REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

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Gilbert Associates, Inc.
CPAs and Advisors

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Redwood Empire Municipal Insurance Fund
Sonoma, California

We have audited the accompanying financial statements of the Redwood Empire Municipal Insurance Fund (REMIF) as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of REMIF's management. 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 and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of REMIF as of June 30, 2011 and 2010, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The Management's Discussion and Analysis on pages 3 through 10, the Schedule of Funding Progress for Other Postemployment Benefits on page 36 and the Reconciliation of Claims Liabilities by Type of Contract and Claims Development Information on pages 37 through 40 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the 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.

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However, 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.

The additional information and graphs on pages 42 through 50 are presented for purposes of additional analysis and are not a required part of the basic financial statements of REMIF. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

September 27, 2011

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011 AND 2010

This section of the Redwood Empire Municipal Insurance Fund annual financial report presents management's discussion and analysis of its financial performance during the fiscal year that ended June 30, 2011. We encourage readers to evaluate the information presented here along with the additional information included in the financial statements, which begin on page 12.

The Redwood Empire Municipal Insurance Fund (**REMIF**) is a Joint Powers Authority (**JPA**) created in 1976 through the provisions in the Labor, Government and Education Codes that oversees a risk sharing and management program for fifteen participating public entities. REMIF is located in Sonoma, California, is a separate public entity, and has a governing board comprised of nine voting members, seven of whom represent the original seven members that created the JPA in 1976.

City of Cloverdale	City of Cotati
City of Healdsburg	City of Rohnert Park
City of Sebastopol	City of Sonoma
City of Ukiah	

The eight associate members have board member representation of one board member per four associates, with a two-year term and a rotation system for being on the board.

City of Arcata	City of Eureka
City of Fort Bragg	City of Fortuna
City of Lakeport	City of St. Helena
City of Willits	Town of Windsor

Primary insurance for REMIF currently includes workers' compensation, general/auto liability, property, auto physical damage, fidelity employee bonding, dental, and vision insurance. There are a number of programs that are funded on a pass-through basis including employee assistance plan coverage, life and long-term disability insurance, boiler and machinery coverage and difference in condition (**DIC**) (flood and earthquake) coverage. Medical insurance, which is contracted by REMIF, is paid directly by each member that participates in the medical coverage program.

The executive committee is composed of the president, vice-president and immediate past president. The Board appoints a General Manager to handle the day-to-day business operations of REMIF. The General Manager is assisted by a Claims Administrator who oversees and coordinates the workers' compensation program with a staff of six, a Finance Officer/Treasurer who oversees all financial operations for REMIF, and an Administrative Assistant who coordinates training, risk transference, general/auto liability claims handling, acts as a receptionist, performs other clerical functions and is the JPA's confidential secretary. Outside providers are retained by REMIF to investigate, adjust and defend against claims, conduct annual financial audits and actuarial studies, provide payroll services, safety training, contract with health providers and perform biannual workers' compensation and liability claims audits. REMIF acts as a contract third party claims administrator for handling the workers' compensation claims of three cities: Santa Rosa (since 1981), Petaluma (since 1987), and San Rafael (since 2004). These three cities are not members of REMIF.

REMIF's goal is to protect the member's assets by helping moderate the effects of claims, lawsuits and losses through the use of education, prevention, training, advocacy, service and insurance/self insurance programs. In addition, REMIF helps provide cost effective employee benefit programs through the use of group coverage purchasing or self insurance. Members are assessed contributions for participation in REMIF's programs.

DESCRIPTION OF BASIC FINANCIAL STATEMENTS AND FINANCIAL REPORTING

All of the activities of REMIF are classified as "business-type activities." These activities include the development and operation of public entity risk pools and the purchase of insurance-related services for members. These financial statements consist of three parts – management's discussion and analysis, the basic financial statements and supplementary information. The balance sheet and statement of revenue, expenses and changes in net assets provide an indication of REMIF's financial health as well as an indication of the net assets available for various future purposes. The statement of net assets includes all of REMIF's assets and liabilities using the accrual basis of accounting. The statement of revenues, expenses and changes in net assets reports all of the revenues and expenses during the fiscal years indicated. The statement of cash flows reports the cash provided and used by operating activities, as well as other cash sources such as investment income. The basic financial statements also include the notes to the financial statements section, which provides more detailed data for selected information in the financial statements.

This report contains other supplementary information in addition to the basic financial statements. As a public entity risk pool, under government accounting standards, a reconciliation of claims liabilities by type of contract and claims development information are required elements of supplemental information.

ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

	6/30/11	6/30/10	6/30/09
Total capital	$372,121	$409,281	$438,010
Total other	17,569,456	18,619,656	19,272,509
Total assets	17,941,577	19,028,937	19,710,519
Other post employment benefits		250,559	
Total long-term liabilities	7,925,962	6,741,867	6,272,533
Total other	6,482,916	6,686,866	8,585,345
Total Liabilities	14,408,878	13,679,292	14,857,878
Total net assets	**$3,532,699**	**$5,349,645**	**$4,857,877**
Total operating revenues	$8,933,557	$8,150,154	$6,010,578
Total non-operating revenues	225,604	272,366	547,681
Total revenues	**$9,159,160**	**$8,422,520**	**$6,558,259**
Net losses and claims incurred	$6,612,493	$4,392,762	$2,738,498
Changes in reserves for ULAE	77,737	16,555	(64,931)
Premium and/or contributions for excess	1,376,782	1,386,233	1,482,051
Claims consultants and administration	191,323	172,777	193,457
Other operating expenses/Change in OPEB	981,433	255,093	82,926
Tennant expenses	2,221	2,158	4,305
General and administrative	1,734,117	1,699,939	1,663,452
Total expenses	**$10,976,106**	**$7,925,517**	**$6,099,758**
Net income for the year	(1,816,946)	497,003	458,502
Net assets, beginning of year	5,349,645	4,852,642	4,394,140
Net assets, end of year	**$3,532,699**	**$5,349,645**	**$4,852,642**

ANALYSIS OF CURRENT YEAR RESULTS COMPARED TO PRIOR YEARS

There was a net loss of $1,816,946 in FY 10/11, compared to a net income of $497,003, in FY 09/10. Financial highlights include the following:

> During FY 10/11 the Board returned $1,220,806 of the $2,220,806 that was available to be returned to members in FY 10/11. This maintained the Liability reserves at $1,000,000. The retention of $1,000,000 was due to several cases that were still uncertain as to their outcome and it was recommended that not all of the refund should be returned to the members.
>
> The reserves for losses in the WC program at June 30, 2011 were increased by $1.39 million compared to an increase of $447,611 for FY 10 and a reduction of $1.43 million for FY 09. Thus, no WC refunds could be distributed in FY 10/11. The WC designated net assets at June 30, 2011 were zero.
>
> The reserve balance in the post retirement benefits program (GASB 45), which was approved in FY 01/02 to provide a reserve for post-retirement medical benefits, reached $1,535,278 at the end of FY 10/11. The annual contribution of $175,000 was approved by the Board in April 2007 and began in FY 07/08. In November 2010 these funds were shifted to Chandler Asset Management and placed in an irrevocable trust. The annual liability contribution determined by the actuary will now be displayed in separate statements and footnotes.
>
> The dental program had a net loss in FY 04/05 and the Board approved a 25% increase in premiums effective July 1, 2005. As a result of this increase, on June 30, 2011 the net dental reserves exceeded 5 months of premiums, with four of the participating twelve cities exceeding nine months of premiums.
>
> The vision program ended FY 10/11 with a net reserve of more than 8 months in excess of monthly premiums, with eight of the participating eleven cities exceeding 7 months of reserves.
> The Enterprise program had a net gain of $25,820 in FY 10/11, down from the prior year's net gain of $61,263. One reason for this decrease was the timing of certain annual payments.

At the end of FY 10/11, a portion of the "Reserve for Losses and Claims," and "Reserve for ULAE," (**Unallocated Loss Adjustment Expense**) were liabilities considered long-term, or those funds that are not expected to be paid within twelve months. Of the $11,001,844 held in "Reserve for Losses and Claims," and "Reserve for ULAE," $3,075,882 is expected to be paid out in FY 11/12. All other reserves for claims and ULAE in those columns for both the Worker's Compensation and Liability programs are considered long term.

Overall, the General Fund expenditures were $289,488 under budget (favorable balance). Salaries, wages and benefits were under budget by $188,318. Post Employment Benefits transactions were shifted to separate statements shown under OPEB. Of the remaining 18 categories four were under budget by more than $5,000: Office Expense ($5,521); Depreciation ($10,915), Safety Training ($50,619); and Consultants, Other ($18,015). Board Expense – Conferences exceeded the amount budgeted by $8,539 due to adding a third conference that city employees could attend. The CALPERLA conference, held in Monterey was attended by fourteen people. This conference was for personnel training that is not covered by the other conferences.

Salaries, wages and benefits were less than budgeted due the retirement and hiring of a new General Manager. Office Expense was $2,000 less than the prior year and exceeded $5,000 in savings. Depreciation was less due to new equipment being purchased and carpeting was not purchased in the fiscal year. Safety Training was under budget due in part to police officer and public works training costs that came in less than budgeted. Also the Wellness Newsletter was deleted this year. The Consultants, Other costs were also less than expected.

The Enterprise Fund general and administrative expenditures were $124,648 under budget (favorable balance). While 14 of the 16 expenditure categories were under budget, three were under by more than $9,000: Salaries, wages and benefits ($86,096); Office Expense ($9,313); and Computer Programming ($22,965). With the retirement of the former General Manager, the claims administrator was hired as the new General Manager resulting in a shifting of staff to new positions within the Enterpriser Fund. This provided significant salary savings. Office expenses were less than budgeted, and computer programming costs budgeted for Medicare did not occur.

Depreciation was over budget by $77 due the spread of costs. Computer service and maintenance was over budget by ($11,621) due to the unexpected change of a billing cycle by the WC software vendor.

Workers' Compensation

Reserves for losses and claims in the Workers' Compensation program increased by more than $1.39 million which then resulted in a net loss to the General Fund of over $870,000.

Excess insurance carriers continued to reimburse payments to injured employees due to workers' compensation injuries when their expenses exceeded their self insured retention level (**SIR**). There were nine claimants in this category with payments from the excess insurance carriers expected to exceed $363,000 for FY 10/11.

Liability

Premiums for FY 10/11 decreased by $207,196 from FY 09/10. While the reserves for losses and claims in the Liability program in FY 10/11 increased $225,885 from FY 09/10, it will still allow for a potential refund of $591,255.

Gross liability claims paid in FY 10/11 of $1,967,050 were $623,000 greater than those paid in FY 09/10.

Property

During FY 05/06 year the California Joint Powers Risk Management Authority (CJPRMA) conducted an appraisal program to visit all entities to verify the stated values of their properties. Because REMIF cities had been updating the value of their buildings based on cost per square foot for the past few years it was believed that the stated values for each REMIF city would be reasonably close to the values the appraisers would eventually assign. In addition, during the last half of FY 05/06 and the first half of FY 06/07 each city was requested to identify for the appraisers the item or items listed under "Property in the Open."

The first appraisal values that came back in FY 06/07 were surprising. They had an overall valuation of more than $858 million compared to the city "self valuations" of $689 million. This difference of over $168 million was due in part to the techniques and guidelines the appraisers applied to buildings and contents. During the later part of FY 06/07 staff from CJPRMA and representatives from the entities met with the appraisers to discuss their valuation techniques and guidelines and to see if they couldn't be more closely related to how the cities were applying values to their property. One of the problems discovered was that some non-city properties were included in the appraiser's totals, which obviously should not have been included. For the start of FY 07/08 all values at the close of FY 06/07 were increased by 10%. On June 30, 2007 there were 863 REMIF sites covered by the CJPRMA with total property valued at over $689 million. By June 30, 2011 identified property was valued at $1.07 billion at 1,670 sites.

REMIF earthquake and flood insurance remained at $20 million for the period of 11/2010 to 11/2011 while costs decreased by $3,000. Not all city property was covered for earthquake and flood but for those entities that desired DIC coverage, values increased from $782 million for FY 09/10 to over $871 million by the end of FY 10/11.

