

**REDWOOD EMPIRE MUNICIPAL
INSURANCE FUND**

BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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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 and aggregate remaining fund information of the Redwood Empire Municipal Insurance Fund (REMIF), California, as of and for the year ended June 30, 2016, 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 and aggregate remaining fund information of REMIF as of June 30, 2016, and the 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.

Change in Accounting Principle

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, which became effective during the year ended June 30, 2016 as disclosed in Notes 2J, 3 and 4 to the financial statements.

Management early-implemented the provisions of Governmental Accounting Standards Board Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, during the year ended June 30, 2016 as noted in the Pension-Related Required Supplementary Information.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the other Required Supplementary Information as listed in the Table of Contents 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, 2015 financial statements, and we expressed unmodified audit opinions on those audited financial statement in our report dated January 22, 2016. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Maye & Associates

Pleasant Hill, California
January 27, 2017

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REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016 AND 2015

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, 2016. 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 fifteen voting members, seven of whom represent the original seven members that created the JPA in 1976.

City of Arcata
City of Cloverdale
City of Cotati
City of Eureka
City of Fort Bragg
City of Fortuna
City of Healdsburg
City of Lakeport

City of Rohnert Park
City of Sebastopol
City of Sonoma
City of St. Helena
City of Ukiah
City of Willits
Town of Windsor

Primary insurance for REMIF currently includes workers' compensation, general/auto liability, property, auto physical damage, fidelity employee bonding, dental, and vision insurance. There are a number of programs that are funded on a pass-through basis including employee assistance plan coverage, life and long-term disability insurance, boiler and machinery coverage, Difference in Condition (**DIC**) (flood/earthquake) coverage and pollution 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 one representative from each of the three regions. 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 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 Board Assistant. 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, and 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, 2016 AND 2015

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 revenues, 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, deferred outflows of resources, liabilities and deferred inflows of resources 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 required supplementary information and 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

	6/30/16	6/30/15	6/30/14*
Total capital	\$ 334,229	\$ 341,382	\$ 348,327
Total other	<u>18,648,757</u>	<u>18,000,637</u>	<u>17,843,445</u>
Total assets	<u>\$18,982,986</u>	<u>\$18,342,019</u>	<u>\$18,191,772</u>
 Total deferred outflows of resources	<u>\$515,364</u>	<u>\$ 259,592</u>	<u>\$ -</u>
 Total long-term liabilities	\$16,179,020	\$13,720,196	\$9,982,347
Total short-term liabilities	<u>5,755,677</u>	<u>7,229,656</u>	<u>5,665,933</u>
Total Liabilities	<u>\$21,934,697</u>	<u>\$20,949,852</u>	<u>\$15,648,280</u>
 Total deferred inflows of resources	<u>\$ 188,410</u>	<u>\$ 338,476</u>	<u>\$ -</u>
 Total Net Position	<u>(\$2,624,757)</u>	<u>(\$2,686,717)</u>	<u>\$2,543,492</u>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016 AND 2015

Total operating revenues	\$23,577,079	\$8,472,896	\$8,514,416
Total non-operating revenues	<u>344,814</u>	<u>275,464</u>	<u>283,015</u>
Total Revenues	<u>\$23,921,893</u>	<u>\$8,748,360</u>	<u>\$8,797,431</u>
Net losses and claims incurred	\$18,744,246	\$8,834,155	\$6,201,077
Changes in reserves for ULAE	54,981	133,034	26,487
Premium and/or contributions for excess	1,336,034	1,377,321	1,369,445
Claims consultants and administration	1,914,058	201,216	186,545
Other operating expenses/Change in OPEB	37,957	(1,508)	(4,200)
General and administrative	<u>1,772,657</u>	<u>1,880,604</u>	<u>1,701,499</u>
Total Expenses	<u>\$23,859,933</u>	<u>\$12,424,822</u>	<u>\$9,480,853</u>
Net Change in Net Position	\$ 61,960	(\$3,676,462)	(\$683,422)
Net Position, Beginning of year	<u>(2,686,717)</u>	<u>989,745</u>	<u>3,226,914</u>
Net Position, End of year	<u>(\$2,624,757)</u>	<u>(\$2,686,717)</u>	<u>\$2,543,492</u>

* Not restated for the implementation of GASB Statement Nos. 68 and 71.

ANALYSIS OF CURRENT YEAR RESULTS COMPARED TO PRIOR YEARS

There was a net gain in FY 15/16 of \$61,960, compared to a net loss of \$3,676,462 in FY 14/15. Financial highlights include the following:

During FY 15/16, the Board declined a refund to members in the Liability program. Steps are being taken to rebuild the Liability reserves back to \$1,000,000. The use of the \$1,000,000 reserve was due to closing several large cases and the continued possibility of future claims that were still uncertain as to their outcome.

The reserves for losses in the WC program at June 30, 2016 were increased by \$1.02 million compared to an increase of \$1.76 million for FY 14/15. No WC refunds could be distributed in FY 15/16, and the WC reserves remained at zero, since the program had a net deficit of \$5.7 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 \$2,477,302 at the end of FY 15/16. In November 2010, these funds were shifted to Chandler Asset Management and placed in an irrevocable trust. A FY 15/16 contribution of \$20,957 was made into the trust to fully fund the Annual Required Contribution (ARC), as recommended in the July 1, 2015 actuarial study. Results determined by the actuary are displayed in separate fiduciary fund statements and footnotes.

As of June 30, 2016, the net dental reserves are approximately four months of premiums, with two of the participating twelve cities exceeding one year of premiums.

The vision program ended FY 15/16 with a net reserve of approximately four months in excess of monthly premiums, with three of the participating thirteen members exceeding one year of premiums.

A self-funded health plan was established on July 1, 2015 for the REMIF medical program and the fund is currently building a \$3,000,000 or 3 month claim reserve. As of June 30, 2016, the net reserve was \$600,941.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016 AND 2015

The general and administrative expenses for all programs, excluding the Enterprise Fund, were \$19,358 under budget (favorable balance). Expenses under budget by more than \$5,000 were: Legal, \$8,398 and Safety Training, \$11,639. Expenses over budget by more than \$5,000 were only Consultants, \$8,225.

Legal expenses were less than anticipated and expenses for the safety program run by a contracted consultant have been under budget.

The Enterprise program had a net loss of \$67,624 in FY 15/16, which was less than the prior year's net loss of \$84,950. Less use of temporary staff resources in Employee expenses were the main reason for the decrease in the loss.

The Enterprise Fund general and administrative expenses were \$3,370 under budget (favorable balance). Postage (\$6,068); Consultants (\$9,500) and Computer Service and Maintenance (\$19,640) were the only items over budget by more than \$5,000. Expenses under budget by more than \$5,000 were: Employee expenses, \$22,064, Depreciation, \$6,650 and Computer programming, \$10,000.

Workers' Compensation

Reserves for losses and claims in the Workers' Compensation program increased by \$1,015,636 contributing to a net loss in the Fund of \$204,046.

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 \$345,290 for FY 15/16.

Liability

Premiums for FY 15/16 increased by \$262,726 from FY 14/15, and the reserves for losses and claims in the Liability program in FY 15/16 increased \$83,978 from FY 14/15.

Net Liability claims paid in FY 15/16 of \$1,214,552 were \$407,566 less than those paid in FY 14/15.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016 AND 2015

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 prior 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, 2016 identified property was valued at \$1.21 billion at 1,664 sites.

REMIF earthquake and flood insurance remained at \$20 million for the period of November 2015 to November 2016, while costs decreased by \$46,440. Not all city property was covered for earthquake and flood, but for those entities that desired DIC coverage, property values from FY 14/15 to FY 15/16 increased by \$13.8 million to \$1.09 billion.

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 15/16 ended at \$1.21 billion.

Auto Physical Damage

During FY 15/16 there was a net change in net position of \$74,610 compared to a net change in net position of \$18,725 in FY 14/15. The difference was due to a \$32,713 increase in operating revenue from \$157,941 in FY 14/15 to \$190,654 in FY 15/16 due to a premium increase and an \$18,827 decrease in operating expenses from \$145,281 in FY 14/15 to \$126,454 in FY 15/16 due to lower claims activity.

As of June 30, 2016, a total of 1,461 vehicles were covered for all REMIF cities with the vehicles valued at \$58,079,730. Of the vehicles covered, 699 vehicles were valued at or greater than \$25,000 with insurance provided through the CJPRMA. At the end of FY 15/16, the value of the vehicles in this category was \$47,273,547.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016 AND 2015

Dental

Dental claims exceeded premium collections in FY 15/16, which resulted in a net change in net position of (\$11,105).

Dental	6/30/16	6/30/15	6/30/14	6/30/13
Net premiums (cumulative from inception)	\$448,685	\$413,187	\$439,008	\$457,858
Employees enrolled	1,074	1,080	1,054	1,019
Net income (loss)	(\$11,105)	(\$13,862)	(\$112,387)	(\$92,865)

At the end of FY 15/16, two cities had more than twelve months of net premiums in reserves.

Vision

Vision claims exceeded premium collections in FY 15/16, which resulted in a net change in net position of (\$24,779).

Vision	6/30/16	6/30/15	6/30/14	6/30/13
Net premiums (cumulative from inception)	\$59,258	\$69,814	\$87,176	\$122,497
Employees enrolled	964	983	934	832
Net income (loss)	(\$24,779)	(\$16,704)	(\$56,172)	(\$11,894)

At the end of FY 15/16, three of the thirteen plan members had more than one year of net premium in reserves.

Health

A self-funded health plan was established on July 1, 2015 for the REMIF medical program. In FY 15/16 health premium collections exceeded claims and expenses, which resulted in a net change in net position of \$603,063. The self-funded plan is currently in the process of building a \$3,000,000 reserve.

Health	6/30/16
Net premiums (cumulative from inception)	\$1,882,035
Employees enrolled	908
Net income (loss)	\$603,063

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016 AND 2015

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 an annual \$175,000 transfer and net interest earned. In FY 15/16, the trust fund balance increase was \$47,569, including a contribution of \$20,957 to fully fund the Annual Required Contribution (ARC), as recommended in the July 1, 2015 actuarial study. At June 30, 2016 the OPEB trust balance was \$2,477,302. Because these funds are held in an irrevocable trust, OPEB transactions are shown in separate fiduciary fund statements and footnotes in the Financial Statement.

Transference of Risk for Members

Insurance was provided for all programs as follows:

In the **Liability** program the California Joint Powers Risk Management Authority provided \$4.5 million of coverage in excess of \$500,000, Starr Indemnity provided an additional \$20 million of coverage to \$5 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/earthquake coverage or pollution coverage which was billed separately to each city. Four insurance companies provided flood/earthquake coverage up to \$20 million for replacement value. The cost of the flood/earthquake coverage was \$46,440 less than the previous year. Pollution was covered for \$5 million with a \$100,000 self-insured retention.

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 has a deductible of \$5,000 or \$10,000 per vehicle. There is a self-insured program funded by REMIF for vehicles in the \$5,000 to \$25,000 value range.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016 AND 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.

Employee Assistance Plan benefits include financial counseling, budgeting strategies, credit management, legal referrals, and counseling for stress management, family support, smoking cessation and weight management (eight visits per incident). The EAP program with AETNA began July 1, 2015, is \$2.72 per employee with a contract effective date through June 30, 2018.

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 15/16, there were active litigation cases being handled by contractors' insurance companies at no expense to REMIF and the entities because of this highly effective program.

Training

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

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

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016 AND 2015

REMIF has a policy of reimbursing the attendance of up to six members from each entity to attend the following three conferences: CAJPA, CALPELRA and PARMA. In addition to the above specific training sessions, REMIF hosts or conducts numerous training activities 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 a contracted outside law firm for personnel legal advice services at no cost to the cities with a REMIF cost of \$41,202. Part of this consortium program was two to four full-days of training per city per year.

During FY 15/16, REMIF spent \$218,361 for the above mentioned training.

