REMIF
REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

414 W. Napa St. • P.O. Box 885 • Sonoma, CA 95476 • 707.938.2388 • Fax 707.938.0374
Members: Arcata Cloverdale Cotati Eureka Fort Bragg Fortuna Healdsburg Lakeport
Rohnert Park St. Helena Sebastopol Sonoma Ukiah Willits Windsor

AGENDA
REMIF BOARD OF DIRECTORS' MEETING

Friday, January 25, 2019 – 8:30 a.m.
Holiday Inn Windsor – Phone: 707-838-8800
8755 Old Redwood Hwy, Windsor, CA 95492

CALL TO ORDER
ROLL CALL

PUBLIC COMMENT

TIME RESERVED FOR THE PUBLIC TO OFFER COMMENTS REGARDING CONSENT CALENDAR OR BOARD BUSINESS NOT LISTED ON THE AGENDA. THE PUBLIC COMMENT PERIOD IS LIMITED TO FIVE MINUTES PER SPEAKER UNLESS ADDITIONAL TIME HAS BEEN ALLOWED BY THE CHAIRPERSON. STATE LAW PROHIBITS ACTION BY THE BOARD ON NON-AGENDA ITEMS.

COMMUNICATIONS - None
PRESENTATIONS – None

CONSENT CALENDAR ***(I) Information Item (A) Action Item***

1. Approval of Minutes of the REMIF Board Meeting on September 27, 2018 (A)
2. Minutes from the REMIF Executive Committee Meetings on July 30 and Nov. 8, 2018 (I)
3. Minutes from the REMIF Self-Insured Health Committee Meetings on: August 30th, Sept. 13th, Oct. 11th, Nov. 29th and Dec. 17, 2018 (I)
4. Approval of REMIF check register (A) and update on treasurer's report (I)
5. Report out after closed session (M. Roe) (I)
6. General Manager's Activities (I)
7. Cloverdale's Board Representation Change (A)

ACTION (A) AND INFORMATION (I) CALENDAR

8. Financial Audit FY 17-18 (A)
9. Preliminary Estimated Contributions (Premiums) FY 19-20 (I) & Methodology of Funding Model (A)
10. Self-Insured Health Plan (A)
11. Workers' Compensation Audit Report 2016 (I)
12. Vote for New Exec. Committee Member (Southern Region) (A)
13. New REMIF Board Policy: Investment Control Documentation (A)
14. Host City for 2020 Annual Board Member Training/Meeting (I)

PUBLIC COMMENT

TIME RESERVED FOR THE PUBLIC TO OFFER COMMENTS REGARDING CLOSED SESSION ITEMS. THE PUBLIC COMMENT PERIOD IS LIMITED TO FIVE MINUTES PER SPEAKER UNLESS ADDITIONAL TIME HAS BEEN ALLOWED BY THE CHAIRPERSON. STATE LAW PROHIBITS ACTION BY THE BOARD ON NON-AGENDA ITEMS.

ADJOURN INTO CLOSED SESSION – No Closed Session Items
REPORT OUT OF CLOSED SESSION - None

ADJOURNMENT OF REGULAR MEETING

Per Government Code section 54954.2, persons requesting disability-related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, are requested to contact REMIF at (707) 938-2388 ext 100, 24 hours in advance of this meeting.

I, Anna Santos, Administrative Assistant for REMIF, certify that this agenda has been posted at the REMIF office at 414 W. Napa Street, Sonoma, CA 95476, according to the California Government Code.

/s/ Anna Santos

Anna Santos, Administrative Assistant

All meetings listed below are tentatively scheduled and subject to change; please review the REMIF website for possible changes to Board meetings.

Future REMIF Board Meeting Dates:

April 25, 2019	10:30 a.m.	Ukiah
June 20, 2019	10:30 a.m.	Ukiah

Per Government Code section 54954.2, persons requesting disability-related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, are requested to contact REMIF at (707) 938-2388 ext 100, 24 hours in advance of this meeting.

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ITEM 1.0

MINUTES
REMIF BOARD OF DIRECTORS' MEETING

September 27, 2018 – 10:30 a.m.
Ukiah Valley Conference Center, Cabernet 1 Room
Ukiah, CA 95482

CALL TO ORDER
President McLaughlin called the meeting to order at 10:34 a.m.

ROLL CALL

PRESENT
1. Danette Demello, *Arcata*
2. Joe Palla, *Cloverdale*
3. John Moore, *Cotati*
4. Siana Emmons, *Fortuna*
5. Tabatha Miller, *Fort Bragg*
6. Margaret Silveira, *Lakeport*
7. Darrin Jenkins, *Rohnert Park*
8. Larry McLaughlin, *Sebastopol*
9. Sue Casey, *Sonoma*
10. Kathy Robinson, *St. Helena*
11. Sheri Mannion, *Ukiah*
12. Karen Stevenson, *Willits*
13. Camille Kazarian, *Windsor*

ABSENT –Pam Powell, *Eureka*, Heather Ippoliti, *Healdsburg*

OTHERS PRESENT
1. Victoria Perrault, *Rohnert Park*
2. Chris Carmona, *George Hills*
3. Anna Santos, *REMIF*
4. Amy Northam, *REMIF*
5. Ritesh Sharma, *Bickmore*
6. Susie Holmes, *Cloverdale*
7. Mujtaba Datoo, *Aon*
8. Royann Franchini, *RealCare*
9. Tony Giles, *CJPRMA*
10. David Clovis, *CJPRMA* .
11. Carlos Oblites, *Chandler Asset*
12. Ethan Lowry, *Bertrand, Fox, Elliott, Osman & Wenzel*

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President McLaughlin asked for a motion to move Consent Calendar before going into Closed Session.

- A motion was made by Director Demello, seconded by Director Kazarian to move Consent Calendar, Items 1 thru 6 before Closed Session. The motion carried by the following voice vote:
- Aye: Directors: Demello, Palla, Moore, Miller, Silveira, Jenkins, McLaughlin, Robinson, Mannion and Kazarian; and Alternate Director: Emmons.
- Absent: Directors Powell, Ippoliti, Capriola and Garrabrant-Sierra

CONSENT CALENDAR ***(I) Information Item (A) Action Item***

1. Approval of Minutes of the REMIF Board Meeting on June 21, 2018 (A)
2. Willits' Board Representation Change (A)
3. Sonoma's Board Representation Change (A)
4. Minutes from the REMIF Executive Committee Meeting on April 5th and May 31, 2018 (I)
5. Minutes from the REMIF Self-Insured Health Committee: June 7 and July 12, 2018 (I)
6. General Manager's Activities (I)

- A motion was made by Director Palla, seconded by Director Silveira to approve Consent Calendar, Items 1 thru 6. The motion carried by the following voice vote:
- Aye: Directors: Demello, Palla, Moore, Miller, Silveira, Jenkins, McLaughlin, Robinson, Mannion and Kazarian; and Alternate Director: Emmons.
- Absent: Directors Powell, Ippoliti, Capriola and Garrabrant-Sierra

PUBLIC COMMENT

TIME RESERVED FOR THE PUBLIC TO OFFER COMMENTS REGARDING CLOSED SESSION ITEMS. THE PUBLIC COMMENT PERIOD IS LIMITED TO FIVE MINUTES PER SPEAKER UNLESS ADDITIONAL TIME HAS BEEN ALLOWED BY THE CHAIRPERSON. STATE LAW PROHIBITS ACTION BY THE BOARD ON NON-AGENDA ITEMS. None

ADJOURN INTO CLOSED SESSION

Government Code Section 54956.95 – Conference with REMIF General Manager and REMIF Board of Directors – General Liability Claim

Claimant: Jill Schoonmaker
Agency claimed against: City of Eureka

REPORT OUT OF CLOSED SESSION

Board went into Closed Session at 10:37 a.m.
Returned from Closed Session at 11:07 a.m.

Manager (GM) Northam reported that Staff will follow the direction of the Board.

CORRESPONDENCE - None

PRESENTATIONS – President McLaughlin and GM Northam recognized Director Joe Palla's 12 years of service on the REMIF Board. Today is the last meeting for Director Palla and he was presented with a plaque and the Board acknowledged all his hard work and thanked him for his contributions to the REMIF organization.

STAFF REPORTS (I) *Information Item* **(A)** *Action Item*

7. Update on REMIF Assets/Investments (I)

Carlos Oblites, Chandler Asset Management, presented an update on the REMIF Asset/Investment portfolio. He addressed 3 major points: growth in the economy, Feds plan to raise interest rates, and trade is an unknown element now with possible tariffs being implemented. He reviewed the economy and the forecasts. The investments are in good shape and grew from last year's report.

8. **Amended Draft General & Automobile Liability Actuarial Report FY 17-18 (A)**
9. **Amended Draft Workers' Compensation (WC) Actuarial Report FY 17-18 (A)**

The purpose of both actuarial reports is basically twofold: (1) to estimate outstanding losses and (2) project future losses. Using June 30, 2018 as the point in time for purposes of this report, the estimated outstanding losses are the losses from June 30, 2018 looking backward and the projected future losses is the projected funding needed from June 30, 2018, going forward.

The report is necessary to book the proper liability to the financial statement. A second actuarial report, using 12/31/18 data will outline the actuary's recommended contribution level for FY 2019-2020.

Mujtaba Datoo, AON Actuary Leader, discussed both reports and pointed out important factors for the Board to consider regarding the funding of both the Liability and WC reserves. He discussed the ex-mod and how it works for the pool. The WC claims were not adequately set in reserves therefore this drove up the increase in costs in the actuary report.

The outstanding general and automobile liability increased to $5,686,102 for FY 18-19. The outstanding WC liability increased by $4.2 million from $14.6 million to $18.8 million, undiscounted for FY 18-19.

<u>Amended Draft Automobile and General Liability Actuary Report FY 17-18</u>:
A motion was made by Director Kazarian, seconded by Director Jenkins to approve the amended draft automobile and general liability actuarial report FY 17-18. The motion carried by the following voice vote:

- Aye: Directors: Demello, Palla, Moore, Miller, Silveira, Jenkins, McLaughlin, Casey, Robinson, Mannion and Kazarian; and Alternate Directors: Emmons and Stevenson.
- Absent: Directors Powell and Ippoliti.

<u>Amended Draft WC Actuary Report FY 17-18</u>:
A motion was made by Director Kazarian, seconded by Director Silveira to approve the amended draft WC actuarial report FY 17-18. The motion carried by the following voice vote:

- Aye: Directors: Demello, Palla, Moore, Miller, Silveira, Jenkins, McLaughlin, Casey, Robinson, Mannion and Kazarian; and Alternate Directors: Emmons and Stevenson.
- Absent: Directors Powell and Ippoliti. *(break for lunch)*

10. **Appointment of Treasurer to REMIF Board (A)**

Per the REMIF Bylaws, the Treasurer will be appointed by a majority of the Board and shall serve at the pleasure of the Board. The qualifications of the Treasurer will be defined in Board policy. Staff reached out to Director Heather Ippoliti as a recommendation for placement as Treasurer. Director Ippoliti agreed to be a candidate. Staff recommends to the Board to approve Director Ippoliti as REMIF Treasurer. A motion was made by Director Silveira, seconded by Director Palla to approve Director Heather Ippoliti, Healdsburg as the REMIF Treasurer. The motion carried by the following voice vote:

- Aye: Directors: Demello, Palla, Moore, Miller, Silveira, Jenkins, McLaughlin, Casey, Robinson, Mannion and Kazarian; and Alternate Directors: Emmons and Stevenson.
- Absent: Directors Powell and Ippoliti.

11. **Analysis of Liability & WC Deductibles (I)**

Previously, the Board requested a review of the liability and workers' compensation deductibles for each member city. REMIF Finance Director, Ritesh Sharma, reviewed the sample deductible report and the methodology behind the deductible analysis.

He utilized the following assumptions:
a. June 30, 2018 loss run
b. Assumption of what different member deductibles would be based upon gross claims incurred.
c. Determination of the contributions at the different deductibles
d. Determination of the savings or additional payment
e. Additional analysis of ratio on deductible versus total incurred by policy year.

A deductible report was emailed to each member. If a member wishes to change their deductible, a written notice must be given to REMIF 180 days before the end of this FY 18-19 AND the REMIF Board must formally approve or deny the member's request for a change in deductible.

12. Update on Self-Insured Health Plan (A)

GM Northam presented 8 informational items that the Self-Insured Health Committee reviewed and discussed:

a. Definition for Fraud and Intentional Misrepresentation of Material fact
b. Envision Rx Drug recall
c. Update on eligibility guidelines
d. Stop Loss Deductible Change (MEWA)
e. Valley of the Moon Fire Protection District
f. Envision – year-end reconciliation
g. Request for proposal Third Party Admin services
h. Income/Expense reports

GM Northam also reviewed the 5 items below that require ratification by the Board:

a. **Arcata Fire District** – The Committee received a request from the District to join the REMIF medical, dental and vision plans. The Committee elected not to take action on the request.
b. **Requested Plan Amendment** (divorced or legally separated dependents) – the Committee is recommending the Plan adopt the amendment to make the effective date of termination the end of the month in cases of divorce.
c. **Dependent Eligibility Audit** – an audit would help ensure the plan is covering only eligible members and the Committee is recommending the Plan move forward with an audit in Spring of 2019 and BMI Audit Services be selected as the vendor to perform audit.
d. **2019 Retiree Health Program Renewal Report** – GM Northam reviewed the new renewal rates and the Committee recommends that the Board approved the renewal of Transamerica and Express Scripts for 2019.
e. **Appointment of new Committee Member** to replace outgoing member Janet Luzzi – The Committee thanks Ms. Luzzi for her all her help and input as a member. Director Danette Demello, Arcata, has offered to sit on the Committee and the Committee recommends Danette Demello to the Board for appointment and replacement of Ms. Luzzi.

Recap of the Board actions for the 5 items listed above:

a. Arcata Fire District – no action taken

b. Requested Plan Amendment

A motion was made by Director Moore, seconded by Director Demello to adopt the amendment to make the effective date of termination the end of the month in cases of divorce. The motion carried by the following voice vote:

- Aye: Directors: Demello, Palla, Moore, Miller, Silveira, Jenkins, McLaughlin, Casey, Robinson, Mannion and Kazarian; and Alternate Directors: Emmons and Stevenson.
- Absent: Directors Powell and Ippoliti.

c. Dependent Eligibility Audit

A motion was made by Director Moore, seconded by Director Miller for the Plan to move forward with an audit in Spring of 2019 and BMI Audit Services be selected as the vendor to perform audit. The motion carried by the following voice vote:

- Aye: Directors: Demello, Palla, Moore, Miller, Silveira, Jenkins, McLaughlin, Casey, Robinson, Mannion and Kazarian; and Alternate Directors: Emmons and Stevenson.
- Absent: Directors Powell and Ippoliti.

d. 2019 Retiree Health Program Renewal Report

A motion was made by Director Palla , seconded by Director Mannion to approve the renewal rates for the Retiree Health Program with Transamerica and Express Scripts – eff: Jan 1, 2019.
The motion carried by the following voice vote:

- Aye: Directors: Demello, Palla, Moore, Miller, Silveira, Jenkins, McLaughlin, Casey, Robinson, Mannion and Kazarian; and Alternate Directors: Emmons and Stevenson.
- Absent: Directors Powell and Ippoliti.

Appointment of new Committee Member to replace outgoing member Janet Luzzi

A motion was made by Director Silveira , seconded by Director Jenkins to approve Director Danette Demello, Arcata, to sit on the Committee as replacement for Janet Luzzi.
The motion carried by the following voice vote:

- Aye: Directors: Demello, Palla, Moore, Miller, Silveira, Jenkins, McLaughlin, Casey, Robinson, Mannion and Kazarian; and Alternate Directors: Emmons and Stevenson.
- Absent: Directors Powell and Ippoliti.

13. Updated on WC Program (A)

GM Northam updated the Board regarding the workers' compensation program and recommended a creation of an ad hoc workers' compensation committee to dive into the following services listed below and provide recommendations to the Board on changes, if any to the program:

- Bill review
- Utilization review (UR)
- Pharmacy Benefit manager (PBM)
- Medical Provider Network (MPN)
- Alternative Dispute Resolution (ADR)

A motion was made by Director Demello, seconded by Director Silveira to approve Director Danette Demello, Arcata, to sit on the Committee as replacement for Janet Luzzi.
The motion carried by the following voice vote:

- Aye: Directors: Demello, Palla, Moore, Miller, Silveira, Jenkins, McLaughlin, Casey, Robinson, Mannion and Kazarian; and Alternate Directors: Emmons and Stevenson.
- Absent: Directors Powell and Ippoliti.

14. Renewal of Flood Deductible buy down & DIC/Earthquake Policy FY 18-19 Final (A)

GM Northam discussed the deductible buy down for flood coverage and the renewal for DIC.

<u>Deductible Buy Down for flood coverage</u>: In 2017, a deductible buy down was purchased to cover the REMIF layer for flood zones A&V. The buy down was from a $250,000 deductible to a $100,000 deductible at a cost of approximately $30,000. GM Northam expects the buy down renewal to be flat at $30K for this FY 18-19; however, she recommends it be budgeted for $35K.

It is also recommended that we move the renewal period from current November to November timeframe to a July 1 to June 30th timeframe. Please note if such a change occurs, there will be a decrease in premium due to the decrease in the number of months covered; however, next year, Members will be required to pay their reimbursements in July rather than in November.

DIC Coverage (earthquake): The renewal of the DIC coverage is limited to earthquake coverage since the REMIF Property program (via Alliant/CJPRMA) covers flood damage. Current coverage is from the period of 11/16/17-11/16/18 and will expire next month mid-November.

It is too early in the process for a firm or written renewal quote (firm quotes are not available until 30 days before renewal), an extremely conservative initial indication is 12.5% renewal. It is expected that these rates will lower during negotiations, however, if they don't, GM Northam recommends Staff approach another carrier during the renewal process.

There was a brief discussion amongst members regarding the buy down numbers and how it affects the cost to the members. Another member asked how many actual buildings are located in flood zones (A&V).

3 motions are listed below:

a) A motion was made by Director Silveira, seconded by Director Palla to authorize GM Northam to bind the deductible buy down coverage, in an amount not to exceed $35K and move the renewal period to line up with 7/1/19. The motion carried by the following voice vote:

- Aye: Directors: Demello, Palla, Moore, Miller, Silveira, Jenkins, McLaughlin, Casey, Robinson, Mannion and Kazarian; and Alternate Directors: Emmons and Stevenson.
- Absent: Directors Powell and Ippoliti.

b) A motion was made by Director Miller, seconded by Director Jenkins to authorize GM Northam to drop property in the open and property below the deductible amount from the list of covered property on the DIC coverage. The motion carried by the following voice vote:

- Aye: Directors: Demello, Palla, Moore, Miller, Silveira, Jenkins, McLaughlin, Casey, Robinson, Mannion and Kazarian; and Alternate Directors: Emmons and Stevenson.
- Absent: Directors Powell and Ippoliti.

c) A motion was made by Director Moore, seconded by Director Silveira to authorize GM Northam to bind the DIC coverage up to 10% and if indications come back at an amount that exceeds the 10%, the Board gives authority to the Executive Committee to review renewal options and consider other options, which may include a change in carrier/broker. The motion carried by the following voice vote:

- Aye: Directors: Demello, Palla, Moore, Miller, Silveira, Jenkins, McLaughlin, Casey, Robinson, Mannion and Kazarian; and Alternate Directors: Emmons and Stevenson.
- Absent: Directors Powell and Ippoliti.

15. Existing REMIF Board Policies (A)

GM Northam reviewed the listing of all current Board policies. Copies of the policies were provided in the agenda packet. Recommendations for changes were noted and need to be ratified by the Board. There was a brief discussion and the following motions were made:

A motion was made by Director Jenkins, seconded by Director Silveira to pull policy #4- Pre-Employment Physical and policy #7 –Refund for WC and General Auto/Liability Coverage programs and have GM Northam review and update/rewrite. The remaining policy #'s 2, 5, 6, 8, 10, 13, and 14 are confirmed. The motion carried by the following voice vote:

- Aye: Directors: Demello, Palla, Moore, Miller, Silveira, Jenkins, McLaughlin, Casey, Robinson, Mannion and Kazarian; and Alternate Directors: Emmons and Stevenson.
- Absent: Directors Powell and Ippoliti.

A motion was made by Director Jenkins, seconded by Director Silveira to repeal and adopt new policy #1 – Record Retention Policy. The motion carried by the following voice vote:

- Aye: Directors: Demello, Palla, Moore, Miller, Silveira, Jenkins, McLaughlin, Casey, Robinson, Mannion and Kazarian; and Alternate Directors: Emmons and Stevenson.
- Absent: Directors Powell and Ippoliti.

A motion was made by Director Jenkins, seconded by Director Palla repeal policy #3- Automobile purchase policy. The motion carried by the following voice vote:

- Aye: Directors: Demello, Palla, Moore, Miller, Silveira, Jenkins, McLaughlin, Casey, Robinson, Mannion and Kazarian; and Alternate Directors: Emmons and Stevenson.
- Absent: Directors Powell and Ippoliti.

A motion was made by Director Jenkins, seconded by Director Silveira to adopt changes as recommended to policy #'s: 9, 11, and 12. The motion carried by the following voice vote:

- Aye: Directors: Demello, Palla, Moore, Miller, Silveira, Jenkins, McLaughlin, Casey, Robinson, Mannion and Kazarian; and Alternate Directors: Emmons and Stevenson.
- Absent: Directors Powell and Ippoliti.

16. **New REMIF Board Policies (A)**

GM Northam presented the following new policies to the Board for approval:
#15 – Conflict of Interest Policy
#16 – Frequency of Actuarial Studies & Claims Audit Policy
#17 – Sexual Harassment Policy
#18 – Non-Discrimination Policy
#19 – Qualifications of REMIF Board Treasurer

A motion was made by Director Jenkins, seconded by Director Silveira to adopt the following new policies #: 15, 16, 17, 18, and 19. The motion carried by the following voice vote:

- Aye: Directors: Demello, Palla, Moore, Miller, Silveira, Jenkins, McLaughlin, Casey, Robinson, Mannion and Kazarian; and Alternate Directors: Emmons and Stevenson.
- Absent: Directors Powell and Ippoliti.

17. Additional Request for Training (A)

At the June 21, 2018 Board of Directors meeting, there were several requests for additional training. One of the training request requested risk transfer, contracts and insurance documents. Staff recommends utilizing Robert Marshburn of R.J. Marshburn & Associates. His "workshop provides understanding and practical examples of how to use Contracts to reduce, allocate, and transfer risk to others; clarity on recent legislation and court case law decisions involving current issues: resulting Insurance Company policy language and coverage changes; dangers in "restricted coverage" Insurance policies; as well as practical information on how to effectively manage organizational risk using contracts."

Staff has approached CJPRMA for possible interest in providing joint training which will be explored further (cost sharing with $3,000 grant money available from CJPRMA for training).

A motion was made by Director Silveira, seconded by Director Palla to approve up to $13K for the "Contractual Transfer and Indemnification Agreements for Managing Risk" workshop and consultant services from Robert Marshburn. The motion carried by the following voice vote:

- Aye: Directors: Demello, Palla, Moore, Miller, Silveira, Jenkins, McLaughlin, Casey, Robinson, Mannion and Kazarian; and Alternate Directors: Emmons and Stevenson.
- Absent: Directors Powell and Ippoliti.

18. Approval REMIF Salary Schedule FY 18-19 (A)

The REMIF salary schedule requires ratification by the Board. The schedule was approved by the Board at the January 2018 meeting.

A motion was made by Director Silveira, seconded by Director Demello to approve the REMIF Salary Schedule FY 18-19. The motion carried by the following voice vote:

- Aye: Directors: Demello, Palla, Moore, Miller, Silveira, Jenkins, McLaughlin, Casey, Robinson, Mannion and Kazarian; and Alternate Directors: Emmons and Stevenson.
- Absent: Directors Powell and Ippoliti.

19. Risk Management Issues (Round Table Discussion) (I)

The Board decided to discuss this topic at the next meeting in January 2019.
Director Demello thanked the entire REMIF Staff for all their hard work.

PUBLIC COMMENT - None

CLOSED SESSION

Government Code Section 54956.95 – Conference with REMIF General Manager and REMIF Board of Directors – General Liability Claim

Claimant: Helen and Fidel Pena
Agency claimed against: Town of Windsor

Government Code Section 54957 – Conference with REMIF General Manager, Amy Northam and REMIF Board of Directors - Evaluation of Performance of General Manager

REPORT OUT OF CLOSED SESSION
Board went into Closed Session at 2:44 p.m.
Returned from Closed Session at 2:55 p.m.

Manager (GM) Northam reported that Staff will follow the direction of the Board.

ADJOURNMENT OF REGULAR MEETING
The Board adjourned at: 3:00 p.m.

Respectfully Submitted by:

/s/ Anna Santos
Anna Santos, REMIF Administrative Assistant

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MINUTES **ITEM 2.0**

REMIF EXECUTIVE COMMITTEE MEETING
July 30, 2018 – 9:00 A.M. (**Telephonic Meeting**)
REMIF, 414 W. Napa Street, Sonoma, CA 95476
Dial In Number: 888-204-5987 / Access Code: 94954738

CALL TO ORDER

President McLaughlin called the meeting to order at 9:01 a.m.

