel matters prior to taking action. This proactive approach has contributed significantly to reduced claims.

- **Leadership Institute:** Partnering with Antioch University, Property-Liability Trust is proud to offer the Leadership Institute. The Two-Part Certification Program is designed for Municipal, School & County Managers and Supervisors.

- **Selectperson Institute:** Selectperson Institute aims to give participants the skills necessary to engage their constituents in developing and implementing policies and programs for their communities. The Selectperson Institute is offered in partnership with Antioch University.

- **The Academy and e-learning Opportunities:** Provides a unique combination of live instruction e learning and self-guided projects supplemented with 24/7 access to online resources. Today's local governments including schools, counties and municipalities face increasingly complex laws, regulations and policies plus human resource, leadership and job skill challenges. The Academy offers a variety of comprehensive training programs that enable officials to effectively and successfully navigate issues related to local government, schools and counties. It offers a convenient learning structure for today's busy employees and elected officials by combining online learning tools and face to face classroom experiences with highly qualified instructors. During 2012 The Academy had 3,772 individuals that have completed 3,772 classes.

  Webinars provide Members the option to reduce their expenses by participating in relevant training from their office. During 2012, 15 webinars were conducted with 390 participants. Topics covered by the webinars included: employment practices, harassment, discrimination, finance, human resources, governance, health & safety and facilities.

- **Model Police Policy Manual:** Includes sample policies and guidelines for the 12 high-risk critical tasks in law enforcement. This manual will be updated quarterly and provided to our participating groups.

- **School-Focused On-site Trainings**: School risk management training covers school safety programs, emergency management plans, addressing claims dealing with slips, trips, and falls, school facility management, playground inspection course, joint loss management committees at the district level and working with the Special Educators Association.

- **The Car Control Program:** A full-day, hands-on training program in collaboration with Stevens Advanced Defensive Driving School designed to provide drivers with the skills and information they need to keep their vehicles in control. The program agenda highlights are Straight Line Braking, Steering, Tailgating, Backup Drill, Emergency Lane Change and Cornering Drill. The class has been developed for City, Town or School vehicle drivers who are full time, part time or volunteer employees of Risk Pool participating groups. Approximately 75 groups participated in this program during 2012.

- **Joint Loss Management Committee (JLMC) Assistance:** Provides an overview of JLMC requirements and responsibilities under New Hampshire RSA 281-A:60 and New Hampshire Administrative Rule Lab 602.02 (c)(8). Topics include workplace hazard identification, accident and/or incident investigation, and JLMC duties and responsibilities.

- **Playground Audit and Inspections:** Conducted by Property-Liability Trust Certified Playground Safety Inspector. New and existing playgrounds are audited for compliance with the Consumer Safety Product Commission and the American Society for Testing and Standards International Guidelines for Public Playground Safety.

- **A Chainsaw Safety:** This course offers guidelines to prevent chainsaw operators from being injured. Topics include demonstrations of the safest practices to avoid kickbacks, cutting techniques for climbing, bucking and felling small trees, and maintenance and transporting suggestions.

- **The Flagger Certification:** This class provides flagging instruction through the American Traffic Safety Services Association (provided by a Certified ATSSA instructor).

- **Interactive Use of Force, also known as Simulations Training:** An intense, interactive training program for law enforcement personnel and is designed to provide officers with instruction on how to escalate and deescalate through the use of force continuum. With feedback from participating groups, we now have been able to create our new Level 2 program. This program includes multi officer situations, key communications aspects, and moves the officers into a higher level of threat. All course scenarios represent real life situations facing communities. This course has proved invaluable to law enforcement personnel.

- **Recreation Liability workshops:** Provides participants with information on how to operate a safe and effective recreation program. Topics covered are special events policies, use of volunteers, lifeguard training, policy and procedures, aquatic safety, development and maintenance of skateboard parks, accommodations for individuals with disabilities and supervision of summer camp participants.

- **Employment/Supervisors training:** Deals with employee performance appraisals, essentials of risk management for supervisors, preventing workplace harassment and discrimination, preventing workplace violence and understanding and improving workplace communication.

- **Driver Training programs:** Includes coaching emergency vehicle operators for police, fire and EMS staff, coaching maintenance vehicle operators for public works, defensive driving courses, professional truck driver defensive driving course, school bus driver in-service training and emergency vehicle liability for police, fire and EMS.

Legislative: During the 2013 Legislative Session, a bill was passed which established "a study committee to review the hearings officer's report with regard to the New Hampshire Local Government Center and to study potential changes to RSA 5-B". The Study Committee consists of representation from the House of Representatives and the Senate. The Committee is charged with reviewing the hearings officer's order and to study potential changes to RSA 5-B. The Committee began its work in August 2013.

Regulatory: In 2011, the Secretary of State's Bureau of Securities Regulation brought an administrative petition against the Property-Liability Trust, Local Government Center, and its affiliate, predecessor and subsidiary entities: that LGC failed to return excess capital to its participating political subdivisions and impermissibly subsidized the workers' compensation pool with contributions from HealthTrust; that the corporate structure of the Local Government Center and its subsidiaries allegedly violates RSA 5-B:5.

A hearing was held on these allegations from April 30, 2012 through May 11, 2012. On August 16, 2012, the Hearing Officer issued a decision (the Order) in the administrative proceeding which found for the BSR on these issues. Property-Liability Trust and the other respondents have appealed the Order to the New Hampshire Supreme Court where the case is still pending.

The financial statements include the disclosure of the ordered repayment of $17.1 million from Property-Liability Trust to HealthTrust but consistent with the guidance in Financial Accounting Standards Board Accounting Standards Codification Topic 450 *Contingencies* they do not include the accrual of such income to HealthTrust or the loss contingency to Property-Liability Trust because management cannot conclude at this time that such repayment is probable or reasonably estimable as a result of the constitutional and statutory issues raised in the pending appeal. In addition, because of the constitutional issues raised on appeal related to the retroactive application of law, the amount of any repayment by LGC Property-Liability Trust to HealthTrust resulting from an adverse final judgment cannot be reasonably estimated until the appeal process is concluded. As a result, the financial statements include this disclosure related to the $17.1 million repayment but do not include the accrual of any such income to HealthTrust or of any loss contingency to LGC Property-Liability Trust consistent with the guidance noted above.

Conclusion:

Property-Liability Trust continues to respond to Risk Pool Groups' coverage needs through its Member Agreements. The Property-Liability Trust's Board of Managers continues to support programs aimed at maintaining participation, providing rate stability, promoting and incentivizing participation in the risk management services, and providing integrated risk management services. The close relationship between the Claim and Health and Safety staff provides for quick action in addressing potential high risk areas. By continuing to provide excellent service and ever improving coverage, the Property-Liability Trust continues to be a leader in public sector training and coverage.

LOCAL GOVERNMENT CENTER PROPERTY-LIABILITY TRUST, LLC
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

Statements of Financial Position

December 31, 2012 and 2011

ASSETS

	2012	Restated 2011
Current assets		
Cash and cash equivalents	$ 2,782,915	$ 7,441,359
Investment securities	24,299,390	33,545,364
Investment in external investment pool	6,559,576	3,864,036
Contributions receivable	133,999	188,029
Claims recovery receivable	15,362	36,873
Accrued interest receivable	202,577	225,228
Due from LGC	35,234	-
Prepaid expenses	1,018,048	969,966
Restricted cash	1,000,000	1,000,000
Restricted investment securities	11,254,776	-
Total current assets	47,301,877	47,270,855
Non-current assets		
Equipment, net	160,290	269,561
Investment in LGCRE	1,761,089	-
Total non-current assets	1,921,379	269,561
Total assets	$ 49,223,256	$ 47,540,416

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET POSITION

	2012	Restated 2011
Current liabilities		
Claims reserves	$ 21,050,580	$ 24,130,645
Claims adjustment and administrative reserves	3,104,144	3,228,382
Contribution holiday payable	1,700,000	-
Accounts payable and accrued expenses	516,743	553,148*
Due to LGC	-	23,067
Unearned contributions	7,009,326	7,678,934
Return of surplus liability	3,100,000	-
Contingent BSR legal fees liability	22,840	-
Total current liabilities and total liabilities	36,503,633	35,614,176
Commitments and contingencies (Notes 9, 10, 11, 14 and 15)		
Net position		
Unrestricted	8,711,087	10,656,679
Restricted Department of Labor Security Deposit	2,087,157	1,000,000
Investment in LGC Real Estate	1,761,089	-
Invested in capital assets	160,290	269,561
Total net position	12,719,623	11,926,240*
Total liabilities and net position	$ 49,223,256	$ 47,540,416

* Restated; see Note 17.

