



**KANSAS EASTERN REGION INSURANCE TRUST**

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT**

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FOR THE YEARS ENDED  
DECEMBER 31, 2014  
AND DECEMBER 31, 2013

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**600 BROADWAY • SUITE 200 • KANSAS CITY, MISSOURI • 64105**





# KANSAS EASTERN REGION INSURANCE TRUST

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*Preventing Loss & Promoting Safety  
For Cities and Counties in Eastern Kansas*

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013**

### **Chair and Officers of Kansas Eastern Region Insurance Trust**

Sunshine Petrone

Chair

Thomas A. Brown

1<sup>st</sup> Vice-Chair

Laura Smith

2<sup>nd</sup> Vice-Chair

### **Prepared by:**

Mid-America Regional Council  
Department of Financial Affairs  
Dorothy Pope, Director  
Patty Teague, Accountant III

### **Office Address:**

600 Broadway, Suite 200  
Kansas City, Missouri 64105-1659

# Kansas Eastern Region Insurance Trust

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## **INTRODUCTORY SECTION**





# KANSAS EASTERN REGION INSURANCE TRUST

*Preventing Loss & Promoting Safety*

May 15, 2015

The Board of Trustees and Members  
Kansas Eastern Region Insurance Trust:

We are pleased to submit the comprehensive annual financial report of Kansas Eastern Region Insurance Trust (KERIT) for the fiscal years ended December 31, 2014 and 2013. The 2014 Comprehensive Annual Financial Report reflects the 28<sup>th</sup> year of operations of KERIT. The report is submitted to the Board of Trustees in compliance with Article V, Section 7 of the Bylaws.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with KERIT. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position, results of operations and cash flows of KERIT. All disclosures necessary to enable the reader to gain an understanding of KERIT's financial activities have been included.

The KERIT Board of Trustees is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of KERIT are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

The financial statements have been subjected to an independent audit by the accounting firm of BKD, LLP. The auditors have issued an unmodified ("clean") opinion of KERIT's financial statements for the year ended December 31, 2014. The report of independent auditors on the basic financial statements is located at the front of the financial section of this report.

In addition, Aon Risk Consultants, Inc. provided actuary services to determine the level of claim reserves for KERIT as of December 31, 2014. Such reserves include amounts for the incurred but not reported losses and loss development for all claims. These estimates were provided for each claim year.

Readers are encouraged to review management's discussion and analysis (MD&A) beginning on page 16, which provides a narrative introduction, overview and financial analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

### THE REPORTING ENTITY AND ITS SERVICES

Kansas Eastern Region Insurance Trust (KERIT) was formed on November 1, 1986 as a self-insurance program to cover workers' compensation claims for its members. Members of KERIT, located primarily in eastern Kansas, include cities and counties. KERIT is a not-for-profit corporation and was formed as a group-funded workers' compensation pool under Section 44-581 et. seq. of the Kansas Statutes Annotated. Effective November 1, 1993, KERIT began operating under Section 12-2616 et. seq. of the Kansas Statutes Annotated, which governs municipal group-funded pools. Special state legislation was passed in April 1993 to allow KERIT to transfer from Section 44-581 et. seq. to Section 12-2616 et. seq. regulation without having to dissolve the corporation and form a new one.

KERIT's general objectives are to provide a self-insured program for local governments; to improve the loss prevention program to reduce claims and accidents; to reduce costs through sound and equitable claim management practices; and to provide excess insurance at a discount based on volume and lower risk exposure.

By creating KERIT, the members have more control and direction of the loss control program and claims management. The members feel strongly that a high-quality loss control program is essential to controlling losses and have developed a program specifically tailored to their needs. Focusing attention on claims management and settlement provides members greater control on the expenditure of their contribution dollars.

Not only is KERIT concerned about the expenditure of its contribution dollars, but it is also concerned with the indirect costs of workers' compensation claims. These indirect costs include vacant job positions, possible overtime pay, increased administrative costs, etc. Strong emphasis is placed in the loss control program on preventing accidents.

#### Membership

The membership of KERIT includes fourteen cities, two counties and one park and recreation district. When KERIT first began providing workers' compensation coverage on November 1, 1986, there were six cities and one county.

Cities, counties and other entities joining KERIT must remain members a minimum of three years. The Board of Trustees may grant approval to cities and counties applying for membership in KERIT under such terms and conditions as the Board may, from time to time, determine.

Trust underwriting and rate-setting policies have been established after consultation with the service agent, Thomas McGee, L.C., and in accordance with state workers' compensation laws and the Kansas Insurance Department regulations. KERIT members are subject to additional



contribution assessments in the event of deficiencies and may receive a refund of contributions for those claim years when revenues exceed expenses. The Board of Trustees must specifically authorize a refund of contributions.

### Loss Control Program

The success of any self-funded insurance pool depends largely on the commitment made by its members to minimize their respective losses. To assist members in fulfilling this obligation, KERIT has developed a loss control program called the PLUS (Preventing Loss Utilizing Safety) Program to provide guidance and assistance in the design, implementation and measurement of loss control efforts made by each member. Major emphasis is given to upper and middle management's commitment to the PLUS Program and all supervisory personnel are required to complete a KERIT supervisory safety training program. The PLUS Program also encourages safety activities and promotes awareness through safety incentive programs, employee training opportunities, facility safety surveys, seasonal employment safety training, and a film/resource library along with assistance in planning and goal setting for each individual member.

Since the key to long-term safety success relates directly to improved safety behaviors, the PLUS Program is now promoting this issue, both on- and off-the-job. Semi-annual meetings are held within specialized disciplines, such as fire and police. These meetings allow the opportunity for management representatives to problem solve safety issues common to their operations. Outcomes of these meetings have included new programs such as the Cooper Physical Assessment in law enforcement operations and dedicated physical fitness programs for firefighters.

### Service Providers

KERIT contracts with service providers to provide claims administration, underwriting, loss control and accounting services. Thomas McGee, L.C. provides a coordinated underwriting, loss control, marketing and claims program. The Mid-America Regional Council provides accounting, newsletter and secretarial services. Since November 2006, KERIT has used a broker to assist with marketing efforts.

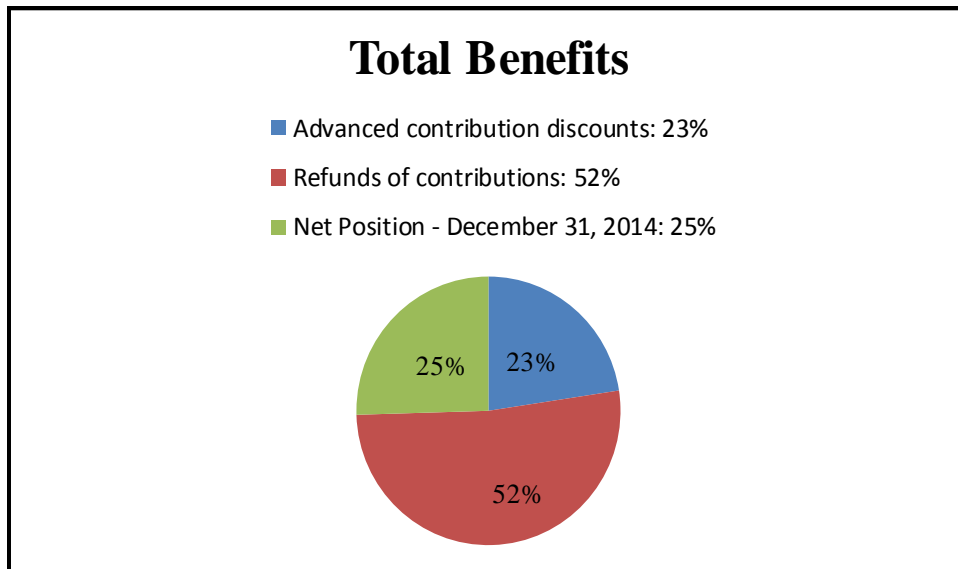
## ECONOMIC CONDITION AND OUTLOOK

KERIT operates in the eastern portion of the state of Kansas, expanding west from the state line approximately 225 miles. Growth of KERIT is very controlled, with each applicant under consideration closely reviewed for past loss history and current loss control practices.

While KERIT must calculate contributions according to state workers' compensation laws and the Kansas Insurance Department regulations, KERIT has the flexibility to grant contribution discounts and to assess additional contributions when necessary. In addition, KERIT is able to provide loss control services that greatly exceed that provided by traditional carriers and tailor the services to the needs of KERIT and its members. The members are better able to control and respond to changes in the environment in which they operate by pooling workers' compensation coverage.

KERIT has completed its twenty-eighth year of pooling workers' compensation coverage. Over that time, the members have accumulated over \$24 million in benefits as shown on the following table.

Calculated contributions (net of excess insurance premiums)	\$ 66,274,405
Supplemental contribution assessments	1,062,429
Investment income	<u>5,829,528</u>
<b>Total revenues</b>	<b><u>73,166,362</u></b>
Net incurred losses	37,643,800
Administrative expenses	7,752,980
Insurance taxes	<u>3,056,053</u>
<b>Total expenses</b>	<b><u>48,452,833</u></b>
<b>Net</b>	<b><u>\$ 24,713,529</u></b>
Advanced contribution discounts	\$ 5,578,230
Refunds of contributions	12,842,654
Net Position - December 31, 2014	<u>6,292,645</u>
<b>Total benefits</b>	<b><u>\$ 24,713,529</u></b>



The calculated contributions of the members since inception have been reduced by the advance contribution discounts totaling \$5,578,230. The members were able to retain these funds and use them for other governmental services. In addition, the members have received refunds of contributions totaling \$12,842,654 for older claim years that are closed or have few open claims.

The balance of the benefits from pooling, \$6,292,645, remains in net position of KERIT and will be available as refunds of contributions in the future when additional claim years are closed or near closed and the Board of Trustees declares a refund of contributions for those claim years. These remaining funds are invested to garner the maximum benefit for the members. The progressive growth of net position over the last twenty-eight years reflects the economic stability and strength of KERIT and its ability to react to the environment in which it operates.

In December 2014, the Board of Trustees approved and distributed a refund of contributions of \$784,756. The Board of Trustees will consider additional refunds in the summer of 2015.

### RELEVANT FINANCIAL POLICIES

The KERIT Board of Trustees evaluates its financial capacity to pay claims on a short-term and long-term basis when it sets contribution rates and approves the budget for the following claim year. The Trustees always budget a surplus of revenues over expenses for the upcoming claim year. Because the net position balance is currently more than adequate, for the 2015 claim year the Trustees were able to keep the members' contributions as low as possible to cover projected expenses with modest projected surplus of \$37,821.

In addition, the Trustees approved a policy in November 2014 which provides guidance on the minimum net position KERIT should maintain to ensure sufficient liquidity to meet KERIT's obligations in the event of any unforeseen, significant, adverse developments in losses. This policy also designates a maximum net position. When the maximum is reached or exceeded then the Board should consider distributions of contributions (or dividends).

### MAJOR INITIATIVES

#### For the Year

In February 2012, the KERIT Board of Trustees held a strategic planning session to develop a shared vision for the organization; establish guiding principles for their work together; identify goals for the next five years and prioritize the goals. The Board last held a strategic planning session in January 2006. The updated vision statement is:

KERIT is a premier member-driven organization that is fiscally sound and known for best practices in worker's compensation. Its members are knowledgeable, fully engaged and accountable.

The guiding principles are centered in five areas: role of KERIT, financial resources, effectiveness, equity/fairness and innovation/planning. The Trustees developed various goals for the next five years and updated its committee structure to work on the goals. The committee structure includes:

- Executive Committee
- Policy Committee
- Loss Control Committee

- Investment/Finance Committee
- Marketing Committee

### *Marketing Efforts*

KERIT members joined KERIT to share their risk and realize the benefits of a shared pool. A marketing plan is in place to grow KERIT so it can build a critical mass to provide the following improved benefits:

- Further reduce fixed costs per member.
- Reduce insurance cost over the long term.
- Reduce the possibility of assessments.
- Increase investment income which positively impacts members' refunds of contributions.
- Improve excess insurance (price, terms, and availability).

KERIT has been successful in the marketing arena. In January 2014, the Johnson County Park and Recreation District joined KERIT and the city of Derby joined KERIT on January 1, 2015. The KERIT Trustees saw the need for growth several years ago and embarked on a strong marketing effort. However, the KERIT Trustees are cognizant that potential members must have the same deep-seated commitment as the current members. Therefore, the KERIT Trustees proceed with utmost care when extending a membership invitation. KERIT continues to work with CBIZ Insurance Services, Inc. to actively recruit additional KERIT members.

### *New KERIT Website*

During 2014, the Marketing Committee conducted a survey of the members on a number of matters. From that survey, the committee is continuing efforts to increase awareness about KERIT and attract new members. One goal is to update the KERIT website. In 2015, steps have been taken to hire a consultant to redesign the website to take advantage of today's technology and update content about KERIT.

### *Board Meeting Schedule*

In March 2015, the Board of Trustees initiated a streamlined schedule of meetings and endorsed an educational session at each meeting to share best practices and successful processes of KERIT members.

### *Loss Control Efforts*

The KERIT Loss Control Committee continues to annually review the PLUS (Preventing Loss Utilizing Safety) Program. The KERIT Trustees promote the PLUS Program to measure the efficiency and effectiveness of an organization's safety program and to assist members in ensuring that critical areas related to safety get the attention they deserve. The PLUS Program is a tool which will serve as a guide, allowing members to monitor performance in each component of the loss control program on an ongoing basis. The PLUS Program supports the idea that what gets measured gets done.

KERIT is proud to announce all eligible PLUS Program KERIT entities completed at least eight out of ten PLUS components for the 2014 program year, resulting in a discount of four to five percent for the 2015 contributions. Also in 2014, the Trustees approved payment of the fees for

all members for MSDSonline. This internet-based service provides users with information on hazardous materials and can simplify the work to comply with material safety data sheets (MSDS) legal requirements.

In January 2015, the Trustees increased the annual appreciation award from \$400 to \$650 for 2015. These funds are available to each KERIT member to enhance their loss control efforts by providing funds to pay for equipment, supplies, training, incentives, etc. as each member deems appropriate.

The 2015 PLUS Program includes various components which each member will work to satisfy during the year. The components for 2015 are:

1. Timely Reporting of Claims/Claims Management
2. Post-offer Physical Assessments
3. Wellness Program
4. Physical Assessment for Public Safety Personnel
5. Facility Inspection
6. Safety Committee
7. Accident Investigation
8. Safety Training/Orientation
9. Other

#### For the Future

KERIT's groundwork is set for the future. Measured performance, sustained retention, and responsible growth in the future will allow KERIT to be a financially solid organization delivering high-quality service to its members and providing workers' compensation insurance effectively and efficiently. The Trustees will continue to look for opportunities to control and reduce costs and improve the benefits of membership in KERIT.

#### GFOA Financial Reporting Program

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to KERIT for its comprehensive annual financial report for the fiscal year ended December 31, 2013. This was the twenty-third consecutive year that KERIT has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, KERIT published an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

## Acknowledgments

The preparation of this report could not have been accomplished without the cooperation and dedicated services of the Financial Affairs Department of the Mid-America Regional Council (MARC), Thomas McGee, L.C. and BKD, LLP. We would like to express sincere appreciation to all those who assisted and contributed to its preparation, especially Patty Teague of MARC and Ed Reasoner of Thomas McGee, L.C.

Appreciation is also extended to the KERIT officers and Board of Trustees for their interest and support in planning and conducting the financial operations of KERIT in a responsible and progressive manner.