ROLL CALL

PRESENT

1. Larry McLaughlin, *Sebastopol*
2. Darrin Jenkins, *Rohnert Park*
3. Camille Kazarian, *Windsor*
4. Pam Powell, *Eureka*

ABSENT: Margaret Silveira, *Lakeport*
OTHERS PRESENT**:** Amy Northam**,** *REMIF General Manager*

PUBLIC COMMENT

There were no public comments.

CONSENT CALENDAR *(I) Information Item (A) Action Item*

1. (A) Approval of Minutes from REMIF Executive Committee Meetings on April 5th and May 31, 2018

A motion was made by Director Kazarian, seconded by Director Jenkins, to approve the Consent Calendar Item 1. The motion carried by the following voice vote:
Aye: Directors: McLaughlin, Jenkins, and Kazarian and Powell
Absent: Director Silveira

STAFF REPORTS (I) Information item (A) Action item

2. (I) Information on REMIF Lease Agreement/Tenant

The General Manager updated the Executive Committee on the search for a new tenant, the existing tenant and the lease agreement.

3. (A) Bickmore Contract

A motion was made by Director Kazarian, seconded by Director Powell, to approve the Bickmore Contract. The motion carried by the following voice vote:
Aye: Directors: McLaughlin, Jenkins, Kazarian, and Powell
Absent: Director Silveira

PUBLIC COMMENT

There was no public comment.

ADJOURN INTO CLOSED SESSION
Government Code Section 54956.95 – Conference regarding a claim for the payment of tort liability losses, public liability losses, or workers' compensation liability incurred by the joint powers agency or a local agency member of the joint powers agency.

Claimant: Luis Lopez
Agency claimed against: Sebastopol

REPORT OUT OF CLOSED SESSION
Staff will proceed as directed.

ADJOURNMENT
The meeting was adjourned at 9:14 a.m.

Per Government Code section 54954.2, persons requesting disability-related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, are requested to contact REMIF at (707) 938-2388 ext. 100, 24 hours in advance of this meeting.

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Rohnert Park St. Helena Sebastopol Sonoma Ukiah Willits Windsor

MINUTES **ITEM 2.1**

REMIF EXECUTIVE COMMITTEE MEETING

November 8, 2018 – 1:00 P.M. (**Telephonic Meeting**)
REMIF, 414 W. Napa Street, Sonoma, CA 95476
Dial In Number: 888-204-5987 / Access Code: 94954738

CALL TO ORDER
President McLaughlin called the meeting to order at 1:10 p.m.

ROLL CALL
PRESENT
1. Larry McLaughlin, *Sebastopol*
2. Darrin Jenkins, *Rohnert Park*
3. Pam Powell, *Eureka*

ABSENT: Margaret Silveira, *Lakeport*; Camille Kazarian, *Windsor*
OTHERS PRESENT**:** Amy Northam***, REMIF General Manager***

PUBLIC COMMENT
There were no public comments.

CONSENT CALENDAR *(I) Information Item (A) Action Item*
1. (A) Approval of Minutes from REMIF Executive Committee Meetings on July 30, 2018

A motion was made by Director Powell, seconded by Director Jenkins, to approve the Consent Calendar Item 1. The motion carried by the following voice vote:
Aye: Directors: McLaughlin, Jenkins, and Powell
Absent: Director Silveira and Kazarian

STAFF REPORTS (I) Information item (A) Action item
2. (I) Information on REMIF Lease Agreement/Tenant

The General Manager updated the Executive Committee on the search for a new tenant, the existing tenant and the lease agreement.

PUBLIC COMMENT
There was no public comment.

ADJOURN INTO CLOSED SESSION
Government Code Section 54956.95 – Conference regarding a claim for the payment of tort liability losses, public liability losses, or workers' compensation liability incurred by the joint powers agency or a local agency member of the joint powers agency.

Claimant: K. Stonebarger
Agency claimed against: Arcata

Claimant: N. Janek
Agency claimed against: Sebastopol

REPORT OUT OF CLOSED SESSION
Staff will proceed as directed.

ADJOURNMENT
The meeting was adjourned at 1:35 p.m.

REMIF
REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

REMIF Self-Insurance Committee Minutes

ITEM 3.0

Date: August 30, 2018

Time: 2:00 p.m.

Telephonic Committee Meeting
Dial In: (646) 664-4400/ Conference ID: 17171#

Called to order: 2:05 p.m.

AGENDA

I. ROLL CALL
   A. Present:
      i. Amy Northam, REMIF
      ii. Janet Luzzi, Arcata
      iii. Scott Schneider, Fort Bragg
   B. Also in attendance:
      i. Juli Mortensen, Fort Bragg
      ii. Pat O'Brien, RealCare
      iii. Royann Franchini, RealCare
   C. Absent:
      i. Anna Santos, REMIF
      ii. James Leon, Town of Windsor
      iii. Kelly Buendia, Lakeport

II. APPROVAL OF MINUTES –
   A. Meeting of 7-12-18; Motion by Janet Luzzi to approve Minutes of 7-12-18; seconded by Scott Schneider. All voted in favor to approve.

III. ITEMS FOR DISCUSSION
   A. **Dependent Eligibility Audit – Information Only**
      a. Review of prior discussion and discussion of next actions
         i. Pat reviewed the quotes we have received. BMI large national firm (NFP vendor); Plan Source larger than BMI; AmWINS (NFP vendor). HealthComp most expensive. What is our next step?
         ii. Need to consult with administrative staff to get feedback since there will be additional work for them to do.
         iii. Get buy-in from Unions.
         iv. Must have good communications with and cooperation from the employees as to why we are doing this.
         v. Per Amy, we have a fiduciary responsibility to protect fund. We need to clearly communicate to all entities the reasons for doing a Dependent Eligibility Audit.
            1. Additional burden on staff
            2. Decide on the timing to do this – Open Enrollment? Spring? Fall?

- ***b.*** This will be put on the agenda for 9-13-18 for a **Vote** at the next meeting to make a recommendation to the Board

B. **Fraud and Intentional Misrepresentation of Material Fact – Information only**
- ***a.*** Pat O'Brien will provide an update on NFP Legal response to questions posed on this issue.
  - i. RealCare reached out to their legal dept. No clear cut advice. Determining Fraud or Misrepresentation of a Material Fact would be on a case by case basis. Language is already in the SPD but it needs to be in Policies and Procedures document. REMIF attorney is looking at it as well.

C. **EnvisionRx Drug recall – Informational Only**
- *a.* Information on recent recall of Valsartan (Brand name Diovan) drug and recommended patient action.
  - i. Envision reaching out to each member affected.
  - ii. Pat mentioned this has also been on the news. We have not had one call on this.

D. **Requested Plan Amendment – Effective date of termination of divorced/legally separated spouses – Informational Only**
- ***a.*** Amendment #1 completed.
  - i. Royann to send blast to all entities asking they distribute to members and add to the back of the SPD.

E. **Arcata Fire – Request for quotes to join medical, dental and vision**
- ***a.*** Amy: similar to Valley of the Moon. Not clear if the Arcata Fire District can be added.
- ***b.*** We should not go to the board with the recommendation to allow entrance onto the plan
- ***c.*** If no action will be taken, no need for a motion.
- ***d.*** Amy to advise the Board that another request has been received.

Committee recommends this be addressed in Policy and Procedures document as a priority.

F. **Request for Proposal for Third Party Administrator Services**
- ***a.*** Time to do a full RFP for plan services for the next plan year 7-1-19/20.
- ***b.*** October is date we are targeting to start.
- ***c.*** Start working with Amy to update the RFP document so we can get out to bid for proposals
- ***d.*** Will be a full formal RFP process. Will also include current TPA.
- ***e.*** Amy will take lead on initial RFP document
- ***f.*** Amy to let Board know we are working on this

G. **Envision – Truveris Year End Reconciliation – Informational Only**
- ***a.*** Truveris does quarterly audit
- ***b.*** At end of the plan year, Truveris does a true-up (done within 90 days of the end of the plan year) We are in the process now.

H. **Income and Expense Reporting – Informational Only**
- ***a.*** 7-1-17/18 report. Ending reserve $2,764,455. We expect money back into the reserve to be credited $876K.
- ***b.*** 7-1-18/19 report: July report – no recovered SL in this month. We do have outstanding SL to be credited

I. **Eligibility Question for Review -**
- ***a.* Are elected officials considered continuously employed between the end of their elected term and their swearing in for a new term?**
- ***b.* Royann reported on progress of the poll. One city has not responded and we clarification on another.**

Next Meeting: Thursday, September 13, 2018; 2:00 p.m.

Meeting adjourned: 3:14 p.m.

<u>Health Insurance Committee Members</u>:

Amy Northam – REMIF – 414 W. Napa Street, Sonoma, CA 95476; 707-939-1388 x120; anortham@remif.com
Janet Luzzi – City of Arcata – 736 F Street, Arcata, CA 95521; 707-825-2120; jluzzi@cityofarcata.org
James Leon – Town of Windsor – 9291 Old Redwood Highway, Windsor, CA 95492; 707-838-5379; jleon@townofwindsor.com
Kelly Buendia – City of Lakeport – 255 Park Street, Lakeport, CA 95453; 707-263-5613 x30; kbuendia@cityoflakeport.com
Scott Schneider – City of Fort Bragg – 415 N. Franklin Street, Fort Bragg, CA 95437; 707-961-2843; sschneider@fortbragg.com

REMIF
REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

REMIF Self-Insurance Committee Minutes

ITEM 3.1

Date: September 13, 2018

Time: 2:00 p.m.

Telephonic Committee Meeting
Dial In: (646) 664-4400/ Conference ID: 17171#

Meeting Called to order: 2:05 p.m.

AGENDA

I. ROLL CALL
   A. Present:
      i. Amy Northam, REMIF
      ii. Janet Luzzi, Arcata
      iii. Kelly Buendia, Lakeport
      iv. Scott Schneider, Fort Bragg
   B. Also in attendance:
      i. Pat O'Brien, RealCare
      ii. Royann Franchini, RealCare
   C. Absent:
      i. Anna Santos, REMIF
      ii. James Leon, Town of Windsor
      iii. Juli Mortensen, Fort Bragg

II. APPROVAL OF MINUTES
   A. Meeting of 8-30-18. Approval of 8-30-18 minutes will be carried over to next Committee meeting.

III. ITEMS FOR DISCUSSION
   A. **Dependent Eligibility Audit – Action Item**
      a. Review of prior discussion and discussion of next actions
         i. Reviewed bids. All pretty similar benefit-wise. Important element to have is both online and offline capabilities/sending via paper vs. doing things online. RealCare felt BMI best choice as they are more flexible with online/offline capabilities. BMI is in the middle price-wise
      b. Vote to recommend taking this to the Board on 9-27-18 in order to move forward with the Dependent Eligibility Audit
         i. Motion to have Committee recommend to the Board to move forward with Dependent Eligibility Audit by Janet Luzzi ; Scott Schneider seconds. –All approved
         ii. Motion to have Committee recommend BMI to the Board; Scott Schneider motions; Amy Northam seconds; All approved
         iii. Amy Northam to discuss with the Board the date when audit can be implemented
            1. Communications to cities during 1st quarter 2019
            2. Roll out to employees at Open Enrollment in April/May 2019

B. **RFP for TPA – Update Information Only – No attachment**
   - ***a.*** Amy has been provided with the RFP document and bid list from 2017. She will review and update the Committee at a later meeting.

C. **Envision Year End Pricing Report – Update Information Only – No attachment**
   - ***a.*** Envision/Truveris report reconciliation is still pending.
     - **i.** Will be on next committee meeting

D. **Council member eligibility question – Informational Only**
   - ***a.*** Review of eligibility for elected officials for core benefits as well as life insurance. Review results of poll.
     - **i.** All cities polled said that a re-elected council member has no break in service.

E. **Transamerica/Express Scripts renewal January 1, 2019 – Action Item**
   - ***a.*** Increase is from 4.53% to 4.79% depending on plan
   - ***b.*** Committee to recommend to Board that January 2019 renewal be approved.
     - i. Motioned to recommend to accept Transamerica/Express Scripts renewal for January 2019. Scott Schneider motions; Kelly Buendia seconds; All approved

Next Meeting: Thursday, October 11, 2018; 2:00 p.m.

Meeting adjourned: 2:30 p.m.

<u>**Health Insurance Committee Members**</u>**:**

Amy Northam – REMIF – 414 W. Napa Street, Sonoma, CA 95476; 707-939-1388 x120; anortham@remif.com
Janet Luzzi – City of Arcata – 736 F Street, Arcata, CA 95521; 707-825-2120; jluzzi@cityofarcata.org
James Leon – Town of Windsor – 9291 Old Redwood Highway, Windsor, CA 95492; 707-838-5379; jleon@townofwindsor.com
Kelly Buendia – City of Lakeport – 255 Park Street, Lakeport, CA 95453; 707-263-5613 x30; kbuendia@cityoflakeport.com
Scott Schneider – City of Fort Bragg – 415 N. Franklin Street, Fort Bragg, CA 95437; 707-961-2843; sschneider@fortbragg.com

REMIF
REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

REMIF Self-Insurance Committee Minutes

ITEM 3.2

Date: October 11, 2018

Time: 2:00 p.m.

Telephonic Committee Meeting
Dial In: (646) 664-4400/ Conference ID: 17171#

Meeting called to order: 2:05 p.m.

AGENDA

I. ROLL CALL
    A. Present:
        i. Amy Northam, REMIF
        ii. Danette DeMello, Arcata
        iii. James Leon, Town of Windsor
        iv. Kelly Buendia, Lakeport
        v. Scott Schneider, Fort Bragg
    B. Also in attendance:
        i. Pat O'Brien, RealCare
        ii. Royann Franchini, RealCare
    C. Absent:

II. APPROVAL OF MINUTES
    A. Meeting of 8-30-18 and 9-13-18
        i. Amy Northam moved to approve; Kelly Buendia seconds
        ii. All ayes.

III. ITEMS FOR DISCUSSION
    A. **RFP for TPA – Update Information Only – No attachment**
        a. Amy has been provided with the RFP document and bid list from 2017.
            i. Amy received the RFP and made some minor adjustments. She wants to discuss the timing of the RFP.
                1. 7/1/19 contract date
                2. Publish RFP in mid-November, with a response date of late December, Committee would have time in January to review the responses.
                    a. Try to present at March meeting. Would take Jan/Feb to review and hold interviews.
                    b. March meeting is when we review renewals anyway.
                    c. Final recommendation would be voted on in April.

ii. **Criteria for vendors:**
   1. Core list we have gone to the last 2 times.
   2. Initially we tried to have a CA based company (northern CA was ideal)
   3. There has been some consolidation in the TPA market so we might expand to out of state vendors
   4. More vendors are better

B. **Dependent Eligibility Audit – Update Informational Only**

i. Amy, Pat and Royann had conference call with BMI. Discussed roll out time line.
ii. BMI has good understanding of how we are structured.
iii. Start with calls in December to cities and rolling out audit in January.
iv. BMI sends out regular communications to all.
v. We get weekly reporting that we can divide by city.
vi. At the end of audit, the report will be aggregated for report to Board.

C. **EnvisionRx Update on Epinephrine Auto-Injector Shortage – Information Only**

a. EnvisionRx has been proactive in approving epi-pen alternatives during the shortage

Next Meeting: October 25, 2019, 2:00 p.m.

Meeting adjourned: 2:27 p.m.

<u>Health Insurance Committee Members</u>:

Amy Northam – REMIF – 414 W. Napa Street, Sonoma, CA 95476; 707-939-1388 x120; anortham@remif.com
Danette DeMello – City of Arcata – 736 F Street, Arcata, CA 95521; 707-825-2120; ddemelloi@cityofarcata.org
James Leon – Town of Windsor – 9291 Old Redwood Highway, Windsor, CA 95492; 707-838-5379; jleon@townofwindsor.com
Kelly Buendia – City of Lakeport – 255 Park Street, Lakeport, CA 95453; 707-263-5613 x30; kbuendia@cityoflakeport.com
Scott Schneider – City of Fort Bragg – 415 N. Franklin Street, Fort Bragg, CA 95437; 707-961-2843; sschneider@fortbragg.com

REMIF
REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

REMIF Self-Insurance Committee Minutes

ITEM 3.3

Date: November 29, 2018

Time: 2:00 p.m.

Telephonic Committee Meeting
Dial In: (646) 664-4400/ Conference ID: 17171#

AGENDA

I. ROLL CALL 2:05
   A. Present:
      i. Amy Northam (REMIF)
      ii. James Leon, (Town of Windsor)
      iii. Danette DeMello (City of Arcata)
      iv. Scott Schneider (City of Fort Bragg)
      v. Kelly Buendia (City of Lakeport)
   B. Also in attendance:
      i. Pat O'Brien (RealCare Insurance Marketing)
   C. Absent:

II. APPROVAL OF MINUTES
   A. Meeting of 10-11-18 Ft. Bragg motioned to approve the minutes; Windsor seconded and the motion passed unanimously.

III. ITEMS FOR DISCUSSION
   A. **RFP for TPA – Update Information Only – No attachment**
      a. **Amy worked on original RFP, sought feedback from committee members. She is revising the RFP with a few suggested changes and will work on publishing near the end of next week.**
         i. Publishing the RFP means putting it in the local newspaper and attaching it to the State. She will also invite TPAs to respond.
         ii. When RFP is attached to state, those TPAs who monitor the RFPs may elect to join in the bid process.
   B. **Income and Expense update**
      a. **Pat presented the Income/Expense report**
         i. Pat reminded the Committee that the plan had a significant Workers' Compensation claim pay the Plan back for medical claims payments. RealCare is working with HealthComp on reporting of that information.

C. **Envision Year End Pricing Report – Update**
   - ***a.*** **Pat presented the year-end report and reminded the Committee that Truveris and Envision review ALL claims for the year to ensure that Envision has met contractual guarantees. The year-end report does show that the Envision contract was met.**

D. **MHN EAP Service Review – Action Item**
   - ***a.*** **Pat discussed the problems RealCare and members are having with MHN responsiveness, and problems with access to providers in the North Coast area. Pat outlined the issues and recommended that the Committee take action to ask MHN to meet certain service and access standards. At the same time, RealCare recommends that we research whether REMIF can get out of the MHN contract early, and also contact Aetna to see if REMIF could go back to Aetna.**
   - ***b.*** **Kelly expressed concern that perhaps people are just giving up and not using EAP because of MHN. She has not had any complaints, but is concerned for that reason. Scott shared that he has had people with problems with MHN.**
   - ***c.*** **Arcata moved to accept recommendations and have Amy write a letter to MHN; and have RealCare reach out to investigate the possibility of moving. Windsor seconded and motion passed unanimously.**

Next Meeting: TBD – We will determine if we have anything pressing we need to do.

Meeting adjourned: 2:42

Health Insurance Committee Members:

Danette DeMello – City of Arcata – 736 F Street, Arcata, CA 95521; 707-825-2120; ddemelloi@cityofarcata.org
James Leon – Town of Windsor – 9291 Old Redwood Highway, Windsor, CA 95492; 707-838-5379; jleon@townofwindsor.com
Kelly Buendia – City of Lakeport – 255 Park Street, Lakeport, CA 95453; 707-263-5613 x30; kbuendia@cityoflakeport.com
Scott Schneider – City of Fort Bragg – 415 N. Franklin Street, Fort Bragg, CA 95437; 707-961-2843; sschneider@fortbragg.com

REMIF
REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

REMIF Self-Insurance Committee Minutes

ITEM 3.4

Date: December 17, 2018

Time: 2:00 p.m.

Telephonic Committee Meeting
Dial In: (646) 664-4400/ Conference ID: 17171#

AGENDA

I. ROLL CALL – 2:04 pm
   A. Present:
      i. Amy Northam (REMIF)
      ii. Danette DeMello (City of Arcata)
      iii. Kelly Buendia (City of Lakeport)
      iv. Scott Schneider (City of Fort Bragg
      v. Stephanie Garrabrant-Sierra (City of Willits)
   B. Also in attendance:
      i. Royann Franchini (RealCare Insurance Marketing)
   C. Absent:
      i. James Leon (Town of Windsor)
      ii. Sheri Mannion (City of Ukiah)

II. APPROVAL OF MINUTES
   A. Meeting of 11-29-18: Arcata motioned to approve the minutes; Lakeport seconded and the motion passed unanimously.

III. ITEMS FOR DISCUSSION
   A. **MHN – EAP Service Review – Action Item**
      a. Discussed the service and access to care problems we are having with MHN.
      b. The response from MHN to Amy's letter was less than adequate. No solutions to the problems we are experiencing were put forth by MHN.
      c. Scott shared that of the MHN providers in Fort Bragg, none are taking new patients. Kelly again expressed concern that if there is no availability, people will just give up.
      d. The access to care problem for in Arcata has not been completely resolved. Problem has been going on for 6+ weeks. Although MHN finally did find a provider that would accept a new patient, that provider isn't available until January 2019.
      e. RealCare will get the number of providers that are available through Aetna so that we can compare them to the numbers from MHN.
      f. **Arcata motioned to recommend to the January 2019 REMIF Board of Directors meeting that we return to Aetna; Lakeport seconded and the motion passed unanimously**.

B. **Health Care Committee members – No Attachment**

   a. Sheri Mannion (City of Ukiah) and Stephanie Garrabrant-Sierra (City of Willits) have agreed to serve on the Committee.

Next Meeting: Thursday, January 10, 2019

Meeting adjourned: 2:38 pm

Health Insurance Committee Members:

Danette DeMello – City of Arcata – 736 F Street, Arcata, CA 95521; 707-825-2120; ddemelloi@cityofarcata.org
James Leon – Town of Windsor – 9291 Old Redwood Highway, Windsor, CA 95492; 707-838-5379; jleon@townofwindsor.com
Kelly Buendia – City of Lakeport – 255 Park Street, Lakeport, CA 95453; 707-263-5613 x30; kbuendia@cityoflakeport.com
Scott Schneider – City of Fort Bragg – 415 N. Franklin Street, Fort Bragg, CA 95437; 707-961-2843; ssneider@fortbragg.com –
Sheri Mannion—City of Ukiah –300 Seminary Drive, Ukiah, CA 95482; 707-463-6244; smannion@cityofukiah.com
Stephanie Garrabrant-Sierra – City of Willits—111 E. Commercial, Willits, CA 95490; 707-459-4601; -sgsierra@cityofwillits.org

REMIF
REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

414 W. Napa St. • P.O. Box 885 • Sonoma, CA 95476 • 707.938.2388 • Fax 707.938.0374
Members: Arcata Cloverdale Cotati Eureka Fort Bragg Fortuna Healdsburg Lakeport
Rohnert Park St. Helena Sebastopol Sonoma Ukiah Willits Windsor

ITEM 4.0

AGENDA ITEM SUMMARY

TITLE: **APPROVAL OF REMIF CHECK REGISTER & UPDATE ON QUARTERLY TREASURERE/FINANCIAL REPORT**

PRESENTED BY: **AMY NORTHAM, GENERAL MANAGER**

ISSUE

The REMIF check register (for General Fund) requires ratification by the Board of Directors.

BACKGROUND

Check register:
In the Fall of 2018, the REMIF Finance Department upgraded software to a product called Sage Intacct (from a product called Sage MAS 90). The new software is more robust and has the capability of issuing, among other things, reports, financial statements, budget to actuals and a check register. On November 1, 2018, the REMIF Finance Department went "live" with the new software. Attached please find a check register (as of 11/1/18) for ratification by the Board of Directors.

Quarterly Treasurer/Finance Report:
At the September 27, 2018 Board of Directors meeting, the Board of Directors appointed Heather Ippoliti as the REMIF Treasurer. The REMIF bylaws outline the duties of the Treasurer and state in part:

"*The duties of the Treasurer shall be . . . to provide a quarterly financial report to the Board summarizing receipts, disbursements, and fund balances, along with a listing of all investments and other duties as specified by the Board.*"

Moving forward, the REMIF staff will prepare the financials and present to the Treasurer, Ms. Ippoliti for review, approval and signature. The report will then be presented to the Board of Directors for ratification. In addition, the REMIF staff will provide the Treasurer with a detailed report that shows the budget to actuals and will provide the Board of Directors with a higher-level budget to actuals report as part of the quarterly financial report.

FISCAL IMPACT

None

RECOMMENDED ACTION

Consent calendar item. Approve REMIF check register (for the general fund).