LOCAL GOVERNMENT CENTER PROPERTY-LIABILITY TRUST, LLC
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

Statements of Revenue, Expenses, and Changes in Net Position

Years Ended December 31, 2012 and 2011

	2012	Restated 2011
Operating revenues		
Contributions earned from participating risk pool groups	$ 17,622,823	$ 19,441,742
Reinsurance coverage expense	(2,585,462)	(2,815,877)
Other revenues	62,019	14,778
Net operating revenues	15,099,380	16,640,643
Operating expenses		
Claims incurred	8,069,112	11,661,448
Contribution holiday	1,700,000	-
Return of surplus liability expense	3,100,000	-
Contingent BSR legal fees liability expense	22,840	-
Loss prevention	297,020	437,888
Administrative and other expenses	4,402,216	4,973,232*
Total operating expenses	17,591,188	17,072,568
Loss from operations	(2,491,808)	(431,925)
Nonoperating income		
Investment income	1,103,991	1,082,042
Net increase in fair value of investment securities	420,111	579,315
(Decrease) increase before transfers	(967,706)	1,229,432
Investment in LGCRE	1,761,089	-
Increase in net position	793,383	1,229,432
Net position, beginning of year, as previously stated	11,566,563	10,401,808
Restatement of net position	359,677	295,000
Net position, beginning of year, as restated	11,926,240	10,696,808*
Net position, end of year	$ 12,719,623	$ 11,926,240

* Restated; see Note 17.

The accompanying notes are an integral part of these financial statements.

LOCAL GOVERNMENT CENTER PROPERTY-LIABILITY TRUST, LLC
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

Statements of Cash Flows

Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Contributions collected from participating risk pool groups	$ 17,007,245	$ 18,596,166
Reinsurance coverage expense	(2,633,682)	(2,262,483)
Cash received from other revenues	62,019	14,778
Claims paid	(11,148,713)	(12,402,961)
Salaries paid	(2,085,207)	(2,376,888)
Other expenses paid	(2,339,903)	(3,190,709)
Loss prevention expenses paid	(297,020)	(437,888)
Net cash used by operating activities	(1,435,261)	(2,059,985)
Cash flows from investing activities		
Proceeds received from the sale of investment securities	10,060,153	7,324,771
Cash payments for the purchase of investment securities	(11,632,296)	(7,782,946)
Interest and dividends on investment securities	1,110,095	1,237,926
(Increase) decrease in external investment pool	(2,695,540)	4,495,586
Net cash (used) provided by investing activities	(3,157,588)	5,275,337
Cash flows from capital and related financing activities		
Acquisition of equipment	(65,595)	(100,312)
Net (decrease) increase in cash and cash equivalents	(4,658,444)	3,115,040
Cash and cash equivalents, beginning of year	7,441,359	4,326,319
Cash and cash equivalents, end of year	$ 2,782,915	$ 7,441,359

The accompanying notes are an integral part of these financial statements.

LOCAL GOVERNMENT CENTER PROPERTY-LIABILITY TRUST, LLC
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

Statements of Cash Flows (Concluded)

Years Ended December 31, 2012 and 2011

	2012	Restated 2011
Reconciliation of loss from operations to net cash used by operating activities		
Loss from operations	$ (2,491,808)	$ (431,925)
Adjustments to reconcile loss from operations to net cash used by operating activities		
Depreciation	174,866	161,144
(Increase) decrease in		
Contributions receivable	54,030	240,314
Claims recovery receivable	21,511	7,244
Prepaid expenses	(48,082)	990,603
(Decrease) increase in		
Claims reserves	(3,080,065)	(741,513)
Claims adjustment and administrative reserves	(124,238)	(185,946)
Return of surplus liability	3,100,000	-
Contribution holiday payable	1,700,000	-
Contingent BSR legal fees liability	22,840	-
Accounts payable and accrued expenses	(36,406)	(1,042,895)
Due to LGC	(58,301)	28,879
Unearned contributions	(669,608)	(1,085,890)
Net cash used by operating activities	$ (1,435,261)	$ (2,059,985)

The accompanying notes are an integral part of these financial statements.

LOCAL GOVERNMENT CENTER PROPERTY-LIABILITY TRUST, LLC
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

Notes to Financial Statements

December 31, 2012 and 2011

Nature of Operations

Local Government Center Property-Liability Trust, LLC (Property-Liability Trust) is a wholly-owned subsidiary of Local Government Center, Inc. (Local Government Center or LGC).

Property-Liability Trust provides a property and liability pool, a workers' compensation and unemployment compensation pool for participating risk pool groups and operates pursuant to RSA 5-B, New Hampshire Statutes. Property-Liability Trust, by law, is exempt from most statutory requirements that commercial insurance companies follow. In accordance with its by-laws, all political subdivisions of the State of New Hampshire and their instrumentalities are eligible to participate.

As of December 31, 2012 and 2011, participating risk pool groups in the property and liability risk management component of Property-Liability Trust amounted to 363 and 345, respectively. As of December 31, 2012 and 2011, participating risk pool groups in the workers' compensation component amounted to 220 and 210, respectively.

Property-Liability Trust's mission is to provide high quality, affordable property liability, workers' compensation and unemployment coverage to public employers in New Hampshire by pooling their risk and stabilizing costs through a commitment to loss prevention and risk management training. Trust underwriting and rate setting policies have been established after consultation with actuaries and consultants.

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles as applied to proprietary funds of governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. Property-Liability Trust's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

Recently Issued Accounting Standards

On January 1, 2012, Property-Liability Trust adopted GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". Prior to 2012, Property-Liability Trust had elected to apply provisions of all relevant pronouncements of the Financial Accounting Standards Board, including those after November 30, 1989, that did not conflict or contradict GASB pronouncements. Adoption of the pronouncement did not have a material effect on the financial statements.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 financial statement presentation. Such classifications had no effect on the increase in net position as previously reported. Property-Liability Trust did correct an error in its 2011 financial statements as detailed in Note 17.

Cash Equivalents

Cash equivalents consist of all highly liquid investments with an original maturity of three months or less.

Investment Securities

Investment securities consist of U.S. Government Sponsored Enterprise Securities, U.S. Treasury notes, corporate notes, municipal obligation securities, and a mutual fund. The securities are carried in the financial statements at fair value. Fair value is best determined based upon quoted market prices.

Investment in External Investment Pool

Property-Liability Trust maintains an equity position in an external investment pool sponsored by a government entity, which is carried at fair value. Fair value is determined by Property-Liability Trust's proportionate share of the quoted market prices of the underlying investment pool portfolio.

Contributions from Participating Risk Pool Groups

Contributions are generally recognized as revenue on a monthly basis over the participation contract term. The portion of the contributions received in cash that will be earned in the future is deferred and reported as unearned contributions. Contributions receivable is stated at the amount management expects to collect from outstanding balances. Management considers all contributions receivable to be collectible; an allowance for doubtful accounts has not been provided.

Reinsurance

Property-Liability Trust uses reinsurance agreements to reduce its exposure to large losses on all types of covered claims. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge Property-Liability Trust's primary liability for the risks reinsured. Property-Liability Trust does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers.

Equipment

Equipment with an estimated useful life greater than one year is recorded at cost. The cost of maintenance and repairs is charged to expense as incurred, while renewals and betterments are capitalized. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income.

Equipment is depreciated using primarily the straight-line method over the following useful lives:

Office Equipment	3-5 years
Computer Equipment	3-5 years
Vehicles	3 years

Claims Reserves

For policy years ended before July 1, 2005, Property-Liability Trust provided property and liability coverage to its participating risk pool groups on a claims-made basis; therefore, the claims reserves are based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported, but not settled. Effective July 1, 2005, Property-Liability Trust provides property and liability coverage to its participating risk pool groups on an occurrence basis. In connection with the transition to an occurrence based policy, Property-Liability Trust offered a nose policy to its participating risk pool groups to provide property and liability coverage for claims that occurred prior to July 1, 2005 that were not reported until after July 1, 2005. The claims reserves for the policy years beginning after July 1, 2005 are based on an estimate of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported.

Claims reserves for the workers' compensation pool are based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported, but not settled, and of claims that have been incurred, but not reported.

The length of time for which such costs must be estimated varies depending on the coverage involved. Since actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims reserves does not necessarily result in an exact amount. Claims reserves are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and societal factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims reserves are charged or credited to expense in the periods in which they are made.

Income Taxes

Property-Liability Trust is exempt from federal and state income taxes under provisions of the Internal Revenue Code and State law.

Operating Revenues and Expenses

Principal operating revenues are contributions earned from participating risk pool groups, net of reinsurance premiums, to cover estimated benefit obligations and administrative costs. Principal operating expenses include claims incurred, underwriting and claims payment services, administrative expenses and depreciation of capital assets. Other income and expenses are classified as nonoperating in the financial statements.

