

**REDWOOD EMPIRE MUNICIPAL
INSURANCE FUND**

BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Redwood Empire Municipal Insurance Fund, California

We have audited the accompanying financial statements of each major fund of the Redwood Empire Municipal Insurance Fund (REMIF) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise REMIF's basic financial statements as listed in the Table of Contents.

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 financial statements referred to above present fairly, in all material respects, the financial position of each major fund of REMIF as of June 30, 2014, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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. 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 basic 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 them.

Report on Summarized Comparative Information

We have previously audited REMIF's June 30, 2013 financial statements, and we expressed unmodified audit opinions on those audited financial statement in our report dated April 25, 2014. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived, except as noted in the reclassifications discussed in Note 2K.



Pleasant Hill, California
February 18, 2015

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014 AND 2013

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, 2014. 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, 2014 AND 2013

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 balance sheet 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

	6/30/14	6/30/13	6/30/12
Total capital	\$348,327	\$350,055	\$355,198
Total other	<u>17,843,445</u>	<u>18,159,462</u>	<u>17,655,537</u>
Total assets	<u>\$18,191,772</u>	<u>\$18,509,517</u>	<u>\$18,010,735</u>
Total long-term liabilities	\$9,982,347	\$9,313,100	\$8,071,380
Total short-term liabilities	<u>5,665,933</u>	<u>5,969,503</u>	<u>4,760,115</u>
Total Liabilities	<u>\$15,648,280</u>	<u>\$15,282,603</u>	<u>\$12,831,495</u>
Total net position	<u>\$2,543,492</u>	<u>\$3,226,914</u>	<u>\$5,179,240</u>
Total operating revenues	\$8,514,416	\$8,660,771	\$8,376,367
Total non-operating revenues	<u>283,015</u>	<u>179,418</u>	<u>478,253</u>
Total revenues	<u>\$8,797,431</u>	<u>\$8,840,189</u>	<u>\$8,854,620</u>
Net losses and claims incurred	\$6,201,077	\$7,534,800	\$5,449,521
Changes in reserves for ULAE	26,487	86,453	5,632
Premium and/or contributions for excess	1,369,445	1,277,554	1,353,264
Claims consultants and administration	186,545	193,736	199,907
Other insurance costs	0	0	8,451
Other operating expenses/Change in OPEB	(4,200)	(13,295)	63,482
Tenant expenses	0	0	1,056
General and administrative	<u>1,701,499</u>	<u>1,713,267</u>	<u>1,724,568</u>
Total expenses	<u>\$9,480,853</u>	<u>\$10,792,515</u>	<u>\$8,805,881</u>
Net income for the year	(683,422)	(1,952,326)	48,739
Net position, beginning of year	<u>3,226,914</u>	<u>5,179,240</u>	<u>5,130,501</u>
Net position, end of year	<u>\$2,543,492</u>	<u>\$3,226,914</u>	<u>\$5,179,240</u>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014 AND 2013

ANALYSIS OF CURRENT YEAR RESULTS COMPARED TO PRIOR YEARS

There was a net loss in FY 13/14 of \$683,422, compared to a net loss of \$1,952,326 in FY 12/13. Financial highlights include the following:

During FY 13/14, the Board declined to return a refund to members. This maintained the Liability reserves at \$1,000,000. The retention of the \$1,000,000 was due to several cases that were still uncertain as to their outcome and it was recommended that a refund should not be returned to the members.

The reserves for losses in the WC program at June 30, 2014 were increased by \$621 thousand compared to an increase of \$1.6 million for FY 12/13. No WC refunds could be distributed in FY 13/14, and the WC reserves remained at zero, since the program had a net deficit of \$1.9 million at year end.

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 \$2,418,129 at the end of FY 13/14. The annual contributions of \$175,000 that were approved by the Board in April 2007 and began in FY 07/08 have ended due to full funding in the account. In November 2010, these funds were shifted to Chandler Asset Management and placed in an irrevocable trust. Results 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, as of June 30, 2014 the net dental reserves exceeded four months of premiums, with three of the participating twelve cities exceeding one year of premiums.

The vision program ended FY 13/14 with a net reserve of more than five months in excess of monthly premiums, with two of the participating twelve cities exceeding one year of premiums.

The general and administrative expenses for all programs, excluding the Enterprise Fund, were \$446,375 under budget (favorable balance). Expenses under budget by more than \$5,000 were: Salaries and Benefits (\$153,069); Legal Expense (\$7,729); Accounting (\$6,505); Safety Training (\$223,283); Board Expense (\$8,538) and Conferences (\$20,835).

Salaries, wages and benefits were less than budgeted due to fewer retirees in the health care program, compensated absences that were lower than budgeted and final health care rates being less than budgeted. Safety Training was under budget due to the transfer of \$100,000 of the liability refunds budget into the training budget, but all of the appropriations were not spent during FY 13/14. Board Expense and Conference Costs were also less than expected.

Post-Employment Benefit transactions are now shown in a separate statements and footnotes under OPEB.

The Enterprise program had a net loss of \$54,262 in FY 13/14, down from the prior year's net increase of \$6,811. Compensated absences added to salary and benefits and revenue less than budgeted in interest and other income were the main reasons for the loss.

The Enterprise Fund general and administrative expenses were \$7,836 under budget (favorable balance). Employee Expenses of \$11,192 were the only item over budget by more than \$5,000. Expenses under budget by more than \$5,000 were: Depreciation (\$6,597) and Computer Programming (\$10,440).

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014 AND 2013

Workers' Compensation

Reserves for losses and claims in the Workers' Compensation program increased by \$621,218, which contributed to a net loss in the General Fund of \$793,538.

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 \$277,291 for FY 13/14.

Liability

Premiums for FY 13/14 decreased by \$151,837 from FY 12/13, and the reserves for losses and claims in the Liability program in FY 13/14 decreased \$91,474 from FY 12/13.

Net Liability claims paid in FY 13/14 of \$1,194,525 were \$65,398 less than those paid in FY 12/13.

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 unanticipated. 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, 2014 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 2013 to November 2014, while costs decreased by \$62,579. Not all city property was covered for earthquake and flood, but for those entities that desired DIC coverage, property values remained at \$1.18 billion from FY 12/13 to FY 13/14.

While Boiler and Machinery values cover all property, the program values may be lower due to an entity choosing not to cover selected sites. The Boiler and Machinery values for FY 13/14 ended at \$1.18 billion.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014 AND 2013

Auto Physical Damage

During FY 13/14 there was a net income of \$75,926 compared to a net income of \$65,499 in FY 12/13. The difference was due to an increase in premiums of \$15,778 from \$143,378 in FY 12/13 to \$159,156 in FY 13/14.

As of June 30, 2014 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. At the end of FY 13/14, the value of the vehicles in this category was \$42,776,266.

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 \$439,008 on 6/30/14. Six 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 decrease in net income of \$112,387 with premiums of over \$1.1 million, it is not believed another premium increase is needed at this time.

Dental	6/30/14	6/30/13	6/30/12	6/30/11
Net premiums	\$439,008	\$457,858	\$555,736	\$566,315
Employees enrolled	1,054	1,019	1,027	1,082
Net income (loss)	(\$112,387)	(\$92,865)	(\$3,200)	\$51,490

At the end of FY 14, there were three cities that had more than twelve months of net premiums in reserve.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014 AND 2013

Vision

Vision claims exceeded premium collections in FY 13/14, which resulted in an overall net loss of \$56,172.

Vision	6/30/14	6 /30/13	6/30/12	6/30/11
Net premiums	\$87,176	\$122,497	\$102,821	\$110,372
Employees enrolled	934	832	850	902
Net income (loss)	(\$56,172)	(\$11,894)	(\$15,325)	(\$8,244)

At the end of FY 14, there were two of the twelve cities that had more than one year of net premium in reserve.

Post Retirement Benefits

An actuarial study performed in FY 01/02 stated that the future health benefits for retired employees that worked for REMIF for at least ten years had a present value at June 1, 2002 of \$1,701,900. It was recommended that an annual payment be set aside to fund these post-retirement benefits and in FY 07/08 the Board 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 \$182,372 for FY 12/13 and \$346,028 for FY 13/14. This brought the June 30, 2014 balance to \$2,418,129. Because these funds are now held in an irrevocable trust at the end of the fiscal year, OPEB transactions are shown in separate statements and footnotes in the Financial Statement. As of July 1, 2013, the OPEB trust was fully funded, so the \$175,000 annual contribution ceased.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014 AND 2013

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 \$62,579 less than for the previous year.

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

Automobile Physical Damage coverage was up to \$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.

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 through June 30, 2015.

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.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014 AND 2013

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 13/14, 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.

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.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014 AND 2013

During FY 13/14 REMIF spent \$109,717 for the above mentioned training.