ATTACHMENTS

4.1 Check Register

Redwood Empire Municipal Insurance Fund

Check Register

From November 1, 2018 to December 31, 2018

Date	Vendor	Document No		Amount
0157 - Bank of America				
11/8/2018	VEN-101--The Office Spot	17001	$	192.36
11/8/2018	VEN-108--Alhambra	17002		71.98
11/8/2018	VEN-119--AT&T	17003		19.95
11/8/2018	VEN-107--Athens Insurance Services, Inc.	17004		49,050.00
11/8/2018	VEN-115--Bickmore	17005		7,500.00
11/8/2018	VEN-128--Business Card	17006		318.97
11/8/2018	VEN-120--City of Rohnert Park	17007		41,878.91
11/8/2018	VEN-103--City of Sonoma-Water	17008		110.48
11/8/2018	VEN-118--Comcast	17009		267.50
11/8/2018	VEN-106--Comprehensive Drug Testing, Inc	17010		757.00
11/8/2018	VEN-109--Delta Dental of California	17011		13,051.96
11/8/2018	VEN-127--DKF Solutions Group, LLC	17012		4,900.00
11/8/2018	VEN-113--Managed Health Network	17013		3,857.87
11/8/2018	VEN-110--NFP-National Account Services	17014		458.58
11/8/2018	VEN-112--Office Information Systems	17015		231.25
11/8/2018	VEN-104--Purchase Power	17016		177.18
11/8/2018	VEN-102--Shred-It USA	17017		51.08
11/8/2018	VEN-105--Sonoma County Tax Collector	17018		2,438.40
11/8/2018	VEN-121--Sonoma Garbage Collectors, Inc	17019		201.64
11/8/2018	VEN-117--Vision Service Plan	17020		12,005.97
11/8/2018	VEN-123--WM Cleaning of Sonoma	17021		225.00
11/15/2018	VEN-144--Alliant Insurance Services, Inc	17022		553,805.15
11/19/2018	VEN-138--Acceptable Risk	17023		420.00
11/20/2018	VEN-108--Alhambra	17024		68.03
11/19/2018	VEN-139--Armanino LLP	17025		945.00
11/20/2018	VEN-119--AT&T	17026		19.95
11/19/2018	VEN-137--AT&T Teleconference Services	17027		269.54
11/20/2018	VEN-136--Boden Pluming Heating and Air Inc	17028		90.00
11/19/2018	VEN-136--Boden Pluming Heating and Air Inc	17029		178.00
11/19/2018	VEN-146--George Hills	17030		12,083.34
11/20/2018	VEN-141--Murphy, Campbell, Alliston & Quinn	17031		67.50
11/19/2018	VEN-145--Network Office Systems	17032		13.79
11/19/2018	VEN-117--Vision Service Plan	17033		2,593.08
11/19/2018	VEN-131--Vista Landscape	17034		660.00
11/29/2018	VEN-126--AmWINS	17035		5,456.00
11/29/2018	VEN-142--AT&T Mobility	17036		53.23
11/29/2018	VEN-107--Athens Insurance Services, Inc.	17037		49,050.00
11/29/2018	VEN-114--Best Best & Krieger	17038		1,113.00
11/29/2018	VEN-103--City of Sonoma-Water	17039		104.56
11/29/2018	VEN-124--Comcast Business	17040		331.60
11/29/2018	VEN-166--Copy Store & More LLC	17041		155.33
11/29/2018	VEN-167--Liebert Cassidy Whitmore	17042		925.00

Date	Vendor	Document No	Amount
11/29/2018	VEN-153--Pacific Gas & Electric	17043	240.00
11/29/2018	VEN-102--Shred-It USA	17044	102.61
11/29/2018	VEN-165--Victor Conforti-Architect	17045	330.91
12/6/2018	VEN-115--Bickmore	17046	7,500.00
12/6/2018	VEN-101--The Office Spot	17047	75.36
12/6/2018	VEN-123--WM Cleaning of Sonoma	17048	225.00
12/13/2018	VEN-138--Acceptable Risk	17049	1,128.60
12/13/2018	VEN-169--Adrian Martinez AIA	17050	500.00
12/13/2018	VEN-139--Armanino LLP	17051	118.13
12/13/2018	VEN-142--AT&T Mobility	17052	53.24
12/13/2018	VEN-137--AT&T Teleconference Services	17053	206.13
12/13/2018	VEN-114--Best Best & Krieger	17054	2,013.00
12/13/2018	VEN-128--Business Card	17055	63.60
12/13/2018	VEN-170--Carmela Beckman-Spector	17056	37.70
12/13/2018	VEN-118--Comcast	17057	298.63
12/13/2018	VEN-106--Comprehensive Drug Testing, Inc	17058	707.00
12/13/2018	VEN-109--Delta Dental of California	17059	13,201.85
12/13/2018	VEN-172--Department Of Industrial Relations	17060	226,085.53
12/13/2018	VEN-127--DKF Solutions Group, LLC	17061	7,938.65
12/13/2018	VEN-113--Managed Health Network	17062	3,905.56
12/13/2018	VEN-157--MAZE & Associates	17063	11,050.00
12/13/2018	VEN-145--Network Office Systems	17064	16.69
12/13/2018	VEN-110--NFP-National Account Services	17065	458.58
12/13/2018	VEN-112--Office Information Systems	17066	200.00
12/13/2018	VEN-171--Shapiro, Galvin, Shaprio & Moran	17067	187.50
12/13/2018	VEN-121--Sonoma Garbage Collectors, Inc	17068	201.64
12/13/2018	VEN-132--Ukiah Valley Conference Center	17069	1,376.00
12/13/2018	VEN-117--Vision Service Plan	17070	10,614.18
12/13/2018	VEN-131--Vista Landscape	17071	330.00
12/21/2018	VEN-108--Alhambra	17072	58.10
12/21/2018	VEN-140--Antonio Machuca	17073	180.00
12/21/2018	VEN-119--AT&T	17074	19.95
12/21/2018	VEN-120--City of Rohnert Park	17075	21,195.73
12/21/2018	VEN-161--City of Ukiah	17076	1,795.28
12/21/2018	VEN-106--Comprehensive Drug Testing, Inc	17077	1,026.00
12/21/2018	VEN-175--Erica Ramirez	17078	80.91
12/21/2018	VEN-146--George Hills	17079	12,083.34
12/21/2018	VEN-145--Network Office Systems	17080	69.94
12/21/2018	VEN-153--Pacific Gas & Electric	17081	279.00
12/21/2018	VEN-154--Pitney Bowes Global	17082	384.92
12/21/2018	VEN-173--SAGE INTACCT	17083	9,072.00
12/21/2018	VEN-174--Samuel Spector	17084	37.50
12/21/2018	VEN-163--Scott Schneider	17085	1,969.32
12/21/2018	VEN-117--Vision Service Plan	17086	2,637.92
12/28/2018	VEN-126--AmWINS	17087	5,952.00
12/28/2018	VEN-134--Anna Santos	17088	89.00

Date	Vendor	Document No	Amount
12/28/2018	VEN-178--City of Arcata	17089	1,705.36
12/28/2018	VEN-177--City of Eureka	17090	158.87
12/28/2018	VEN-179--City of Ft. Bragg	17091	375.00
12/28/2018	VEN-159--City of Lakeport	17092	1,585.66
12/28/2018	VEN-120--City of Rohnert Park	17093	9,153.91
12/28/2018	VEN-103--City of Sonoma-Water	17094	69.04
12/28/2018	VEN-161--City of Ukiah	17095	1,863.28
12/28/2018	VEN-124--Comcast Business	17096	326.21
12/28/2018	VEN-180--Juli Mortensen	17097	2,084.09
12/28/2018	VEN-160--Kelly Buendia	17098	259.42
12/28/2018	VEN-162--Sheri Mannion	17099	334.39
12/28/2018	VEN-102--Shred-It USA	17100	51.30
12/28/2018	VEN-176--Tracy Rankin	17101	957.30
Total for 0157			**$ 1,131,189.01**

REMIF
REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

414 W. Napa St. • P.O. Box 885 • Sonoma, CA 95476 • 707.938.2388 • Fax 707.938.0374
Members: Arcata Cloverdale Cotati Eureka Fort Bragg Fortuna Healdsburg Lakeport
Rohnert Park St. Helena Sebastopol Sonoma Ukiah Willits Windsor

ITEM 5.0

AGENDA ITEM SUMMARY

TITLE: **REPORT OUT OF CLOSED SESSION**

PRESENTED BY: **AMY NORTHAM**

ISSUE

Pursuant to the Government Code, this will serve as a report out of a closed session item.

BACKGROUND

Pursuant to California Government Code Section 54957.1, approval by the Board of Directors was given at the December 11, 2018 Board of Directors meeting to accept a settlement offer signed by the opposing party in the case Roe v. Rohnert Park.

The terms of the agreement include that the plaintiff will dismiss the case in exchange for payment of $500,000.00.

Government Code Section 54956.95: Conference regarding a claim for the payment of tort liability losses, public liability losses, or workers' compensation liability incurred by the joint powers' agency or a local agency member of the joint powers' agency.

Claimant: M. Roe
Agency claimed against: City of Rohnert Park

FISCAL IMPACT

Payment of settlement, $500,000.00.

RECOMMENDED ACTION

None

ATTACHMENTS

None

REMIF
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ITEM 6.0

AGENDA ITEM SUMMARY

TITLE: **GENERAL MANAGER'S ACTIVITIES**

PRESENTED BY: **AMY NORTHAM**

ISSUE

The General Manager is responsible for the planning and direction of REMIF's day-to-day operations to meet the organization's fiscal and service goals. The General Manager will routinely report on her activities to the Governing Board. No action is required by the Board. This is informational only.

BACKGROUND

Below, please find a brief summary of my activities since the last Board of Directors meeting (September 27, 2018):

1. Multiple telephone conferences and meetings with Athens regarding workers' compensation program;
2. Multiple telephone conferences and meetings with George Hills regarding liability program;
3. Prepare for and attendance at CJPRMA board meeting;
4. Prepare for and attend EDD appeal hearing;
5. Telephone conference with safety consultant regarding safety program and options for REMIF members;
6. Meeting with REMIF tenant and realtor regarding lease renewal;
7. Preparation for and participation in REMIF Interim Financial Audit;
8. Preparation for and telephone conferences with attorney to address updates to plan documents on self-insured medical plan;
9. Preparation for and attendance at interactive meeting for member city;
10. Multiple telephone conferences regard dependent verification audit for medical plan;
11. Preparation for and attendance at quarterly workers' compensation file reviews with member cities;
12. Preparation for and attendance at George Hills training (Healdsburg);
13. Preparation for and attendance at REMIF Annual Public Works Training;
14. Multiple meetings with architect regarding tenant improvements;
15. Preparation for REMIF annual membership meeting and Board meeting;
16. Plan, prepare for and attend Health Care Committee meeting;
17. Plan, prepare for and attend Finance Committee meeting;
18. Plan, prepare for and attend Executive Committee meeting;
19. Preparation for and attendance at City Council meeting (Sebastopol).

FISCAL IMPACT

None

RECOMMENDED ACTION

None

ATTACHMENTS

None

REMIF
REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

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Rohnert Park St. Helena Sebastopol Sonoma Ukiah Willits Windsor

ITEM 7.0

AGENDA ITEM SUMMARY

TITLE: **CITY OF CLOVERDALE'S BOARD REPRESENTATION CHANGE**

PRESENTED BY: **AMY NORTHAM, GENERAL MANAGER**

ISSUE
Appointment to the Board of Directors requires approval by a majority vote of the Board of Directors.

BACKGROUND
Pursuant to Article III of the REMIF bylaws, the REMIF Board of Directors includes one Director from each Member and this Director must be approved for Board representation by majority vote of the Board.

On January 16, 2019, Assistant City Manager Kevin Thompson requested that Susie Holmes, Finance Manager replace Joe Palla as Director and David Kelley, City Manager, replace Linda Moore as the new Alternate Director on the REMIF Board.

FISCAL IMPACT
None

RECOMMENDED ACTION
Approve Susie Holmes as the Director and David Kelley as the Alternate Director for the City of Cloverdale's Board Representatives.

ATTACHMENTS
7.1 Cloverdale's request to change Board Representative

CITY OF
CLOVERDALE

January 16, 2019

ITEM 7.1

REMIF Board of Directors
c/o Amy Northam
General Manager
REMIF
P.O. Box 885
Sonoma, CA 95476

Sent Via Email to: anortham@remif.com

RE: Director and Alternate Director Assignment

Dear Board of Directors,

The Cloverdale City Council has assigned Finance Manager, Susie Holmes as their Director on the Redwood Empire Municipal Insurance Fund (REMIF) board to replace Joe Palla and has also assigned City Manager, David Kelley as the Alternate Director to replace Linda Moore.

Sincerely,

Kevin Thompson,
Assistant City Manager

P.O. Box 217 • 124 North Cloverdale Blvd. • Cloverdale, CA 95425-0217 • Telephone (707) 894-2521 • FAX (707) 894-3451

REMIF
REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

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Members: Arcata Cloverdale Cotati Eureka Fort Bragg Fortuna Healdsburg Lakeport
Rohnert Park St. Helena Sebastopol Sonoma Ukiah Willits Windsor

ITEM 8.0

AGENDA ITEM SUMMARY

TITLE: **FINANCIAL AUDIT FY 17-18**

PRESENTED BY: **AMY MEYER, MAZE ASSOCIATES**

ISSUE

The audit report (attached) requires ratification by the Board.

BACKGROUND

Pursuant to Board policy #16.0, the REMIF financial records are audited by a third-party auditor annually. Amy Meyer of Maze and Associates completed the financial audit for fiscal year 2017/2018. Ms. Meyer will present the findings of the financial audit to the Board.

FISCAL IMPACT

None

RECOMMENDED ACTION

Approve financial audit report.

ATTACHMENTS

3 Draft Financial Audit reports:
8.1 – REMIF BFS – Draft Basic Financial Statement years ended June 30, 2018 and 2017
8.2 – MOIC – Draft Memorandum on Internal Control June 30, 2018
8.3 – Draft Required Communications June 30, 2018

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

DRAFT

BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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NOTE - Pagination will be updated when final report is issued.

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

SUPPLEMENTAL INFORMATION

STATISTICAL INFORMATION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Redwood Empire Municipal Insurance Fund
Sonoma, California

We have audited the accompanying financial statements of the 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, 2018, 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 the major fund and aggregate remaining fund information of REMIF as of June 30, 2018, and the changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which became effective during the year ended June 30, 2018 and required the restatement of net position as discussed in Notes 9B and 10 to the financial statements.

The emphasis of this matter 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, 2017 financial statements, and we expressed unmodified audit opinions on those audited financial statement in our report dated January 26, 2018. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Pleasant Hill, California
January 25, 2019

This section of the Redwood Empire Municipal Insurance Fund (**REMIF**) annual financial report presents management's discussion and analysis of its financial performance during the fiscal year that ended June 30, 2018. We encourage readers to evaluate the information presented here along with the additional information included in the financial statements.

REMIF is a Joint Powers Authority (**JPA**) created in 1976 through the provisions in the Labor and Government Codes that oversees a risk sharing and risk 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 coverage 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, Difference in Condition (**DIC**) (earthquake) coverage and pollution coverage. Medical coverage, 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. As of fiscal year-end, the General Manager is assisted by 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. In addition, there are two staff who perform day to day accounting activities. During the year, the following service providers were retained: Athens Administrators to provide claims administration over workers' compensation program; George Hills & Company to provide claims administration over the liability/property/APD programs; and Bickmore/York Risk Services to provide high level finance. In addition, other service providers were contracted by REMIF to conduct annual financial audits and actuarial studies, provide payroll services, safety training, and perform workers' compensation and liability claims audits.

REMIF acted as a contract third party claims administrator for handling the workers' compensation claims of two cities: Petaluma (since 1987) and San Rafael (since 2004). These two cities are not members of REMIF. However, effective May 1, 2018, the claims administrator services were terminated. Previously, REMIF also acted as a contract third party administrator for handling the workers' compensation claims of Santa Rosa, but that contract was terminated as of June 20, 2017.

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.

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 statement of net position 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 statement of net position includes all of REMIF's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position 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 generally accepted 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

Statement of Net Position

	6/30/2018	6/30/2017*	6/30/2016*
Total capital	$ 331,394	$ 332,910	$ 334,229
Total other	26,973,890	19,647,476	17,822,563
Total assets	27,305,284	19,980,386	18,156,792
Total deferred outflows of resources	884,139	851,545	515,364
Total long-term liabilities	20,126,661	18,367,443	16,179,020
Total short-term liabilities	7,122,386	6,582,949	4,929,483
Total liabilities	27,249,047	24,950,392	21,108,503
Total deferred inflows of resources	318,912	105,039	188,410
Total net position	$ 621,464	$ (4,223,500)	$ (2,624,757)

* Not restated for the provisions of GASB Statement No. 75.

Statement of Revenues, Expenses and Change in Net Position

	6/30/2018	**6/30/2017 (1)**	**6/30/2016 (1)**
Total operating revenues	$ 32,694,595	$ 24,017,502	$ 23,577,079
Total non-operating revenues	225,356	2,732	344,814
Total revenues	32,919,951	24,020,234	23,921,893
Net losses and claims incurred	21,542,729	19,757,301	18,744,246
Changes in reserves for ULAE	116,452	173,422	54,981
Premium and/or contribution for excess	1,674,580	1,370,198	1,336,034
Claims consultants and administration	2,383,512	2,394,696	1,914,058
Other operating expenses/Change in OPEB	(602,250)	17,841	37,957
General and administrative	2,316,895	1,905,519	1,772,657
Total expenses	27,431,918	25,618,977	23,859,933
Change in net position	5,488,033	(1,598,743)	61,960
Net position, beginning of year	(4,866,569) (2)	(2,624,757)	(2,686,717)
Net position, end of year	$ 621,464	$ (4,223,500)	$ (2,624,757)

(1) Not Restated for the provisions of GASB Statement No. 75.
(2) July 1, 2017 balance restated for the provisions of GASB Statement No. 75.

ANALYSIS OF CURRENT YEAR RESULTS COMPARED TO PRIOR YEARS

There was a net gain in FY 17/18 of $5,488,033, compared to a net loss of $1,598,743 in FY 16/17. Overall financial highlights include the following:

Total Assets increased by $7.3M from FY 16/17. Cash and cash equivalents decreased by $1.7M. Receivables increased $8.9M driven largely by the $8.5M increase in assessments receivable.

Total Liabilities increased $2.3M from FY 16/17. Reserves for losses and claims (Claims liabilities) increased by $2.8M form FY 16/17. While there were some unfavorable claims development in the worker's compensation program, a portion of the increase in claims liabilities can also be attributed to a change in reserving practices with the new claims administrators; however, the new claims administrator was only in place for two months. Pension liability decreased by $224K when compared to FY 16/17.

Total Net Position increased $5.4M from FY 16/17. Steps were taken to rebuild deficit net position in the liability program and workers' compensation program. During FY 17/18, the Board of Directors declared assessments of $2.5M in the liability program and $6M in the workers' compensation program to be paid over 5 years and 6 years, respectively. The assessment is to be collected starting FY 18/19.

Total Revenues increased $8.9M from FY 16/17, of which $8.5M is related to the assessment declared by the Board. The assessment is to strengthen the net position of the workers' compensation program and the liability program. Investment income also increased by $222K from FY 16/17, which is a result of recognizing accrued interest at the end of June 30, 2018.

Total Expenses increased $1.8M from FY 16/17. Net losses and claims incurred (claims expense) increased $1.8M from FY 16/17. The current year ultimate losses increased by $600K when compared to FY 16/17 and adjustments to ultimate losses for older years increased by $1.2M when compared to FY 16/17. Premium and/or contributions for excess coverage increased by $300K from prior year due to rise in liability, property and APD rates. Claims consultants and administration had a slight decrease of $11,000 when compared to FY 16/17.

The general and administration expenses increased by $411K from FY 16/17. The biggest increase in general and administrative expense is related to the recording of pension expense which changed $350K from FY 16/17.

Overall, FY 17/18 experienced positive change in net position of $5.5M whereas FY 16/17 experienced a deficit of $1.6M.

Workers' Compensation

The Workers' Compensation program saw a change in net position of $3,671,160 in FY 17/18, as compared to a net loss of $161,624 in FY 16/17. The Workers' Compensation program ended FY 17/18 with a deficit position of $2,148,295.

Member premiums from FY 16/17 to FY 17/18 increased $396,026 to $5,268,772. Increase in premium is related to an increase in the surcharge of $250,000, and an increase in administration fee. Additionally, The Board of Directors declared an assessment of $6M to fund the deficit equity from FY 16/17. The assessment is to be paid over 6 years starting FY 18/19.

Net losses and claim incurred and change in reserves for ULAE are considered claims expense. Claims expense increased by $2,277,070 from FY 16/17. The actuary increased the current year ultimate loss by $1.4M when compared to FY 16/17. In addition, the actuary increased prior year's ultimate losses by $877K. The increase in claims are related in small part to change in claims administration (two months with the new administrator) and primarily with unfavorable claims development in older claims years. The workers' compensation claims were administered in-house until May 1, 2018 when Athens Administration was retained to provide claims administration. The change in claims administrator lead to a review of claims files and a focus on reserving practices.

Excess insurance for FY 17/18 was $332,681, which increased by $12,733 from FY 16/17. 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**).

The general and administrative expense increase by $558K from FY 16/17. The increase is related to an increase in pension expense of $350K, change in expense allocation method resulting in an increase of expense of $50K and claims administration fee of $100K.

Liability

The Liability program saw a positive change in net position of $2,039,717 in FY 17/18, as compared to a net loss of $2,728,117 in FY 16/17. The Liability program ended FY 17/18 with a deficit position of $597,979.

Premiums for FY 17/18 increased by $253,854 from FY 16/17. Increase in premium is related to increase in surcharge of $65K up to $215K and increase in funding for pool losses and expenses. In FY 16/17, the liability program experienced unfavorable claims development which lead to the increase in pool funding for FY 17/18. Additionally, The Board of Directors declared an assessment of $2.5M to fund the deficit equity from FY 16/17. The assessment is to be paid over 5 years starting FY 18/19.

Net losses and claim incurred and change in reserves for ULAE are considered claims expense. Claims expense decreased by $2,047,907 from FY 16/17. The actuary lowered current year ultimate losses by $900K when compared to FY 16/17. And, the actuary's increase of prior year's ultimate losses was $470K when compared to FY 16/17 increase of $1.6M. Overall, the claims projections have developed favorably when compared to prior year results.

The excess insurance increased by $112K to $759K from FY 16/17. The increase is a result of continuing increase of rates in the marketplace as well the liability program experiencing unfavorable claims development in prior years.

Claims consultants and administration had expense of $143K in FY 17/18. This is a result of hiring George Hills & Company to provide claims administration over the liability program during the year.

Property

The Property program showed a net loss in FY 17/18 of $75,832, decreasing the net position to $583,913.

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, 2018 identified property was valued at $1.36 billion at 1,664 sites.

Excess insurance increased $140K from FY 16/17. The increase in excess insurance is a result of increasing rates in the marketplace.

Auto Physical Damage

The Auto Physical Damage program had net income in the amount $107,325, increasing the net position to $707,010 at June 30, 2018. The net income is a result of a decrease in claims activity. Net total claims payments for FY 17/18 were $0, which decreased by $2,050 from FY 16/17.

For the FY 17/18, a total of 1,503 vehicles were covered for all REMIF cities with the vehicles valued at $62M. Of the vehicles covered, 748 vehicles were valued at or greater than $25,000 with insurance provided through the CJPRMA. The value of the vehicles in this category was $52M.

Dental

Dental premiums exceeded claims paid in FY 17/18, which resulted in a change in net position of $28,972. The net position at end of fiscal year is $451,019 and claims liability is recorded at $50,000.

Dental	**6/30/18**	**6/30/17**	**6/30/16**	**6/30/15**	**6/30/14**
Net premiums (cumulative from inception)	$ 412,840	$ 390,449	$ 448,685	$ 413,187	$ 439,008
Employees enrolled	1,121	1,078	1,074	1,080	1,054
Net income (loss)	$ 28,972	$ (72,467)	$ (11,105)	$ (13,862)	$ (112,387)

Vision

Vision premiums exceeded claims payments in FY 17/18, which resulted in a change in net position of $17,830. The net position at FYE is $105,005 and claims liability is recorded at $14,227.

Vision	**6/30/18**	**6/30/17**	**6/30/16**	**6/30/15**	**6/30/14**
Net premiums (cumulative from inception)	$ 86,485	$ 70,225	$ 59,258	$ 69,814	$ 87,176
Employees enrolled	1,042	972	964	983	934
Net income (loss)	$ 17,830	$ 6,116	$ (24,779)	$ (16,704)	$ (56,172)

Health

A self-funded health plan was established on July 1, 2015 for the REMIF medical program. Claims payments exceeded premiums collected in FY 17/18, which resulted in a net loss of $617,950. The net position at FYE is $1,045,506 and the claims liability is recorded at $1,250,000.

Health	6/30/18	6/30/17	6/30/16
Net premiums (cumulative from inception)	$ 2,144,069	$ 2,791,998	$ 1,882,035
Employees enrolled	799	812	908
Net income (loss)	$ (617,950)	$ 1,062,515	$ 603,063

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.

With an updated actuarial valuation as of June 30, 2018, the OPEB Liability is $2.34M and the trust fund balance is $2.97M resulting in a net OPEB asset of $639K. Because these funds are held in an irrevocable trust, OPEB transactions are shown in separate fiduciary fund statements and footnotes in the Financial Statements.

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 $39.50 million of coverage in excess of $500,000, through both pooled funds and reinsurance. Covered items included general liability, automobile liability and employment practices liability. 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 $400 million per incident, through a CJPRMA purchase program, with a $25,000 self-insured retention. This did not include earthquake coverage or pollution coverage which was billed separately to each city. Four insurance companies provided earthquake coverage up to $20 million for replacement value. The cost of the 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 $25,000.

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.

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 permitees' insurance policies. The members are given training as needed to effectively administer their risk transference programs. In addition, the General Manager and Administrative Assistant, on an almost daily basis, field inquiries about proper documentation needed to ensure that the cities are protected. At the end of FY 17/18, there were active litigation cases being handled by contractors' insurance companies at no expense to REMIF and the entities because of this highly effective program.

Training

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

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

REMIF has a policy of 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. Part of this consortium program was two to four full-days of training per city per year.

Below is a breakdown of expenses over the past 3 years for the trainings mentioned above.