While Boiler and Machinery values cover all property, the property program values may be lower due to an entity choosing not to cover selected sites. The Boiler and Machinery values for FY 10/11 ended at $1.15 billion.

Auto Physical Damage

During FY 10/11 there was a net income of $26,587 compared to a net income of $46,153 in FY 09/10. This decrease was due to net claims which increased from $7,500 to $30,450 in FY 10/11.

As of June 30, 2011 for all REMIF cities there were a total of 1,466 vehicles covered, valued at $52,847,052. Of the 1,466 vehicles there were 539 vehicles valued at or greater than $25,000 with insurance provided through the CJPRMA. During the year the value for the vehicles in this category decreased $674,000, from $41,021,000 in FY 09/10 to $40,347,000 at the end of FY 10/11.

Dental

By January 31, 2005 there was a net premium loss of $95,561 compared to the prior January because the premiums were too low to cover normal dental services plus administrative costs. The Board addressed this issue at their April 2005 meeting and approved a 25% increase effective July 1, 2005. By June 30, 2011 all but two cities had a positive net income. Effective 7/1/2010 Preferred Benefit dropped their coverage with REMIF, so arrangements were made to receive coverage directly from Delta Dental. During the FY there was an increase in net income, so another premium increase may not be needed at the current time.

Dental	**6/30/11**	**6/30/10**	**6/30/09**	**6/30/08**
Net premiums	$566,315	$534,364	$509,069	$465,357
Employees enrolled	1,082	1,095	1,123	1,099
Net income (loss)	$51,490	$34,841	$61,488	$114,470

As mentioned earlier, at the end of FY 11 there were four cities that had more than nine months of net premiums in reserve.

Vision

Vision premiums in FY 10/11 provided an overall net loss of $8,244.

Vision	**6/30/11**	**6/30/10**	**6/30/09**	**6/30/08**
Net premiums	$110,372	$119,823	$123,969	$121,131
Employees enrolled	902	911	930	856
Net income (loss)	($8,244)	$391	$7,546	$2,072

As mentioned earlier, at the end of FY 11 there were eight of the eleven cities that had more than seven months of net premiums in reserve.

Post Retirement Benefits

An actuarial study performed in FY 01/02 stated that the future health benefits for retired employees that worked for REMIF for at least ten years had a present value at June 1, 2002 of $1,701,900. It was recommended that an annual payment be set aside to fund these post-retirement benefits and in FY 07/08 the Board review the adequacy of this funding. A post-retirements benefit program was initiated during FY 02/03 with the funding of $125,000 for the first of five annual payments. By June 30, 2007 this fund had a balance of $682,094.

In FY 06/07 the same actuary reviewed the program and stated that the present value of future benefits was then $3,166,200. At their April 2007 meeting the Board elected to increase the annual contribution from $125,000 to $175,000 starting in FY 07/08.

In November 2010 the funds were shifted from REMIF investments to an irrevocable trust under Chandler Asset Management. The only source of income for the Post Retirement Benefits program was the annual $175,000 transfer and net interest earned, which came to $74,956 for FY 10/11. This brought the June 30, 2011 balance to $1,535,278. Because these funds were now held in an irrevocable trust at the end of the fiscal year, OPEB transactions will be shown in separate schedules and footnotes in the Financial Statement.

Transference of Risk for Members

Insurance was provided for all programs as follows:

> In the **Liability** program the California Joint Powers Risk Management Authority provided $4.5 million of coverage in excess of $500,000, Munich Reinsurance America provided an additional $20 million of coverage to $25 million, and SCOR Reinsurance provided $15 million of coverage

to $40 million total. Covered items included bodily injury, property damage, errors and omissions, employment practices, and personal injury. It should be noted that there are sub-limits in some specified areas.

In the **Workers' Compensation** program Safety National Casualty provided statutory coverage in excess of a $1 million self insured retention.

In the **Property** program there was coverage up to $300 million per incident, through a CJPRMA purchase program, with a $25,000 self insured retention. This did not include flood or earthquake coverage which was billed separately to each city. Four insurance companies provided flood and earthquake coverage up to $20 million for replacement value. The cost of this coverage was $3,000 less than for the previous year.

Boiler and Machinery coverage was provided up to $21.25 million, with a self insured retention of $5,000.

Automobile Physical Damage coverage was up to $5 million through CJPRMA with a self insured retention of $10,000 for all vehicles that had a value of $25,000 or more. Each city had a deductible of $5,000 or $10,000 per vehicle. There is a self insured program funded by REMIF for vehicles in the $5,000 to $25,000 value range.

Employee Assistance Plan benefits include financial counseling, budget strategies, credit management, legal referrals, and counseling for stress and family support (eight visits per incident). At their April 2007 meeting the Board added, effective July 1, 2007, smoking cessation, weight management and stress management for an increase of $.46 per month per person. The coverage with CIGNA during FY 08/09 increased to $4.19 per employee and his or her family and will still be in effect through the end of FY 11/12.

Bonds and Fidelity Insurance was provided in the form of **Public Employee Blanket Bonds** for loss of money, securities and other property through employee dishonesty up to $2 million with an SIR of $10,000 which includes a faithful performance component. There was also a **Depositors Forgery Bond** up to $2 million with an SIR of $10,000 for coverage due to forgery or alteration. **Computer Fraud** provided up to $2 million with an SIR of $10,000 and covered a loss of money, securities and other property through failure to properly supervise. In addition there was coverage against **Funds Transfer Fraud** and **Public Official Faithful Performance** which provided up to $2 million with an SIR of $10,000 and covered against the fraudulent transfer of funds from the agency transfer account and faithful performance of public officials.

PROGRAM SERVICES

Program Services provided to the member entities are intended to help them manage risk or transfer risk when it is appropriate.

Risk Transference

REMIF maintains a strong risk transference program by requiring the entities to be named as an additional insured on contractors', facility users' and permitees' insurance policies. The members are given training as needed to effectively administer their risk transference programs. In addition, the General Manager and Administrative Assistant, on an almost daily basis, field inquires about proper documentation needed to ensure that the cities are protected. At the end of FY 10/11 there were two active litigation cases being handled by contractors' insurance companies at no expense to REMIF and the entities because of this highly effective program. There is a third case currently in litigation that has been tendered to the contractor's insurance company, but which has not formally been assumed by them.

Training

Training is a strong component of any risk management program and one that REMIF is heavily engaged in. Each year, a special two-day training seminar is conducted for all police chiefs. The topics are determined by a small committee of chiefs to ensure relevancy and timeliness. In addition, each year the Board has a full day of training as part of its annual meeting in January. Other members of the entities' staff, as well as Board members, are invited to attend this training.

There is an annual two-day Public Works training seminar for the member's Public Works Directors and other supervisory staff. The training provides information concerning risk reduction, personnel practices and other relevant subjects designed to avoid or reduce the costs of claims and lawsuits.

REMIF has a policy of fully funding the attendance of two employees from each entity to attend either the fall CAJPA Lake Tahoe training conference or the CALPERLA conference in Monterey, and two employees to the spring PARMA conference. In addition to the above specific training sessions, REMIF hosts or conducts numerous training functions throughout the year at various sites as requested by the entities.

As an adjunct to the Police Daily Training Bulletin program, REMIF has a policy of establishing and maintaining current procedure manuals for all of the JPA's entities' police departments through Lexipol. This effort reduces exposure and litigation costs when claims/lawsuits are filed against police agencies.

On January 1, 2006 REMIF set up a consultation program with an outside law firm for personnel legal advice services at no cost to the cities but with a REMIF cost of $35,746. Part of this consortium program was two to four full-days of training per city per year.

During FY 10/11 REMIF spent $184,380 for the above mentioned training.

	FY 10/11	FY 09/10	FY 08/09
Safety Training	$184,380	$174,388	$139,381
Consultants	$1,985	$0	$13,300
Board conference expense	$68,539	$34,280	$54,418
Total	**$254,904**	**$208,668**	**$207,099**

Drug and Alcohol Detection

The entities are required to have a substance abuse testing and treatment program for all drivers who have commercial driver's licenses as part of their job requirements. This is a federally mandated program through the Department of Transportation. REMIF has set up and oversees this program through a private provider. The various drug tests are administered in accordance with federal law and the costs are passed through to the entities.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

BALANCE SHEETS
JUNE 30, 2011 AND 2010

	Workers' Compensation Fund	Liability Fund	Property Fund	Dental Fund	Vision Fund	Auto Physical Damage Fund	Post Retirement Benefits Fund	Enterprise Fund	Total 2011	Total 2010
ASSETS:										
Cash and equivalents	$ 616,583	$ 383,326	$ 43,347	$ 91,501	$ 18,169	$ 21,389		$ 374,944	$ 1,549,259	$ 11,311,948
Trust fund cash								377,309	377,309	588,144
Investments, current	2,636,417	1,549,437	175,213	284,529	73,442	86,456			4,805,494	2,085,000
Receivables:										
Premiums and fees	166,130								166,130	147,351
Reimbursements	229,342	238,044	703			10,000		272,693	750,782	682,208
Interfund	438,316								438,316	410,911
Interest	9,827	14,250	412	886	531	372			26,278	28,320
Excess insurance reimbursement and other	403,102								403,102	202,910
Prepaid expenses										826
Deposits	275,500							1,500	277,000	379,038
Total current assets	4,775,217	2,185,057	219,675	376,916	92,142	118,217		1,026,446	8,793,670	15,836,656
NONCURRENT ASSETS:										
Investments, noncurrent	4,689,352	2,755,960	311,648	506,087	130,631	153,778			8,547,456	2,783,000
OPEB asset							$ 228,330		228,330	
Fixed assets - net of accumulated depreciation	337,298							34,823	372,121	409,281
TOTAL ASSETS	$ 9,801,867	$ 4,941,017	$ 531,323	$ 883,003	$ 222,773	$ 271,995	$ 228,330	$ 1,061,269	$ 17,941,577	$ 19,028,937
LIABILITIES:										
Unearned premiums				$ 26,011	$ 2,370				$ 28,381	$ 75,505
Reimbursements for claims paid	$ 71,706								71,706	
Interfund payables		$ 411,457	$ 15,239	3,000	1,000	$ 7,620			438,316	410,911
Accounts payable	5,769			21,109				$ 533	27,411	(1,096)
Deposits held to perform claim administration								650,000	650,000	752,038
Tenant and other deposits	2,160								2,160	2,160
Refunds payable to members	597,802	1,591,258							2,189,060	2,818,609
Reserve for losses and claims	2,116,142	841,320		104,950	13,470				3,075,882	2,628,739
Total current liabilities	2,793,579	2,844,035	15,239	155,070	16,840	7,620		650,533	6,482,916	6,686,866
NONCURRENT LIABILITIES:										
OPEB obligation										250,559
Reserve for losses and claims	6,310,724	1,096,980							7,407,704	6,301,346
Reserve for ULAE	421,343	96,915							518,258	440,521
TOTAL LIABILITIES	9,525,646	4,037,930	15,239	155,070	16,840	7,620		650,533	14,408,878	13,679,292
NET ASSETS:										
Invested in capital assets	337,298							34,823	372,121	409,281
Unrestricted	(61,077)	903,087	516,084	727,933	205,933	264,375	$ 228,330	375,913	3,160,578	4,940,364
TOTAL NET ASSETS	276,221	903,087	516,084	727,933	205,933	264,375	228,330	410,736	3,532,699	5,349,645
TOTAL LIABILITIES AND NET ASSETS	$ 9,801,867	$ 4,941,017	$ 531,323	$ 883,003	$ 222,773	$ 271,995	$ 228,330	$ 1,061,269	$ 17,941,577	$ 19,028,937