	FY 13/14	FY 12/13	FY 11/12
Safety Training	\$109,717	\$177,093	\$188,092
Consultants	\$7,500	\$7,750	\$2,415
Board Conference Expense	<u>\$51,165</u>	<u>\$58,621</u>	<u>\$58,790</u>
Total	<u>\$168,382</u>	<u>\$243,464</u>	<u>\$249,297</u>

Drug and Alcohol Detection

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

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
BALANCE SHEETS
JUNE 30, 2014
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2013

	Workers' Compensation Fund	Liability Fund	Property Fund	Dental Fund
ASSETS				
Cash and cash equivalents (Note 3)	\$413,546	\$227,850	\$28,310	\$33,476
Investments, current (Note 3)	1,165,798	642,315	79,806	94,369
Receivables:				
Premiums and fees	278,584			
Reimbursements	271,271	209,334	19,692	
Interfund (Note 5)	972,791			
Interest				
Excess insurance reimbursement and other	233,953	5,000	89,877	
Prepaid expenses				
Deposits	275,500			
Total current assets	3,611,443	1,084,499	217,685	127,845
NONCURRENT ASSETS				
Investments, noncurrent (Note 3)	5,921,012	3,262,279	405,331	479,297
Net OPEB asset (Note 10)				
Capital assets - net of accumulated depreciation (Note 6)	328,299			
TOTAL ASSETS	\$9,860,754	\$4,346,778	\$623,016	\$607,142
LIABILITIES				
Unearned premiums				
Interfund payables (Note 5)	\$284,746	\$434,116	\$16,078	\$3,000
Accounts payable	78,406	60,299		10,772
Deposits held to perform claim administration				
Tenant and other deposits	2,160			
Refunds payable to members				
Reserve for losses and claims (Note 8)	2,525,632	865,441		73,889
Total current liabilities	2,890,944	1,359,856	16,078	87,661
NONCURRENT LIABILITIES				
Reserve for losses and claims (Note 8)	8,355,067	990,450		
Reserve for ULAE (Note 8)	544,035	92,795		
TOTAL LIABILITIES	11,790,046	2,443,101	16,078	87,661
NET POSITION				
Net investment in capital assets	328,299			
Unrestricted	(2,257,591)	1,903,677	606,938	519,481
TOTAL NET POSITION	(1,929,292)	1,903,677	606,938	519,481
TOTAL LIABILITIES AND NET POSITION	\$9,860,754	\$4,346,778	\$623,016	\$607,142

See accompanying notes to financial statements

Vision Fund	Auto Physical Damage Fund	Post Retirement Benefits Fund	Enterprise Fund	Total	
				2014	2013
\$8,475	\$24,888		\$14,794	\$751,339	\$1,290,253
23,890	70,159		41,705	2,118,042	2,932,794
				278,584	207,855
	25,896		974,776	1,500,969	892,704
			284,746	1,257,537	926,095
					25,014
			41,400	370,230	318,741
					23,749
			1,500	277,000	277,000
32,365	120,943		1,358,921	6,553,701	6,894,205
121,337	356,331		211,814	10,757,401	10,737,114
		\$532,343		532,343	528,143
			20,028	348,327	350,055
<u>\$153,702</u>	<u>\$477,274</u>	<u>\$532,343</u>	<u>\$1,590,763</u>	<u>\$18,191,772</u>	<u>\$18,509,517</u>
					\$65,036
\$1,000	\$8,039		\$510,558	\$1,257,537	926,094
15,080			111,637	276,194	189,663
			650,000	650,000	650,000
				2,160	2,160
					514,041
15,080				3,480,042	3,622,509
31,160	8,039		1,272,195	5,665,933	5,969,503
				9,345,517	8,702,757
				636,830	610,343
31,160	8,039		1,272,195	15,648,280	15,282,603
			20,028	348,327	350,055
122,542	469,235	\$532,343	298,540	2,195,165	2,876,859
122,542	469,235	532,343	318,568	2,543,492	3,226,914
<u>\$153,702</u>	<u>\$477,274</u>	<u>\$532,343</u>	<u>\$1,590,763</u>	<u>\$18,191,772</u>	<u>\$18,509,517</u>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	Workers' Compensation Fund	Liability Fund	Property Fund	Dental Fund
OPERATING REVENUES				
Member Premiums	\$3,483,391	\$2,214,391	\$482,954	\$1,061,606
Fees	23,475			
Excess insurance refunds	45	198,898		
Total operating revenues	3,506,911	2,413,289	482,954	1,061,606
Refunds to members (Note 7)				
Net operating revenues	3,506,911	2,413,289	482,954	1,061,606
OPERATING EXPENSES				
Net losses and claims incurred	3,814,677	1,103,051	85,033	1,040,235
Change in reserve for ULAE	31,061	(4,574)		
Premiums and/or contributions for excess coverage	277,291	614,381	396,981	
Claims consultants and administration	9,000			139,201
General and administrative	325,574	497,064	15,878	3,000
Contributions to OPEB Trust Fund				
Annual OPEB expense				
Total operating expenses	4,457,603	2,209,922	497,892	1,182,436
OPERATING INCOME (LOSS)	(950,692)	203,367	(14,938)	(120,830)
NONOPERATING REVENUE (EXPENSE)				
Rental	61,200			
Investment income	95,851	56,612	7,770	8,443
Realized gains (losses) on investments	103			
Total Nonoperating Revenues (Expenses)	157,154	56,612	7,770	8,443
Income (Loss) Before Transfers	(793,538)	259,979	(7,168)	(112,387)
Transfers in				
Transfers out				
NET CHANGE IN NET POSITION	(793,538)	259,979	(7,168)	(112,387)
NET POSITION, Beginning of year	(1,135,754)	1,643,698	614,106	631,868
NET POSITION, End of year	(\$1,929,292)	\$1,903,677	\$606,938	\$519,481

See accompanying notes to financial statements

Vision Fund	Auto Physical Damage Fund	Post Retirement Benefits Fund	Enterprise Fund	Total	
				2014	2013
\$138,797	\$159,156			\$7,540,295	\$8,047,972
			\$751,619	775,094	766,059
			84	199,027	260,781
138,797	159,156		751,703	8,514,416	9,074,812
					(414,041)
138,797	159,156		751,703	8,514,416	8,660,771
157,636	445			6,201,077	7,534,800
				26,487	86,453
	80,792			1,369,445	1,277,554
38,344				186,545	193,736
1,000	7,939		851,044	1,701,499	1,713,267
					350,000
		(\$4,200)		(4,200)	(363,295)
196,980	89,176	(4,200)	851,044	9,480,853	10,792,515
(58,183)	69,980	4,200	(99,341)	(966,437)	(2,131,744)
			41,400	102,600	105,450
2,011	5,946		3,679	180,312	81,623
				103	(7,655)
2,011	5,946		45,079	283,015	179,418
(56,172)	75,926	4,200	(54,262)	(683,422)	(1,952,326)
					175,000
					(175,000)
(56,172)	75,926	4,200	(54,262)	(683,422)	(1,952,326)
178,714	393,309	528,143	372,830	3,226,914	5,179,240
\$122,542	\$469,235	\$532,343	\$318,568	\$2,543,492	\$3,226,914

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	Workers' Compensation Fund	Liability Fund	Property Fund	Dental Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from members	\$3,477,513	\$2,195,857	\$485,994	\$998,365
Cash received for excess insurance dividends	45	198,898		
Payments for excess insurance	(277,291)	(590,632)	(396,981)	
Payments for claims, claims consultants and claims administration	(3,087,295)	(1,199,525)	(174,910)	(1,199,725)
Payments to vendors	(137,145)	(265,277)	(7,253)	(3,000)
Payments to or on behalf of employees	(185,429)	(232,864)	(8,625)	
Payments to members		(514,041)		
Interfund receipts (payments)	(535,012)	26,306	974	
Transfers to OPEB Trust Fund				
Net cash provided (used) by operating activities	(744,614)	(381,278)	(100,801)	(204,360)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Rents received	61,200			
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received, net of fair value adjustment	105,264	70,266	8,113	9,273
(Purchase) sale of investments	295,834	155,632	68,721	158,498
Net cash provided (used) by investing financing activities	401,098	225,898	76,834	167,771
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets				
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(282,316)	(155,380)	(23,967)	(36,589)
CASH AND EQUIVALENTS, Beginning of year	695,862	383,230	52,277	70,065
CASH AND EQUIVALENTS, End of year	<u>\$413,546</u>	<u>\$227,850</u>	<u>\$28,310</u>	<u>\$33,476</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	(\$950,692)	\$203,367	(\$14,938)	(\$120,830)
Depreciation expense	3,000			
Change in:				
Premiums and fees receivable	(70,729)			
Reimbursement receivable	42,298	(18,534)	3,883	
Interfund receivables	(433,227)			
Other receivables				
Excess insurance reimbursement and other	69,788	(5,000)	(89,877)	
Prepaid expenses		23,749		
Unearned premiums	(922)		(843)	(63,241)
Other post employment benefits				
Reimbursements for claims paid				
Interfund payables	(101,785)	26,306	974	
Accounts payable and other liabilities	45,376	(1,077)		10,772
Refunds payable to members		(514,041)		
Reserve for losses and claims	621,218	(91,474)		(31,061)
Reserve for ULAE	31,061	(4,574)		
Net cash provided (used) by operating activities	<u>(\$744,614)</u>	<u>(\$381,278)</u>	<u>(\$100,801)</u>	<u>(\$204,360)</u>