	FY 17/18	**FY 16/17**	**FY 15/16**
Safety Training	$ 176,389	$ 226,527	$ 218,361
Consultants	177,829	34,619	13,225
Board Conference Expense	67,020	77,440	67,071
Total	**$ 421,238**	**$ 338,586**	**$ 298,657**

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
STATEMENT OF NET POSITION
JUNE 30, 2018
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017

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	2018	2017 *
CURRENT ASSETS		
Cash and cash equivalents (Note 3)	$2,880,270	$4,587,582
Investments, current (Note 3)	1,465,628	2,214,626
Receivables:		
Premiums and fees	1,664,810	114,082
Reimbursements	640,604	1,622,302
Member assessments (Note 13)	1,500,000	
Excess insurance reimbursement and other	555,890	967,961
Interest	208,729	
Prepaid expenses	374,156	
Deposits		277,000
Total current assets	9,290,087	9,783,553
NONCURRENT ASSETS		
Investments, noncurrent (Note 3)	10,044,701	9,347,819
Receivables:		
Member assessments (Note 13)	7,000,000	
Net OPEB asset (Note 10)	639,102	516,104
Capital assets - net of accumulated depreciation (Note 6)	331,394	332,910
TOTAL ASSETS	27,305,284	19,980,386
DEFERRED OUTFLOWS OF RESOURCES		
Related to OPEB (Note 10)	80,787	
Related to pensions (Note 11)	803,352	851,545
TOTAL DEFERRED INFLOWS OF RESOURCES	884,139	851,545
CURRENT LIABILITIES		
Unearned premiums	238,237	
Accounts payable	20,063	227,791
Deposits held to perform claim administration		715,000
Tenant and other deposits	2,160	2,160
Reserve for losses and claims (Note 8)	6,861,926	5,637,998
Total current liabilities	7,122,386	6,582,949
NONCURRENT LIABILITIES		
Reserve for losses and claims (Note 8)	16,771,650	15,352,781
Reserve for ULAE (Note 8)	1,114,719	998,267
Net pension liability (Note 11)	2,240,292	2,016,395
TOTAL LIABILITIES	27,249,047	24,950,392
DEFERRED INFLOWS OF RESOURCES		
Related to OPEB (Note 10)	244,604	
Related to pensions (Note 11)	74,308	105,039
TOTAL DEFERRED INFLOWS OF RESOURCES	318,912	105,039
NET POSITION (DEFICIT)		
Net investment in capital assets	331,394	332,910
Unrestricted	290,070	(4,556,410)
TOTAL NET POSITION (DEFICIT)	$621,464	($4,223,500)

See accompanying notes to financial statements

* Not restated for the provisions of GASB Statement No. 75 discussed in Note 10.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

	2018	2017 *
OPERATING REVENUES		
Member Premiums	$23,499,015	$23,105,862
Member Assessments (Note 13)	8,500,000	
Fees	695,502	805,223
Excess insurance refunds	78	106,417
Total operating revenues	32,694,595	24,017,502
OPERATING EXPENSES		
Net losses and claims incurred	21,542,729	19,757,301
Change in reserve for ULAE	116,452	173,422
Premiums and/or contributions for excess coverage	1,674,580	1,370,198
Claims consultants and administration	2,383,512	2,394,696
General and administrative	2,316,895	1,905,519
Contributions to OPEB Trust Fund		17,094
Annual OPEB expense	(602,250)	747
Total operating expenses	27,431,918	25,618,977
OPERATING INCOME (LOSS)	5,262,677	(1,601,475)
NONOPERATING REVENUE (EXPENSE)		
Rental income	31,200	31,200
Investment income	194,156	(28,468)
Total Nonoperating Revenues (Expenses)	225,356	2,732
NET CHANGE IN NET POSITION	5,488,033	(1,598,743)
NET POSITION (DEFICIT), Beginning of year, as restated (Note 9B)	(4,866,569)	(2,624,757)
NET POSITION (DEFICIT), End of yea	$621,464	($4,223,500)

See accompanying notes to financial statements

* Not restated for the provisions of GASB Statement No. 75 discussed in Note 10.

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REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members	$23,150,224	$23,706,521
Cash received for excess insurance dividends	78	106,417
Payments for excess insurance	(2,048,736)	(1,346,455)
Payments (refunds) for claims, claims consultants		
and claims administration	(20,706,833)	(19,199,060)
Payments to vendors	(1,006,662)	(808,940)
Payments to or on behalf of employees	(1,159,052)	(1,134,884)
Contributions to OPEB Trust		(17,094)
Net cash provided (used) by operating activities	(1,770,981)	1,306,505
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Rents received	31,200	31,200
Net cash provided (used) by noncapital financing activities	31,200	31,200
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received (paid), net of fair value adjustment	(14,573)	(28,468)
(Purchase) sale of investments	52,116	9,664
Net cash provided (used) by investing financing activities	37,543	(18,804)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(5,074)	(5,115)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(1,707,312)	1,313,786
CASH AND EQUIVALENTS, Beginning of year	4,587,582	3,273,796
CASH AND EQUIVALENTS, End of yeaı	$2,880,270	$4,587,582
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$5,262,677	($1,601,475)
Depreciation expense	6,590	6,434
Change in:		
Premiums and fees receivable	(1,550,728)	288,316
Reimbursement receivable	981,698	(557,880)
Member assessments receivable	(8,500,000)	
Excess insurance reimbursement and other	412,071	(275,717)
Prepaid expenses	(374,156)	23,743
Unearned premiums	238,237	
Reimbursements for claims paid		(7,486)
Deposits held to perform claim administration	(438,000)	65,000
Net pension liability and deferred		
outflows/inflows related to pensions	241,359	(107,358)
Other post employment benefits	(602,250)	747
Accounts payable and other liabilities	(207,728)	105,698
Reserve for losses and claims	2,642,797	3,193,061
Reserve for ULAE	116,452	173,422
Net cash provided (used) by operating activities	($1,770,981)	$1,306,505

See accompanying notes to financial statements

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REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
OPEB TRUST FUND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017

	2018	2017
ASSETS		
Investments (Note 4):		
Money Market	$31,442	$49,701
Exchange Traded Funds	2,947,588	2,707,334
Total Assets	2,979,030	2,757,035
NET POSITION		
Total net position restricted for OPEB	$2,979,030	$2,757,035

See accompanying notes to financial statements

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

OPEB TRUST FUND

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

	2018	2017
ADDITIONS:		
Contributions to OPEB Trust		$17,094
Contributions to OPEB Plan (Note 10)	$115,806	115,159
Investment Income:		
Interest and dividends	228,814	268,804
Less: investment expenses	(6,819)	(6,165)
Total additions	337,801	394,892
DEDUCTIONS:		
Benefits	115,806	115,159
Change in net position	221,995	279,733
Net position restricted for OPEB - beginning of year	2,757,035	2,477,302
Net position restricted for OPEB - end of year	$2,979,030	$2,757,035

See accompanying notes to financial statements

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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.

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, 2018

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 – 6/30/18	1,000,000

Excess of: Excess of $1,000,000 to statutory limits for each worker's compensation occurrence through Safety National Casualty.

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

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, 2018

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 as of June 30, 2018

Excess of: $25,000 to a total of $400,000,000 ($100,000,000 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: $25,000 as of June 30, 2018

Excess of: $25,000 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

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 for all programs. 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 the worker's compensation and liability programs based on discounted estimates and all other programs 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Reserve for Unallocated Loss Adjustment Expense (ULAE)

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 statement of net position 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 statement of net position 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.

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.

L. Income Taxes

REMIF's income is exempt from federal income taxes under Internal Revenue Code Section 115, which excludes income derived from the exercise of any essential governmental function and accrues to a state political subdivision.

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.

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

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

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

B. Classification

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

	2018	2017
Cash in bank and on hand	$2,239,345	$3,953,948
Sonoma County Trust	233,401	230,369
Local Agency Investment Fund (LAIF)	407,524	403,265
Total cash and cash equivalents	2,880,270	4,587,582
Investments	11,510,329	11,562,445
Total cash, cash equivalents and investments	$14,390,599	$16,150,027

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.

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%
Local Agency Investment Fund (LAIF)	N/A	None	None	LAIF max (currently $65m/acct)
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:

	Remaining Maturity (in Months)				
Investment Type	12 Months or Less	13 to 24 Months	25 - 60 Months	June 30, 2018 Total	June 30, 2017 Total
U.S. Treasury Obligations		$1,834,111	$1,774,318	$3,608,429	$2,720,369
U.S. Agency Securities	$654,909	2,620,210	1,437,314	4,712,433	4,975,056
Commercial Paper					477,264
Medium Term Corporate Notes	797,591	1,232,480	1,146,268	3,176,339	3,320,977
Money Market Mutual Funds	13,128			13,128	68,779
Total	$1,465,628	$5,686,801	$4,357,900	$11,510,329	$11,562,445

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

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, 2018, as provided by Standard and Poor's investment rating system.

Investment Type	AAA/AAAm	AA+/AA/ AA-	A+/A/A-	Total
U.S Treasury Obligations		$3,608,429		$3,608,429
U.S. Agency Securities		4,712,433		4,712,433
Medium Term Corporate Notes	$159,738	813,257	$2,203,344	3,176,339
Money Market Mutual Funds	13,128			13,128
	$172,866	$9,134,119	$2,203,344	$11,510,329

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, 2018:

Investments by Fair Value Level:	Level 2	Total
U.S. Treasury Obligations	$3,608,429	$3,608,429
U.S. Agency Securities	4,712,433	4,712,433
Medium Term Corporate Notes	3,176,339	3,176,339
	$11,497,201	11,497,201
Investments Measured at Amortized Cost:		
Money Market Mutual Funds		13,128
Total Investments		$11,510,329

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.

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 2018, 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	$2,521,105
Federal Home Loan Mortgage Corporation	1,502,718

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.

NOTE 4 – INVESTMENTS - OPEB TRUST FUND

A. Composition

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

	2018	2017
Money Market	$31,442	$49,701
Exchange Traded Funds:		
Equities:		
Domestic	1,348,102	1,238,810
International	420,737	405,835
Real Estate:		
Domestic	159,235	133,584
International	68,719	67,070
Commodities	45,302	40,301
Bonds:		
Domestic	831,634	755,236
International	73,859	66,498
Total Investments	$2,979,030	$2,757,035

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%**

NOTE 4 – INVESTMENTS - OPEB TRUST FUND (Continued)

C. Disclosures Relating to Interest Rate Risk

As of June 30, 2018 and 2017, 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, 2018:

Investments by Fair Value Level:	Level 1	Total
Equities:		
Domestic	$1,348,102	$1,348,102
International	420,737	$420,737
Real Estate:		
Domestic	159,235	$159,235
International	68,719	$68,719
Commodities	45,302	$45,302
Bonds:		
Domestic	831,634	$831,634
International	73,859	$73,859
	$2,947,588	$2,947,588
Investments Measured at Amortized Cost:		
Money Market		31,442
Total Investments		$2,979,030

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 and GreenHaven Commodity were rated AAAm and A+, respectively by Standard and Poor's Investment Rating Service as of June 30, 2018 and 2017.

NOTE 4 – INVESTMENTS - OPEB TRUST FUND (Continued)

F. Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on OPEB Trust Fund investments, net of OPEB plan investment expense, was 8.31%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 5 - INTERPROGRAM TRANSACTIONS

Current interprogram 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 at year end based on a Board approved allocation, which is determined based on a Cost Allocation Plan performed and presented to the Board annually. The allocation is recorded at the end of the fiscal year, which resulted in current interfund balances totaling $827,516 as of June 30, 2017.

In fiscal year 2017, the Board approved a revised financial reporting structure in which general and administrative overhead costs are charged to the Enterprise Fund throughout the year and distributed to the Worker's Compensation Fund at year end based on a Board approved allocation, which is determined based on claims received or reported for each program. The allocation is recorded at the end of the fiscal year, resulting in a current interfund balance of $375,542 as of June 30, 2017.

The Enterprise Fund normally retained an imprest balance of $715,000 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 was on deposit from the REMIF Workers' Compensation Program as of June 30, 2017. However, deposits from the Workers' Compensation Program to the Enterprise Fund for the month of June 2017 exceeded expenses and the Enterprise Fund owed the Workers' Compensation Program $352,342 as of June 30, 2017.

The Enterprise Fund was closed as of June 30, 2018 and the residual deficit totaling $23,390 was transferred to the Workers' Compensation Fund.

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 statement of net position 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:

	June 30, 2017	Additions	Retirements	June 30, 2018
Land	$319,999			$319,999
Building and improvements	652,273			652,273
Furniture and fixtures	279,432	$5,074	($242,525)	41,981
Equipment	45,128		(17,095)	28,033
Total	1,296,832	5,074	(259,620)	1,042,286
Less accumulated depreciation	(963,922)	(6,590)	259,620	(710,892)
Capital assets - net	$332,910	($1,516)		$331,394

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:

	Distribution to Members of the:	
Fiscal Year	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		-
2017		-
2018		-

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.

NOTE 8 - RESERVES FOR LOSSES AND CLAIMS

Liabilities for losses and claims are based on discounted 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:

	2018	2017
Unpaid losses and loss adjustment expenses, beginning of fiscal year	$21,989,046	$18,622,563
Incurred losses and loss adjustment expenses:		
Provision for covered events of the current year	18,099,916	17,515,240
Change in provision for covered events of prior years	3,559,265	2,415,483
Total incurred losses and loss adjustment expenses	21,659,181	19,930,723
Payments:		
Losses and loss adjustment expenses attributable to covered events of the current year	11,079,543	11,167,084
Losses and loss adjustment expenses attributable to covered events of prior years	7,820,389	5,397,156
Total payments	18,899,932	16,564,240
Total unpaid losses and loss adjustment expenses, end of fiscal year	$24,748,295	$21,989,046
Reserve for losses and claims - current	$6,861,926	$5,637,998
Reserve for losses and claims - long-term	16,771,650	15,352,781
Reserve for ULAE	1,114,719	998,267
Total unpaid losses and loss adjustment expenses	$24,748,295	$21,989,046

The claims payable at June 30, 2018 are reported at their present value using expected future investment yield assumptions of 2.25%. The undiscounted claims totaled $25,781,454 at June 30, 2018. The claims payable at June 30, 2017 were reported at the undiscounted balance.

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.

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 $2,148,295 as of June 30, 2018. REMIF's policy is to also reserve net position of $1,000,000 in the Liability Fund, however the Fund has deficit unrestricted net position of $597,979 as of June 30, 2018. REMIF plans to replenish the reserves through future member premiums.

B. *Restatement of Net Position*

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), which became effective during the year ended June 30, 2018. In June 2015, GASB issued Statement No. 75 and the intention of this Statement is to improve the usefulness of information for decisions made by the various users of the financial reports of governments whose employees – both active employees and inactive employees – are provided with postemployment benefits other than pensions by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense.

The implementation of the above Statement required REMIF to make prior period adjustments. As a result, the beginning net position of the Post Retirement Benefits Fund was restated and reduced by $643,069. See Note 10 for additional information.

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

NOTE 10 - POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

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.

Plan Administration – REMIF is the Plan administrator.

Plan Membership – As of June 30, 2018, membership in the Plan consisted of the following;

Retirees and beneficiaries receiving benefits	14
Terminated plan members entitled to, but not yet receiving benefits	0
Active plan members	2
Total Number of Participants	16

Investments – REMIF's investment policy for the Plan and the related asset allocation policy, investments held as of June 30, 2018, and the rate of return are discussed in Note 4 above.

NOTE 10 - POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Change in the Net OPEB Liability – The components of the change in the net OPEB liability of REMIF at June 30, 2018, were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance at June 30, 2017	$2,884,000	$2,757,035	$126,965
Changes Recognized for the Measurement Period:			
Service Cost	100,153		100,153
Interest on the total OPEB liability	190,208		190,208
Changes in benefit terms			0
Differences between expected and actual experience	(1,166,627)		(1,166,627)
Changes of assumptions	448,000		448,000
Contributions from the employer		115,806	(115,806)
Net investment income		221,995	(221,995)
Administrative expenses			0
Benefit payments	(115,806)	(115,806)	0
Net changes	(544,072)	221,995	(766,067)
Balance at June 30, 2018	$2,339,928	$2,979,030	($639,102)

Deferred Outflows/Inflows of Resources and OPEB Expense – For the year ended June 30, 2018, REMIF recognized OPEB expense of ($486,444). At June 30, 2018, REMIF reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		($210,375)
Changes in assumptions	$80,787	
Net differences between projected and actual earnings on plan investments		(34,229)
Change in proportion and differences between actual contributions and proportionate share of contributions		
Totals	$80,787	($244,604)

NOTE 10 - POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as OPEB expense as follows:

Year Ended June 30	Annual Amortization
2019	($138,145)
2020	(8,557)
2021	(8,557)
2022	(8,558)

Actuarial Assumptions - The total OPEB liability for the Plan were determined by an actuarial valuation as of June 30, 2018. The valuation used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary Increases	3.25%
Investment Rate of Return	5.0%, net of OPEB plan investment expenses
Medical premium assumptions	
Rates (declining increases)	7.5% in 2019, declining to 5.25% in 2024 and thereafter
Dental cost increases	5.25%
Vision cost increases	3.25%
Mortality Tables	Mortality rates published by CalPERS, adjusted to back out 15 years of Scale MP 2016 to central year 2015, then projected improvements forward from 2015 using MacLeod Watts Scale 2018 applied generationally.

The long-term expected rate of return on OPEB 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 OPEB plan investment expense) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

NOTE 10 - POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Expected Long-Term Rate of Return	Target Allocation	Geometric Expected Real Rate of Return
Asset Class Component:		
Domestic equities	40%	5.35%
International equities	10%	5.35%
Fixed income	35%	0.82%
REIT	10%	4.03%
Commodities	5%	1.90%
Cash and other	0%	n/a
Weighted composite real rate of return (from above)		4.00%
Assumed Long-Term Rate of Inflation		2.75%
Assumed Long-Term Investment Expenses		(0.06%)
Margin for Adverse Deviation		(1.69%)
Expected Long-Term Net Rate of Return, Rounded		5.00%

Discount rate - The discount rate used to measure the total OPEB liability as of June 30, 2018 was 5.0% for the Plan. The projection of cash flows used to determine the discount rate assumed that REMIF contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability of REMIF, as well as what REMIF's net OPEB liability would be if it were calculated using the discount rate that is 1-percentage-point lower or 1-percentage point higher than the current discount rate:

	1% Decrease 4.00%	Discount Rate 5.00%	1% Increase 6.00%
Net OPEB Liability (Asset)	($343,531)	($639,102)	($881,624)

NOTE 10 - POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the net OPEB liability of REMIF, as well as what REMIF's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability (Asset)	($893,097)	($639,102)	($304,612)

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.

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.

NOTE 11 – PENSION PLAN (Continued)

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, 2018 are summarized as follows:

	Classic	PEPRA
	Prior to January 1, 2013	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 - 67	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% - 2.7%	1.0% - 2.5%
Required employee contribution rates	8.000%	6.500%
Required employer contribution rates	12.919%	7.066%

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. REMIF's required contribution for the unfunded liability was $154,120 in fiscal year 2018.

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.

Prior to July 1, 2016, REMIF's labor policy provided for the normal employee contributions to be paid by REMIF. As of July 1, 2016, the employees pay those contributions.

For the year ended June 30, 2018, the contributions to the Miscellaneous (cost-sharing) Plan were $242,051.

NOTE 11 – PENSION PLAN (Continued)

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, 2018, REMIF reported a net pension liability for its proportionate share of the net pension liability of the Plan of $2,240,292.

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, 2018 is measured as of June 30, 2017, 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, 2016 rolled forward to June 30, 2017 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:

Proportion - June 30, 2016	0.05804%
Proportion - June 30, 2017	0.05683%
Change - Increase (Decrease)	-0.00121%

For the year ended June 30, 2018, REMIF recognized pension expense of $483,410. At June 30, 2018, REMIF reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$242,051	
Differences between actual and expected experience	2,431	($34,827)
Changes in assumptions	301,620	(22,999)
Net differences between projected and actual earnings on plan investments	68,214	
Change in proportion and differences between actual contributions and proportionate share of contributions	189,036	(16,482)
Totals	$803,352	($74,308)

NOTE 11 – PENSION PLAN (Continued)

$242,051 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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
2019	$187,792
2020	209,104
2021	130,597
2022	(40,500)

Actuarial Assumptions – For the measurement period ended June 30, 2017, the total pension liabilities were determined by rolling forward the June 30, 2016 total pension liability. The total pension liability for the measurement date was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.2% - 12.2% (1)
Investment Rate of Return	7.50% (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

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation.
(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.

Change of Assumptions – In 2017, the accounting discount rate was reduced from 7.65% to 7.15%.

All other actuarial assumptions used in the valuation 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.

NOTE 11 – PENSION PLAN (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.15% 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 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary.

The long term expected discount rate of 7.15% 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.

Asset Class	Current Target Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
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.

NOTE 11 – PENSION PLAN (Continued)

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:

1% Decrease	6.15%
Net Pension Liability	$3,234,518
Current Discount Rate	7.15%
Net Pension Liability	$2,240,292
1% Increase	8.15%
Net Pension Liability	$1,416,856

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

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, 2018, REMIF contributed $744,701 for Liability, $448,010 for Property and $100,127 for Auto Physical Damage current year coverage.

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

NOTE 13 – MEMBER ASSESSMENTS RECEIVABLE

The REMIF Board has the authority to levy a cash assessment on the participating members for any pooled coverage program. Due to unfavorable claims development over the last ten years and underfunding of member premiums during that time, REMIF's overall equity balance reflected a deficit of $4.23 million as of June 30, 2017.

On March 22, 2018, the REMIF Board approved an assessment for the following programs to be collected beginning in the 2018/2019 fiscal year:

- Workers' Compensation program - $6 million to be collected over 6 years
- Liability program - $2.5 million to be collected over 5 years

The assessments will be paid in six or five equal annual installments as noted above, and the unpaid balances of the assessments do not bear interest.

NOTE 14 – 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.