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

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2011 AND 2010

	Workers' Compensation Fund	Liability Fund	Property Fund	Dental Fund	Vision Fund	Auto Physical Damage Fund	Post Retirement Benefits Fund	Enterprise Fund	Total 2011	Total 2010
OPERATING REVENUES:										
Member premiums	$ 3,288,209	$ 2,919,024	$ 427,051	$ 1,285,681	$ 180,229	$ 146,056			$ 8,246,250	$ 8,693,970
Fees	23,932							$ 752,495	776,427	744,783
Rental	61,800							39,000	100,800	102,291
Excess insurance refunds		394,423							394,423	305,433
Other			1,408					5,503	6,911	22,282
Total operating revenues	3,373,941	3,313,447	428,459	1,285,681	180,229	146,056		796,998	9,524,811	9,868,759
Refunds to members		(591,255)							(591,255)	(1,718,605)
Net operating revenues	3,373,941	2,722,192	428,459	1,285,681	180,229	146,056		796,998	8,933,556	8,150,154
OPERATING EXPENSES:										
Net losses and claims incurred	3,683,225	1,616,176	16,075	1,111,792	154,775	30,450			6,612,493	4,392,762
Change in reserve for ULAE	66,443	11,294							77,737	16,555
Premiums and/or contributions for excess coverage	314,802	597,385	379,485			85,110			1,376,782	1,386,233
Claims consultants and administration	21,500	3,500		130,573	35,750				191,323	172,777
Other insurance costs										4,534
Tenant expenses	2,221								2,221	2,158
General and administrative	323,644	604,456	15,239	3,000	1,000	7,620		779,158	1,734,117	1,699,939
Change in OPEB							$ (478,889)		(478,889)	250,559
Interfund transfers	(75,559)						75,559			
Total operating expenses	4,336,276	2,832,811	410,799	1,245,365	191,525	123,180	(403,330)	779,158	9,515,784	7,925,517
OPERATING INCOME (LOSS)	(962,335)	(110,619)	17,660	40,316	(11,296)	22,876	403,330	17,840	(582,228)	224,637
NONOPERATING INCOME (EXPENSE):										
Contributions to OPEB Trust Fund							(1,460,322)		(1,460,322)	
Investment income	88,033	103,859	7,796	11,174	3,052	3,711	(1)	7,980	225,604	272,366
NET INCREASE (DECREASE) IN NET ASSETS	(874,302)	(6,760)	25,456	51,490	(8,244)	26,587	(1,056,993)	25,820	(1,816,946)	497,003
NET ASSETS, Beginning of year	1,150,523	909,847	490,628	676,443	214,177	237,788	1,285,323	384,916	5,349,645	4,852,642
NET ASSETS, End of year	$ 276,221	$ 903,087	$ 516,084	$ 727,933	$ 205,933	$ 264,375	$ 228,330	$ 410,736	$ 3,532,699	$ 5,349,645

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

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010

	Workers' Compensation Fund	Liability Fund	Property Fund	Dental Fund	Vision Fund	Auto Physical Damage Fund	Post Retirement Benefits Fund	Enterprise Fund	Total 2011	Total 2010
CASH FLOWS FROM OPERATING ACTIVITIES:										
Cash received from members	$ 3,434,324	$ 2,925,657	$ 428,611	$ 1,243,552	$ 175,234	$ 137,289		$ 543,535	$ 8,888,202	$ 9,961,536
Cash received for excess insurance dividends		394,423							394,423	305,433
Tenant income received	61,800							39,000	100,800	102,291
Payments for excess insurance	(313,976)	(597,385)	(379,485)			(85,110)			(1,375,956)	(1,361,847)
Payments for claims	(2,354,357)	(1,390,291)	(16,075)	(1,112,579)	(155,240)	(30,450)			(5,058,992)	(4,063,069)
Payments to vendors	(293,561)	(240,239)	(4,252)	(110,769)	(36,183)	(2,828)		(133,157)	(820,989)	(614,103)
Payments to employees	(182,986)	(341,756)	(8,616)	(1,696)	(565)	(4,308)		(622,653)	(1,162,580)	(1,198,248)
Refunds to members		(1,220,803)							(1,220,803)	(3,551,068)
Interfund transfers	(175,000)						$ 175,000			
Net cash provided (used) by operating activities	176,244	(470,394)	20,183	18,508	(16,754)	14,593	175,000	(173,275)	(255,895)	(419,075)
CASH FLOWS FROM INVESTING ACTIVITIES:										
Interest received, net of fair value adjustment	89,215	104,611	7,885	11,313	3,088	3,751	(200)	7,980	227,643	273,781
Transfers of investments to OPEB Trust Fund							(1,460,322)		(1,460,322)	
Purchase of investments	(16,930,509)	(9,585,632)	(1,122,897)	(1,805,138)	(460,977)	(551,332)	(1,194,949)		(31,651,434)	(949,000)
Proceeds from the sale of investments	11,837,287	6,956,843	786,690	1,277,511	329,749	388,180	1,590,224		23,166,484	1,386,000
Purchases of fixed assets										(22,050)
Net cash provided (used) by investing activities	(5,004,007)	(2,524,178)	(328,322)	(516,314)	(128,140)	(159,401)	(1,065,247)	7,980	(9,717,629)	688,731
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS:	(4,827,763)	(2,994,572)	(308,139)	(497,806)	(144,894)	(144,808)	(890,247)	(165,295)	(9,973,524)	269,656
CASH AND EQUIVALENTS, Beginning of year	5,444,346	3,377,898	351,486	589,307	163,063	166,197	890,247	917,548	11,900,092	11,630,436
CASH AND EQUIVALENTS, End of year	$ 616,583	$ 383,326	$ 43,347	$ 91,501	$ 18,169	$ 21,389	$ 0	$ 752,253	$ 1,926,568	$ 11,900,092
Cash and equivalents	$ 616,583	$ 383,326	$ 43,347	$ 91,501	$ 18,169	$ 21,389	$	$ 374,944	$ 1,549,259	$ 11,311,948
Trust fund cash								377,309	377,309	588,144
CASH AND EQUIVALENTS, End of year	$ 616,583	$ 383,326	$ 43,347	$ 91,501	$ 18,169	$ 21,389	$ 0	$ 752,253	$ 1,926,568	$ 11,900,092

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

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010

	Workers' Compensation Fund	Liability Fund	Property Fund	Dental Fund	Vision Fund	Auto Physical Damage Fund	Post Retirement Benefits Fund	Enterprise Fund	Total 2011	Total 2010
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES										
Operating income (loss)	$ (962,335)	$ (110,619)	$ 17,660	$ 40,316	$ (11,296)	$ 22,876	$ 403,330	$ 17,840	$ (582,228)	$ 224,637
Depreciation expense	19,084							18,076	37,160	50,779
Change in:										
Premiums and fees receivable	(20,654)							1,875	(18,779)	18,256
Reimbursement receivable	40,796	6,632	1,562			(8,765)		(108,798)	(68,573)	493,965
Interfund receivables	(27,405)								(27,405)	15,430
Other receivables	(200,192)								(200,192)	29,562
Prepaid insurance	826								826	28,920
Deposits	102,038								102,038	(102,038)
Unearned premiums				(42,130)	(4,993)				(47,123)	10,564
Other post employment benefits	(250,559)						(228,330)		(478,889)	250,559
Reimbursements for claims paid	71,706								71,706	(34,888)
Interfund payables		25,962	961			482			27,405	(15,430)
Accounts payable and other liabilities	7,628			21,109				(230)	28,507	(5,213)
Deposits held to perform claims administration								(102,038)	(102,038)	102,037
Refunds payable to members		(629,548)							(629,548)	(1,832,463)
Reserve for losses and claims	1,328,868	225,885		(787)	(465)				1,553,501	329,693
Reserve for ULAE	66,443	11,294							77,737	16,555
Net cash provided (used) by operating activities	$ 176,244	$ (470,394)	$ 20,183	$ 18,508	$ (16,754)	$ 14,593	$ 175,000	$ (173,275)	$ (255,895)	$ (419,075)

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011

	OPEB Trust Fund
ASSETS:	
Investments, current	$ 1,535,278
Total assets	1,535,278
NET ASSETS HELD IN TRUST FOR OPEB:	
Total net assets held in trust for OPEB	$ 1,535,278

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2011

	OPEB Trust Fund
ADDITIONS:	
Contributions from REMIF	$ 1,460,322
Investment income	74,956
Total additions	1,535,278
Change in net assets	1,535,278
Net assets held in trust for OPEB - beginning of year	
Net assets held in trust for OPEB - end of year	$ 1,535,278

1. GENERAL INFORMATION

Redwood Empire Municipal Insurance Fund (REMIF) is a governmental entity organized under a joint powers agreement by certain California cities to provide various coverage programs to its members as allowed under the California Government Code. REMIF is a “risk sharing pool” which pools risk and funds and which shares in the cost of losses. REMIF provides and administers coverage programs for seven member and eight associate member cities. Members and associate members participate in the workers’ compensation and general liability programs and have the option, with approval by the Board of Directors, of participating in any or all of the other coverage programs which provide property, difference in condition (flood and earthquake), fidelity/faithful performance, dental, vision, employee assistance and auto physical damage.

Members consist of those cities which were involved with the formation of REMIF and have representation on the Board of Directors. Associate members consist of additional cities which have been allowed to participate in the programs and are entitled to one vote for every four associate members on the Board of Directors.

The activities of REMIF include setting and collecting contributions for each program, negotiating excess insurance coverage, administering payment of claims and related expenses including maintaining risk management and safety programs, training for the members, and investing each program’s assets. REMIF engages the services of independent actuaries and claims administrators to assist in performing some of these activities.

The Enterprise Fund accounts for revenues and expenses associated with claims administration services performed by REMIF on workers’ compensation coverage for members, associate members, and nonmember municipal agencies on a fee basis. All other funds provide members with the named coverage.

General and administrative expenses are allocated to each fund based on percentages and amounts established annually by the Board of Directors.

For some of the coverage programs REMIF has a risk sharing arrangement. Each member participating in a risk sharing program assumes its own losses up to its retention level. Losses in excess of each member’s self-insured retention are paid out of that program’s pool. Each program’s pool is funded by all of the members participating in that program through cash contributions. Losses and expenses are paid from these pools up to the limit of coverage subject to REMIF’s self-insured retention. Losses in excess of each program’s coverage level are covered by commercial carriers or other joint power authorities of which REMIF is a member. Losses exceeding the excess coverage limits for each program are the responsibility of the individual member from which the loss or claim originated.

Each year REMIF evaluates every program’s financial risk position, defined as contributions less projected ultimate loss. If the events of the year result in a negative risk position, the members’ annual assessment may be increased in subsequent years.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America for governmental enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As a governmental entity, REMIF follows the accounting standard hierarchy established by the GASB. However, since REMIF operates proprietary activities, which are usually thought to be business-type activities (enterprise fund accounting), applicable statements and interpretations of the Financial Accounting Standards Board (FASB) issued before November 30, 1989 may apply unless they conflict with or contradict GASB pronouncements. REMIF has elected not to apply FASB pronouncements issued after November 30, 1989.

In addition to REMIF's business-type activities, REMIF maintains a fiduciary fund to account for the assets held in a trustee capacity. Fiduciary funds are also accounted for using the economic resources measurement focus and accrual basis of accounting. REMIF reports the following fiduciary fund:

The *Other Postemployment Benefits Trust Fund* (OPEB Trust Fund) is an irrevocable trust fund used to account for assets held by REMIF as Trustee for other postemployment benefits as further described in Note 7.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. REMIF's most significant estimates include estimates for liabilities associated with claims and other post-employment benefits. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

CASH AND EQUIVALENTS

REMIF considers all highly liquid debt instruments purchased with a maturity of three months or less and its investment in the Local Agency Investment Fund (LAIF) to be cash equivalents. LAIF is recorded at fair value, which is based on the quoted market prices of its underlying investments.

INVESTMENTS

REMIF records its investments at fair value. Changes in fair value are reported in the statement of revenues, expenses, and changes in net assets. For external investments pools, fair value of investments has been determined by the sponsoring government based on quoted market prices. REMIF's investments have been valued based on the relative fair value of the entire external pool to the external pool's respective amortized cost.

FIXED ASSETS

Fixed assets are stated at cost. Major additions (expenditures greater than $1,000) are capitalized and repair and maintenance costs are expensed. Depreciation is computed using the straight-line method over estimated useful lives of four to ten years for equipment, seven years for furniture, and ten to twenty years for building and improvements. When assets are sold or abandoned, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is recognized in the statement of revenues, expenses, and changes in net assets.