	FY 15/16	FY 14/15	FY 13/14
Safety Training	\$218,361	\$205,998	\$109,717
Consultants	\$13,225	\$13,637	\$7,500
Board Conference Expense	<u>\$67,071</u>	<u>\$60,437</u>	<u>\$51,165</u>
Total	<u>\$298,657</u>	<u>\$280,072</u>	<u>\$168,382</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, 2016
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015

	Workers' Compensation Fund	Liability Fund	Property Fund	Dental Fund
ASSETS				
Cash and cash equivalents (Note 3)	\$1,770,282	\$725,172	\$97,819	\$170,204
Investments, current (Note 3)	989,208	439,692	59,311	72,538
Receivables:				
Premiums and fees	402,398			
Reimbursements	258,276	166,375	9,864	
Interfund (Note 5)	784,794			
Excess insurance reimbursement and other	592,024	17,184	83,036	
Prepaid expenses		23,743		
Deposits	275,500			
Total current assets	5,072,482	1,372,166	250,030	242,742
NONCURRENT ASSETS				
Investments, noncurrent (Note 3)	4,777,652	2,123,621	286,456	350,342
Net OPEB asset (Note 10)				
Capital assets - net of accumulated depreciation (Note 6)	322,692			
TOTAL ASSETS	10,172,826	3,495,787	536,486	593,084
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions (Note 11)	515,364			
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$10,688,190</u>	<u>\$3,495,787</u>	<u>\$536,486</u>	<u>\$593,084</u>
LIABILITIES				
Unearned premiums				
Reimbursements for claims paid	\$7,486			
Interfund payables (Note 5)	41,400	\$425,612	\$15,762	\$3,000
Accounts payable	58,175	2,223		11,715
Deposits held to perform claim administration				
Tenant and other deposits	2,160			
Reserve for losses and claims (Note 8)	2,805,339	1,246,911		83,855
Total current liabilities	2,914,560	1,674,746	15,762	98,570
NONCURRENT LIABILITIES				
Reserve for losses and claims (Note 8)	10,855,793	1,588,832		
Reserve for ULAE (Note 8)	683,057	141,788		
Net pension liability (Note 11)	1,704,201			
TOTAL LIABILITIES	16,157,611	3,405,366	15,762	98,570
DEFERRED INFLOWS OF RESOURCES				
Related to pensions (Note 11)	188,410			
NET POSITION				
Net investment in capital assets	322,692			
Unrestricted	(5,980,523)	90,421	520,724	494,514
TOTAL NET POSITION	(5,657,831)	90,421	520,724	494,514
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$10,688,190</u>	<u>\$3,495,787</u>	<u>\$536,486</u>	<u>\$593,084</u>

See accompanying notes to financial statements

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
BALANCE SHEETS
JUNE 30, 2016
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015

Vision Fund	Auto Physical Damage Fund	Post Retirement Benefits Fund	Self-Funded Healthcare Fund	Enterprise Fund	Total	
					2016	2015
\$30,226	\$120,474		\$346,420	\$13,199	\$3,273,796	\$2,109,831
12,890	73,047		247,249	91,065	1,985,000	1,152,665
					402,398	339,400
	24,130		24,846	580,931	1,064,422	1,302,552
				41,400	826,194	1,007,297
					692,244	479,185
					23,743	142,771
				1,500	277,000	277,000
43,116	217,651		618,515	728,095	8,544,797	6,810,701
62,254	352,800		1,194,157	439,827	9,587,109	10,656,085
		\$516,851			516,851	533,851
				11,537	334,229	341,382
105,370	570,451	516,851	1,812,672	1,179,459	18,982,986	18,342,019
					515,364	259,592
\$105,370	\$570,451	\$516,851	\$1,812,672	\$1,179,459	\$19,498,350	\$18,601,611
						\$1,381,405
					\$7,486	
\$1,000	\$7,881			\$331,539	826,194	1,007,297
11,672			\$6,382	31,926	122,093	212,928
				650,000	650,000	650,000
					2,160	2,160
11,639					4,147,744	3,975,866
24,311	7,881		6,382	1,013,465	5,755,677	7,229,656
			1,205,349		13,649,974	11,502,281
					824,845	769,864
					1,704,201	1,448,051
24,311	7,881		1,211,731	1,013,465	21,934,697	20,949,852
					188,410	338,476
				11,537	334,229	341,382
81,059	562,570	\$516,851	600,941	154,457	(2,958,986)	(3,028,099)
81,059	562,570	516,851	600,941	165,994	(2,624,757)	(2,686,717)
\$105,370	\$570,451	\$516,851	\$1,812,672	\$1,179,459	\$19,498,350	\$18,601,611

See accompanying notes to financial statements

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	Workers' Compensation Fund	Liability Fund	Property Fund	Dental Fund
OPERATING REVENUES				
Member Premiums	\$4,027,678	\$2,235,448	\$493,281	\$1,204,663
Fees	24,080			
Excess insurance refunds	388	116,545		
Total operating revenues	<u>4,052,146</u>	<u>2,351,993</u>	<u>493,281</u>	<u>1,204,663</u>
OPERATING EXPENSES				
Net losses and claims incurred	3,821,705	1,298,530	358,250	1,072,372
Change in reserve for ULAE	50,782	4,199		
Premiums and/or contributions for excess coverage	345,290	603,793	290,814	
Claims consultants and administration	11,976			150,587
General and administrative	200,480	647,873	15,762	3,000
Contributions to OPEB Trust Fund				
Annual OPEB expense				
Total operating expenses	<u>4,430,233</u>	<u>2,554,395</u>	<u>664,826</u>	<u>1,225,959</u>
OPERATING INCOME (LOSS)	<u>(378,087)</u>	<u>(202,402)</u>	<u>(171,545)</u>	<u>(21,296)</u>
NONOPERATING REVENUE (EXPENSE)				
Rental income	61,200			
Investment income	133,985	71,108	11,680	10,191
Realized gains (losses) on investments	(187)			
Total Nonoperating Revenues (Expenses)	<u>194,998</u>	<u>71,108</u>	<u>11,680</u>	<u>10,191</u>
Income (Loss) Before Transfers	(183,089)	(131,294)	(159,865)	(11,105)
Transfers in (Note 5)				
Transfers out (Note 5)	<u>(20,957)</u>			
NET CHANGE IN NET POSITION	(204,046)	(131,294)	(159,865)	(11,105)
NET POSITION, Beginning of year	<u>(5,453,785)</u>	<u>221,715</u>	<u>680,589</u>	<u>505,619</u>
NET POSITION, End of year	<u><u>(\$5,657,831)</u></u>	<u><u>\$90,421</u></u>	<u><u>\$520,724</u></u>	<u><u>\$494,514</u></u>

See accompanying notes to financial statements

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

Vision Fund	Auto Physical Damage Fund	Post Retirement Benefits Fund	Self-Funded Healthcare Fund	Enterprise Fund	Total	
					2016	2015
\$173,339	\$190,654		\$14,329,065		\$22,654,128	\$7,588,423
			48	\$781,860	805,988	792,307
				30	116,963	92,166
<u>173,339</u>	<u>190,654</u>		<u>14,329,113</u>	<u>781,890</u>	<u>23,577,079</u>	<u>8,472,896</u>
159,163	22,436		12,011,790		18,744,246	8,834,155
					54,981	133,034
	96,137				1,336,034	1,377,321
39,976			1,711,519		1,914,058	201,216
1,000	7,881			896,661	1,772,657	1,880,604
		\$20,957			20,957	
		17,000			17,000	(1,508)
<u>200,139</u>	<u>126,454</u>	<u>37,957</u>	<u>13,723,309</u>	<u>896,661</u>	<u>23,859,933</u>	<u>12,424,822</u>
<u>(26,800)</u>	<u>64,200</u>	<u>(37,957)</u>	<u>605,804</u>	<u>(114,771)</u>	<u>(282,854)</u>	<u>(3,951,926)</u>
				41,400	102,600	102,600
2,021	10,410		(2,741)	5,747	242,401	172,943
					(187)	(79)
<u>2,021</u>	<u>10,410</u>		<u>(2,741)</u>	<u>47,147</u>	<u>344,814</u>	<u>275,464</u>
<u>(24,779)</u>	<u>74,610</u>	<u>(37,957)</u>	<u>603,063</u>	<u>(67,624)</u>	<u>61,960</u>	<u>(3,676,462)</u>
		20,957			20,957	
					(20,957)	
<u>(24,779)</u>	<u>74,610</u>	<u>(17,000)</u>	<u>603,063</u>	<u>(67,624)</u>	<u>61,960</u>	<u>(3,676,462)</u>
<u>105,838</u>	<u>487,960</u>	<u>533,851</u>	<u>(2,122)</u>	<u>233,618</u>	<u>(2,686,717)</u>	<u>989,745</u>
<u>\$81,059</u>	<u>\$562,570</u>	<u>\$516,851</u>	<u>\$600,941</u>	<u>\$165,994</u>	<u>(\$2,624,757)</u>	<u>(\$2,686,717)</u>

See accompanying notes to financial statements

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	Workers' Compensation Fund	Liability Fund	Property Fund	Dental Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from members	\$4,088,635	\$2,372,143	\$512,125	\$1,094,767
Cash received for excess insurance dividends	388	116,545		
Payments for excess insurance	(345,290)	(580,050)	(290,814)	
Payments for claims, claims consultants and claims administration	(2,972,167)	(1,231,736)	(441,286)	(1,204,939)
Payments to vendors	(13,351)	(479,967)	(7,189)	(3,000)
Payments to or on behalf of employees	(334,014)	(231,479)	(8,573)	
Interfund receipts (payments)	83,457	(1,614)	(61)	
Contributions to OPEB Trust				
Net cash provided (used) by operating activities	<u>507,658</u>	<u>(36,158)</u>	<u>(235,798)</u>	<u>(113,172)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in				
Transfers out	(20,957)			
Rents received	61,200			
Net cash provided (used) by noncapital financing activities	<u>40,243</u>			
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received, net of fair value adjustment	133,798	71,108	11,680	10,191
(Purchase) sale of investments	49,408	197,039	220,724	167,673
Net cash provided (used) by investing financing activities	<u>183,206</u>	<u>268,147</u>	<u>232,404</u>	<u>177,864</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets				
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	731,107	231,989	(3,394)	64,692
CASH AND EQUIVALENTS, Beginning of year	<u>1,039,175</u>	<u>493,183</u>	<u>101,213</u>	<u>105,512</u>
CASH AND EQUIVALENTS, End of year	<u><u>\$1,770,282</u></u>	<u><u>\$725,172</u></u>	<u><u>\$97,819</u></u>	<u><u>\$170,204</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	(\$378,087)	(\$202,402)	(\$171,545)	(\$21,296)
Depreciation expense	2,803			
Change in:				
Premiums and fees receivable	(62,998)			
Reimbursement receivable	99,875	136,695	18,844	
Interfund receivables	132,261			
Excess insurance reimbursement and other	(112,839)	(17,184)	(83,036)	
Prepaid expenses		23,743		
Unearned premiums				(109,896)
Reimbursements for claims paid	7,486			
Net pension liability and deferred outflows/inflows related to pensions	(149,688)			
Other post employment benefits				
Interfund payables	(48,804)	(1,614)	(61)	
Accounts payable and other liabilities	(48,769)	(63,573)		(109)
Reserve for losses and claims	1,015,636	83,978		18,129
Reserve for ULAE	50,782	4,199		
Net cash provided (used) by operating activities	<u><u>\$507,658</u></u>	<u><u>(\$36,158)</u></u>	<u><u>(\$235,798)</u></u>	<u><u>(\$113,172)</u></u>