Respectfully submitted,



Thomas A. Brown  
Chair, elected January 13, 2015



Dorothy Pope  
Mid-America Regional Council  
Director of Financial Affairs

**Kansas Eastern Region Insurance Trust**  
**Certificate of Achievement for**  
**Excellence in Financial Reporting**

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Government Finance Officers Association

**Certificate of**  
**Achievement**  
**for Excellence**  
**in Financial**  
**Reporting**

Presented to

**Kansas Eastern Region Insurance Trust**  
**Missouri**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2013**

Executive Director/CEO

**Kansas Eastern Region Insurance Trust  
Organizational Structure  
December 31, 2014**

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**Chair and Officers of Kansas Eastern Region Insurance Trust**

Sunshine Petrone	Chair
Thomas A. Brown	1 <sup>st</sup> Vice-Chair
Laura Smith	2 <sup>nd</sup> Vice-Chair

**Members of KERIT**

<b>Cities</b>		<b>Counties</b>
Chanute	Leawood	Atchison County
Coffeyville	McPherson	Leavenworth County*
Fairway	Merriam*	<b>Other</b>
Gardner*	Mission	Johnson Co Park & Recreation District
Junction City	Ottawa	
Lansing*	Shawnee*	
Leavenworth	Winfield	

\*Charter members

**Principal Offices**

600 Broadway, Suite 200  
Kansas City, Missouri 64105  
(816) 474-4240

**Accounting Services**

Mid-America Regional Council  
600 Broadway, Suite 200  
Kansas City, Missouri 64105  
(816) 474-4240

**Third Party Administrator and Loss Control  
Services**

Thomas McGee, L.C.  
920 Main Street, Suite 1700  
Kansas City, Missouri 64141  
(816) 842-4800

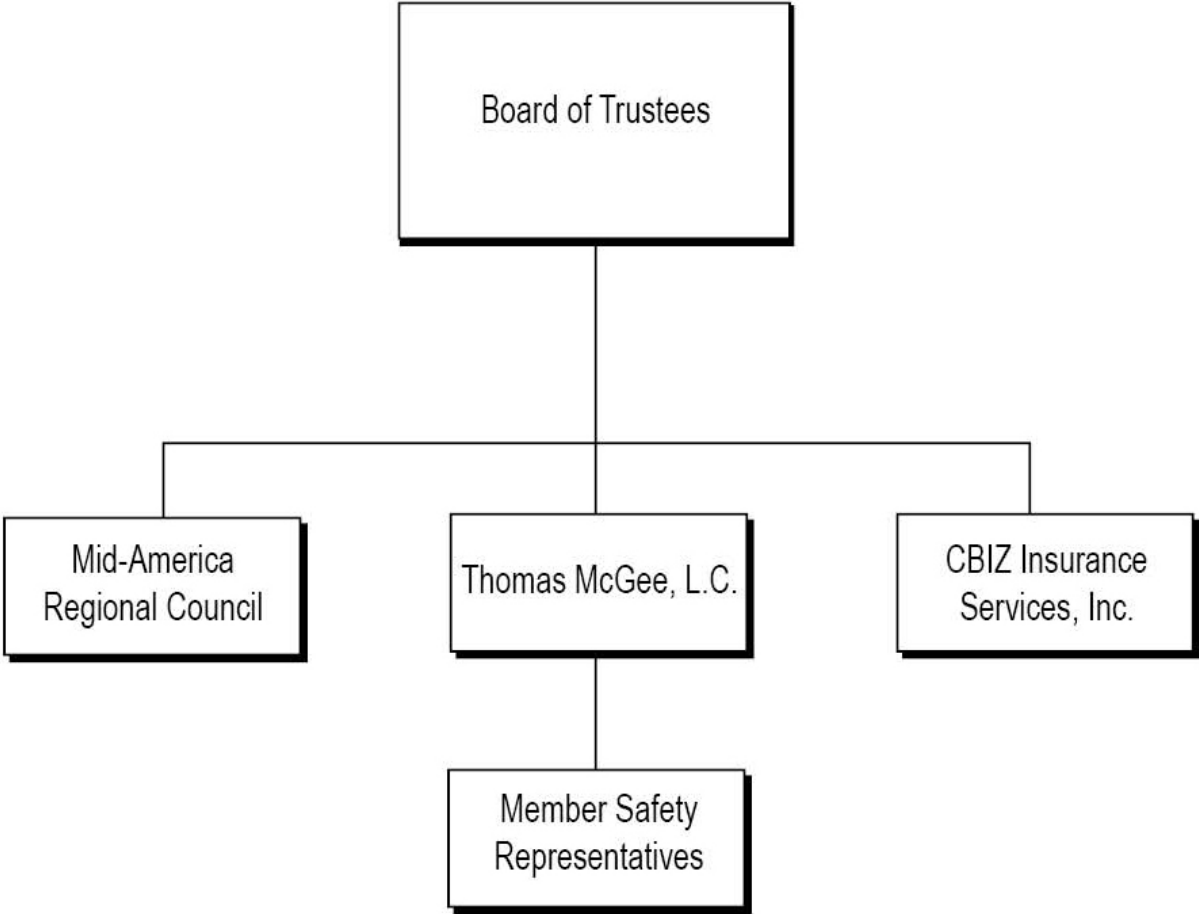
**Independent Certified Public Accountants**

BKD, LLP  
1201 Walnut Street, Suite 1700  
Kansas City, Missouri 64106  
(816) 221-6300



**Kansas Eastern Region Insurance Trust**  
**Organizational Chart**  
**December 31, 2014**

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**Kansas Eastern Region Insurance Trust**  
**Board of Trustees**  
**December 31, 2014**

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**MEMBER**

**TRUSTEE / ALTERNATE TRUSTEE**

Atchison County

Pauline Lee / Patrick Henderson

Chanute

Traci Endicott / Rick Willis

Coffeyville

Marilyn Evenson / Mike Shook

Fairway

Kathy Axelson / Bill Stogsdill

Gardner

Mary Beth Bush / Shannon Templeton

Johnson Co Park & Recreation Dist.

David Grant / Becky Jones

Junction City

Vacant / Tyler Ficken

Lansing

Sunshine Petrone / Mike Smith

Leavenworth

Paul Kramer / Lona Lanter

Leavenworth County

Diane Collins / Frances Keppler

Leawood

Nic Sanders / Cathy McDonald

McPherson

Thomas A. Brown / Carla Pearson

Merriam

Sari Maple / Christopher Engel

Mission

Laura Smith / Jesse Rozof

Ottawa

Melissa Fairbanks / Jami Michael

Shawnee

Liz Crawford Barnard / Debbie Kelly

Winfield

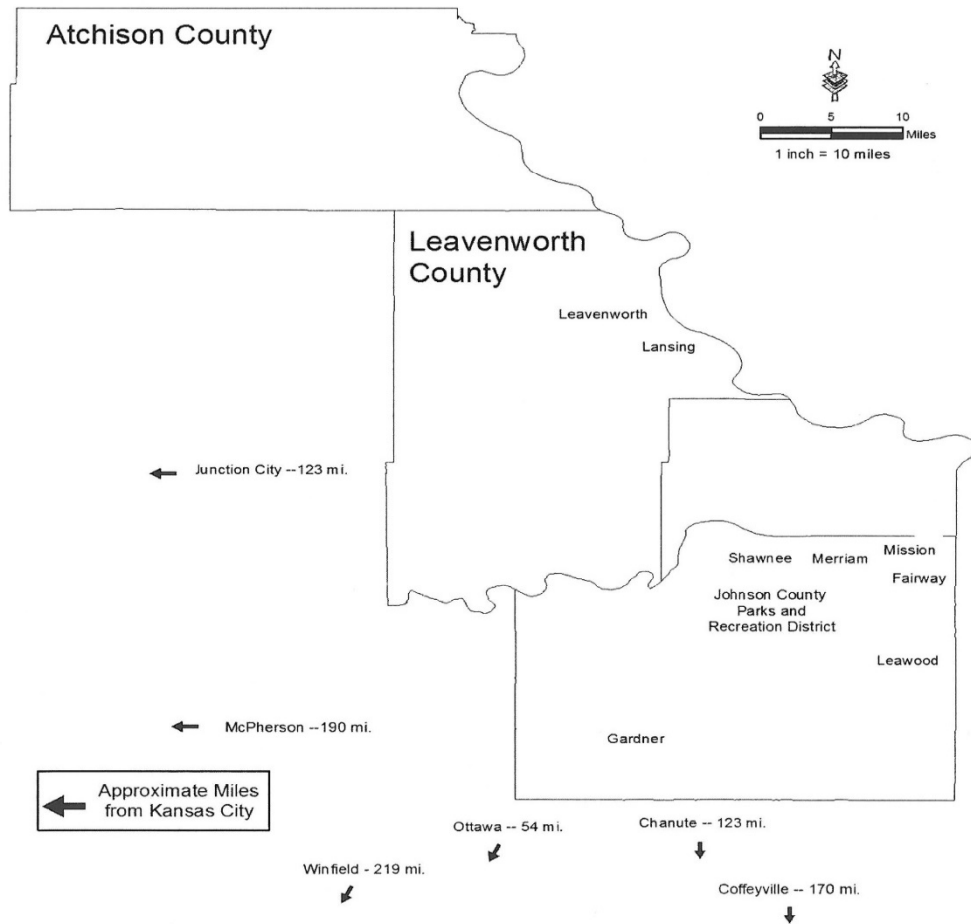
James Chism / Patricia King

# Kansas Eastern Region Insurance Trust

## Map of Area Served by KERIT

December 31, 2014

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## **FINANCIAL SECTION**



## Independent Auditor's Report

Board of Trustees  
Kansas Eastern Region Insurance Trust  
Kansas City, Missouri

We have audited the accompanying basic financial statements, which are comprised of statements of net position as of December 31, 2014 and 2013, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended and the related notes to the basic financial statements, as listed in the table of contents, of Kansas Eastern Region Insurance Trust (KERIT).

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 Kansas Eastern Region Insurance Trust as of December 31, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

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

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The introductory section and statistical section listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*BKD, LLP*

Kansas City, Missouri  
May 15, 2015



## **KERIT**

### **Management's Discussion and Analysis**

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This section of the annual financial report of KERIT presents a discussion and analysis of the financial performance for the years ended December 31, 2014 and December 31, 2013, with select comparative information for the year ended December 31, 2012. Please read it in conjunction with the basic financial statements, which follow this section. The financial section of this report also contains other supplementary information in addition to the basic financial statements.

#### **Overview of the Financial Statements**

KERIT's basic financial statements are prepared on the basis of accounting principles generally accepted in the United States of America for governmental entities and insurance enterprises where applicable. The primary purpose of KERIT is to cover workers' compensation claims for its governmental members. KERIT operates in a manner similar to an insurance company and uses a proprietary fund, more specifically an enterprise fund, to account for its activities.

**Financial Statements.** The basic financial statements are presented on the accrual basis of accounting. The three basic financial statements presented within the financial statements are as follows:

**Statement of Net Position** – This statement presents information reflecting KERIT's assets, liabilities and net position. Net position represents the amount of total assets less total liabilities. The statement of net position is categorized as to current and long-term assets and liabilities. For purposes of the basic financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or becoming due within twelve months of the statement date.

**Statement of Revenues, Expenses and Changes in Net Position** – This statement reflects KERIT's operating revenues and expenses, as well as non-operating revenues and expenses, during the fiscal year. The major source of operating revenues is contribution income, with the major type of expense being workers' compensation claims. The change in net position for an enterprise fund is similar to net profit or loss for an insurance company.

**Statement of Cash Flows** – The statement of cash flows is presented on the direct method of reporting, which reflects cash flows from operating and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the fiscal year.

**Notes to basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Other information.** In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning loss development.

The statistical section also includes a variety of schedules reporting financial activity by claim year and fiscal year, selected loss information and member demographic information.

# KERIT

## Management's Discussion and Analysis

### Financial Highlights

**Basic Financial Statements.** The following table summarizes the financial position for KERIT as of December 31, 2014, 2013 and 2012.

	December 31, 2014	December 31, 2013	Increase (Decrease) from December 31, 2013	Percent Increase (Decrease) from December 31, 2013	December 31, 2012	Increase (Decrease) from December 31, 2012	Percent Increase (Decrease) from December 31, 2012
Cash and investments	\$ 9,571,148	\$ 8,970,839	\$ 600,309	7 %	\$ 8,331,070	\$ 639,769	8 %
Excess insurance recoverable on paid claims	15,628	48,712	(33,084)	-	-	48,712	-
Other receivables	69,946	101,155	(31,209)	(31)	84,320	16,835	20
Total current assets	9,656,722	9,120,706	536,016	6	8,415,390	705,316	8
Unbilled supplemental assessments	285,905	239,322	46,583	19	315,512	(76,190)	(24)
Total assets	\$ 9,942,627	\$ 9,360,028	\$ 582,599	6	\$ 8,730,902	\$ 629,126	7
Claim reserves-current portion	\$ 692,000	\$ 618,000	\$ 74,000	12	\$ 764,000	\$ (146,000)	(19)
Other current liabilities	124,980	90,611	34,369	38	96,390	(5,779)	(6)
Unearned contributions	475,542	245,857	229,685	93	301,870	(56,013)	(19)
Total current liabilities	1,292,522	954,468	338,054	35	1,162,260	(207,792)	(18)
Accrued tax liability- non-current portion	161,958	101,772	60,186	59	95,703	6,069	6
Excess assessment liability	25,973	25,251	722	3	25,602	(351)	(1)
Claim reserves-non-current portion	2,169,529	2,009,389	160,140	8	1,359,871	649,518	48
Total long-term liabilities	2,357,460	2,136,412	221,048	10	1,481,176	655,236	44
Total liabilities	3,649,982	3,090,880	559,102	18	2,643,436	447,444	17
Net Position:							
Restricted	846,681	1,490,212	(643,531)	(43)	1,408,875	81,337	6
Unrestricted	5,445,964	4,778,936	667,028	14	4,678,591	100,345	2
Total net position	6,292,645	6,269,148	23,497	0	6,087,466	181,682	3
Total liabilities and net position	\$ 9,942,627	\$ 9,360,028	\$ 582,599	6	\$ 8,730,902	\$ 629,126	7

Cash increased \$186,999 and investments increased \$413,310 from fiscal year 2013 to fiscal year 2014 for a total of \$600,309. Cash increased \$19,868 and investments increased \$619,901 from fiscal year 2012 to fiscal year 2013 for a total of \$639,769.

Unbilled supplemental assessments represent those amounts due from members for claim years that have expenses that exceed revenues. The unbilled supplemental assessments as of December 31, 2014, 2013 and 2012 are shown below:

## KERIT Management's Discussion and Analysis

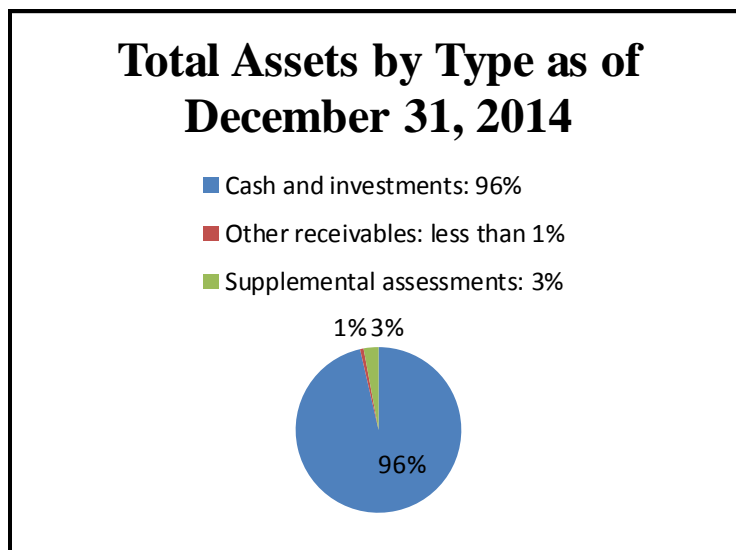
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	December 31, 2014	December 31, 2013	Increase (Decrease) from December 31, 2013	Percent Incr. (decr.) from December 31, 2013	December 31, 2012	Increase (Decrease) from December 31, 2012	Percent Incr. (decr.) from December 31, 2012
1990 claim year	\$ -	\$ -	\$ -	- %	\$ 556	\$ (556)	(100) %
2000 claim year	-	-	-	-	883	(883)	(100)
2010 claim year	<u>285,905</u>	<u>239,322</u>	<u>46,583</u>	19	<u>314,073</u>	<u>(74,751)</u>	(24)
	<u>\$ 285,905</u>	<u>\$ 239,322</u>	<u>\$ 46,583</u>	19	<u>\$ 315,512</u>	<u>\$ (76,190)</u>	(24)

In fiscal year 2014, the accrual for unbilled supplemental assessment for claim year 2010 was increased by \$82,150, due to unfavorable loss development; however, \$35,567 of assessment was collected as part of the 2014 dividend distribution, resulting in a net increase of \$46,583.

In fiscal year 2013, the accrual for unbilled supplemental assessment for claim year 2010 was decreased by \$39,853, due to favorable loss development, and \$34,898 of assessment was collected as part of the 2013 dividend distribution, resulting in a net decrease of \$74,751 for that claim year. The supplemental assessment was necessary due to two unusually large losses in claim year 2010.

