

**REDWOOD EMPIRE MUNICIPAL
INSURANCE FUND**

BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

BASIC FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Redwood Empire Municipal Insurance Fund
Sonoma, California

Report on Financial Statements

We have audited the accompanying financial statements and each major fund of the Redwood Empire Municipal Insurance Fund (REMIF) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise REMIF's basic financial statements as listed in the Table of Contents. The financial statements of REMIF as of June 30, 2012 were audited by other auditors whose report dated November 29, 2012 was unqualified.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to REMIF's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of REMIF's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of REMIF as of June 30, 2013 and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Management adopted the provisions of the following Governmental Accounting Standards Board Statement, which became effective during the year ended June 30, 2013 and required certain nomenclature changes to the financial statements:

Statement 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. See Note 2G to the financial statements for relevant disclosures.

REMIF restated the beginning net position of the Worker's Compensation and Liability Funds as discussed in Note 9B.

The emphasis of these matters does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise REMIF's basic financial statements as a whole. The Supplemental Information and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the financial statements as a whole.

The Statistical Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Report on Summarized Comparative Information

REMIF's 2012 financial statements were audited by other auditors who expressed an unmodified audit opinion on those audited financial statements in their report dated November 29, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived, except as noted in the restatement discussed in Note 9B.



Pleasant Hill, California
April 25, 2014

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REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013 AND 2012

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, 2013. We encourage readers to evaluate the information presented here along with the additional information included in the financial statements.

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 Healdsburg
City of Sebastopol
City of Ukiah

City of Cotati
City of Rohnert Park
City of Sonoma

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 Fort Bragg
City of Lakeport
City of Willits

City of Eureka
City of Fortuna
City of St. Helena
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 Director/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, contracts 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, 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.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013 AND 2012

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 position provide an indication of REMIF's financial health as well as an indication of the net position available for various future purposes. The statement of net position includes all of REMIF's assets and liabilities using the accrual basis of accounting. The statement of revenues, expenses and changes in net position 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

	6/30/13	6/30/12 (Restated)	6/30/11 (Restated)
Total capital	\$350,055	\$355,198	\$372,121
Total other	<u>18,159,402</u>	<u>17,655,537</u>	<u>17,569,456</u>
Total assets	<u>\$18,509,517</u>	<u>\$18,010,735</u>	<u>\$17,941,577</u>
Total long-term liabilities	\$9,313,100	\$8,071,330	\$7,925,962
Total short-term liabilities	<u>5,969,503</u>	<u>4,760,115</u>	<u>4,885,114</u>
Total Liabilities	<u>\$15,282,603</u>	<u>\$12,831,495</u>	<u>\$12,811,076</u>
Total net position	<u>\$3,226,914</u>	<u>\$5,179,240</u>	<u>\$5,130,501</u>
Total operating revenues	\$8,660,771	\$8,376,367	\$8,933,556
Total non-operating revenues	<u>179,418</u>	<u>478,253</u>	<u>225,604</u>
Total revenues	<u>\$8,840,189</u>	<u>\$8,854,620</u>	<u>\$9,159,160</u>
Net losses and claims incurred	\$7,534,800	\$5,449,521	\$6,612,793
Changes in reserves for ULAE	86,453	5,632	77,737
Premium and/or contributions for excess	1,277,554	1,353,264	1,376,782
Claims consultants and administration	193,736	199,907	191,323
Other insurance costs	0	8,451	
Other operating expenses/Change in OPEB	(13,295)	63,482	(478,889)
Tenant expenses	0	1,056	2,221
General and administrative	<u>1,713,267</u>	<u>1,724,568</u>	<u>1,734,117</u>
Total expenses	<u>\$10,792,515</u>	<u>\$8,805,881</u>	<u>\$10,976,106</u>
Net income for the year	(1,952,326)	48,739	(1,816,946)
Net position, beginning of year	<u>5,179,240</u>	<u>5,130,501</u>	<u>6,947,447</u>
Net position, end of year	<u>\$3,226,914</u>	<u>\$5,179,240</u>	<u>\$5,130,501</u>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013 AND 2012

ANALYSIS OF CURRENT YEAR RESULTS COMPARED TO PRIOR YEARS

There was a net loss in FY 12/13 of \$1,952,326, compared to a net gain of \$48,739 in FY 11/12. Financial highlights include the following:

During FY 12/13 the Board returned \$414,041 of the \$1,414,041 that was calculated prior to the end of the fiscal year as available to be returned to members in FY 12/13. 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, 2013 were increased by \$1.7 million compared to an increase of \$240 thousand for FY 12. No WC refunds could be distributed in FY 12/13, and the WC reserves remained at 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 \$2,072,101 at the end of FY 12/13. The annual contributions of \$175,000 were 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 are now 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, 2013 the net dental reserves exceeded four months of premiums, with two of the participating twelve cities exceeding one year of premiums.

The vision program ended FY 12/13 with a net reserve of more than nine months in excess of monthly premiums, with two of the participating eleven cities exceeding one year of reserves.

The general and administrative expenses for all programs, excluding the Enterprise Fund, were \$268,635 under budget (favorable balance). Expenses under budget by more than \$5,000 were: Salaries and Benefits (\$173,400); Legal Expense (\$10,849); Travel (\$6,897); Safety Training (\$55,907); Board Expense (\$5,181) and Conferences (\$17,379).

Salaries, wages and benefits were less than budget due to the retirement of long term staff, increased benefit contributions from retired staff and paying less than budgeted amounts for health care. Safety Training was under budget due in part to police officer and public works training costs that came in less than budgeted. Board Expense and Conference Costs were also less than expected.

Post-Employment Benefit transactions are reported in a separate column under OPEB.

The Enterprise program had a net gain of \$6,811 in FY 12/13, up from the prior year's net loss of \$44,717. Savings in salary and benefits due to the retirement of long term staff and reduced computer programming expenses were the main reasons for the gain.

The Enterprise Fund general and administrative expenses were \$86,407 under budget (favorable balance). Expenses under budget by more than \$5,000 were: Salaries and Benefits (\$19,870); Postage (\$10,837); Consultants (\$7,500); Computer Services (\$15,431), and Computer Programming (\$18,500).

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013 AND 2012

Workers' Compensation

Reserves for losses and claims in the Workers' Compensation program increased by \$1,603,832, which contributed to a net loss in the Fund of \$1,919,523.

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 claimants in this category with payments from the excess insurance carriers expected to exceed \$293,128 for FY 12/13.

Liability

Premiums for FY 12/13 decreased by \$345,424 from FY 11/12, while the reserves for losses and claims in the Liability program in FY 12/13 increased \$125,208 from FY 11/12. This will allow for a potential refund of \$414,041 in FY 13-14.

Net Liability claims paid in FY 12/13 of \$1,259,923 were \$261,662 less than those paid in FY 11/12.

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, 2013 identified property was valued at \$1.2 billion at 1,661 sites.

REMIF earthquake and flood insurance remained at \$20 million for the period of November 2012 to November 2013, while costs increased by \$35,687. Not all city property was covered for earthquake and flood but for those entities that desired DIC coverage, property values increased from \$1.16 billion for FY 11/12 to over \$1.18 billion by the end of FY 12/13.

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 12/13 ended at \$1.18 billion.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013 AND 2012

Auto Physical Damage

During FY 12/13 there was a net income of \$65,499 compared to a net income of \$63,435 in FY 11/12. This difference was due to a decrease in net claims from \$5,584 in FY 11/12 to (\$4,917) in FY 12/13 due to a subrogation refund for a prior year claim received in FY 12/13.

As of June 30, 2013 for all REMIF cities there were a total of 1,474 vehicles covered, valued at \$55,037,389. Of the 1,474 vehicles there were 566 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 increased \$2,116,869, from \$40,659,397 at the end of FY 11/12 to \$42,776,266 at the end of FY 12/13.

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. After eight years of this increase the net value of city balances had increased from \$77,724 on 6/30/05 to \$631,868 on 6/30/13. All but two cities had a positive net income. Effective 7/1/10, Preferred Benefit dropped their coverage with REMIF, so arrangements were made to receive coverage directly from Delta Dental. During the current FY, even though there was a net loss of \$92,865, with premiums of over \$1.1 million, it is not believed another premium increase is needed at the this time.

Dental	6/30/13	6/30/12	6/30/11	6/30/10
Net premiums	\$457,858	\$555,736	\$566,315	\$534,365
Employees enrolled	1,019	1,027	1,082	1,095
Net income (loss)	(\$92,865)	(\$3,200)	\$51,490	\$34,841

At the end of FY 13, there were two cities that had more than twelve months of net premiums in reserve.

Vision

Vision premiums in FY 12/13 provided an overall net loss of \$11,894.

Vision	6/30/13	6 /30/12	6/30/11	6/30/10
Net premiums	\$122,497	\$102,821	\$110,372	\$119,823
Employees enrolled	832	850	902	911
Net income (loss)	(\$11,894)	(\$15,325)	(\$8,244)	\$391

At the end of FY 13, there were two of the eleven cities that had more than one year of net premium in reserve.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013 AND 2012

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 reviewed 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 again 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 managed 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 \$4,451 for FY 11/12 and \$182,372 for FY 12/13. This brought the June 30, 2013 balance to \$2,072,101. Because these funds are now held in an irrevocable trust, OPEB transactions are shown in separate statements 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. Three insurance companies provided flood and earthquake coverage up to \$20 million for replacement value. The cost of the DIC coverage was \$184,868 more 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 \$10 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.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013 AND 2012

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 increased to \$4.56 effective July 1, 2012.

Bonds and Fidelity Insurance were 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 permittees' 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 inquiries about proper documentation needed to ensure that the cities are protected. At the end of FY 12/13, there were active litigation cases being handled by contractors' insurance companies at no expense to REMIF and the entities because of this highly effective program.

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.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013 AND 2012

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 CALPELRA conference in Monterey, and two employees to the 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 12/13 REMIF spent \$177,093 for the above mentioned training.

	FY 12/13	FY 11/12	FY 10/11
Safety Training	\$177,093	\$188,092	\$184,380
Consultants	\$7,750	\$2,415	\$1,985
Board Conference Expense	<u>\$58,621</u>	<u>\$58,790</u>	<u>\$68,539</u>
Total	<u>\$243,464</u>	<u>\$249,297</u>	<u>\$254,904</u>

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.