See accompanying notes to financial statements

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

Vision Fund	Auto Physical Damage Fund	Post Retirement Benefits Fund	Self-Funded Healthcare Fund	Enterprise Fund	Total	
					2016	2015
\$173,004	\$212,523		\$13,033,093	\$767,553	\$22,253,843	\$9,989,613
				30	116,963	92,166
	(96,137)				(1,312,291)	(1,520,092)
(206,197)	(22,436)		(12,416,293)		(18,495,054)	(6,551,896)
(1,000)	(3,594)			(348,003)	(856,104)	(881,888)
	(4,287)			(525,537)	(1,103,890)	(1,108,667)
8	(31)		(2,130)	(79,629)		
		(\$20,957)			(20,957)	
(34,185)	86,038	(20,957)	614,670	(185,586)	582,510	19,236
		20,957			20,957	
					(20,957)	
				41,400	102,600	102,600
		20,957		41,400	102,600	102,600
2,021	10,410		(2,741)	5,747	242,214	172,870
41,542	(44,167)		(443,756)	48,178	236,641	1,066,693
43,563	(33,757)		(446,497)	53,925	478,855	1,239,563
						(2,907)
9,378	52,281		168,173	(90,261)	1,163,965	1,358,492
20,848	68,193		178,247	103,460	2,109,831	751,339
\$30,226	\$120,474		\$346,420	\$13,199	\$3,273,796	\$2,109,831
(\$26,800)	\$64,200	(\$37,957)	\$605,804	(\$114,771)	(\$282,854)	(\$3,951,926)
				4,350	7,153	9,852
					(62,998)	29,061
	21,869		(24,846)	(14,307)	238,130	198,417
8				48,834	181,103	250,240
					(213,059)	(198,832)
			95,285		119,028	(142,771)
(335)			(1,271,174)		(1,381,405)	1,381,405
					7,486	
					(149,688)	(26,818)
		17,000			17,000	(1,508)
	(31)		(2,130)	(128,463)	(181,103)	(250,240)
(3,537)			6,382	18,771	(90,835)	(63,266)
(3,521)			1,205,349		2,319,571	2,652,588
					54,981	133,034
(\$34,185)	\$86,038	(\$20,957)	\$614,670	(\$185,586)	\$582,510	\$19,236

See accompanying notes to financial statements

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
OPEB TRUST FUND
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Investments (Note 4):		
Money Market	\$74,860	\$28,606
Exchange Traded Funds	<u>2,402,442</u>	<u>2,401,127</u>
Total Assets	<u>2,477,302</u>	<u>2,429,733</u>
NET POSITION		
Total net position held in trust for OPEB	<u><u>\$2,477,302</u></u>	<u><u>\$2,429,733</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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ADDITIONS:		
Contributions to OPEB Trust (Note 10)	\$20,957	
Investment Income	<u>26,612</u>	<u>\$11,604</u>
Change in net position	47,569	11,604
Net position held in trust for OPEB - beginning of year	<u>2,429,733</u>	<u>2,418,129</u>
Net position held in trust for OPEB - end of year	<u><u>\$2,477,302</u></u>	<u><u>\$2,429,733</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, 2016 and 2015**

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 conditions (flood and earthquake), fidelity/faithful performance, dental, vision, employee assistance, auto physical damage and healthcare.

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, 2016 and 2015**

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, 2016

The SIRs for this program by year are as follows:

Year	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 – 6/30/16	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, 2016 and 2015**

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, 2016

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, 2016

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, 2016

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

5. Healthcare Program

Beginning July 1, 2015, REMIF provides a self-insured healthcare program. The program is administered by a third party administrator (TPA) and a pharmacy benefit manager (PBM) and includes stop loss coverage to protect REMIF from large individual or catastrophic losses as follows:

REMIF Deductible: \$175,000
Maximum Annual Reimbursement: \$1,000,000

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Pass-through Programs

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

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 for all programs, except the Healthcare Programs, 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.

For the Healthcare Program, contributions for the medical, dental, and vision plans are based on an estimate determined by the Board, in an amount calculated to be sufficient to provide for all covered expenses. The cash contributions are also calculated to establish a prudent surplus to fund for a contingent risk margin and administrative expenses. 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.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

G. Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet reports 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 reports 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.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. REMIF categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

K. 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.

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

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015****NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

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

B. Classification

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

	2016	2015
Cash in bank and on hand	\$ 2,644,045	\$1,483,760
Sonoma County Trust	229,048	227,065
Local Agency Investment Fund (LAIF)	400,703	399,006
Total cash and cash equivalents	3,273,796	2,109,831
Investments	11,572,109	11,808,750
Total cash, cash equivalents and investments	<u>\$14,845,905</u>	<u>\$13,918,581</u>

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.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

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

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%
				LAIIF max (currently \$65m/acct)
Local Agency Investment Fund (LAIIF)	N/A	None	None	
Sonoma County Pooled Investment Fund	N/A	None	10%	None
Medium-Term Notes	5 years	A	30%	5%
Money Market Mutual Funds	N/A	AAAm	20%	10%

D. Disclosures Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of REMIF's investments to market interest rate fluctuations is provided by the following tables that show the maturity date of each investment or earliest call date:

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

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

June 30, 2016	Remaining Maturity (in Months)			Total
	12 Months or Less	13 to 24 Months	25 - 60 Months	
Investment Type				
U.S. Treasury Obligations		\$677,535	\$1,794,709	\$2,472,244
U.S. Agency Securities	\$1,556,820	2,405,470	1,715,649	5,677,939
Commercial Paper	229,433			229,433
Medium Term Corporate Notes	165,820	2,094,027	899,719	3,159,566
Money Market Mutual Funds	32,927			32,927
Total	<u>\$1,985,000</u>	<u>\$5,177,032</u>	<u>\$4,410,077</u>	<u>\$11,572,109</u>

June 30, 2015	Remaining Maturity (in Months)			Total
	12 Months or Less	13 to 24 Months	25 - 60 Months	
Investment Type				
U.S. Treasury Obligations		\$150,832	\$2,111,351	\$2,262,183
U.S. Agency Securities	\$254,059	1,926,761	3,531,645	5,712,465
Commercial Paper	469,755			469,755
Medium Term Corporate Notes	362,282	308,253	2,627,243	3,297,778
Money Market Mutual Funds	66,569			66,569
Total	<u>\$1,152,665</u>	<u>\$2,385,846</u>	<u>\$8,270,239</u>	<u>\$11,808,750</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, 2016, as provided by Standard and Poor's investment rating system.

Investment Type	AAA/AAAm	AA+/AA/		A+/A/A-	A-1/A-1+	Total
		AA-				
U.S. Treasury Obligations		\$2,472,244				\$2,472,244
U.S. Agency Securities		5,677,939				5,677,939
Commercial Paper					\$229,433	229,433
Medium Term Corporate Notes	\$61,531	1,398,028	\$1,700,007			3,159,566
Money Market Mutual Funds	32,927					32,927
	<u>\$94,458</u>	<u>\$9,548,211</u>	<u>\$1,700,007</u>	<u>\$229,433</u>		<u>\$11,572,109</u>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

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, 2015, as provided by Standard and Poor's investment rating system.

Investment Type	AAAm	AA+/AA/ AA-	A+/A/A-	A-1	Total
U.S Treasury Obligations		\$2,262,183			\$2,262,183
U.S. Agency Securities		5,712,465			5,712,465
Commercial Paper				\$469,755	469,755
Medium Term Corporate Notes		1,316,528	\$1,981,250		3,297,778
Money Market Mutual Funds	\$66,569				66,569
	<u>\$66,569</u>	<u>\$9,291,176</u>	<u>\$1,981,250</u>	<u>\$469,755</u>	<u>\$11,808,750</u>

F. Fair Value Hierarchy

REMIF categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of REMIF as of June 30, 2016:

<i>Investments by Fair Value Level:</i>	Level 2	Total
U.S. Treasury Obligations	\$2,472,244	\$2,472,244
U.S. Agency Securities	5,677,939	5,677,939
Commercial Paper	229,433	229,433
Medium Term Corporate Notes	3,159,566	3,159,566
	<u>\$11,539,182</u>	<u>11,539,182</u>
 <i>Investments Measured at Amortized Cost:</i>		
Money Market Mutual Funds		<u>32,927</u>
Total Investments		<u>\$11,572,109</u>

U.S Treasury Obligations, U.S. Agency Securities, Commercial Paper and Medium Term Corporate Notes, classified in Level 2 of the fair value hierarchy, are valued using various pricing techniques maintained by Interactive Data Pricing, including benchmark curves, sector groupings and matrix pricing. These prices are obtained from various pricing sources by our investment manager. Fair value is defined as the quoted market value on the last trading day of the period.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

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

G. 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 2016, 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 National Mortgage Association	\$2,164,139
Federal Home Loan Mortgage Corporation	1,661,640
Federal Home Loan Bank	1,114,141

During fiscal year 2015, 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	\$1,867,579
Federal National Mortgage Association	1,848,814
Federal Home Loan Bank	1,244,641

H. 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, 2016 and 2015****NOTE 4 – INVESTMENTS - OPEB TRUST FUND****A. Composition**

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

	2016	2015
Money Market	\$74,860	\$28,606
Exchange Traded Funds:		
Equities:		
Domestic	1,054,516	1,067,139
International	330,551	346,607
Real Estate:		
Domestic	142,315	119,877
International	68,672	70,038
Commodities	44,382	53,227
Bonds:		
Domestic	692,805	681,835
International	69,201	62,404
Total Investments	<u>\$2,477,302</u>	<u>\$2,429,733</u>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 4 – INVESTMENTS - OPEB TRUST FUND (Continued)

B. Investments Authorized by OPEB Trust Fund's Investment Policy

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

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

* Must invest in permitted investments.

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

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%

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015****NOTE 4 – INVESTMENTS - OPEB TRUST FUND (Continued)****C. Disclosures Relating to Interest Rate Risk**

As of June 30, 2016 and 2015, the OPEB Trust Fund's investments had maturities of 12 months or less.

D. Fair Value Hierarchy

The OPEB Trust Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the OPEB Trust Fund as of June 30, 2016:

<i>Investments by Fair Value Level:</i>	<u>Level 1</u>	<u>Total</u>
Equities:		
Domestic	\$1,054,516	\$1,054,516
International	330,551	330,551
Real Estate:		
Domestic	142,315	142,315
International	68,672	68,672
Commodities	44,382	44,382
Bonds:		
Domestic	692,805	692,805
International	69,201	69,201
	<u>\$2,402,442</u>	<u>2,402,442</u>

Investments Measured at Amortized Cost:

Money Market	<u>74,860</u>
Total Investments	<u>\$2,477,302</u>

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our investment manager.

E. Disclosures Relating to Credit Risk

The Money Market Funds were rated AAAM by Standard and Poor's Investment Rating Service as of June 30, 2016 and 2015.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

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. The allocation is recorded at the end of the fiscal year, resulting in current interfund balances totaling \$453,255 and \$454,961 as of June 30, 2016 and 2015, 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 months of June 2016 and June 2015 exceeded expenses and the Enterprise Fund owed the Workers' Compensation Program \$331,539 and \$264,974 as of June 30, 2016 and 2015, respectively.

In addition to the above balances, as of June 30, 2016 and 2015, the Worker's Compensation Fund owed the Enterprise Fund \$41,400 and \$90,204, respectively, for claims processing administrative fees and other reimbursements. The Self-Funded Healthcare Fund owed the Workers' Compensation Fund and Enterprise Fund \$2,100 and \$30, respectively, as of June 30, 2015 for program setup fees, and the Enterprise Fund owed the Worker's Compensation Fund \$195,028 for current and prior year costs as of June 30, 2015.