See accompanying notes to financial statements

Vision Fund	Auto Physical Damage Fund	Post Retirement Benefits Fund	Enterprise Fund	Total 2014	Total 2013
\$138,797	\$143,576		\$131,257	\$7,571,359	\$8,513,530
			84	199,027	260,781
	(80,792)			(1,345,696)	(1,256,598)
(189,601)	(445)		(26,400)	(5,877,901)	(6,000,164)
(1,000)	(3,627)		(262,919)	(680,221)	(547,460)
	(4,312)		(554,831)	(986,061)	(972,040)
				(514,041)	(472,133)
	487		507,246	1	(1)
					(350,000)
(51,804)	54,887		(205,563)	(1,633,533)	(824,085)
			41,400	102,600	105,450
2,532	6,302		3,679	205,429	73,968
40,241	(69,953)		145,492	794,465	(34,721)
42,773	(63,651)		149,171	999,894	39,247
			(7,875)	(7,875)	(10,966)
(9,031)	(8,764)		(22,867)	(538,914)	(690,354)
17,506	33,652		37,661	1,290,253	1,980,607
\$8,475	\$24,888		\$14,794	\$751,339	\$1,290,253
(\$58,183)	\$69,980	\$4,200	(\$99,341)	(\$966,437)	(\$2,131,744)
			6,603	9,603	16,109
				(70,729)	15,702
	(15,550)		(620,362)	(608,265)	(332,892)
			101,785	(331,442)	(525,086)
					1,671
			(26,400)	(51,489)	23,386
				23,749	20,956
	(30)			(65,036)	15,018
		(4,200)		(4,200)	(363,295)
					(24,054)
	487		405,461	331,443	525,085
4,769			26,691	86,531	177,658
				(514,041)	(58,092)
1,610				500,293	1,729,040
				26,487	86,453
(51,804)	54,887		(205,563)	(1,633,533)	(824,085)

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
OPEB TRUST FUND
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Investments (Note 4):		
Money Market	\$37,965	\$39,998
Exchange Traded Funds	<u>2,380,164</u>	<u>2,032,103</u>
Total Assets	<u>2,418,129</u>	<u>2,072,101</u>
NET POSITION		
Total net position held in trust for OPEB	<u><u>\$2,418,129</u></u>	<u><u>\$2,072,101</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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ADDITIONS:		
Contributions to OPEB Trust		\$350,000
Investment Income	<u>\$346,028</u>	<u>182,372</u>
Change in net position	346,028	532,372
Net position held in trust for OPEB - beginning of year	<u>2,072,101</u>	<u>1,539,729</u>
Net position held in trust for OPEB - end of year	<u><u>\$2,418,129</u></u>	<u><u>\$2,072,101</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, 2014 and 2013**

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. In June 2014, the Board amended the Governance By-laws effective January 1, 2015 to allow all REMIF members the right to sit on the Board.

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, 2014 and 2013**

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, 2014

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 – 6/30/14	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, 2014 and 2013**

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, 2014

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, 2014

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, 2014

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, 2014 and 2013**

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 nonoperating 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, 2014 and 2013**

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, 2014 and 2013**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Classification Changes

For the year ended June 30, 2014, certain account classifications have been changed to improve financial statement presentation. For comparative purposes, prior year balances have been reclassified to conform with the 2013-14 presentation.

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.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013

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

B. Classification

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

	2014	2013
Cash in bank and on hand	\$127,640	\$670,745
Sonoma County Trust	225,728	222,628
Local Agency Investment Fund (LAIF)	397,971	396,880
Total cash and cash equivalents	751,339	1,290,253
Investments	12,875,443	13,669,908
Total cash, cash equivalents and investments	\$13,626,782	\$14,960,161

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, 2014 and 2013, the balance in the Workers' Compensation Trust Fund was \$0 due to the timing of receivables and payables. 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, 2014 and 2013**

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
				(currently
				\$50m/acct)
Local Agency Investment Fund (LAIF)	N/A	None	None	None
Sonoma County Pooled Investment Fund	N/A	None	10%	5%
Medium-Term Notes	5 years	A	30%	10%
Money Market Mutual Funds	N/A	AAAm	20%	

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, 2014 and 2013**

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

June 30, 2014	Remaining Maturity (in Months)			Total
	12 Months or Less	13 to 24 Months	25 - 60 Months	
Investment Type				
U.S. Treasury Obligations		\$419,324	\$2,257,757	\$2,677,081
U.S. Agency Securities	\$512,401	1,117,741	4,744,785	6,374,927
Commercial Paper	259,809			259,809
Medium Term Corporate Notes	1,313,672	525,920	1,691,874	3,531,466
Money Market Mutual Funds	32,160			32,160
Total	<u>\$2,118,042</u>	<u>\$2,062,985</u>	<u>\$8,694,416</u>	<u>\$12,875,443</u>

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>

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, 2014, as provided by Standard and Poor's investment rating system.

Investment Type	AA+/AA/				Total
	AAAm	AA-	A+/A/A-	A-1	
U.S Treasury Obligations		\$2,677,081			\$2,677,081
U.S. Agency Securities		6,374,927			6,374,927
Commercial Paper				\$259,809	259,809
Medium Term Corporate Notes		1,612,324	\$1,919,142		3,531,466
Money Market Mutual Funds	\$32,160				32,160
	<u>\$32,160</u>	<u>\$10,664,332</u>	<u>\$1,919,142</u>	<u>\$259,809</u>	<u>\$12,875,443</u>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013**

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, 2013, as provided by Standard and Poor's investment rating system.

Investment Type	AAA/m	AA+/AA/ AA-	A+/A/A-	A-1	Not Rated	Total
U.S. Treasury Securities		\$2,293,918				\$2,293,918
U.S. Agency Securities		6,370,067				6,370,067
Commercial Paper				\$489,515		489,515
Non-Negotiable Certificates of Deposit					\$794,000	794,000
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>

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 2014, 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	\$1,618,162
Federal National Mortgage Association	2,148,517
Federal Home Loan Bank	1,493,752
Federal Farm Credit Bank	857,440

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

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, 2014 and 2013****NOTE 4 – INVESTMENTS - OPEB TRUST FUND****A. Composition**

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

	2014	2013
Money Market	\$37,965	\$39,998
Exchange Traded Funds	2,380,164	2,032,103
Total investments	<u>\$2,418,129</u>	<u>\$2,072,101</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 Ratings Organization (NRSRO).

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013**

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, 2014	Remaining Maturity (in Months)	
Investment Type	12 Months Or Less	Total
Money Market	\$37,965	\$37,965
Exchange Traded Funds	2,380,164	2,380,164
Total	<u>\$2,418,129</u>	<u>\$2,418,129</u>

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>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013**

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, 2014 and 2013.

E. Concentration of Credit Risk

During fiscal years ending June 30, 2014 and 2013, 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 totaling \$462,233 and \$434,466 as of June 30, 2014 and 2013, respectively.

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, deposits from the Workers' Compensation Program to the Enterprise Fund for the month of June 2014 exceeded expenses and the Enterprise Fund owed to the Workers' Compensation Program \$510,558 as of June 30, 2014. Expenses in the Enterprise 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 \$105,097 as of June 30, 2013 to fund the deficit until the receivables were collected from REMIF and the other cities.