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REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
BALANCE SHEETS
JUNE 30, 2013
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2012

	Workers' Compensation Fund	Liability Fund	Property Fund	Dental Fund
ASSETS				
Cash and equivalents (Note 3)	\$695,862	\$383,230	\$52,277	\$70,065
Trust fund cash and cash equivalents (Note 3)				
Investments, current (Note 3)	1,581,721	871,096	118,827	159,261
Receivables:				
Premiums and fees	207,855			
Reimbursements	313,569	190,800	23,575	
Interfund (Note 5)	539,564			
Interest	9,310	13,654	343	830
Excess insurance reimbursement and other	303,741			
Prepaid expenses		23,749		
Deposits	275,500			
Total current assets	<u>3,927,122</u>	<u>1,482,529</u>	<u>195,022</u>	<u>230,156</u>
NONCURRENT ASSETS				
Investments, noncurrent (Note 3)	5,800,923	3,189,130	435,031	572,903
Net OPEB asset (Note 10)				
Capital assets - net of accumulated depreciation (Note 6)	<u>331,299</u>			
TOTAL ASSETS	<u><u>\$10,059,344</u></u>	<u><u>\$4,671,659</u></u>	<u><u>\$630,053</u></u>	<u><u>\$803,059</u></u>
LIABILITIES				
Unearned premiums	\$922		\$843	\$63,241
Reimbursements for claims paid				
Interfund payables (Note 5)	386,531	\$407,810	15,104	3,000
Accounts payable	33,030	61,376		
Deposits held to perform claim administration				
Tenant and other deposits	2,160			
Refunds payable to members		514,041		
Reserve for losses and claims (Note 8)	<u>2,536,025</u>	<u>968,064</u>		<u>104,950</u>
Total current liabilities	<u>2,958,668</u>	<u>1,951,291</u>	<u>15,947</u>	<u>171,191</u>
NONCURRENT LIABILITIES				
Reserve for losses and claims (Note 8)	7,723,456	979,301		
Reserve for ULAE (Note 8)	<u>512,974</u>	<u>97,369</u>		
TOTAL LIABILITIES	<u><u>11,195,098</u></u>	<u><u>3,027,961</u></u>	<u><u>15,947</u></u>	<u><u>171,191</u></u>
NET POSITION				
Net Investment in capital assets	331,299			
Unrestricted	<u>(1,467,053)</u>	<u>1,643,698</u>	<u>614,106</u>	<u>631,868</u>
TOTAL NET POSITION	<u><u>(1,135,754)</u></u>	<u><u>1,643,698</u></u>	<u><u>614,106</u></u>	<u><u>631,868</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$10,059,344</u></u>	<u><u>\$4,671,659</u></u>	<u><u>\$630,053</u></u>	<u><u>\$803,059</u></u>

See accompanying notes to financial statements

Vision Fund	Auto Physical Damage Fund	Post Retirement Benefits Fund	Enterprise Fund	Total 2013	Total 2012
\$17,506	\$33,652		\$37,661	\$1,290,253	\$1,381,364
39,791	76,493		85,605	2,932,794	599,243
				207,855	2,885,774
	10,346		354,414	892,704	223,557
			386,531	926,095	559,812
521	356			25,014	401,009
			15,000	318,741	26,685
				23,749	342,127
			1,500	277,000	44,705
57,818	120,847		880,711	6,894,205	277,000
					6,741,276
145,677	280,044		313,406	10,737,114	10,749,413
		\$528,143		528,143	164,848
			18,756	350,055	355,198
<u>\$203,495</u>	<u>\$400,891</u>	<u>\$528,143</u>	<u>\$1,212,873</u>	<u>\$18,509,517</u>	<u>\$18,010,735</u>
	\$30			\$65,036	\$50,018
					24,054
\$1,000	7,552		\$105,097	926,094	401,009
10,311			84,946	189,663	12,005
			650,000	650,000	650,000
				2,160	2,160
				514,041	572,133
13,470				3,622,509	3,048,736
24,781	7,582		840,043	5,969,503	4,760,115
				8,702,757	7,547,490
				610,343	523,890
24,781	7,582		840,043	15,282,603	12,831,495
			18,756	350,055	355,198
178,714	393,309	\$528,143	354,074	2,876,859	4,824,042
178,714	393,309	528,143	372,830	3,226,914	5,179,240
<u>\$203,495</u>	<u>\$400,891</u>	<u>\$528,143</u>	<u>\$1,212,873</u>	<u>\$18,509,517</u>	<u>\$18,010,735</u>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012

	Workers' Compensation Fund	Liability Fund	Property Fund	Dental Fund
OPERATING REVENUES				
Member Premiums	\$3,771,459	\$2,366,228	\$481,541	\$1,088,369
Fees	22,228			
Excess insurance refunds	15	260,588		
Other				
Total operating revenues	3,793,702	2,626,816	481,541	1,088,369
Refunds to members (Note 7)		(414,041)		
Net operating revenues	3,793,702	2,212,775	481,541	1,088,369
OPERATING EXPENSES				
Net losses and claims incurred	4,922,621	1,385,131	4,850	1,048,642
Change in reserve for ULAE	80,192	6,261		
Premiums and/or contributions for excess coverage	293,128	520,802	387,001	
Claims consultants and administration	20,000	3,750		137,130
Other insurance costs				
Tenant expenses				
General and administrative	318,314	584,935	15,104	3,000
Contributions to OPEB Trust Fund				
Annual OPEB expense				
Total operating expenses	5,634,255	2,500,879	406,955	1,188,772
OPERATING INCOME (LOSS)	(1,840,553)	(288,104)	74,586	(100,403)
NONOPERATING REVENUE (EXPENSE)				
Rental	61,200			
Investment income	34,830	22,911	1,958	7,538
Total Nonoperating Revenues (Expenses)	96,030	22,911	1,958	7,538
Income (Loss) Before Transfers	(1,744,523)	(265,193)	76,544	(92,865)
Transfers in (Note 5)				
Transfers out (Note 5)	(175,000)			
NET CHANGE IN NET POSITION	(1,919,523)	(265,193)	76,544	(92,865)
NET POSITION, Beginning of year, as restated (Note 9B)	783,769	1,908,891	537,562	724,733
NET POSITION, End of year	<u>(\$1,135,754)</u>	<u>\$1,643,698</u>	<u>\$614,106</u>	<u>\$631,868</u>

See accompanying notes to financial statements

Vision Fund	Auto Physical Damage Fund	Post Retirement Benefits Fund	Enterprise Fund	Total 2013	Total 2012
\$196,997	\$143,378			\$8,047,972	\$7,849,714
			\$743,831	766,059	765,864
			178	260,781	327,102
					5,820
196,997	143,378		744,009	9,074,812	8,948,500
				(414,041)	(572,133)
196,997	143,378		744,009	8,660,771	8,376,367
178,473	(4,917)			7,534,800	5,449,521
				86,453	5,632
	76,623			1,277,554	1,353,264
32,856				193,736	199,907
					8,451
					1,056
1,000	7,552		783,362	1,713,267	1,724,568
		\$350,000		350,000	
		(363,295)		(363,295)	63,482
212,329	79,258	(13,295)	783,362	10,792,515	8,805,881
(15,332)	64,120	13,295	(39,353)	(2,131,744)	(429,514)
			44,250	105,450	100,200
3,438	1,379		1,914	73,968	378,053
3,438	1,379		46,164	179,418	478,253
(11,894)	65,499	13,295	6,811	(1,952,326)	48,739
		175,000		175,000	175,000
				(175,000)	(175,000)
(11,894)	65,499	188,295	6,811	(1,952,326)	48,739
190,608	327,810	339,848	366,019	5,179,240	5,130,501
\$178,714	\$393,309	\$528,143	\$372,830	\$3,226,914	\$5,179,240

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012

	Workers' Compensation Fund	Liability Fund	Property Fund	Dental Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from members	\$3,717,253	\$2,442,520	\$475,097	\$1,106,808
Cash received for excess insurance dividends	15	260,588		
Payments for excess insurance	(293,128)	(499,846)	(387,001)	
Payments for claims, claims consultants and claims administration	(3,300,403)	(1,263,673)	(4,850)	(1,196,343)
Payments to vendors	(102,788)	(285,421)	(6,284)	(3,000)
Payments to or on behalf of employees	(189,628)	(238,138)	(8,820)	
Payments to members		(472,133)		
Interfund receipts (payments)	247,976	31,696	1,174	
Transfers to OPEB Trust Fund				
Interfund transfers	(175,000)			
Net cash provided (used) by operating activities	(95,703)	(24,407)	69,316	(92,535)
CASH FLOWS FROM INVESTING ACTIVITIES				
Tenant income received	61,200			
Acquisition of capital assets				
Interest received, net of fair value adjustment	34,830	22,911	1,958	7,538
(Purchase) sale of investments	(120,175)	453,774	(42,544)	95,295
Net cash provided (used) by investing activities	(24,145)	476,685	(40,586)	102,833
NET INCREASE (DECREASE) IN				
CASH AND EQUIVALENTS	(119,848)	452,278	28,730	10,298
CASH AND EQUIVALENTS, Beginning of year	815,710	(69,048)	23,547	59,767
CASH AND EQUIVALENTS, End of year	\$695,862	\$383,230	\$52,277	\$70,065
Cash and equivalents	\$695,862	\$383,230	\$52,277	\$70,065
Trust fund cash				
CASH AND EQUIVALENTS, End of year	\$695,862	\$383,230	\$52,277	\$70,065
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET				
CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	(\$1,840,553)	(\$288,104)	\$74,586	(\$100,403)
Depreciation expense	2,999			
Interfund transfers	(175,000)			
Change in:				
Premiums and fees receivable	15,777			
Reimbursement receivable	(92,950)	75,588	(6,527)	
Interfund receivables	(138,555)			
Other receivables	739	704	83	76
Excess insurance reimbursement and other	38,386			
Prepaid expenses		20,956		
Unearned premiums				18,363
Other post employment benefits				
Reimbursements for claims paid				(10,571)
Interfund payables	386,531	31,696	1,174	
Accounts payable and other liabilities	22,899	61,376		
Refunds payable to members		(58,092)		
Reserve for losses and claims	1,603,832	125,208		
Reserve for ULAE	80,192	6,261		
Net cash provided (used) by operating activities	(95,703)	(24,407)	69,316	(92,535)

See accompanying notes to financial statements

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REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
OPEB TRUST FUND
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Investments, current (Note 4)	<u>\$2,072,101</u>	<u>\$1,539,729</u>
NET POSITION		
Total net position held in trust for OPEB	<u><u>\$2,072,101</u></u>	<u><u>\$1,539,729</u></u>

See accompanying notes to financial statements

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
OPEB TRUST FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ADDITIONS:		
Contributions to OPEB Trust	\$350,000	
Investment Income	<u>182,372</u>	<u>\$4,451</u>
Change in net position	532,372	4,451
Net position held in trust for OPEB - beginning of year	<u>1,539,729</u>	<u>1,535,278</u>
Net position held in trust for OPEB - end of year	<u><u>\$2,072,101</u></u>	<u><u>\$1,539,729</u></u>

See accompanying notes to financial statements

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REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2013 and 2012**

NOTE 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.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2013 and 2012**

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

A. 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.

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 10.