The Workers' Compensation Fund transferred \$20,957 to the Post Retirement Benefits Fund to fund contributions to the OPEB Trust.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

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, 2015	Additions	Retirements	June 30, 2016
Land	\$319,999			\$319,999
Building and improvements	652,273			652,273
Furniture and fixtures	15,159			15,159
Equipment	21,380		(\$11,881)	9,499
Total	1,008,811		(11,881)	996,930
Less accumulated depreciation	(683,316)	(\$2,803)	11,881	(674,238)
Capital assets - net	\$325,495	(\$2,803)		\$322,692
Enterprise Fund:				
Furniture and fixtures	\$264,273			\$264,273
Equipment	30,514			30,514
Total	294,787			294,787
Less accumulated depreciation	(278,900)	(\$4,350)		(283,250)
Capital assets - net	\$15,887	(\$4,350)		\$11,537
Total Capital Net Assets - net	\$341,382	(\$7,153)		\$334,229

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 6 - CAPITAL ASSETS (Continued)

<u>Worker's Compensation Fund:</u>	<u>June 30, 2014</u>	<u>Additions</u>	<u>June 30, 2015</u>
Land	\$319,999		\$319,999
Building and improvements	652,273		652,273
Furniture and fixtures	15,159		15,159
Equipment	21,380		21,380
Total	1,008,811		1,008,811
Less accumulated depreciation	(680,512)	(\$2,804)	(683,316)
Capital assets - net	<u>\$328,299</u>	<u>(\$2,804)</u>	<u>\$325,495</u>
<u>Enterprise Fund:</u>			
Furniture and fixtures	\$264,273		\$264,273
Equipment	27,607	\$2,907	30,514
Total	291,880	2,907	294,787
Less accumulated depreciation	(271,852)	(7,048)	(278,900)
Capital assets - net	<u>\$20,028</u>	<u>(\$4,141)</u>	<u>\$15,887</u>
Total Capital Net Assets - net	<u>\$348,327</u>	<u>(\$6,945)</u>	<u>\$341,382</u>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND**NOTES TO BASIC FINANCIAL STATEMENTS**
For the Years Ended June 30, 2016 and 2015**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		-
2015		-
2016		-

In October 2014, the Board authorized a distribution of \$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, 2016 and 2015

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:

	<u>2016</u>	<u>2015</u>
Unpaid losses and loss adjustment expenses, beginning of fiscal year	\$16,248,011	\$13,462,389
Incurred losses and loss adjustment expenses:		
Provision for covered events of the current year	18,212,798	5,765,302
Change in provision for covered events of prior years	<u>586,429</u>	<u>3,201,887</u>
Total incurred losses and loss adjustment expenses	<u>18,799,227</u>	<u>8,967,189</u>
Payments:		
Losses and loss adjustment expenses attributable to covered events of the current year	12,397,835	1,555,881
Losses and loss adjustment expenses attributable to covered events of prior years	<u>4,026,840</u>	<u>4,625,686</u>
Total payments	<u>16,424,675</u>	<u>6,181,567</u>
Total unpaid losses and loss adjustment expenses, end of fiscal year	<u>\$18,622,563</u>	<u>\$16,248,011</u>
Reserve for losses and claims - current	\$4,147,744	\$3,975,866
Reserve for losses and claims - long-term	13,649,974	11,502,281
Reserve for ULAE	<u>824,845</u>	<u>769,864</u>
Total unpaid losses and loss adjustment expenses	<u>\$18,622,563</u>	<u>\$16,248,011</u>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 9 - NET POSITION

A. Designated Net Position

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

	Workers' Compensation Fund		Liability Fund	
	2016	2015	2016	2015
Designated net position	<u>\$0</u>	<u>\$0</u>	<u>\$90,421</u>	<u>\$221,715</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 \$5,657,831 as of June 30, 2016. REMIF's policy is to also reserve net position of \$1,000,000 in the Liability Fund, however the Fund had unrestricted net position of less than that amount as of June 30, 2016 and 2015. Therefore, the entire net position of the Liability Fund is reported as designated. REMIF plans to replenish the reserves 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, 2016 and 2015, the designated balance was \$222,195 and \$220,779, respectively.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

NOTE 10 - POST EMPLOYMENT HEALTH CARE BENEFITS

REMIF sponsors a single-employer postemployment health care benefit plan (The Plan). REMIF provides certain health, dental, vision 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, but before July 1, 2014, (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

Employees hired on or after July 1, 2014 are not eligible for any post-employment healthcare benefits, including coverage under the REMIF medical, dental, or vision plans.

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. Contributions to the OPEB Trust Fund are 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.

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, 2016 and 2015**

NOTE 10 - POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

The annual required contribution (ARC) was determined as part of a July 1, 2015, 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, 2015
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level dollar amount over a closed 25 years
Remaining amortization period at July 1, 2015	19
Interest rate assumption	6.50%
Inflation assumption	3.00%
Across-the-board salary increases	3.25%
Medical premium assumptions (declining increases)	7.5%-5.25%
Dental cost increases	5.25%
Vision cost increases	3.25%

During the fiscal years ended June 30, 2016 and 2015, 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:

	2016	2015
Annual required contribution (ARC)	\$114,000	\$60,000
Interest on net OPEB obligation	(37,000)	(35,000)
Adjustment to annual required contribution	53,000	48,000
Annual OPEB expense (AOC)	130,000	73,000
Contributions made:		
Contributions to trust	(20,957)	
Benefit payments	(92,043)	(74,508)
Increase (decrease) in OPEB obligation	17,000	(1,508)
Net OPEB obligation (asset) - beginning of year	(533,851)	(532,343)
Net OPEB obligation (asset) - end of year	<u>(\$516,851)</u>	<u>(\$533,851)</u>

The fiscal year 2016 and 2015 contributions of \$113,000 and \$74,508, respectively, consisted of contributions to the OPEB Trust and post-employment benefit payments for current retirees on a pay-as-you-go basis.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

NOTE 10 - POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

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

<u>Fiscal Year</u>	<u>Annual OPEB Expense</u>	<u>Actual Contributions</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
June 30, 2014	\$72,000	\$76,200	105.83%	(\$532,343)
June 30, 2015	73,000	74,508	102.07%	(533,851)
June 30, 2016	130,000	113,000	86.92%	(516,851)

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 and the required supplementary information immediately following the notes to the financial statements 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 and 2015 valuations used the entry age normal cost method. REMIF's funding progress for other postemployment benefits as of the most recent valuation date is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (B)</u>	<u>Unfunded (Overfunded) Actuarial Liability (B - A) UAAL</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (Active Plan Members) (C)</u>	<u>Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(A - B)/C]</u>
July 1, 2015	\$2,417,000	\$2,563,000	\$146,000	94.30%	N/A	N/A

NOTE 11 – PENSION PLAN

A. General Information about the Pension Plans

Plan Description – Substantially all REMIF employees are eligible to participate in REMIF's Miscellaneous Employee Pension Rate Plan. The REMIF Miscellaneous Rate Plan is part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by the California Public Employees' Retirement System (CalPERS). PERF C consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. REMIF sponsors two miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and REMIF ordinance. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

NOTE 11 - PENSION PLAN (Continued)

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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 Risk Pool). The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012. 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 Risk Pool). Benefit provisions under the Plan were established by State statute and REMIF ordinance. Benefits are based on years of credited service, equal to one year of full time employment. REMIF employees retiring on or after July 1, 2009 are eligible to receive a benefit of 2.7% per year of credited service. The Plan's provisions and benefits in effect at June 30, 2016 and 2015 are summarized as follows:

	Classic Prior to January 1, 2013	PEPRA On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	2.0% - 2.7%	1.0% - 2.5%
Required employee contribution rates - June 30, 2016	8.000%	6.000%
Required employee contribution rates - June 30, 2015	8.000%	6.500%
Required employer contribution rates - June 30, 2016	12.209%	6.724%
Required employer contribution rates - June 30, 2015	27.025%	6.700%

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

NOTE 11 - PENSION PLAN (Continued)

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. REMIF's required contribution for the unfunded liability and side fund was \$127,600 in fiscal year 2016.

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. REMIF is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the years ended June 30, 2016 and 2015, the contributions to the Miscellaneous (cost-sharing) Plan were as follows:

	2016	2015
Contributions - employer	\$219,744	\$200,114
Contributions - employee (paid by employer)	60,618	59,478
Total	<u>\$280,362</u>	<u>\$259,592</u>

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the CalPERS Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, 2016 and 2015, REMIF reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$1,704,201 and \$1,448,051, respectively.

REMIF's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan as of June 30, 2016 is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The net pension liability of the Plan as of June 30, 2015 is measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. REMIF's proportion of the net pension liability was based on a projection of REMIF's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. REMIF's proportionate share of the net pension liability for the Plan as of June 30 was as follows:

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

NOTE 11 - PENSION PLAN (Continued)

Proportion - June 30, 2014	0.05859%
Proportion - June 30, 2015	<u>0.06212%</u>
Change - Increase (Decrease)	<u><u>0.00353%</u></u>
 Proportion - June 30, 2013	 0.05433%
Proportion - June 30, 2014	<u>0.05859%</u>
Change - Increase (Decrease)	<u><u>0.00426%</u></u>

For the years ended June 30, 2016 and 2015, REMIF recognized pension expense of \$70,056 and \$232,999, respectively. At June 30, 2016 and 2015, REMIF reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$219,744	
Differences between actual and expected experience	12,826	
Changes in assumptions		(\$121,343)
Net differences between projected and actual earnings on plan investments		(60,831)
Change in proportion and differences between actual contributions and proportionate share of contributions	<u>282,794</u>	<u>(6,236)</u>
Totals	<u><u>\$515,364</u></u>	<u><u>(\$188,410)</u></u>
	2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$259,592	
Differences between actual and expected experience		
Changes in assumptions		
Net differences between projected and actual earnings on plan investments		(\$328,775)
Change in proportion and differences between actual contributions and proportionate share of contributions		<u>(9,701)</u>
Totals	<u><u>\$259,592</u></u>	<u><u>(\$338,476)</u></u>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

NOTE 11 - PENSION PLAN (Continued)

\$219,744 reported as deferred outflows of resources related to contributions subsequent to the measurement date as of June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2017	\$54,397
2018	31,673
2019	(56,617)
2020	77,757
2021	-
Thereafter	-

Actuarial Assumptions – For the measurement periods ended June 30, 2015 and 2014, the total pension liabilities were determined by rolling forward the June 30, 2014 and 2013 total pension liability, respectively. The total pension liability for each measurement date was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2014	June 30, 2013
Measurement Date	June 30, 2015	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.65%	7.50%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.2% - 12.2% (1)	3.3% - 14.2% (1)
Investment Rate of Return	7.65% (2)	7.5% (2)
Mortality	Derived using CalPERS Membership Data for all Funds (3)	
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power applies, 2.75% thereafter	

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation, and net of administrative expenses in 2014.

(3) The mortality tables used was developed based on CalPERS' specific data.

The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

All other actuarial assumptions used in both valuations were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

NOTE 11 - PENSION PLAN (Continued)

Change of Assumptions – In addition to the changes in assumptions noted above, GASB 68, paragraph 68, states that the long long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expenses.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary.

The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

NOTE 11 - PENSION PLAN (Continued)

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100.0%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents REMIF's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what REMIF's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	2016	2015
1% Decrease	6.65%	6.50%
Net Pension Liability	\$2,573,371	\$2,275,139
Current Discount Rate	7.65%	7.50%
Net Pension Liability	\$1,704,201	\$1,448,051
1% Increase	8.65%	8.50%
Net Pension Liability	\$986,600	\$761,647

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

**NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015**

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, 2016, REMIF contributed \$581,534 for Liability, \$291,195 for Property and \$96,137 for Auto Physical Damage current year coverage and received a refund of \$116,545 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.

NOTE 14 – SUBSEQUENT EVENT

In December 2016, CalPERS' Board of Directors voted to lower the discount rate from 7.5% to 7.0% over the next three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates beginning in fiscal year 2019 and result in increases to the normal costs and unfunded actuarial liabilities. Normal cost is the cost of pension benefits for one year.