A Contribution Holiday was declared by the LGC Board of Directors on October 12, 2012 to return undesignated net position as of December 31, 2011. The liability of $3,100,000 reflects the amount the Bureau of Security Regulations Hearing Officer's Order required returned to Property-Liability Trust Members for unrestricted net position as of December 31, 2010. Both expenses were deemed to be operating expenses for the year ended December 31, 2012

2. Cash and Cash Equivalents

Property-Liability Trust maintains its cash in bank deposits and cash management accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 as of December 31, 2012. As of December 31, 2012, the bank balance of cash held, in total, in excess of the FDIC limit was approximately $2,674,000. The balance in excess of the FDIC limit is collateralized with securities held in joint custody with the bank.

3. Investment Securities

During 2012, the State of New Hampshire Department of Labor (NH DOL) required Property-Liability Trust to set aside certain investments for restricted purposes (Note 10). Investments are presented in the financial statements at December 31, 2012 and 2011 as follows:

	2012	2011
Investment securities	$ 24,299,390	$ 33,545,364
Restricted investment securities	11,254,776	-
	$ 35,554,166	$ 33,545,364

Investment securities including restricted investments consist of the following at December 31:

	2012			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Government Sponsored Enterprise Securities	$ 13,227,238	$ 376,719	$ 7,767	$ 13,596,190
U.S. Treasury Notes	7,319,484	119,713	2,507	7,436,690
Corporate Notes	8,591,317	713,206	158	9,304,365
Municipal Obligations	2,384,523	168,990	239	2,553,274
Mutual Fund	2,270,700	392,947	-	2,663,647
Total	$ 33,793,262	$ 1,771,575	$ 10,671	$ 35,554,166

	2011			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Government Sponsored Enterprise Securities	$ 11,760,120	$ 366,466	$ -	$ 12,126,586
U.S. Treasury Notes	8,091,129	208,952	843	8,299,238
Corporate Notes	8,035,922	582,689	29,053	8,589,558
Municipal Obligations	2,046,702	135,720	392	2,182,030
Mutual Fund	2,270,700	77,252	-	2,347,952
Total	$ 32,204,573	$ 1,371,079	$ 30,288	$ 33,545,364

During 2012 and 2011, Property-Liability Trust realized a net gain of $139,353 and $7,540, respectively, from the sale of investment securities. The calculation of the realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year.

The following presents the fair value of investments held that represent 5% or more of Property-Liability Trust's total investments.

	2012	2011
Vanguard 500 Index Fund	$ 2,663,647	$ 2,347,952
4.375% Federal National Mortgage Association, due October 15, 2015	2,970,189	2,025,224
3.125% US Treasury Note, due September 30, 2013	-	1,653,561

Interest Rate Risk

Property-Liability Trust mitigates the risk that the market value of securities will fall due to changes in general interest rates by structuring the portfolio with allocations across asset class sectors to position the portfolio to take advantage of changes in the interest rate environment. In addition, at December 31, 2012, the Property-Liability Trust portfolio included fixed income holdings maturing within the next two years with a total cost of $5,454,146 which provides reinvestment opportunities in a rising interest rate environment.

The cost and fair value of investment securities at December 31, 2012 and 2011, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	2012		2011	
Maturity Dates	Cost	Fair Value	Cost	Fair Value
Not Applicable	$ 2,270,700	$ 2,663,647	$ 2,270,700	$ 2,347,952
Within 1 Year	2,602,194	2,629,474	2,740,021	2,753,627
1 - 5 Years	13,095,821	13,513,159	14,972,720	15,472,094
5 - 10 Years	4,961,230	5,483,839	3,397,910	3,726,239
10 + Years	10,863,317	11,264,047	8,823,222	9,245,452
Total	$ 33,793,262	$ 33,554,166	$ 32,204,573	$ 33,545,364

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of failure of the counterparty, Property-Liability Trust will not be able to recover the value of its investments that are in the possession of the outside party. At December 31, 2012, Property-Liability Trust did not have any investments subject to custodial credit risk.

Credit Risk

Property-Liability Trust's investment policy mitigates credit risk by limiting investments to investment grade securities and diversifying the portfolio. As of December 31, 2012, Property-Liability Trust's investments were rated as follows:

Investments	Rating	Rating Organization		Fair Value
U.S. Treasury Notes	Aa1	**	$	7,436,690
U.S. Government Sponsored Enterprises:				
Federal National Mortgage Association	Aa1	**		10,166,123
Government National Mortgage Association	Aa1	**		831,651
Federal Home Loan Mortgage Corporation	Aa1	**		2,282,685
Other Agencies	Aa1	**		315,731
Corporate Notes	Aaa	**		4,020,952
Corporate Notes	Aa	**		730,065
Corporate Notes	A	**		2,590,542
Corporate Notes	Baa	**		1,858,306
Corporate Notes	Ba	**		104,500
Municipal Obligations	Aaa	**		274,760
Municipal Obligations	Aa	**		916,912
Municipal Obligations	A	**		1,199,991
Municipal Obligations	Baa	**		161,611
Mutual Fund	4 stars	Morningstar		2,663,647
Total			$	35,554,166

** The rating is based on the lower of Moody's or Standard & Poor's displayed with Moody's nomenclature, where applicable.

At times after purchase, the rating of a security may fall below investment grade and the security may be retained if the risk of default is deemed low by the Investment Manager and Investment Advisor.

4. Investment in External Investment Pool

The investment in external investment pool represents Property-Liability Trust's share of the New Hampshire Public Deposit Investment Pool (NHPDIP), which is reported at fair value. NHPDIP was established under State of New Hampshire Statute, RSA 383:24. The Bank Commissioner, in conjunction with its Advisory Committee, provides regulatory oversight of the investment pool's operations.

LOCAL GOVERNMENT CENTER PROPERTY-LIABILITY TRUST, LLC
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

Notes to Financial Statements

December 31, 2012 and 2011

5. Equipment

Equipment consists of the following:

	Year Ended December 31, 2012			
	Beginning Balance	Additions	Disposals	Ending Balance
Office equipment	$ 50,302	$ 6,889	$ (16,871)	$ 40,320
Computer equipment	724,818	58,706	(462,974)	320,550
Vehicles	25,690	-	-	25,690
	800,810	65,595	(479,845)	386,560
Less accumulated depreciation	531,249	174,866	(479,845)	226,270
	$ 269,561	$ (109,271)	$ -	$ 160,290

	Year Ended December 31, 2011			
	Beginning Balance	Additions	Disposals	Ending Balance
Office equipment	$ 38,285	$ 12,017	$ -	$ 50,302
Computer equipment	636,523	88,295	-	724,818
Vehicles	25,690	-	-	25,690
	700,498	100,312	-	800,810
Less accumulated depreciation	370,105	161,144	-	531,249
	$ 330,393	$ (60,832)	$ -	$ 269,561

6. Claims Reserves

As discussed in Note 1, Property-Liability Trust establishes a liability for both reported and unreported covered events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated.

The following represents changes in those aggregate undiscounted liabilities for Property-Liability Trust during the years ended December 31:

	2012	2011
Claims reserves at beginning of year	$ 24,130,645	$ 24,872,158
Incurred claims and claim adjustment expenses		
Provision for covered events of current year	13,817,485	14,842,049
Adjustments to provision for covered events of prior years	(5,748,373)	(3,180,601)
Total incurred claims and claim adjustment expenses	8,069,112	11,661,448
Payments of claims and claim adjustment expenses		
Payments attributable to covered events of current year	(5,347,908)	(5,705,855)
Payments attributable to covered events of prior years	(5,801,269)	(6,697,106)
Total payments	(11,149,177)	(12,402,961)
Total claims reserves at end of year	$ 21,050,580	$ 24,130,645

7. Premium Deficiency

In accordance with GASB Statement No. 30, "Risk Financing Omnibus," premium deficiencies are required to be calculated and reported by public entity risk pools. At December 31, 2012 and 2011, Property-Liability Trust determined there were no premium deficiencies. Investment income was included as part of the calculation in determining if a premium deficiency existed. Property-Liability Trust's governing board regularly evaluates net asset balances. Participating risk pool group rates are either increased to help protect participating risk pool groups from periods of unanticipated claims volume or decreased in order to return undesignated net position to participating risk pool groups.