B. 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, 2013

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 – 6/30/13	1,000,000

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

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2013 and 2012**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2013

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, 2013

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., and Hartford Steam Boiler Insurance 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, 2013

Excess of: \$10,000 to a total of \$10,000,000 coverage per occurrence through The Hanover Insurance Company.

5. Pass-through Programs

REMIF also provides earthquake and flood, life, comprehensive drug testing and employee assistance programs which are fully insured by a commercial provider.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2013 and 2012**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. *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.

D. *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.

E. *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.

F. *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.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2013 and 2012**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. *Deferred Outflows/Inflows of Resources*

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

H. *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.

I. *Cash and Equivalents*

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

J. *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.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2013 and 2012**

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Policies

REMIF invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. In order to maximize security, REMIF employs the Trust Department of a bank as the custodian of all REMIF managed investments, regardless of their form.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of REMIF's cash on deposit or first trust deed mortgage notes with a value of 150% of REMIF's cash on deposit as collateral for these deposits. Under California Law this collateral is held in an investment pool by an independent financial institution in REMIF's name and places REMIF ahead of general creditors of the institution pledging the collateral.

REMIF records its investments at fair value. Changes in fair value are reported in the statement of revenues, expenses, and changes in net position. 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.

B. Classification

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

	2013	2012
Cash in bank and on hand	\$670,745	\$863,621
Sonoma County Trust	222,628	222,659
Local Agency Investment Fund (LAIF)	396,880	894,327
Total cash and cash equivalents	1,290,253	1,980,607
Investments	13,669,908	13,635,187
Total cash, cash equivalents and investments	<u>\$14,960,161</u>	<u>\$15,615,794</u>

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, 2013 and 2012, the balance in the Workers' Compensation Trust Fund was \$0 and \$599,243, respectively. The balance is included in the cash in bank and on hand.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2013 and 2012**

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. *Investments Authorized by the California Government Code and 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.

Authorized Investment Types	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment One Issuer
U.S. Treasury Obligations	5 years	None	None	None
U.S. Agency Securities	5 years	None	None	None
Municipal Securities:				
State	5 years	None	None	None
Local Agencies within California	5 years	None	None	None
Banker's Acceptances	180 days	A1	40%	5%
Non-Negotiable Certificates (Time Deposits)	5 years	None	30%	None
Negotiable Certificates of Deposit	5 years	A	30%	5%
Commercial Paper	270 days	A/A1	25%	5%
				LAIF max
Local Agency Investment Fund (LAIF)	N/A	None	None	(currently
Sonoma County Pooled Investment Fund	N/A	None	10%	\$50m/acct)
Medium-Term Notes	5 years	A	30%	5%
Money Market Mutual Funds	N/A	AAAm	20%	10%

D. *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 interest 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 interest rate fluctuations is provided by the following tables that show the maturity date of each investment or earliest call date:

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2013 and 2012**

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

June 30, 2013	Remaining Maturity (in Months)			Total
	12 Months or Less	13 to 24 Months	25 - 60 Months	
Investment Type				
U.S. Treasury Obligations			\$2,293,918	\$2,293,918
U.S. Agency Securities	\$568,183	\$385,664	5,416,220	6,370,067
Non-Negotiable Certificates of Deposit	794,000			794,000
Commercial Paper	489,515			489,515
Medium Term Corporate Notes	1,057,615	1,342,617	1,298,695	3,698,927
Money Market Mutual Funds	23,481			23,481
Total	<u>\$2,932,794</u>	<u>\$1,728,281</u>	<u>\$9,008,833</u>	<u>\$13,669,908</u>

June 30, 2012	Remaining Maturity (in Months)			Total
	12 Months or Less	13 to 24 Months	25 - 60 Months	
Investment Type				
U.S. Treasury Securities			\$812,678	\$812,678
U.S. Agency Securities	\$1,251,833	\$583,849	5,683,183	7,518,865
Non-Negotiable Certificates of Deposit	275,031			275,031
Negotiable Certificates of Deposit	450,000	794,000		1,244,000
Commercial Paper	584,126			584,126
Medium Term Corporate Notes	231,727	1,090,211	1,785,492	3,107,430
Money Market Mutual Funds	93,057			93,057
Total	<u>\$2,885,774</u>	<u>\$2,468,060</u>	<u>\$8,281,353</u>	<u>\$13,635,187</u>

E. Disclosures Relating to Credit Risk

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. Presented below is the actual rating as of year-end for each investment type as of June 30, 2013, as provided by Standard and Poor's investment rating system.

Investment Type	AA+/AA/					Total
	AAAm	AA-	A+/A/A-	A-1	Not Rated	
U.S Treasury Obligations		\$2,293,918				\$2,293,918
U.S. Agency Securities		6,370,067				6,370,067
Non-Negotiable Certificates of Deposit					\$794,000	794,000
Commercial Paper				\$489,515		489,515
Medium Term Corporate Notes		1,557,527	\$2,141,400			3,698,927
Money Market Mutual Funds	\$23,481					23,481
	<u>\$23,481</u>	<u>\$10,221,512</u>	<u>\$2,141,400</u>	<u>\$489,515</u>	<u>\$794,000</u>	<u>\$13,669,908</u>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2013 and 2012**

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Presented below is the actual rating as of year-end for each investment type as of June 30, 2012, as provided by Standard and Poor's investment rating system.

Investment Type	AAA	AA	A-1	Exempt	Not Rated	Total
U.S. Treasury Securities				\$812,678		\$812,678
U.S. Agency Securities	\$7,518,865					7,518,865
Commercial Paper			\$584,126			584,126
Non-Negotiable Certificates of Deposit			\$275,031			275,031
Negotiable Certificates of Deposit					\$1,244,000	1,244,000
Medium Term Corporate Notes	1,191,553	\$1,915,877				3,107,430
Money Market Mutual Funds	93,057					93,057
	<u>\$8,803,475</u>	<u>\$1,915,877</u>	<u>\$859,157</u>	<u>\$812,678</u>	<u>\$1,244,000</u>	<u>\$13,635,187</u>

F. 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 2013, REMIF did have more than 5% of total investments in a single issuer, (other than U.S. Treasury securities, mutual funds and external investment pools) which are disclosed as follows:

Federal Home Loan Mortgage Corporation	\$1,517,353
Federal National Mortgage Association	1,858,178
Federal Home Loan Bank	1,361,711
Federal Farm Credit Bank	1,632,825

During fiscal year 2012, REMIF did have more than 5% of total investments in a single issuer, (other than U.S. Treasury securities, mutual funds and external investment pools) which are disclosed as follows:

Federal Home Loan Mortgage Corporation	\$2,112,089
Federal National Mortgage Association	1,948,969
Federal Home Loan Bank	1,784,623
Federal Farm Credit Bank	1,449,465

G. Investments in Investment Pools

REMIF is a participant in LAIF that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Sonoma County Trust Fund. 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 the Sonoma County Trust Fund, which are recorded on an amortized cost basis. Separate complete financial statements for LAIF may be obtained from 915 Capitol Mall, Sacramento, CA 95814 and for Sonoma County Trust Fund from 575 Administration Drive, Santa Rosa, CA 95403.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2013 and 2012****NOTE 4 – INVESTMENTS - OPEB TRUST FUND****A. Composition**

Investments of the OPEB Trust Fund at June 30, consisted of the following:

	2013	2012
Money Market	\$39,998	\$21,177
Exchange Traded Funds	2,032,103	1,518,552
Total investments	<u>\$2,072,101</u>	<u>\$1,539,729</u>

B. 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.

	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 of U.S. and non-U.S. Issuers	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).

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2013 and 2012**

NOTE 4 – INVESTMENTS - OPEB TRUST FUND (Continued)

Asset Class	Acceptable Range of Asset Allocation (within 5%)
Equities	25% - 75%
Domestic	20% - 75%
International	5% - 50%
Real Estate	0%-25%
Domestic	0%-25%
International	0%-10%
Commodities	0% - 25%
Bonds	25% - 75%
Domestic	15% - 75%
International	0%-35%
Cash	0%-10%

C. 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:

June 30, 2013	Remaining Maturity (in Months)	
Investment Type	12 Months Or Less	Total
Money Market	\$39,998	\$39,998
Exchange Traded Funds	2,032,103	2,032,103
Total	<u>\$2,072,101</u>	<u>\$2,072,101</u>

June 30, 2012	Remaining Maturity (in Months)	
Investment Type	12 Months Or Less	Total
Money Market	\$21,177	\$21,177
Exchange Traded Funds	1,518,552	1,518,552
Total	<u>\$1,539,729</u>	<u>\$1,539,729</u>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2013 and 2012**

NOTE 4 – INVESTMENTS - OPEB TRUST FUND (Continued)

D. Disclosures Relating to Credit Risk

The Money Market Funds were rated AAAM by Standard and Poor's Investment Rating Service as of June 30, 2013 and 2012.

E. Concentration of Credit Risk

During fiscal years ending June 30, 2013 and 2012, the OPEB Trust Fund did not have more than 5% of total investments in a single issuer.

NOTE 5 - INTERFUND TRANSACTIONS

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.

The Enterprise Fund normally 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. However, expenses in the Fund for the month of June 2013 exceeded the deposits on hand and the Workers' Compensation Program made a short-term loan in the amount of \$105,097 to fund the deficit until the receivables are collected funded by REMIF and the other cities.

The Workers' Compensation Fund transferred \$175,000 to the Post Retirement Benefits Fund to fund the annual Board-approved contribution to the OPEB Trust.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2013 and 2012**

NOTE 6 - CAPITAL ASSETS

Capital assets are stated at cost. Major additions are capitalized and repair and maintenance costs are expensed. Depreciation is provided using the straight-line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of capital assets. 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 position.