REQUIRED SUPPLEMENTARY INFORMATION

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
FOR THE YEAR ENDED JUNE 30, 2016

	Workers' Compensation Fund	Liability Fund	Property Fund
Unpaid Losses and Loss Adjustment Expenses, Beginning of Year	<u>\$13,277,771</u>	<u>\$2,889,354</u>	<u>\$0</u>
Incurring Losses and Loss Adjustment Expenses:			
Provision for Insured Events of the Current Year	3,067,067	1,752,865	110,708
Change in Provision for Insured Events of Prior Years	<u>805,420</u>	<u>(450,136)</u>	<u>247,542</u>
Total Incurred Losses and Loss Adjustment Expenses	<u>3,872,487</u>	<u>1,302,729</u>	<u>358,250</u>
Payments:			
Losses and Loss Adjustment Expenses Attributable to Insured Events of the Current Year	144,898	193,708	110,708
Losses and Loss Adjustment Expenses Attributable to Insured Events of the Prior Years	<u>2,661,171</u>	<u>1,020,844</u>	<u>247,542</u>
Total Payments	<u>2,806,069</u>	<u>1,214,552</u>	<u>358,250</u>
Total Unpaid Losses and Loss Adjustment Expenses End of Year	<u>\$14,344,189</u>	<u>\$2,977,531</u>	<u>\$0</u>
Reserve for Losses and Claims - Current	\$2,805,339	\$1,246,911	\$0
Reserve for Losses and Claims - Long-Term	10,855,793	1,588,832	
Reserve for ULAE	<u>683,057</u>	<u>141,788</u>	
Total Unpaid Losses and Loss Adjustment Expenses	<u>\$14,344,189</u>	<u>\$2,977,531</u>	<u>\$0</u>

See Notes to Required Supplementary Information

Dental Fund	Vision Fund	Auto Physical Damage Fund	Self-Funded Healthcare Fund	Total
<u>\$65,726</u>	<u>\$15,160</u>	<u>\$0</u>	<u>\$0</u>	<u>\$16,248,011</u>
1,072,372	159,163	38,833	12,011,790	18,212,798
<u>0</u>	<u>0</u>	<u>(16,397)</u>	<u>0</u>	<u>586,429</u>
<u>1,072,372</u>	<u>159,163</u>	<u>22,436</u>	<u>12,011,790</u>	<u>18,799,227</u>
988,517	147,524	6,039	10,806,441	12,397,835
<u>65,726</u>	<u>15,160</u>	<u>16,397</u>	<u>0</u>	<u>4,026,840</u>
<u>1,054,243</u>	<u>162,684</u>	<u>22,436</u>	<u>10,806,441</u>	<u>16,424,675</u>
<u>\$83,855</u>	<u>\$11,639</u>	<u>\$0</u>	<u>\$1,205,349</u>	<u>\$18,622,563</u>
\$83,855	\$11,639	\$0	\$0	\$4,147,744
			1,205,349	13,649,974
				<u>824,845</u>
<u>\$83,855</u>	<u>\$11,639</u>	<u>\$0</u>	<u>\$1,205,349</u>	<u>\$18,622,563</u>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
FOR THE YEAR ENDED JUNE 30, 2015

	Workers' Compensation Fund	Liability Fund	Property Fund
Unpaid Losses and Loss Adjustment Expenses, Beginning of Year	<u>\$11,424,734</u>	<u>\$1,948,686</u>	<u>\$0</u>
Incurring Losses and Loss Adjustment Expenses:			
Provision for Insured Events of the current Year	2,598,562	1,888,862	4,631
Change in Provision for Insured Events of Prior Years	<u>2,535,192</u>	<u>673,924</u>	<u>2,787</u>
Total Incurred Losses and Loss Adjustment Expenses	<u>5,133,754</u>	<u>2,562,786</u>	<u>7,418</u>
Payments:			
Losses and Loss Adjustment Expenses Attributable to Insured Events of the Current Year	164,508	214,413	4,631
Losses and Loss Adjustment Expenses Attributable to Insured Events of the Prior Years	<u>3,116,209</u>	<u>1,407,705</u>	<u>2,787</u>
Total Payments	<u>3,280,717</u>	<u>1,622,118</u>	<u>7,418</u>
Total Unpaid Losses and Loss Adjustment Expenses End of Year	<u><u>\$13,277,771</u></u>	<u><u>\$2,889,354</u></u>	<u><u>\$0</u></u>
Reserve for Losses and Claims - Current	\$2,704,484	\$1,190,496	\$0
Reserve for Losses and Claims - Long-Term	9,941,012	1,561,269	
Reserve for ULAE	<u>632,275</u>	<u>137,589</u>	
Total Unpaid Losses and Loss Adjustment Expenses	<u><u>\$13,277,771</u></u>	<u><u>\$2,889,354</u></u>	<u><u>\$0</u></u>

See Notes to Required Supplementary Information

Dental Fund	Vision Fund	Auto Physical Damage Fund	Total
<u>\$73,889</u>	<u>\$15,080</u>	<u>\$0</u>	<u>\$13,462,389</u>
1,048,518	158,859	65,870	5,765,302
<u>0</u>	<u>0</u>	<u>(10,016)</u>	<u>3,201,887</u>
<u>1,048,518</u>	<u>158,859</u>	<u>55,854</u>	<u>8,967,189</u>
982,792	143,699	45,838	1,555,881
<u>73,889</u>	<u>15,080</u>	<u>10,016</u>	<u>4,625,686</u>
<u>1,056,681</u>	<u>158,779</u>	<u>55,854</u>	<u>6,181,567</u>
<u>\$65,726</u>	<u>\$15,160</u>	<u>\$0</u>	<u>\$16,248,011</u>
\$65,726	\$15,160	\$0	\$3,975,866
			11,502,281
			<u>769,864</u>
<u>\$65,726</u>	<u>\$15,160</u>	<u>\$0</u>	<u>\$16,248,011</u>

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

	Claim Year			
	2007	2008	2009	2010
1) Premium and investment revenues				
Earned	\$3,523	\$3,575	\$3,574	\$3,612
Ceded	<u>(507)</u>	<u>(435)</u>	<u>(408)</u>	<u>(310)</u>
Net Earned	<u>3,016</u>	<u>3,140</u>	<u>3,166</u>	<u>3,302</u>
2) Unallocated expenses	202	240	339	559
3) Estimated self insured incurred claims and expense, end of program year	2,081	2,771	2,077	2,746
4) Paid (cumulative) as of:				
End of program year	359	195	316	497
One year later	733	1,329	735	1,352
Two years later	954	1,674	997	2,106
Three years later	1,105	2,161	1,153	2,623
Four years later	1,182	2,328	1,286	2,837
Five years later	1,214	2,467	1,341	3,163
Six years later	1,276	2,615	1,378	3,541
Seven years later	1,295	2,684	1,414	
Eight years later	1,333	2,695		
Nine years later	1,364			
5) Reestimated ceded claims and expenses				
6) Reestimated incurred claims and expenses				
End of program year	2,081	2,771	2,077	2,746
One year later	1,652	2,902	1,607	2,882
Two years later	1,488	2,683	1,542	3,446
Three years later	1,429	2,941	1,558	3,270
Four years later	1,331	2,865	1,461	3,434
Five years later	1,335	2,760	1,546	3,889
Six years later	1,333	2,802	1,586	4,487
Seven years later	1,351	2,868	1,598	
Eight years later	1,451	2,856		
Nine years later	<u>1,459</u>			
7) Increase (decrease) in estimated incurred claims and expenses from end of program year	<u>(\$622)</u>	<u>\$85</u>	<u>(\$479)</u>	<u>\$1,741</u>

See Notes to Required Supplementary Information

Claim Year					
2011	2012	2013	2014	2015	2016
\$3,376	\$3,304	\$3,806	\$3,579	\$3,695	\$4,162
(315)	(282)	(293)	(277)	(291)	(345)
3,061	3,022	3,513	3,302	3,404	3,817
347	318	338	335	327	212
2,313	1,920	1,385	1,352	1,352	1,155
436	313	618	558	418	381
1,224	1,204	1,465	1,618	1,176	
1,893	1,869	2,337	2,412		
2,472	2,278	2,701			
2,788	2,513				
3,086					
2,313	1,920	1,385	1,352	979	1,155
2,784	2,530	2,318	2,553	1,862	
3,329	2,892	3,239	3,753		
4,017	3,109	3,572			
4,045	2,969				
4,232					
<u>\$1,919</u>	<u>\$1,049</u>	<u>\$2,187</u>	<u>\$2,401</u>	<u>\$510</u>	<u>\$0</u>

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

	Claim Year			
	2007	2008	2009	2010
1) Premium and investment revenues				
Earned	\$1,715	\$1,543	\$3,270	\$3,227
Ceded	(625)	(701)	(651)	(652)
Net Earned	<u>1,090</u>	<u>842</u>	<u>2,619</u>	<u>2,575</u>
2) Unallocated expenses	560	565	570	569
3) Estimated self insured incurred claims and expense, end of program year	1,777	1,870	1,660	1,647
4) Paid (cumulative) as of:				
End of program year	232	333	382	322
One year later	490	661	784	985
Two years later	749	1,189	934	1,555
Three years later	806	1,820	1,027	2,188
Four years later	878	2,021	1,164	2,227
Five years later	958	2,119	1,167	2,240
Six years later	1,170	2,122	1,167	2,117
Seven years later	1,177	2,125	1,055	
Eight years later	1,177	2,243		
Nine years later	987			
5) Reestimated ceded claims and expenses				
6) Reestimated incurred claims and expenses				
End of program year	1,777	1,870	1,660	1,647
One year later	1,194	1,507	1,301	1,563
Two years later	1,042	1,563	1,148	1,919
Three years later	925	2,090	1,079	2,243
Four years later	941	2,288	1,175	2,233
Five years later	968	2,315	1,167	2,271
Six years later	1,172	2,295	1,167	2,134
Seven years later	1,177	2,297	1,055	
Eight years later	1,177	2,243		
Nine years later	<u>987</u>			
7) (Increase) decrease in estimated incurred claims and expenses from end of program year	<u>(\$790)</u>	<u>\$373</u>	<u>(\$605)</u>	<u>\$487</u>

See Notes to Required Supplementary Information

Claim Year					
2011	2012	2013	2014	2015	2016
\$3,023	\$2,853	\$2,389	\$2,271	\$2,035	\$2,307
(597)	(633)	(521)	(614)	(609)	(604)
2,426	2,220	1,868	1,657	1,426	1,703
608	569	589	497	637	648
1,217	1,108	438	725	1,165	751
416	430	258	471	569	379
1,036	840	515	1,231	1,085	
1,562	1,680	747	1,705		
1,626	2,320	935			
1,650	2,321				
1,595					
1,217	1,108	438	725	1,165	751
1,469	1,181	783	1,515	1,522	
1,661	1,804	926	1,788		
1,631	2,385	965			
1,673	2,380				
1,608					
<u>\$391</u>	<u>\$1,272</u>	<u>\$527</u>	<u>\$1,063</u>	<u>\$357</u>	<u>\$0</u>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2016

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.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
REQUIRED SUPPLEMENTARY INFORMATION

Retiree Medical Benefits (OPEB) Schedule of Funding Progress

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
July 1, 2015	2,417,000	2,563,000	146,000	94.30%	N/A	N/A

Retiree Medical Benefits (OPEB) Schedule of Contributions

Fiscal Year	Annual OPEB Expense	Actual Contributions	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
June 30, 2014	\$72,000	\$76,200	105.83%	(\$532,343)
June 30, 2015	73,000	74,508	102.07%	(533,851)
June 30, 2016	130,000	113,000	86.92%	(516,851)

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
REQUIRED SUPPLEMENTARY INFORMATION

Cost Sharing Multiple-Employer Defined Benefit Pension Plan
Last 10 Years*
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND RELATED RATIOS AS OF THE MEASUREMENT DATE**

Measurement Date	6/30/2014	6/30/2015
Plan's proportion of the Net Pension Liability (Asset)	0.05859%	0.06212%
Plan's proportion share of the Net Pension Liability (Asset)	\$1,448,051	\$1,704,201
Plan's Covered Payroll	\$685,650	\$756,359
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	211.19%	225.32%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	76.77%	73.30%

* - Fiscal year 2015 was the first year of implementation.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
REQUIRED SUPPLEMENTARY INFORMATION

Cost Sharing Multiple-Employer Defined Benefit Pension Plan
Last 10 Fiscal Years*
SCHEDULE OF CONTRIBUTIONS

Fiscal Year Ended June 30	2015	2016
Actuarially determined contributions	\$259,592	\$219,744
Contributions in relation to the actuarially determined contributions	(259,592)	(219,744)
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>
Covered payroll	<u>\$756,359</u>	<u>\$757,350</u>
Contributions as a percentage of covered payroll	34.32%	29.01%

* - Fiscal year 2015 was the first year of implementation.