8. Investment in LGCRE

As required by the Bureau of Securities Regulation Hearing Officer's Order (see Note 15), in November 2012 the shares in of Local Government Center Real Estate, Inc. (LGCRE) were redistributed to Property-Liability Trust and Local Government Center HealthTrust, LLC, a wholly-owned subsidiary of LGC (HealthTrust) based on their proportional share of the investment in Local Government Center Real Estate, Inc. (LGCRE). This resulted in ownership interests as follows:

Property-Liability Trust	21.92%
HealthTrust	76.86%
Local Government Center	1.22%

This investment is carried under the equity method of accounting, whereby the gain or loss in operations of LGCRE is recognized in proportion to the ownership shares and the investment in LGCRE is adjusted to recognize the gain or loss. In 2012, Property-Liability Trust recognized a loss of $3,541 from the operations of LGCRE for the month of December. The carrying value of the investment in LGCRE at December 31, 2012 is $1,761,089. In future years, Property-Liability Trust will recognize a gain or loss based on a full year of operations.

9. Related Party Transactions

Property-Liability Trust leases office space from LGCRE. Rent expense under this arrangement was $131,044 and $116,660 for the years ended December 31, 2012 and 2011, respectively, to cover its share of operating expenses based on Property-Liability Trust's proportional usage of the building.

During the year ended December 31, 2011, LGC paid $95,414 to Property-Liability Trust as it was a participating risk pool group in Property-Liability Trust. During 2011, LGC ceased purchasing risk coverage from its subsidiary, Property-Liability Trust. This coverage is now placed with commercially available coverage firms.

LGC provides substantially all the administrative and operational services to Property-Liability Trust. Total administrative expenses incurred by LGC and charged to Property-Liability Trust amounted to $4,039,037 and $4,699,988 during the years ended December 31, 2012 and 2011, respectively. These expenses include salaries, benefits, staff expenses, dues, office supplies, insurance coverage and other operational expenses related to the administration of Property-Liability Trust.

On June 2, 2011, the LGC Board of Directors adopted a resolution that established a non-interest bearing promissory note between risk pools to HealthTrust from the workers' compensation pool of Property-Liability Trust in the amount of $17,100,000. The purpose of the promissory note between the risk pools is to formally acknowledge the Board of Directors' intent to repay the portion of the 1% of employer contributions funded by HealthTrust that was used to support the development of the workers' compensation pool between 2004 and 2010. Repayment to HealthTrust is to be made annually from any excess funds in the workers' compensation pool after accounting for other liabilities, operating expenses and needed reserves.

Due to the fact that repayment of the promissory note is conditional based on the amount of excess funds available in the workers' compensation pool each year, Property-Liability Trust evaluates whether a payable should be recorded to HealthTrust annually based upon the calculation outlined in the promissory note. During the year ended December 31, 2012 and 2011, the workers' compensation pool did not generate excess funds that would be available to make a payment on the promissory note. As a result, a payable has not been reflected in the statement of financial position as of December 31, 2012 and 2011.

10. Restricted Net Position

Since the year ended December 31, 2000, the State of New Hampshire Department of Labor (NH DOL) has required the posting of a $1,000,000 surety bond for funding of the workers' compensation pool. In 2011, the surety bond value was $1,000,000. In 2012, the Department of Labor required an increase in the surety bond to fund 120% of the workers' compensation claims reserves, unallocated loss adjustment expense reserve, and the Department of Labor assessment reserve. With this requirement, the total Security Deposit Agreement increased to $14,371,200. As of December 31, 2012, Property-Liability Trust had not met this funding requirement, the shortfall, of approximately $2,087,157, was met in March of 2013. In order to use any of the funds available under this Security Deposit Agreement, which are recorded as restricted investments and restricted cash at December 31, 2012, Property-Liability Trust must first obtain the approval of the NH DOL. Net Position includes the full amount of the shortfall of $2,087,157 to acknowledge the increase in the funding required for the Security Deposit.

11. Unrestricted Net Position

Unrestricted net position includes the following at December 31, 2012 and 2011:

	2012	2011
Board designated net position - Confidence level at 90%	$ **5,435,000**	$ 6,156,000
Undesignated net position	**1,515,183**	3,159,888*
Unrealized gain on investment securities	**1,760,904**	1,340,791
	$ **8,711,087**	$ 10,656,679

*Restated, see Note 17

Regardless of the size or amount of stop loss (reinsurance) protection, there is always the risk of unpredictable claim fluctuations beyond expected levels. The following are some reasons why claims might exceed expected levels: (1) medical trend significantly higher than expected; (2) a small number of very large randomly occurring claims; (3) fluctuation of membership with incoming members having more claims and departing members having fewer claims; (4) federal/state legislation that results in higher costs; (5) new technologies/treatments such as high-cost drugs, and advanced imaging techniques; (6) natural disasters; and (7) acts of terrorism. In order to protect Property-Liability Trust's participating risk pool groups from these potential unexpected costs, Property-Liability Trust designates a certain level of net position to ensure the availability of sufficient capital to cover these risks.

The Property-Liability Trust's Board of Managers, with advice from its consulting actuary, annually reviews the proper level of reserves (capital adequacy) it needs to maintain in order to protect Property-Liability Trust from the risks of these unpredictable claim fluctuations. Through this process, the Property-Liability Trust's Board of Managers established a designated net position target level equal to a 90% confidence level. The confidence level is a recognized actuarial evaluation to assess the capital adequacy of reserves for property-liability entities.

While the financial statements indicate an Undesignated Net Position of $1,515,183, the amount to be returned to members as surplus would be reduced partially by any portion of the $17,100,000 that the Supreme Court determines must be repaid. (See Note 15). Therefore Property-Liability Trust did not record an accrual for any potential return of excess surplus until the matter can be resolved.

The unrealized gain on investment securities represents the amount required to mark the portfolio investments to the market price at December 31, 2012 and 2011.

The presentation of net position in the Statements of Financial Position as of December 31, 2012 and 2011 reflects the components of net position as required by GASB Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments". Under GASB Statement No. 34, net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. From the years ended December 31, 2000 through 2011, the NH DOL required posting of a $1,000,000 surety bond for funding of the workers' compensation pool. In prior years, the net position associated with the $1,000,000 surety bond was reported in unrestricted net position as a component of "Board designated net position – return of surplus through rate stabilization". This amount has been classified as restricted net position in Property-Liability Trust's Statements of Financial Position as of December 31, 2011. As referenced in Note 10, the NH DOL imposed a new requirement in 2012 which released the $1,000,000 restriction and the amount was reclassified from restricted net position to unrestricted net position.

12. Reinsurance

Property-Liability Trust limits the maximum net loss that can arise from large risks by reinsuring (ceding) certain levels of risks with other insurers or reinsurers, through the purchase of excess loss reinsurance contracts. Ceded reinsurance is treated as the risk and liability of the assuming companies, though these reinsurance contracts do not relieve Property-Liability Trust from its obligations to participating risk pool groups. Failure of reinsurers to honor their obligations could result in losses to Property-Liability Trust; consequently, allowances are estimated for amounts deemed uncollectible. Property-Liability Trust evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to mitigate its exposure to significant losses from reinsurers' insolvencies.

Effective July 1, 2010, Property-Liability Trust reinsurance coverage has been obtained for any single claim (specific insurance) to cover liability losses in excess of $1,000,000 and property losses in excess of $500,000 for policy years ended after June 30, 2004; and $500,000 for 1996 to June 30, 2003.

For the workers' compensation coverage, Property-Liability Trust purchases specific excess insurance above a $600,000 self-insured retention for all workers' compensation job classifications. For 2011, the self-insured retention for the workers' compensation pool was $750,000 for all class codes other than those related to schools (8868, 8869 and 9101), for which the self-insured retention is $350,000. Unemployment claims are handled under a reimbursement program where participating risk pool groups pay a contribution and the program reimburses the state for claims for covered participating risk pool groups.

13. Exemption from Statutory Accounting Practices

Property-Liability Trust and its pooled risk management services were established for the benefit of the political subdivisions of the State of New Hampshire under Title 1, Chapter 5-B of the New Hampshire statutes. As such, Property-Liability Trust is not considered an insurer under the laws of the State, and administration of the activities of Property-Liability Trust shall not constitute conducting an insurance business for purposes of regulation or taxation. At December 31, 2012, Statements of Statutory Accounting Practices as promulgated by the National Association of Insurance Commissioners are not applicable to Property-Liability Trust.

14. Risks and Uncertainties

Property-Liability Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and, that such changes could materially affect the amounts reported in the financial statements.

15. Contingencies

Property-Liability Trust assesses potential liabilities in connection with lawsuits and threatened lawsuits under U.S. generally accepted accounting principles. Property-Liability Trust accrues an estimated loss for loss contingencies if both of the following conditions are met: information available prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. As of December 31, 2012, Property-Liability Trust has accrued a $3.1 million liability to return surplus to participating groups as ordered by the Hearing Officer in the pending BSR Administrative proceeding and appeal as well as a $22,840 liability to pay the BSR's costs and fees in that proceeding. Property-Liability Trust expenses legal costs as they are incurred.