REMIF has assigned the useful lives and capitalization thresholds listed below to capital assets, depending upon the year of acquisition:

	<u>Prior to July 1, 2012</u>	<u>On or After July 1, 2012</u>
Capitalization Threshold	\$1,000	\$5,000
Useful Lives (Years):		
Buildings	20	50
Building Improvements	10-20	30
Leasehold Improvements	10-20	10
Equipment	5	5
Furniture and Fixtures	7	n/a

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2013 and 2012**

NOTE 6 - CAPITAL ASSETS (Continued)

Capital assets are comprised of the following:

<u>Worker's Compensation Fund:</u>	<u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2013</u>
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	(674,513)	(\$2,999)		(677,512)
Capital assets - net	<u>\$334,298</u>	<u>(\$2,999)</u>		<u>\$331,299</u>
<u>Enterprise Fund:</u>				
Furniture and fixtures	\$264,273			\$264,273
Equipment	28,807	\$10,966	(\$13,867)	25,906
Total	293,080	10,966	(13,867)	290,179
Less accumulated depreciation	(272,180)	(13,110)	13,867	(271,423)
Capital assets - net	<u>\$20,900</u>	<u>(\$2,144)</u>		<u>\$18,756</u>
Total Capital Net Assets - net	<u>\$355,198</u>	<u>(\$5,143)</u>		<u>\$350,055</u>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2013 and 2012**

NOTE 6 - CAPITAL ASSETS (Continued)

<u>Worker's Compensation Fund:</u>	<u>June 30, 2011</u>	<u>Additions</u>	<u>June 30, 2012</u>
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	(671,513)	(\$3,000)	(674,513)
Capital assets - net	<u>\$337,298</u>	<u>(\$3,000)</u>	<u>\$334,298</u>
<u>Enterprise Fund:</u>			
Furniture and fixtures	\$28,807		\$264,273
Equipment	264,273		28,807
Total	293,080		293,080
Less accumulated depreciation	(258,257)	(\$13,923)	272,180
Capital assets - net	<u>\$34,823</u>	<u>(\$13,923)</u>	<u>\$20,900</u>
Total Capital Net Assets - net	<u>\$372,121</u>	<u>(\$16,923)</u>	<u>\$355,198</u>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2013 and 2012****NOTE 7 - 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 position 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:

Fiscal Year	Distribution to Members of the:	
	Worker's 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
2012		572,133
2013		414,041

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2013 and 2012****NOTE 8 - 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:

	2013	2012
Unpaid losses and loss adjustment expenses, beginning of fiscal year	\$11,120,116	\$11,001,844
Incurring losses and loss adjustment expenses:		
Provision for covered events of the current year	3,059,322	4,385,109
Change in provision for covered events of prior years	4,561,931	1,070,044
Total incurred losses and loss adjustment expenses	7,621,253	5,455,153
Payments:		
Losses and loss adjustment expenses attributable to covered events of the current year	2,112,171	2,095,496
Losses and loss adjustment expenses attributable to covered events of prior years	3,693,589	3,241,385
Total payments	5,805,760	5,336,881
Total unpaid losses and loss adjustment expenses, end of fiscal year	\$12,935,609	\$11,120,116
Reserve for losses and claims	\$12,325,266	\$10,596,226
Reserve for ULAE	610,343	523,890
Total unpaid losses and loss adjustment expenses	\$12,935,609	\$11,120,116

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2013 and 2012**

NOTE 9 - NET POSITION

A. Designated Net Position

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

	Workers' Compensation Fund		Liability Fund	
	2013	2012	2013	2012
Designated net position	<u>\$0</u>	<u>\$449,471</u>	<u>\$1,000,000</u>	<u>\$1,000,000</u>

REMIF's policy is to reserve net position of \$1,000,000 in the Workers' Compensation Fund, however the Fund has deficit unrestricted net position of \$1,467,053 as of June 30, 2013. REMIF plans to replenish the reserve through future member premiums.

The Board also has designated a reserve for the enterprise program of REMIF for future equipment replacement. As of the years ended June 30, 2013 and 2012, the designated balance was \$193,695 and \$185,527, respectively.

B. Restatement of Net Position

During fiscal year 2013, REMIF determined that designations of net position had been recorded as liabilities in the Worker's Compensation Fund and Liability Fund in the amounts of \$597,802 and \$1,000,000, respectively. Those liabilities have been removed and net position as of July 1, 2012 has been restated and increased in those amounts.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2013 and 2012

NOTE 10 - POST EMPLOYMENT HEALTH CARE BENEFITS

REMIF sponsors a single-employer postemployment health care benefit plan (The Plan). REMIF provides certain health and life insurance 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.

For employees hired before July 1, 1993 (Plan 1) REMIF pays the entire appropriate premium costs.

For employees hired on or 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, 2013, 8 retirees are covered by the Plan and 10 employees are potentially eligible. Plan 1 covers 4 retirees and Plan 2 applies to 4 employees.

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.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2013 and 2012**

NOTE 10 - POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

During the year-ended June 30, 2011, REMIF established an 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. This contribution to the OPEB Trust Fund was 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 changed from 25 years to 2 years. The discount rate change decreased the July 1, 2009 actuarial accrued liability from \$2,764,000 to \$1,875,000. The June 30, 2012 contributions consisted of \$70,518 post-employment benefits for current retirees on a pay-as-you-go basis, and the June 30, 2013 contributions consist of \$97,295 post-employment benefits for current retirees on a pay-as-you-go basis and prefunding contributions of \$350,000.

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.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2013 and 2012

NOTE 10 - POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

The annual required contribution (ARC) was determined as part of a July 1, 2012, actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included:

Valuation date	July 1, 2012
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level dollar amount over a closed 25 years
Remaining amortization period at July 1, 2012	22
Interest rate assumption	6.50%
Inflation assumption	3.00%
	10% on 7/1/13,
	8.125% for 7/1/14 to 7/1/15,
	and subsequently decreasing each year
	gradually until reaching a
Medical premium assumptions	long-term rate of increase of 5.25%

During the fiscal years ended June 30, 2013 and 2012, REMIF has recorded a Net OPEB Obligation in the Post Retirement Benefits Fund, representing the difference between the ARC and actual contributions, as presented below:

	2013	2012
Annual required contribution (ARC)	\$93,000	\$134,000
Interest on net OPEB obligation	(23,000)	
Adjustment to annual required contribution	14,000	
Annual OPEB expense (AOC)	<u>84,000</u>	<u>134,000</u>
Contributions made		
Benefit payments	(97,295)	(70,518)
Contributions to Trust	<u>(350,000)</u>	
Total Contributions	<u>(447,295)</u>	<u>(70,518)</u>
Increase (decrease) in OPEB obligation	(363,295)	63,482
Net OPEB obligation (asset) - beginning of year	<u>(164,848)</u>	<u>(228,330)</u>
Net OPEB obligation (asset) - end of year	<u><u>(\$528,143)</u></u>	<u><u>(\$164,848)</u></u>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2013 and 2012**

NOTE 10 - POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

The following table provides three years of historical information of the Annual OPEB Cost:

Fiscal Year	Annual OPEB Expense	Actual Contributions	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
June 30, 2011	\$1,049,664	\$1,528,553	145.62%	(\$228,330)
June 30, 2012	134,000	70,518	52.63%	(164,848)
June 30, 2013	84,000	350,000	416.67%	(528,143)

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 below presents information regarding whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The July 1, 2009 actuarial valuation used the projected unit credit cost method, while the July 1, 2012 used the entry age normal cost method. REMIF's funding progress for other postemployment benefits as of the most recent valuation dates is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Cost Method Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (B - A) UAAL	Funded Ratio (A/B)	Covered Payroll (Active Plan Members) (C)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(A - B)/C]
July 1, 2009	\$0	\$1,875,000	\$1,875,000	0.00%	N/A	N/A
July 1, 2012	1,603,000	1,977,000	374,000	81.08%	N/A	N/A

NOTE 11 - 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 hired on or before December 31, 2012 participate in the Miscellaneous Plan of the Redwood Empire Municipal Insurance Fund (part of CalPERS' Miscellaneous 2.7% at 55 Risk Pool). REMIF's employees hired on or after January 1, 2013 participate in the Miscellaneous Plan of the Redwood Empire Municipal Insurance Fund (part of CalPERS' Miscellaneous 2.0% at 62 Risk Pool). Benefit provisions under the Plans 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 Plans are determined annually on an actuarial basis as of June 30 by CalPERS; REMIF must contribute these amounts.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2013 and 2012

NOTE 11 - PENSION PLAN (Continued)

The Plans' provisions and benefits in effect at June 30, 2013, are summarized as follows:

Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of annual salary	2% - 2.7%	1% - 2.5%
Required employee contribution rate	8.075%	6.50%
Required employer contribution rate	23.849%	6.70%

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 7.50% is assumed, including inflation at 2.75%. Annual salary increases are assumed to vary from 3.30% to 14.20% 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 (Asset)
6/30/2011	\$175,861	100.00%	\$0
6/30/2012	204,379	100.00%	0
6/30/2013	209,420	100.00%	0

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2013 and 2012****NOTE 11 - PENSION PLAN (Continued)**

As required by State law, effective July 1, 2005, REMIF's Miscellaneous Employee Plan was terminated, and the employees in the Plan were required by CALPERS to join a new State-wide pool. One of the conditions of entry to this pool was that REMIF true-up any unfunded liability in the former Plan, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS. REMIF satisfied its Miscellaneous Plan's unfunded liability by agreeing to contribute to the Side Fund through an addition to its normal contribution rates. The balance of the Side Fund was \$443,307 at June 30, 2013, which will be repaid over the next 8 years.

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

CALPERS' latest available actuarial value (which differs from market value) and funding progress for the State-wide pool are set forth below at the actuarial valuation dates of June 30, 2009, 2010 and 2011.

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (UAAL)	Funded Status	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
2010	\$2,297,871,345	\$1,815,671,616	\$482,199,729	79.02%	\$434,023,381	111.10%
2011	2,486,708,579	1,981,073,089	505,635,490	79.67%	427,300,410	118.33%
2012	2,680,181,441	2,178,799,790	501,381,651	81.29%	417,600,034	120.06%

REMIF's Miscellaneous Plan represents approximately 0.164%, 0.173% and 0.173% of the State-wide pool for the years ended June 30, 2012, 2011, and 2010, respectively, based on covered payroll of \$672,986, \$738,316 and \$752,983 for those years.

Actuarial information is not yet available for the CalPERS Miscellaneous 2.0% at 62 Risk Pool.

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

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2013 and 2012**

NOTE 12 – 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 general liability coverage 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.

During the fiscal year ended June 30, 2013, REMIF contributed \$549,601 for Liability, \$387,515 for Property and \$76,623 for Auto Physical Damage current year coverage and received a refund of \$260,588 of prior years' surplus funds for the liability program.

CJPRMA's financial statements may be obtained from CJPRMA at 3201 Doolan Road, Suite 285, Livermore, CA 94551.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

REMIF is subject to litigation arising in the normal course of business. In the opinion of the General Manager there is no pending litigation which is likely to have a material adverse effect on the financial position of the REMIF. Litigation outstanding in prior years has been settled without material cost to the REMIF.