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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, 2016

	Budget	Actual	Favorable (Unfavorable) Variance
General and Administrative Expenses			
Employee expenses	\$582,042	\$580,855	\$1,187
Legal	10,000	1,602	8,398
Accounting	30,000	25,947	4,053
Office expense	10,000	8,821	1,179
Telephone	5,500	3,408	2,092
Travel, seminars and conferences	5,000	8,333	(3,333)
Rent - computer and copier	46,500	42,210	4,290
Utilities	8,000	7,977	23
Depreciation expense	5,000	2,803	2,197
Insurance	5,000	4,054	946
Postage	1,000	1,414	(414)
Dues and subscriptions	3,000	450	2,550
Miscellaneous	2,000	382	1,618
Safety training	230,000	218,361	11,639
Consultants - other	5,000	13,225	(8,225)
Property taxes	2,000	2,462	(462)
Board expense	20,000	24,136	(4,136)
Board conference	65,000	67,071	(2,071)
Building maintenance and repair	10,000	12,173	(2,173)
 Total budgeted activities	 1,045,042	 1,025,684	 19,358
 Employee expenses - GASB 68	 	 (149,688)	 149,688
 Total general and administrative expenses	 <u>\$1,045,042</u>	 <u>\$875,996</u>	 <u>\$169,046</u>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:			
Administration fees:			
Worker's compensation			
REMIF	\$300,000	\$300,000	
Petaluma	91,080	91,080	
Santa Rosa	265,750	265,750	
San Rafael	116,930	116,930	
Eureka - prior claims	1,000	1,000	
First Aid	1,125	300	(\$825)
Other contract services	7,500	6,800	(700)
Rental Income	41,400	41,400	
Other	250	30	(220)
	<u>825,035</u>	<u>823,290</u>	<u>(1,745)</u>
Total revenues			
	<u>825,035</u>	<u>823,290</u>	<u>(1,745)</u>
General and Administrative Expenses:			
Employee expenses	750,029	727,965	22,064
Legal	1,000		1,000
Office expense	8,000	4,582	3,418
Telephone	3,500	3,938	(438)
Travel/seminars/conferences	4,000	3,902	98
Rent	33,500	37,947	(4,447)
Depreciation expense	11,000	4,350	6,650
Postage	12,000	18,068	(6,068)
Dues and subscriptions	2,000	1,966	34
Miscellaneous	5,000	8,015	(3,015)
Consultants - other	2,500	12,000	(9,500)
Computer supplies	1,500	2,526	(1,026)
Computer service and maintenance	50,000	69,640	(19,640)
Computer programming	10,000		10,000
Copier service and maintenance	5,000	1,762	3,238
	<u>899,029</u>	<u>896,661</u>	<u>2,368</u>
Total general and administrative expenses			
	<u>899,029</u>	<u>896,661</u>	<u>2,368</u>
Operating income (loss)	(73,994)	(73,371)	623
Interest income	3,000	5,747	2,747
	<u>3,000</u>	<u>5,747</u>	<u>2,747</u>
Net increase (decrease) in net position	<u>(\$70,994)</u>	<u>(\$67,624)</u>	<u>\$3,370</u>

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
SCHEDULE OF MEMBER PREMIUMS, NET LOSSES AND CLAIMS PAID - BY CITY
FOR THE WORKER'S COMPENSATION, LIABILITY, PROPERTY, DENTAL, VISION, AUTO PHYSICAL DAMAGE,
DIC, BOILER & MACHINERY AND POLLUTION PROGRAMS
JUNE 30, 2016

	Arcata	Cloverdale	Cotati	Eureka	Fort Bragg	Fortuna	Healdsburg
Workers' Compensation Fund:							
Member premiums	\$303,518	\$117,580	\$72,190	\$551,158	\$165,336	\$146,941	\$364,685
Net losses and claims	(179,449)	(57,045)	(46,407)	(489,377)	(98,079)	(122,287)	(460,295)
Net amount	<u>\$124,069</u>	<u>\$60,535</u>	<u>\$25,783</u>	<u>\$61,781</u>	<u>\$67,257</u>	<u>\$24,654</u>	<u>(\$95,610)</u>
Liability Fund:							
Member premiums	\$188,327	\$66,117	\$70,097	\$354,348	\$115,334	\$157,192	\$217,497
Net losses and claims	(62,889)	(252,540)	(171,202)	(544,851)	(24,692)	(75,365)	(96,143)
Net amount	<u>\$125,438</u>	<u>(\$186,423)</u>	<u>(\$101,105)</u>	<u>(\$190,503)</u>	<u>\$90,642</u>	<u>\$81,827</u>	<u>\$121,354</u>
Property Fund:							
Member premiums	\$27,475	\$17,586	\$10,131	\$75,733	\$25,270	\$24,699	\$49,770
Net losses and claims		28,849			(5,000)	(11,473)	(17,324)
Net amount	<u>\$27,475</u>	<u>\$46,435</u>	<u>\$10,131</u>	<u>\$75,733</u>	<u>\$20,270</u>	<u>\$13,226</u>	<u>\$32,446</u>
Dental Fund:							
Member premiums	\$169,043	\$66,417	\$46,121		\$86,747	\$84,962	\$172,537
Net losses and claims	(131,058)	(56,098)	(47,680)		(74,593)	(67,557)	(148,915)
Net amount	<u>\$37,985</u>	<u>\$10,319</u>	<u>(\$1,559)</u>	<u>\$0</u>	<u>\$12,154</u>	<u>\$17,405</u>	<u>\$23,622</u>
Vision Fund:							
Member premiums	\$28,888	\$10,742	\$8,168		\$12,639	\$13,629	\$15,248
Net losses and claims	(26,250)	(9,574)	(3,108)		(12,158)	(14,041)	(12,808)
Net amount	<u>\$2,638</u>	<u>\$1,168</u>	<u>\$5,060</u>	<u>\$0</u>	<u>\$481</u>	<u>(\$412)</u>	<u>\$2,440</u>
Auto Physical Damage Fund:							
Member premiums	\$11,395	\$5,988	\$5,153	\$46,172	\$5,295	\$8,839	\$16,872
Net losses and claims				(809)	(1,670)	(2,548)	
Net amount	<u>\$11,395</u>	<u>\$5,988</u>	<u>\$5,153</u>	<u>\$45,363</u>	<u>\$3,625</u>	<u>\$6,291</u>	<u>\$16,872</u>
DIC	<u>\$55,109</u>	<u>\$32,102</u>	<u>\$18,373</u>	<u>\$150,569</u>	<u>\$48,386</u>	<u>\$47,197</u>	<u>\$92,558</u>
Boiler and Machinery	<u>\$2,864</u>	<u>\$1,719</u>	<u>\$990</u>	<u>\$7,896</u>	<u>\$2,634</u>	<u>\$2,575</u>	<u>\$5,189</u>
Pollution	<u>\$5,062</u>	<u>\$3,038</u>	<u>\$1,750</u>	<u>\$13,954</u>	<u>\$4,656</u>	<u>\$4,551</u>	<u>\$9,170</u>
Total Premiums (all categories)	\$791,681	\$321,289	\$232,973	\$1,199,830	\$466,297	\$490,585	\$943,526
Net losses and claims (all categories)	(399,646)	(346,408)	(268,397)	(1,035,037)	(216,192)	(293,271)	(735,485)
Net amount (all categories)	<u>\$392,035</u>	<u>(\$25,119)</u>	<u>(\$35,424)</u>	<u>\$164,793</u>	<u>\$250,105</u>	<u>\$197,314</u>	<u>\$208,041</u>

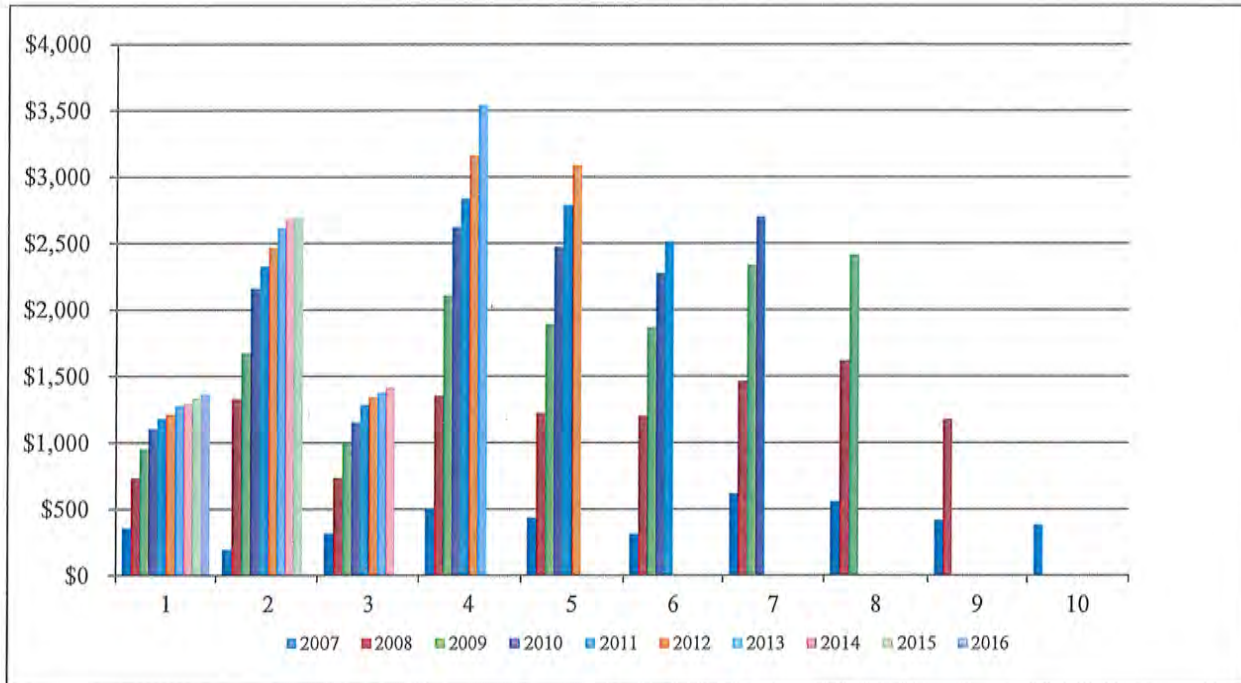
Lakeport	Rohnert Park	Sebastopol	Sonoma	St. Helena	Ukiah	Willits	Windsor	Total All Cities
\$119,220	\$786,086	\$119,786	\$141,386	\$259,019	\$519,761	\$162,201	\$198,811	\$4,027,678
(193,584)	(738,227)	(57,657)	(69,823)	(213,609)	(478,288)	(63,774)	(123,495)	(3,391,396)
(\$74,364)	\$47,859	\$62,129	\$71,563	\$45,410	\$41,473	\$98,427	\$75,316	\$636,282
\$79,275	\$255,038	\$136,480	\$71,686	\$85,653	\$207,792	\$75,220	\$155,392	\$2,235,448
3,738	(184,955)	(330,942)	(4,818)	(24,065)	(159,849)	(6,580)	(8,102)	(1,943,255)
\$83,013	\$70,083	(\$194,462)	\$66,868	\$61,588	\$47,943	\$68,640	\$147,290	\$292,193
\$13,616	\$56,550	\$14,822	\$13,434	\$28,572	\$75,918	\$21,124	\$37,729	\$492,429
				(946)			(102,355)	(108,249)
\$13,616	\$56,550	\$14,822	\$13,434	\$27,626	\$75,918	\$21,124	(\$64,626)	\$384,180
\$50,404			\$46,152	\$89,885	\$182,962	\$57,540	\$151,893	\$1,204,663
(40,926)			(43,745)	(87,992)	(160,056)	(45,333)	(150,291)	(1,054,244)
\$9,478	\$0	\$0	\$2,407	\$1,893	\$22,906	\$12,207	\$1,602	\$150,419
\$9,735			\$8,613	\$10,494	\$33,743	\$10,016	\$7,862	\$169,777
(10,084)			(7,165)	(10,877)	(26,388)	(6,470)	(21,539)	(160,462)
(\$349)	\$0	\$0	\$1,448	(\$383)	\$7,355	\$3,546	(\$13,677)	\$9,315
\$3,886	\$20,769	\$9,629	\$2,379	\$15,119	\$27,790	\$4,822	\$6,546	\$190,654
	(15,212)			(12,408)	720		(913)	(32,840)
\$3,886	\$5,557	\$9,629	\$2,379	\$2,711	\$28,510	\$4,822	\$5,633	\$157,814
\$17,664	\$94,139	\$22,619	\$25,627	\$54,179	\$123,452	\$27,815	\$71,300	\$881,089
\$1,419	\$5,527	\$1,545	\$1,400	\$2,979	\$7,915	\$2,202	\$3,933	\$50,787
\$2,509	\$9,768	\$2,731	\$2,475	\$5,264	\$13,988	\$3,892	\$6,951	\$89,759
\$297,728	\$1,227,877	\$307,612	\$313,152	\$551,164	\$1,193,321	\$364,832	\$640,417	\$9,342,284
(240,856)	(938,394)	(388,599)	(125,551)	(349,897)	(823,861)	(122,157)	(406,695)	(6,690,446)
\$56,872	\$289,483	(\$80,987)	\$187,601	\$201,267	\$369,460	\$242,675	\$233,722	\$2,651,838