In 2011, the Secretary of State's Bureau of Securities Regulation (BSR) brought an administrative petition against LGC and its affiliate, predecessor and subsidiary entities including LGCRE, HealthTrust, and Property-Liability Trust (the Respondents), as well as against other individual respondents, alleging (as amended in February 2012) that: LGC failed to return excess capital to its participating political subdivisions and impermissibly subsidized the workers' compensation pool with contributions from HealthTrust; the corporate structure of LGC and its subsidiaries allegedly violates RSA 5-B:5; and participation in the risk pools allegedly constitutes the sale of unregistered securities by unlicensed broker-dealers, issuer-dealers and agents, and as a result risk pool participation was allegedly sold without required disclosures in violation of the New Hampshire Securities Act. LGC and the other respondents dispute the claims in the petition. A hearing was held on these charges from April 30, 2012 through May 11, 2012.

On August 16, 2012, the Hearing Officer issued a decision (the Order) in the administrative proceeding in which he ordered that the following numbered actions be taken (followed by a bulleted summary of the status of complying with that part of the Order):

1) LGC shall organize its two risk pooled management programs into a form that provides each program with an independent board and its own set of written bylaws within 90 days. According to the Order, failure to do so would result in HealthTrust's and Property-Liability Trust's forfeiture of the statutory exemption from the State's insurance laws and of the exemption from state taxation granted to Pooled Risk Management Programs pursuant to RSA 5-B.

   - HealthTrust and Property-Liability Trust have adopted separate bylaws to govern their respective programs.

   - HealthTrust and Property-Liability Trust have established separate Boards of Managers to independently govern HealthTrust and Property-Liability Trust.

2) LGC's risk pool management programs shall not require participating members to join or participate in any organization that requires the payment of dues for membership in said organization, nor shall any of the risk pool management programs require members to pay fees, premiums or costs for services not specifically identified and approved in RSA 5-B.

   - HealthTrust and LGC Property-Liability Trust have suspended the membership requirement in New Hampshire Municipal Association, LLC, a wholly-owned subsidiary of LGC, as a precondition to participate in their programs.

3) HealthTrust shall return $33,200,000 to members of that program in proportion to each member's contributions no later than September 1, 2013. The order found that this amount represents the excess of earnings and surplus that must be returned to members.

   - HealthTrust has recognized a contingent liability of $33.2 million to return surplus as provided in the Order. HealthTrust distributed the $33.2 million on August 27, 2013.

4) HealthTrust shall immediately return to the practice of purchasing reinsurance.

   - HealthTrust has returned to the practice of purchasing reinsurance.

5) HealthTrust, however it may be organized, may retain earnings and surplus in an amount no greater than the lesser of fifteen percent (15%) of claims or a Risk Based Capital ratio of 3.0 as determined by the BSR, based upon the year end audited financial statements of HealthTrust. Any amount of earnings and surplus in excess of this level shall annually be returned in the form of cash, dividends or similar cash equivalents to members. However, the BSR "may upon prior written notice of at least one year impose a higher limit or different methodology for calculating required net assets that may be retained as earnings and surplus not in excess pursuant to RSA 5-B:5, I (c) as long as said methodology is specifically based upon a generally accepted actuarial analysis."

   - HealthTrust has amended its capital reserve policy to read: "HealthTrust will set target capital reserve levels using actuarial advice, the board's fiduciary duties, and within the limits permissible by law;"

   - In 2012, HealthTrust declared returns of net assets totaling $26,463,163 ($5,657,000 in March and $20,806,163 in October). This is in addition to the $33.2 million return required by the Order which was based on the 2010 financial statements.

6) Property-Liability Trust shall return $3,100,000 to members of that program in proportion to each member's contributions no later than September 1, 2013. The order found that this amount represents the excess of earnings and surplus that must be returned to members.

   - Property-Liability Trust returned the $3.1 million from Property-Liability Trust in order to comply with the Order on August 30, 2013.

7) In the future LGC's property and liability risk pool management program, however it may be organized, shall utilize a generally accepted actuarial analysis to determine its required net assets and shall annually return any excess surplus in cash, dividends or their equivalents to members. The generally accepted actuarial analysis must be approved by the BSR.

   - Property-Liability Trust has submitted a request to the BSR to approve the continued use by Property-Liability Trust of a 90% confidence level as the generally accepted actuarial analysis to determine its permitted net asset level.

8) Property-Liability Trust, however it may be organized in the future, shall re-pay the $17.1 million subsidy to HealthTrust's risk pool management program, however it may be organized, no later than December 1, 2013. Said payment shall terminate and shall satisfy any obligation contained in a note of similar amount executed on June 2, 2011. The funds to make this repayment may be borrowed from an independent entity at commercially reasonable terms in consultation with the BSR. Funds received by HealthTrust, in repayment of the subsidy, to the extent they constitute amounts in excess of the earnings and surplus permitted to be retained

pursuant to the Order, shall be returned to members of the HealthTrust risk pool management program.

- Property-Liability Trust has been considering its options for making the required payment within the December 1, 2013 ordered timeframe.

9) LGC shall, within 90 days of the date of the order, cause LGCRE to convey to the HealthTrust risk pool management program and the Property-Liability Trust pooled risk management program shares in the ownership of LGCRE in proportion to their initial in kind contributions and subsequent cash contributions. According to the Order, "The realty corporation, in proportionate share, will then be managed by the respective boards of directors of the risk pool management programs for the benefit of those programs."

   - The shares in LGCRE have been reissued in proportional share to each entity's contribution to the land and building of LGCRE.

   - LGCRE has established a separate Board of Directors to govern its operations with the Directors appointed by HealthTrust, Property-Liability Trust, and LGC in proportion to each ownership interest in LGCRE.

10) LGC and its subsidiary risk pools did not violate the State's Securities Act, because the risk pool contracts were not securities covered by the act.

11) The allegations against the remaining individual respondents named in the action are dismissed.

12) LGC, HealthTrust, and Property-Liability Trust are found jointly and severally liable for the costs of the investigation in this matter, and all related proceedings, including reasonable attorney fees and are ordered to pay same. The Order sets out a process for determining the amount of such costs based on negotiation, then mediation, and finally a ruling of the Hearing Officer if an agreement cannot be reached.

   - The Hearing Officer, on October 17, 2012, determined that it was premature to rule on the amount to be paid to the BSR for fees and costs until the pending appeal has been concluded.

   - A liability in the amount of $548,160 was established at December 31, 2012, for the purpose of paying costs of the Bureau of Security Regulation investigation and reasonable attorney fees. This liability is shared with HealthTrust.

LGC and the other Respondents filed a petition to appeal the Order to the New Hampshire Supreme Court (Supreme Court) together with a motion to stay the Order pending appeal. The Supreme Court accepted the appeal but denied the stay.

The appeal of the Order is still pending in the Supreme Court. LGC and its affiliated entities filed its brief on August 12, 2013. The Bureau of Security Regulation's reply brief is due September 26, 2013. Oral arguments have yet to be scheduled. A group of former HealthTrust and/or PLT members filed with the Supreme Court a motion to intervene and a request for a stay of the ordered repayment of surplus to members by September 1, 2013, arguing that they are also entitled to a portion of the return. The Supreme Court denied the former members' motion to intervene and request for a stay.

Management has assessed the status of this appeal and, as a result of the constitutional and statutory issues raised on appeal, cannot conclude that the repayment of the $17.1 million by Property-Liability Trust to HealthTrust, after exhausting all appeals, is probable at this time because of the chances that the Hearing Officer's Order in general and on this issue in particular may be overturned. In addition, because of the constitutional issues raised on appeal related to the retroactive application of law, the amount of any repayment by Property-Liability Trust to HealthTrust resulting from an adverse final judgment cannot be reasonably estimated until the appeal process is concluded. As a result, the financial statements include this disclosure related to the $17.1 million repayment but do not include the accrual of any such liability to HealthTrust consistent with U.S. generally accepted accounting principles. While the financial statements indicate an Undesignated Net Position of $1,515,183, the amount to be returned to members as surplus would be reduced by any portion the $17,100,000 that the Supreme Court determines must be repaid.

16. Subsequent Events

Reorganization

Property-Liability Trust's Board of Managers transferred the assets, liabilities and ongoing operations of Property-Liability Trust to Property-Liability Trust, Inc. effective September 1, 2013. It is anticipated that following the transaction, Property-Liability Trust, LLC will be dissolved.