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REQUIRED SUPPLEMENTARY INFORMATION

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
FOR THE YEAR ENDED JUNE 30, 2013

	Workers' Compensation Fund	Liability Fund	Property Fund
Unpaid Losses and Loss Adjustment Expenses, Beginning of Year	<u>\$9,088,431</u>	<u>\$1,913,265</u>	<u>\$0</u>
Incurring Losses and Loss Adjustment Expenses:			
Provision for Insured Events of the current Year	1,384,860	438,481	4,850
Change in Provision for Insured Events of Prior Years	<u>3,617,953</u>	<u>952,911</u>	<u></u>
Total Incurred Losses and Loss Adjustment Expenses	<u>5,002,813</u>	<u>1,391,392</u>	<u>4,850</u>
Payments:			
Losses and Loss Adjustment Expenses Attributable to Insured Events of the Current Year	617,797	258,393	4,850
Losses and Loss Adjustment Expenses Attributable to Insured Events of the Prior Years	<u>2,700,992</u>	<u>1,001,530</u>	<u></u>
Total Payments	<u>3,318,789</u>	<u>1,259,923</u>	<u>4,850</u>
Total Unpaid Losses and Loss Adjustment Expenses End of Year	<u><u>\$10,772,455</u></u>	<u><u>\$2,044,734</u></u>	<u><u>\$0</u></u>
Reserve for Losses and Claims	\$10,259,481	\$1,947,365	\$0
Reserve for ULAE	<u>512,974</u>	<u>97,369</u>	<u></u>
Total Unpaid Losses and Loss Adjustment Expenses	<u><u>\$10,772,455</u></u>	<u><u>\$2,044,734</u></u>	<u><u>\$0</u></u>

See Notes to Required Supplementary Information

Dental Fund	Vision Fund	Auto Physical Damage Fund	Total
<u>\$104,950</u>	<u>\$13,470</u>	<u>\$0</u>	<u>\$11,120,116</u>
<u>1,048,642</u>	<u>178,473</u>	<u>4,016</u>	<u>3,059,322</u>
		<u>(8,933)</u>	<u>4,561,931</u>
<u>1,048,642</u>	<u>178,473</u>	<u>(4,917)</u>	<u>7,621,253</u>
<u>1,048,642</u>	<u>178,473</u>	<u>4,016</u>	<u>2,112,171</u>
		<u>(8,933)</u>	<u>3,693,589</u>
<u>1,048,642</u>	<u>178,473</u>	<u>(4,917)</u>	<u>5,805,760</u>
<u>\$104,950</u>	<u>\$13,470</u>	<u>\$0</u>	<u>\$12,935,609</u>
<u>\$104,950</u>	<u>\$13,470</u>	<u>\$0</u>	<u>\$12,325,266</u>
			<u>610,343</u>
<u>\$104,950</u>	<u>\$13,470</u>	<u>\$0</u>	<u>\$12,935,609</u>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
FOR THE YEAR ENDED JUNE 30, 2012

	Workers' Compensation Fund	Liability Fund	Property Fund
Unpaid Losses and Loss Adjustment Expenses, Beginning of Year	<u>\$8,848,209</u>	<u>\$2,035,215</u>	<u>\$0</u>
Incurring Losses and Loss Adjustment Expenses:			
Provision for Insured Events of the current Year	1,931,135	1,101,718	52,471
Change in Provision for Insured Events of Prior Years	<u>772,127</u>	<u>297,917</u>	<u></u>
Total Incurred Losses and Loss Adjustment Expenses	<u>2,703,262</u>	<u>1,399,635</u>	<u>52,471</u>
Payments:			
Losses and Loss Adjustment Expenses Attributable to Insured Events of the Current Year	313,090	430,150	52,471
Losses and Loss Adjustment Expenses Attributable to Insured Events of the Prior Years	<u>2,149,950</u>	<u>1,091,435</u>	<u></u>
Total Payments	<u>2,463,040</u>	<u>1,521,585</u>	<u>52,471</u>
Total Unpaid Losses and Loss Adjustment Expenses End of Year	<u><u>\$9,088,431</u></u>	<u><u>\$1,913,265</u></u>	<u><u>\$0</u></u>
Reserve for Losses and Claims	\$8,655,649	\$1,822,157	
Reserve for ULAE	<u>432,782</u>	<u>91,108</u>	<u></u>
Total Unpaid Losses and Loss Adjustment Expenses	<u><u>\$9,088,431</u></u>	<u><u>\$1,913,265</u></u>	<u><u>\$0</u></u>

See Notes to Required Supplementary Information

Dental Fund	Vision Fund	Auto Physical Damage Fund	Total
<u>\$104,950</u>	<u>\$13,470</u>	<u>\$0</u>	<u>\$11,001,844</u>
1,126,876	167,325	5,584	4,385,109
			<u>1,070,044</u>
<u>1,126,876</u>	<u>167,325</u>	<u>5,584</u>	<u>5,455,153</u>
1,126,876	167,325	5,584	2,095,496
			<u>3,241,385</u>
<u>1,126,876</u>	<u>167,325</u>	<u>5,584</u>	<u>5,336,881</u>
<u>\$104,950</u>	<u>\$13,470</u>	<u>\$0</u>	<u>\$11,120,116</u>
\$104,950	\$13,470		\$10,596,226
			<u>523,890</u>
<u>\$104,950</u>	<u>\$13,470</u>	<u>\$0</u>	<u>\$11,120,116</u>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
CLAIMS DEVELOPMENT INFORMATION
WORKERS' COMPENSATION PROGRAM
LAST TEN FISCAL YEARS
(In Thousands of Dollars)

	Claim Year			
	2004	2005	2006	2007
1) Premium and investment revenues				
Earned	\$3,201	\$4,020	\$3,516	\$3,523
Ceded	(459)	(499)	(481)	(507)
Net Earned	<u>2,742</u>	<u>3,521</u>	<u>3,035</u>	<u>3,016</u>
2) Unallocated expenses	367	376	229	202
3) Estimated self insured incurred claims and expense, end of program year	2,549	1,656	2,167	2,081
4) Paid (cumulative) as of:				
End of program year	544	319	329	359
One year later	1,543	752	1,007	733
Two years later	1,876	1,028	1,298	954
Three years later	2,374	1,181	1,529	1,105
Four years later	2,503	1,313	1,700	1,182
Five years later	2,918	1,624	1,882	1,214
Six years later	3,224	1,791	1,970	1,276
Seven years later	3,298	1,919	2,038	
Eight years later	3,446	2,097		
Nine years later	3,554			
5) Reestimated ceded claims and expenses				
6) Reestimated incurred claims and expenses				
End of program year	2,549	1,656	2,167	2,081
One year later	2,985	1,829	2,484	1,652
Two years later	3,171	1,729	2,196	1,488
Three years later	3,741	1,628	2,163	1,429
Four years later	3,648	1,559	2,186	1,331
Five years later	3,522	1,824	2,298	1,335
Six years later	3,902	2,070	2,231	1,333
Seven years later	4,063	2,188	2,258	
Eight years later	3,985	2,358		
Nine years later	<u>3,895</u>			
7) Increase (decrease) in estimated incurred claims and expenses from end of program year	<u>\$1,346</u>	<u>\$702</u>	<u>\$91</u>	<u>(\$748)</u>

See Notes to Required Supplementary Information

Claim Year					
2008	2009	2010	2011	2012	2013
\$3,575	\$3,574	\$3,612	\$3,376	\$3,304	\$3,806
(435)	(408)	(310)	(315)	(282)	(293)
3,140	3,166	3,302	3,061	3,022	3,513
240	339	559	347	318	338
2,771	2,077	2,746	2,313	1,920	1,385
195	316	497	436	313	618
1,329	735	1,352	1,224	1,204	
1,674	997	2,106	1,893		
2,161	1,153	2,623			
2,328	1,286				
2,467					
2,771	2,077	2,746	2,313	1,920	1,385
2,902	1,607	2,882	2,784	2,530	
2,683	1,542	3,446	3,329		
2,941	1,558	3,270			
2,865	1,461				
2,760					
(\$11)	(\$616)	\$524	\$1,016	\$610	\$0

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
CLAIMS DEVELOPMENT INFORMATION
LIABILITY PROGRAM
LAST TEN FISCAL YEARS
(In Thousands of Dollars)

	Claim Year			
	2004	2005	2006	2007
1) Premium and investment revenues				
Earned	\$3,328	\$3,359	\$2,014	\$1,715
Ceded	<u>(753)</u>	<u>(801)</u>	<u>(666)</u>	<u>(625)</u>
Net Earned	<u>2,575</u>	<u>2,558</u>	<u>1,348</u>	<u>1,090</u>
2) Unallocated expenses	431	497	551	560
3) Estimated self insured incurred claims and expense, end of program year	1,331	1,594	2,230	1,777
4) Paid (cumulative) as of:				
End of program year	306	257	269	232
One year later	566	762	962	490
Two years later	660	1,287	1,384	749
Three years later	695	1,337	1,432	806
Four years later	708	1,372	1,465	878
Five years later	709	1,372	1,497	958
Six years later	709	1,372	1,550	1,170
Seven years later	709	1,372	1,972	
Eight years later	709	1,445		
Nine years later	806			
5) Reestimated ceded claims and expenses			364	
6) Reestimated incurred claims and expenses				
End of program year	1,331	1,594	2,230	1,777
One year later	1,235	1,831	1,877	1,194
Two years later	944	1,590	1,613	1,042
Three years later	786	1,410	1,491	925
Four years later	709	1,380	1,489	941
Five years later	709	1,372	1,506	968
Six years later	709	1,372	1,569	1,172
Seven years later	709	1,372	1,979	
Eight years later	709	1,445		
Nine years later	<u>806</u>			
7) (Increase) decrease in estimated incurred claims and expenses from end of program year	<u>(\$525)</u>	<u>(\$149)</u>	<u>(\$251)</u>	<u>(\$605)</u>

See Notes to Required Supplementary Information

Claim Year					
2008	2009	2010	2011	2012	2013
\$1,543	\$3,270	\$3,227	\$3,023	\$2,853	\$2,389
(701)	(651)	(652)	(597)	(633)	(521)
842	2,619	2,575	2,426	2,220	1,868
565	570	569	608	569	589
1,870	1,660	1,647	1,217	1,108	438
333	382	322	416	430	258
661	784	985	1,036	840	
1,189	934	1,555	1,562		
1,820	1,027	2,188			
2,021	1,164				
2,119					
1,870	1,660	1,647	1,217	1,108	438
1,507	1,301	1,563	1,469	1,181	
1,563	1,148	1,919	1,661		
2,090	1,079	2,243			
2,288	1,175				
2,315					
\$445	(\$485)	\$596	\$444	\$73	\$0

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013**

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.