Total assets increased \$582,599 from \$9,360,028 as of December 31, 2013 to \$9,942,627 as of December 31, 2014.



Total assets increased \$629,126 from \$8,730,902 as of December 31, 2012 to \$9,360,028 as of December 31, 2013.

## KERIT

### Management's Discussion and Analysis

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The combined current and non-current portions of claim reserves increased \$234,140 in fiscal year 2014 and increased \$503,518 in fiscal year 2013 due to timing of claim payments and unfavorable loss development. These liabilities decreased \$42,418 in fiscal year 2012 due to timing of claim payments and favorable loss development. Note 1B discusses the significant accounting policies regarding management's estimates for claim reserves. Note 3 provides a reconciliation of claims reserves from the beginning of the fiscal year to the end of the fiscal year.

Unearned contributions increased by \$229,685 as of December 31, 2014 and decreased by \$56,013 as of December 31, 2013. The factors that contribute to this are the amounts members pay during the current fiscal year for the following year's premiums and the amount that premiums were reduced and owed to the members as a result of the annual year-end payroll audit.

	December 31, 2014	December 31, 2013	Increase (Decrease) from December 31, 2013	Percent Incr. (decr.) from December 31, 2013	December 31, 2012	Increase (Decrease) from December 31, 2012	Percent Incr. (decr.) from December 31, 2012
Advanced premiums paid	\$ 307,853	\$ 166,082	\$ 141,771	85 %	\$ 221,038	\$ (54,956)	(25) %
Payroll audit refund	<u>167,689</u>	<u>79,775</u>	<u>87,914</u>	110	<u>80,832</u>	<u>(1,057)</u>	(1)
	<u>\$ 475,542</u>	<u>\$ 245,857</u>	<u>\$ 229,685</u>	93	<u>\$ 301,870</u>	<u>\$ (56,013)</u>	(19)

Other current liabilities (accounts payable, reserves for unallocated loss adjustment and current accrued tax liability) increased by \$34,369 as of December 31, 2014, due to a combination of factors, including the estimated tax rate, which increased in fiscal year 2014 from 3.04 to 5.04 percent. The total for these liabilities decreased by \$5,779 as of December 31, 2013, primarily due to a decrease in the estimated tax rate from 3.54 to 3.04 percent.

In fiscal year 2014, KERIT's net position increased by \$23,497 as compared to fiscal year 2013, when net position increased by \$181,682. The relatively small increase in 2014 as compared to the larger increase in 2013 and even larger increase in 2012, is influenced mostly by an increase in insurance taxes and an increase in refunds of contributions, as shown below. Refunds of contributions (dividends) reward the members for controlling losses (workers' compensation claims) in prior years and reduce net position when the refunds are approved by the Board of Trustees.

## KERIT

### Management's Discussion and Analysis

	December 31, 2014	December 31, 2013	Increase (Decrease) from December 31, 2013	Percent Incr. (decr.) from December 31, 2013	December 31, 2012	Increase (Decrease) from December 31, 2012	Percent Incr. (decr.) from December 31, 2012
Increase in net position	\$ 23,497	\$ 181,682	\$ (158,185)	(87) %	\$ 817,359	\$ (635,677)	(78) %
Insurance taxes paid	178,901	53,460	125,441	235	13,098	40,362	308
Refunds of contributions	784,756	520,577	264,179	51	411,341	109,236	27

The following table summarizes KERIT's revenues and expenses for the years ended December 31, 2014, 2013 and 2012.

	Fiscal Year 2014	Fiscal Year 2013	Increase (Decrease) From Fiscal Year 2013	Percent Increase (Decrease) From Fiscal Year 2013	Fiscal Year 2012	Increase (Decrease) From Fiscal Year 2012	Percent Increase (Decrease) From Fiscal Year 2012
Operating revenues:							
Contributions earned (net of excess insurance premiums)	\$ 2,601,756	\$ 2,821,320	\$ (219,564)	(8) %	\$ 2,463,260	\$ 358,060	15 %
Supplemental contribution assessments	81,429	(39,509)	120,938	306	39,478	(78,987)	(200)
Total operating revenues	2,683,185	2,781,811	(98,626)	(4)	2,502,738	279,073	11
Non-operating revenues:							
Net investment income (loss)	226,938	(81,684)	308,622	(378)	115,097	(196,781)	(171)
Total revenues	2,910,123	2,700,127	209,996	8	2,617,835	82,292	3
Operating expenses:							
Incurred losses and recoveries	1,585,628	1,612,137	(26,509)	(2)	1,074,805	537,332	50
Administrative expenses	240,685	242,898	(2,213)	(1)	216,359	26,539	12
Loss control	96,656	89,373	7,283	8	84,873	4,500	5
Insurance taxes	178,901	53,460	125,441	235	13,098	40,362	308
Refunds of contributions	784,756	520,577	264,179	51	411,341	109,236	27
Total operating expenses	2,886,626	2,518,445	368,181	15	1,800,476	717,969	40
Increase in net position	23,497	181,682	(158,185)	(87)	817,359	(635,677)	(78)
Net position, beginning of year	6,269,148	6,087,466	181,682	3	5,270,107	817,359	16
Net position, end of year	\$ 6,292,645	\$ 6,269,148	\$ 23,497	-	\$ 6,087,466	\$ 181,682	3

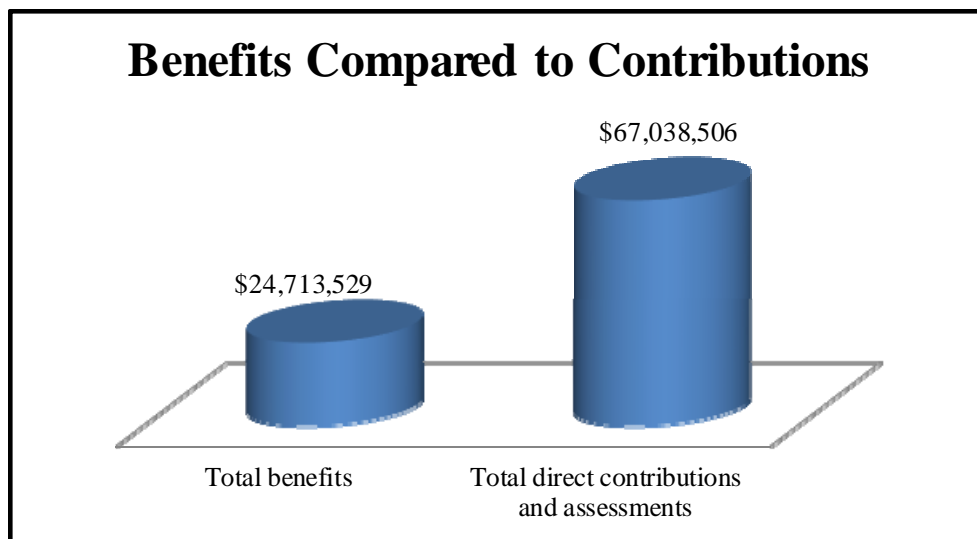
The success of KERIT can also be measured by the amount of contribution savings from advanced contribution discounts that KERIT is able to award its members at the beginning of each claim year. In addition, the net position represents future refunds of contributions to the members. The discounts and refunds of contributions are benefits that members seldom see in the traditional insurance market.

**KERIT**  
**Management’s Discussion and Analysis**

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These benefits are compared to the total of contributions billed and collected by KERIT and any supplemental contribution assessments accrued to cover deficiencies in a claim year. Even though, as of December 31, 2014, KERIT has recorded supplemental contribution assessments of \$1,062,428 to cover deficiencies in six claim years, the members have earned benefits of \$24,713,529 or 37 percent of their contribution investment.

	<b>Since Inception</b>
Cumulative refunds of contributions since inception	\$12,842,654
Net position- December 31, 2014	6,292,645
Advanced contribution discounts	<u>5,578,230</u>
 Total benefits	 <u>\$24,713,529</u>
 Direct contributions earned	 \$65,976,078
Supplemental contribution assessments	<u>1,062,428</u>
 Total direct contributions and assessments	 <u>\$67,038,506</u>
 Percent of benefits of total direct contributions and assessments	 37%



Contributions earned decreased by \$219,564 from fiscal year 2013 to fiscal year 2014 and increased by \$358,060 from fiscal year 2012 to fiscal year 2013. The calculation of contributions includes the members’ actual payrolls, claim experience modifiers, and trust discounts (see comparison between fiscal years 2014, 2013 and 2012 on the following table). These factors vary from member to member and work independently of each other. As an example, a member’s contribution may decrease even though its payroll increased because the experience modifier decreased more significantly than the increase in payroll. The net effect of the increases and decreases of these factors among all of the

## KERIT Management's Discussion and Analysis

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members resulted in the net changes in the contributions noted above. In addition, KERIT added a new member, Johnson County Park & Recreation District, in 2014.

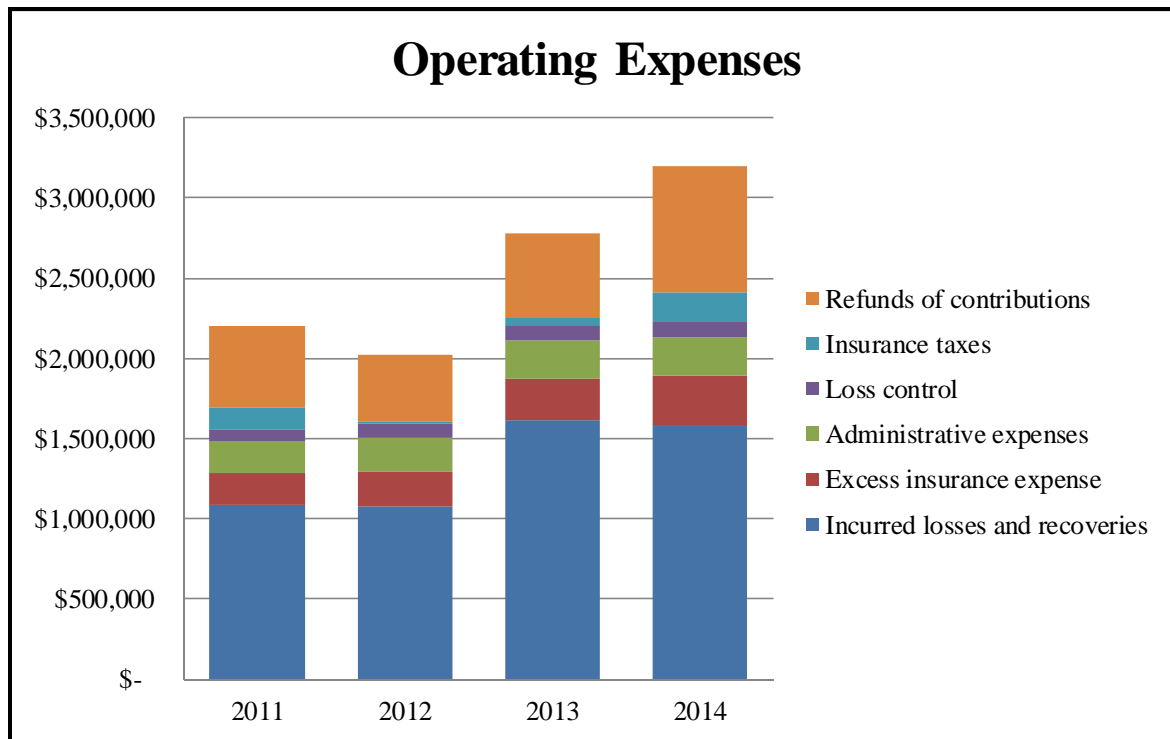
	Claim Year 2014	Claim Year 2013	Increase (Decrease) From Claim Year 2013	Percent Increase (Decrease) From Claim Year 2013	Claim Year 2012	Increase (Decrease) From Claim Year 2012	Percent Increase (Decrease) From Claim Year 2012
Member payrolls	\$140,775,996	\$134,527,857	\$ 6,248,139	5 %	\$120,292,943	\$ 14,234,914	12 %
Average member experience modifier	81%	81%	0%	-	90%	-9%	(10)
Trust discounts:							
Contribution discount	\$ 419,608	\$ 442,542	\$ (22,934)	(5)	\$ 382,766	\$ 59,776	16
Experience modification discount	149,459	143,219	6,240	-	123,944	19,275	16
PLUS Program discount	138,056	138,099	(43)	(0)	121,485	16,614	14
Total trust discounts:	\$ 707,123	\$ 723,860	\$ (16,737)	(2)	\$ 628,195	\$ 95,665	15
Average loss cost rate	2.07%	2.03%	0.04%	2	2.04%	-0.01%	-

Trust members are subject to supplemental contribution assessments in the event of deficiency in a claim year. Several claim years have resulted in deficiencies. Each fiscal year, the amount of investment income earned and changes in the estimated total incurred losses and recoveries affect the cumulative surplus or deficiency in each of the claim years. Due to two unusually large losses in claim year 2010, an assessment was necessary to cover the total operating expenses. In fiscal year 2014, KERIT increased the accrued supplemental contribution assessments by \$81,429 as compared to a decrease of \$39,509 in fiscal year 2013 and an increase of \$39,478 in fiscal year 2012.

There was an increase of \$308,622 in net investment income from fiscal year 2013 to fiscal year 2014 and a decrease of \$196,781 from fiscal year 2012 to fiscal year 2013, due to a changing financial market and portfolio mix.

## KERIT Management's Discussion and Analysis

A comparison of operating expense by fiscal year is shown below:



Incurred losses and recoveries decreased \$26,509 and increased \$537,332 in fiscal years 2014 and 2013, respectively, as follows:

	Fiscal Year 2014	Fiscal Year 2013	Increase (Decrease) From Fiscal Year 2013	Percent Increase (Decrease) From Fiscal Year 2013	Fiscal Year 2012	Increase (Decrease) From Fiscal Year 2012	Percent Increase (Decrease) From Fiscal Year 2012
Paid claims	\$ 1,584,072	\$ 1,396,983	\$ 187,089	13 %	\$ 1,120,149	\$ 276,834	25 %
Change in:							
Claims reserves	(9,555)	813,338	(822,893)	(101)	(106,635)	919,973	863
Incurred but not reported claims and loss development reserves	37,446	59,588	(22,142)	(37)	64,217	(4,629)	(7)
Excess insurance recoveries and other recoveries	<u>(26,335)</u>	<u>(657,772)</u>	<u>631,437</u>	96	<u>(2,926)</u>	<u>(654,846)</u>	(22,380)
Total incurred losses and recoveries	<u>\$ 1,585,628</u>	<u>\$ 1,612,137</u>	<u>\$ (26,509)</u>	(2)	<u>\$ 1,074,805</u>	<u>\$ 537,332</u>	50

Paid claims represent the actual payments for workers' compensation benefits during the fiscal year. Change in claim reserves represents the change between fiscal years in the estimated future payments on open known claims. Incurred but not reported claims and loss development reserves is an estimate provided annually by an actuary. Losses are reduced by recoveries and subrogations from third parties.



## KERIT

### Management's Discussion and Analysis

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Excess insurance recoveries represent the portion of claims over the specific excess insurance retention amounts that will be reimbursed to KERIT by the excess insurance carrier. The above four components of total incurred losses and recoveries fluctuate with the number and type of claims filed, prior injuries and the ability to expedite settlement of the claims among other factors.

Each year, KERIT has an actuary estimate: 1) total incurred losses and recoveries, and 2) incurred but not reported claims and loss development reserves. The net reestimated incurred losses and recoveries for open claim years are shown on the following table:

Claim Year Ended	Number of Claims	Number of Open Claims	Net Reestimated Incurred Losses and Recoveries		Increase/ (Decrease)
			December 31, 2014	December 31, 2013	
1995	679	1	\$ 2,235,237	\$ 2,225,074	\$ 10,163
2001	447	1	1,793,000	1,793,000	-
2003	361	1	1,184,000	1,184,000	-
2004	362	3	1,371,000	1,324,026	46,974
2005	373	3	1,343,162	1,328,000	15,162
2006	383	4	1,283,323	1,283,323	-
2007	471	5	1,534,390	1,474,113	60,277
2008	491	7	1,556,000	1,503,068	52,932
2009	442	4	1,084,000	1,084,000	-
2010	444	6	2,216,000	2,148,000	68,000
2011	435	1	793,000	827,880	(34,880)
2012	418	2	627,000	763,000	(136,000)
2013	469	13	1,791,000	2,211,000	(420,000)
2014	405	76	1,923,000	-	1,923,000
			<u>\$ 20,734,112</u>	<u>\$ 19,148,484</u>	<u>\$ 1,585,628</u>

Most of the older claim years had increases in net reestimated incurred losses and recoveries, while the newer claim years had decreases. The initial loss estimate for claim year 2014 is \$1,923,000 as compared to the claim year 2013 original estimate of \$2,211,000 and the claim year 2012 estimate at December 31, 2013 of \$763,000.