Unfunded Commitment

As noted in Note 10, Property-Liability Trust was required by the NH DOL to fund the Security Deposit Agreement as of December 31, 2012. Property-Liability Trust funded approximately $2,000,000 for this commitment in March 2013.

17. Restatement of 2011 Financial Results

During 2012, Property-Liability Trust determined that it had over accrued the NH DOL assessment as of both December 31, 2010 and December 31, 2011. Property-Liability Trust corrected this error by increasing the ending net position by $295,000 at December 31, 2010. Property-Liability Trust also restated, at December 31, 2011, net position by $359,677. Additionally, other expenses were reduced by $64,677 for the year ended December 31, 2011 due to these adjustments.

	Previously Reported 2010	Correction	As Restated
Net position, December 31, 2010	$ 10,401,808	$ 295,000	$ 10,696,808

	Previously Reported 2011	Correction	As Restated
Accounts payable and accrued expenses	$ 912,825	$ (359,677)	$ 553,148
Administrative and other expenses	$ 5,037,909	$ (64,677)	$ 4,973,232
Net position, December 31, 2011	$ 11,566,563	$ 359,677	$ 11,926,240

SUPPLEMENTARY INFORMATION

LOCAL GOVERNMENT CENTER PROPERTY-LIABILITY TRUST, LLC
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

Combining Statement of Financial Position

December 31, 2012

	Property - Liability Pool	Workers' Compensation Pool	Total
Current assets			
Cash and cash equivalents	$ 1,618,925	$ 1,163,990	$ 2,782,915
Investment securities	24,299,390	-	24,299,390
Investment in external investment pool	5,636,621	922,955	6,559,576
Contributions receivable	81,205	52,794	133,999
Claims recovery receivable	-	15,362	15,362
Accrued interest receivable	134,239	68,338	202,577
Due from/to related parties	15,969	(15,969)	-
Due from (to) LGC	65,715	(30,481)	35,234
Prepaid expenses	1,004,659	13,389	1,018,048
Restricted cash	-	1,000,000	1,000,000
Restricted investment securities	-	11,254,776	11,254,776
Total current assets	32,856,723	14,445,154	47,301,877
Equipment, net	100,867	59,423	160,290
Investment in LGC Real Estate	1,761,089	-	1,761,089
Total assets	$ 34,718,679	$ 14,504,577	$ 49,223,256
Current liabilities			
Claims reserves	$ 10,897,000	$ 10,153,580	$ 21,050,580
Claims adjustment and administrative reserves	558,000	2,546,144	3,104,144
Contribution holiday payable	1,700,000	-	1,700,000
Account payables and accrued expenses	465,781	50,962	516,743
Unearned contributions	5,130,158	1,879,168	7,009,326
Return of surplus liability	3,100,000	-	3,100,000
Contingent BSR legal fees liability	22,840	-	22,840
Total current liabilities and total liabilities	$ 21,873,779	$ 14,629,854	$ 36,503,633
Net position			
Unrestricted	10,982,944	(2,271,857)	8,711,087
Restricted Department of Labor Security Deposit Agreement	-	2,087,157	2,087,157
Investment in LGC Real Estate	1,761,089	-	1,761,089
Invested in capital assets	100,867	59,423	160,290
Total net position	12,844,900	(125,277)	12,719,623
Total liabilities and net position	$ 34,718,679	$ 14,504,577	$ 49,223,256

LOCAL GOVERNMENT CENTER PROPERTY-LIABILITY TRUST, LLC
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

Combining Statement of Revenue, Expenses, and Changes in Net Position

Year Ended December 31, 2012

	Property - Liability Pool	Workers' Compensation Pool	Total
Operating revenues			
Contributions earned from participating risk pool groups	$ 10,506,367	7,116,456	17,622,823
Reinsurance coverage expense	(2,053,963)	(531,499)	(2,585,462)
Other revenues	56,048	5,971	62,019
Net operating revenues	8,508,452	6,590,928	15,099,380
Operating expenses			
Claims incurred	3,017,606	5,051,506	8,069,112
Contribution holiday	1,700,000	-	1,700,000
Return of surplus liability	3,100,000	-	3,100,000
Contingent BSR legal fees liability	22,840	-	22,840
Loss prevention	285,820	11,200	297,020
Administrative and other expenses	2,327,683	2,074,533	4,402,215
Total operating expenses	10,453,949	7,137,239	17,591,188
Loss from operations	(1,945,497)	(546,311)	(2,491,808)
Nonoperating income			
Investment income	941,795	162,196	1,103,991
Net increase in fair value of investment securities	412,465	7,646	420,111
Decrease in net position before investments in subsidiary	(591,237)	(376,470)	(967,706)
Transfer of interest in LGC Real Estate	1,761,089	-	1,761,089
Increase (decrease) in net position after investment in subsidiary	1,169,852	(376,469)	793,383
Net position, beginning of year, as previously stated	11,675,048	(108,485)	11,566,563
Restatement of net position	-	359,677	359,677
Net position, beginning of year, as restated	11,675,048	251,192	11,926,240
Net position, end of year	$ 12,844,900	$ (125,277)	$ 12,719,623

LOCAL GOVERNMENT CENTER PROPERTY-LIABILITY TRUST, LLC

(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

Combining Statement of Cash Flows

Year Ended December 31, 2012

	Property - Liability Pool	Workers' Compensation Pool	Total
Cash flows from operating activities			
Contributions collected from participating risk pool groups	$ 10,084,415	$ 6,922,830	$ 17,007,245
Reinsurance coverage expense	(2,102,183)	(531,499)	(2,633,682)
Cash received from other revenues	56,048	5,971	62,019
Claims paid	(6,140,606)	(5,008,571)	(11,149,177)
Salaries paid	(1,288,857)	(796,350)	(2,085,207)
Other expenses paid	(1,264,512)	(1,074,927)	(2,339,439)
Loss prevention expenses paid	(285,820)	(11,200)	(297,020)
Net cash used by operating activities	(941,515)	(493,746)	(1,435,261)
Cash flows from investing activities			
Proceeds received from the sale of investment securities	9,187,046	873,107	10,060,153
Cash payments for the purchase of investment securities	(9,255,717)	(2,376,579)	(11,632,296)
Interest and dividends on investment securities	848,913	261,182	1,110,095
(Increase) decrease in external investment pool	(5,001,849)	2,306,309	(2,695,540)
Net cash (used) provided by investing activities	(4,221,607)	1,064,019	(3,157,588)
Cash flows from capital and related financing activities			
Acquisition of equipment	(45,283)	(20,312)	(65,595)
Net (decrease) increase in cash and cash equivalents	(5,208,405)	549,961	(4,658,444)
Cash and cash equivalents, beginning of year	6,827,330	614,029	7,441,359
Cash and cash equivalents, end of year	$ 1,618,925	$ 1,163,990	$ 2,782,915

LOCAL GOVERNMENT CENTER PROPERTY-LIABILITY TRUST, LLC
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

Combining Statement of Cash Flows (Concluded)

Year Ended December 31, 2012

	Property - Liability Pool	Workers' Compensation Pool	Total
Reconciliation of loss from operations to net cash used by operating activities			
Loss from operations	$ (1,945,497)	$ (546,311)	$ (2,491,808)
Adjustments to reconcile loss from operations to net cash used by operating activities			
Depreciation	58,583	116,283	174,866
Decrease (increase) in			
Contributions receivable	19,361	34,669	54,030
Claims recovery receivable	464	21,047	21,511
Prepaid expenses	(48,386)	304	(48,082)
Due from/to affiliate	250	(250)	-
(Decrease) increase in			
Claims reserves	(3,123,000)	42,935	(3,080,065)
Claims adjustment and administrative reserves	(157,000)	32,762	(124,238)
Contingent liability	3,100,000	-	3,100,000
Contribution holiday payable	1,700,000	-	1,700,000
Contingent legal liability	22,840	-	22,840
Accounts payable and accrued expenses	(51,284)	14,878	(36,406)
Due to LGC	(76,533)	18,232	58,301
Unearned contributions	(441,313)	(228,295)	(669,608)
Net cash used by operating activities	$ (941,515)	$ (493,746)	$ (1,435,261)

LOCAL GOVERNMENT CENTER PROPERTY-LIABILITY TRUST, LLC
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

Reconciliation of Claims Liabilities by Type of Contract (Unaudited)

Year Ended December 31, 2012

The schedule below presents the changes in claims liabilities for the year ended December 31, 2012:

	Auto Liability	Auto Physical Damage	General Liability	Property and Other	Law Enforcement Liability	Public Officials/ .School Board Liability	Workers' Comp.	Unemploy-ment	Total
Claims reserves at beginning of year	$ 2,245,000	$ 42,000	$ 3,493,000	$ 1,032,000	$ 1,125,000	$ 6,083,000	$ 9,525,000	$ 585,645	$ 24,130,645
Incurred claims and claim adjustment expenses									
Provision for covered events of current year	970,143	960,000	720,000	1,999,000	265,000	1,607,000	6,696,342	600,000	13,817,485
(Decreases) increases in provision for covered events of prior years	(467,491)	(8,000)	(546,000)	(285,000)	(19,000)	(2,178,046)	(2,007,372)	(237,464)	(5,748,373)
Total incurred claims and claim adjustment expenses	502,652	952,000	174,000	1,714,000	246,000	(571,046)	4,688,970	362,536	8,069,112
Payments of claims and claims									
Payments attributable to covered events of current year	(314,143)	(951,000)	(169,000)	(1,089,000)	(7,000)	(532,000)	(2,120,343)	(165,422)	(5,347,907)
(Payments) receipts attributable to	(571,000)	5,000	(1,076,000)	(137,000)	(469,000)	(830,463)	(2,387,628)	(335,178)	(5,801,269)
Total payments	(885,143)	(946,000)	(1,245,000)	(1,226,000)	(476,000)	(1,362,463)	(4,507,971)	(500,600)	(11,149,177)
Claims reserves at end of year	$ 1,862,509	$ 48,000	$ 2,422,000	$ 1,520,000	$ 895,000	$ 4,149,491	$ 9,705,999	$ 447,581	$ 21,050,580

LOCAL GOVERNMENT CENTER PROPERTY-LIABILITY TRUST, LLC
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

Reconciliation of Claims Liabilities by Type of Contract (Unaudited)

Year Ended December 31, 2011

The schedule below presents the changes in claims liabilities for the year ended December 31, 2011:

	Auto Liability	Auto Physical Damage	General Liability	Property and Other	Law Enforcement Liability	Public Officials/ School Board Liability	Workers' Comp.	Unemploy-ment	Total
Claims reserves at beginning of year	$1,660,000	$ 177,000	$3,445,000	$ 1,334,000	$1,414,000	$ 6,141,000	$10,231,519	$ 469,639	$ 24,872,158
Incurred claims and claim adjustment expenses									
Provision for covered events of current year	1,294,049	657,000	1,352,000	1,267,000	650,000	2,489,000	6,148,000	985,000	14,842,049
Increases (decreases) in provision for covered events of prior years	507,317	(102,000)	(91,000)	(298,000)	(443,000)	(971,000)	(1,746,360)	(36,558)	(3,180,601)
Total incurred claims and claim adjustment expenses	1,801,366	555,000	1,261,000	969,000	207,000	1,518,000	4,401,640	948,442	11,661,448
Payments of claims and claims adjustment expenses									
Payments attributable to covered events of current year	(502,049)	(783,000)	(351,000)	(1,173,000)	(151,000)	(660,000)	(1,665,000)	(420,806)	(5,705,855)
(Payments) receipts attributable	(714,317)	93,000	(862,000)	(98,000)	(345,000)	(916,000)	(3,443,159)	(411,630)	(6,697,106)
Total payments	(1,216,366)	(690,000)	(1,213,000)	(1,271,000)	(496,000)	(1,576,000)	(5,108,159)	(832,436)	(12,402,961)
Claims reserves at end of year	$2,245,000	$ 42,000	$3,493,000	$ 1,032,000	$1,125,000	$ 6,083,000	$ 9,525,000	$ 585,645	$ 24,130,645

Ten-Year Claims Development Information (Unaudited)

December 31, 2012

The following ten-year claims development information includes health, dental and short-term disability contracts.

The following table illustrates how Property-Liability Trust's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by Property-Liability Trust as of the end of each of the past ten years. The rows of the table are defined as follows:

1) The total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue
2) Each fiscal year's other operating costs of Property-Liability Trust including overhead and claims expense not allocable to individual claims
3) Property-Liability Trust's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called *policy year*)
4) This section of ten rows shows the cumulative net amounts paid as of the end of successive years for each policy year
5) The latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each accident year
6) This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of each successive year. This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known
7) Comparison of the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought

As data for individual policy years mature, the correlation between original estimates and re-estimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less matured policy years. The columns of the table show data for successive policy years.

LOCAL GOVERNMENT CENTER PROPERTY-LIABILITY TRUST, LLC
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

Ten-Year Claims Development Information - Property-Liability Pool (Unaudited)

December 31, 2012

Fiscal and Policy Year Ended

	2002-2003	2003-2004	2004-2005	2005-2006	2006- 2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	July 2012 to Dec 2012
1. Required contribution and investment revenue											
Earned	10,257,717	8,074,295	8,783,090	9,448,485	10,796,890	11,032,002	13,003,261	14,897,490	14,823,502	11,348,385	5,082,406
Ceded	2,197,861	1,887,045	1,680,376	1,735,793	1,881,524	2,044,917	2,205,331	2,694,713	2,338,863	2,000,392	1,063,652
Net earned	8,059,856	6,187,250	7,102,714	7,712,692	8,915,366	8,987,085	10,797,930	12,202,777	12,484,639	9,347,993	4,018,754
2. Unallocated expenses	2,450,913	2,374,662	2,789,662	1,400,333	2,236,334	2,909,878	3,762,676	3,222,471	3,522,992	3,457,063	1,253,395
											7,296,342
3. Estimated claims and expenses, end of policy year											7,296,342
Incurred	6,035,075	5,885,383	6,919,019	7,951,000	6,529,000	7,862,000	8,228,401	8,311,558	8,508,712	7,091,430	2,892,061
Ceded	-	-	-	-	-	-	-	-	-	-	-
Net incurred	6,035,075	5,885,383	6,919,019	7,951,000	6,529,000	7,862,000	8,228,401	8,311,558	8,508,712	7,091,430	2,892,061
4. Net paid (cumulative) as of											
End of policy year	1,805,764	2,770,323	3,494,838	3,551,000	3,029,907	4,094,000	3,819,401	3,222,558	3,269,742	3,058,430	748,061
One year later	3,643,378	3,959,286	4,762,000	4,702,156	5,029,212	5,619,341	4,997,493	4,582,203	4,486,437	-	-
Two years later	4,294,143	4,908,000	5,481,512	5,487,633	6,259,203	7,430,467	5,518,310	5,680,451	-	-	-
Three years later	4,330,000	5,321,198	5,716,118	6,270,837	6,616,904	7,981,829	6,132,706	-	-	-	-
Four years later	4,332,448	5,656,497	5,905,419	6,643,786	6,863,966	8,125,334	-	-	-	-	-
Five years later	4,336,261	5,672,355	5,917,828	6,812,157	6,874,916	-	-	-	-	-	-
Six years later	4,340,812	5,678,884	5,914,718	6,811,566	-	-	-	-	-	-	-
Seven years later	4,339,844	5,678,457	5,913,479		-	-	-	-	-	-	-
Eight years later	4,339,844	5,678,158	-	-	-	-	-	-	-	-	-
Nine years later	4,337,706	-	-	-	-	-	-				
5. Reestimated ceded claims and expenses	-	-	-	-	-	-	-	-	-	-	-
6. Reestimated net incurred claims and expenses:											
End of policy year	6,035,075	5,885,383	6,919,019	7,951,000	6,529,000	7,862,000	8,228,401	8,311,558	8,508,742	7,091,430	2,892,061
One year later	5,028,024	6,109,636	6,439,000	6,766,000	7,263,000	8,064,341	7,535,493	8,034,203	7,459,437	-	-
Two years later	4,742,328	5,752,000	6,226,000	6,672,889	7,273,203	8,962,467	6,891,310	6,872,451	-	-	-
Three years later	4,399,000	5,728,000	6,056,000	6,969,837	7,445,904	8,681,829	6,454,706	-	-	-	-
Four years later	4,419,000	5,729,000	5,977,419	6,943,786	7,373,966	8,252,334	-	-	-	-	-
Five years later	4,401,000	5,690,355	5,929,828	6,826,157	6,954,916	-	-	-	-	-	-
Six years later	4,356,812	5,678,884	5,926,718	6,825,566	-	-	-	-	-	-	-
Seven years later	4,339,844	5,678,457	5,925,479	-	-	-	-	-	-	-	-
Eight years later	4,339,844	5,678,158	-	-	-	-	-	-	-	-	-
Nine years later	4,337,706	-	-	-	-	-	-	-	-	-	-
7. Increase (decrease) in estimated net incurred claims and expenses from end of policy year	$ (1,697,369)	$ (207,225)	$ (993,540)	$ (1,125,434)	$ 425,916	$ 390,334	$ (1,773,695)	$ (1,439,107)	$ (1,049,305)	$ -	$ -