In addition to the above balances, as of June 30, 2014, the Worker's Compensation Fund owed the Enterprise Fund \$284,746 for claims processing administrative fees and other reimbursements.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013

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:

	Prior to July 1, 2012	On or After July 1, 2012
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

Capital assets are comprised of the following:

Worker's Compensation Fund:	June 30, 2013	Additions	Retirements	June 30, 2014
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	(677,512)	(\$3,000)		(680,512)
Capital assets - net	\$331,299	(\$3,000)		\$328,299
Enterprise Fund:				
Furniture and fixtures	\$264,273			\$264,273
Equipment	25,906	\$7,875	(\$6,174)	27,607
Total	290,179	7,875	(6,174)	291,880
Less accumulated depreciation	(271,423)	(6,603)	6,174	(271,852)
Capital assets - net	\$18,756	\$1,272		\$20,028
Total Capital Net Assets - net	\$350,055	(\$1,728)		\$348,327

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013**

NOTE 6 - CAPITAL ASSETS (Continued)

Worker's Compensation Fund:	June 30, 2012	Additions	Retirements	June 30, 2013
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>
Enterprise Fund:				
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, 2014 and 2013****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
2014		

In October 2014, the Board authorized a \$91,474 from its Liability Program for the year ended June 30, 2014. However, management has elected to postpone the refund until the Board has completed its review of the reserve policy discussed in Note 9.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013****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:

	2014	2013
Unpaid losses and loss adjustment expenses, beginning of fiscal year	<u>\$12,935,609</u>	<u>\$11,120,116</u>
Incurred losses and loss adjustment expenses:		
Provision for covered events of the current year	3,357,373	3,059,322
Change in provision for covered events of prior years	<u>2,870,191</u>	<u>4,561,931</u>
Total incurred losses and loss adjustment expenses	<u>6,227,564</u>	<u>7,621,253</u>
Payments:		
Losses and loss adjustment expenses attributable to covered events of the current year	2,195,428	2,112,171
Losses and loss adjustment expenses attributable to covered events of prior years	<u>3,505,356</u>	<u>3,693,589</u>
Total payments	<u>5,700,784</u>	<u>5,805,760</u>
Total unpaid losses and loss adjustment expenses, end of fiscal year	<u>\$13,462,389</u>	<u>\$12,935,609</u>
Reserve for losses and claims - current	\$3,480,042	\$3,622,509
Reserve for losses and claims - long-term	9,345,517	8,702,757
Reserve for ULAE	<u>636,830</u>	<u>610,343</u>
Total unpaid losses and loss adjustment expenses	<u>\$13,462,389</u>	<u>\$12,935,609</u>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013**

NOTE 9 - NET POSITION

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	
	2014	2013	2014	2013
Designated net position	<u>\$0</u>	<u>\$0</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 \$1,929,292 as of June 30, 2014. 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, 2014 and 2013, the designated balance was \$230,277 and \$193,695, respectively.

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

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013**

NOTE 10 - POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

During the year ended June 30, 2014, 10 retirees are covered by the Plan and 10 employees are potentially eligible. Plan 1 covers 5 retirees and Plan 2 applies to 5 retirees.

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

During the year-ended June 30, 2011, REMIF established 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, 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, and the June 30, 2014 contributions consisted of \$76,200 of post-employment benefits for current retirees on a pay-as-you-go basis.

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, 2014 and 2013**

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, 2013	21
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 long-term rate of increase of 5.25%
Medical premium assumptions	

During the fiscal years ended June 30, 2014, REMIF has recorded a Net OPEB Asset in the Post Retirement Benefits Fund, representing the difference between the ARC and actual contributions, as presented below:

	2014	2013
Annual required contribution (ARC)	\$62,000	\$93,000
Interest on net OPEB obligation	(37,000)	(23,000)
Adjustment to annual required contribution	47,000	14,000
Annual OPEB expense (AOC)	<u>72,000</u>	<u>84,000</u>
Contributions made		
Benefit payments	(76,200)	(97,295)
Contributions to Trust	<u>0</u>	<u>(350,000)</u>
Total Contributions	<u>(76,200)</u>	<u>(447,295)</u>
Increase (decrease) in OPEB obligation	(4,200)	(363,295)
Net OPEB obligation (asset) - beginning of year	<u>(528,143)</u>	<u>(164,848)</u>
Net OPEB obligation (asset) - end of year	<u><u>(\$532,343)</u></u>	<u><u>(\$528,143)</u></u>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013**

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, 2012	\$134,000	\$70,518	52.63%	(\$528,143)
June 30, 2013	84,000	447,295	532.49%	(164,848)
June 30, 2014	72,000	76,200	105.83%	(532,343)

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)	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, 2014 and 2013****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	7.946%	6.50%
Required employer contribution rate	25.099%	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)
6/30/2012	\$204,379	100.00%	\$0
6/30/2013	209,420	100.00%	0
6/30/2014	226,115	100.00%	0

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013****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 \$407,700 at June 30, 2014, which will be repaid over the next 7 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, 2010, 2011 and 2012.

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 \$682,805, \$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, 2014 and 2013**

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, 2014, REMIF contributed \$590,632 for Liability, \$397,507 for Property and \$80,791 for Auto Physical Damage current year coverage and received a refund of \$198,898 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.

REQUIRED SUPPLEMENTARY INFORMATION

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
FOR THE YEAR ENDED JUNE 30, 2014

	Workers' Compensation Fund	Liability Fund	Property Fund
Unpaid Losses and Loss Adjustment Expenses, Beginning of Year	<u>\$10,772,455</u>	<u>\$2,044,734</u>	<u>\$0</u>
Incurring Losses and Loss Adjustment Expenses:			
Provision for Insured Events of the Current Year	1,352,057	725,239	74,926
Change in Provision for Insured Events of Prior Years	<u>2,493,681</u>	<u>373,238</u>	<u>10,107</u>
Total Incurred Losses and Loss Adjustment Expenses	<u>3,845,738</u>	<u>1,098,477</u>	<u>85,033</u>
Payments:			
Losses and Loss Adjustment Expenses Attributable to Insured Events of the Current Year	549,204	351,860	74,926
Losses and Loss Adjustment Expenses Attributable to Insured Events of the Prior Years	<u>2,644,255</u>	<u>842,665</u>	<u>10,107</u>
Total Payments	<u>3,193,459</u>	<u>1,194,525</u>	<u>85,033</u>
Total Unpaid Losses and Loss Adjustment Expenses End of Year	<u><u>\$11,424,734</u></u>	<u><u>\$1,948,686</u></u>	<u><u>\$0</u></u>
Reserve for Losses and Claims - Current	\$2,525,632	\$865,441	\$0
Reserve for Losses and Claims - Long-Term	8,355,067	990,450	
Reserve for ULAE	<u>544,035</u>	<u>92,795</u>	
Total Unpaid Losses and Loss Adjustment Expenses	<u><u>\$11,424,734</u></u>	<u><u>\$1,948,686</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>\$12,935,609</u>
1,040,235	164,471	445	3,357,373
	(6,835)		2,870,191
<u>1,040,235</u>	<u>157,636</u>	<u>445</u>	<u>6,227,564</u>
1,071,296	147,697	445	2,195,428
	8,329		3,505,356
<u>1,071,296</u>	<u>156,026</u>	<u>445</u>	<u>5,700,784</u>
<u>\$73,889</u>	<u>\$15,080</u>	<u>\$0</u>	<u>\$13,462,389</u>
\$73,889	\$15,080	\$0	\$3,480,042
			9,345,517
			636,830
<u>\$73,889</u>	<u>\$15,080</u>	<u>\$0</u>	<u>\$13,462,389</u>

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 - Current	\$2,536,025	\$968,064	\$0
Reserve for Losses and Claims - Long-Term	7,723,456	979,301	
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>
1,048,642	178,473	4,016	3,059,322
		(8,933)	4,561,931
<u>1,048,642</u>	<u>178,473</u>	<u>(4,917)</u>	<u>7,621,253</u>
1,048,642	178,473	4,016	2,112,171
		(8,933)	3,693,589
<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>
\$104,950	\$13,470	\$0	\$3,622,509
			8,702,757
			610,343
<u>\$104,950</u>	<u>\$13,470</u>	<u>\$0</u>	<u>\$12,935,609</u>

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

	Claim Year			
	2005	2006	2007	2008
1) Premium and investment revenues				
Earned	\$4,020	\$3,516	\$3,523	\$3,575
Ceded	(499)	(481)	(507)	(435)
Net Earned	<u>3,521</u>	<u>3,035</u>	<u>3,016</u>	<u>3,140</u>
2) Unallocated expenses	376	229	202	240
3) Estimated self insured incurred claims and expense, end of program year	1,656	2,167	2,081	2,771
4) Paid (cumulative) as of:				
End of program year	319	329	359	195
One year later	752	1,007	733	1,329
Two years later	1,028	1,298	954	1,674
Three years later	1,181	1,529	1,105	2,161
Four years later	1,313	1,700	1,182	2,328
Five years later	1,624	1,882	1,214	2,467
Six years later	1,791	1,970	1,276	2,615
Seven years later	1,919	2,038	1,295	
Eight years later	2,097	2,144		
Nine years later	2,142			
5) Reestimated ceded claims and expenses				
6) Reestimated incurred claims and expenses				
End of program year	1,656	2,167	2,081	2,771
One year later	1,829	2,484	1,652	2,902
Two years later	1,729	2,196	1,488	2,683
Three years later	1,628	2,163	1,429	2,941
Four years later	1,559	2,186	1,331	2,865
Five years later	1,824	2,298	1,335	2,760
Six years later	2,070	2,231	1,333	2,802
Seven years later	2,188	2,258	1,351	
Eight years later	2,358	2,470		
Nine years later	<u>2,271</u>			
7) Increase (decrease) in estimated incurred claims and expenses from end of program year	<u>\$615</u>	<u>\$303</u>	<u>(\$730)</u>	<u>\$31</u>