SUPPLEMENTAL INFORMATION

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
BUDGET AND ACTUAL
(EXCLUDING ENTERPRISE FUND)
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
General and Administrative Expenses			
Employee expenses	\$703,340	\$529,940	\$173,400
Legal	12,000	1,151	10,849
Accounting	27,500	31,100	(3,600)
Office expense	12,500	7,978	4,522
Telephone	6,500	4,916	1,584
Travel, seminars and conferences	7,000	103	6,897
Rent - computer and copier	46,500	45,797	703
Utilities	9,500	7,267	2,233
Depreciation expense	3,000	2,999	1
Insurance	5,000	2,205	2,795
Postage	1,200	628	572
Dues and subscriptions	5,000	2,390	2,610
Miscellaneous	2,500	10,370	(7,870)
Safety training	233,000	177,093	55,907
Consultants - other	5,000	7,750	(2,750)
Property taxes	2,000	1,853	147
Board expense	31,000	25,819	5,181
Board conference	76,000	58,621	17,379
Building maintenance and repair	10,000	11,925	(1,925)
Total general and administrative expenses	<u>\$1,198,540</u>	<u>\$929,905</u>	<u>\$268,635</u>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:			
Administration fees:			
Worker's compensation			
REMIF	\$282,900	\$282,900	
Petaluma	81,972	81,972	
Santa Rosa	253,000	253,000	
San Rafael	116,930	116,930	
Eureka - prior claims	1,000	1,000	
First Aid	1,750	1,725	(\$25)
Other contract services	5,800	6,229	429
Rental Income	39,000	44,250	5,250
Other	5,550	253	(5,297)
Total revenues	<u>787,902</u>	<u>788,259</u>	<u>357</u>
General and Administrative Expenses:			
Employee expenses	685,569	665,699	19,870
Legal	1,000		1,000
Office expense	12,000	7,549	4,451
Telephone	5,500	3,147	2,353
Travel/seminars/conferences	4,500	2,098	2,402
Rent	35,000	32,840	2,160
Depreciation expense	13,200	13,110	90
Postage	12,000	1,163	10,837
Dues and subscriptions	2,000	947	1,053
Miscellaneous	5,000	4,811	189
Consultants - other	7,500		7,500
Computer supplies	1,500		1,500
Computer service and maintenance	64,000	48,569	15,431
Computer programming	18,500		18,500
Copier service and maintenance	2,500	3,429	(929)
Total general and administrative expenses	<u>869,769</u>	<u>783,362</u>	<u>86,407</u>
Operating income (loss)	<u>(81,867)</u>	<u>4,897</u>	<u>86,764</u>
Interest income	<u>6,000</u>	<u>1,914</u>	<u>(4,086)</u>
Net increase (decrease) in net position	<u>(\$75,867)</u>	<u>\$6,811</u>	<u>\$82,678</u>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
SCHEDULE OF MEMBER PREMIUMS, NET LOSSES AND CLAIMS PAID - BY CITY
JUNE 30, 2013

	Arcata	Cloverdale	Cotati	Eureka	Fort Bragg	Fortuna	Healdsburg
Workers' Compensation Fund:							
Member premiums	\$245,308	\$125,725	\$85,040	\$540,852	\$129,790	\$135,893	\$303,340
Net losses and claims	(313,421)	(91,884)	(81,504)	(308,236)	(400,484)	(109,156)	(183,564)
Net amount	<u>(\$68,113)</u>	<u>\$33,841</u>	<u>\$3,536</u>	<u>\$232,616</u>	<u>(\$270,694)</u>	<u>\$26,737</u>	<u>\$119,776</u>
Liability Fund:							
Member premiums	\$180,004	\$73,572	\$90,048	\$362,239	\$74,886	\$143,783	\$217,694
Net losses and claims	(111,883)	(1,003)	(7,779)	(171,443)	(118,624)	(135,031)	(256,809)
Net amount	<u>\$68,121</u>	<u>\$72,569</u>	<u>\$82,269</u>	<u>\$190,796</u>	<u>(\$43,738)</u>	<u>\$8,752</u>	<u>(\$39,115)</u>
Property Fund:							
Member premiums	\$27,122	\$17,412	\$9,246	\$72,710	\$25,019	\$24,455	\$48,568
Net losses and claims				(1,180)			(558)
Net amount	<u>\$27,122</u>	<u>\$17,412</u>	<u>\$9,246</u>	<u>\$71,530</u>	<u>\$25,019</u>	<u>\$24,455</u>	<u>\$48,010</u>
Dental Fund:							
Member premiums	\$128,809	\$62,569	\$47,799		\$77,712	\$58,663	\$145,667
Net losses and claims	(141,357)	(58,808)	(36,885)		(76,692)	(57,760)	(152,689)
Net amount	<u>(\$12,548)</u>	<u>\$3,761</u>	<u>\$10,914</u>	<u>\$0</u>	<u>\$1,020</u>	<u>\$903</u>	<u>(\$7,022)</u>
Vision Fund:							
Member premiums	\$33,603	\$9,240	\$4,320			\$12,450	\$16,365
Net losses and claims	(27,426)	(8,423)	(2,800)			(10,024)	(13,001)
Net amount	<u>\$6,177</u>	<u>\$817</u>	<u>\$1,520</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,426</u>	<u>\$3,364</u>
Auto Physical Damage Fund:							
Member premiums	\$8,318	\$4,592	\$4,377	\$35,808	\$4,786	\$7,266	\$13,809
Net losses and claims				(577)		(284)	(785)
Net amount	<u>\$8,318</u>	<u>\$4,592</u>	<u>\$4,377</u>	<u>\$35,231</u>	<u>\$4,786</u>	<u>\$6,982</u>	<u>\$13,024</u>
DIC	<u>\$69,675</u>	<u>\$41,965</u>	<u>\$22,285</u>	<u>\$187,097</u>	<u>\$64,320</u>	<u>\$62,868</u>	<u>\$124,857</u>
Boiler and Machinery	<u>\$2,833</u>	<u>\$1,706</u>	<u>\$906</u>	<u>\$7,608</u>	<u>\$2,615</u>	<u>\$2,556</u>	<u>\$5,077</u>
Total Premiums (all categories)	\$695,672	\$336,781	\$264,021	\$1,206,314	\$379,128	\$447,934	\$875,377
Net losses and claims (all categories)	(594,087)	(160,118)	(128,968)	(481,436)	(595,800)	(312,255)	(607,406)
Net amount (all categories)	<u>\$101,585</u>	<u>\$176,663</u>	<u>\$135,053</u>	<u>\$724,878</u>	<u>(\$216,672)</u>	<u>\$135,679</u>	<u>\$267,971</u>

Lakeport	Rohnert Park	Sebastopol	Sonoma	St. Helena	Ukiah	Willits	Windsor	Total All Cities
\$142,338 (118,614)	\$522,616 (942,692)	\$171,399 (45,451)	\$236,121 (159,732)	\$210,327 (394,554)	\$515,347 (424,165)	\$198,048 (148,052)	\$209,315 (31,304)	\$3,771,459 (3,752,813)
<u>\$23,724</u>	<u>(\$420,076)</u>	<u>\$125,948</u>	<u>\$76,389</u>	<u>(\$184,227)</u>	<u>\$91,182</u>	<u>\$49,996</u>	<u>\$178,011</u>	<u>\$18,646</u>
\$69,418 (14,202)	\$325,843 (198,267)	\$135,871 (156,171)	\$126,008 (315,985)	\$108,567 (14,653)	\$230,288 (83,218)	\$83,294 (10,326)	\$144,713 (62,453)	\$2,366,228 (1,657,847)
<u>\$55,216</u>	<u>\$127,576</u>	<u>(\$20,300)</u>	<u>(\$189,977)</u>	<u>\$93,914</u>	<u>\$147,070</u>	<u>\$72,968</u>	<u>\$82,260</u>	<u>\$708,381</u>
\$13,481	\$55,102	\$14,992 (585)	\$13,379	\$28,289 (540)	\$72,653 (719)	\$20,915	\$37,355 (26,728)	\$480,698 (30,310)
<u>\$13,481</u>	<u>\$55,102</u>	<u>\$14,407</u>	<u>\$13,379</u>	<u>\$27,749</u>	<u>\$71,934</u>	<u>\$20,915</u>	<u>\$10,627</u>	<u>\$450,388</u>
\$48,795 (45,659)			\$50,157 (46,800)	\$85,922 (80,132)	\$191,598 (165,304)	\$63,733 (61,137)	\$126,470 (125,419)	\$1,087,894 (1,048,642)
<u>\$3,136</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,357</u>	<u>\$5,790</u>	<u>\$26,294</u>	<u>\$2,596</u>	<u>\$1,051</u>	<u>\$39,252</u>
\$13,458 (11,311)			\$8,055 (8,990)	\$8,535 (7,836)	\$29,370 (24,784)	\$7,215 (7,362)	\$54,386 (22,509)	\$196,997 (144,466)
<u>\$2,147</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$935)</u>	<u>\$699</u>	<u>\$4,586</u>	<u>(\$147)</u>	<u>\$31,877</u>	<u>\$52,531</u>
\$2,996	\$12,914 (2,145)	\$7,293 8,311	\$2,113	\$10,531	\$22,401 (1,014)	\$1,885	\$4,289	\$143,378 3,506
<u>\$2,996</u>	<u>\$10,769</u>	<u>\$15,604</u>	<u>\$2,113</u>	<u>\$10,531</u>	<u>\$21,387</u>	<u>\$1,885</u>	<u>\$4,289</u>	<u>\$146,884</u>
<u>\$34,657</u>	<u>\$132,802</u>	<u>\$37,727</u>	<u>\$34,396</u>	<u>\$72,726</u>	<u>\$186,776</u>	<u>\$53,767</u>	<u>\$96,034</u>	<u>\$1,221,952</u>
<u>\$1,409</u>	<u>\$5,400</u>	<u>\$1,534</u>	<u>\$1,399</u>	<u>\$2,957</u>	<u>\$7,595</u>	<u>\$2,186</u>	<u>\$3,905</u>	<u>\$49,686</u>
\$326,552 (189,786)	\$1,054,677 (1,143,104)	\$368,816 (193,896)	\$471,628 (531,507)	\$527,854 (497,715)	\$1,256,028 (699,204)	\$431,043 (226,877)	\$676,467 (268,413)	\$9,318,292 (6,630,572)
<u>\$136,766</u>	<u>(\$88,427)</u>	<u>\$174,920</u>	<u>(\$59,879)</u>	<u>\$30,139</u>	<u>\$556,824</u>	<u>\$204,166</u>	<u>\$408,054</u>	<u>\$2,687,720</u>