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STATISTICAL INFORMATION

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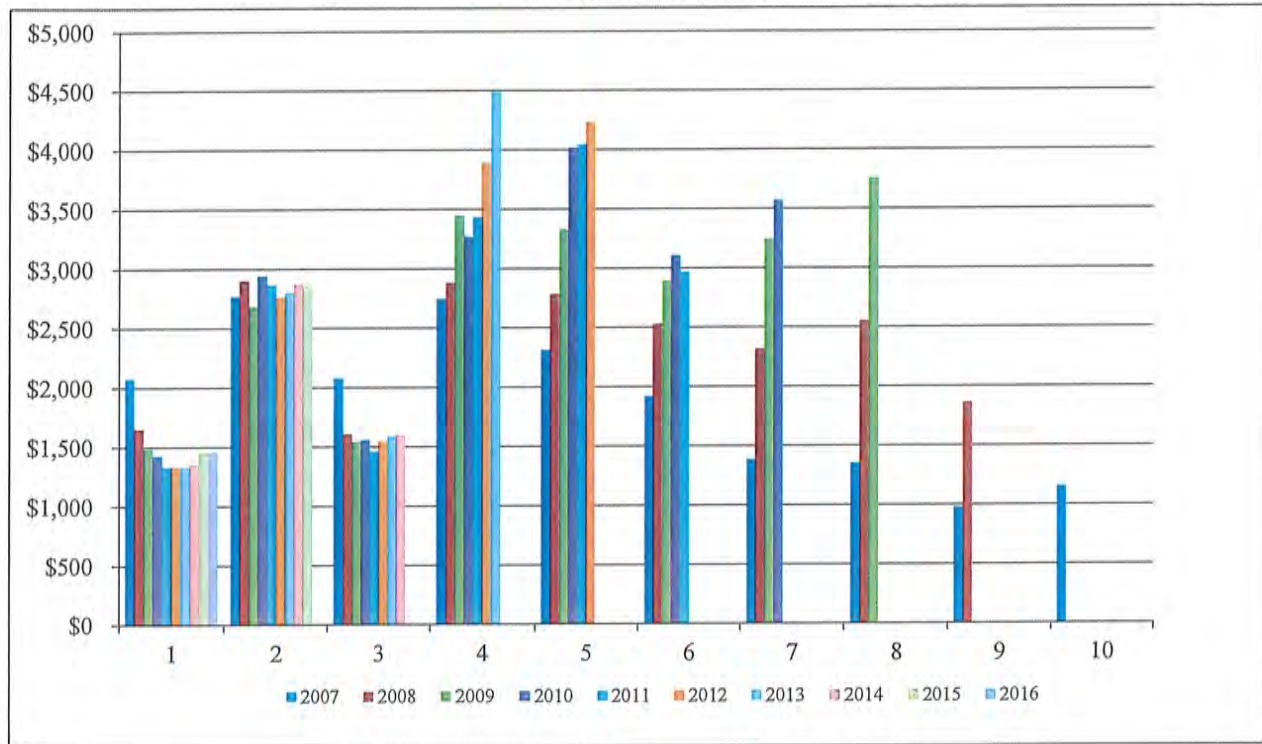
REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
CLAIMS DEVELOPMENT INFORMATION
CUMULATIVE WORKERS' COMPENSATION FUND CLAIMS PAID
EXCLUDING CLAIMS INCURRED BUT NOT REPORTED
INCLUDING MEMBER DEDUCTIBLES
LAST TEN FISCAL YEARS
(In Thousands of Dollars)



	Claim Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Paid (cumulative) as of:										
End of program year	\$359	\$195	\$316	\$497	\$436	\$313	\$618	\$558	\$418	\$381
One year later	733	1,329	735	1,352	1,224	1,204	1,465	1,618	1,176	
Two years later	954	1,674	997	2,106	1,893	1,869	2,337	2,412		
Three years later	1,105	2,161	1,153	2,623	2,472	2,278	2,701			
Four years later	1,182	2,328	1,286	2,837	2,788	2,513				
Five years later	1,214	2,467	1,341	3,163	3,086					
Six years later	1,276	2,615	1,378	3,541						
Seven years later	1,295	2,684	1,414							
Eight years later	1,333	2,695								
Nine years later	1,364									

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

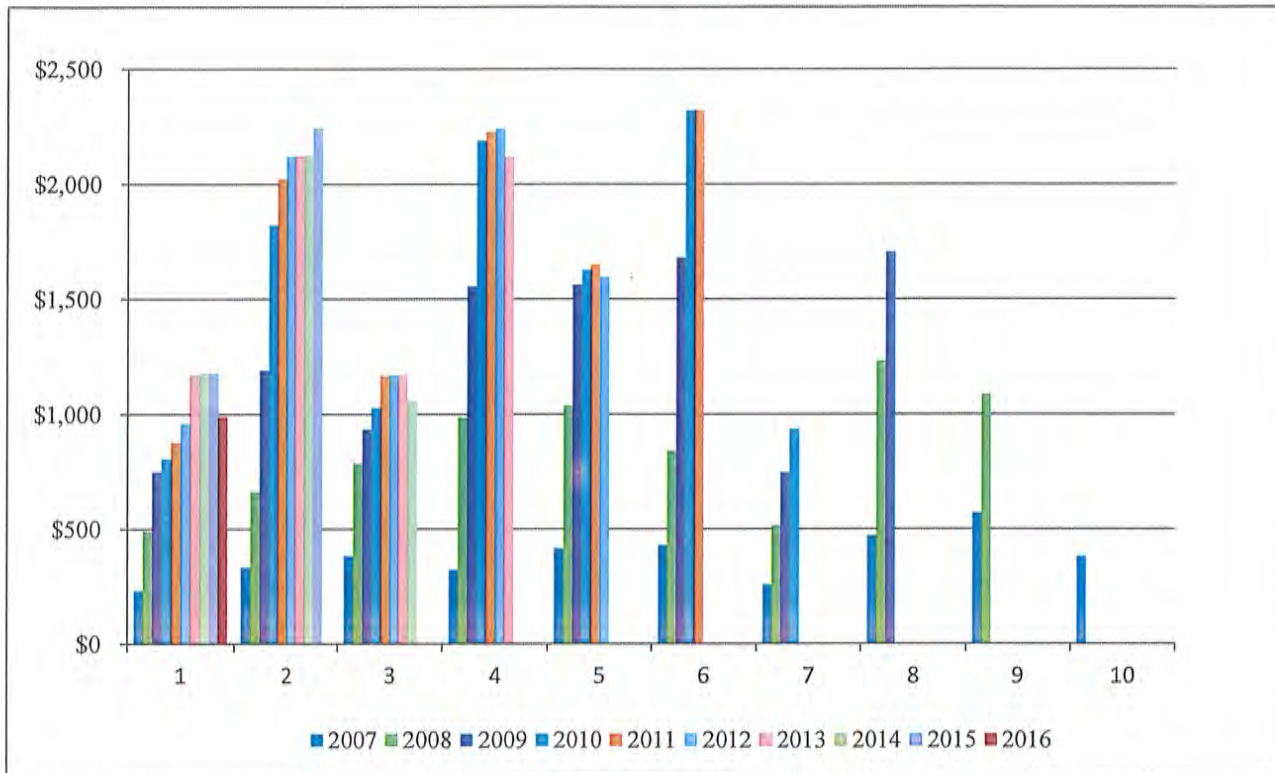
CLAIMS DEVELOPMENT INFORMATION RE-ESTIMATED INCURRED WORKERS' COMPENSATION FUND CLAIMS AND EXPENSES EXCLUDING CLAIMS INCURRED BUT NOT REPORTED INCLUDING MEMBER DEDUCTIBLES LAST TEN FISCAL YEARS (In Thousands of Dollars)



	Claim Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Ultimate loss as of:										
End of program year	\$2,081	\$2,771	\$2,077	\$2,746	\$2,313	\$1,920	\$1,385	\$1,352	\$979	\$1,155
One year later	1,652	2,902	1,607	2,882	2,784	2,530	2,318	2,553	1,862	
Two years later	1,488	2,683	1,542	3,446	3,329	2,892	3,239	3,753		
Three years later	1,429	2,941	1,558	3,270	4,017	3,109	3,572			
Four years later	1,331	2,865	1,461	3,434	4,045	2,969				
Five years later	1,335	2,760	1,546	3,889	4,232					
Six years later	1,333	2,802	1,586	4,487						
Seven years later	1,351	2,868	1,598							
Eight years later	1,451	2,856								
Nine years later	1,459									