**KERIT**  
**Management's Discussion and Analysis**

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The number and loss estimates of claims over \$50,000 for claim years 2009 through 2014 changed as follows:

	Fiscal Year 2014	Fiscal Year 2013	Increase/ (Decrease) From Fiscal Year 2013	Percent Increase/ (Decrease) From Fiscal Year 2013
<b><u>Claim year 2009</u></b>				
Number of claims over \$50,000	7	7	-	0
Estimated losses for claims over \$50,000	\$ 474,233	\$ 474,233	\$ -	0
<b><u>Claim year 2010</u></b>				
Number of claims over \$50,000	8	8	-	0
Estimated losses for claims over \$50,000	\$ 1,684,725	\$ 1,836,557	\$ (151,832)	(8)
<b><u>Claim year 2011</u></b>				
Number of claims over \$50,000	2	2	-	0
Estimated losses for claims over \$50,000	\$ 145,909	\$ 145,942	\$ (33)	(0)
<b><u>Claim year 2012</u></b>				
Number of claims over \$50,000	1	2	(1)	(50)
Estimated losses for claims over \$50,000	\$ 132,400	\$ 197,985	\$ (65,585)	(33)
<b><u>Claim year 2013</u></b>				
Number of claims over \$50,000	11	9	2	22
Estimated losses for claims over \$50,000	\$ 1,013,583	\$ 753,200	\$ 260,383	35
<b><u>Claim year 2014</u></b>				
Number of claims over \$50,000	9	N/A	N/A	N/A
Estimated losses for claims over \$50,000	\$ 544,950	N/A	N/A	N/A

Additional information on the development of losses can be found in the Required Supplementary Information section.

Insurance taxes increased in fiscal year 2014 and fiscal year 2013 and decreased in fiscal year 2012. Each year the state of Kansas assesses four different taxes on KERIT. One tax is for the second injury fund and another tax is an assessment on paid losses and both taxes impose a liability for future tax payments based upon current claim reserves. In addition, the state assesses a contribution tax based upon the prior year's contributions. Finally, there is a nominal annual workers' compensation pools assessment fee. This fee was not assessed in 2014.

**KERIT**  
**Management's Discussion and Analysis**

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Each year, when the tax payments are made, the tax rate is applied to net paid claims or contributions from the prior year, as applicable, and the rates may vary from one year to the next. The following table provides key information to show the changes in the accrued tax liability and the other taxes and fees paid during the year:

	<b>FY 2014</b>	<b>FY 2013</b>	<b>FY 2012</b>
Tax base	\$ 4,164,305	\$ 3,736,008	\$ 3,241,094
Estimated tax rate	<u>5.040%</u>	<u>3.040%</u>	<u>3.540%</u>
2nd injury fund and paid loss assessment fees	209,881	113,575	114,734
Contribution tax	<u>18,525</u>	<u>23,380</u>	<u>20,519</u>
Accrued tax liability	<u>\$ 228,406</u>	<u>\$ 136,955</u>	<u>\$ 135,253</u>
Change in accrued tax liability from prior year	\$ 91,451	\$ 1,702	\$ (55,116)
Paid losses assessment fees	35,468	28,348	41,024
2nd injury fund assessments paid during the year	28,603	2,540	11,028
Contribution tax	<u>23,379</u>	<u>20,870</u>	<u>16,162</u>
Total insurance taxes	<u>\$ 178,901</u>	<u>\$ 53,460</u>	<u>\$ 13,098</u>

Premium Assessments and Refund of Contributions

KERIT has been established as an assessable pool. Accounting records are maintained on a claim year basis. The Trustees have the authority to assess members for any deficiencies of revenues under expenses for any single claim year. Likewise, to the extent that revenues exceed expenses in a given claim year after all or nearly all related claims have been settled and there are no other designations on this portion of net position, members participating in such claim years will be entitled to receive a refund of contributions should it be authorized by the Board of Trustees. Due to the maturity and financial position of KERIT, the Trustees have distributed refunds of contributions to members as shown on the following chart. It is these distributions that distinguish KERIT from the traditional insurance environment and reward the members for good loss experience and management of KERIT's activities.

**KERIT**  
**Management's Discussion and Analysis**

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KERIT has now distributed a total of \$12,842,654 for refunds of contributions as shown by fiscal year and by claim year on the following table:

<b>Fiscal year ended</b>	<b>Refunds of Contributions</b>	<b>Claim year ended</b>	<b>Refunds of Contributions</b>
1993	\$ 292,995	1987	\$ 295,462
1994	2,466	1988	129,897
1996	513,359	1990	499,335
1997	760,276	1991	287,638
1998	1,033,478	1992	699,157
1999	577,136	1993	1,355,137
2000	1,132,894	1994	339,345
2001	1,382,598	1995	130,951
2006	861,976	1996	2,009,220
2008	2,093,383	1997	1,735,008
2009	1,471,333	1998	410,266
2010	500,078	1999	631,827
2011	504,008	2002	371,040
2012	411,341	2003	576,121
2013	520,577	2004	754,510
2014	<u>784,756</u>	2005	904,844
Total	<u>\$ 12,842,654</u>	2006	596,904
		2007	502,095
		2008	155,764
		2009	228,304
		2011	97,589
		2012	<u>132,240</u>
		Total	<u>\$ 12,842,654</u>

As of December 31, 2014, 2013 and 2012, KERIT had claim years with deficiencies because expenses exceeded revenues. The status of contribution assessments is shown below. The 2001 claim year experienced positive loss development and additional investment income. As a result, KERIT has collected \$25,973 more than the assessment needed to cover deficiencies. The excess is recorded as a supplemental assessment refund liability to the members.

**KERIT**  
**Management's Discussion and Analysis**

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	December 31, 2014	December 31, 2013	Increase/ (Decrease) From Fiscal Year 2013	Percent Increase/ (Decrease) From Fiscal Year 2013
Collected:				
Claim year 1989 deficiency	\$ 108,330	\$ 108,330	\$ -	- %
Claim year 1990 deficiency	550	550	-	-
Claim year 1995 deficiency	157,687	157,687	-	-
Claim year 2000 deficiency	294,967	294,967	-	-
Claim year 2001 deficiency	135,460	135,460	-	-
Claim year 2010 deficiency	105,502	69,935	35,567	51
Accrued and Unbilled:				
Claim year 2001 refund liability	(25,973)	(25,251)	(722)	3
Claim year 2010 deficiency	<u>285,905</u>	<u>239,322</u>	<u>46,583</u>	19
	<u>\$ 1,062,428</u>	<u>\$ 981,000</u>	<u>\$ 81,428</u>	8

**Requests for Information**

This financial report is designed to provide a general overview of KERIT's finances for all those with an interest in KERIT's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Financial Affairs, Mid-America Regional Council, 600 Broadway, Suite 200, Kansas City, Missouri 64105-1659.

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## **BASIC FINANCIAL STATEMENTS**

**The basic financial statements are those financial statements which comprise the minimum presentation of KERIT's financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America.**





**Kansas Eastern Region Insurance Trust**  
**Statements of Net Position**  
**December 31, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents – administration	\$ 214,489	\$ 198,868
Investments – administration	1,221,183	1,236,466
Accrued interest	24,224	23,037
Contributions due from members	44,738	76,234
Prepaid insurance and other expenses	984	1,884
Reinsurance recoverable on paid claims	<u>15,628</u>	<u>48,712</u>
Total unrestricted current assets	<u>1,521,246</u>	<u>1,585,201</u>
Cash and cash equivalents – claims	1,215,436	1,044,058
Investments – claims	<u>6,920,040</u>	<u>6,491,447</u>
Total restricted current assets	<u>8,135,476</u>	<u>7,535,505</u>
Total current assets	9,656,722	9,120,706
Long-term assets:		
Unbilled supplemental assessments	<u>285,905</u>	<u>239,322</u>
Total long-term assets	<u>285,905</u>	<u>239,322</u>
Total assets	<u>\$ 9,942,627</u>	<u>\$ 9,360,028</u>
<b>Liabilities and Net Position</b>		
Liabilities:		
Current liabilities:		
Reserve for unallocated loss adjustment expenses	\$ 53,280	\$ 51,962
Accounts payable	5,252	3,466
Accrued tax liability	66,448	35,183
Unearned contributions	<u>475,542</u>	<u>245,857</u>
Total current liabilities, less liabilities payable for restricted assets	600,522	336,468
Liabilities payable for restricted assets-claim reserves	<u>692,000</u>	<u>618,000</u>
Total current liabilities	<u>1,292,522</u>	<u>954,468</u>
Long-term liabilities:		
Claim reserves, net of current portion	2,169,529	2,009,389
Supplemental assessment refund liability	25,973	25,251
Accrued tax liability	<u>161,958</u>	<u>101,772</u>
Total long-term liabilities	<u>2,357,460</u>	<u>2,136,412</u>
Total liabilities	<u>3,649,982</u>	<u>3,090,880</u>
Net Position:		
Restricted expendable	846,681	1,490,212
Unrestricted	<u>5,445,964</u>	<u>4,778,936</u>
Total net position	<u>6,292,645</u>	<u>6,269,148</u>
Total liabilities and net position	<u>\$ 9,942,627</u>	<u>\$ 9,360,028</u>

**See Notes to Financial Statements**

**Kansas Eastern Region Insurance Trust**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended December 31, 2014 and 2013**

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	<b>2014</b>	<b>2013</b>
Operating revenues:		
Contributions earned (net of excess insurance expense)	\$ 2,601,756	\$ 2,821,320
Change in unbilled supplemental contribution assessments	<u>81,429</u>	<u>(39,509)</u>
Total operating revenues	<u>2,683,185</u>	<u>2,781,811</u>
Operating expenses:		
Losses and loss adjustment expenses:		
Paid	1,318,404	1,157,331
Change in reserves	267,224	454,806
Administrative expenses	240,685	242,898
Loss prevention	96,656	89,373
Insurance taxes	178,901	53,460
Refunds of contributions	<u>784,756</u>	<u>520,577</u>
Total operating expenses	<u>2,886,626</u>	<u>2,518,445</u>
Operating income (loss)	<u>(203,441)</u>	<u>263,366</u>
Non-operating revenues:		
Interest income	128,427	108,163
Net increase (decrease) in fair value of investments	<u>98,511</u>	<u>(189,847)</u>
Total non-operating revenues	<u>226,938</u>	<u>(81,684)</u>
Increase in net position	23,497	181,682
Net position, beginning of year	<u>6,269,148</u>	<u>6,087,466</u>
Net position, end of year	<u>\$ 6,292,645</u>	<u>\$ 6,269,148</u>

**See Notes to Financial Statements**

**Kansas Eastern Region Insurance Trust**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
Cash flows from operating activities:		
Contributions collected	\$ 3,147,273	\$ 2,990,999
Losses and loss adjustment expenses paid	(1,584,072)	(1,396,983)
Recoveries collected, including excess insurance	265,668	239,652
Insurance premiums paid	(326,474)	(273,816)
Contribution taxes paid	(87,450)	(51,758)
Claims administration fees paid	(72,518)	(64,745)
Loss prevention paid	(94,813)	(97,538)
General and administrative expenses paid	(148,039)	(136,346)
Contribution assessments collected	35,567	36,331
Refunds of contributions paid	<u>(760,585)</u>	<u>(520,577)</u>
Net cash provided by operating activities	<u>374,557</u>	<u>725,219</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	2,668,661	2,579,252
Purchase of investments	(2,983,460)	(3,389,000)
Interest received	<u>127,241</u>	<u>104,397</u>
Net cash used in investment activities	<u>(187,558)</u>	<u>(705,351)</u>
Net change in cash and cash equivalents	186,999	19,868
Cash and cash equivalents, beginning of year	<u>1,242,926</u>	<u>1,223,058</u>
Cash and cash equivalents, end of year	<u>\$ 1,429,925</u>	<u>\$ 1,242,926</u>
Reconciliation of operating income to net cash used in operating activities:		
Operating income (loss)	<u>\$ (203,441)</u>	<u>\$ 263,366</u>
Adjustments to reconcile operating income to net cash used in operating activities:		
(Increase) decrease in aggregate and specific excess insurance receivable	33,084	(48,712)
(Increase) decrease in prepaid expenses and other assets	900	7,416
(Increase) decrease in contributions due from members	31,496	(20,486)
(Increase) decrease in unbilled supplemental contribution assessments	(46,584)	76,190
Increase (decrease) in change in claim reserves	234,140	503,518
Increase (decrease) in reserve for unallocated loss adjustment expense	1,318	12,570
Increase (decrease) in accounts payable	1,786	(13,982)
Increase (decrease) in accrued tax liability	91,451	1,702
Increase (decrease) in unearned contributions	229,685	(56,013)
Increase (decrease) in excess assessment liability	<u>722</u>	<u>(350)</u>
Total adjustments	<u>577,998</u>	<u>461,853</u>
Net cash provided by operating activities	<u>\$ 374,557</u>	<u>\$ 725,219</u>
Supplemental schedule of noncash investing activities:		
Change in fair value of investments	<u>\$ 98,511</u>	<u>\$ (189,847)</u>

**See Notes to Financial Statements**

**Kansas Eastern Region Insurance Trust**  
**Notes to Basic Financial Statements**  
**For the Years Ended December 31, 2014 and 2013**

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**1. Reporting Entity and Significant Accounting Policies**

**A. The Reporting Entity**

The Kansas Eastern Region Insurance Trust (KERIT) was formed on November 1, 1986 as a self-insurance program to cover workers' compensation claims for its members. Members of KERIT, located primarily in eastern Kansas, include fourteen cities, two counties and one park and recreation district. KERIT's general objectives are to provide a self-insured program for local governments; to improve the loss prevention program to reduce claims and accidents; to reduce costs through sound and equitable claim management practices; and to provide excess insurance at a discount based on volume and lower risk exposure.

Cities and other entities joining KERIT must remain members a minimum of three years; a member may withdraw from KERIT after that time by giving written notice at least ninety days prior to January 1. The Board of Trustees may grant approval to cities, counties and other entities applying for membership in KERIT under such terms and conditions as the Board may, from time to time, determine.

KERIT's underwriting and rate-setting policies have been established after consultation with the service agent, Thomas McGee, L.C., and in accordance with state workers' compensation laws and the Kansas Insurance Department regulations. KERIT members are subject to additional contribution assessments in the event of deficiencies and may receive a refund of contributions from those claim years when revenues exceed expenses. The Board of Trustees must specifically authorize refunds of contributions.

KERIT has contracted with Thomas McGee, L.C. to provide a coordinated underwriting, administration and marketing program, claims management and payment services and a loss control/prevention program. KERIT also contracts with the Mid-America Regional Council for accounting, newsletter and secretarial services. KERIT uses a broker to assist with marketing efforts. KERIT has no employees.

KERIT's financial statements include the accounts of all KERIT functions and activities. The criteria used to determine whether component units (separate governmental units, agencies, or nonprofit corporations associated with KERIT) should be included in the financial statements of KERIT include appointment of a voting majority, imposition of will, imposition of financial benefit to or burden on KERIT and fiscal dependency. KERIT has determined that no other outside entity meets the above criteria.

**Kansas Eastern Region Insurance Trust**  
**Notes to Basic Financial Statements, Continued**  
**For the Years Ended December 31, 2014 and 2013**

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**B. Significant Accounting Policies**

The accounting policies of KERIT conform to accounting principles generally accepted in the United States of America as applicable to governmental and insurance enterprises. The following is a summary of the more significant policies:

**Basis of Presentation – Fund Accounting**

KERIT operates as a single proprietary fund; more specifically, as an enterprise fund. A proprietary fund is used to account for activities similar to those found in the private sector, where determination of net income is necessary or useful to sound financial administration. An enterprise fund is used because the services provided by KERIT's activities are provided to outside parties, the local governmental members of KERIT.

The accounts of KERIT are organized on the basis of claim years, each of which is accounted for separately because the composition of membership may change from year to year. KERIT first applies restricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**Basis of Accounting**

Basis of accounting refers to the period in which revenue and expenditures are recognized in the accounts and reported in the financial statements, and relates to the timing of the measurement made, regardless of the measurement focus applied.