UNPAID CLAIMS LIABILITIES (CLAIMS RESERVES AND CLAIMS IBNR)

REMIF established claims liabilities separately for each program based on the undiscounted estimates of the ultimate cost of claims (including future claims settlement expenses) that have been reported but not settled, and based on estimates of claims that have been incurred but not reported (IBNR) by that program. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation is implicit in the calculation of estimated future claims costs because reliance is placed both on actual historical data that reflect past inflation and other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

INSURANCE COVERAGE AND DEDUCTIBLES

REMIF provides the following major insurance coverage and deductibles:

1. **Workers Compensation Program**

REMIF provides the following insurance coverage and self-insured retention (SIR):

Member Deductible: $5,000 to $10,000
REMIF SIR: $1,000,000 as of June 30, 2011

The SIRs for this program by year are as follows:

Year	SIR Amount
7/1/76 – 6/30/81	$ 150,000
7/1/81 – 2/28/82	100,000
3/1/82 – 6/30/86	150,000
7/1/86 – 6/30/87	200,000
7/1/87 – 6/30/90	250,000
7/1/90 – 6/30/03	300,000
7/1/03 – 6/30/11	1,000,000

Excess of: Excess of $1,000,000 to $2,000,000 for employer’s liability through Safety National.

2. Liability Program

REMIF provides the following insurance coverage and self-insured retention (SIR):

Member Deductible: $5,000 to $25,000
REMIF SIR: $500,000 as of June 30, 2011

Excess of: $500,000 to a total of $40,000,000 coverage per occurrence through California Joint Powers Risk Management Authority, Munich Reinsurance America and SCOR Reinsurance Co.

3. Property Program

REMIF provides the following insurance coverage and self-insured retention (SIR):

Member Deductible: $5,000 to $10,000
REMIF SIR: $25,000 ($5,000 for Boiler/Machinery) as of June 30, 2011

Excess of: $25,000 ($5,000 Boiler/Machinery) to a total of $300,000,000 ($21,250,000 Boiler/ Machinery) coverage per occurrence through Munich Reinsurance America, XL Insurance America Inc., & Harford Steam Boiler Ins. Company.

4. Auto Physical Damage

REMIF provides the following insurance coverage and self-insured retention (SIR):

Member Deductible: $5,000 to $10,000
REMIF SIR: $10,000 as of June 30, 2011

Excess of: $10,000 to a total of $5,000,000 coverage per occurrence through National Surety Corp (Fireman's Fund).

CONTRIBUTIONS FROM MEMBERS

Each member is assessed a premium which is intended to cover REMIF's claims, operating costs and claim settlement expenses for that program. Contributions are based on an actuarially determined rate for each program, based on an estimate of the probable losses and expenses to be borne by that program, in the year in question. Additional cash contributions may be assessed on the basis of adverse loss experience. Refunds to members may be made if funds are determined to be surplus according to an established policy. General and administrative expenses are allocated on the basis of each participant's share of cash contributions. All contributions are recognized as revenues when earned, based on the period covered by the premium.

DEFERRED COMPENSATION PLAN

REMIF employees may defer a portion of their compensation under a City of Rohnert Park sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death, or in an emergency as defined by the Plan. The laws governing deferred compensation plan assets require plan assets to be held by a trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these new plans are not REMIF's or the City's property, and are not subject to claims by general creditors of REMIF or the City, they have been excluded from these financial statements.

RESERVE FOR UNALLOCATED LOSS ADJUSTMENT EXPENSE

Amounts have been estimated for the cost of administering claims payable and future claims. These amounts were estimated in connection with other loss development information.

NONOPERATING REVENUE

REMIF does not discount its claims liabilities. Therefore, investment income is classified as non-operating income. Additionally, REMIF anticipates investment income in determining if a premium deficiency exists.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments at June 30, consisted of the following:

	2011	2010
Cash in bank and on hand	$ 708,421	$ 1,035,669
Sonoma County Trust	220,690	1,214,916
Local Agency Investment Fund (LAIF)	997,457	9,649,507
Total cash and cash equivalents	1,926,568	11,900,092
Investments	13,352,950	4,868,000
Total cash, cash equivalents and investments	$ 15,279,518	$ 16,768,092

REMIF's Enterprise Fund maintains a Workers' Compensation Trust Fund to pay for workers' compensation claims on behalf of REMIF and nonmember municipalities. This account is replenished by REMIF and the nonmember municipalities on a periodic basis. For the fiscal years ended June 30, 2011 and 2010, the balance in the Workers' Compensation Trust Fund was $377,309 and $588,144, respectively. The balances are included in the cash in bank and on hand.

Investments Authorized by REMIF's Investment Policy

The table below identifies the investment types that are authorized for REMIF by the California Government Code and REMIF's investment policy. The table also identifies certain provisions of the California Government Code (or REMIF's investment policy, if more restrictive) that address interest rate risk and concentration of credit risk.

Investment Types Authorized by State Law	Authorized By Investment Policy	*Maximum Maturity	*Maximum Percentage of Portfolio	*Maximum Investment In One Issuer
Local Agency Bonds	Yes	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	40%	5%
Commercial Paper	Yes	270 days	25%	5%
Non-Negotiable Certificates of Deposit	Yes	5 years	30%	5%
Negotiable Certificates of Deposit	Yes	5 years	30%	5%
Repurchase Agreements	Yes	92 days	20%	5%
Reverse Repurchase Agreements	Yes	92 days	20%	5%
Medium-Term Notes	Yes	5 years	30%	5%
Mutual Funds	Yes	5 years	None	10%
Money Market Mutual Funds	Yes	5 years	20%	10%
Mortgage Pass-Through Securities	Yes	5 years	20%	5%
LAIF	Yes	None	None	None
Sonoma County Trust	Yes	None	10%	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. All of the investments REMIF held at June 30, 2010 were not rated and are not required to have a rating as stated in REMIF's investment policy. Presented hereafter is the actual rating as of year-end for each investment type that requires disclosure of credit quality ratings as of June 30, 2011.

Investment Type	Total	AAA	AA	A	A-1
U.S. Agency Securities	$ 6,340,534	$ 5,440,555			$ 899,979
Corporate Bonds	3,499,351		$ 1,623,778	$ 1,875,573	
Commercial Paper	249,898				249,898
Money Market	23,037	23,037			
	$ 10,112,820	$ 5,463,592	$ 1,623,778	$ 1,875,573	$ 1,149,877

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market value rates. One of the ways that REMIF manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of REMIF's investments to market value interest rate fluctuations is provided by the following tables that show the maturity date of each investment at June 30, 2011 and 2010:

June 30, 2011		**Remaining Maturity (in Months)**			
Investment Type	**Total**	**12 Months or Less**	**13 to 24 Months**	**25-60 Months**	**More Than 60 Months**
Certificates of Deposit	$ 2,983,000	$ 1,739,000	$ 450,000	$ 794,000	
U.S. Agency Securities	6,340,534	1,258,280	1,954,916	3,127,338	
U.S. Treasury Securities	257,130			257,130	
Corporate Bonds	3,499,351		238,993	3,260,358	
Commercial Paper	249,898	249,898			
Money Market	23,037	23,037			
Total	$ 13,352,950	$ 3,270,215	$ 2,643,909	$ 7,438,826	$ 0

June 30, 2010		**Remaining Maturity (in Months)**			
Investment Type	**Total**	**12 Months or Less**	**13 to 24 Months**	**25-60 Months**	**More Than 60 Months**
Certificates of Deposit	$ 4,868,000	$ 2,085,000	$ 1,789,000	$ 994,000	

Foreign Currency Risk

REMIF does not invest in securities denominated in foreign currency; therefore it has no policies or exposure relating to foreign currency risk.

Concentration of Credit Risk

The investment policy of REMIF contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. During fiscal year 2011, REMIF did have more than 5% of total investments in a single issuer which are disclosed as follows:

Federal Home Loan Mortgage Corp	$ 1,821,287
Federal National Mortgage Association	1,311,625
Federal Home Loan Bank	941,686
Federal Farm Credit Bank	898,796

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and REMIF's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits that are made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amounts deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and REMIF's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in Investment Pools

REMIF is a voluntary participant in the Sonoma County Trust Fund and LAIF that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of REMIF's investment in the pools is reported in the accompanying financial statements at amounts based upon REMIF's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio) and Sonoma County Trust Fund. The balance available for withdrawal is based on the accounting records maintained by LAIF and Sonoma County Trust, which are recorded on an amortized cost basis. Separate complete financial statements for Sonoma County Trust Fund may be obtained from 575 Administration Drive, Santa Rosa, CA 95403, and for LAIF from 915 Capitol Mall, Sacramento, CA 95814.

4. INVESTMENTS - OPEB TRUST FUND

Investments at June 30, 2011, consisted of the following:

Money Market	$ 195,612
Exchange Traded Funds	1,339,666
Total investments	$ 1,535,278

Investments Authorized by OPEB Trust Fund's Investment Policy

The tables below identify the investment types that are authorized by the OPEB Trust Fund's investment policy. The tables also identify certain provisions that address interest rate risk and concentration of credit risk.

Investment Types	Maximum Investment In One Issuer
U.S. Treasury and Agency Obligations	None
Money Market Instruments	5%
Fixed Income Securities**	5%
Mortgage-Backed Securities	5%
Asset-Backed Securities	5%
Equity Securities	5%
Real Estate Investment Trusts (REITs)	5%
Commingled Funds*	5%
Mutual Funds*	None
Exchange Traded Funds (ETF)*	None

* Must invest in permitted investments.

** Individually purchased fixed income securities must, at the time of purchase, have a credit rating of at least "Investment Grade" by one or more of the Nationally Recognized Statistical Rations Organization (NRSRO).

Asset Class	Acceptable Range of Asset Allocation (within 5%)
Cash	0%-5%
U.S. Core and High Yield Bonds	44%-64%
U.S. Equities	8%-38%
International and Emerging Market Equities	2%-20%
U.S. REITs	1%-11%

Disclosures Relating to Credit Risk

Presented hereafter is the actual rating as of year-end for each investment type that requires disclosure of credit quality ratings as of June 30, 2011.

Investment Type	Total	Ratings as of Year End (Standard and Poor's)			
		Not Rated	AAA	AA	A
Money Market	$ 195,612	$ 0	$ 195,612	$ 0	$ 0

Disclosures Relating to Interest Rate Risk

Information about the sensitivity of the fair values of OPEB Trust Fund's investments to market value interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
Money Market	$ 195,612	$ 195,612			
Exchange Traded Funds	1,339,666	1,339,666			
	$ 1,535,278	$ 1,535,278	$ 0	$ 0	$ 0

Foreign Currency Risk

OPEB Trust Fund's did not invest in securities denominated in foreign currency; therefore it has no policies or exposure relating to foreign currency risk.

Concentration of Credit Risk

During fiscal year 2011, the OPEB Trust Fund did not have more than 5% of total investments in a single issuer.

Custodial Credit Risk

The OPEB Trust Fund's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments.

5. INTERFUND BALANCES

Current interfund balances arise in the normal course of business and are expected to be repaid before the close of the next fiscal year. Administrative overhead costs are charged to the Workers' Compensation Fund throughout the year and distributed to all funds except the Enterprise Fund at year end based on a Board approved allocation, which is determined based on an estimate of employees' time spent on each fund, resulting in current interfund balances.

As of June 30, 2011, the Enterprise Fund retains an imprest balance of $650,000 to fund Workers' Compensation claim payments made on behalf of REMIF and the cities of Eureka, Petaluma, San Rafael and Santa Rosa. Of this amount, $275,000 is on deposit from the REMIF Workers' Compensation Program.