See Notes to Required Supplementary Information

Claim Year					
2009	2010	2011	2012	2013	2014
\$3,574	\$3,612	\$3,376	\$3,304	\$3,806	\$3,579
(408)	(310)	(315)	(282)	(293)	(277)
3,166	3,302	3,061	3,022	3,513	3,302
339	559	347	318	338	335
2,077	2,746	2,313	1,920	1,385	1,352
316	497	436	313	618	558
735	1,352	1,224	1,204	1,465	
997	2,106	1,893	1,869		
1,153	2,623	2,472			
1,286	2,837				
1,341					
2,077	2,746	2,313	1,920	1,385	1,352
1,607	2,882	2,784	2,530	2,318	
1,542	3,446	3,329	2,892		
1,558	3,270	4,017			
1,461	3,434				
1,546					
(\$531)	\$688	\$1,704	\$972	\$933	\$0

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

	Claim Year			
	2005	2006	2007	2008
1) Premium and investment revenues				
Earned	\$3,359	\$2,014	\$1,715	\$1,543
Ceded	(801)	(666)	(625)	(701)
Net Earned	<u>2,558</u>	<u>1,348</u>	<u>1,090</u>	<u>842</u>
2) Unallocated expenses	497	551	560	565
3) Estimated self insured incurred claims and expense, end of program year	1,594	2,230	1,777	1,870
4) Paid (cumulative) as of:				
End of program year	257	269	232	333
One year later	762	962	490	661
Two years later	1,287	1,384	749	1,189
Three years later	1,337	1,432	806	1,820
Four years later	1,372	1,465	878	2,021
Five years later	1,372	1,497	958	2,119
Six years later	1,372	1,550	1,170	2,122
Seven years later	1,372	1,972	1,177	
Eight years later	1,445	1,989		
Nine years later	1,445			
5) Reestimated ceded claims and expenses		364		
6) Reestimated incurred claims and expenses				
End of program year	1,594	2,230	1,777	1,870
One year later	1,831	1,877	1,194	1,507
Two years later	1,590	1,613	1,042	1,563
Three years later	1,410	1,491	925	2,090
Four years later	1,380	1,489	941	2,288
Five years later	1,372	1,506	968	2,315
Six years later	1,372	1,569	1,172	2,295
Seven years later	1,372	1,979	1,177	
Eight years later	1,445	1,991		
Nine years later	<u>1,445</u>			
7) (Increase) decrease in estimated incurred claims and expenses from end of program year	<u>(\$149)</u>	<u>(\$239)</u>	<u>(\$600)</u>	<u>\$425</u>

See Notes to Required Supplementary Information

Claim Year					
2009	2010	2011	2012	2013	2014
\$3,270	\$3,227	\$3,023	\$2,853	\$2,389	\$2,271
(651)	(652)	(597)	(633)	(521)	(614)
2,619	2,575	2,426	2,220	1,868	1,657
570	569	608	569	589	497
1,660	1,647	1,217	1,108	438	725
382	322	416	430	258	471
784	985	1,036	840	515	
934	1,555	1,562	1,680		
1,027	2,188	1,626			
1,164	2,227				
1,167					
1,660	1,647	1,217	1,108	438	725
1,301	1,563	1,469	1,181	783	
1,148	1,919	1,661	1,804		
1,079	2,243	1,631			
1,175	2,233				
1,167					
(\$493)	\$586	\$414	\$696	\$345	\$0

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

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 on 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, 2014

	Budget	Actual	Favorable (Unfavorable) Variance
General and Administrative Expenses			
Employee expenses	\$717,430	\$564,361	\$153,069
Legal	10,000	2,271	7,729
Accounting	31,000	24,495	6,505
Office expense	10,000	6,522	3,478
Telephone	5,500	4,589	911
Travel, seminars and conferences	6,000	1,301	4,699
Rent - computer and copier	46,500	43,665	2,835
Utilities	8,500	11,182	(2,682)
Depreciation expense	5,200	1,154	4,046
Insurance	5,000	2,130	2,870
Postage	1,200		1,200
Dues and subscriptions	5,000	1,382	3,618
Miscellaneous	2,500	874	1,626
Safety training	333,000	109,717	223,283
Consultants - other	5,000	3,750	1,250
Property taxes	2,000	2,232	(232)
Board expense	20,000	11,462	8,538
Board conference	72,000	51,165	20,835
Building maintenance and repair	11,000	8,203	2,797
Total general and administrative expenses	<u>\$1,296,830</u>	<u>\$850,455</u>	<u>\$446,375</u>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:			
Administration fees:			
Worker's compensation			
REMIF	\$282,900	\$282,900	
Petaluma	91,080	91,080	
Santa Rosa	253,000	253,000	
San Rafael	116,930	116,930	
Eureka - prior claims	1,000	1,000	
First Aid	1,375	1,125	(\$250)
Other contract services	5,835	5,584	(251)
Rental Income	41,400	41,400	
Other	5,600	84	(5,516)
Total revenues	<u>799,120</u>	<u>793,103</u>	<u>(6,017)</u>
General and Administrative Expenses:			
Employee expenses	684,181	695,373	(11,192)
Legal	1,000		1,000
Office expense	10,000	8,137	1,863
Telephone	4,500	2,811	1,689
Travel/seminars/conferences	4,500	4,026	474
Rent	35,000	34,564	436
Depreciation expense	13,200	6,603	6,597
Postage	12,000	15,514	(3,514)
Dues and subscriptions	2,000	1,424	576
Miscellaneous	5,000	9,818	(4,818)
Consultants - other	5,000	3,750	1,250
Computer supplies	1,500	5,072	(3,572)
Computer service and maintenance	64,000	60,542	3,458
Computer programming	12,000	1,560	10,440
Copier service and maintenance	5,000	1,851	3,149
Total general and administrative expenses	<u>858,881</u>	<u>851,045</u>	<u>7,836</u>
Operating income (loss)	(59,761)	(57,942)	1,819
Interest income	<u>7,000</u>	<u>3,680</u>	<u>(3,320)</u>
Net increase (decrease) in net position	<u>(\$52,761)</u>	<u>(\$54,262)</u>	<u>(\$1,501)</u>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
SCHEDULE OF MEMBER PREMIUMS, NET LOSSES AND CLAIMS PAID - BY CITY
JUNE 30, 2014

	Arcata	Cloverdale	Cotati	Eureka	Fort Bragg	Fortuna	Healdsburg
Workers' Compensation Fund:							
Member premiums	\$268,918	\$117,255	\$79,016	\$455,924	\$124,787	\$123,205	\$291,130
Net losses and claims	(42,121)	(277,098)	(117,543)	(408,399)	(173,607)	(85,350)	(327,193)
Net amount	<u>\$226,797</u>	<u>(\$159,843)</u>	<u>(\$38,527)</u>	<u>\$47,525</u>	<u>(\$48,820)</u>	<u>\$37,855</u>	<u>(\$36,063)</u>
Liability Fund:							
Member premiums	\$183,891	\$66,220	\$74,929	\$385,729	\$91,571	\$122,610	\$215,235
Net losses and claims	(201,873)	(49,016)	(29,250)	(240,094)	(110,123)	(455,528)	(19,741)
Net amount	<u>(\$17,982)</u>	<u>\$17,204</u>	<u>\$45,679</u>	<u>\$145,635</u>	<u>(\$18,552)</u>	<u>(\$332,918)</u>	<u>\$195,494</u>
Property Fund:							
Member premiums	\$27,203	\$17,412	\$9,245	\$73,727	\$25,019	\$24,455	\$49,277
Net losses and claims				(56)			(37,059)
Net amount	<u>\$27,203</u>	<u>\$17,412</u>	<u>\$9,245</u>	<u>\$73,671</u>	<u>\$25,019</u>	<u>\$24,455</u>	<u>\$12,218</u>
Dental Fund:							
Member premiums	\$127,351	\$63,100	\$47,854		\$91,302		\$170,978
Net losses and claims	(147,647)	(56,605)	(42,405)		(73,906)	(61,028)	(153,458)
Net amount	<u>(\$20,296)</u>	<u>\$6,495</u>	<u>\$5,449</u>	<u>\$0</u>	<u>\$17,396</u>	<u>(\$61,028)</u>	<u>\$17,520</u>
Vision Fund:							
Member premiums	\$29,360	\$10,346	\$5,822		\$13,513	\$13,696	\$17,469
Net losses and claims	(27,424)	(9,653)	(5,057)		(10,332)	(12,612)	(14,308)
Net amount	<u>\$1,936</u>	<u>\$693</u>	<u>\$765</u>	<u>\$0</u>	<u>\$3,181</u>	<u>\$1,084</u>	<u>\$3,161</u>
Auto Physical Damage Fund:							
Member premiums	\$8,516	\$4,834	\$4,605	\$42,375	\$5,195	\$7,898	\$12,840
Net losses and claims	(140)			(10,012)			
Net amount	<u>\$8,376</u>	<u>\$4,834</u>	<u>\$4,605</u>	<u>\$32,363</u>	<u>\$5,195</u>	<u>\$7,898</u>	<u>\$12,840</u>
DIC	<u>\$66,123</u>	<u>\$39,679</u>	<u>\$21,071</u>	<u>\$179,209</u>	<u>\$60,816</u>	<u>\$59,443</u>	<u>\$119,780</u>
Boiler and Machinery	<u>\$2,820</u>	<u>\$1,699</u>	<u>\$902</u>	<u>\$7,618</u>	<u>\$2,604</u>	<u>\$2,545</u>	<u>\$5,128</u>
Total Premiums (all categories)	\$714,182	\$320,545	\$243,444	\$1,144,582	\$414,807	\$353,852	\$881,837
Net losses and claims (all categories)	(419,205)	(392,372)	(194,255)	(658,561)	(367,968)	(614,518)	(551,759)
Net amount (all categories)	<u>\$294,977</u>	<u>(\$71,827)</u>	<u>\$49,189</u>	<u>\$486,021</u>	<u>\$46,839</u>	<u>(\$260,666)</u>	<u>\$330,078</u>