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

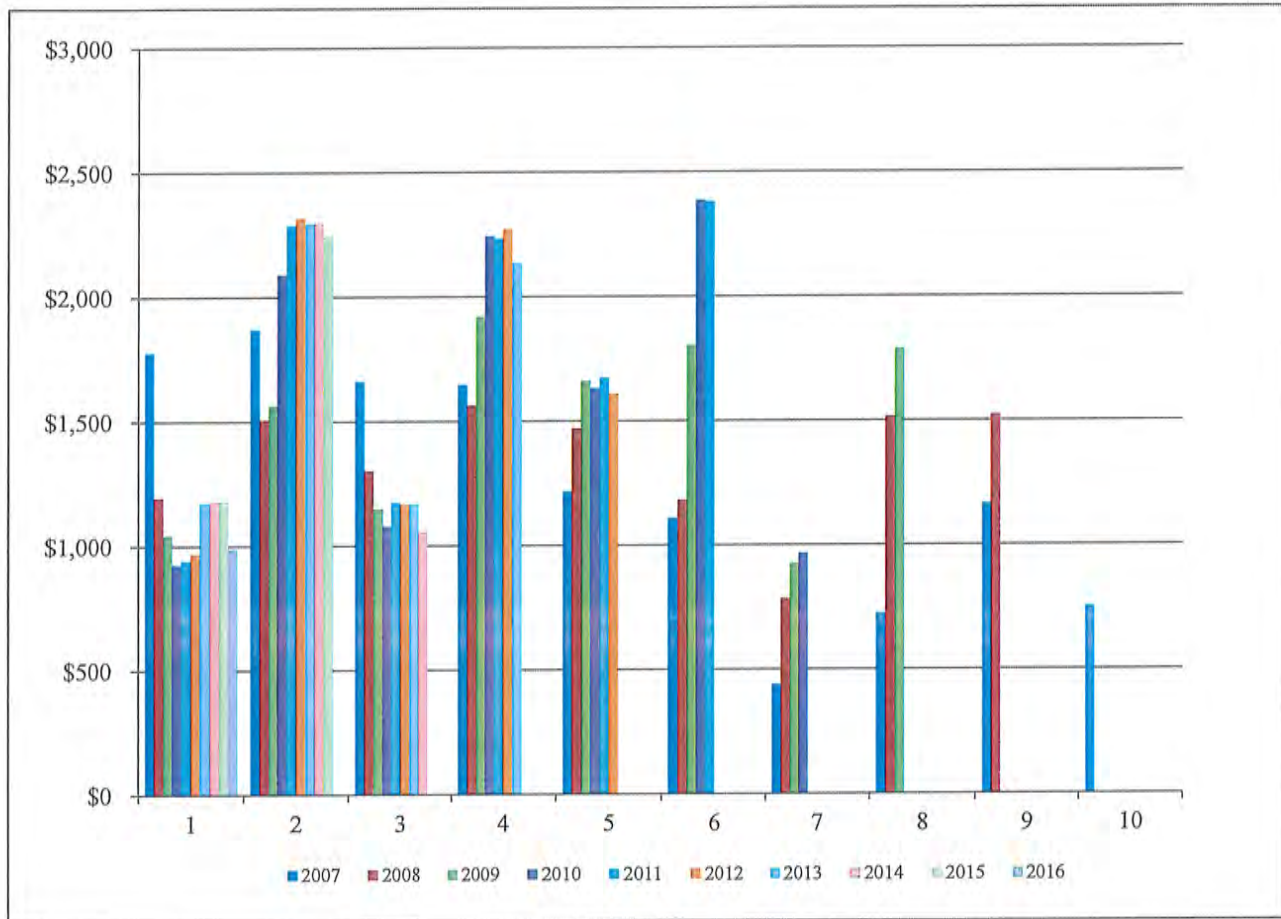
CLAIMS DEVELOPMENT INFORMATION CUMULATIVE LIABILITY FUND CLAIMS PAID EXCLUDING CLAIMS INCURRED BUT NOT REPORTED INCLUDING MEMBER DEDUCTIBLES LAST TEN FISCAL YEARS (In Thousands of Dollars)



	Claim Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Paid (cumulative) as of:										
End of program year	\$232	\$333	\$382	\$322	\$416	\$430	\$258	\$471	\$569	\$379
One year later	490	661	784	985	1,036	840	515	1,231	1,085	
Two years later	749	1,189	934	1,555	1,562	1,680	747	1,705		
Three years later	806	1,820	1,027	2,188	1,626	2,320	935			
Four years later	878	2,021	1,164	2,227	1,650	2,321				
Five years later	958	2,119	1,167	2,240	1,595					
Six years later	1,170	2,122	1,167	2,117						
Seven years later	1,177	2,125	1,055							
Eight years later	1,177	2,243								
Nine years later	987									

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

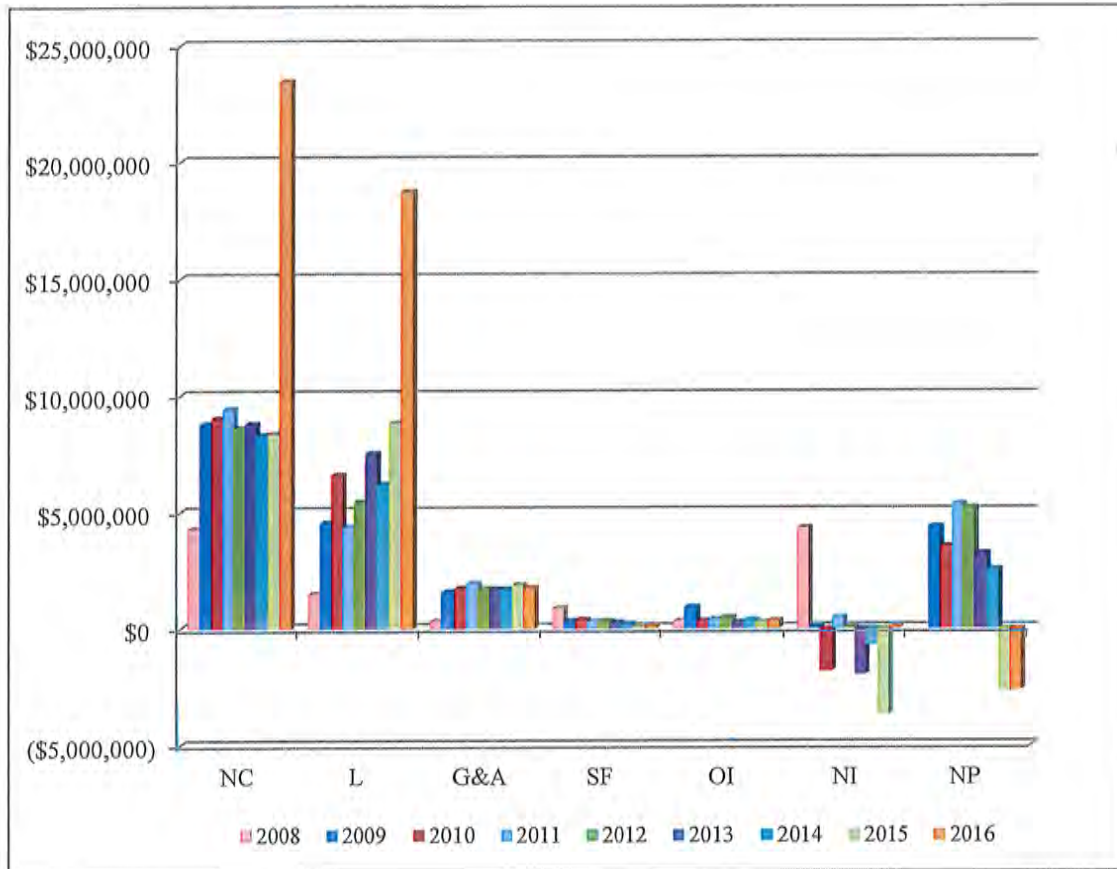
CLAIMS DEVELOPMENT INFORMATION RE-ESTIMATED INCURRED LIABILITY FUND CLAIMS AND EXPENSES EXCLUDING CLAIMS INCURRED BUT NOT REPORTED INCLUDING MEMBER DEDUCTIBLES LAST TEN FISCAL YEARS (In Thousands of Dollars)



	Claim Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Ultimate loss as of:										
End of program year	\$1,777	\$1,870	\$1,660	\$1,647	\$1,217	\$1,108	\$438	\$725	\$1,165	\$751
One year later	1,194	1,507	1,301	1,563	1,469	1,181	783	1,515	1,522	
Two years later	1,042	1,563	1,148	1,919	1,661	1,804	926	1,788		
Three years later	925	2,090	1,079	2,243	1,631	2,385	965			
Four years later	941	2,288	1,175	2,233	1,673	2,380				
Five years later	968	2,315	1,167	2,271	1,608					
Six years later	1,172	2,295	1,167	2,134						
Seven years later	1,177	2,297	1,055							
Eight years later	1,177	2,243								
Nine years later	987									

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

HISTORICAL TRENDS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION LAST NINE 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
2015	8,380,730	8,834,155	1,880,604	92,166	275,464	(3,676,462)	(2,686,717) (C)
2016	23,460,116	18,744,246	1,772,657	116,963	344,814	61,960	(2,624,757)

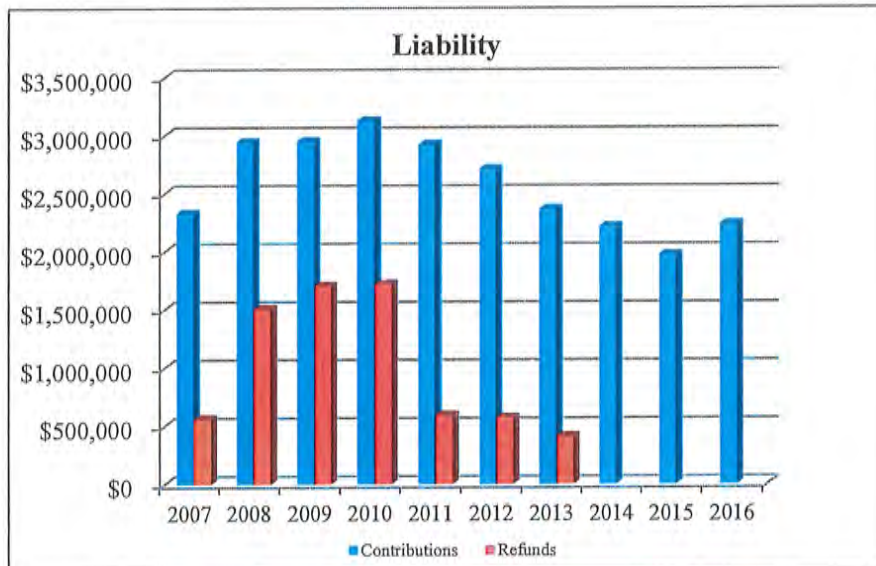
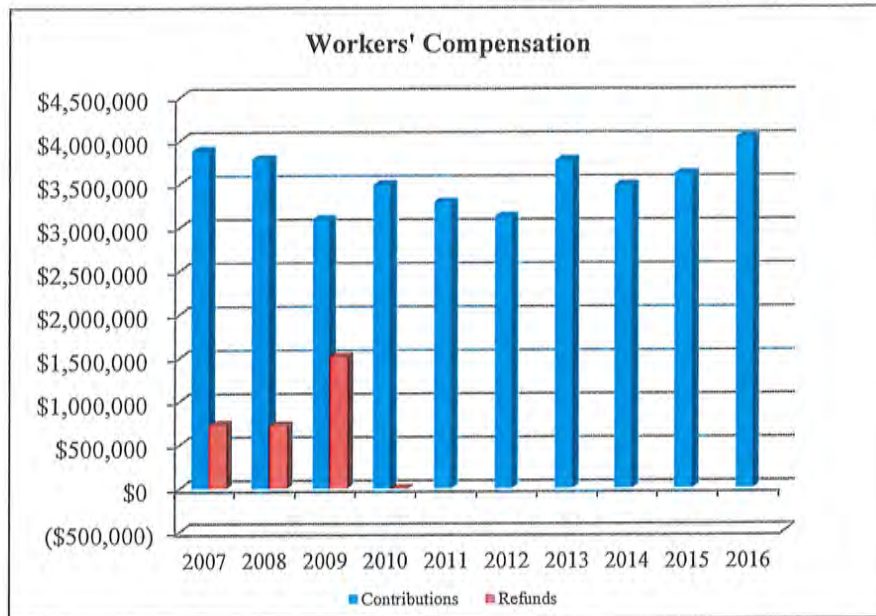
(A) REMIF implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position."

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

(C) Net Position as of June 30, 2014 was restated in fiscal year 2015. Amounts prior to 2015 were not restated.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

MEMBER CONTRIBUTIONS AND REFUNDS TO MEMBERS WORKERS COMPENSATION FUND AND LIABILITY FUND LAST TEN 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	
2015	3,612,173		1,972,722	
2016	4,027,678		2,235,448	