6. FIXED ASSETS

Fixed assets are comprised of the following:

	June 30, 2010	Additions	Retirements	June 30, 2011
Workers' Compensation Fund:				
Land	$ 319,999			$ 319,999
Building and improvements	652,273			652,273
Furniture and fixtures	15,159			15,159
Equipment	21,380			21,380
Total	1,008,811			1,008,811
Less accumulated depreciation	(652,429)	$ (19,084)		(671,513)
Fixes assets - net	$ 356,382	$ (19,084)	$ 0	$ 337,298
Enterprise Fund:				
Furniture and fixtures	$ 28,807			$ 28,807
Equipment	264,273			264,273
Total	293,080			293,080
Less accumulated depreciation	(240,181)	$ (18,076)		(258,257)
Fixes assets - net	$ 52,899	$ (18,076)	$ 0	$ 34,823
Total fixed assets – net	$ 409,281	$ (37,160)	$ 0	$ 372,121

Fixed assets are comprised of the following:

	June 30, 2009	Additions	Retirements	June 30, 2010
Worker's Compensation Fund:				
Land	$ 319,999			$ 319,999
Building and improvements	652,273			652,273
Furniture and fixtures	15,159			15,159
Equipment	21,380			21,380
Total	1,008,811			1,008,811
Less accumulated depreciation	(617,042)	$ (35,387)		(652,429)
Net fixed assets	$ 391,769	$ (35,387)	$ 0	$ 356,382
Enterprise Fund:				
Furniture and fixtures	$ 28,807			$ 28,807
Equipment	242,223	$ 22,050		264,273
Total	271,030	22,050		293,080
Less accumulated depreciation	(224,789)	(15,392)		(240,181)
Net fixed assets	$ 46,241	$ 6,658	$ 0	$ 52,899
Total net fixed assets	$ 438,010	$ (28,729)	$ 0	$ 409,281

7. POST EMPLOYMENT HEALTH CARE BENEFITS

REMIF sponsors a single-employer postemployment health care benefit plan (The Plan). For employees hired before July 1, 1993 (Plan 1) REMIF pays the entire appropriate premium costs. REMIF provides certain health and life benefits in the form of premium payments for its separated employees with at least 10 years of continuous service. These benefits are paid for life and extend to the retiree's dependents. The benefits provided depend on the employee's length of service and date of hire as follows:

For employees hired after July 1, 1993 (Plan 2) REMIF pays towards premium costs as follows:

- For retirees having at least 10 years continuous service - fifty percent of applicable premium costs
- For retirees having at least 15 years of continuous service - sixty-five percent of the applicable premium costs
- For retirees having at least 25 years of continuous service – eighty percent of applicable premium costs

During the year ended June 30, 2011, 5 retirees are covered by the Plan and 10 employees are potentially eligible. Plan 1 covers 3 married retirees and 2 single retirees. Plan 2 applies to the 10 employees, 8 of whom are married.

REMIF's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortized any unfunded actuarial liabilities (or funding excess) over the period not to exceed thirty years.

During the year-ended June 30, 2011, REMIF established and irrevocable trust. REMIF established the OPEB Trust Fund to account for the Plan assets held by REMIF as Trustee for other postemployment benefits. The Board reserves the authority to review and amend the funding policy from time to time to ensure that the funding policy continues to best suit the circumstances of REMIF. The OPEB Trust Fund does not issue a separate report. Prior to establishing the irrevocable trust, the funds held in the Postretirement Benefit Fund were designated for funding future expected retiree health benefits and was regarded as earmarking of employer assets to reflect the REMIF's intent to apply these assets to finance the cost of postemployment benefits at some time in the future and thus did not qualify as contributions. During the year-ended June 30, 2011, REMIF contributed $1,460,322 to the OPEB Trust Fund from the Postretirement Benefit Fund and paid. This contribution to the OPEB Trust Fund is an irrevocable transfer in which assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the Plan and are legally protected from creditors of REMIF. Due to the establishment of the OPEB Trust Fund, the actuary subsequently reviewed the July 1, 2009 actuarial valuation report and provided changes to the actuarial assumptions and funding methods in order to incorporate the impact of the contribution to the OPEB Trust Fund during the year-ended June 30, 2011. The discount rate changed from 4.00% to 6.50% to recognize the anticipated earnings of the trust, the amortization period for the unfunded actuarial accrued liability changes from 25 years to 2 years. The discount rate decreased the July 1, 2009 actuarial accrued liability from $2,764,000 to $1,875,000.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimations are made about the future. Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point, and, if applicable, the disclosure that the projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation. The schedule of funding progress included in the required supplementary information presents information regarding whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar over a rolling 2 years
Remaining amortization period at June 30, 2011	2
Interest rate assumption	6.50%
Health inflation assumption	5.75%

Annual required contribution	$ 1,171,000
Interest on net OPEB obligation	16,286
Adjustment to annual required contribution	(137,622)
Annual OPEB expense	1,049,664
Contributions made	(1,528,553)
Increase (decrease) in OPEB obligation	(478,889)
Net OPEB obligation at July 1, 2010	250,559
Net OPEB obligation (asset) at June 30, 2011	$ (228,330)

The REMIF's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net obligation for June 30, 2011 and 2010 are as follows:

Fiscal year ended	Annual OBEB expense	% of annual OPEB expense contributed	Net OPEB obligation (asset)
6/30/10	$ 301,000	16.76%	$ 250,559
6/30/11	$ 1,049,664	145.62%	$ (228,330)

The REMIF's funding progress for other postemployment benefits as of the most recent valuation date, July 1, 2009, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b – a] / c)
7/1/09	$ 0	$ 1,875,000	($1,875,000)	0%	Not Available	Not Available

8. REFUNDS TO MEMBERS

REMIF distributes surplus funds of individual programs to members from time to time, based on the results of actuarial studies of each program's claims experience. Distributions from the Worker's Compensation and Liability Programs are made from net assets in excess of the Board designated reserve. These refunds include cumulative earnings on program contributions but may be reduced by amounts required to fund prior or subsequent year unfavorable claims experience. REMIF has declared the following refunds:

	Distribution to Members of the:	
Fiscal Year	Workers' Compensation Program	Liability Program
1988	$ 1,041,381	
1992		$ 1,265,354
1993		1,128,682
1994	1,787,918	1,008,611
1995	2,236,080	1,069,327
1996	1,943,878	1,179,997
1997	1,689,230	1,471,978
1998	522,159	1,235,081
1999	533,222	1,225,501
2000	155,068	903,778
2001	313,514	1,015,620
2002		1,245,094
2003		704,668
2004		1,586,837
2005		483,728
2006	728,690	561,417
2007	718,151	1,505,033
2008		1,705,613
2009	1,915,793	1,635,277
2010	97,802	1,720,803
2011		591,255

9. RESERVES FOR LOSSES AND CLAIMS

Liabilities for losses and claims are based on undiscounted estimates of the ultimate net cost of settling all losses and claims which are incurred but unpaid at year end, including claims incurred but not reported. These amounts were computed using a combination of actuarial estimates, case basis estimates and industry guidelines, and are net of any anticipated recoveries from insurers.

The following summarizes for all programs, the changes in losses and claims payable, including claims incurred but not reported (IBNR), and excludes claims and payments at the member deductible level, during the year ended June 30:

	2011	2010
Unpaid losses and loss adjustment expenses, beginning of fiscal year	$ 9,370,606	$ 9,024,358
Incurred losses and loss adjustment expenses:		
Provision for covered events of the current year	4,933,716	4,916,800
Change in provision for covered events of prior years	1,756,514	(507,520)
Total incurred losses and loss adjustment expenses	6,690,230	4,409,280
Payments:		
Losses and loss adjustment expenses attributable to covered events of the current year	2,165,613	2,125,848
Losses and loss adjustment expenses attributable to covered events of prior years	2,893,379	1,937,184
Total payments	5,058,992	4,063,032
Total unpaid losses and loss adjustment expenses, end of fiscal year	$ 11,001,844	$ 9,370,606
Reserve for losses and claims	$ 10,483,586	$ 8,930,085
Reserve for ULAE	518,258	440,521
Total unpaid losses and loss adjustment expenses	$ 11,001,844	$ 9,370,606

10. DESIGNATED NET ASSETS

The Board has designated a reserve for both the workers' compensation and liability programs of REMIF for future loss development. Any net assets in excess of the confidence margin are undesignated. The net assets for both the workers' compensation and liability programs are designated as follows at June 30:

	Workers' Compensation Fund		Liability Fund	
	2011	**2010**	**2011**	**2010**
Designated net assets	$ 0	$ 645,100	$ 903,845	$ 909,847

The Board also has designated a reserve for the enterprise program of REMIF for future equipment replacement. At year-end June 30, 2011 and 2010, the designated balance was $166,277 and $147,027, respectively.

11. CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY

REMIF participates in a joint venture under a joint powers agreement with California Joint Powers Risk Management Authority (CJPRMA). The relationship between REMIF and CJPRMA is such that CJPRMA is not a component unit of REMIF for financial reporting purposes.

CJPRMA arranges for and provides excess coverage general liability and property coverage for REMIF. A board consisting of a representative from each member agency governs CJPRMA. The Board controls the operations of CJPRMA including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the board. Each member's agency pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in CJPRMA.

Condensed financial information of CJPRMA for the fiscal year ended June 30, 2010, most current information available, follows:

Total assets	$ 100,046,718
Total liabilities	$ 51,093,038
Net assets	48,953,680
Total liabilities and net assets	$ 100,046,718
Total revenues	$ 21,788,468
Total expenses	20,114,693
Net increase in net assets	$ 1,673,775

During the fiscal year ended June 30, 2011, REMIF contributed $572,999 for Liability, $379,485 for Property and $82,521 for APD current year coverage and received a refund of $394,423 of prior years' surplus funds for the liability program.

CJPRMA's financial statements may be obtained from CJPRMA at 3252 Constitution Drive, Livermore, CA 94551.

12. PENSION PLAN

Substantially all REMIF employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CalPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. REMIF's employees participate in the Miscellaneous Plan of the Redwood Empire Municipal Insurance Fund (part of CalPERS' Miscellaneous 2.7% at 55 Risk Pool). Benefit provisions under the Plan were established by State statute and REMIF ordinance. Benefits are based on years of credited service, equal to one year of full time employment. REMIF employees retiring on or after July 1, 2009 are eligible to receive a benefit of 2.7% per year of credited service. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS; REMIF must contribute these amounts.

The Plan's provisions and benefits in effect at June 30, 2011, are summarized as follows:

Benefit vesting schedule	5 years service
Benefit payments	Monthly for life
Retirement age	55
Monthly benefits, as a % of annual salary	1.426% – 2.418%
Required employee contribution rate	7%
Required employer contribution rate	20.219%
Actuarially required employer contributions	$175,861

CalPERS determines contribution requirements using a modification of the Entry Age Actuarial Cost Method. Under this method, REMIF's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount REMIF must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumption used to compute contribution requirements are also used to compute the actuarial accrued liability. REMIF does not have a net pension obligation since it pays these actuarially required contributions monthly.

CalPERS uses the 15 year smoothed market method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.00%. Annual salary increases are assumed to vary from 3.25% to 14.45% depending on age, service, and type of employment. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and 10% of the net balance is amortized annually.
Three-year trend information for the Miscellaneous Plan of REMIF:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
6/30/2009	$ 126,168	100.0%	$ 0
6/30/2010	$ 172,115	100.0%	$ 0
6/30/2011	$ 175,861	100.0%	$ 0

Funded Status of the CalPERS Miscellaneous 2.7% at 55 Risk Pool at June 30:

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (UAAL)	Funded Status	Annual Covered Payroll	UAAL as a Percentage of Payroll
2007	$ 1,627,025,950	$ 1,362,059,317	$ 264,966,633	83.7%	$ 376,292,121	70.4%
2008	$ 1,823,366,479	$ 1,529,548,799	$ 293,817,680	83.9%	$ 414,589,514	70.9%
2009	$ 2,140,438,884	$ 1,674,260,302	$ 466,178,582	78.2%	$ 440,071,499	105.9%

* Plan specific data for the REMIF's Plan was no longer made available by CalPERS after the June 30, 2004 valuation, and therefore was not available for periods ending after June 30, 2003.

CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, California 95814.