Lakeport	Rohnert Park	Sebastopol	Sonoma	St. Helena	Ukiah	Willits	Windsor	Total All Cities
\$106,213	\$574,046	\$140,217	\$173,296	\$197,935	\$500,927	\$159,098	\$171,424	\$3,483,391
(166,562)	(686,473)	(54,269)	(152,059)	(397,915)	(591,608)	(114,954)	(21,216)	(3,616,367)
<u>(\$60,349)</u>	<u>(\$112,427)</u>	<u>\$85,948</u>	<u>\$21,237</u>	<u>(\$199,980)</u>	<u>(\$90,681)</u>	<u>\$44,144</u>	<u>\$150,208</u>	<u>(\$132,976)</u>
\$72,771	\$256,079	\$116,280	\$122,925	\$87,742	\$230,546	\$60,942	\$126,921	\$2,214,391
(24,445)	(61,242)	(179,039)		(6,270)	(256,160)	(9,165)	(6,823)	(1,648,769)
<u>\$48,326</u>	<u>\$194,837</u>	<u>(\$62,759)</u>	<u>\$122,925</u>	<u>\$81,472</u>	<u>(\$25,614)</u>	<u>\$51,777</u>	<u>\$120,098</u>	<u>\$565,622</u>
\$13,481	\$55,102	\$14,675	\$13,301	\$28,289	\$72,653	\$20,915	\$37,355	\$482,109
					(893)		(20,270)	(58,278)
<u>\$13,481</u>	<u>\$55,102</u>	<u>\$14,675</u>	<u>\$13,301</u>	<u>\$28,289</u>	<u>\$71,760</u>	<u>\$20,915</u>	<u>\$17,085</u>	<u>\$423,831</u>
\$50,828			\$49,260	\$83,736	\$189,087	\$60,071	\$128,039	\$1,061,606
(48,278)			(49,781)	(81,296)	(168,340)	(54,102)	(134,450)	(1,071,296)
<u>\$2,550</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$521)</u>	<u>\$2,440</u>	<u>\$20,747</u>	<u>\$5,969</u>	<u>(\$6,411)</u>	<u>(\$9,690)</u>
\$9,365			\$8,844	\$9,108		\$1,393	\$19,881	\$138,797
(10,836)			(6,690)	(7,628)	(\$28,878)	(6,706)	(22,737)	(162,861)
<u>(\$1,471)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,154</u>	<u>\$1,480</u>	<u>(\$28,878)</u>	<u>(\$5,313)</u>	<u>(\$2,856)</u>	<u>(\$24,064)</u>
\$3,162	\$16,049	\$7,717	\$1,850	\$11,262	\$24,263	\$4,042	\$4,548	\$159,156
	(12,370)	(499)			(1,927)		(973)	(25,921)
<u>\$3,162</u>	<u>\$3,679</u>	<u>\$7,218</u>	<u>\$1,850</u>	<u>\$11,262</u>	<u>\$22,336</u>	<u>\$4,042</u>	<u>\$3,575</u>	<u>\$133,235</u>
\$32,768	\$125,567	\$35,672	\$32,331	\$68,764	\$176,600	\$50,838	\$90,801	\$1,159,462
<u>\$1,403</u>	<u>\$5,376</u>	<u>\$1,527</u>	<u>\$1,384</u>	<u>\$2,944</u>	<u>\$7,561</u>	<u>\$2,176</u>	<u>\$3,887</u>	<u>\$49,574</u>
\$289,991	\$1,032,219	\$316,088	\$403,191	\$489,780	\$1,201,637	\$359,475	\$582,856	\$8,748,486
(250,121)	(760,085)	(233,807)	(208,530)	(493,109)	(1,047,806)	(184,927)	(206,469)	(6,583,492)
<u>\$39,870</u>	<u>\$272,134</u>	<u>\$82,281</u>	<u>\$194,661</u>	<u>(\$3,329)</u>	<u>\$153,831</u>	<u>\$174,548</u>	<u>\$376,387</u>	<u>\$2,164,994</u>

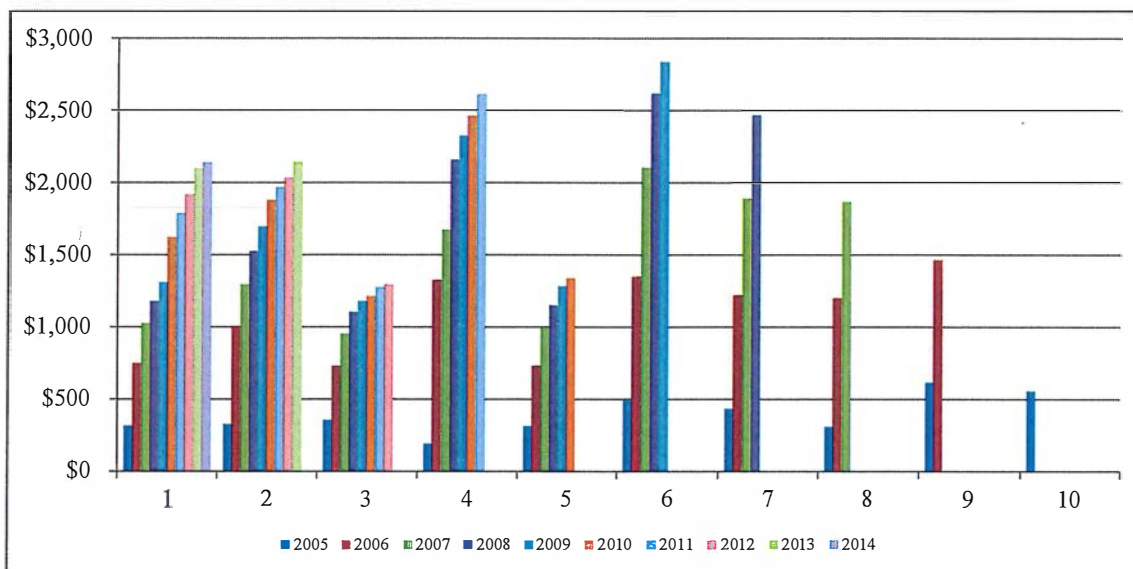
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STATISTICAL INFORMATION

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REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