As a proprietary fund, KERIT employs the accrual basis of accounting wherein revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

KERIT follows the cost of services or "economic resources" measurement focus under which all assets and all liabilities associated with the activity of providing insurance services are included within the fund.

**Assets, Liabilities and Net Position**

**Cash and Cash Equivalents** – The Trust considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2014 and 2013, cash and cash equivalents consisted primarily of money market accounts with brokers.

**Investments and Investment Income** – Investments in debt securities are carried at fair value. Fair value is determined using quoted market prices received from nationally recognized pricing services.

Investment income consists of interest and dividend income and the net change for the year in the fair value of investments carried at fair value.

**Excess Insurance Recoverables** – KERIT uses excess insurance agreements to

**Kansas Eastern Region Insurance Trust**  
**Notes to Basic Financial Statements, Continued**  
**For the Years Ended December 31, 2014 and 2013**

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reduce its exposure to large losses. Excess insurance permits recovery of a portion of losses from the excess insurers, although it does not discharge the primary liability of KERIT as direct insurer of the risks and KERIT thus remains contingently liable for amounts which excess carriers might be unable to pay. As of December 31, 2014 and December 31, 2013, the excess reinsurance recoverable based on paid claims was \$15,628 and \$48,712, respectively. The excess insurance recoverables on unpaid claims are netted with claim reserves. See Claim Reserves section below for further discussion.

**Premium Deficiency Reserves** – Premium deficiency reserves are required for the amount of the anticipated losses, loss adjustment expenses, acquisition costs and maintenance costs that have not previously been expensed and are in excess of the recorded unearned premium reserve on existing policies and anticipated investment income. No premium deficiency reserve was recorded at December 31, 2014 and 2013.

**Claim Reserves** – KERIT establishes claim liabilities based on estimates of the ultimate cost of: 1) claims (including future claim adjustment expenses) that have been reported but not settled, and 2) claims that have been incurred but not reported. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in estimating claim liabilities does not necessarily result in an exact amount.

Claim liabilities are estimated periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculations 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. Claim liabilities are not discounted to their estimated present values.

Adjustments to claim liabilities are charged or credited to expense in the fiscal year for which they are incurred. The claim reserves have been reduced by \$746,350 and \$952,599 as of December 31, 2014 and December 31, 2013, respectively, for the excess insurance recoverable for unpaid claims in the 2001 and 2010 claim years, as shown below:

	<b>December 31, 2014</b>	<b>December 31, 2013</b>
Specific excess insurance recoverable on unpaid claims:		
Claim year 2001	\$ 445,300	\$ 445,300
Claim year 2010	<u>301,050</u>	<u>507,299</u>
Total excess insurance receivables	<u>\$ 746,350</u>	<u>\$ 952,599</u>

**Kansas Eastern Region Insurance Trust**  
**Notes to Basic Financial Statements, Continued**  
**For the Years Ended December 31, 2014 and 2013**

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The excess insurance agreement for claim year 2001 is with Swiss Re, which is rated A+ Superior by A.M. Best Company. The excess insurance agreement for claim year 2010 is with Safety National Casualty Corporation, which is rated A+ Superior by A.M. Best Company.

**Unbilled Supplemental Assessment** – KERIT is an assessable fund in which the members participating in a given claim year will be assessed additional contributions if expenses exceed revenues for such claim year. As of December 31, 2014 and December 31, 2013, the unbilled supplemental assessment receivable was \$285,905 and \$239,322, respectively.

**Unallocated Loss Adjustment Expenses** – This reserve recognizes the future cost of claims administration for all open and incurred but not reported claims.

**Unearned Contributions** – Contributions are billed and collected in advance and recognized as revenue over the period for which insurance protection is provided. The contributions are calculated using estimates of each member's payroll. After the end of the claim year, the contributions are recalculated using actual payroll information, resulting in either additional contributions due to KERIT or a liability for excess contributions received.

**Net Position** – The restricted expendable net position is equal to the ending net positions for both the current claim year and the prior claim year to comply with the statutory restriction that does not allow refunds of contributions from these two claim years.

**Reclassifications** – Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 financial statement presentations. These reclassifications had no effect on the change in net position.

### **Operating Revenues and Expenses**

Operating revenues and operating expenses include only those revenues and expenses directly associated with the provision of workers' compensation coverage to the members. Operating revenues include contribution income, net of excess insurance expense, and supplemental contribution assessments that are due from members for workers' compensation coverage.

Operating expenses include losses and loss adjustment expenses (claims) incurred under the workers' compensation coverage provided to the members. Also included are administrative expenses, loss prevention and insurance taxes. Administrative expenses include: the claims administration fees for processing and paying claims submitted by the members; other insurance premiums; and general and administrative expenses.

**Kansas Eastern Region Insurance Trust**  
**Notes to Basic Financial Statements, Continued**  
**For the Years Ended December 31, 2014 and 2013**

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**Contributions** – Contributions are billed in advance and recognized as revenue over the period for which insurance protection is provided. Contributions are calculated using underwriting criteria for workers' compensation coverage.

**Incurred Losses and Recoveries** – Incurred losses and recoveries represent the expense of providing workers' compensation benefits as mandated by state workers' compensation laws and the Kansas Department of Insurance regulations. The incurred losses and recoveries include:

- Paid claims
- Claim reserves
- Incurred but not reported claims and loss development reserves
- Excess insurance recoveries and other recoveries

**Non-operating Revenues and Expenses**

Non-operating revenues and expenses include investment income, increase (decrease) in fair value of investments and refunds of contributions.

**Refunds of Contributions** – Refunds of contributions are distributions of excess net position to the members. To the extent that revenues exceed expenses in a given claim year after all or nearly all related claims have been settled and the Board of Trustees authorizes a full or partial distribution of the surplus for the claim year, members participating in such claim year will be entitled to receive a refund of contributions.

**Statement of Cash Flows** – For purposes of the statement of cash flows, cash and cash equivalents includes deposit accounts and short-term investments. There were no noncash capital or financing activities during the fiscal years ending 2014 and 2013.

**Federal and State Income Taxes** – In the opinion of legal counsel, KERIT is not subject to income taxes under Section 115 of the Internal Revenue Code.

**Acquisition Costs** – KERIT incurred broker fees of \$28,104 and \$20,502 in fiscal years 2014 and 2013, respectively. There are no acquisition costs capitalized in the accompanying financial statements.

**Use of Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**Risks and Uncertainties** – Investment securities are exposed to various risks, such as



**Kansas Eastern Region Insurance Trust**  
**Notes to Basic Financial Statements, Continued**  
**For the Years Ended December 31, 2014 and 2013**

interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least possible that changes in risks in the near term would materially affect the amounts reported in the statement of net position and the statement of revenues, expenses and changes in net position.

**Significant Accounting Pronouncements** – Management has reviewed upcoming and pending accounting pronouncements and has determined that they are not applicable to KERIT.

**2. Self-Insured Retention and Excess Insurance**

KERIT uses excess insurance agreements to reduce its exposure to large workers' compensation losses. Excess insurance permits recovery of a portion of losses from the excess insurers, although it does not discharge the primary liability of KERIT as direct insurer of the risks.

KERIT retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by its excess insurance. For claim years 2004 to 2009, KERIT has purchased specific (per occurrence) and aggregate excess insurance coverage. Beginning with claim year 2010, KERIT purchased only specific insurance coverage. The following chart reflects the self-insured retention amounts and the excess insurance limits:

	2005	2006	Claim Year 2007	2008	2009
Self-insured retention:					
Specific excess insurance	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000
Aggregate excess insurance	3,381,753	3,659,637	3,351,541	3,096,282	3,161,107
Limits:					
Specific excess insurance	Statutory	Statutory	Statutory	Statutory	Statutory
Aggregate excess insurance	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Loss fund revenues (Note 1)	2,174,266	2,103,243	2,054,383	1,836,438	1,719,281
Estimated incurred claims and expenses	1,343,162	1,283,323	1,534,391	1,556,000	1,084,000
	2010	2011	2012	2013	2014
Self-insured retention:					
Specific excess insurance	\$ 400,000	\$ 400,000	\$ 450,000	\$ 500,000	\$ 500,000
Aggregate excess insurance	-	-	-	-	-
Limits:					
Specific excess insurance	Statutory	Statutory	Statutory	Statutory	Statutory
Aggregate excess insurance	-	-	-	-	-
Loss fund revenues (Note 1)	1,940,799	1,624,534	1,876,275	2,154,855	2,037,185
Estimated incurred claims and expenses	2,216,000	793,000	627,000	1,791,000	1,923,000

Note 1: For each claim year, KERIT allocates 70 percent of the premiums to a loss fund and the remaining 30 percent to an administrative fund. The loss fund revenues shown above include 70 percent of premiums and any supplemental premium assessments to cover deficiencies.

**Kansas Eastern Region Insurance Trust**  
**Notes to Basic Financial Statements, Continued**  
**For the Years Ended December 31, 2014 and 2013**

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The members would be assessed if in any claim year losses are greater than the total of the aggregate retention amount and the excess insurance limit.

The amounts of excess insurance recoveries paid and accrued as compared with the premiums paid for the last ten claim years are shown below:

	<b>2005</b>	<b>2006</b>	<b>Claim Year 2007</b>	<b>2008</b>	<b>2009</b>
Excess insurance premiums paid	<u>\$ 236,039</u>	<u>\$ 256,206</u>	<u>\$ 273,608</u>	<u>\$ 263,047</u>	<u>\$ 270,107</u>
Excess insurance recoveries:					
Paid to KERIT	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total recoveries	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Excess insurance premiums paid	<u>\$ 197,508</u>	<u>\$ 200,564</u>	<u>\$ 218,059</u>	<u>\$ 256,121</u>	<u>\$ 308,507</u>
Excess insurance recoveries:					
Paid to KERIT	\$ 477,213	\$ -	\$ -	\$ -	\$ -
Accrued	<u>316,678</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total recoveries	<u>\$ 793,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Kansas Eastern Region Insurance Trust**  
**Notes to Basic Financial Statements, Continued**  
**For the Years Ended December 31, 2014 and 2013**

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**3. Reconciliation of Claim Reserves**

Claim reserves are based upon estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The changes in claim reserves from the beginning of the year are as follows:

	<b>2014</b>	<b>2013</b>
Claim reserves at beginning of year, net of recoveries	<u>\$ 2,627,389</u>	<u>\$ 2,123,871</u>
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	1,923,000	2,211,000
Increase (decrease) in provision for insured events of prior years (Note 1)	<u>(337,372)</u>	<u>(598,863)</u>
Total incurred claims and claim adjustment expenses	<u>1,585,628</u>	<u>1,612,137</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	626,638	539,040
Claims and claim adjustment expenses attributable to insured events of prior years	<u>724,850</u>	<u>569,579</u>
Total payments, net of recoveries	<u>1,351,488</u>	<u>1,108,619</u>
Claim reserves at end of year, net of recoveries	<u>\$ 2,861,529</u>	<u>\$ 2,627,389</u>

Note 1: As a result of changes in estimates for insured events of prior years, the provision for unpaid claims and claim adjustment expenses decreased by \$337,372 in 2014 and decreased by \$598,863 in 2013.

**4. Cash and Investments**

KERIT's trust agreement and bylaws contain no provision regarding deposits or the type of investments that may be purchased. KERIT does not have a formal policy regarding collateralization of deposits. The state of Kansas restricts the types of investments that KERIT may purchase. Permitted investments include government and corporate obligations, stocks, real estate and a variety of other securities and debt instruments, although many of the options are available only if a number of specified criteria are satisfied.

KERIT maintains various deposit accounts to handle the cash receipts, disbursements and idle cash balance. Uninsured balances of \$1,250,961 as of December 31, 2014 and \$1,031,148 as of December 31, 2013 are collateralized with securities held by the pledging financial institution's trust department.

**Kansas Eastern Region Insurance Trust**  
**Notes to Basic Financial Statements, Continued**  
**For the Years Ended December 31, 2014 and 2013**

The fair value of investments by contractual maturity as of December 31, 2014 and December 31, 2013 is 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.

	<b>Estimated Fair Value December 31, 2014</b>	<b>Estimated Fair Value December 31, 2013</b>
Less than one year	\$ -	\$ 250,220
One to five years	4,439,481	2,981,160
Five to ten years	3,481,000	4,068,739
Beyond 10 years	<u>220,742</u>	<u>427,794</u>
Total investments	<u>\$ 8,141,223</u>	<u>\$ 7,727,913</u>

The fair value of investments by type as of December 31, 2014 and 2013 is shown below:

<b>Securities issued by agencies of the U.S. Government:</b>	<b>Estimated Fair Value December 31, 2014</b>	<b>Estimated Fair Value December 31, 2013</b>
Federal Home Loan Bank	\$ 1,946,429	\$ 1,934,574
Federal Farm Credit Bank	249,358	248,410
Federal National Mortgage Association	3,233,874	2,717,132
Federal Home Loan Mortgage Corporation	2,490,820	2,522,092
Government National Mortgage Association	<u>220,742</u>	<u>305,705</u>
Total investments	<u>\$ 8,141,223</u>	<u>\$ 7,727,913</u>

**Interest Rate Risk**

KERIT does not have a formal policy relating to interest rate risk. Investment maturities are limited as follows:

<b>Maturity</b>	<b>Maximum /Minimum Investment</b>	
Within five years	30 %	minimum
Five to ten years	70	maximum
Beyond ten years	10	maximum

**Custodial Credit Risk**

KERIT's investments are subject to custodial credit risk because none are collateralized by the financial institution acting as custodian. KERIT does not have a formal policy regarding custodial credit risk for investments.

**Kansas Eastern Region Insurance Trust**  
**Notes to Basic Financial Statements, Continued**  
**For the Years Ended December 31, 2014 and 2013**

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**Credit Risk**

KERIT's Board-approved investment policy allows investments in the following:

1. U.S. Treasury securities (bills, notes or bonds) or securities guaranteed by the U.S. Government;
2. Securities issued by agencies of the U.S. Government (including mortgage-backed securities) but not necessarily guaranteed by the U.S. Government;
3. Federally insured certificates of deposit in banks; or
4. Agency-issued pass-through mortgage-backed securities with stated maturities of up to 30 years.

KERIT's investments consist solely of securities issued by agencies of the U.S. Government. The U.S. Government agency bonds held as of December 31, 2014 and December 31, 2013 are implicitly guaranteed by the U.S. Government and are rated Aaa by Moody's and AA+ by S&P.

**5. Service Agency Agreement**

KERIT has entered into separate agreements with two companies whereby KERIT is to receive administrative, accounting, loss control and claims management services for the workers' compensation program for service fees. For fiscal years 2014 and 2013, these fees totaled \$219,748 and \$217,881, respectively.

**6. Contingencies**

In 2004, KERIT entered into a structured settlement with Medicare to cover future medical costs for a claimant. As part of the settlement, KERIT purchased an annuity to cover costs up to \$77,047. The present value of the annuity is \$45,779. Should the life insurer fail to perform under the terms of the annuity, KERIT would then be liable to make payments up to the covered medical costs.

**7. Risk Management**

KERIT is exposed to various risks of loss related to torts, trustee automobile travel and errors and omissions. KERIT does not own property nor have employees. KERIT has purchased commercial errors and omissions, fidelity bond and automobile coverages. There have been no claims on any of the purchased coverages since inception.

**8. Subsequent Events**

KERIT has evaluated subsequent events through the date of the Independent Auditor's Report, the date on which the financial statements were available to be issued.