SUPPLEMENTARY INFORMATION

REDWOOD EMPIRE MUNICPAL INSURANCE FUND

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2011 AND 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b – a] / c)
7/1/09	$0	$1,875,000	($1,875,000)	0%	Not Available	Not Available

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
FOR THE YEAR ENDED JUNE 30, 2011

	Workers' Compensation Fund	Liability Fund	Property Fund	Dental Fund	Vision Fund	Auto Physical Damage Fund	Total
Unpaid Losses and Loss Adjustment Expenses, Beginning of Year	$ 7,452,898	$ 1,798,036	$ 0	$ 105,737	$ 13,935	$ 0	$ 9,370,606
Incurred Losses and Loss Adjustment Expenses:							
Provision for Insured Events of the Current Year	2,379,673	1,239,699	16,075	1,112,579	155,240	30,450	4,933,716
Change in Provision for Insured Events of Prior Years	1,369,995	387,771		(787)	(465)		1,756,514
Total Incurred Losses and Loss Adjustment Expenses	3,749,668	1,627,470	16,075	1,111,792	154,775	30,450	6,690,230
Payments:							
Losses and Loss Adjustment Expenses Attributable to Insured Events of the Current Year	435,542	415,727	16,075	1,112,579	155,240	30,450	2,165,613
Losses and Loss Adjustment Expenses Attributable to Insured Events of the Prior Years	1,918,815	974,564					2,893,379
Total Payments	2,354,357	1,390,291	16,075	1,112,579	155,240	30,450	5,058,992
Total Unpaid Losses and Loss Adjustment Expenses, End of Year	$ 8,848,209	$ 2,035,215	$ 0	$ 104,950	$ 13,470	$ 0	$ 11,001,844
Reserve for Losses and Claims	$ 8,426,866	$ 1,938,300		$ 104,950	$ 13,470		$ 10,483,586
Reserve for ULAE	421,343	96,915					518,258
Total Unpaid Losses and Loss Adjustment Expenses	$ 8,848,209	$ 2,035,215	$ 0	$ 104,950	$ 13,470	$ 0	$ 11,001,844

See notes to supplementary information.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
FOR THE YEAR ENDED JUNE 30, 2010

	Workers' Compensation Fund	Liability Fund	Property Fund	Dental Fund	Vision Fund	Auto Physical Damage Fund	Total
Unpaid Losses and Loss Adjustment Expenses, Beginning of Year	$ 7,005,287	$ 1,897,984	$ 0	$ 107,281	$ 13,806	$ 0	$ 9,024,358
Incurred Losses and Loss Adjustment Expenses:							
Provision for Insured Events of the Current Year	2,468,120	1,142,013		1,152,110	147,057	7,500	4,916,800
Change in Provision for Insured Events of Prior Years	45,661	(551,766)		(1,544)	129		(507,520)
Total Incurred Losses and Loss Adjustment Expenses	2,513,781	590,247		1,150,566	147,186	7,500	4,409,280
Payments:							
Losses and Loss Adjustment Expenses Attributable to Insured Events of the Current Year	496,948	322,233		1,152,110	147,057	7,500	2,125,848
Losses and Loss Adjustment Expenses Attributable to Insured Events of the Prior Years	1,569,222	367,962					1,937,184
Total Payments	2,066,170	690,195		1,152,110	147,057	7,500	4,063,032
Total Unpaid Losses and Loss Adjustment Expenses, End of Year	$ 7,452,898	$ 1,798,036	$ 0	$ 105,737	$ 13,935	$ 0	$ 9,370,606
Reserve for Losses and Claims	$ 7,097,998	$ 1,712,415		$ 105,737	$ 13,935		$ 8,930,085
Reserve for ULAE	354,900	85,621					440,521
Total Unpaid Losses and Loss Adjustment Expenses	$ 7,452,898	$ 1,798,036	$ 0	$ 105,737	$ 13,935	$ 0	$ 9,370,606

See notes to supplementary information.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

CLAIMS DEVELOPMENT INFORMATION
WORKERS' COMPENSATION PROGRAM
JUNE 30, 2011
(In Thousands of Dollars)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1) Premium and investment revenues										
Earned	$ 2,145	$ 2,214	$ 3,201	$ 4,020	$ 3,516	$ 3,523	$ 3,575	$ 3,574	$ 3,612	$ 3,376
Ceded	(102)	(115)	(459)	(499)	(481)	(507)	(435)	(408)	(310)	(315)
Net earned	2,043	2,099	2,742	3,521	3,035	3,016	3,140	3,166	3,302	3,061
2) Unallocated expenses	322	347	367	376	229	202	240	339	559	347
3) Estimated self insured incurred claims and expense, end of program year	1,434	2,059	2,549	1,656	2,167	2,081	2,771	2,077	2,746	2,313
4) Paid (cumulative) as of:										
End of program year	252	424	544	319	329	359	195	316	497	436
One year later	883	1,449	1,543	752	1,007	733	1,329	735	1,352	
Two years later	1,358	1,970	1,876	1,028	1,298	954	1,674	997		
Three years later	1,700	2,453	2,374	1,181	1,529	1,105	2,161			
Four years later	1,812	2,671	2,503	1,313	1,700	1,182				
Five years later	1,970	2,810	2,918	1,624	1,882					
Six years later	2,039	2,782	3,224	1,791						
Seven years later	2,092	2,910	3,298							
Eight years later	2,158	3,001								
Nine years later	2,262									
5) Reestimated ceded claims and expenses		63								
6) Reestimated incurred claims and expenses										
End of program year	1,434	2,059	2,549	1,656	2,167	2,081	2,771	2,077	2,746	2,313
One year later	1,882	3,004	2,985	1,829	2,484	1,652	2,902	1,607	2,882	
Two years later	2,235	3,109	3,171	1,729	2,196	1,488	2,683	1,542		
Three years later	2,185	3,225	3,741	1,628	2,163	1,429	2,941			
Four years later	2,307	3,225	3,648	1,559	2,186	1,331				
Five years later	2,363	3,370	3,522	1,824	2,298					
Six years later	2,349	3,273	3,902	2,070						
Seven years later	2,301	3,229	4,063							
Eight years later	2,291	3,418								
Nine years later	2,424									
7) Increase in estimated incurred claims and expenses from end of program year	$ 990	$ 1,359	$ 1,514	$ 414	$ 131	$ (750)	$ 170	$ (535)	$ 136	$ 0

See notes to supplementary information.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

CLAIMS DEVELOPMENT INFORMATION
LIABILITY PROGRAM
JUNE 30, 2011
(In Thousands of Dollars)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1) Premium and investment revenues										
Earned	$ 2,461	$ 2,600	$ 3,328	$ 3,359	$ 2,014	$ 1,715	$ 1,543	$ 3,270	$ 3,227	$ 3,023
Ceded	(628)	(723)	(753)	(801)	(666)	(625)	(701)	(651)	(652)	(597)
Net earned	1,833	1,877	2,575	2,558	1,348	1,090	842	2,619	2,575	2,425
2) Unallocated expenses	306	411	431	497	551	560	565	570	569	608
3) Estimated self insured incurred and reported claims and expense, end of program year	1,538	1,622	1,331	1,594	2,230	1,777	1,870	1,660	1,647	1,217
4) Paid (cumulative) as of:										
End of program year	367	377	306	257	269	232	333	382	322	416
One year later	580	574	566	762	962	490	661	784	985	
Two years later	725	1,199	660	1,287	1,384	749	1,189	934		
Three years later	1,340	1,359	695	1,337	1,432	806	1,820			
Four years later	1,404	1,359	708	1,372	1,465	878				
Five years later	1,404	1,368	709	1,372	1,497					
Six years later	1,404	1,368	709	1,372						
Seven years later	1,404	1,368	709							
Eight years later	1,404	1,368								
Nine years later	1,404									
5) Reestimated ceded claims and expenses					364					
6) Reestimated incurred claims and expenses										
End of program year	1,538	1,622	1,331	1,594	2,230	1,777	1,870	1,660	1,647	1,217
One year later	1,314	1,350	1,235	1,831	1,877	1,194	1,507	1,301	1,563	
Two years later	1,187	1,440	944	1,590	1,613	1,042	1,563	1,148		
Three years later	1,548	1,442	786	1,410	1,491	925	2,090			
Four years later	1,404	1,376	709	1,380	1,489	941				
Five years later	1,404	1,373	709	1,372	1,506					
Six years later	1,404	1,368	709	1,372						
Seven years later	1,404	1,368	709							
Eight years later	1,404	1,368								
Nine years later	1,404									
7) Increase (decrease) in estimated incurred claims and expenses from end of program year	$ (134)	$ (254)	$ (622)	$ (222)	$ (724)	$ (836)	$ 220	$ (512)	$ (84)	$ 0

See notes to supplementary information.

1. CLAIMS DEVELOPMENT INFORMATION

The tables illustrate how REMIF's earned revenues (net of reinsurance) and investment income compared to related costs of loss and other expenses assumed by REMIF as of the end of each of the previous ten years for the workers' compensation program and general liability program. The rows of the tables are defined as follows:

1. Total of each year's gross premium revenue and reported investment revenue, amounts of premium revenue ceded, and net reported premiums (net of reinsurance).

2. Amount of reported unallocated claim adjustment expenses and reported other costs for each of the past ten fiscal years including the latest fiscal year.

3. Program's gross incurred losses and allocated loss adjustment expense, losses assumed by reinsurers, and net incurred losses and loss adjustment expense (both paid and accrued) as originally reported at the end of the year in which the event that triggered coverage occurred (called the policy year).

4. Cumulative net amounts paid as of the end of successive years for each policy year.

5. Latest re-estimated amount of losses assumed by reinsurers for each policy year.

6. The re-estimated amount for net incurred claims and claims adjustment expenses as of the end of each succeeding year and for each policy year.

7. Comparison of the latest re-estimated net incurred losses to the amount originally established (line 3). This line shows whether the latest estimate of losses is greater or less than originally thought. As data or individual policy years matures, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature policy years.

The columns of the tables show data for successive policy years.

ADDITIONAL INFORMATION AND GRAPHS

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES – BUDGET AND ACTUAL
EXCLUDING ENTERPRISE FUND
JUNE 30, 2011

	Budget	Actual	Favorable (Unfavorable) Variance
General and Administrative Expenses			
Employee expenses	$ 728,245	$ 539,928	$ 188,317
Legal	12,000	7,705	4,295
Accounting	27,500	27,350	150
Office expense	15,000	9,479	5,521
Telephone	5,500	5,241	259
Travel, seminars and conferences	7,000	5,476	1,524
Rent – computer and copier	46,500	45,690	810
Utilities	8,500	7,723	777
Deprecation expense	30,000	19,084	10,916
Insurance	7,000	2,476	4,524
Postage	4,000	911	3,089
Dues and subscriptions	6,000	3,776	2,224
Miscellaneous	2,500	1,062	1,438
Safety training	235,000	184,380	50,620
Consultants – other	20,000	1,985	18,015
Property taxes	1,700	1,667	33
Board expense	18,000	14,494	3,506
Board conference	60,000	68,539	(8,539)
Building maintenance and repair	10,000	7,993	2,007
Total general and administrative expenses	$ 1,244,445	$ 954,959	$ 289,486

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

SCHEDULE OF REVENUES AND EXPENSES – BUDGET AND ACTUAL
ENTERPRISE FUND
JUNE 30, 2011

	Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
Administration fees:			
Workers' compensation			
REMIF	$ 282,900	$ 282,900	
Petaluma	91,080	91,080	
Santa Rosa	253,000	253,000	
San Rafael	116,930	116,930	
Eureka – prior claims	1,000	2,350	$ 1,350
First Aid	2,250	75	(2,175)
Other contract services	6,300	6,160	(140)
Rental income	39,000	39,000	
Other	5,500	5,503	3
Total revenue	797,960	796,998	(962)
General and Administrative Expenses:			
Employee expenses	708,609	622,653	85,956
Legal	1,000		1,000
Office expense	16,000	6,547	9,453
Telephone	5,500	3,616	1,884
Travel/seminars/conferences	4,500	2,368	2,132
Rent	35,000	32,333	2,667
Depreciation expense	18,000	18,076	(76)
Postage	14,000	11,176	2,824
Dues and subscriptions	2,000	1,829	171
Miscellaneous	5,000	4,105	895
Consultants – other	5,000		5,000
Computer supplies	1,500		1,500
Computer service and maintenance	50,200	61,821	(11,621)
Computer programming	32,000	9,035	22,965
Copier supplies	500		500
Copier service and maintenance	5,000	5,599	(599)
Total general and administrative expenses	903,809	779,158	124,651
Operating income (loss)	(105,849)	17,840	123,689
Interest income	6,500	7,980	1,480
Net increase (decrease) in net assets	$ (99,349)	$ 25,820	$ 125,169