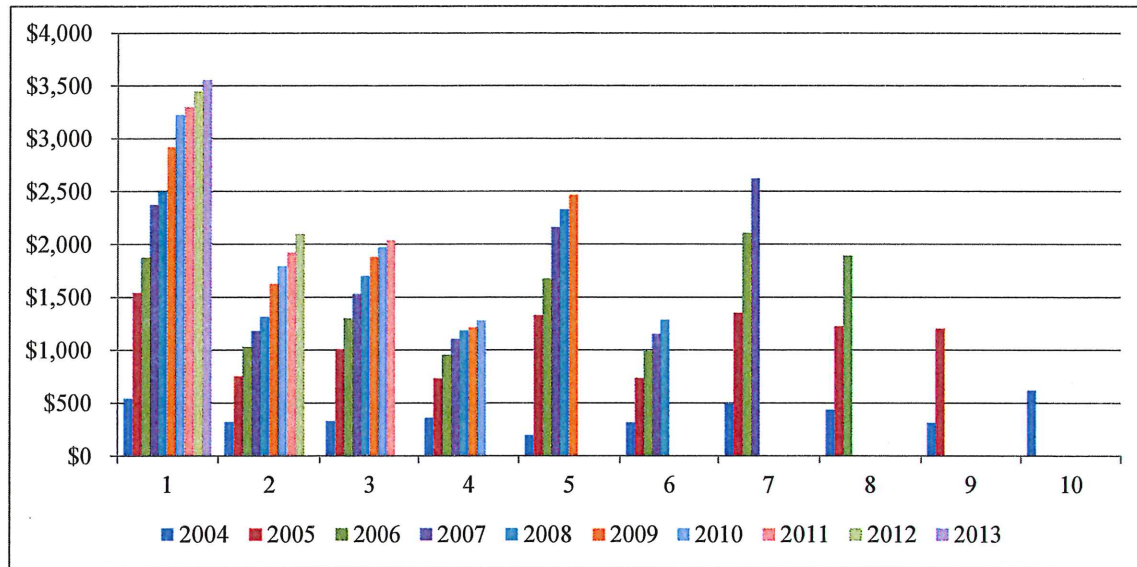
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STATISTICAL INFORMATION

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REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

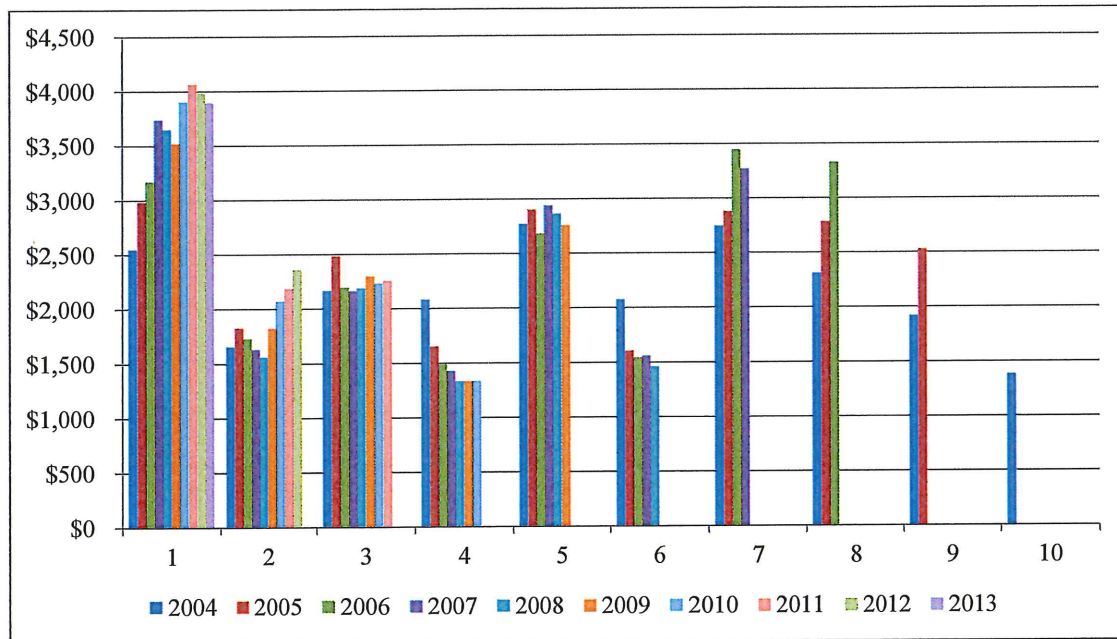
CLAIMS DEVELOPMENT INFORMATION CUMULATIVE WORKERS' COMPENSATION FUND CLAIMS PAID EXCLUDING CLAIMS INCURRED BUT NOT REPORTED INCLUDING MEMBER DEDUCTIBLES LAST TEN FISCAL YEARS (In Thousands of Dollars)



	Claim Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Paid (cumulative) as of:										
End of program year	\$544	\$319	\$329	\$359	\$195	\$316	\$497	\$436	\$313	\$618
One year later	1,543	752	1,007	733	1,329	735	1,352	1,224	1,204	
Two years later	1,876	1,028	1,298	954	1,674	997	2,106	1,893		
Three years later	2,374	1,181	1,529	1,105	2,161	1,153	2,623			
Four years later	2,503	1,313	1,700	1,182	2,328	1,286				
Five years later	2,918	1,624	1,882	1,214	2,467					
Six years later	3,224	1,791	1,970	1,276						
Seven years later	3,298	1,919	2,038							
Eight years later	3,446	2,097								
Nine years later	3,554									

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

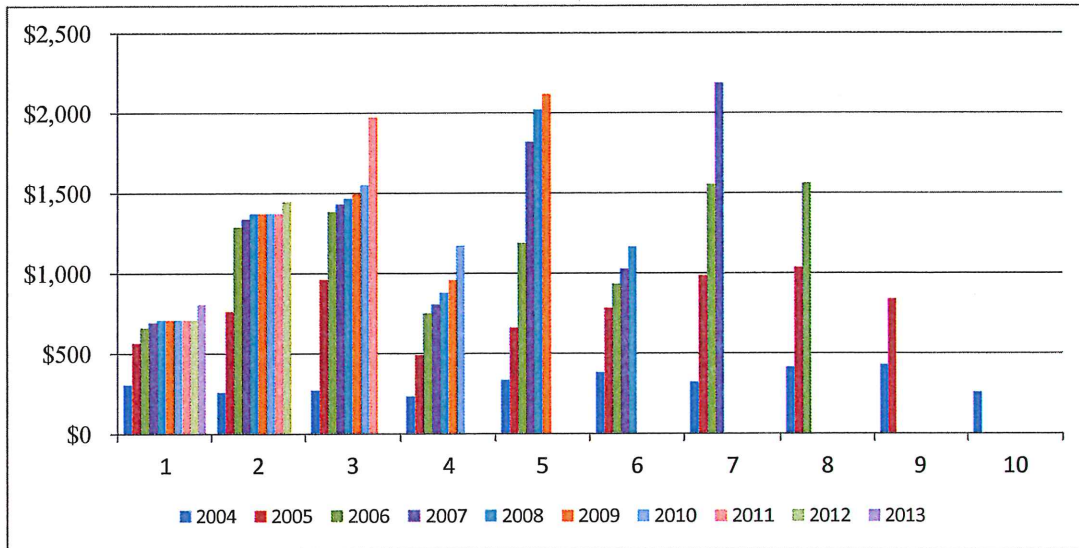
CLAIMS DEVELOPMENT INFORMATION RE-ESTIMATED INCURRED WORKERS' COMPENSATION FUND CLAIMS AND EXPENSES EXCLUDING CLAIMS INCURRED BUT NOT REPORTED INCLUDING MEMBER DEDUCTIBLES LAST TEN FISCAL YEARS (In Thousands of Dollars)



	Claim Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Ultimate loss as of:										
End of program year	\$2,549	\$1,656	\$2,167	\$2,081	\$2,771	\$2,077	\$2,746	\$2,313	\$1,920	\$1,385
One year later	2,985	1,829	2,484	1,652	2,902	1,607	2,882	2,784	2,530	
Two years later	3,171	1,729	2,196	1,488	2,683	1,542	3,446	3,329		
Three years later	3,741	1,628	2,163	1,429	2,941	1,558	3,270			
Four years later	3,648	1,559	2,186	1,331	2,865	1,461				
Five years later	3,522	1,824	2,298	1,335	2,760					
Six years later	3,902	2,070	2,231	1,333						
Seven years later	4,063	2,188	2,258							
Eight years later	3,985	2,358								
Nine years later	3,895									

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

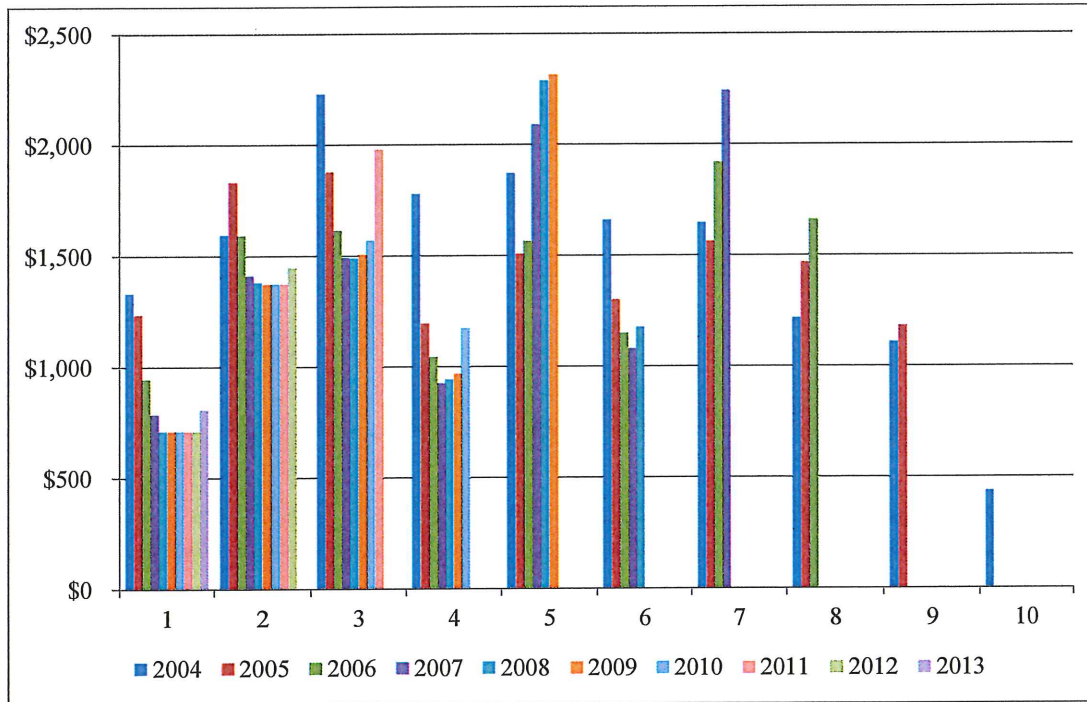
CLAIMS DEVELOPMENT INFORMATION CUMULATIVE LIABILITY FUND CLAIMS PAID EXCLUDING CLAIMS INCURRED BUT NOT REPORTED INCLUDING MEMBER DEDUCTIBLES LAST TEN FISCAL YEARS (In Thousands of Dollars)