LOCAL GOVERNMENT CENTER PROPERTY-LIABILITY TRUST, LLC
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

Ten-Year Claims Development Information - Property-Liability Pool (Unaudited)

December 31, 2012

	Fiscal and Policy Year Ended									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Required contribution and investment revenue										
Earned	$ 857,716	$ 911,394	2,067,857	3,239,993	$ 4,052,196	$ 5,805,466	$ 6,841,623	$ 7,547,051	7,656,081	7,286,298
Ceded	139,982	179,144	383,330	707,758	650,451	780,199	886,913	816,095	598,175	531,499
Net earned	717,734	732,250	1,684,527	2,532,235	3,401,745	5,025,267	5,954,710	6,730,956	7,057,906	6,754,799
2. Unallocated expenses	103,778	344,970	516,813	895,435	928,625	1,458,437	3,123,896	2,035,152	1,994,418	2,085,733
3. Estimated claims and expenses, end of policy year:										
Incurred	840,000	880,465	3,884,590	6,138,257	5,520,887	7,965,159	9,238,000	7,794,000	7,133,000	7,296,342
Ceded										
Net incurred	840,000	880,465	3,884,590	6,138,257	5,520,887	7,965,159	9,238,000	7,794,000	7,133,000	7,296,342
4. Net paid (cumulative) as of:										
End of policy year	198,327	224,574	870,856	1,169,369	1,101,434	2,356,609	2,913,806	2,341,248	2,085,806	2,285,765
One year later	401,499	417,506	1,694,030	2,623,859	2,013,746	4,982,830	5,975,078	4,354,862	3,801,401	-
Two years later	491,702	623,224	2,097,467	3,228,138	2,429,229	6,465,864	6,968,910	4,862,450	-	-
Three years later	542,367	597,217	2,312,093	3,541,999	2,539,540	7,136,142	7,120,755	-	-	-
Four years later	495,168	597,543	2,313,259	3,610,075	2,657,133	7,493,280	-	-	-	-
Five years later	497,271	597,543	2,344,521	3,675,690	2,708,988	-	-	-	-	-
Six years later	497,271	597,760	2,306,037	3,641,361	-	-	-	-	-	-
Seven years later	497,271	597,900	2,272,405	-	-	-	-	-	-	-
Eight years later	529,173	598,155	-	-	-	-	-	-	-	-
Nine years later	529,173	-	-	-	-	-	-	-	-	-
5. Reestimated ceded claims and expenses	-	-	92,000	-	-	-	-	-	-	-
6. Reestimated net incurred claims and expenses:										
End of policy year	840,000	880,465	3,884,590	6,138,257	5,520,795	7,965,159	9,238,000	7,794,000	7,133,000	7,296,342
One years later	795,000	837,999	3,421,684	5,219,284	3,880,474	8,335,830	8,669,762	6,223,907	5,774,618	-
Two years later	773,000	768,566	2,815,000	4,281,284	3,254,229	8,177,586	8,337,316	5,798,237	-	-
Three years later	778,003	597,000	2,622,092	3,980,999	2,891,540	8,278,142	8,166,755	-	-	-
Four years later	561,000	597,543	2,447,476	3,905,075	3,034,133	8,114,280	-	-	-	-
Five years later	497,271	597,543	2,486,521	3,841,690	2,963,988	-	-	-	-	-
Six years later	497,271	597,760	2,447,037	3,782,361	-	-	-	-	-	-
Seven years later	497,271	597,900	2,421,405	-	-	-	-	-	-	-
Eight years later	529,173	620,155	-	-	-	-	-	-	-	-
Nine years later	529,173	-	-	-	-	-	-	-	-	-
7. Increase in estimated net incurred claims and expenses from end of policy year:	$ (310,827)	$ (260,310)	$ (1,463,185)	$ (2,355,896)	$ (2,556,807)	$ 149,121	$ (1,071,245)	$ (1,995,763)	$ (1,358,382)	$ -

BerryDunn

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Managers of
Local Government Center Property-Liability Trust, LLC
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial statement audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Local Government Center Property-Liability Trust, LLC (Property-Liability Trust) (a wholly-owned subsidiary of Local Government Center, Inc.) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise HealthTrust's basic financial statements, and have issued our report thereon dated November 14, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Property-Liability Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Property-Liability Trust 's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Property-Liability Trust's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Property-Liability Trust's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as finding 2012-01 to be a material weakness.

Board of Managers
Local Government Center Property-Liability Trust, LLC
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as finding 2012-02 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Property-Liability Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2012-03.

Property-Liability Trust's Response to Findings

Property-Liability Trust's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Property-Liability Trust's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and is not to provide an opinion on the effectiveness of Property-Liability Trust's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Property-Liability Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
November 14, 2013

Schedule of Findings and Responses

December 31, 2012

Finding Number:	2012-01
Condition Found:	During the audit we noted the amounts due for the annual DOL assessments for years prior to 2012 were booked in accounts payable as well as included in the calculation of the reserve liability.
Criteria:	Management is responsible for establishing and maintaining effective internal control over financial reporting to prevent or detect and correct misstatements on a timely basis.
Context:	This condition was found during our testing of accounts payable.
Cause and Effect:	The result of the error was a double accrual of the liability in prior years resulting in an understated net position for the year ended December 31, 2011.
Recommendation:	We recommend that management not record a payable for the DOL assessment.
Views of a Responsible Official and Corrective Action Plan:	In prior years, management recorded a payable for the annual DOL assessment based on the amount of the actual invoice from the DOL for the prior year assessment. Upon inquiry of the actuary in 2013 regarding the 2012 reserve, management learned that the actuary includes in the DOL reserve an amount for the prior year. As the actuarial reserve includes an amount for the prior year DOL assessment, management will not record a payable for the amount invoiced by the DOL for the prior year assessment.
Finding Number:	2012-02
Condition Found:	During our audit of procedures of investments we noted that Property-Liability Trust did not have a review procedure over the internal controls of one of the investment managers. This trustee does not have custody of any Property-Liability Trusty funds; however they do initiate trades through a broker. This particular trustee did have a "Statement on Standards for Attestation Engagements No. 16" (SSAE 16) performed. SSAE 16 is the authoritative guidance that enables service organizations to disclose their control activities and processes to their customers and their customers' auditors in a uniform reporting format. Management had not obtained or reviewed this report for this investment manager.

Criteria:	Management is responsible for establishing and maintaining effective internal control over financial reporting to prevent or detect and correct misstatements on a timely basis.
Context:	This condition was found during our testing of investments.
Cause and Effect:	Due to lack of specific internal control over completeness of SSAE 16 report review, Property-Liability Trust did not perform its due diligence with respect to requesting these reports from the service provider. As a result, Property-Liability Trust was not able to monitor the overall risk related the internal controls at the trustee.
Recommendation:	As part of the finance committee's fiduciary responsibility, we recommend the committee obtain an understanding of the various trustees' controls over the cycle of initiating, recording, processing, summarizing and reporting the Organization's investment transactions. Documentation of the committee's consideration of the trustee's SSAE 16 report and other control procedures should be evidenced by documentation in meeting minutes or other similar means. If a trustee does not have a SSAE 16 report available, we recommend management or the investment and finance committee obtain an understanding of these controls through inquiry of the investment trustees or custodians. We also recommend such discussions and understandings be documented.
Views of a Responsible Official and Corrective Action Plan:	Although this trustee does not have custody of any funds, it would be prudent for Property-Liability Trust to review their SSAE 16 as they do initial trades in accordance with Property-Liability Trust's investment policy.
Finding Number:	2012-03
Condition Found:	During 2012 the Secretary of State's Bureau of Securities Regulation (BSR) brought an administrative petition against Property-Liability Trust alleging that the corporate structure of Property-Liability Trust violates RSA 5-B:5 and participation in the risk pools allegedly constitutes the sale of unregistered securities by unlicensed broker-dealers, issuer-dealers and agents, and as a result risk pool participation was allegedly sold without required disclosures in violation of the New Hampshire Securities Act.

Criteria:	Management is responsible for maintaining compliance with applicable laws and regulations.
Context:	This condition was found during our discussions with management and legal counsel.
Cause and Effect:	The result of the noncompliance was the BSR's administrative petition and requirement that Property-Liability Trust comply with all parts of the petition.
Recommendation:	BerryDunn recommends that management comply with all parts of the BSR's administrative petition in order to be in compliance with laws and regulations.
Views of a Responsible Official and Corrective Action Plan:	Management has worked toward complying with the BSR's administrative petition. Property-Liability Trust has transferred the assets, liabilities and ongoing operations of Property-Liability Trust to Property-Liability Trust, Inc. effective September 1, 2013.