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

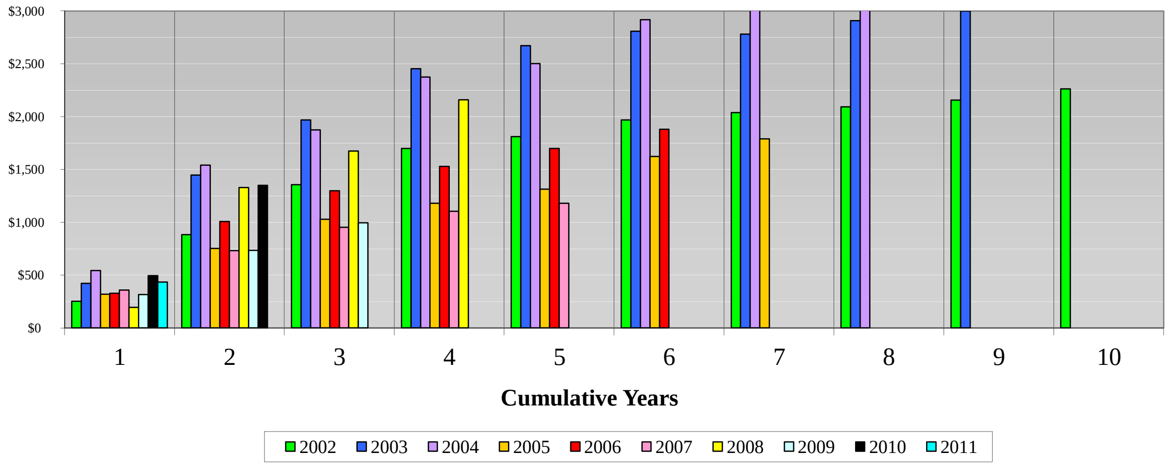
SCHEDULE OF MEMBER PREMIUMS, GROSS LOSSES AND CLAIMS PAID – BY CITY
JUNE 30, 2011

	Arcata	Cloverdale	Cotati	Eureka	Fort Bragg	Fortuna	Healdsburg	Lakeport	Rohnert Park	Sebastopol	Sonoma	St. Helena	Ukiah	Willits	Windsor	Total All Cities
Workers' Compensation Fund:																
Member premiums	$ 194,121	$ 122,043	$ 82,638	$ 435,572	$ 128,449	$ 97,874	$ 318,465	$ 125,580	$ 487,661	$ 117,354	$ 191,879	$ 148,480	$ 483,942	$ 185,099	$ 169,052	$ 3,288,209
Gross losses and claims	(246,404)	(97,186)	(85,459)	(297,669)	(193,666)	(71,754)	(154,383)	(142,921)	(432,297)	(315,814)	(232,515)	(144,891)	(403,226)	(179,953)	(118,300)	(3,116,438)
Net amount	$ (52,283)	$ 24,857	$ (2,821)	$ 137,903	$ (65,217)	$ 26,120	$ 164,082	$ (17,341)	$ 55,364	$ (198,460)	$ (40,636)	$ 3,589	$ 80,716	$ 5,146	$ 50,752	$ 171,771
Liability Fund:																
Member premiums	$ 191,959	$ 94,772	$ 121,274	$ 452,582	$ 113,993	$ 145,747	$ 274,322	$ 92,105	$ 371,469	$ 150,357	$ 149,368	$ 188,716	$ 274,151	$ 85,694	$ 212,515	$ 2,919,024
Gross losses and claims	(162,076)	(14,469)	(68,795)	(505,318)	(27,407)	(224,581)	(166,442)	(12,841)	(299,923)	(168,106)	(66,224)	(1,330)	(130,998)	(24,957)	(33,083)	(1,906,550)
Net amount	$ 29,883	$ 80,303	$ 52,479	$ (52,736)	$ 86,586	$ (78,834)	$ 107,880	$ 79,264	$ 71,546	$ (17,749)	$ 83,144	$ 187,386	$ 143,153	$ 60,737	$ 179,432	$ 1,012,474
Property Fund:																
Member premiums	$ 23,549	$ 8,892	$ 9,112	$ 69,449	$ 15,364	$ 23,658	$ 48,695	$ 13,441	$ 55,102	$ 12,567	$ 16,253	$ 12,584	$ 72,251	$ 17,706	$ 28,428	$ 427,051
Gross losses and claims		(703)									(25,165)				(75)	(25,943)
Net amount	$ 23,549	$ 8,189	$ 9,112	$ 69,449	$ 15,364	$ 23,658	$ 48,695	$ 13,441	$ 55,102	$ 12,567	$ (8,912)	$ 12,584	$ 72,251	$ 17,706	$ 28,353	$ 401,108
Dental Fund:																
Member premiums	$ 170,813	$ 63,800	$ 49,936		$ 82,031	$ 84,497	$ 181,066	$ 56,373		$	$ 82,858	$ 101,219	$ 195,885	$ 68,413	$ 148,790	$ 1,285,681
Gross losses and claims	(147,210)	(61,846)	(53,417)		(81,554)	(73,353)	(179,026)	(64,790)			(91,953)	(101,298)	(176,880)	(70,485)	(151,918)	(1,253,730)
Net amount	$ 23,603	$ 1,954	$ (3,481)	$ 0	$ 477	$ 11,144	$ 2,040	$ (8,417)	$ 0	$ 0	$ (9,095)	$ (79)	$ 19,005	$ (2,072)	$ (3,128)	$ 31,951
Vision Fund:																
Member premiums	$ 36,311	$ 9,345	$ 4,335		$	$ 12,960	$ 16,890	$ 8,880	$	$	$ 12,930	$ 10,095	$ 30,480	$ 10,170	$ 27,833	$ 180,229
Gross losses and claims	(35,318)	(9,968)	(4,858)			(13,650)	(17,992)	(14,290)			(14,351)	(10,712)	(30,859)	(9,238)	(28,444)	(189,680)
Net amount	$ 993	$ (623)	$ (523)	$ 0	$ 0	$ (690)	$ (1,102)	$ (5,410)	$ 0	$ 0	$ (1,421)	$ (617)	$ (379)	$ 932	$ (611)	$ (9,451)
Auto Physical Damage Fund:																
Member premiums	$ 5,769	$ 4,592	$ 3,852	$ 38,495	$ 5,246	$ 6,304	$ 13,744	$ 2,996	$ 12,187	$ 5,629	$ 9,024	$ 10,177	$ 21,586	$ 1,981	$ 4,474	$ 146,056
Gross losses and claims	(22,000)													(28,450)		(50,450)
Net amount	$ (16,231)	$ 4,592	$ 3,852	$ 38,495	$ 5,246	$ 6,304	$ 13,744	$ 2,996	$ 12,187	$ 5,629	$ 9,024	$ 10,177	$ 21,586	$ (26,469)	$ 4,474	$ 95,606

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

CLAIMS DEVELOPMENT INFORMATION
CUMULATIVE WORKERS' COMPENSATION FUND CLAIMS PAID
EXCLUDING CLAIMS RESERVED AND INCURRED BUT NOT REPORTED
INCLUDING MEMBER DEDUCTIBLES
LAST TEN FISCAL YEARS

(In Thousands of Dollars)

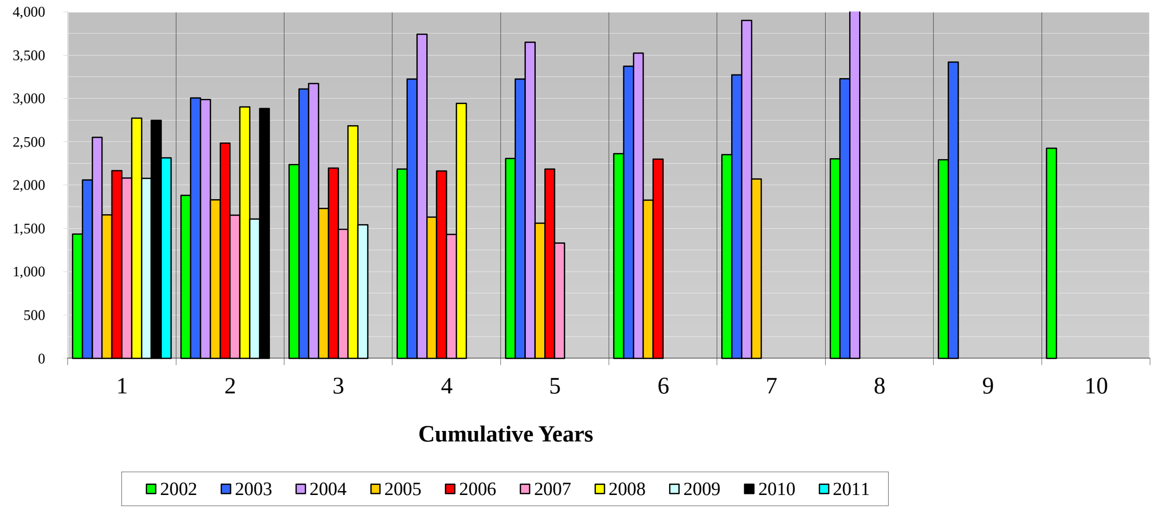


	Claim year									
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Paid (cumulative) as of:										
End of program year	$ 252	$ 424	$ 544	$ 319	$ 329	$ 359	$ 195	$ 316	$ 497	$ 436
One year later	883	1,449	1,543	752	1,007	733	1,329	735	1,352	
Two years later	1,358	1,970	1,876	1,028	1,298	954	1,674	997		
Three years later	1,700	2,453	2,374	1,181	1,529	1,105	2,161			
Four years later	1,812	2,671	2,503	1,313	1,700	1,182				
Five years later	1,970	2,810	2,918	1,624	1,882					
Six years later	2,039	2,782	3,224	1,791						
Seven years later	2,092	2,910	3,298							
Eight years later	2,158	3,001								
Nine years later	2,262									

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

CLAIMS DEVELOPMENT INFORMATION
RE-ESTIMATED INCURRED WORKERS' COMPENSATION FUND CLAIMS AND EXPENSES
EXCLUDING CLAIMS INCURRED BUT NOT REPORTED
INCLUDING MEMBER DEDUCTIBLES
LAST TEN FISCAL YEARS

(In Thousands of Dollars)

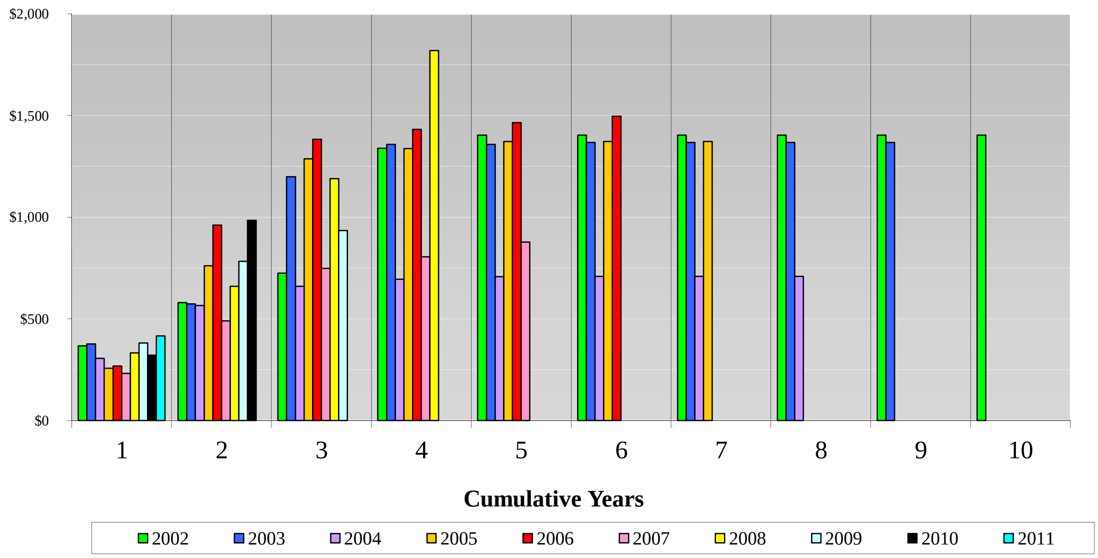


	Claim year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Ultimate Loss as of:										
End of program year	$ 1,434	$ 2,059	$ 2,549	$1,656	$ 2,167	$ 2,081	$ 2,771	$ 2,077	$ 2,746	$ 2,313
One year later	1,882	3,004	2,985	1,829	2,484	1,652	2,902	1,607	2,882	
Two years later	2,235	3,109	3,171	1,729	2,196	1,488	2,683	1,542		
Three years later	2,185	3,225	3,741	1,628	2,163	1,429	2,941			
Four years later	2,307	3,225	3,648	1,559	2,186	1,331				
Five years later	2,363	3,370	3,522	1,824	2,298					
Six years later	2,349	3,273	3,902	2,070						
Seven years later	2,301	3,229	4,063							
Eight years later	2,291	3,418								
Nine years later	2,424									