REQUIRED SUPPLEMENTARY INFORMATION

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REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
FOR THE YEAR ENDED JUNE 30, 2018

	Workers' Compensation Fund	Liability Fund	Property Fund	Dental Fund	Vision Fund	Auto Physical Damage Fund	Self-Funded Healthcare Fund	Total
Unpaid Losses and Loss Adjustment Expenses, Beginning of Year	$15,293,930	$5,669,674	$0	$82,134	$14,227	$0	$929,081	$21,989,046
Incurred Losses and Loss Adjustment Expenses:								
Provision for Insured Events of the Current Year	4,548,733	1,532,862	80,978	1,084,239	159,509	0	10,693,595	18,099,916
Change in Provision for Insured Events of Prior Years	1,746,042	468,586	0	(34,956)	0	0	1,379,593	3,559,265
Total Incurred Losses and Loss Adjustment Expenses	6,294,775	2,001,448	80,978	1,049,283	159,509	0	12,073,188	21,659,181
Payments:								
Losses and Loss Adjustment Expenses Attributable to Insured Events of the Current Year	360,952	41,086	55,978	1,034,239	143,693	0	9,443,595	11,079,543
Losses and Loss Adjustment Expenses Attributable to Insured Events of the Prior Years	3,613,202	1,835,519	0	47,178	15,816	0	2,308,674	7,820,389
Total Payments	3,974,154	1,876,605	55,978	1,081,417	159,509	0	11,752,269	18,899,932
Total Unpaid Losses and Loss Adjustment Expenses End of Year	$17,614,551	$5,794,517	$25,000	$50,000	$14,227	$0	$1,250,000	$24,748,295
Reserve for Losses and Claims - Current	$3,898,457	$2,899,242	$0	$50,000	$14,227	$0	$0	$6,861,926
Reserve for Losses and Claims - Long-Term	12,877,304	2,619,346	25,000				1,250,000	16,771,650
Reserve for ULAE	838,790	275,929						1,114,719
Total Unpaid Losses and Loss Adjustment Expenses	$17,614,551	$5,794,517	$25,000	$50,000	$14,227	$0	$1,250,000	$24,748,295

See Notes to Required Supplementary Information

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REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT
FOR THE YEAR ENDED JUNE 30, 2017

	Workers' Compensation Fund	Liability Fund	Property Fund	Dental Fund	Vision Fund	Auto Physical Damage Fund	Self-Funded Healthcare Fund	Total
Unpaid Losses and Loss Adjustment Expenses, Beginning of Year	$14,344,189	$2,977,531	$0	$83,855	$11,639	$0	$1,205,349	$18,622,563
Incurred Losses and Loss Adjustment Expenses:								
Provision for Insured Events of the current Year	3,149,446	2,435,831	14,061	1,110,345	160,508	4,100	10,640,949	17,515,240
Change in Provision for Insured Events of Prior Years	868,259	1,613,524	(64,250)	0	0	(2,050)	0	2,415,483
Total Incurred Losses and Loss Adjustment Expenses	4,017,705	4,049,355	(50,189)	1,110,345	160,508	2,050	10,640,949	19,930,723
Payments:								
Losses and Loss Adjustment Expenses Attributable to Insured Events of the Current Year	193,651	73,012	14,061	1,028,211	146,281	0	9,711,868	11,167,084
Losses and Loss Adjustment Expenses Attributable to Insured Events of the Prior Years	2,874,313	1,284,200	(64,250)	83,855	11,639	2,050	1,205,349	5,397,156
Total Payments	3,067,964	1,357,212	(50,189)	1,112,066	157,920	2,050	10,917,217	16,564,240
Total Unpaid Losses and Loss Adjustment Expenses End of Year	$15,293,930	$5,669,674	$0	$82,134	$14,227	$0	$929,081	$21,989,046
Reserve for Losses and Claims - Current	$2,938,657	$2,602,980	$0	$82,134	$14,227	$0	$0	$5,637,998
Reserve for Losses and Claims - Long-Term	11,626,991	2,796,709					929,081	15,352,781
Reserve for ULAE	728,282	269,985						998,267
Total Unpaid Losses and Loss Adjustment Expenses	$15,293,930	$5,669,674	$0	$82,134	$14,227	$0	$929,081	$21,989,046

See Notes to Required Supplementary Information

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

	Claim Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1) Premium and investment revenues										
Earned	$3,574	$3,612	$3,376	$3,304	$3,806	$3,579	$3,695	$4,162	$4,862	$5,379
Ceded	(408)	(310)	(315)	(282)	(293)	(277)	(291)	(345)	(320)	(333)
Net Earned	3,166	3,302	3,061	3,022	3,513	3,302	3,404	3,817	4,542	5,046
2) Unallocated expenses	339	559	347	318	338	335	327	212	0	1,218
3) Estimated self insured incurred claims and expense, end of program year	2,077	2,746	2,680	2,195	2,984	3,132	2,906	3,442	3,529	5,351
4) Paid (cumulative) as of:										
End of program year	316	497	436	313	618	558	418	381	488	722
One year later	735	1,352	1,224	1,204	1,465	1,618	1,176	1,107	1,138	
Two years later	997	2,106	1,893	1,869	2,337	2,412	1,655	1,724		
Three years later	1,153	2,623	2,472	2,278	2,701	3,070	2,127			
Four years later	1,286	2,837	2,788	2,513	3,086	3,625				
Five years later	1,341	3,163	3,086	2,710	3,329					
Six years later	1,378	3,541	3,434	2,934						
Seven years later	1,414	3,799	3,967							
Eight years later	1,445	3,885								
Nine years later	1,469									
5) Reestimated ceded claims and expenses										
6) Reestimated incurred claims and expenses										
End of program year	2,077	2,746	2,680	2,195	2,984	3,132	2,906	3,442	3,529	5,351
One year later	1,607	2,930	2,824	3,204	3,175	3,633	2,949	3,210	3,897	
Two years later	1,575	3,467	3,783	3,316	3,731	4,189	3,287	3,395		
Three years later	1,575	3,578	4,331	3,498	4,088	4,746	3,659			
Four years later	1,540	3,655	4,423	3,267	4,367	5,760				
Five years later	1,613	4,259	4,568	3,280	4,919					
Six years later	1,684	4,589	4,673	3,520						
Seven years later	1,670	4,735	5,078							
Eight years later	1,621	4,667								
Nine years later	1,605									
7) Increase (decrease) in estimated incurred claims and expenses from end of program year	($472)	$1,921	$2,398	$1,325	$1,935	$2,628	$753	($47)	$368	$0

See Notes to Required Supplementary Information

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

	Claim Year					Claim Year				
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1) Premium and investment revenues										
Earned	$3,270	$3,227	$3,023	$2,853	$2,389	$2,271	$2,035	$2,307	$2,518	$2,813
Ceded	(651)	(652)	(597)	(633)	(521)	(614)	(609)	(604)	(647)	(759)
Net Earned	2,619	2,575	2,426	2,220	1,868	1,657	1,426	1,703	1,871	2,054
2) Unallocated expenses	570	569	608	569	589	497	637	648	0	516
3) Estimated self insured incurred claims and expense, end of program year	1,660	1,647	1,701	1,566	1,211	1,601	2,166	1,883	2,671	1,747
4) Paid (cumulative) as of:										
End of program year	382	322	416	430	258	471	569	379	328	177
One year later	784	985	1,036	840	515	1,231	1,085	828	737	
Two years later	934	1,555	1,562	1,680	747	1,705	1,942	1,459		
Three years later	1,029	2,188	1,626	2,320	935	1,845	2,194			
Four years later	1,164	2,227	1,650	2,321	989	2,323				
Five years later	1,167	2,240	1,595	2,387	970					
Six years later	1,167	2,117	1,597	2,550						
Seven years later	1,055	2,118	1,630							
Eight years later	1,055	2,222								
Nine years later	1,055									
5) Reestimated ceded claims and expenses										
6) Reestimated incurred claims and expenses										
End of program year	1,660	1,647	1,701	1,566	1,211	1,601	2,166	1,883	2,671	1,747
One year later	1,301	1,743	1,710	1,600	1,164	2,061	2,124	2,288	2,488	
Two years later	1,158	1,928	1,843	2,003	1,045	1,993	2,758	2,715		
Three years later	1,088	2,290	1,673	2,443	999	2,306	3,017			
Four years later	1,181	2,240	1,688	2,429	1,042	2,608				
Five years later	1,167	2,274	1,614	2,803	1,001					
Six years later	1,167	2,136	1,653	2,602						
Seven years later	1,055	2,198	1,656							
Eight years later	1,055	2,222								
Nine years later	1,055									
7) Increase (decrease) in estimated incurred claims and expenses from end of program year	($605)	$575	($45)	$1,036	($210)	$1,007	$851	$832	($183)	$0

See Notes to Required Supplementary Informatior

CLAIMS DEVELOPMENT INFORMATION

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

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

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

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

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

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

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

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

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

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the
Net OPEB Liability (Asset) and Related Ratios
Last Ten Fiscal Years (1)

For the Measurement Period Ended June 30	2017	2018
Total OPEB Liability		
Service Cost	$97,000	$100,153
Interest	179,000	190,208
Changes of benefit terms	-	-
Differences between expected and actual experience	-	(1,166,627)
Changes of assumptions	-	448,000
Benefit Payments	(115,159)	(115,806)
Net change in Total OPEB Liability	160,841	(544,072)
Total OPEB Liability at beginning of year	2,723,000	2,884,000 (2)
Total OPEB Liability at end of year	$2,883,841 (2)	$2,339,928
Plan Fiduciary Net Position		
Contributions - employer	$132,253	$115,806
Contributions - member	-	-
Net investment income	262,639	221,995
Benefit payments	(115,159)	(115,806)
Administrative expenses		
Net change in Plan Fiduciary Net Position	279,733	221,995
Plan Fiduciary Net Position at beginning of year	2,477,302	2,757,035
Plan Fiduciary Net Position at end of year	$2,757,035	$2,979,030
Net OPEB Liability (Asset) at end of year	$126,806	($639,102)
Plan's Fiduciary Net Position as percentage of Total OPEB Liability (Asset)	95.6%	127.3%
Covered-employee payroll	$811,000	$467,743
Net OPEB Liability (Asset) as percentage of covered-employee payroll	15.64%	-136.64%

Notes:
(1) Fiscal year 2017 was the first year of implementation
(2) REMIF changed actuarial firms in fiscal year 2018, which resulted in a rounding difference between the fiscal year balances.

Schedule of OPEB Contributions
Last Ten Fiscal Years (1)

For the Fiscal Year Ended June 30	2017	2018
Contractually Required Contributions	$115,159	$115,806
Employer Contributions	115,159	115,806
Contribution Deficiency (Excess)	$0	$0
Covered-Employee Payroll	$811,000	$467,743
Contributions as percentage of covered-employee payroll	14.20%	24.76%

(1) Fiscal year 2017 was the first year of implementation

Schedule of OPEB Trust Investment Returns
Last Ten Fiscal Years (1)

For the Fiscal Year Ended June 30	**2017**	**2018**
Annual money-weighted rate of return, net of investment expense	8.20%	8.31%

Notes:

(1) Fiscal year 2017 was the first year of implementation

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**	**6/30/2016**	**6/30/2017**
Plan's proportion of the Net Pension Liability (Asset)	0.05859%	0.06212%	0.05804%	0.05683%
Plan's proportion share of the Net Pension Liability (Asset)	$1,448,051	$1,704,201	$2,016,395	$2,240,292
Plan's Covered Payroll	$685,650	$756,359	$757,350	$811,012
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	211.19%	225.32%	266.24%	276.23%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.82%	78.40%	74.06%	73.31%

* - 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**	**2017**	**2018**
Actuarially determined contributions	$259,592	$219,744	$241,669	$242,051
Contributions in relation to the actuarially determined contributions	(259,592)	(219,744)	(241,669)	(242,051)
Contribution deficiency (excess)				
Covered payroll	$756,359	$757,350	$811,012	$782,868
Contributions as a percentage of covered payroll	34.32%	29.01%	29.80%	30.92%

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

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SUPPLEMENTAL INFORMATION

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REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
SCHEDULE OF NET POSITION BY PROGRAM
JUNE 30, 2018
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017

	Workers' Compensation Fund	Liability Fund	Property Fund	Dental Fund
ASSETS				
Cash and cash equivalents	$1,412,609	$647,324	$107,004	$99,157
Investments, current	712,305	332,260	54,923	50,895
Receivables:				
Premiums and fees	1,526,487	109,981	21,747	
Reimbursements	433,739	163,629	15,751	
Member assessments	1,000,000	500,000		
Interfund				
Excess insurance reimbursement and other	484,937		70,953	
Interest	208,729			
Prepaid expenses	6,448	65,479	302,229	
Deposits				
Total current assets	5,785,254	1,818,673	572,607	150,052
NONCURRENT ASSETS				
Investments, noncurrent	5,883,079	1,377,865	274,543	350,967
Receivables:				
Member assessments	5,000,000	2,000,000		
Net OPEB asset				
Capital assets - net of accumulated depreciation	331,394			
TOTAL ASSETS	16,999,727	5,196,538	847,150	501,019
DEFERRED OUTFLOWS OF RESOURCES				
Related to OPEB				
Related to pensions	803,352			
TOTAL DEFERRED OUTFLOWS OF RESOURCES	803,352			
LIABILITIES				
Unearned premiums			238,237	
Interfund payables				
Accounts payable	20,063			
Deposits held to perform claim administration				
Tenant and other deposits	2,160			
Reserve for losses and claims	3,898,457	2,899,242		50,000
Total current liabilities	3,920,680	2,899,242	238,237	50,000
NONCURRENT LIABILITIES				
Reserve for losses and claims	12,877,304	2,619,346	25,000	
Reserve for ULAE	838,790	275,929		
Net pension liability	2,240,292			
TOTAL LIABILITIES	19,877,066	5,794,517	263,237	50,000
DEFERRED INFLOWS OF RESOURCES				
Related to OPEB				
Related to pensions	74,308			
TOTAL DEFERRED INFLOWS OF RESOURCES	74,308			
NET POSITION (DEFICIT)				
Net investment in capital assets	331,394			
Unrestricted	(2,479,689)	(597,979)	583,913	451,019
TOTAL NET POSITION (DEFICIT)	($2,148,295)	($597,979)	$583,913	$451,019

* Not restated for the provisions of GASB Statement No. 75.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
SCHEDULE OF NET POSITION BY PROGRAM
JUNE 30, 2018
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017

Vision Fund	Auto Physical Damage Fund	Post Retirement Benefits Fund	Self-Funded Healthcare Fund	Enterprise Fund	Total 2018	Total 2017 *
$23,593	$138,662		$451,921		$2,880,270	$4,587,582
12,110	71,172		231,963		1,465,628	2,214,626
	6,595				1,664,810	114,082
	27,485				640,604	1,622,302
					1,500,000	
						1,937,386
					555,890	967,961
					208,729	
					374,156	
						277,000
35,703	243,914		683,884		9,290,087	11,720,939
83,529	463,096		1,611,622		10,044,701	9,347,819
					7,000,000	
		$639,102			639,102	516,104
					331,394	332,910
119,232	707,010	639,102	2,295,506		27,305,284	21,917,772
		80,787			80,787	
					803,352	851,545
		80,787			884,139	851,545
					238,237	
						1,937,386
					20,063	227,791
						715,000
					2,160	2,160
14,227					6,861,926	5,637,998
14,227					7,122,386	8,520,335
			1,250,000		16,771,650	15,352,781
					1,114,719	998,267
					2,240,292	2,016,395
14,227			1,250,000		27,249,047	26,887,778
		244,604			244,604	
					74,308	105,039
		244,604			318,912	105,039
					331,394	332,910
105,005	707,010	475,285	1,045,506		290,070	(4,556,410)
$105,005	$707,010	$475,285	$1,045,506		$621,464	($4,223,500)

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REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

	Workers' Compensation Fund	Liability Fund	Property Fund	Dental Fund
OPERATING REVENUES				
Member Premiums	$5,268,772	$2,783,403	$501,543	$1,242,531
Member Assessments	6,000,000	2,500,000		
Fees	129,413	2,750	150	
Excess insurance refunds	48			
Total operating revenues	11,398,233	5,286,153	501,693	1,242,531
OPERATING EXPENSES				
Net losses and claims incurred	6,184,267	1,995,504	80,978	1,049,283
Change in reserve for ULAE	110,508	5,944		
Premiums and/or contributions for excess coverage	332,681	758,980	478,971	
Claims consultants and administration	345,439	142,912		155,142
General and administrative	872,189	373,055	23,308	15,715
Contributions to OPEB Trust Fund				
Annual OPEB expense				
Total operating expenses	7,845,084	3,276,395	583,257	1,220,140
OPERATING INCOME (LOSS)	3,553,149	2,009,758	(81,564)	22,391
NONOPERATING REVENUE (EXPENSE)				
Rental income	31,200			
Investment income	110,201	29,959	5,732	6,581
Total Nonoperating Revenues (Expenses)	141,401	29,959	5,732	6,581
Income (Loss) Before Transfers	3,694,550	2,039,717	(75,832)	28,972
Transfers in	(23,390)			
Transfers out				
NET CHANGE IN NET POSITION	3,671,160	2,039,717	(75,832)	28,972
NET POSITION (DEFICIT), Beginning of year, as restated	(5,819,455)	(2,637,696)	659,745	422,047
NET POSITION (DEFICIT), End of year	($2,148,295)	($597,979)	$583,913	$451,019

* Not restated for the provisions of GASB Statement No. 75.

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

Vision Fund	Auto Physical Damage Fund	Post Retirement Benefits Fund	Self-Funded Healthcare Fund	Enterprise Fund	Total 2018	Total 2017 *
$226,779	$225,549		$13,250,438		$23,499,015	$23,105,862
					8,500,000	
	200			$562,989	695,502	805,223
				30	78	106,417
226,779	225,749		13,250,438	563,019	32,694,595	24,017,502
159,509			12,073,188		21,542,729	19,757,301
					116,452	173,422
	103,948				1,674,580	1,370,198
35,295			1,696,433	8,291	2,383,512	2,394,696
15,715	23,308		128,746	864,859	2,316,895	1,905,519
						17,094
		($602,250)			(602,250)	747
210,519	127,256	(602,250)	13,898,367	873,150	27,431,918	25,618,977
16,260	98,493	602,250	(647,929)	(310,131)	5,262,677	(1,601,475)
					31,200	31,200
1,570	8,832		29,979	1,302	194,156	(28,468)
1,570	8,832		29,979	1,302	225,356	2,732
17,830	107,325	602,250	(617,950)	(308,829)	5,488,033	(1,598,743)
					(23,390)	17,094
				23,390	23,390	(17,094)
17,830	107,325	602,250	(617,950)	(285,439)	5,488,033	(1,598,743)
87,175	599,685	(126,965)	1,663,456	285,439	(4,866,569)	(2,624,757)
$105,005	$707,010	$475,285	$1,045,506		$621,464	($4,223,500)

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REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
SCHEDULES OF CASH FLOWS BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

	Workers' Compensation Fund	Liability Fund	Property Fund	Dental Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from members	$3,979,276	$2,722,914	$713,139	$1,242,531
Cash received for excess insurance dividends	48			
Payments for excess insurance	(339,129)	(824,459)	(781,200)	
Payments (refunds) for claims, claims consultants and claims administration	(3,720,586)	(1,945,337)	(126,704)	(1,248,180)
Payments to vendors	(378,141)	(249,860)	(8,220)	(5,544)
Payments to or on behalf of employees	(246,099)	(125,418)	(15,088)	(10,171)
Interfund receipts (payments)	1,084,954	(436,633)	(45,451)	(15,402)
Contributions to OPEB Trust				
Net cash provided (used) by operating activities	380,323	(858,793)	(263,524)	(36,766)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in				
Transfers out	(30,577)			
Rents received	31,200			
Net cash provided (used) by noncapital financing activities	623			
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid), net of fair value adjustment	(98,528)	29,959	5,732	6,581
(Purchase) sale of investments	(814,995)	571,061	167,584	(57,683)
Net cash provided (used) by investing financing activities	(913,523)	601,020	173,316	(51,102)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(5,074)			
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(537,651)	(257,773)	(90,208)	(87,868)
CASH AND EQUIVALENTS, Beginning of year	1,950,260	905,097	197,212	187,025
CASH AND EQUIVALENTS, End of year	$1,412,609	$647,324	$107,004	$99,157
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	$3,553,149	$2,009,758	($81,564)	$22,391
Depreciation expense	6,590			
Change in:				
Premiums and fees receivable	(1,412,405)	(109,981)	(21,747)	
Reimbursement receivable	(6,504)	46,742	(5,044)	
Member assessments receivable	(6,000,000)	(2,500,000)		
Interfund receivables	1,511,170			
Excess insurance reimbursement and other	408,617	74,180	(70,726)	
Prepaid expenses	(6,448)	(65,479)	(302,229)	
Unearned premiums			238,237	
Reimbursements for claims paid				
Deposits held to perform claim administration	275,500			
Net pension liability and deferred outflows/inflows related to pensions	241,359			
Other post employment benefits and deferred outflows/inflows related to OPEB				
Interfund payables	(426,216)	(436,633)	(45,451)	(15,402)
Accounts payable and other liabilities	(85,110)	(2,223)		(11,621)
Reserve for losses and claims	2,210,113	118,899	25,000	(32,134)
Reserve for ULAE	110,508	5,944		
Net cash provided (used) by operating activities	$380,323	($858,793)	($263,524)	($36,766)
NONCASH TRANSACTIONS				
Transfer of capital assets	$7,187			

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
SCHEDULES OF CASH FLOWS BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

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Vision Fund	Auto Physical Damage Fund	Post Retirement Benefits Fund	Self-Funded Healthcare Fund	Enterprise Fund	Total 2018	Total 2017
$226,779	$209,525		$13,275,284	$780,776	$23,150,224	$23,706,521
				30	78	106,417
	(103,948)				(2,048,736)	(1,346,455)
(209,033)			(13,448,702)	(8,291)	(20,706,833)	(19,199,060)
(5,544)	(8,220)		(118,575)	(232,558)	(1,006,662)	(808,940)
(10,171)	(15,088)		(10,171)	(726,846)	(1,159,052)	(1,134,884)
(2,263)	(45,451)		(164,142)	(375,612)		
						(17,094)
(232)	36,818		(466,306)	(562,501)	(1,770,981)	1,306,505
				30,577	30,577	17,094
					(30,577)	(17,094)
					31,200	31,200
				30,577	31,200	31,200
1,570	8,832		29,979	1,302	(14,573)	(28,468)
(17,631)	(85,173)		(90,905)	379,858	52,116	9,664
(16,061)	(76,341)		(60,926)	381,160	37,543	(18,804)
					(5,074)	(5,115)
(16,293)	(39,523)		(527,232)	(150,764)	(1,707,312)	1,313,786
39,886	178,185		979,153	150,764	4,587,582	3,273,796
$23,593	$138,662		$451,921		$2,880,270	$4,587,582
$16,260	$98,493	$602,250	($647,929)	($310,131)	$5,262,677	($1,601,475)
					6,590	6,434
	(6,595)				(1,550,728)	288,316
	(9,629)		24,846	931,287	981,698	(557,880)
					(8,500,000)	
				426,216	1,937,386	(1,111,192)
					412,071	(275,717)
					(374,156)	23,743
					238,237	
						(7,486)
				(713,500)	(438,000)	65,000
					241,359	(107,358)
		(602,250)			(602,250)	747
(2,263)	(45,451)		(164,142)	(801,828)	(1,937,386)	1,111,192
(14,229)				(94,545)	(207,728)	105,698
			320,919		2,642,797	3,193,061
					116,452	173,422
($232)	$36,818		($466,306)	($562,501)	($1,770,981)	$1,306,505
				($7,187)		

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STATISTICAL INFORMATION

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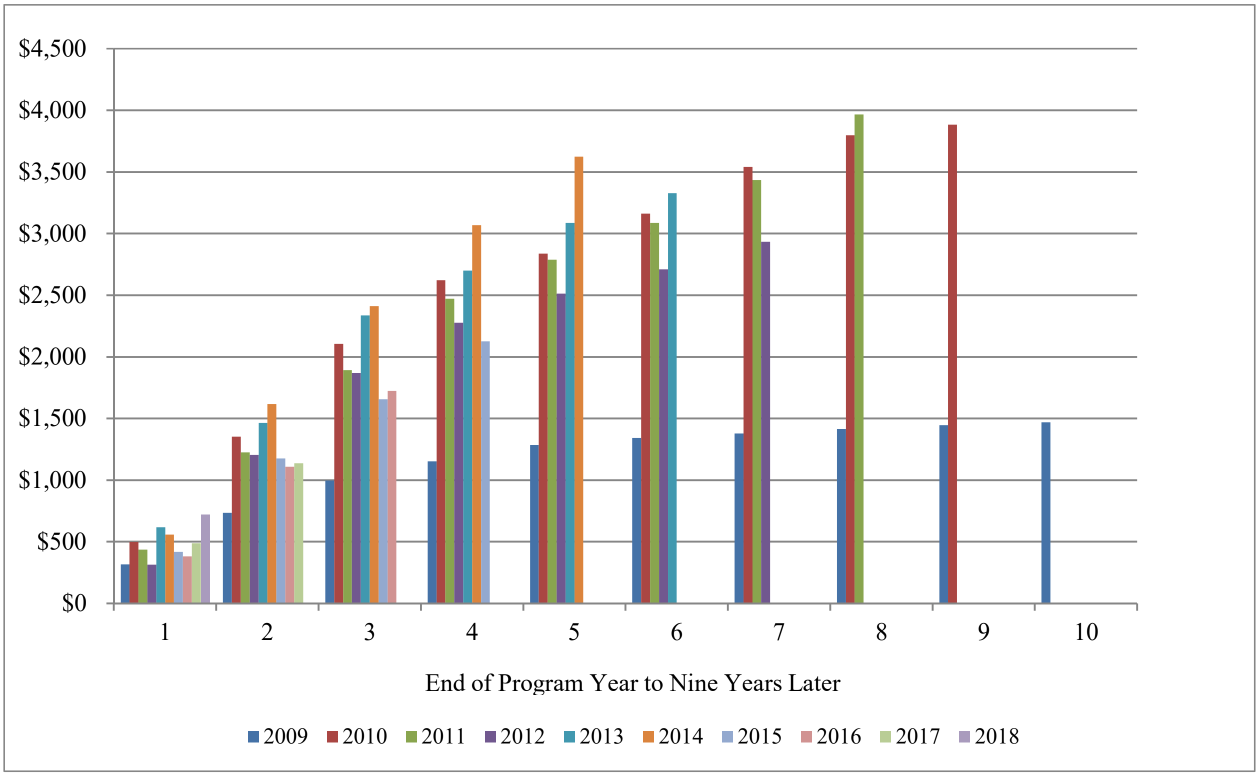
REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

CLAIMS DEVELOPMENT INFORMATION
CUMULATIVE WORKERS' COMPENSATION FUND CLAIMS PAID
INCLUDING MEMBER DEDUCTIBLES
LAST TEN FISCAL YEARS
(In Thousands of Dollars)



	Claim Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Paid (cumulative) as of:										
End of program year	$316	$497	$436	$313	$618	$558	$418	$381	$488	$722
One year later	735	1,352	1,224	1,204	1,465	1,618	1,176	1,107	1,138	
Two years later	997	2,106	1,893	1,869	2,337	2,412	1,655	1,724		
Three years later	1,153	2,623	2,472	2,278	2,701	3,070	2,127			
Four years later	1,286	2,837	2,788	2,513	3,086	3,625				
Five years later	1,341	3,163	3,086	2,710	3,329					
Six years later	1,378	3,541	3,434	2,934						
Seven years later	1,414	3,799	3,967							
Eight years later	1,445	3,885								
Nine years later	1,469									