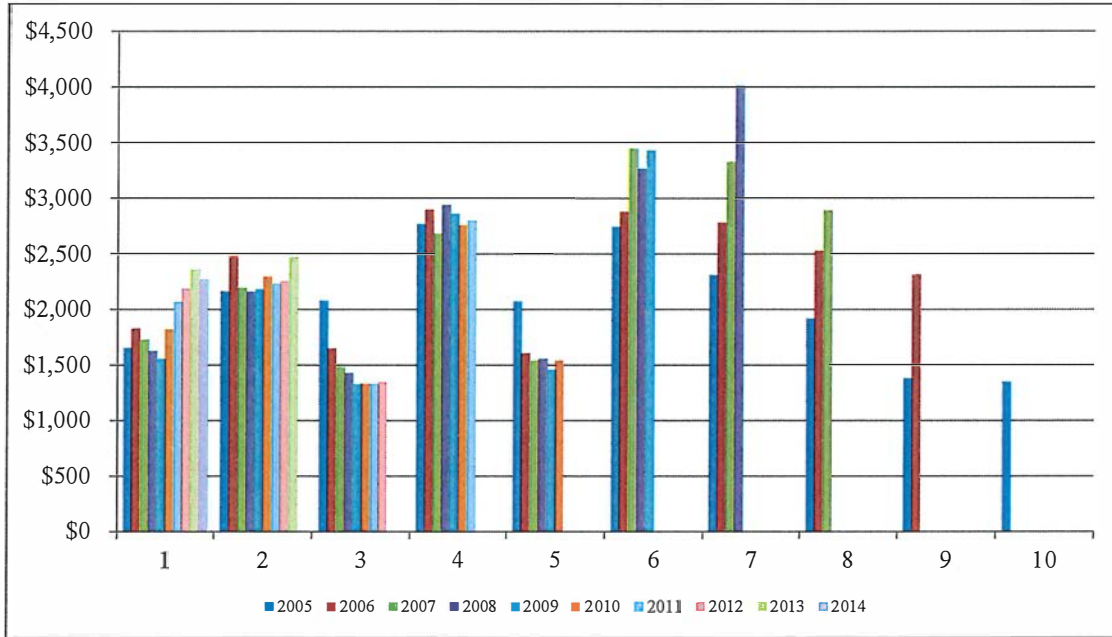
CLAIMS DEVELOPMENT INFORMATION CUMULATIVE WORKERS' COMPENSATION FUND CLAIMS PAID EXCLUDING CLAIMS INCURRED BUT NOT REPORTED INCLUDING MEMBER DEDUCTIBLES LAST TEN FISCAL YEARS (In Thousands of Dollars)



	Claim Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Paid (cumulative) as of:										
End of program year	\$319	\$329	\$359	\$195	\$316	\$497	\$436	\$313	\$618	\$558
One year later	752	1,007	733	1,329	735	1,352	1,224	1,204	1,465	
Two years later	1,028	1,298	954	1,674	997	2,106	1,893	1,869		
Three years later	1,181	1,529	1,105	2,161	1,153	2,623	2,472			
Four years later	1,313	1,700	1,182	2,328	1,286	2,837				
Five years later	1,624	1,882	1,214	2,467	1,341					
Six years later	1,791	1,970	1,276	2,615						
Seven years later	1,919	2,038	1,295							
Eight years later	2,097	2,144								
Nine years later	2,142									

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

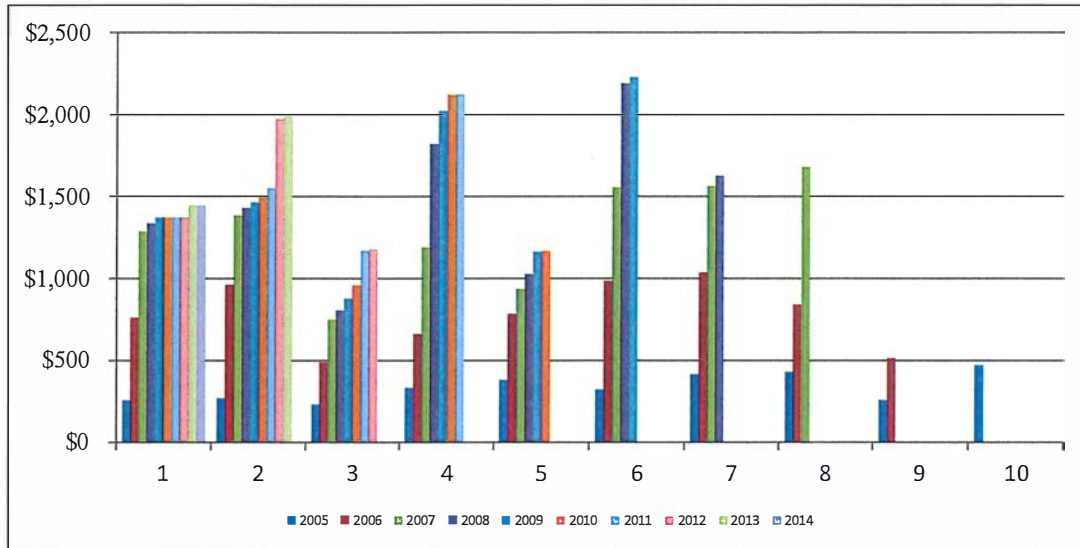
CLAIMS DEVELOPMENT INFORMATION RE-ESTIMATED INCURRED WORKERS' COMPENSATION FUND CLAIMS AND EXPENSES EXCLUDING CLAIMS INCURRED BUT NOT REPORTED INCLUDING MEMBER DEDUCTIBLES LAST TEN FISCAL YEARS (In Thousands of Dollars)



	Claim Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Ultimate loss as of:										
End of program year	\$1,656	\$2,167	\$2,081	\$2,771	\$2,077	\$2,746	\$2,313	\$1,920	\$1,385	\$1,352
One year later	1,829	2,484	1,652	2,902	1,607	2,882	2,784	2,530	2,318	
Two years later	1,729	2,196	1,488	2,683	1,542	3,446	3,329	2,892		
Three years later	1,628	2,163	1,429	2,941	1,558	3,270	4,017			
Four years later	1,559	2,186	1,331	2,865	1,461	3,434				
Five years later	1,824	2,298	1,335	2,760	1,546					
Six years later	2,070	2,231	1,333	2,802						
Seven years later	2,188	2,258	1,351							
Eight years later	2,358	2,470								
Nine years later	2,271									

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

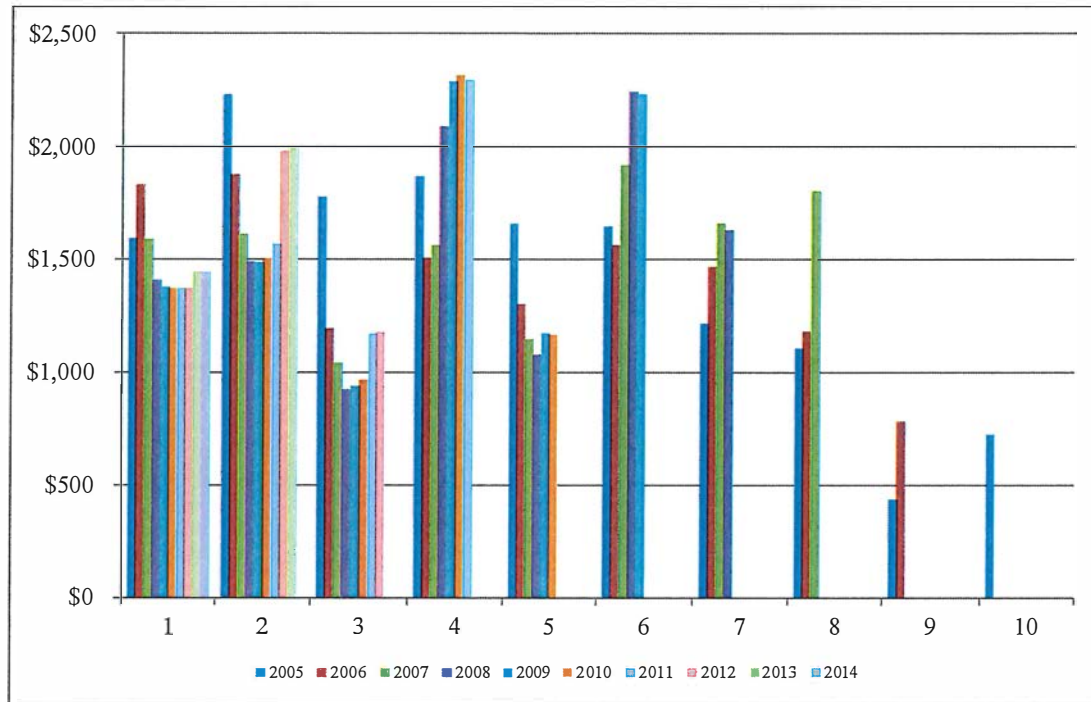
CLAIMS DEVELOPMENT INFORMATION CUMULATIVE LIABILITY FUND CLAIMS PAID EXCLUDING CLAIMS INCURRED BUT NOT REPORTED INCLUDING MEMBER DEDUCTIBLES LAST TEN FISCAL YEARS (In Thousands of Dollars)



	Claim Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Paid (cumulative) as of:										
End of program year	\$257	\$269	\$232	\$333	\$382	\$322	\$416	\$430	\$258	\$471
One year later	762	962	490	661	784	985	1,036	840	515	
Two years later	1,287	1,384	749	1,189	934	1,555	1,562	1,680		
Three years later	1,337	1,432	806	1,820	1,027	2,188	1,626			
Four years later	1,372	1,465	878	2,021	1,164	2,227				
Five years later	1,372	1,497	958	2,119	1,167					
Six years later	1,372	1,550	1,170	2,122						
Seven years later	1,372	1,972	1,177							
Eight years later	1,445	1,989								
Nine years later	1,445									