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

CLAIMS DEVELOPMENT INFORMATION
CUMULATIVE LIABILITY FUND CLAIMS PAID
EXCLUDING CLAIMS INCURRED BUT NOT REPORTED
INCLUDING MEMBER DEDUCTIBLES
LAST TEN FISCAL YEARS

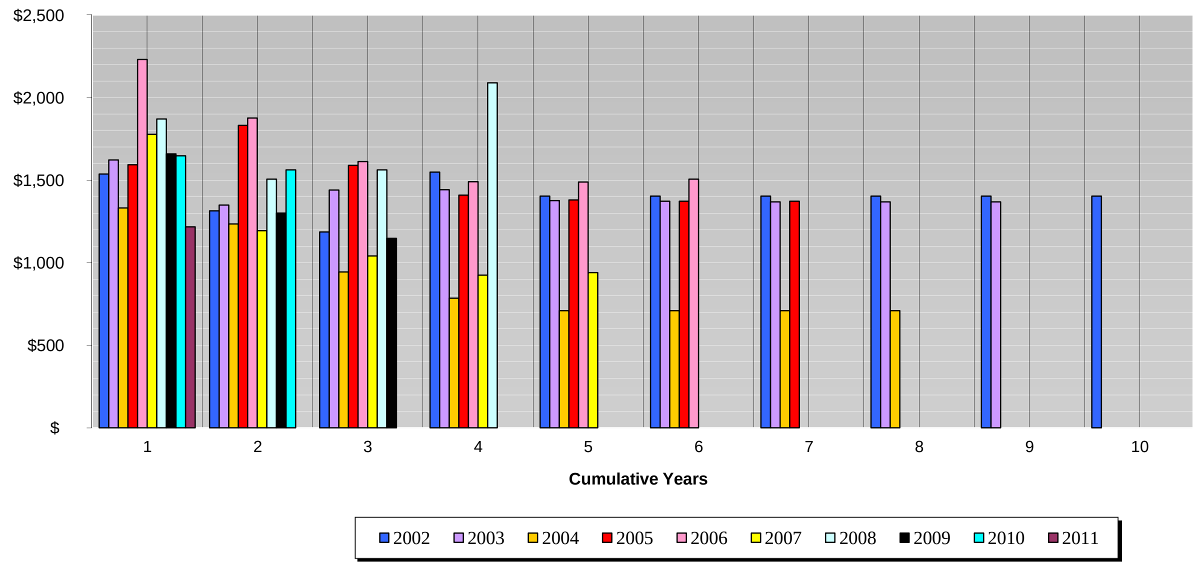
(In Thousands of Dollars)



	Claim year									
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Paid (cumulative) as of:										
End of program year	$ 367	$ 377	$ 306	$ 257	$ 269	$ 232	$ 333	$ 382	$ 322	$ 416
One year later	580	574	566	762	962	490	661	784	985	
Two years later	725	1,199	660	1,287	1,384	749	1,189	934		
Three years later	1,340	1,359	695	1,337	1,432	806	1,820			
Four years later	1,404	1,359	708	1,372	1,465	878				
Five years later	1,404	1,368	709	1,372	1,497					
Six years later	1,404	1,368	709	1,372						
Seven years later	1,404	1,368	709							
Eight years later	1,404	1,368								
Nine years later	1,404									

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

CLAIMS DEVELOPMENT INFORMATION
RE-ESTIMATED INCURRED LIABILITY FUND CLAIMS AND EXPENSES
EXCLUDING CLAIMS INCURRED BUT NOT REPORTED
INCLUDING MEMBER DEDUCTIBLES
LAST TEN FISCAL YEARS
(In Thousands of Dollars)

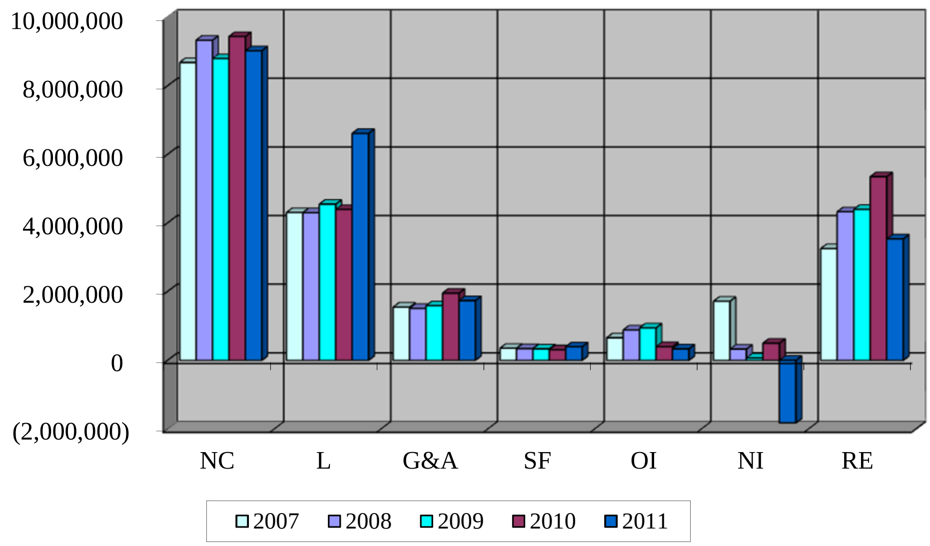


	Claim year									
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Ultimate Loss as of:										
End of program year	$ 1,538	$ 1,622	$ 1,331	$1,594	$ 2,230	$ 1,777	$ 1,870	$ 1,660	$ 1,647	$ 1,217
One year later	1,314	1,350	1,235	1,831	1,877	1,194	1,507	1,301	1,563	
Two years later	1,187	1,440	944	1,590	1,613	1,042	1,563	1,148		
Three years later	1,548	1,442	786	1,410	1,491	925	2,090			
Four years later	1,404	1,376	709	1,380	1,489	941				
Five years later	1,404	1,373	709	1,372	1,506					
Six years later	1,404	1,368	709	1,372						
Seven years later	1,404	1,368	709							
Eight years later	1,404	1,368								
Nine years later	1,404									

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

HISTORICAL TRENDS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS LAST FIVE FISCAL YEARS

(In Thousands of Dollars)

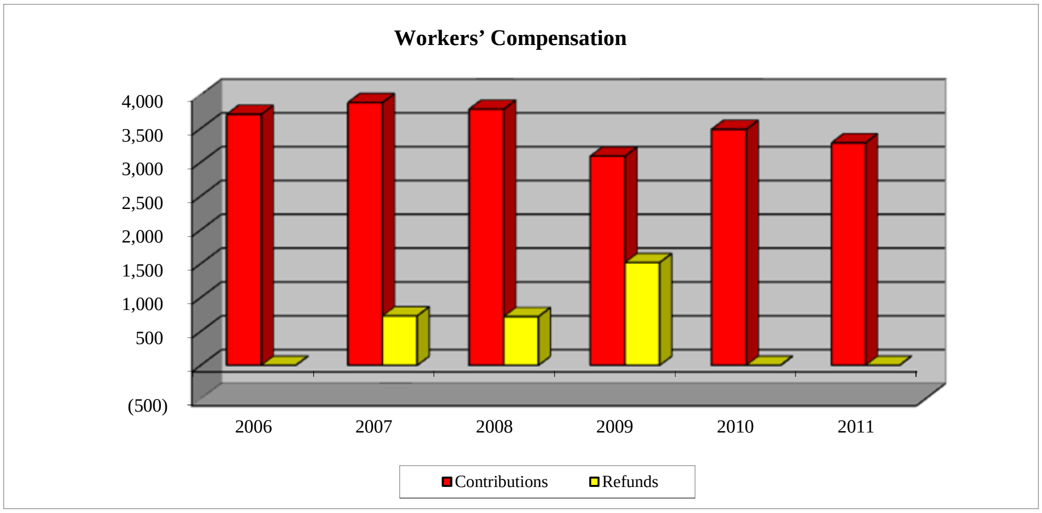


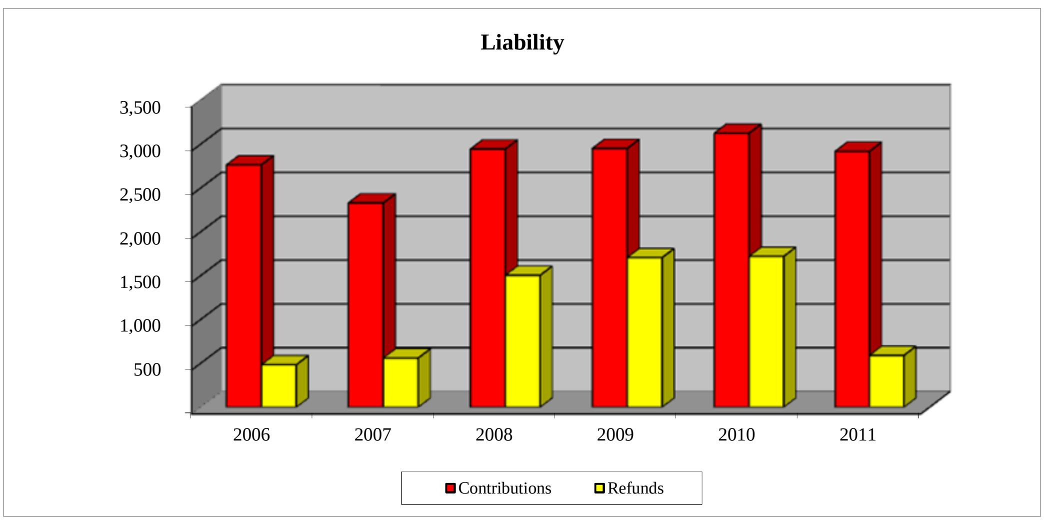
Fiscal Year	Net contributions "NC"	Losses "L"	General and administrative expenses "G&A"	Distribution of surplus funds CJPRMA "SF"	Other income "OI"	Net income "NI"	Retained earnings end of year "RE"
2007	$ 8,680,497	$ 4,303,149	$ 1,543,282	$ 349,046	$ 653,142	$ 1,714,904	$ 3,249,028
2008	9,331,245	4,297,431	1,509,423	341,214	882,155	326,383	4,325,212
2009	8,794,957	4,548,095	1,586,208	333,487	941,755	68,928	4,394,140
2010	9,438,753	4,392,762	1,950,498	305,433	396,939	497,003	5,349,645
2011	9,022,677	6,612,493	1,734,117	394,423	333,315	(1,816,946)	3,532,699

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

MEMBER CONTRIBUTIONS AND REFUNDS TO MEMBERS
WORKERS' COMPENSATION FUND AND LIABILITY FUND
LAST SIX FISCAL YEARS

(In Thousands of Dollars)





	Workers' Compensation				Liability			
2006	$	3,708,867			$	2,765,086	$	483,728
2007		3,882,975	$	728,690		2,331,418		561,417
2008		3,785,004		718,151		2,944,697		1,505,033
2009		3,090,363		1,515,793		2,951,735		1,705,613
2010		3,487,217		(2,198)		3,126,220		1,720,803
2011		3,288,209				2,919,024		591,255