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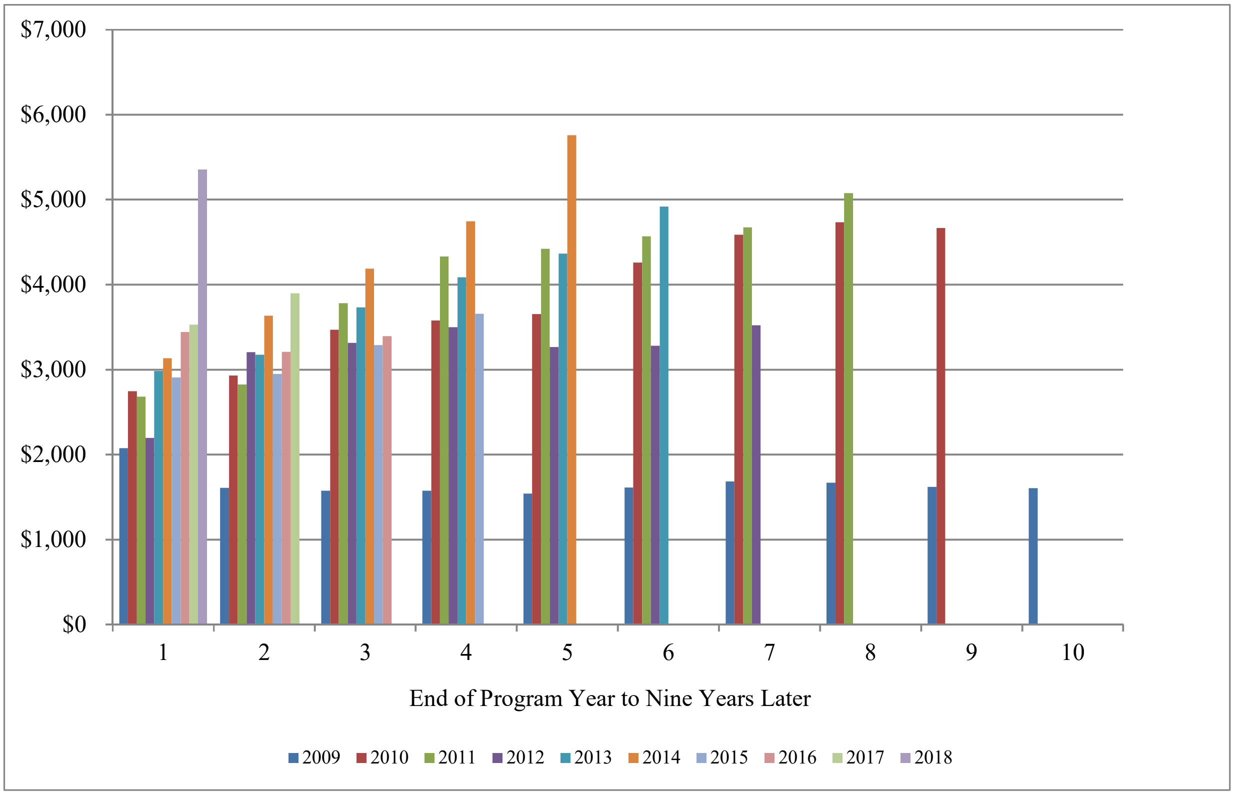
REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

CLAIMS DEVELOPMENT INFORMATION
RE-ESTIMATED INCURRED WORKERS' COMPENSATION FUND CLAIMS AND EXPENSES
INCLUDING MEMBER DEDUCTIBLES
LAST TEN FISCAL YEARS
(In Thousands of Dollars)



	Claim Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Ultimate loss as of:										
End of program year	$2,077	$2,746	$2,680	$2,195	$2,984	$3,132	$2,906	$3,442	$3,529	$5,351
One year later	1,607	2,930	2,824	3,204	3,175	3,633	2,949	3,210	3,897	
Two years later	1,575	3,467	3,783	3,316	3,731	4,189	3,287	3,395		
Three years later	1,575	3,578	4,331	3,498	4,088	4,746	3,659			
Four years later	1,540	3,655	4,423	3,267	4,367	5,760				
Five years later	1,613	4,259	4,568	3,280	4,919					
Six years later	1,684	4,589	4,673	3,520						
Seven years later	1,670	4,735	5,078							
Eight years later	1,621	4,667								
Nine years later	1,605									

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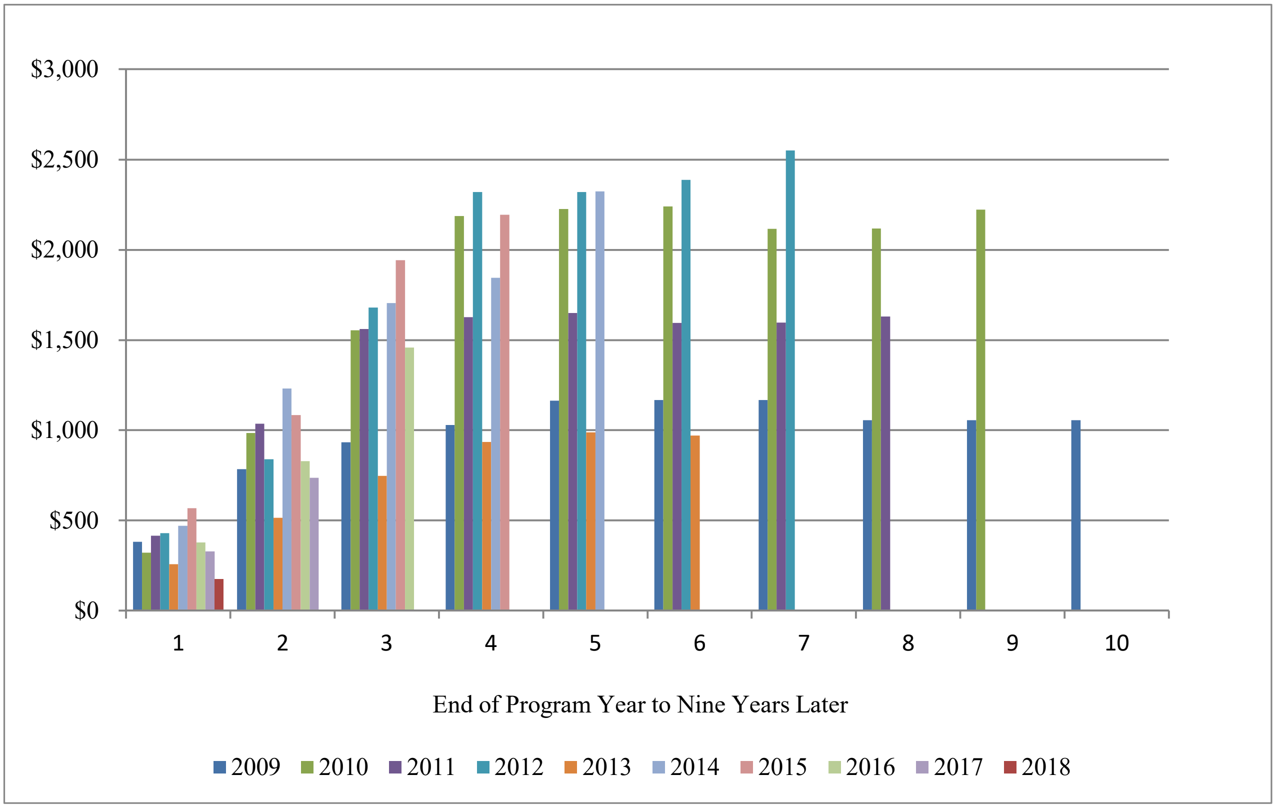
REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

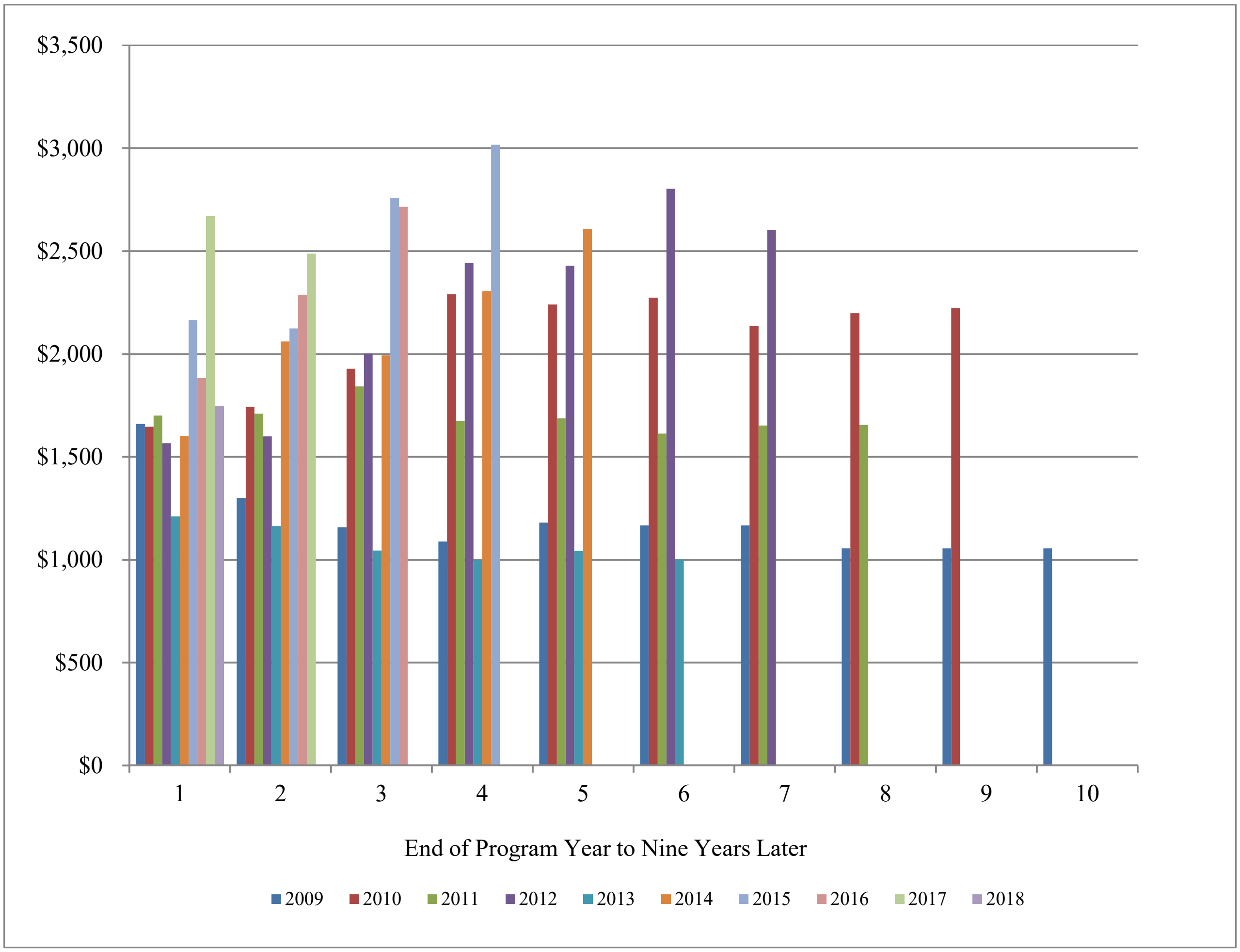
CLAIMS DEVELOPMENT INFORMATION
CUMULATIVE LIABILITY FUND CLAIMS PAID
INCLUDING MEMBER DEDUCTIBLES
LAST TEN FISCAL YEARS
(In Thousands of Dollars)



	Claim Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Paid (cumulative) as of:										
End of program year	$382	$322	$416	$430	$258	$471	$569	$379	$328	$177
One year later	784	985	1,036	840	515	1,231	1,085	828	737	
Two years later	934	1,555	1,562	1,680	747	1,705	1,942	1,459		
Three years later	1,029	2,188	1,626	2,320	935	1,845	2,194			
Four years later	1,164	2,227	1,650	2,321	989	2,323				
Five years later	1,167	2,240	1,595	2,387	970					
Six years later	1,167	2,117	1,597	2,550						
Seven years later	1,055	2,118	1,630							
Eight years later	1,055	2,222								
Nine years later	1,055									

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

CLAIMS DEVELOPMENT INFORMATION
RE-ESTIMATED INCURRED LIABILITY FUND CLAIMS AND EXPENSES
INCLUDING MEMBER DEDUCTIBLES
LAST TEN FISCAL YEARS
(In Thousands of Dollars)



	Claim Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Ultimate loss as of:										
End of program year	$1,660	$1,647	$1,701	$1,566	$1,211	$1,601	$2,166	$1,883	$2,671	$1,747
One year later	1,301	1,743	1,710	1,600	1,164	2,061	2,124	2,288	2,488	
Two years later	1,158	1,928	1,843	2,003	1,045	1,993	2,758	2,715		
Three years later	1,088	2,290	1,673	2,443	999	2,306	3,017			
Four years later	1,181	2,240	1,688	2,429	1,042	2,608				
Five years later	1,167	2,274	1,614	2,803	1,001					
Six years later	1,167	2,136	1,653	2,602						
Seven years later	1,055	2,198	1,656							
Eight years later	1,055	2,222								
Nine years later	1,055									

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

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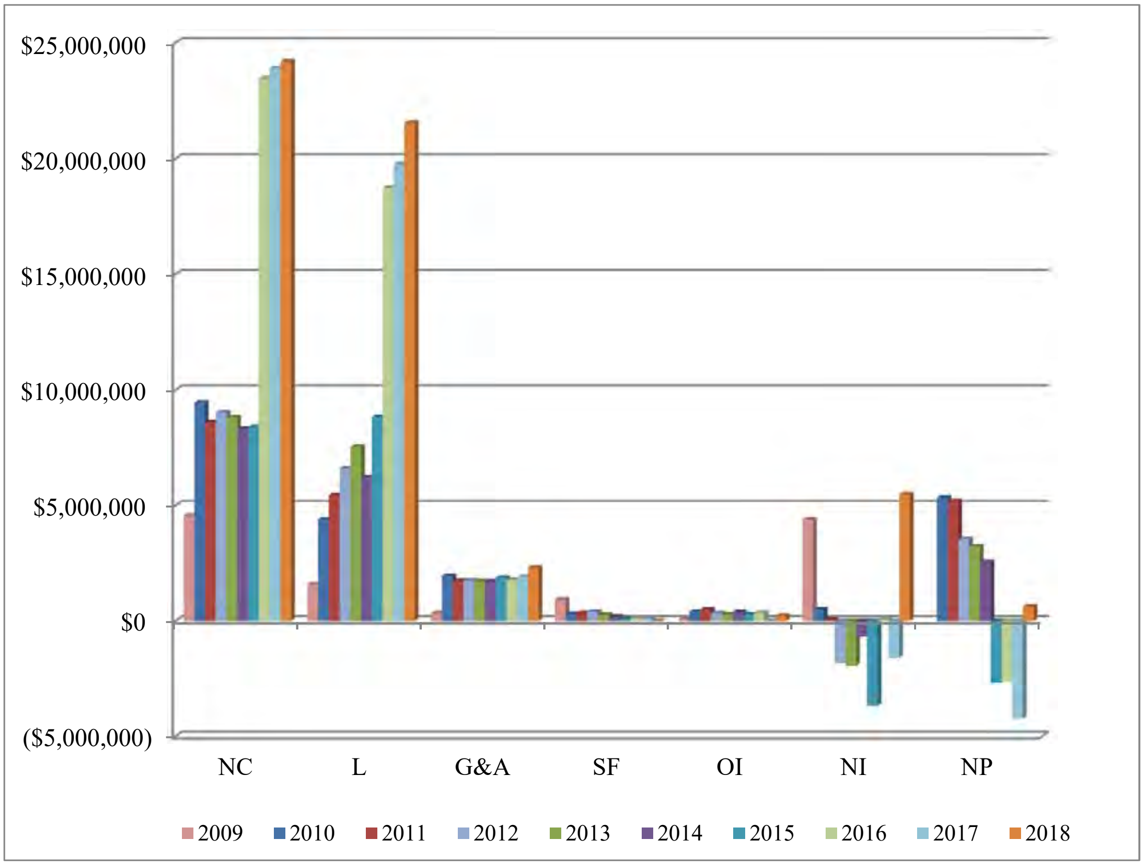
HISTORICAL TRENDS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION LAST TEN FISCAL YEARS



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)
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)
2017	23,911,085	19,757,301	1,905,519	106,417	2,732	(1,598,743)	(4,223,500)
2018	24,194,517	21,542,729	2,316,895	78	225,356	5,488,033	621,464

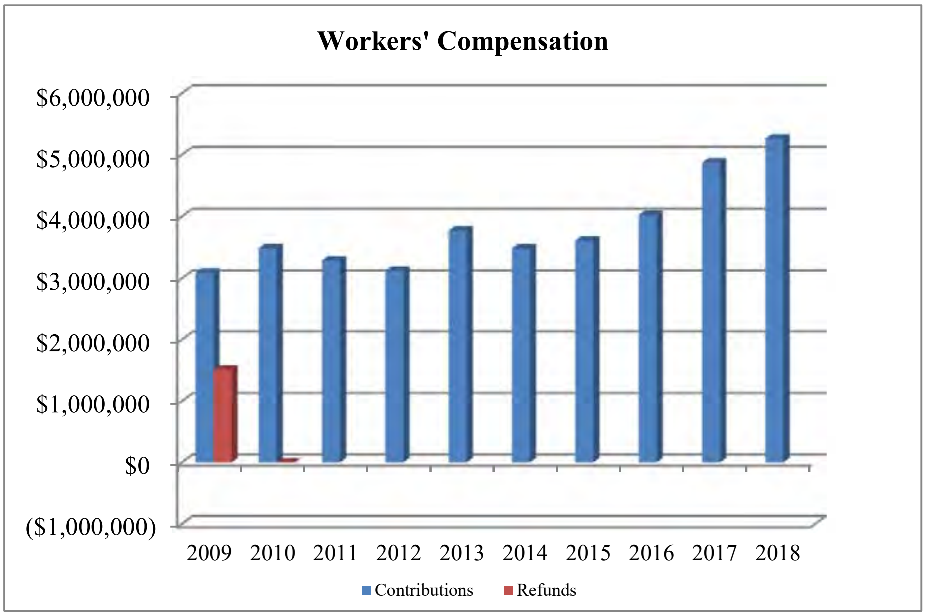
(A) REMIF implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term “net assets” with the term “net position.”

(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 Contributions	Workers Compensation Refunds	Liability Contributions	Liability Refunds
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	
2017	4,872,746		2,529,549	
2018	5,268,772		2,783,403	

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REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
MEMORANDUM ON INTERNAL CONTROL

FOR THE YEAR ENDED JUNE 30, 2018

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REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
MEMORANDUM ON INTERNAL CONTROL

For the Year Ended June 30, 2018

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MEMORANDUM ON INTERNAL CONTROL

Board of Directors
Redwood Empire Municipal Insurance Fund
Sonoma, California

In planning and performing our audit of the basic financial statements of Redwood Empire Municipal Insurance Fund (REMIF) for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered REMIF's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of REMIF's internal control. Accordingly, we do not express an opinion on the effectiveness of REMIF's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of REMIF's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control included on the Status of Prior Year Material Weaknesses as items 2017-01, 2017-03, 2017-04 and 2014-03 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control included on the Schedule of Significant Deficiencies to be significant deficiencies.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

Management responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, Board of Directors and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Pleasant Hill, California
January 25, 2019

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SCHEDULE OF SIGNIFICANT DEFICIENCIES

2018-01 **Appropriate Signatures on Checks Issued**

REMIF's policy prior to April 2018 required that checks for claims payments in excess of $5,000 have two "wet" signatures.

We selected twenty-five worker's compensation program disbursements for testing and noted four checks issued after the departure of the former Finance Director in December 2017 contained her signature. Although we did note that the Finance Director was removed as an authorized signer from the bank account in March 2018, one of the checks tested was issued in April 2018.

We understand that the signature plate was used to sign the checks, rather than "wet" signatures and that signature plate had not been updated after the departure of the Finance Director. We also understand that since the General Manager had approved the disbursements, the signature plate continued to be used.

Continuing to use a signature plate with signers that are no longer employed by REMIF increases the risk that unauthorized disbursements could be made. And, REMIF should determine whether the "wet signature" policy should be enforced or if the policy should be revised to allow the use of the signature plate.

In the event use of a signature plate continues, REMIF should develop procedures to ensure that the signature plate is updated timely when an employee departs. If the signature plate update is delayed, checks should be manually signed by the General Manager or other authorized signers, in accordance with REMIF's signature authority policy.

Management's Response:
Management agrees with the recommendation. With the changes in staffing and transferring claims data to third-party claims administrators, the removal of the signature plate was overlooked. During the normal course of the business activities, the General Manager had identified this as an issue and brought it forward to the Auditor's attention. Since the claims administration has been moved, this finding is no longer an issue.

2018-02 **Timely Preparation and Review of the Treasurer's Report**

Timely review and approval is an important element of REMIF's internal control structure. In order to be an effective control, the Treasurer's Report should be prepared within 30-45 days after month-end, and subsequently reviewed for accuracy in a timely manner.

We reviewed the September and December 2017 Treasurer's Reports and noted that they were not reviewed until February 8, 2018 and March 7, 2018, respectively, which is more than 45 days after month-end. In addition, the name of the preparer and the date of preparation was not evident, so we were unable to determine if the reports were prepared timely or if proper segregation of duties was in place.

We understand REMIF staff fell behind in preparing and reviewing the Treasurer's Reports due to staff changes.

2018-02 **<u>Timely Preparation and Review of the Treasurer's Report (Continued)</u>**

The delay in review and approval of the Treasurer's Report, including investment reconciliations, increases the risk of errors and/or fraud not being detected in a timely manner. In addition, without an audit trail to identify when the Treasurer's Report was prepared and by whom, there is no evidence of segregation of duties between preparer and reviewer, and no assurance the reports were prepared timely.

REMIF should develop procedures to ensure the Treasurer's Reports, including investment reconciliations, are reviewed in a timely manner, and the name of the preparer and date of preparation is documented.

Management's Response:
Management agrees with the recommendation. The General Manager and the Finance Director had identified this as an area for improvement. As such, a proactive approach was taken to have a Treasurer appointed at the September 2018 Board meeting. In addition, the finance department has implemented a new fund accounting software allowing for efficient and effective bank reconciliation and compilation of the Treasurer's report.

SCHEDULE OF OTHER MATTERS

NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE

The following comment represents new pronouncements taking affect in the next few years. We cite them here to keep you informed of developments:

EFFECTIVE FISCAL YEAR 2019/20:

GASB 84 – *Fiduciary Activities*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

SCHEDULE OF OTHER MATTERS

EFFECTIVE FISCAL YEAR 2020/21:

GASB 87 – ***Leases***

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

**STATUS OF PRIOR YEAR
MATERIAL WEAKNESSES**

2017-01 Liability Program Fund Deficit

Program net position balances should be sufficient to meet REMIF's reserve policies, which is a $1 million contingency reserve for the Liability Program.

The Liability Program experienced significant operating losses over the last three years that have resulted in a net fund deficit of $2.6 million as of June 30, 2017. Should this trend continue, the Program will not have sufficient resources to pay claims or support the safety training programs.

During fiscal year 2017, member premiums increased $294 thousand, but the reserve for losses and claims increased $2.6 million and, when combined with other activity of the Program including safety training program costs of $215 thousand, the Program experienced a net loss of $2.7 million. We did note that the program premiums for both the current and prior fiscal year include a member surcharge of $150 thousand in an attempt to replenish the Program's reserve and avoid the deficit.

We understand that the actuarially determined premiums for the next program year include a factor for eliminating the funding deficiency for claims, it is being smoothed over time and does not appear to factor in REMIF's reserve policy. In the event the negative trends of the last three fiscal years repeat, that smoothing method and the planned surcharge of another $150 thousand in fiscal year 2018 will not resolve the deficit in amounts necessary to provide resources for paying claims in a timely manner.

The premium surcharge in fiscal year 2017 offset a portion of the deficit, and REMIF has planned an additional surcharge of $150 thousand in fiscal year 2018 that is included in an overall premium increase of 7.48% in 2018. However, we noted that REMIF's fiscal year 2018 budget anticipates that the Program deficit will increase by $187 thousand. As a result, the current premium and surcharge levels will not be sufficient to offset cost increases and replenish reserves.

Update for the Year Ended June 30, 2018:

The premium surcharge in fiscal year 2018 of $215 thousand as well as the member assessment of $2.5 million offset a significant portion of the Program deficit. However, the Program had net income of only $2 million and the fund had an ending net deficit of $598 thousand as of June 30, 2018.

REMIF must continue to closely monitor the activity in the Program to ensure sufficient resources are available to pay claims and other costs of the Program and that compliance with the reserve policy is achieved.

Current Status:
In Process - The General Manager and the Finance Director is working with the REMIF Board of Directors, Executive Board and Finance Committee to reduce the deficit. The Board of Directors approved an assessment of $2.5M during the 17-18 year. The assessment is to be paid over 5 years starting fiscal year 18/19. The annual funding contributions are being calculated at the 75% confidence using the most recent claims data and payroll information. A third-party claims administrator (George Hills and Company) was contracted to provide claims administration. The claims administrator's oversight on claims should help with reserving practices and timely reporting.

**STATUS OF PRIOR YEAR
MATERIAL WEAKNESSES**

2017-02 **Reconciling Beginning Net Position to the Prior Year Financial Statements and Posting Audit Adjustments to the General Ledger**

The beginning fund equity of REMIF's funds in the general ledger should agree to the balances in the prior year audited financial statements and only be adjusted for the implementation of new accounting pronouncements or to correct errors in prior year reported information.

When we received the initial general ledger from REMIF, the beginning net position of certain funds did not agree to the prior year audited financial statements. However, the adjustments to the beginning net position of these funds were not the result of the correction of reporting errors; they were due to errors in recording prior year transactions as follows:

- Worker's Compensation Fund - $488,479
  - The prior year adjustment for the net pension liability and pension-related deferred outflows/inflows of resources had been recorded as a fiscal year 2017 transaction.

- Self-Funded Healthcare Fund - $1,205,348
  - The prior year reserve for losses adjustment had been recorded as a fiscal year 2017 transaction.

And additional corrections were required due to the failure to record current year reversing entries:

- Prior year interfund balance adjustments totaling $61,360 that were short-term timing issues that had been corrected/repaid in fiscal year 2017 were still reported as balances payable in the general ledger.

- A prior year reclassification of expense account activity reported in the financial statements was recorded in the fiscal year 2017 general ledger.

We understand REMIF staff posted the fiscal year 2016 adjusting journal entries to the fiscal year 2017 general ledger, rather than as adjustments to the July 1, 2016 balances, and had not analyzed all balance sheet accounts to ensure applicable prior year entries were reversed.