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## **REQUIRED SUPPLEMENTARY INFORMATION**





## **Kansas Eastern Region Insurance Trust**

### **Ten-Year Loss Development Information**

#### **For the Ten-Year Period Ended December 31, 2014**

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The following table illustrates how KERIT's earned revenue (net of excess insurance) and investment income compare to related costs of loss (net of loss assumed by excess insurance carriers and other expenses assumed by KERIT) as of the end of each of the previous ten years. The rows of the table are defined as follows:

1. Contributions and Investment Income  
This line shows the total of each claim year's gross earned contributions, supplemental contribution assessments and earned investment revenue, amounts of ceded excess insurance premiums, and net earned contributions (net of excess insurance) and investment income.
2. Unallocated Expenses  
This line shows each claim year's other operating costs of the program including administrative expenses, taxes, loss control and loss adjustment expenses not allocable to individual claims.
3. Estimated Incurred Claims and Expenses  
This line shows KERIT's gross incurred losses and allocated loss adjustment expense, losses assumed by excess insurance carriers, and net incurred losses and loss adjustment expenses (both paid and accrued) as originally reported at the end of the year in which the event that triggered coverage occurred (called claim year).
4. Net Paid (Cumulative)  
This section of ten rows shows the cumulative net amounts paid as of the end of successive years for each claim year.
5. Reestimated Ceded Claims and Expenses  
This line shows the latest reestimated amount of losses assumed by excess insurance carriers for each claim year.
6. Reestimated Incurred Claims and Expenses  
This section of ten rows shows how each claim year's net incurred losses increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known losses, reevaluation of existing information on known losses, and emergence of new losses not previously known.)
7. Increase (Decrease) in Estimated Net Incurred Claims and Expenses from End of Policy Year  
This line compares the latest reestimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate is greater or less than originally thought. As data for individual claim years matures, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature accident years.
8. Number of Claims Reported  
This line shows the total number of claims reported including lost time claims, medical only claims, fatalities and incidents that had no incurred costs.
9. Open Claims  
This line shows the number of reported claims that have a liability for future claim payments.

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

**Kansas Eastern Region Insurance Trust**  
**Ten-Year Loss Development Information**  
**For the Ten-year Period Ended December 31, 2014**

	2005	2006	2007	2008	2009
1. Contributions and investment income:					
Earned	\$ 3,416,596	\$ 3,317,090	\$ 3,171,417	\$ 2,738,588	\$ 2,538,459
Ceded - excess insurance premiums	(236,039)	(256,206)	(273,608)	(263,047)	(270,107)
Net earned	<u>\$ 3,180,557</u>	<u>\$ 3,060,884</u>	<u>\$ 2,897,809</u>	<u>\$ 2,475,541</u>	<u>\$ 2,268,352</u>
2. Unallocated expenses	<u>\$ 452,152</u>	<u>\$ 457,989</u>	<u>\$ 463,521</u>	<u>\$ 444,297</u>	<u>\$ 320,685</u>
3. Estimated incurred claims and expenses at end of policy year as originally reported:					
Incurred	\$ 1,869,138	\$ 1,652,300	\$ 1,773,921	\$ 1,624,000	\$ 1,541,000
Ceded - excess insurance recoveries	-	-	-	-	-
Net incurred	<u>\$ 1,869,138</u>	<u>\$ 1,652,300</u>	<u>\$ 1,773,921</u>	<u>\$ 1,624,000</u>	<u>\$ 1,541,000</u>
4. Net paid (cumulative) as of:					
December 31, 2005	\$ 574,291				
December 31, 2006	985,949	\$ 528,312			
December 31, 2007	1,074,379	914,032	\$ 508,684		
December 31, 2008	1,108,411	1,213,710	845,855	\$ 497,411	
December 31, 2009	1,199,152	1,235,500	992,973	1,004,800	\$ 529,528
December 31, 2010	1,237,125	1,224,894	1,238,645	1,190,735	831,181
December 31, 2011	1,271,172	1,230,071	1,291,887	1,307,317	976,686
December 31, 2012	1,293,602	1,243,513	1,351,628	1,377,814	1,036,270
December 31, 2013	1,316,235	1,243,513	1,368,958	1,423,043	1,063,918
December 31, 2014	1,331,492	1,243,513	1,445,994	1,437,904	1,064,074
5. Reestimated ceded claims and expenses - Excess insurance recoveries					
December 31, 2014	\$ -	\$ -	\$ -	\$ -	\$ -
6. Reestimated incurred claims and expenses:					
December 31, 2005	\$ 1,869,138				
December 31, 2006	1,425,091	\$ 1,652,300			
December 31, 2007	1,313,127	1,318,022	\$ 1,773,921		
December 31, 2008	1,333,096	1,421,000	1,274,000	\$ 1,624,000	
December 31, 2009	1,308,000	1,290,000	1,211,000	1,485,000	\$ 1,541,000
December 31, 2010	1,304,193	1,310,203	1,353,000	1,410,000	1,253,000
December 31, 2011	1,290,000	1,284,447	1,348,000	1,411,000	1,063,000
December 31, 2012	1,310,189	1,283,323	1,463,392	1,487,349	1,104,000
December 31, 2013	1,328,000	1,283,323	1,474,114	1,503,068	1,084,000
December 31, 2014	1,343,162	1,283,323	1,534,391	1,556,000	1,084,000
7. Increase (decrease) in estimated net incurred claims and expenses from end of policy year	\$ (525,976)	\$ (368,977)	\$ (239,530)	\$ (68,000)	\$ (457,000)
8. Number of claims reported as of:					
December 31, 2014	373	383	471	491	442
9. Open claims as of December 31, 2014	3	4	5	7	4

**Kansas Eastern Region Insurance Trust**  
**Ten-Year Loss Development Information, Continued**  
**For the Ten-year Period Ended December 31, 2014**

	2010	2011	2012	2013	2014
1. Contributions and investment income:					
Earned	\$ 2,808,652	\$ 2,370,348	\$ 2,721,160	\$ 3,099,419	\$ 2,941,699
Ceded - excess insurance premiums	(197,508)	(200,564)	(218,059)	(256,121)	(308,507)
Net earned	<u>\$ 2,611,144</u>	<u>\$ 2,169,784</u>	<u>\$ 2,503,101</u>	<u>\$ 2,843,298</u>	<u>\$ 2,633,192</u>
2. Unallocated expenses	<u>\$ 395,144</u>	<u>\$ 310,817</u>	<u>\$ 350,865</u>	<u>\$ 442,982</u>	<u>\$ 472,827</u>
3. Estimated incurred claims and expenses at end of policy year as originally reported:					
Incurred	\$ 2,371,891	\$ 1,468,000	\$ 1,173,000	\$ 2,211,000	\$ 1,923,000
Ceded - excess insurance recoveries	(118,891)	-	-	-	-
Net incurred	<u>\$ 2,253,000</u>	<u>\$ 1,468,000</u>	<u>\$ 1,173,000</u>	<u>\$ 2,211,000</u>	<u>\$ 1,923,000</u>
4. Net paid (cumulative) as of:					
December 31, 2005					
December 31, 2006					
December 31, 2007					
December 31, 2008					
December 31, 2009					
December 31, 2010	\$ 650,812				
December 31, 2011	1,375,843	\$ 408,416			
December 31, 2012	1,601,579	721,227	\$ 352,983		
December 31, 2013	1,854,113	763,086	547,172	\$ 539,040	
December 31, 2014	1,855,923	775,514	552,741	1,080,661	\$ 626,638
5. Reestimated ceded claims and expenses - Excess insurance recoveries					
December 31, 2014	\$ (793,891)	\$ -	\$ -	\$ -	\$ -
6. Reestimated incurred claims and expenses:					
December 31, 2005					
December 31, 2006					
December 31, 2007					
December 31, 2008					
December 31, 2009					
December 31, 2010	\$ 2,253,000				
December 31, 2011	2,118,000	\$ 1,468,000			
December 31, 2012	2,182,000	1,054,000	\$ 1,173,000		
December 31, 2013	2,148,000	827,880	763,000	\$ 2,211,000	
December 31, 2014	2,216,000	793,000	627,000	1,791,000	\$ 1,923,000
7. Increase (decrease) in estimated net incurred claims and expenses from end of policy year	\$ (37,000)	\$ (675,000)	\$ (546,000)	\$ (420,000)	N/A
8. Number of claims reported as of:					
December 31, 2014	444	435	418	469	405
9. Open claims as of December 31, 2014	6	1	2	13	76

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## **STATISTICAL SECTION**



## Index and Explanations of Schedules and Tables Included in the Statistical Section

The goal of the statistical section is to provide the reader with additional information regarding KERIT's economic condition. This information is helpful to understand and assess how KERIT's financial position has changed over time. In addition, the information provides a context for understanding how KERIT operates. Exposure information is also provided and reflects the size and diversification of the members.

The schedules and tables are listed below with a brief explanation of the purpose.

	<b>Pages</b>
Net Position Information by Claim Year.....	46
<p style="margin-left: 20px;">This schedule summarizes the results of each claim year. It includes any additional supplemental contribution assessments and refunds of contributions distributed to the members. The total number of claims and the number of open claims as of December 31, 2014 are also included.</p>	
Net Position Information by Fiscal Year.....	47
<p style="margin-left: 20px;">This schedule summarizes: 1) the changes to net position and 2) net position by component for the past ten fiscal years. It includes information on unrestricted funds.</p>	
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<p style="margin-left: 20px;">These schedules provide detailed information on the operating revenues and expenses for each of the last ten claim years.</p>	
Comparative Chart of Operating Revenues and Expenses by Claim Year for the Claim Years Ended December 31, 2005 through December 31, 2014.....	50
<p style="margin-left: 20px;">This chart displays a visual comparison of the operating revenues to operating expenses by claim year.</p>	
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<p style="margin-left: 20px;">These schedules provide detailed information on the operating revenues and expenses for each of the last ten fiscal years. In addition, the net position balance at the end of each fiscal year is included.</p>	
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<p style="margin-left: 20px;">This table includes the number of cities, counties and other entities in KERIT, the combined annual payrolls, contributions, contribution discounts, supplemental contribution assessments and refunds of contributions for each of the last ten years.</p>	
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**Kansas Eastern Region Insurance Trust**  
**Net Position Information by Claim Year**  
**December 31, 2014**

<b>Claim Year Ended</b>	<b>Cumulative Surplus/ (Deficit)</b>	<b>Supplemental Assessment Collected/ Accrued</b> Note 1	<b>Supplemental Assessment Refund Liability</b> Note 2	<b>Refunds of Contributions</b>	<b>Net Position at December 31, 2014</b>	<b>Net Position at December 31, 2013</b>	<b>Increase/ (Decrease)</b>	<b>Number of Open Claims</b>	<b>Total Number of Claims</b>
October 31, 1987-1996	\$ 5,468,780	\$ 266,567	\$ -	\$ (5,746,142)	\$ (10,795)	\$ -	\$ (10,795)	1	6,281
December 31, 1997	1,735,008	-	-	(1,735,008)	-	292,825	(292,825)	-	590
December 31, 1998	410,266	-	-	(410,266)	-	-	-	-	447
December 31, 1999	631,827	-	-	(631,827)	-	-	-	-	406
December 31, 2000	(294,968)	294,968	-	-	-	-	-	-	451
December 31, 2001	(109,487)	135,460	(25,973)	-	-	-	-	1	447
December 31, 2002	394,991	-	-	(371,040)	23,951	26,012	(2,061)	-	415
December 31, 2003	783,231	-	-	(576,121)	207,110	224,941	(17,831)	1	361
December 31, 2004	1,063,122	-	-	(754,510)	308,612	377,129	(68,517)	3	362
December 31, 2005	1,385,243	-	-	(904,844)	480,399	526,648	(46,249)	3	373
December 31, 2006	1,319,572	-	-	(596,904)	722,668	767,655	(44,987)	4	383
December 31, 2007	899,897	-	-	(502,095)	397,802	494,449	(96,647)	5	471
December 31, 2008	475,244	-	-	(155,764)	319,480	402,705	(83,225)	7	491
December 31, 2009	863,667	-	-	(228,304)	635,363	675,461	(40,098)	4	442
December 31, 2010	(391,407)	391,407	-	-	-	-	-	6	444
December 31, 2011	1,065,967	-	-	(97,589)	968,378	991,111	(22,733)	1	435
December 31, 2012	1,525,236	-	-	(132,240)	1,392,996	1,331,715	61,281	2	418
December 31, 2013	609,316	-	-	-	609,316	158,497	450,819	13	469
December 31, 2014	237,365	-	-	-	237,365	-	237,365	76	405
	<u>\$ 18,072,870</u>	<u>\$ 1,088,402</u>	<u>\$ (25,973)</u>	<u>\$ (12,842,654)</u>	<u>\$ 6,292,645</u>	<u>\$ 6,269,148</u>	<u>\$ 23,497</u>	<u>127</u>	<u>14,091</u>

Note 1: Supplemental assessments collected/accrued includes assessments that have been accrued and/or billed and collected for a claim year that had an operating deficit.

Note 2: Supplemental assessment refund liability includes assessments that have been collected when there was a deficiency. Due to positive loss development and additional investment income, the previous supplemental assessment has been reduced and the excess will be refunded at a future date when all claims are closed.



**Kansas Eastern Region Insurance Trust**  
**Net Position Information by Fiscal Year**  
**For the Fiscal Years Ended December 31, 2005 through December 31, 2014**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Changes in net position</b>										
Operating revenues	\$ 2,991,692	\$ 3,037,932	\$ 2,720,796	\$ 2,200,265	\$ 2,810,638	\$ 2,450,927	\$ 2,604,489	\$ 2,870,735	\$ 3,036,950	\$ 2,962,059
Operating expenses	(3,195,133)	(2,774,566)	(2,018,535)	(2,202,257)	(3,093,715)	(3,134,758)	(4,267,728)	(2,074,663)	(2,546,600)	(1,216,753)
Non-operating revenues (losses)	<u>226,938</u>	<u>(81,684)</u>	<u>115,098</u>	<u>98,132</u>	<u>152,498</u>	<u>135,623</u>	<u>400,235</u>	<u>511,335</u>	<u>376,151</u>	<u>141,438</u>
Increase (decrease) in net position	<u>\$ 23,497</u>	<u>\$ 181,682</u>	<u>\$ 817,359</u>	<u>\$ 96,140</u>	<u>\$ (130,579)</u>	<u>\$ (548,208)</u>	<u>\$ (1,263,004)</u>	<u>\$ 1,307,407</u>	<u>\$ 866,501</u>	<u>\$ 1,886,744</u>
<b>Net position:</b>										
Restricted	\$ 846,681	\$ 1,490,212	\$ 1,408,875	\$ 298,007	\$ 660,093	\$ 823,783	\$ 1,409,863	\$ 1,593,342	\$ 1,793,245	\$ 1,258,591
Unrestricted	<u>5,445,964</u>	<u>4,778,936</u>	<u>4,678,591</u>	<u>4,972,100</u>	<u>4,513,874</u>	<u>4,480,763</u>	<u>4,442,891</u>	<u>5,522,416</u>	<u>4,015,106</u>	<u>3,683,259</u>
Total net position	<u>\$ 6,292,645</u>	<u>\$ 6,269,148</u>	<u>\$ 6,087,466</u>	<u>\$ 5,270,107</u>	<u>\$ 5,173,967</u>	<u>\$ 5,304,546</u>	<u>\$ 5,852,754</u>	<u>\$ 7,115,758</u>	<u>\$ 5,808,351</u>	<u>\$ 4,941,850</u>

**Kansas Eastern Region Insurance Trust**  
**Comparative Schedule of Revenues and Expenses - Claim Year Basis**  
**For the Claim Years Ended December 31, 2005 through December 31, 2014**

	2005	2006	Claim Year 2007	2008	2009
Operating revenues:					
Contributions earned, net of excess insurance premiums	\$ 2,870,053	\$ 2,748,427	\$ 2,661,229	\$ 2,360,438	\$ 2,186,009
Supplemental contribution assessments	-	-	-	-	-
Total operating revenues	<u>2,870,053</u>	<u>2,748,427</u>	<u>2,661,229</u>	<u>2,360,438</u>	<u>2,186,009</u>
Operating expenses:					
Incurred losses and recoveries:					
Claims paid	1,371,984	1,380,897	1,447,174	1,442,817	1,065,789
Subrogation/recoveries	(40,492)	(137,384)	(1,179)	(4,913)	(1,715)
Excess insurance recoveries	-	-	-	-	-
Reserves	11,670	39,810	88,396	118,096	19,926
Total incurred losses and recoveries	<u>1,343,162</u>	<u>1,283,323</u>	<u>1,534,391</u>	<u>1,556,000</u>	<u>1,084,000</u>
Administrative expenses	222,823	228,413	230,346	243,259	197,218
Loss control	148,526	144,614	146,902	139,756	73,574
Insurance taxes	80,803	84,962	86,273	61,283	49,893
Refunds of contributions	904,844	596,904	502,095	155,764	228,304
Total operating expenses	<u>2,700,158</u>	<u>2,338,216</u>	<u>2,500,007</u>	<u>2,156,062</u>	<u>1,632,989</u>
Operating income (loss)	169,895	410,211	161,222	204,376	553,020
Non-operating income					
Investment income (Note 1)	310,504	312,457	236,580	115,104	82,343
Increase in net position	<u>\$ 480,399</u>	<u>\$ 722,668</u>	<u>\$ 397,802</u>	<u>\$ 319,480</u>	<u>\$ 635,363</u>
Net position					
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>480,399</u>	<u>722,668</u>	<u>397,802</u>	<u>319,480</u>	<u>635,363</u>
Total net position	<u>\$ 480,399</u>	<u>\$ 722,668</u>	<u>\$ 397,802</u>	<u>\$ 319,480</u>	<u>\$ 635,363</u>
Number of open claims at December 31, 2014	3	4	5	7	4

Note 1: The net increase (decrease) in fair value of investments is included in investment income.