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

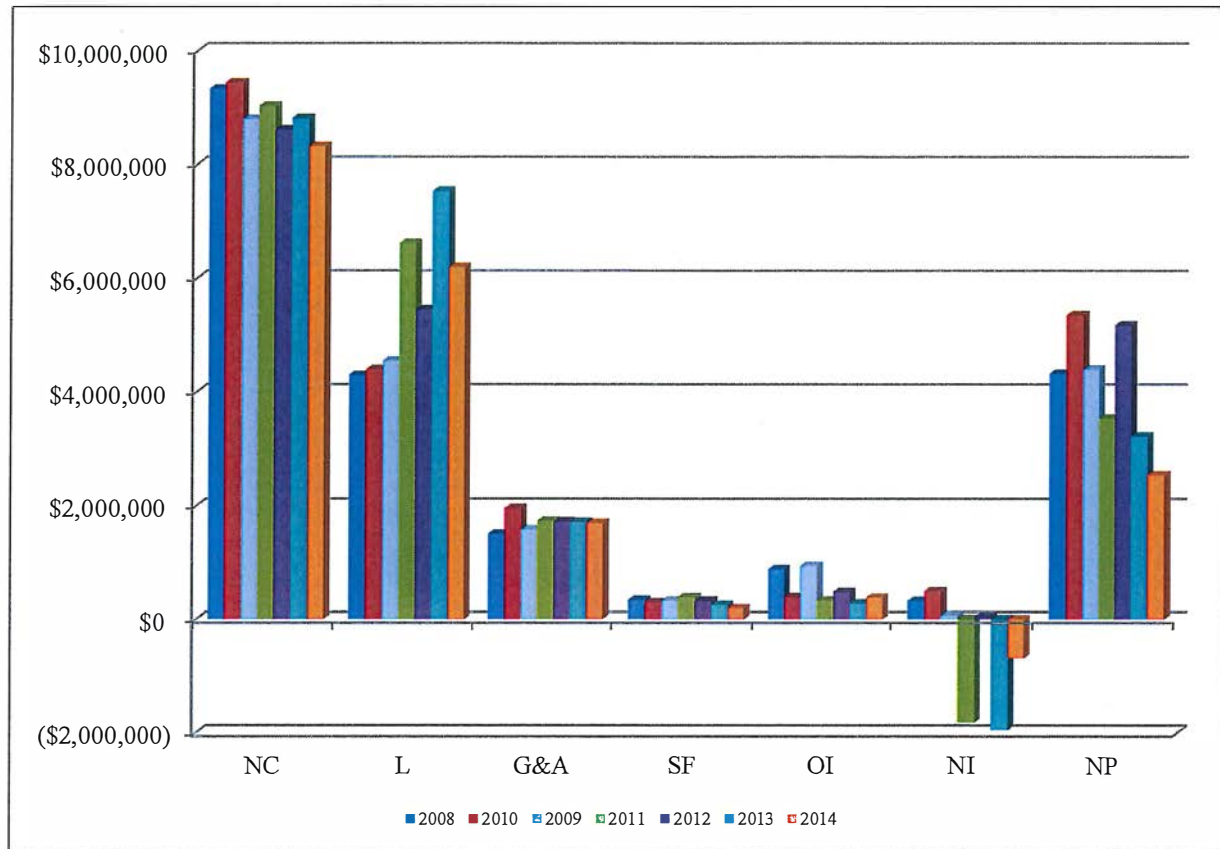
CLAIMS DEVELOPMENT INFORMATION RE-ESTIMATED INCURRED LIABILITY FUND CLAIMS AND EXPENSES EXCLUDING CLAIMS INCURRED BUT NOT REPORTED INCLUDING MEMBER DEDUCTIBLES LAST TEN FISCAL YEARS (In Thousands of Dollars)



	Claim Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Ultimate loss as of:										
End of program year	\$1,594	\$2,230	\$1,777	\$1,870	\$1,660	\$1,647	\$1,217	\$1,108	\$438	\$725
One year later	1,831	1,877	1,194	1,507	1,301	1,563	1,469	1,181	783	
Two years later	1,590	1,613	1,042	1,563	1,148	1,919	1,661	1,804		
Three years later	1,410	1,491	925	2,090	1,079	2,243	1,631			
Four years later	1,380	1,489	941	2,288	1,175	2,233				
Five years later	1,372	1,506	968	2,315	1,167					
Six years later	1,372	1,569	1,172	2,295						
Seven years later	1,372	1,979	1,177							
Eight years later	1,445	1,991								
Nine years later	1,445									

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

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



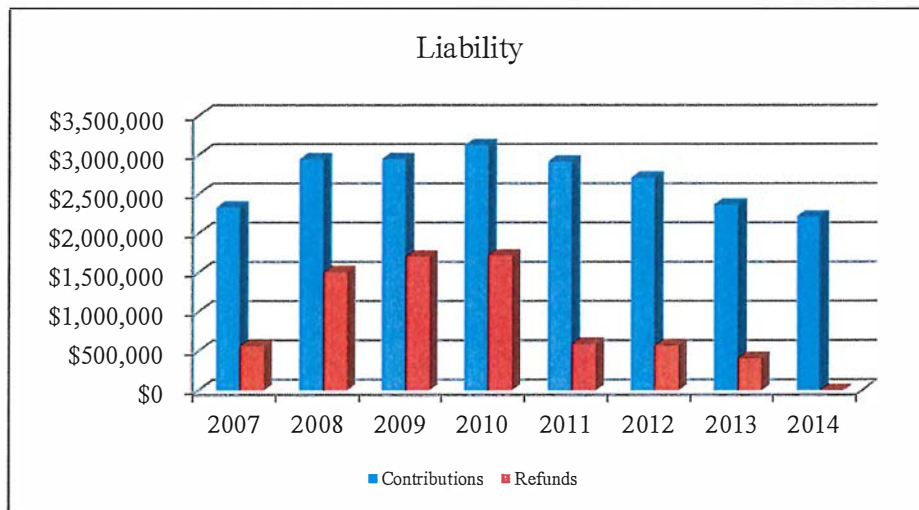
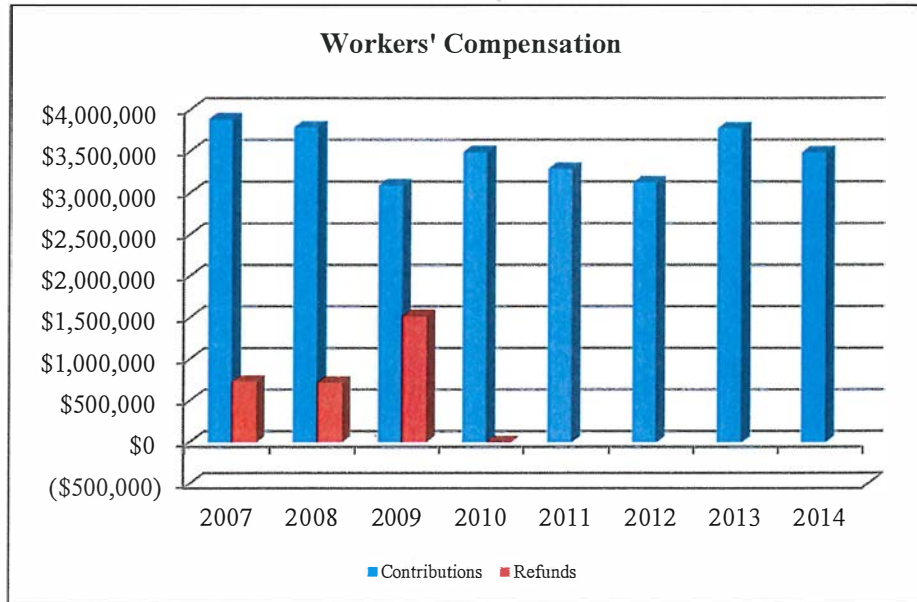
Fiscal Year	Net contributions "NC"	Losses "L"	General and administrative expenses "G&A"	Distribution of surplus funds CJPRMA "SF"	Other Income "OI"	Net Income "NI"	Net Position (retained earnings) end of year "NP" (A)
2008	\$9,331,245	\$4,297,431	\$1,509,423	\$341,214	\$882,115	\$326,383	\$4,325,212
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
2014	8,315,389	6,201,077	1,701,499	199,027	385,615	(683,422)	2,543,492

(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 were not restated.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

MEMBER CONTRIBUTIONS AND REFUNDS TO MEMBERS WORKERS COMPENSATION FUND AND LIABILITY FUND LAST EIGHT 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
2014	3,483,391		2,214,391	0