In the future, REMIF should establish a procedure for reviewing beginning net position for each fund in the general ledger after all year end closing entries have been posted to ensure that the balances agree to the prior year audited financial statements.

Current Status:
Implemented.

STATUS OF PRIOR YEAR MATERIAL WEAKNESSES

2017-03 Timely Completion and Review of Bank Reconciliations

This comment is an update of matters repeated in prior years as discussed in comments 2014-01 and 2013-02, which are not repeated in this report, since they are substantially redundant with our comments below.

Bank reconciliations are one of the most important internal controls, and the bank reconciliation cannot be considered complete until it has been reviewed and approved. To be an effective control, bank reconciliations and the associated review should be completed in their entirety as soon as reasonably possible after each month-end, usually within thirty to forty-five days of the bank statement date. Errors and unreconciled differences must be researched, understood and corrected immediately, or they could cause additional errors. Differences which result from program or procedural errors, such as misposted journal entries, are especially important because their underlying cause must be corrected to prevent more of the same error.

During the prior year audit, we had noted that REMIF did not bring its bank reconciliation process current until October 2016. Therefore, we selected bank reconciliations from January, March and June 2017 for testing of timely preparation and review and noted that the reconciliations were all reviewed and approved within a reasonable period of time after they were prepared. Although we noted only small inconsequential timing issues with the January reconciliations for the Enterprise, Liability, General Fund and Health Administration accounts and that the March reconciliations for those accounts were prepared timely, we noted that the January reconciliation for the Worker's Compensation account was not prepared until April 13, 2017 and the March reconciliation was not prepared until June 5, 2017. In addition, we noted that the June reconciliations for the Dental and Enterprise accounts were not prepared until September 13, 2017, the Liability, General Fund and Health Administration reconciliations were not prepared until September 14, 2017, and the Worker's Compensation reconciliation was not prepared until October 25, 2017.

We understand that the preparation of the reconciliations was delayed due to REMIF staff prioritizing handling of the day to day operations of the entity above completing the cash and investment reconciliations.

Update for the Year Ended June 30, 2018:

During the interim audit in July 2018, we noted that the September 2017 bank reconciliations for the Enterprise, Liability, General Fund, Delta Dental, and Worker's Compensation accounts were not prepared until February 8, 2018 and the Health Administration account reconciliation was not prepared until April 2, 2018. Although the Enterprise and Delta Dental bank reconciliations included documentation that they were reviewed on March 8, 2018, the other reconciliations included documentation of the review, but not when it had taken place.

We also noted that the February 2018 bank reconciliations for the Liability, General Fund, and Delta Dental accounts were not prepared until June 19, 2018, the Health Administration reconciliation was not prepared until June 20, 2018 and the Enterprise and Worker's Compensation reconciliations were not prepared until June 27, 2018. Although all of the February 2018 bank reconciliations were reviewed, there was not documentation of the date of the review.

STATUS OF PRIOR YEAR MATERIAL WEAKNESSES

2017-03 Timely Completion and Review of Bank Reconciliations (Continued)

We understand that the preparation of the reconciliations was delayed due to a change in REMIF staff and assignments and documentation of the date of review was not implemented until after the fiscal year end.

REMIF must develop procedures to ensure that bank reconciliations are prepared, reviewed and approved in a timely manner each month throughout the fiscal year.

Current Status:
In Process - Management fully recognizes the need to have bank reconciliations completed and reviewed in a timely fashion. As mentioned in 2018-02, the General Manager has been working with the Finance Director to gain efficiency and effectiveness in the finance department including improving on reconciliation and timely review of bank reconciliations. Part of the current improvement has been the addition of fund accounting software allowing bank reconciliations to be completed within the accounting system.

2017-04 Journal Entry Review and Approval Process

This comment is an update of matters repeated in prior years as discussed in comment 2013-01, which is not repeated in this report, since it is substantially redundant with our comments below.

Journal entries should be prepared timely and reviewed and approved by a second employee to ensure they are accurate, accompanied by supporting documentation and are posted correctly to the general ledger.

During the prior year audit, we had noted that REMIF did not bring its journal entry preparation, review and approval process current until October 2016 (August 2016 journal entries were reviewed in October 2016). However, as of June 2017, the monthly journal entries for fiscal year 2017 had only been prepared through March 2017. And, during the interim phase of our audit, we selected forty journal entries for testing of compliance with REMIF's policies and supporting documentation, and noted that although the journal entries were accompanied by supporting documentation and reviewed, of the 23 journal entries tested from the period November 2016 to March 2017, 19 of those journal entries were reviewed more than 50 days after the period (ranging from 50 to 69 days).

We understand that due to the limited number of staff and preparation for the prior fiscal year audit, and it is REMIF's standard practice to have the Finance Director prepare and post all journal entries, the preparation of monthly journal entries was again delayed starting in November 2016.

Although we noted a significant improvement over the prior year issues discussed above, REMIF should continue to ensure that journal entries are prepared, reviewed and approved in a timely manner each month throughout the fiscal year.

**STATUS OF PRIOR YEAR
MATERIAL WEAKNESSES**

2017-04 **Journal Entry Review and Approval Process (Continued)**

Update for the Year Ended June 30, 2018:

As of July 3, 2018, REMIF had not prepared or reviewed journal entries for the period September 2017 to June 2018. Although a majority of the entries were prepared and posted prior to the year-end closing in November 2018, a number of closing entries to allocate activities among the programs were not prepared until December 2018.

We understand that the preparation of the journal entries from September 2017 to June 2018 was delayed due to a change in REMIF staff and assignments. And, we understand the closing entries were delayed due to the need for REMIF's new contract accountants, including the Interim Finance Director, to review the general ledger practices and analyze what closing entries were necessary.

To ensure the accuracy of internal and external financial reconciliations and reporting, journal entries should be prepared timely, usually within 30 days of month-end. And, without the timely review and approval of journal entries by a second person, the likelihood of error, unauthorized transactions or improper accounting treatment is increased.

> ***Current Status:***
> *In Process - REMIF is in the process of incorporating a fund accounting software which will allow for financial reconciliation and reporting on a quarterly basis.*

2014-03 **Workers' Compensation Program Fund Deficit**

The Workers' Compensation Program has experienced significant operating losses over the last two years that have resulted in a net fund deficit of $1.9 million as of June 30, 2014. Should this trend continue, the Program will not have sufficient resources to pay claims.

During fiscal year 2014, member premiums declined $288 thousand as a result of decreased rates and decreased member City payroll totals, but the reserve for losses and claims increased $632 thousand and when combined with other activity of the Program, the Program experienced a net loss of $794 thousand.

Although we understand that the actuarially determined premiums for the next program year include a factor for eliminating the funding deficiency, it is being smoothed over time. In the event the negative trends of the last two fiscal years repeat, that smoothing method may not resolve the deficit in amounts necessary to provide resources for paying claims in a timely manner.

REMIF must develop a funding Plan that includes a timeline to eliminate the deficit to ensure sufficient resources are available to pay claims.

Update for the year ended June 30, 2015:
The Fund's unrestricted deficit grew to $5.8 million as of June 30, 2015. Although the planned surcharge beginning in fiscal year 2016 will begin to offset a portion of the deficit, a longer-term plan may be required until the fund deficit is eliminated. In addition, similar to the Liability Program, REMIF should ensure that member premiums cover each year's anticipated costs of the program other than claims, such as conferences, travel and training.

STATUS OF PRIOR YEAR MATERIAL WEAKNESSES

2014-03 Workers' Compensation Program Fund Deficit (Continued)

Update for the year ended June 30, 2016:
The Fund's unrestricted deficit grew to $6.0 million as of June 30, 2016. Although the surcharge in fiscal year 2016 offset a portion of the deficit, and REMIF has planned an additional surcharge of $500,000 in fiscal year 2017, a longer-term plan may be required until the fund deficit is eliminated.

Update for the year ended June 30, 2017:
The Fund's unrestricted deficit grew to $6.1 million as of June 30, 2017, well below the program's reserve policy of $1 million. Although the surcharge of $500 thousand in fiscal year 2017 offset a portion of the deficit, and REMIF has planned to continue the surcharge of $500 thousand in fiscal year 2018, a longer-term plan is required until the fund deficit is eliminated. We noted that REMIF's fiscal year 2018 budget anticipates the Program deficit will increase by $446 thousand, so the current premium and surcharge levels are not sufficient to offset cost increases and replenish reserves.

REMIF must develop a new funding Plan that includes resources sufficient to cover each year's program activities, along with a timeline to eliminate the deficit to ensure sufficient resources are available to pay claims. A longer-term plan is required until the fund deficit is eliminated. REMIF should continue to monitor the activity in the Program to ensure sufficient resources are available to pay claims and other costs of the Program and that compliance with the reserve policy is achieved.

Update for the year ended June 30, 2018:
The premium surcharge in fiscal year 2018 of $500 thousand along with the member assessment of $6.5 million offset a significant portion of the Program deficit. However, the Program had net income of only $3.7 million and the fund had an ending unrestricted net deficit of $2.5 million as of June 30, 2018.

REMIF must continue to closely monitor the activity in the Program to ensure sufficient resources are available to pay claims and other costs of the Program and that compliance with the reserve policy is achieved.

Current Status:
In Process - The General Manager is working with the REMIF Board of Directors, Executive Board and Finance Committee to reduce deficits. The Board of Directors approved an assessment of $6M during the 17-18 year. The assessment is to be paid over 6 years starting fiscal year 18/19. The annual funding contributions are being calculated at the 75% confidence using the most recent claims data and payroll information. And, a third-party claims administrator (Athens Administration) was contracted to provide claims administration. The claims administrator's oversight on claims should help with reserving practices and timely reporting.

As of June 30, 2018, the net position of workers' compensation is a deficit $2,148,295. The worker's compensation program includes pension cost equaling a deficit balance of $1,511,248. Thus, the fund balance related to workers' compensation claims is a deficit $637,047. In comparison to June 30, 2017 fund balance related to workers' compensation claims was a deficit of $4,549,566. As the fund balance has strengthened, REMIF will keep monitoring its balances and reserving practices.

STATUS OF PRIOR YEAR
OTHER MATTERS

2017-05 Review of Program Premium and Reserve Policies

REMIF has developed minimum reserve policies for the Worker's Compensation, Liability and Self-Funded Healthcare Programs, but we understand there is no such reserve policy for the Property, Dental, Vision, or Auto Physical Damage Programs.

REMIF should develop a reserve policy for all programs that also addresses whether member balances or deficits in excess of the reserve should be factored into the next year's premiums. For example, the Dental Program has net position totaling $422 thousand at June 30, 2017, or an amount sufficient to cover approximately four months of claims. However, we understand the annual premium calculation for the program does not factor in any portion of that balance. And, the balance is comprised of both positive and negative balances of the participating members. In the past, REMIF has given "holidays" to certain program participants that had significant excess balances, but an overall policy to address the matter has not been established.

REMIF should review the activity in each program and consider developing a reserve and premium policy for each program.

> ***Current Status:***
> *In Process - The General Manager and the Finance Director plan on presenting the fund balance ratios policy to the Finance Committee for review. Upon recommendation, the policy will be brought in front of the Board of Directors to approve and implement.*

2017-06 Information Technology Best Practices Recommendations

We again conducted an Information Systems Review with our audit which encompassed REMIF's financial information system and the network environment that houses it. Our work goes beyond simply looking at financial information systems as a result of greater risks of unauthorized access caused by overall industry growth of web-based commerce and internet based financial systems. Internal controls that are present in the overall network environment have become more important and relevant to understanding the internal controls over the financial system. We believe Information System controls must be continuously improved and enhanced to stay ahead of the ever increasing sophistication of hackers and criminals.

Currently, there are no Information Technology standards to which local governments are required to conform. Indeed there are a wide variety of informal guidelines and suggested controls from many different organizations which local governments can use to implement appropriate controls to ensure adequate security over information technology. Our Information Technology staff have reviewed these informal guidelines and concluded that the certification and accreditation framework developed by the National Institute of Standards and Technology (NIST) for the Federal Information Security Management Act (FISMA) are the most appropriate for local government[1]. NIST and FISMA represent the minimum security requirements for federal government agencies information systems. NIST recommends these for state and local governments. Our procedures included performing an external network scan based on NIST criteria and in determining that internal control provides for:

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[1] "State, local, and tribal governments, as well as private sector organizations are encouraged to consider using these guidelines, as appropriate." NIST SP 800-37 Rev 1 pg 11

2017-06 Information Technology Best Practices Recommendations (Continued)

- Internet access defenses including hacker prevention, detection and deterrent systems
- Security of data from physical or network access
- Adequately protecting data from unauthorized internal access
- Reasonable measures to ensure continuation of service

We noted a few areas which could be improved to conform to NIST guidelines. A summary of these recommendations which we believe are "best practices" as follows:

Audit/Event Logging
The Organization does not appear to have audit logs on the financial application server, such that any change, addition or deletion of user accounts within the application are tracked and monitored. The Organization should have audit/event logs of any addition, deletion or change in financial application user accounts and that log should be monitored by someone without the rights to effect such changes. In addition, any administrative access such as upgrades or application modifications by IT personnel, outside consultants or vendors should also be logged and reviewed.[2]

General Information Systems Controls
We reviewed the compliance of REMIF's information systems with the National Institute of Standards and Technology (NIST) information security standards based on a moderate risk system. We noted a number of controls that did not appear to be in place. A separate report of those controls was provided to REMIF's Finance personnel. We recommend REMIF choose an appropriate industry standard like NIST to help plan, organize and review information security.

Current Status:
In Process - The General Manager and Finance Director are currently in the process of implementing a new fund accounting software (Intacct). While REMIF has gone live with the accounting software effective November 1, 2018, transactions from July 2018 to October 2018 were entered into the system. The software is a cloud based software with user controls and audit trail.

2015-02 Liability Program Net Position, Training Program Funding and Reserve Policy

The Liability Program experienced an operating loss in fiscal year 2015 that resulted in net position of only $222 thousand as of June 30, 2015, which brought the balance below the reserve policy of $1 million. Should this level of claims and training activity repeat in the next year, the Program will not have sufficient resources to pay claims or support the training programs.

During fiscal year 2015, member premiums declined $242 thousand as a result of decreased rates and decreased member City payroll totals, but the reserve for losses and claims increased $941 thousand and when combined with other activity of the Program, including training program costs of $206 thousand, the Program experienced a net loss of $1.7 million.

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[2] For more information on Audit/Event log management see NIST SP 800-92 Guide to Computer Security Log Management.

**STATUS OF PRIOR YEAR
OTHER MATTERS**

2015-02 Liability Program Net Position, Training Program Funding and Reserve Policy (Continued)

Although we understand that the actuarially determined premiums for the next two program years include a factor for eliminating the funding deficiency for claims, it is being smoothed over time and does not appear to factor in REMIF's reserve policy or the training programs. And, in the event the negative trend repeats, that smoothing method may result in deficit net position in the Program in the near future.

REMIF should determine whether future premiums should be adjusted to cover anticipated training programs and replenish the $1 million reserve and also must monitor the activity in the Program to ensure sufficient resources are available to pay claims and other costs of the Program.

Update for the year ended June 30, 2016:
The Fund's net position declined to only $90 thousand as of June 30, 2016, which remains below the reserve policy of $1 million. However, we did note that the member premiums increased and the members continue to pay a surcharge to work to replenish the reserve. REMIF should continue to monitor the activity in the Program to ensure sufficient resources are available to pay claims and other costs of the Program and that compliance with the reserve policy is achieved.

Current Status:
See comment 2017-01.

2014-05 Authorization of Liability Program Refund and Contingency Reserve Policy

In October 2014, the Board approved issuing a refund to REMIF members of the Liability Program in the amount of $91,474 for fiscal year 2014. The refund approved was based on the reduction in claims reserves reported in the fiscal year 2013-14 actuary report.

During the audit, REMIF staff determined that the refund should not be recorded in the general ledger until the Fund's reserve policy is reviewed to determine if revisions are necessary. The current reserve policy allows for refunds to members in excess of a $1 million contingency reserve balance, but that appears to be a low level of retained reserves based on the outstanding claims and the annual level of activity in the Fund.

The Board should review the calculation used to determine the refund due and ensure it factors in the results of the current fiscal year and leaves sufficient reserves in place so one or two years of negative results do not result in a deficit position like the Workers' Compensation Fund has experienced. In addition, basing the refund on the change in the claims reserves does not factor in the resources available in the Program.

The Board should review the contingency and other reserve policies to determine if they provide sufficient balances in the event the individual programs experience negative trends in successive fiscal years and establish a methodology for determining the potential annual refund to members. After a revised refund methodology is established, the Board could declare a refund each year up to a maximum amount, subject to revision based on the actual financial results.

Current Status:
See comment 2017-01.

**STATUS OF PRIOR YEAR
OTHER MATTERS**

2013-09 **Fund Accounting Reorganization**

REMIF uses eight funds to account for the activities of each program, including the general and administrative revenues and expenses. The general and administrative revenues expenses are consolidated in what REMIF calls the General Fund, however that "Fund" is not a separate fund in the general ledger and the activity is included in the Workers' Compensation Fund. And, certain general and administrative expenses are allocated and charged to the Enterprise Fund.

REMIF should consider recording general and administrative expenses in a separate general ledger fund so the Workers' Compensation Fund reflects only the cost of that program. The separate "General Fund" would account for all general activities of REMIF, including tenant revenues and expenses, and other general and administrative expenses. At year end, the general and administrative expenses could still be allocated among the programs at year end using the current policy. We understand that fiscal year 2014 is nearly complete, so REMIF should consider making this change beginning in fiscal year 2015.

Update for the year ended June 30, 2014:
Upon further discussions with REMIF staff, we understand that the current general ledger system may not accommodate the fund and accounting structure desired by REMIF staff and that the vendor is discontinuing support for the software package used by REMIF (Sage MAS 90).

However, REMIF should also consider contacting Sage to determine whether a newer version of the existing software could accommodate the needs of REMIF, which may streamline the conversion process.

At a minimum, REMIF needs a software system that can accommodate fund accounting with multiple "customers" that could be used to account for the individual program years.

Update for the year ended June 30, 2015:
Upon further discussions with REMIF staff, we understand that the software consultant has recommended moving the worker's compensation program activity to a separate fund in the existing general ledger system, rather than extracting the general and administrative activity from the existing fund. This appears to be a much easier transition that could be implemented within the existing system.

Update for the year ended June 30, 2016:
REMIF staff has not yet implemented changes to the fund accounting structure in the general ledger, but we understand it is still a priority and will be considered now that the bank and accounting reconciliations and monthly journal entries are up to date. We did note that structural changes were made to the budget starting with fiscal year 2017 to segregate certain activity in anticipation of the general ledger changes.

Update for the year ended June 30, 2017:
REMIF staff has not yet implemented changes to the fund accounting structure in the general ledger, but we understand it is still a priority and will be considered now that the bank and accounting reconciliations and monthly journal entries are up to date. We did note that structural changes were made to the budget starting with fiscal year 2017 to segregate certain activity in anticipation of the general ledger changes.

STATUS OF PRIOR YEAR
OTHER MATTERS

2013-09 **Fund Accounting Reorganization (Continued)**

Update for the year ended June 30, 2017:
REMIF staff has not yet implemented changes to the fund accounting structure in the general ledger, but we understand new accounting software expected to be implemented on July 1, 2018 will facilitate future changes.

By segregating the general and administrative costs of REMIF from all of the claims and insurance programs, those costs could be funded on an annual basis and monitored separately from the claims activity.

REMIF staff should consider working on an implementation plan to make this transition no later than July 1, 2019.

Current Status:
Implemented - The Board of Directors have approved a cost allocation plan compiled by MGT Consulting Group at the October 20, 2017 Board meeting. The Finance department used the cost allocation plan to allocate expenses among the programs. As mentioned in 2017-06, a new fund accounting software is being utilized beginning in the 18-19 year.

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REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
REQUIRED COMMUNICATIONS

FOR THE YEAR ENDED JUNE 30, 2018

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REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
REQUIRED COMMUNICATIONS

For the Year Ended June 30, 2018

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NOTE - Pagination will be updated when final report is issued.

Page

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REQUIRED COMMUNICATIONS

Board of Directors
Redwood Empire Municipal Insurance Fund
Sonoma, California

We have audited the basic financial statements of the Redwood Empire Municipal Insurance Fund (REMIF) for the year ended June 30, 2018. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards.

<u>Significant Audit Findings</u>

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by REMIF are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year, except as follows:

> *Enterprise Fund Program* – All services to non-member agencies were terminated on April 30. 2018. The in-house claims staff were discharged and claims administration was outsourced to a third party administrator. The non-member agencies selected their own third party administrators. As a result, the final accounting for the program was completed and each non-member agency was billed and/or paid. The Enterprise Fund was closed and the residual balances transferred to the Worker's Compensation Program as of June 30, 2018.
>
> *Discounted Reserve for Losses and Claims* – Historically, REMIF recorded its reserve for worker's compensation and liability claims payable at the expected, undiscounted, liability. Beginning in fiscal year 2018, REMIF records the claims reserves for those programs at the discounted value, using an investment yield assumption of 2.25%.
>
> *Claims Administration* – REMIF transitioned from in-house claims administration to the use of third party administrators for the worker's compensation and liability programs over fiscal years 2017 and 2018.
>
> *Accounting for Interest Receivable* – REMIF changed its practice of accounting for interest income to include the accrual of interest receivable at the fiscal year end.

Implementation of New Accounting Pronouncement -

GASB 75 – ***Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions***

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The pronouncement became effective and, as disclosed in Note 9B to the financial statements, required a prior period restatement for the cumulative effect on the financial statements.

The following pronouncements became effective, but did not have a material effect on the financial statements:

GASB 81 - ***Irrevocable Split-Interest Agreements***

GASB 85 - ***Omnibus 2017***

GASB 86 - ***Certain Debt Extinguishment Issues***

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered into by REMIF during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting REMIF's financial statements were:

Estimated Fair Value of Investments: As of June 30, 2018, REMIF held approximately $17.4 million of cash and investments as measured by fair value as disclosed in Notes 3 and 4 to the Financial Statements. Fair value is essentially market pricing in effect as of June 30, 2018. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2018.

Estimated Reserve for Losses: Management's estimate of the reserve for losses and claims is disclosed in Note 8 to the financial statements and is based on actuarial studies determined by a consultant, which is based on the claims experience of REMIF. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Net Pension Liabilities and Pension-Related Deferred Outflows and Inflows of Resources: Management's estimate of the net pension liabilities and deferred outflows/inflows of resources are disclosed in Note 11 to the financial statements and are based on accounting valuations determined by the California Public Employees Retirement System, which are based on the experience of REMIF. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Estimated Net OPEB Asset and OPEB-Related Deferred Outflows and Inflows of Resources: Management's estimate of the Net OPEB Asset and deferred outflows/inflows of resources are disclosed in Note 10 to the financial statements and are based on an actuarial study determined by a consultant, which is based on the experience of REMIF. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Depreciation: Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 6 to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected certain such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole, except for the adjustments to record post-closing entries for interest receivable, claims administration expenses, net pension liability and pension-related deferred outflows/inflows of resources, net OPEB liability and OPEB-related deferred outflows/inflows of resources and interest income discussed in Memorandum on Internal Control comment 2017-04.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Board.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in a management representation letter dated January 25, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to REMIF's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as REMIF's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information Accompanying the Financial Statements

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

We were engaged to report on the supplementary information which accompany the financial statements, but are not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Statistical Section that is included as part of the Basic Financial Statements, but is not required supplementary information. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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This information is intended solely for the use of the Board and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Pleasant Hill, California
January 25, 2019

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REMIF
REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

414 W. Napa St. • P.O. Box 885 • Sonoma, CA 95476 • 707.938.2388 • Fax 707.938.0374
Members: Arcata Cloverdale Cotati Eureka Fort Bragg Fortuna Healdsburg Lakeport
Rohnert Park St. Helena Sebastopol Sonoma Ukiah Willits Windsor

ITEM 9.0

AGENDA ITEM SUMMARY

TITLE: **PRELIMINARY ESTIMATED CONTRIBUTIONS (PREMIUMS) FY 19-20 AND RECOMMENDED CHANGES TO THE METHODOLOGY OF THE FUNDING MODEL FOR CONTRIBUTIONS**

PRESENTED BY: **AMY NORTHAM, GENERAL MANAGER**

ISSUE

The preliminary estimated contributions (premiums) for the workers' compensation, liability, auto physical damage (APD) and property programs are provided for informational purposes only.

These preliminary estimated contributions are based on 06/30/18 data, which was used to record the outstanding financial liabilities on the financial statement. Historically, REMIF has used liabilities as of 6/30/18 to book outstanding liabilities AND for funding. It is recommended that REMIF change methodology and move to a funding model based on 12/31/18 data. A change in the funding model using 12/31/18 data requires ratification by the Board.

BACKGROUND

At the September 27, 2018 Board of Directors meeting, the Board approved both the liability and workers' compensation actuarial report that was completed for purposes of the outstanding financial liability on the financial statement (for FY 17-18, outstanding liability as of 06/30/18).

The purpose of this agenda item is to address two items:

1. To provide the members with preliminary estimated contributions for the workers' compensation, liability, auto physical damage (APD) and property programs based on 06/30/18 data (data that was used to book outstanding financial liabilities). While the workers' compensation expenses stayed similar to 2018-19 expenses, the liability program excess insurance is expected to increase by 19% from 2018-2019. APD and Property programs contributions were derived from the 2018-2019 contributions with a 10% increase.