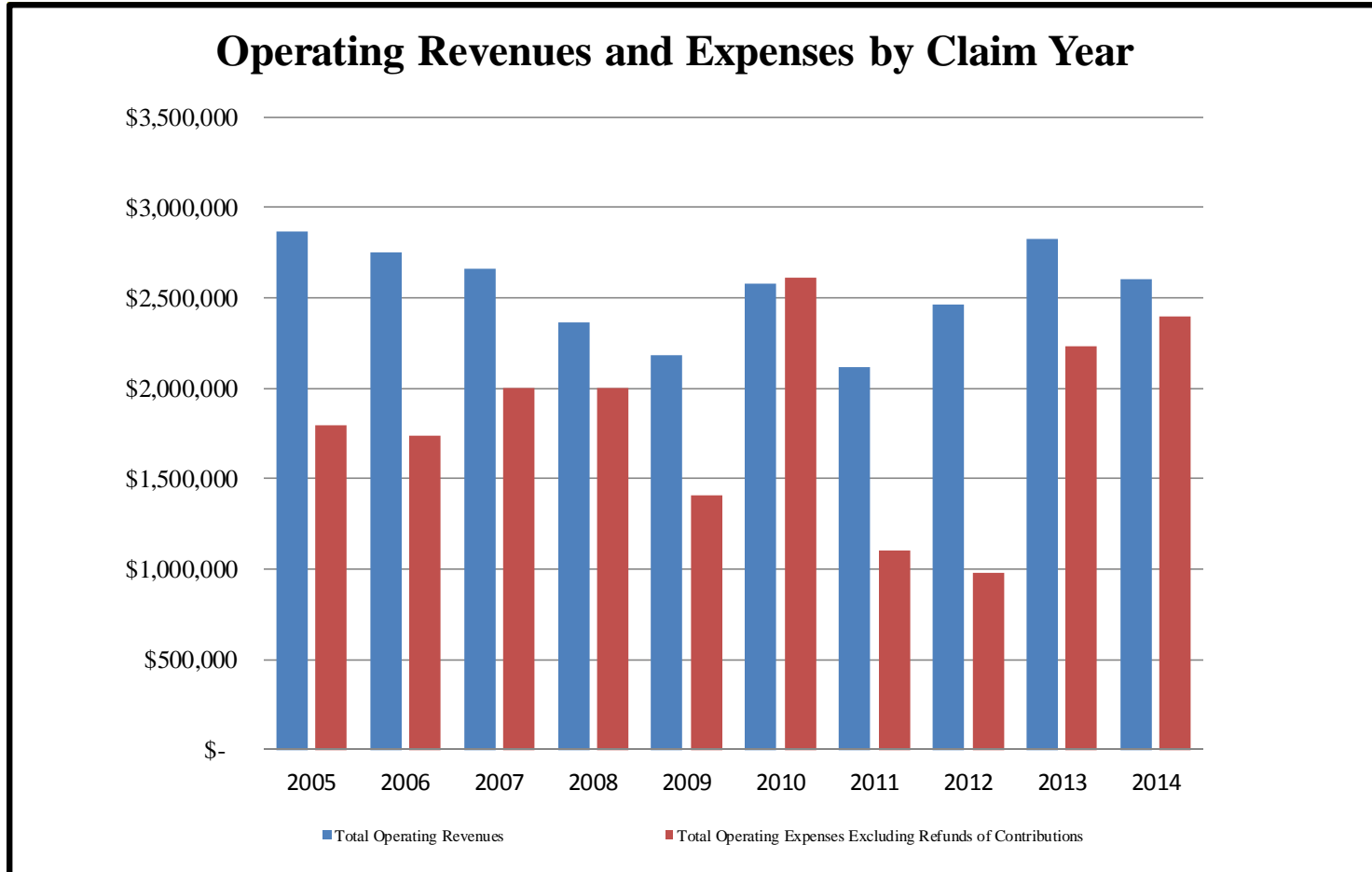
**Kansas Eastern Region Insurance Trust**  
**Comparative Schedule of Revenues and Expenses - Claim Year Basis, Continued**  
**For the Claim Years Ended December 31, 2005 through December 31, 2014**

	2010	2011	Claim Year 2012	2013	2014
Operating revenues:					
Contributions earned, net of excess insurance premiums	\$ 2,183,655	\$ 2,120,204	\$ 2,462,333	\$ 2,822,247	\$ 2,601,756
Supplemental contribution assessments	391,407	-	-	-	-
Total operating revenues	<u>2,575,062</u>	<u>2,120,204</u>	<u>2,462,333</u>	<u>2,822,247</u>	<u>2,601,756</u>
Operating expenses:					
Incurred losses and recoveries:					
Claims paid	2,346,701	775,514	578,632	1,085,261	626,723
Subrogation/recoveries	(13,565)	-	(25,891)	(4,600)	(85)
Excess insurance recoveries	(793,891)	-	-	-	-
Reserves	676,755	17,486	74,259	710,339	1,296,362
Total incurred losses and recoveries	<u>2,216,000</u>	<u>793,000</u>	<u>627,000</u>	<u>1,791,000</u>	<u>1,923,000</u>
Administrative expenses	211,787	188,988	220,589	237,289	260,727
Loss control	71,320	75,738	84,873	89,373	96,655
Insurance taxes	112,037	46,091	45,403	116,320	115,445
Refunds of contributions	-	97,589	132,240	-	-
Total operating expenses	<u>2,611,144</u>	<u>1,201,406</u>	<u>1,110,105</u>	<u>2,233,982</u>	<u>2,395,827</u>
Operating income (loss)	(36,082)	918,798	1,352,228	588,265	205,929
Non-operating income					
Investment income (Note 1)	36,082	49,580	40,768	21,051	31,436
Increase in net position	<u>\$ -</u>	<u>\$ 968,378</u>	<u>\$ 1,392,996</u>	<u>\$ 609,316</u>	<u>\$ 237,365</u>
Net position					
Restricted	\$ -	\$ -	\$ -	\$ 609,316	\$ 237,365
Unrestricted	-	968,378	1,392,996	-	-
Total net position	<u>\$ -</u>	<u>\$ 968,378</u>	<u>\$ 1,392,996</u>	<u>\$ 609,316</u>	<u>\$ 237,365</u>
Number of open claims at December 31, 2014	6	1	2	13	76

Note 1: The net increase (decrease) in fair value of investments is included in investment income.

**Kansas Eastern Region Insurance Trust**  
**Comparative Chart of Operating Revenues and Expenses by Claim Year**  
**For the Claim Years Ended December 31, 2005 through December 31, 2014**

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**Kansas Eastern Region Insurance Trust**  
**Comparative Schedule of Revenues, Expenses and Changes in Net Position**  
**For the Fiscal Years Ended December 31, 2005 through December 31, 2014**

	2005	2006	Fiscal Year 2007	2008	2009
Operating revenues:					
Contributions earned	\$ 3,106,092	\$ 3,014,184	\$ 2,925,286	\$ 2,623,485	\$ 2,456,116
Supplemental contribution assessments	(144,033)	22,766	(54,551)	(302,388)	(5,189)
Total operating revenues	<u>2,962,059</u>	<u>3,036,950</u>	<u>2,870,735</u>	<u>2,321,097</u>	<u>2,450,927</u>
Operating expenses:					
Incurred losses and recoveries:					
Claims paid	1,544,382	1,274,823	1,190,082	1,232,101	1,440,333
Subrogation/recoveries	(34,625)	(57,350)	(15,386)	(2,416)	(117,771)
Excess insurance recoveries	79,869	291,037	-	(149,094)	22,950
Changes in reserves	(1,028,528)	(504,252)	129,178	147,587	(248,117)
Total incurred losses and recoveries	<u>561,098</u>	<u>1,004,258</u>	<u>1,303,874</u>	<u>1,228,178</u>	<u>1,097,395</u>
Excess insurance expense	236,902	256,206	272,745	263,047	270,107
Administrative expenses	205,045	228,382	221,326	236,501	181,725
Loss control	148,526	144,614	146,902	139,756	73,574
Insurance taxes	65,182	51,164	129,816	23,471	40,623
Refunds of contributions	-	861,976	-	2,093,383	1,471,334
Total operating expenses	<u>1,216,753</u>	<u>2,546,600</u>	<u>2,074,663</u>	<u>3,984,336</u>	<u>3,134,758</u>
Operating income (loss)	1,745,306	490,350	796,072	(1,663,239)	(683,831)
Non-operating income					
Investment income (Note 1)	<u>141,438</u>	<u>376,151</u>	<u>511,335</u>	<u>400,235</u>	<u>135,623</u>
Increase (decrease) in net position	1,886,744	866,501	1,307,407	(1,263,004)	(548,208)
Beginning net position	<u>3,055,106</u>	<u>4,941,850</u>	<u>5,808,351</u>	<u>7,115,758</u>	<u>5,852,754</u>
Ending net position	<u>\$ 4,941,850</u>	<u>\$ 5,808,351</u>	<u>\$ 7,115,758</u>	<u>\$ 5,852,754</u>	<u>\$ 5,304,546</u>

Note 1: The net increase (decrease) in fair value of investments is included in investment income.

**Kansas Eastern Region Insurance Trust**  
**Comparative Schedule of Revenues, Expenses and Changes in Net Position, Continued**  
**For the Fiscal Years Ended December 31, 2005 through December 31, 2014**

	2010	2011	Fiscal Year 2012	2013	2014
Operating revenues:					
Contributions earned	\$ 2,381,163	\$ 2,320,768	\$ 2,681,319	\$ 3,077,441	\$ 2,910,263
Supplemental contribution assessments	429,476	(120,503)	39,477	(39,509)	81,429
Total operating revenues	<u>2,810,639</u>	<u>2,200,265</u>	<u>2,720,796</u>	<u>3,037,932</u>	<u>2,991,692</u>
Operating expenses:					
Incurred losses and recoveries:					
Claims paid	1,468,014	1,515,631	1,120,149	1,396,983	1,584,072
Subrogation/recoveries	(30,092)	(13,809)	(2,926)	(1,772)	(26,335)
Excess insurance recoveries	(118,891)	(18,911)	-	(656,000)	-
Changes in reserves	737,183	(394,163)	(42,418)	872,926	27,891
Total incurred losses and recoveries	<u>2,056,214</u>	<u>1,088,748</u>	<u>1,074,805</u>	<u>1,612,137</u>	<u>1,585,628</u>
Excess insurance expense	197,508	200,564	218,059	256,121	308,507
Administrative expenses	217,440	190,110	216,358	242,898	240,685
Loss control	71,320	75,738	84,873	89,373	96,656
Insurance taxes	51,156	143,089	13,098	53,460	178,901
Refunds of contributions	500,078	504,008	411,341	520,577	784,756
Total operating expenses	<u>3,093,716</u>	<u>2,202,257</u>	<u>2,018,534</u>	<u>2,774,566</u>	<u>3,195,133</u>
Operating income (loss)	(283,077)	(1,992)	702,262	263,366	(203,441)
Non-operating income (loss)					
Investment income (loss) (Note 1)	152,498	98,132	115,097	(81,684)	226,938
Increase (decrease) in net position	(130,579)	96,140	817,359	181,682	23,497
Beginning net position	5,304,546	5,173,967	5,270,107	6,087,466	6,269,148
Ending net position	<u>\$ 5,173,967</u>	<u>\$ 5,270,107</u>	<u>\$ 6,087,466</u>	<u>\$ 6,269,148</u>	<u>\$ 6,292,645</u>

Note 1: The net increase (decrease) in fair value of investments is included in investment income.

**Kansas Eastern Region Insurance Trust**  
**Selected Contribution Data**  
**For the Ten-year Period ended December 31, 2014**

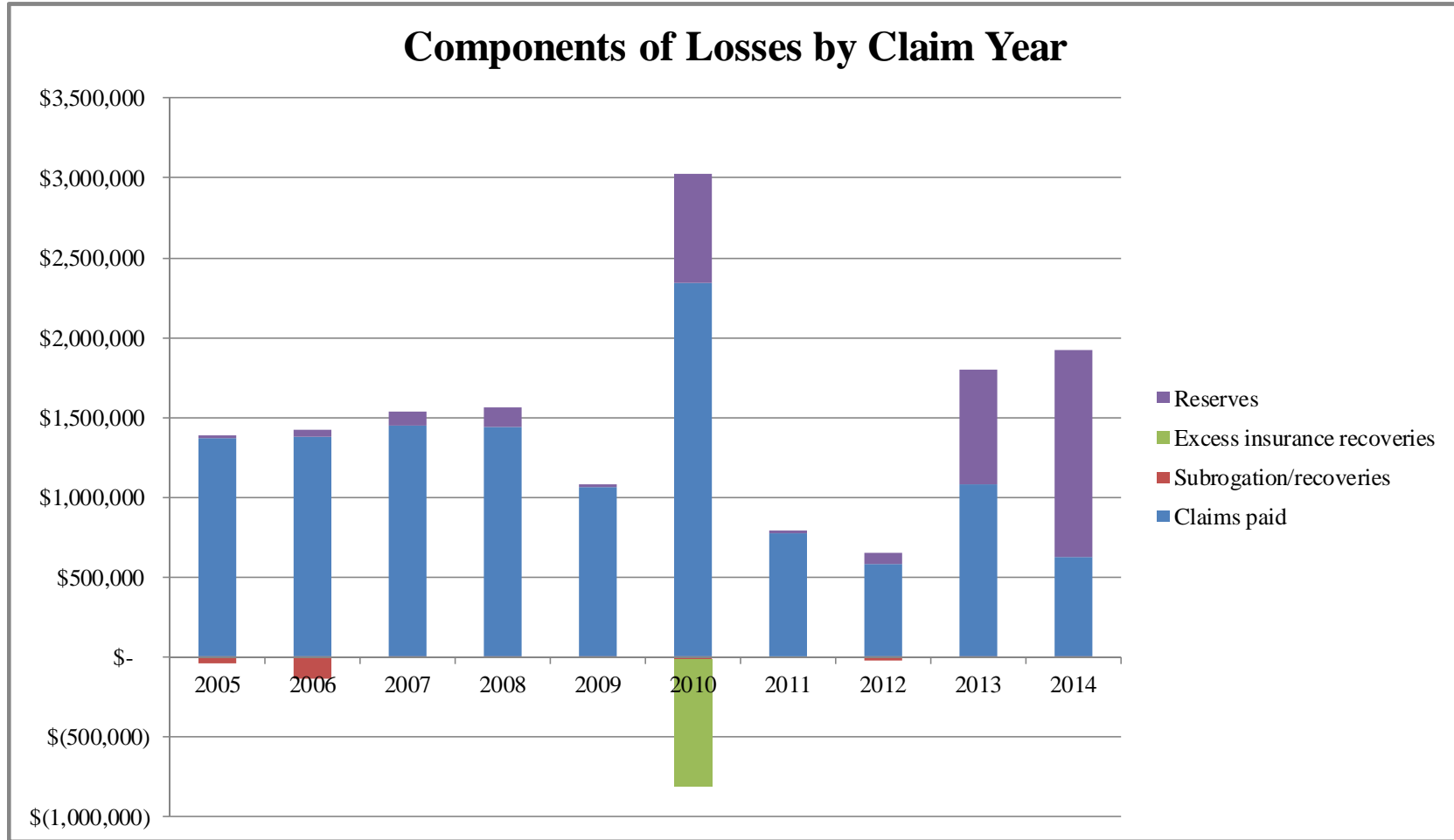
	Since Inception	Claim Year									
		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Number of members:											
Cities		11	11	11	11	12	12	13	14	15	14
Counties		2	2	2	2	2	2	2	2	2	2
Other		-	-	-	-	-	-	-	-	-	1
Total		<u>13</u>	<u>13</u>	<u>13</u>	<u>13</u>	<u>14</u>	<u>14</u>	<u>15</u>	<u>16</u>	<u>17</u>	<u>17</u>
Total annual payrolls		<u>\$ 87 million</u>	<u>\$ 92 million</u>	<u>\$ 98 million</u>	<u>\$ 102 million</u>	<u>\$ 108 million</u>	<u>\$ 107 million</u>	<u>\$ 108 million</u>	<u>\$ 120 million</u>	<u>\$ 135 million</u>	<u>\$ 141 million</u>
Contributions:											
Total contributions calculated	\$ 71,554,308	\$ 3,336,767	\$ 3,243,830	\$ 3,179,082	\$ 2,853,289	\$ 2,659,238	\$ 2,603,100	\$ 2,539,974	\$ 2,925,732	\$ 3,359,685	\$ 3,197,778
Advanced contribution discounts	(5,578,230)	(230,675)	(239,197)	(244,245)	(229,804)	(203,122)	(221,937)	(219,206)	(245,339)	(281,318)	(287,515)
Net contribution billed	<u>\$ 65,976,078</u>	<u>\$ 3,106,092</u>	<u>\$ 3,004,633</u>	<u>\$ 2,934,837</u>	<u>\$ 2,623,485</u>	<u>\$ 2,456,116</u>	<u>\$ 2,381,163</u>	<u>\$ 2,320,768</u>	<u>\$ 2,680,393</u>	<u>\$ 3,078,367</u>	<u>\$ 2,910,263</u>
Percent of discount	<u>7.8%</u>	<u>6.9%</u>	<u>7.4%</u>	<u>7.7%</u>	<u>8.1%</u>	<u>7.6%</u>	<u>8.5%</u>	<u>8.6%</u>	<u>8.4%</u>	<u>8.4%</u>	<u>9.0%</u>
Supplemental contribution assessments:											
Billed and collected	\$ 802,496	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 105,502	\$ -	\$ -	\$ -	\$ -
Unbilled	259,932	-	-	-	-	-	285,905	-	-	-	-
Total	<u>\$ 1,062,428</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 391,407</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Refunds of contributions:											
Distributed	<u>\$ 12,842,654</u>	<u>\$ 904,844</u>	<u>\$ 596,904</u>	<u>\$ 502,095</u>	<u>\$ 155,764</u>	<u>\$ 228,304</u>	<u>\$ -</u>	<u>\$ 97,589</u>	<u>\$ 132,240</u>	<u>\$ -</u>	<u>\$ -</u>