	Claim Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Paid (cumulative) as of:										
End of program year	\$306	\$257	\$269	\$232	\$333	\$382	\$322	\$416	\$430	\$258
One year later	566	762	962	490	661	784	985	1,036	840	
Two years later	660	1,287	1,384	749	1,189	934	1,555	1,562		
Three years later	695	1,337	1,432	806	1,820	1,027	2,188			
Four years later	708	1,372	1,465	878	2,021	1,164				
Five years later	709	1,372	1,497	958	2,119					
Six years later	709	1,372	1,550	1,170						
Seven years later	709	1,372	1,972							
Eight years later	709	1,445								
Nine years later	806									

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

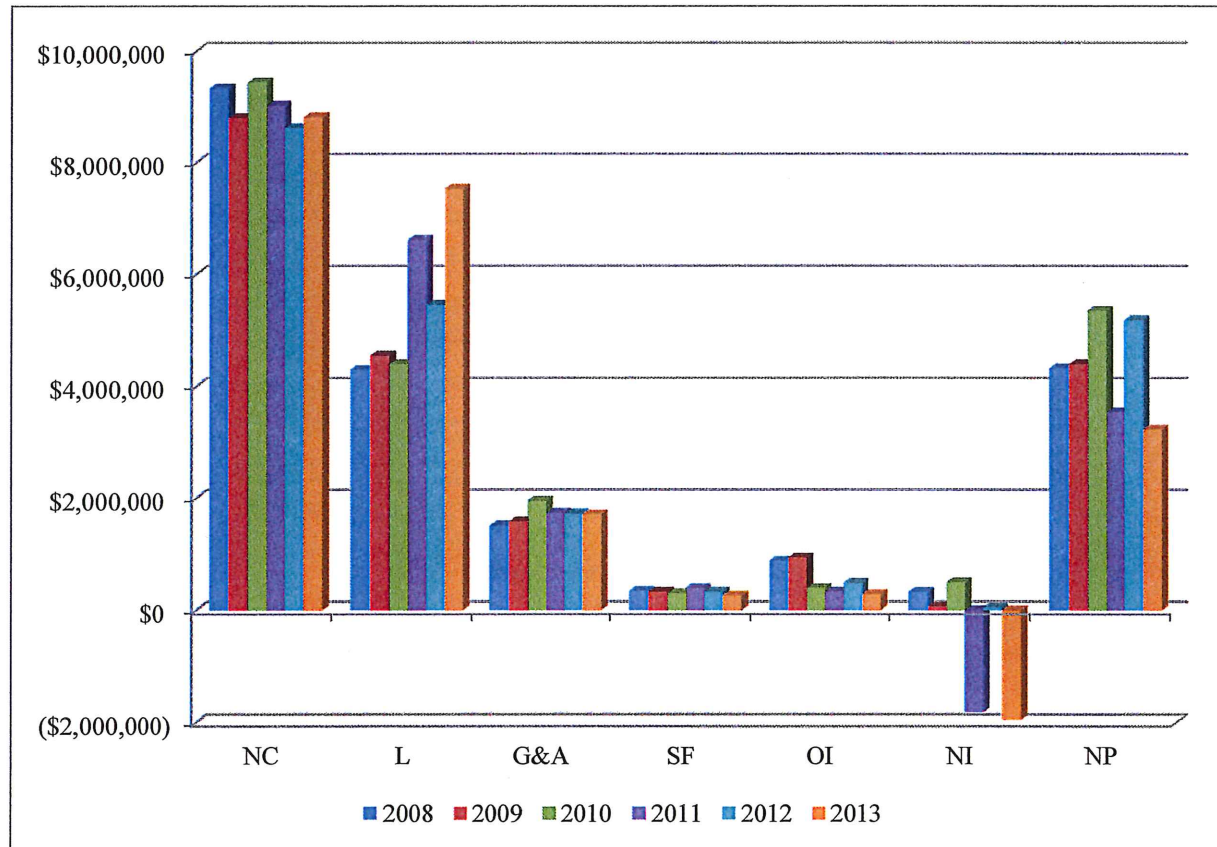
CLAIMS DEVELOPMENT INFORMATION RE-ESTIMATED INCURRED LIABILITY FUND CLAIMS AND EXPENSES EXCLUDING CLAIMS INCURRED BUT NOT REPORTED INCLUDING MEMBER DEDUCTIBLES LAST TEN FISCAL YEARS (In Thousands of Dollars)



	Claim Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Ultimate loss as of:										
End of program year	\$1,331	\$1,594	\$2,230	\$1,777	\$1,870	\$1,660	\$1,647	\$1,217	\$1,108	\$438
One year later	1,235	1,831	1,877	1,194	1,507	1,301	1,563	1,469	1,181	
Two years later	944	1,590	1,613	1,042	1,563	1,148	1,919	1,661		
Three years later	786	1,410	1,491	925	2,090	1,079	2,243			
Four years later	709	1,380	1,489	941	2,288	1,175				
Five years later	709	1,372	1,506	968	2,315					
Six years later	709	1,372	1,569	1,172						
Seven years later	709	1,372	1,979							
Eight years later	709	1,445								
Nine years later	806									

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

HISTORICAL TRENDS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION LAST SIX FISCAL YEARS



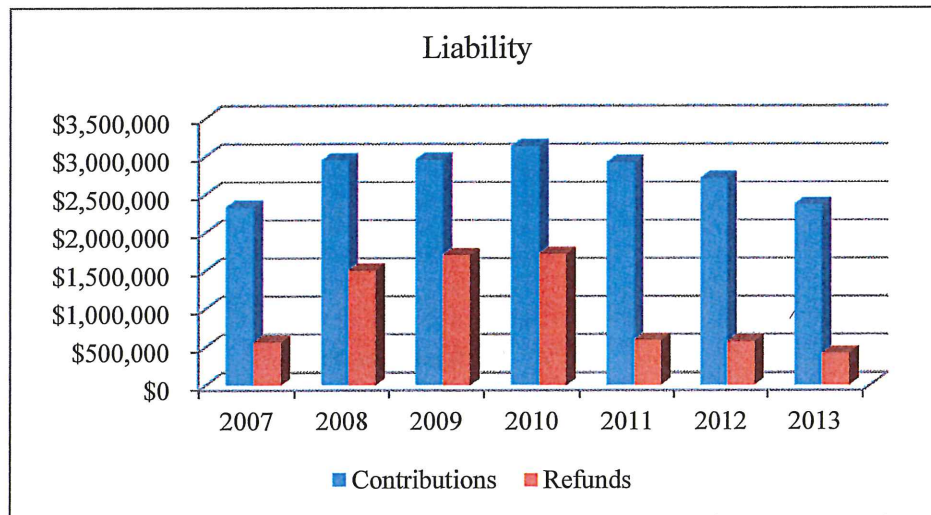
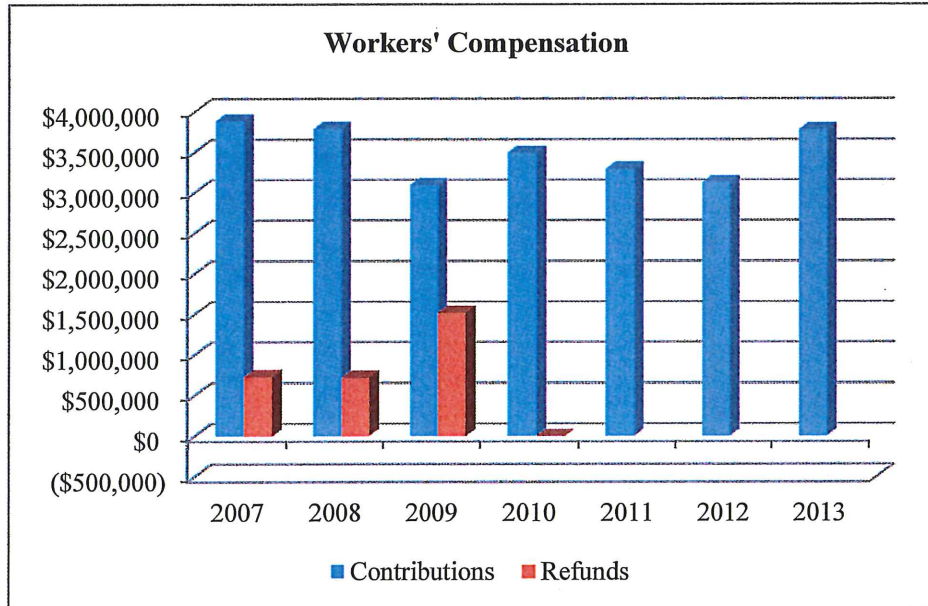
Fiscal Year	Net contributions "NC"	Losses "L"	General and administrative expenses "G&A"	Distribution of surplus funds CJPRMA "SF"	Other Income "OI"	Net Income "NI"	Net Position (retained earnings) end of year "NP" (A)
2008	\$9,331,245	\$4,297,431	\$1,509,423	\$341,214	\$882,115	\$326,383	\$4,325,212
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	396,969	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
2012	8,615,578	5,449,521	1,724,568	327,102	484,073	48,739	5,179,240 (B)
2013	8,814,031	7,534,800	1,713,267	260,781	284,868	(1,952,326)	3,226,914

(A) REMIF implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position."

(B) Net Position as of June 30, 2012 was restated in fiscal year 2013. Amounts prior to 2012 have not been restated.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

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



Fiscal Year	Workers Compensation		Liability	
	Contributions	Refunds	Contributions	Refunds
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
2012	3,123,225		2,711,652	572,133
2013	3,771,459		2,366,228	414,041