**Kansas Eastern Region Insurance Trust**  
**Selected Loss Data**  
**For the Ten-year Period ended December 31, 2014**

	Since Inception	Claim Year									
		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Number of lost time claims		40	40	40	45	30	40	23	16	37	27
Number of medical only claims		239	237	300	259	239	263	260	250	266	242
Number of fatality claims		-	-	-	-	-	1	-	-	-	-
Number of incidents only claims		94	106	131	187	173	140	152	152	166	136
Total number of claims	13,679	373	383	471	491	442	444	435	418	469	405
Open claims as of December 31, 2014	121	3	4	5	7	4	6	1	2	13	76
Total losses (paid and estimated)	\$ 42,021,929	\$ 1,383,654	\$ 1,420,707	\$ 1,535,570	\$ 1,560,913	\$ 1,085,715	\$ 3,023,456	\$ 793,000	\$ 652,891	\$ 1,795,600	\$ 1,923,085
Recoveries/Subrogations	(724,998)	(40,492)	(137,384)	(1,180)	(4,913)	(1,715)	(13,565)	-	(25,891)	(4,600)	(85)
2nd injury fund refunds	(1,526,269)	-	-	-	-	-	-	-	-	-	-
Excess insurance recoveries	(2,126,863)	-	-	-	-	-	(793,891)	-	-	-	-
Net losses	\$ 37,643,799	\$ 1,343,162	\$ 1,283,323	\$ 1,534,390	\$ 1,556,000	\$ 1,084,000	\$ 2,216,000	\$ 793,000	\$ 627,000	\$ 1,791,000	\$ 1,923,000
Average cost per claim, total losses	\$ 3,072	\$ 3,710	\$ 3,709	\$ 3,260	\$ 3,179	\$ 2,456	\$ 6,810	\$ 1,823	\$ 1,562	\$ 3,829	\$ 4,748
Average cost per claim, net losses	\$ 2,752	\$ 3,601	\$ 3,351	\$ 3,258	\$ 3,169	\$ 2,452	\$ 4,991	\$ 1,823	\$ 1,500	\$ 3,819	\$ 4,748



**Kansas Eastern Region Insurance Trust**  
**Comparative Chart of Components of Losses by Claim Year**  
**For the Claim Years Ended December 31, 2005 through December 31, 2014**



**Kansas Eastern Region Insurance Trust**  
**Demographic Information on Members**  
**December 31, 2014**

	<b>Member Since</b>	<b>2010 Population</b>	<b>2000 Population</b>	<b>Number of Full-Time Equivalent Employees</b>	<b>Total Payroll for Claim Year 2014</b>	<b>Percent of Total 2014</b>	<b>Total Payroll for Claim Year 2005</b>	<b>Percent of Total 2005</b>
				(at December 31, 2014)			(For Comparison Only)	
<b>Cities</b>								
Cherokee	May 11, 1990	9,119	9,411	140	\$ 6,829,894	4.85 %	\$ 5,886,001	6.77 %
Coffeyville	January 1, 2013	10,295	N/A	154	7,169,653	5.09	N/A	N/A
Fairway	November 1, 1988	3,882	3,952	24	1,273,959	0.90	986,438	1.13
Gardner	November 1, 1986	19,123	9,396	134	6,187,910	4.40	4,538,066	5.22
Junction City	April 15, 1990	23,353	18,886	165	8,485,373	6.03	5,786,521	6.65
Lansing	November 1, 1986	11,265	9,199	67	2,663,542	1.89	1,621,150	1.86
Leavenworth	January 1, 1991	35,251	35,420	162	10,675,470	7.58	9,539,183	10.97
Leawood	November 1, 1986	31,867	27,656	294	14,746,591	10.48	11,051,479	12.71
McPherson	July 1, 2012	13,155	N/A	179	9,454,913	6.72	N/A	N/A
Merriam	January 1, 1988	11,003	11,008	105	5,990,912	4.26	4,904,858	5.64
Mission	January 1, 2009	9,323	N/A	65	4,369,098	3.10	N/A	N/A
Ottawa	December 1, 1989	12,649	11,921	163	7,088,704	5.04	6,149,816	7.07
Pittsburg	November 1, 2001	20,233	19,243	N/A	N/A	N/A	7,222,256	8.31
Shawnee	November 1, 1986	62,209	47,996	257	17,699,873	12.57	14,985,550	17.24
Winfield	September 24, 2011	12,301	N/A	180	8,048,545	5.71	N/A	N/A
<b>Counties</b>								
Atchison County	November 1, 1988	16,924	16,774	180	4,502,855	3.20	3,944,050	4.54
Leavenworth County	November 1, 1986	76,227	68,691	336	13,023,647	9.25	10,335,003	11.89
<b>Other</b>								
Johnson Co. Park & Rec.	January 1, 2014	544,179	N/A	177	12,565,057	8.93	N/A	N/A
<b>Total</b>				<u>2,782</u>	<u>\$ 140,775,996</u>	<u>100.00 %</u>	<u>\$ 86,950,371</u>	<u>100.00 %</u>

Source of population data: U.S. Bureau of the Census, 2000 Decennial Census,  
US Bureau of the Census, 2010 P.L. 94-171 Redistricting Data, and 2010 Demographic Profile

**Kansas Eastern Region Insurance Trust  
Principle Employers  
Current Year and Nine Years Ago**

KERIT Member:	Employer		2013/2014			2004/2005		
			Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Johnson County Parks & Rec. Dist.	Sprint	2014	6,300	1	N/A	12,751	1	N/A
Johnson County Parks & Rec. Dist.	Olathe United School District	2014	4,541	2	N/A	3,980	3	N/A
Leavenworth	Ft. Leavenworth	2013/2014	4,185	3	N/A	5,423	2	N/A
Johnson County Parks & Rec. Dist.	Shawnee Mission School District	2014	3,974	4	N/A	2,295	6	N/A
Johnson County Parks & Rec. Dist.	Johnson County Government	2014	3,388	5	N/A	3,774	4	N/A
Johnson County Parks & Rec. Dist.	Blue Valley School District	2014	3,313	6	N/A	2,717	5	N/A
Merriam	Shawnee Mission Medical Center	2014	3,060	7	N/A	1,905	8	N/A
Johnson County Parks & Rec. Dist.	Garmin International Inc.	2014	3,000	8	N/A	1,100	9	N/A
Johnson County Parks & Rec. Dist.	Black and Veatch	2014	2,649	9	N/A	2,250	7	N/A
Johnson County Parks & Rec. Dist.	Johnson County Comm. College	2014	2,377	10	N/A	898	10	N/A
	Total 1 - 10 ranking		36,787			37,093		
	Total people employed in KERIT membership		N/A					

Note: The Kansas Eastern Region Insurance Trust includes 15 cities and 2 counties located in the State of Kansas (refer to map on page 13). The total employment figure for all 17 members is not readily available due to overlapping city and county boundaries. Therefore, the percentage of the total employment for all KERIT members cannot be calculated.

Over time, it may be possible to obtain more employment data from the KERIT member cities and counties to calculate the percentage of total employment.

N/A Not Applicable or Not Available

**Kansas Eastern Region Insurance Trust**  
**Selected Payroll Data**  
**For the Ten-year Period ended December 31, 2014**

Job Code	Job Classification	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
8810	Clerical	\$ 19,657,869	\$ 20,556,707	\$ 21,875,395	\$ 23,564,640	\$ 25,155,446	\$ 24,981,017	\$ 24,593,327	\$ 27,671,413	\$ 30,346,631	\$ 31,613,548
7720	Police Officers & Drivers	22,655,209	24,337,808	25,765,707	26,513,162	28,287,361	28,268,304	28,020,847	29,290,627	31,851,611	31,580,455
7710/7711	Fire Fighters & Drivers	12,366,095	12,860,290	13,946,677	14,472,437	15,003,824	15,184,630	15,264,259	16,194,811	17,166,671	16,550,096
7539	Electric Light & Power	2,755,518	2,738,091	2,839,423	2,648,108	2,873,877	2,840,949	3,506,001	6,273,304	9,629,025	9,454,619
5506	Streets and Road	6,273,451	6,722,161	7,065,818	7,162,677	7,585,398	7,175,355	7,283,251	7,778,178	8,717,567	8,369,824
9102	Parks, NOC	3,577,930	3,777,944	4,200,297	4,472,399	4,990,906	4,550,782	4,588,997	5,052,392	5,433,894	7,248,133
9410	Municipal County, NOC	5,593,264	6,134,633	6,727,016	6,947,804	7,057,449	6,911,464	6,785,979	7,163,966	7,210,050	7,024,974
9063	Health Institution	195,121	202,209	154,836	201,988	1,130,653	1,066,300	1,034,074	1,027,725	1,042,078	3,577,561
7520	Waterworks Operation	1,955,991	2,018,666	1,942,300	2,015,459	2,039,609	1,902,982	2,057,869	2,850,984	3,741,838	3,406,308
9015	Buildings, NOC (Public Swimming Pool)	1,674,000	1,954,463	2,166,499	2,242,783	2,584,784	2,592,974	2,757,248	2,964,589	3,144,051	3,039,261
8869	Child Care	-	-	-	-	-	-	-	-	-	2,876,383
7580	Sewage	1,678,860	1,698,606	1,721,625	1,573,201	1,739,601	1,774,013	1,779,168	2,005,297	2,512,109	2,230,788
8820	Attorney-All	1,449,626	1,760,451	1,715,901	1,781,983	1,924,930	1,970,774	2,197,115	2,239,292	2,388,444	2,152,941
7370/7705	Ambulance Service	857,511	1,019,649	1,080,196	1,301,023	1,197,706	1,250,042	1,229,835	1,382,192	1,717,010	1,841,764
9060	Country Club & Clerical	347,034	383,047	406,616	427,006	414,555	364,327	400,533	599,859	746,724	1,498,709
8829	Nursing Home	1,199,272	1,255,619	1,182,909	1,226,612	1,368,241	1,359,390	1,295,552	1,332,057	1,447,311	1,488,815
8380	Auto Service & Repair	722,350	712,003	790,430	814,493	826,623	748,912	826,380	1,002,556	1,138,841	997,658
9403	Garbage, Refuse Collection & Drivers	414,662	390,927	469,791	452,781	558,774	483,215	504,357	802,126	906,626	948,668
7502	Gas Companies	407,948	418,331	450,080	469,041	464,661	424,441	521,512	803,251	823,270	823,826
8831	Dog Catcher (Animal Control)	507,759	539,709	558,170	511,299	513,376	565,239	631,136	684,567	701,983	685,097
8742	Sales, Outside (Social Workers)	320,198	243,025	281,573	291,523	356,750	380,922	353,392	352,477	462,425	524,341
8832	Health Dept: Clinic & Clerical	282,191	309,462	337,223	319,181	319,670	297,057	318,010	360,672	410,042	425,319
9220	Cemetery	201,598	199,907	215,343	202,687	213,001	138,004	168,945	319,262	396,058	396,674
7590	Garbage Works (Sanitation Recycling)	282,670	344,177	474,951	490,161	341,359	303,809	314,013	315,089	327,294	362,491
7380	Bus Drivers	224,773	242,963	253,581	299,864	281,829	299,375	272,399	292,676	290,981	301,497
9402	Street Cleaning	84,540	84,926	94,594	98,536	101,678	109,068	150,983	268,073	306,062	247,388
9154/9156	Theater, NOC	17,216	1,604	1,292	46,666	1,567	2,033	6,778	21,705	61,197	217,037
9033	Public Housing	322,184	288,992	346,449	318,376	321,077	281,080	329,224	158,947	159,004	163,791
6319	Water Main Construction	314,945	278,944	279,952	314,060	280,723	280,360	329,978	431,579	462,390	146,643
9093	Bowling Lane	-	-	-	-	-	-	-	34,468	89,811	107,751
3574	Computing/Recording/Office Mach.NOC	-	-	-	-	-	-	-	63,476	88,222	94,445

**Kansas Eastern Region Insurance Trust**  
**Selected Payroll Data, Continued**  
**For the Ten-year Period ended December 31, 2014**

Job Code	Job Classification	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
8601	Architect or Engineer-Consulting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 114,941	\$ 92,289
9083	Restaurant, Fast Food	54,118	52,022	58,305	70,013	59,446	52,050	40,934	67,149	73,480	84,657
5191	Office Appliance	126,218	154,796	159,971	168,395	56,967	65,016	71,601	17,980	66,263	67,827
6217	Grading of Land	143,001	169,524	-	-	142,134	143,709	123,321	127,398	127,549	51,104
9178	Athletic Sports or Park	-	-	-	12,053	8,699	12,789	16,858	22,322	25,231	39,262
7605	Alarm Installation	-	-	-	-	-	-	-	-	31,252	33,047
9101	Public Library & Museum/College	-	-	-	22,431	17,049	23,100	22,017	21,804	30,557	7,694
9016	Recreational Facilities	143,040	147,119	142,197	184,738	12,767	29,253	101,820	114,631	193,541	3,311
7423/7403	Aircraft Operations	117,102	118,758	123,101	121,141	129,405	107,959	104,059	95,775	129,005	-
5645	Carpentry	-	-	-	-	-	-	-	88,274	16,818	-
9586	Barber Shop or Beauty Parlor	-	9,342	9,303	5,982	-	-	-	-	-	-
8868	Teachers/Youth Division	27,107	19,911	-	-	-	-	-	-	-	-
9082	Restaurant, NOC	-	17,472	-	-	-	-	-	-	-	-
<b>Total</b>		<b>\$ 86,950,371</b>	<b>\$ 92,164,258</b>	<b>\$ 97,837,521</b>	<b>\$ 101,764,703</b>	<b>\$ 108,361,895</b>	<b>\$ 106,940,694</b>	<b>\$ 108,001,772</b>	<b>\$ 120,292,943</b>	<b>\$ 134,527,857</b>	<b>\$ 140,775,996</b>

Note: KERIT uses various rates by job classification to calculate contributions. Contributions are further adjusted for stock (volume), experience modifier and PLUS program discounts, which vary by member.

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