2. Staff is recommending a change in the methodology of the funding model. Historically, REMIF has used liabilities as of 6/30/18 to book outstanding liabilities AND for funding. By changing methodology and using 12/31/18 data (rather than 06/30/18 data), the funding will provide contributions that utilize more current data.

To change the methodology of the funding model, staff is recommending a second actuarial report for the workers' compensation and liability programs be completed for use in the funding calculations for member contributions, with liabilities as of 12/31/18. Staff is recommending we fund the workers' compensation program and the liability program at the 75% confidence level (same as the outstanding financial liability). The change in methodology to use 12/31/18 data (rather than 06/30/18 data) would be a change in process, and this change requires ratification by the Board of Directors.

FISCAL IMPACT

Unknown, likely increase to contributions in FY 19-20

RECOMMENDED ACTION

It is recommended the Board direct staff to:

1. Change the methodology of the funding model and use data as of 12/31/18, which will require an actuarial study;
2. Have an actuary study completed;
3. Fund at 75% confidence level

ATTACHMENTS

9.1 Preliminary summary member contributions FY 19-20 (based on 6/30/18 data)

REDWOOD EMPIRE MUNICIPAL INSURANCE FUND
PRELIMINARY SUMMARY OF MEMBER CONTRIBUTIONS & ASSESSMENT FOR 2019-20

	Annual Workers' Compensation Contributions	Annual Liability Contributions	Annual Property Contributions	Annual APD (Auto) Contributions	Assessments: Work Comp Fund	Assessments: Liability Fund	Total Preliminary Annual Contributions	2018-2019 Approved Contributions	$ Variance	% Variance
Note:	(a)	(b)	(c)	(c)	(d)	(d)	(e)	(f)	(g)	(h)
ARCATA	$ 463,130	$ 223,546	$ 35,797	$ 20,351	$ 63,782	$ 35,658	$ 842,264	$ 765,127	$ 77,137	10.08%
CLOVERDALE	323,013	230,252	22,151	10,765	33,529	15,539	635,249	501,521	133,728	26.66%
COTATI	146,564	113,911	11,922	12,717	24,073	17,467	326,654	272,792	53,862	19.74%
EUREKA	688,271	637,922	93,660	43,283	134,452	77,964	1,675,552	1,418,697	256,855	18.10%
FORT BRAGG	188,642	107,125	25,691	11,831	36,015	21,776	391,080	401,684	(10,604)	-2.64%
FORTUNA	258,036	243,421	28,667	13,059	31,895	30,009	605,087	598,841	6,246	1.04%
HEALDSBURG	686,531	346,334	59,613	27,403	91,082	46,860	1,257,823	1,099,804	158,019	14.37%
LAKEPORT	182,032	157,614	21,791	32,088	34,978	17,830	446,333	354,924	91,409	25.75%
ROHNERT PARK	1,335,880	469,217	59,791	43,133	155,265	61,738	2,125,024	1,860,987	264,037	14.19%
SEBASTOPOL	311,120	261,881	16,866	16,823	40,421	25,565	672,676	567,206	105,470	18.59%
SONOMA	124,297	192,533	16,499	3,706	57,250	28,101	422,386	373,925	48,461	12.96%
SAINT HELENA	273,128	146,311	37,917	21,875	50,257	23,905	553,393	574,196	(20,803)	-3.62%
UKIAH	958,687	391,684	86,415	46,516	143,486	49,583	1,676,371	1,680,445	(4,074)	-0.24%
WILLITS	212,000	266,891	28,238	10,788	52,668	14,901	585,486	450,713	134,773	29.90%
WINDSOR	339,579	338,272	49,438	13,203	50,847	33,104	824,443	611,376	213,067	34.85%
TOTAL	**$ 6,490,910**	**$ 4,126,914**	**$ 594,456**	**$ 327,541**	**$ 1,000,000**	**$ 500,000**	**$ 13,039,821**	**$ 11,532,238**	**$ 1,507,583**	
2018-2019 Totals	**$ 5,470,560**	**$ 3,723,500**	**$ 540,414**	**$ 297,764**	**$ 1,000,000**	**$ 500,000**	**$ 11,532,238**			
$ Variance	$ 1,020,350	$ 403,414	$ 54,042	$ 29,777	$ -	$ -	$ 1,507,583			
% Variance	18.65%	10.83%	10.00%	10.00%	0.00%	0.00%	13.07%			

Note:

(a) Workers' Compensation contributions are presented using the loss data (2014-2018) as of June 30, 2018 and payroll from 2014-2018. The estimated payroll for 19-20 is trended to increase by 3%.

(b) Liability contributions are presented using the loss data (2014-2018) as of June 30, 2018 and payroll from 2014-2018. The estimated payroll for 19-20 is trended to increase by 3%. Excess insurance is expected to increase by 19%.

(c) APD and Property programs are trended to increase by 10% from 2018-2019.

(d) Work Comp and Liab Fund Assessments were approved by the Board, on 3/22/18, to be paid annually; $6M over 6 years (w/c), and $2.5M over 5 years (liab).

(e) (a) + (b) + all (c) + all (d).

REMIF

PRELIMINARY WORKERS' COMPENSATION CONTRIBUTION 2019-20

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
	Payroll 2017-18 (a)	% of Total Payroll	ORIGINAL Experience Mod	Deductible Discount	Gross Payroll (a) x (c) x (d)	% of Gross Payroll	2019-20 Funding Losses	Expenses	Preliminary 2019-20 Premium (g) + (h)	Final 2018-19 Premium	Change From Prior Year	Percent Change (i-j) / (j)
ARCATA	8,786,530	7.80%	88%	80%	6,176,950	7.14%	377,509	85,621	463,130	420,952	42,178	10.02%
CLOVERDALE	3,792,384	3.37%	142%	80%	4,308,150	4.98%	263,296	59,717	323,013	207,016	115,997	56.03%
COTATI	3,070,082	2.73%	80%	80%	1,954,790	2.26%	119,468	27,096	146,564	71,632	74,932	104.61%
EUREKA	14,204,878	12.61%	86%	75%	9,179,760	10.60%	561,028	127,243	688,271	585,310	102,961	17.59%
FORT BRAGG	3,319,872	2.95%	95%	80%	2,515,990	2.91%	153,767	34,875	188,642	186,915	1,727	0.92%
FORTUNA	4,708,031	4.18%	91%	80%	3,441,540	3.98%	210,332	47,704	258,036	200,951	57,085	28.41%
HEALDSBURG	14,269,138	12.67%	80%	80%	9,156,540	10.58%	559,609	126,922	686,531	550,575	135,956	24.69%
LAKEPORT	2,790,659	2.48%	109%	80%	2,427,830	2.80%	148,379	33,653	182,032	148,922	33,110	22.23%
ROHNERT PARK	18,340,011	16.28%	121%	80%	17,817,200	20.58%	1,088,911	246,969	1,335,880	1,064,157	271,723	25.53%
SEBASTOPOL	4,918,983	4.37%	105%	80%	4,149,530	4.79%	253,602	57,518	311,120	255,247	55,873	21.89%
SONOMA	2,899,013	2.57%	71%	80%	1,657,800	1.91%	101,318	22,979	124,297	110,824	13,473	12.16%
ST. HELENA	6,324,343	5.61%	72%	80%	3,642,820	4.21%	222,634	50,494	273,128	309,183	(36,055)	-11.66%
UKIAH	13,837,071	12.28%	123%	75%	12,786,420	14.77%	781,451	177,236	958,687	1,001,127	(42,440)	-4.24%
WILLITS	2,761,261	2.45%	128%	80%	2,827,530	3.27%	172,807	39,193	212,000	139,722	72,278	51.73%
WINDSOR	8,626,857	7.66%	70%	75%	4,529,100	5.23%	276,799	62,780	339,579	218,027	121,552	55.75%
TOTAL	112,649,114				86,571,950		5,290,910	1,200,000	6,490,910	5,470,560	1,020,350	18.65%
PRIOR YEAR TOTALS	105,019,672						4,270,563	1,200,001	5,470,564			
$ Change	7,629,442						1,020,347	(1)	1,020,346			
% Change	7%						24%	0%	19%			

Estimated Payroll for 19-20	$116,028,588
18/19 Payroll Rate per Actuary Report	$3.80
Funding at Expected	$4,409,090
75% confidence factor	1.20
Funding Losses at REMIF Layer (undiscounted)	$5,290,908

(a) Actual member payroll from 2017-2018.
(c) Experience modification factor approved at the January 2018 board meeting.
(d) Member deductible discount;
80% discount: $ 5,000 deductible
75% discount: $10,000 deductible
(g) Funding losses at REMIF layer allocated by member from column f
(h) Budgeted Expenses for 19-20 year, allocated by member from column f

ORIGINAL WC EXPERIENCE MODIFICATION
FY 2019-20

(a)	(b) REPORTED LOSSES FY 2014-18	(c) (b)/ (b total) PERCENT	FY 2013-17 LOSSES	(d) PERCENT CHANGES IN LOSSES	(e) TOTAL PAYROLL FY 2014-18	(f) (e)/ (e total) PERCENT	FY 2013-2017 PAYROLL	(g) PERCENT CHANGES IN PAYROLL	(h) (c)/(f) INDICATED DIFFERENTIAL	(i) CREDIBILITY	(j) (h * i) + (i) EX-MOD FACTOR	CAPPED EX-MOD	(k) **Revised EX-MOD FY 2019-20**
ARCATA	$1,256,713	6.25%	$1,169,993	7.41%	$43,072,694	8.26%	$42,537,280	1.26%	0.7575	0.5	0.88	0.88	**88%**
CLOVERDALE	$1,459,964	7.27%	$659,875	121.25%	$17,120,377	3.28%	$17,003,260	0.69%	2.2140	0.5	1.61	1.61	**142%**
COTATI	$283,731	1.41%	$215,829	31.46%	$12,447,436	2.39%	$11,450,738	8.70%	0.5918	0.5	0.80	0.80	**80%**
EUREKA	$2,077,291	10.34%	$1,853,285	12.09%	$74,563,555	14.29%	$78,065,504	-4.49%	0.7233	0.5	0.86	0.86	**86%**
FORT BRAGG	$595,710	2.96%	$617,932	-3.60%	$17,287,684	3.31%	$17,290,108	-0.01%	0.8946	0.5	0.95	0.95	**95%**
FORTUNA	$675,195	3.36%	$484,793	39.27%	$21,184,658	4.06%	$20,380,216	3.95%	0.8275	0.5	0.91	0.91	**91%**
HEALDSBURG	$1,384,200	6.89%	$1,220,226	13.44%	$59,474,333	11.40%	$55,123,247	7.89%	0.6043	0.5	0.80	0.80	**80%**
LAKEPORT	$605,736	3.01%	$445,346	36.01%	$13,384,807	2.57%	$13,326,242	0.44%	1.1750	0.5	1.09	1.09	**109%**
ROHNERT PARK	$4,321,954	21.51%	$3,385,614	27.66%	$78,538,018	15.05%	$73,128,171	7.40%	1.4287	0.5	1.21	1.21	**121%**
SEBASTOPOL	$954,524	4.75%	$716,663	33.19%	$22,347,654	4.28%	$20,942,422	6.71%	1.1089	0.5	1.05	1.05	**105%**
SONOMA	$216,141	1.08%	$217,874	-0.80%	$13,061,769	2.50%	$12,480,622	4.66%	0.4296	0.5	0.71	0.71	**71%**
ST. HELENA	$418,091	2.08%	$433,809	-3.62%	$26,657,664	5.11%	$24,763,448	7.65%	0.4072	0.5	0.70	0.70	**72%**
UKIAH	$3,963,574	19.73%	$3,606,584	9.90%	$70,281,633	13.47%	$68,189,722	3.07%	1.4642	0.5	1.23	1.23	**123%**
WILLITS	$1,434,470	7.14%	$426,423	236.40%	$14,079,004	2.70%	$14,155,836	-0.54%	2.6453	0.5	1.82	1.82	**128%**
WINDSOR	$445,896	2.22%	$408,838	9.06%	$38,173,806	7.32%	$36,405,667	4.86%	0.3033	0.5	0.65	0.70	**70%**
TOTAL	$20,093,189		$15,863,084		$521,675,094		$505,242,483						
PRIOR YEAR TOTAL	$15,863,084				$505,242,483								
CHANGE %	27%				3%								

The Ex-Mod cannot vary by more than 30% in any one year, nor go above 200%, nor below 70%

REMIF

PRELIMINARY LIABILITY CONTRIBUTIONS 2019-20

	(a) Auto Liability	(b) General Liability	(c) Manual Premium (a)+(b)	(d) ORIGINAL Experience Modification	(e) Deductible Discount	(f) Gross Loss Premium (c) x (d) x (e)	(g) % of Loss of Premium (f)/ (f total)	(h) 2017-18 Net Loss Premium	(i) Expenses	(j) Preliminary 2019-20 Contribution (h) + (i)	(k) Final 2018-19 Contribution	(l) Change from Last Year (j) - (k)	(m) Percent Change
ARCATA	115,613	253,920	369,533	83%	80%	245,091	5.42%	138,773	84,773	223,546	193,691	29,855	15.41%
CLOVERDALE	55,517	142,358	197,875	159%	80%	252,444	5.58%	142,936	87,316	230,252	215,514	14,738	6.84%
COTATI	47,841	103,725	151,566	103%	80%	124,890	2.76%	70,714	43,197	113,911	137,221	(23,310)	-16.99%
EUREKA	228,945	650,713	879,658	119%	67%	699,405	15.46%	396,010	241,912	637,922	496,478	141,444	28.49%
FORT BRAGG	60,456	129,543	189,999	77%	80%	117,450	2.60%	66,501	40,624	107,125	122,868	(15,743)	-12.81%
FORTUNA	173,889	173,613	347,502	96%	80%	266,882	5.90%	151,111	92,310	243,421	298,053	(54,632)	-18.33%
HEALDSBURG	89,050	579,426	668,476	71%	80%	379,714	8.39%	214,998	131,336	346,334	332,181	14,153	4.26%
LAKEPORT	116,795	106,902	223,697	103%	75%	172,806	3.82%	97,844	59,770	157,614	104,213	53,401	51.24%
ROHNERT PARK	203,931	525,077	729,008	105%	67%	514,441	11.37%	291,281	177,936	469,217	486,260	(17,043)	-3.50%
SEBASTOPOL	72,946	156,294	229,240	157%	80%	287,119	6.35%	162,570	99,310	261,880	215,346	46,534	21.61%
SONOMA	22,969	311,515	334,484	79%	80%	211,089	4.67%	119,521	73,012	192,533	159,382	33,151	20.80%
ST.HELENA	67,516	238,033	305,549	70%	75%	160,413	3.55%	90,827	55,484	146,311	136,495	9,816	7.19%
UKIAH	181,131	734,506	915,637	70%	67%	429,434	9.49%	243,150	148,534	391,684	365,403	26,281	7.19%
WILLITS	77,227	123,745	200,972	182%	80%	292,615	6.47%	165,681	101,210	266,891	207,944	58,947	28.35%
WINDSOR	83,667	481,455	565,122	88%	75%	370,875	8.20%	209,993	128,279	338,272	252,451	85,821	34.00%
TOTAL	**$ 1,597,493**	**$ 4,710,825**	**$ 6,308,318**			**$ 4,524,668**		**$ 2,561,910**	**$ 1,565,003**	**$ 4,126,913**	**$ 3,723,500**	**$ 403,413**	**10.83%**
PRIOR YEAR	1,597,493	4,710,825	6,308,318			4,375,979		2,323,500	1,400,001	3,723,501			
$ Change	$ -	$ -	$ -			$ 148,689		$ 238,410	$ 165,002	$ 403,412			
% Change	0.00%	0.00%	0.00%			3.40%		10.26%	11.79%	10.83%			

Estimated payroll for 19-20	$ 116,028,588
Expected funding Rate for 19-20	1.84
Funding at Expected	2,134,926
Funding at 75% Confidence Level	1.20
Funding for REMIF Layer (Undiscounted)	$ 2,561,910

a) Auto Liability - Vehicle count from each member multiple by insurance rate.
b) General Liability - Budgeted expenditures by member
d) Experience Modification by member
e) Deductible Discount
80% discount: $5,000 deductible
75% discount: $10,000 deductible
67% discount: $25,000 deductible
g) Percentage of Gross Loss Premium to the overall Gross Loss Premium by member

ORIGINAL LIABILITY EXPERIENCE MODIFICATION

FY 2019-20

(a)	(b) REPORTED LOSSES FY 2014-18	(c) PERCENT (b)/ (b Total)	FY 2013-17 Losses	(d) PERCENT CHANGE IN LOSSES	(e) TOTAL PAYROLL FY 2014-18	(f) PERCENT (e)/ (e Total)	FY 2013-2017 Payroll	(g) PERCENT CHANGE IN PAYROLL	(h) INDICATED DIFFERENTIAL (c)/(f)	(i) CREDIBILITY	(j) EX-MOD FACTOR (h * i) + (i)	CAPPED EX-MOD	(k) **Revised EX-MOD FY 2019-20**	(l) Approved EX-MOD FY 2018-19	(k - l) Change
ARCATA	$572,987	5.35%	$322,746	77.54%	$42,343,427	8.13%	$41,846,554	1.19%	0.6581	0.5	0.83	0.83	**83%**	77%	6%
CLOVERDALE	$770,733	7.20%	$691,538	11.45%	$17,120,377	3.29%	$17,003,260	0.69%	2.1894	0.5	1.59	1.59	**159%**	160%	-1%
COTATI	$212,586	1.98%	$267,688	-20.58%	$12,447,436	2.39%	$11,450,738	8.70%	0.8306	0.5	0.92	0.92	**103%**	133%	-30%
EUREKA	$2,105,625	19.66%	$1,074,334	95.99%	$74,563,555	14.31%	$78,065,504	-4.49%	1.3734	0.5	1.19	1.19	**119%**	99%	20%
FORT BRAGG	$193,871	1.81%	$200,909	-3.50%	$17,287,684	3.32%	$17,290,108	-0.01%	0.5454	0.5	0.77	0.77	**77%**	95%	-18%
FORTUNA	$83,386	0.78%	$107,323	-22.30%	$21,184,658	4.07%	$20,380,216	3.95%	0.1914	0.5	0.60	0.70	**96%**	126%	-30%
HEALDSBURG	$513,702	4.80%	$349,911	46.81%	$59,474,333	11.42%	$55,123,247	7.89%	0.4201	0.5	0.71	0.71	**71%**	73%	-2%
LAKEPORT	$374,231	3.49%	$87,226	329.04%	$13,384,807	2.57%	$13,326,242	0.44%	1.3598	0.5	1.18	1.18	**103%**	73%	30%
ROHNERT PARK	$1,786,832	16.68%	$1,645,289	8.60%	$78,538,018	15.08%	$73,128,171	7.40%	1.1065	0.5	1.05	1.05	**105%**	117%	-12%
SEBASTOPOL	$979,302	9.14%	$515,436	89.99%	$22,347,654	4.29%	$20,942,422	6.71%	2.1312	0.5	1.57	1.57	**157%**	138%	19%
SONOMA	$155,159	1.45%	$49,895	210.97%	$13,061,769	2.51%	$12,480,622	4.66%	0.5777	0.5	0.79	0.79	**79%**	70%	9%
ST. HELENA	$68,926	0.64%	$44,947	53.35%	$26,657,664	5.12%	$24,763,448	7.65%	0.1257	0.5	0.56	0.70	**70%**	70%	0%
UKIAH	$559,682	5.23%	$254,958	119.52%	$70,281,633	13.49%	$68,189,722	3.07%	0.3873	0.5	0.69	0.70	**70%**	70%	0%
WILLITS	$1,745,759	16.30%	$1,280,975	36.28%	$14,079,004	2.70%	$14,155,836	-0.54%	6.0305	0.5	3.52	2.00	**182%**	152%	30%
WINDSOR	$588,738	5.50%	$187,980	213.19%	$38,173,806	7.33%	$36,405,667	4.86%	0.7501	0.5	0.88	0.88	**88%**	70%	18%
TOTAL	$10,711,520		$7,081,155		$520,945,827		$504,551,757								
PRIOR YEAR TOTAL	$7,081,155				$504,551,757										
% Change	51.3%				3.2%										

The Ex-Mod cannot vary by more than 30% in any one year, nor go above 200%, nor below 70%

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ITEM 10.0

AGENDA ITEM SUMMARY

TITLE: **SELF-INSURED HEALTH PLAN**

PRESENTED BY: **AMY NORTHAM, GENERAL MANAGER**

ISSUE

Changes to the REMIF health care plan require ratification by the Board of Directors. A Health Care Committee has been appointed to review and discuss issues surrounding the REMIF health care plan and provide recommendations to the Board of Directors for ratification. There are three items that are provided as informational only and two items that are provided that require ratification by the Board.

BACKGROUND

The Board of Directors has contracted with RealCare/NFP as the broker for health care and other benefits. A Health Care Committee has been appointed to review and discuss issues surrounding the REMIF health care plan and provides recommendations to the Board of Directors for consideration.

REMIF has offered a self-insured/self-funded health plan since 2015. The plan is administered through Health Comp and we work with our brokers, RealCare/NFP, on the plan. As reported to the Board in April of 2018, the plan has been performing well.

The Health Care Committee has been appointed to review and discuss issues surrounding the REMIF health care plan and provides recommendation to the Board of Directors for consideration and ratification. The Health Care Committee has reviewed all items below and has provided recommendations as outlined below.

INFORMATIONAL ONLY: These items are informational only and are items the Health Care Committee has reviewed and discussed:

1. The dependent eligibility audit: The Board of Directors approved a dependent eligibility audit at the Board of Directors meeting on September 27, 2018. The purpose of the audit is to help ensure the Plan is covering only eligible members. This protects the Plan against claims costs and Stop Loss issues that may arise if an ineligible member is permitted to remain on the plan. The audit will be conducted by BMI, and the initial mailings were sent out in January.

The Health Care Committee received updates on the dependent eligibility audit.

2. Request for proposal (RFP) for third party administrative (TPA) services: The Health Care Committee reviewed the draft RFP for TPA services. The RFP was published, and the Health Care Committee will be reviewing the responsive RFPs. Recommendations for the TPA services will be brought forth at a future meeting.

3. Income and expense: The Health Care Committee reviewed income and expense reports. The plan is performing well. Attached is the most current income and expense report for the plan.

ITEMS THAT REQUIRE RATIFICATION: Addition of Sebastopol to REMIF dental and vision pooled program (if negotiated at Sebastopol):

1. The City of Sebastopol has a self-funded dental and vision plan, administered by the City. Their bargaining unit contracts will be negotiated in 2019. The City is interested in exploring moving from the City's self-funded dental and vision plan and into the REMIF dental and vision plan.
In 2011, the REMIF Board of Directors did approve for Sebastopol to join the REMIF plan, but the move did not happen at that time.

Recommended action: The Health Care Committee is recommending that Sebastopol be allowed to join the REMIF dental and vision plan, as previously approved in 2011, if Sebastopol decides to proceed with a change from a self-funded to the REMIF pooled plan.

2. Change of EAP
EAP services are critical to the health of the membership. Within REMIF, EAP services have always been highly utilized by employees and family members. EAP services are very time sensitive, often dealing with critical mental health issues. It is imperative that members have access to providers in a timely fashion.

As you may recall, last year at renewal we switched EAP providers from Aetna to MHN. Over the past few months, RealCare has worked with plan members who have had trouble obtaining referrals for EAP services. During this time, we've discovered that although MHN reportedly had providers listed as "available" in the North Coast region, many are not taking new patients. This is causing immediate problems for members who need care.

In addition to a shortage of providers, we've been dissatisfied with the response time and level of service received from MHN. They appear to be short staffed and do not respond timely to our requests or to the needs of the members.

We have engaged MHN management in a discussion of our dissatisfaction and thus far our complaints have not been resolved. The Health Care Committee explored the option of moving from MHN back to Aetna, our previous provider.

MHN is now $2.51 per employee per month, and Aetna would be $2.84 per employee per month.

Recommended action: At the December 17, 2018 Health Care Committee meeting, the Committee approved recommending to the Board that we change EAP providers back to Aetna as soon as possible.

3. Appointment of Committee Member to Health Care Committee
Scott Schneider was an invaluable member to the Health Care Committee, and the Health Care Committee greatly appreciates all his help and input. Mr. Schneider is no longer an employee of Ft. Bragg, and the Health Care Committee sought replacements for him on the committee. Article VI of the REMIF bylaws states in part: "The Board may establish committees and delegate to them functions not otherwise reserved to the Board."

Stephanie Garrabrant-Sierra of Willits and Sherri Mannion of Ukiah have both offered to sit on the Health Care Committee, and the Health Care Committee submits their names to the Board of Directors as a recommended appointment and replacement for Mr. Schneider.

Recommended action: The Board appoint Stephanie Garrabrant-Sierra of Willits and Sherri Mannion of Ukiah to the Health Care Committee.

FISCAL IMPACT

None

RECOMMENDED ACTION

1. Allow Sebastopol to join the REMIF dental and vision plan, as previously approved in 2011; as recommended by the Health Care Committee.

2. Direct staff to terminate the contract with MHN and enter into a contract with Aetna for EAP services, as recommended by the Health Care Committee.

3. Appoint Stephanie Garrabrant-Sierra of Willits and Sherri Mannion of Ukiah to the Health Care Committee.

ATTACHMENTS

10.1 Income and Expense Report PY 18’19 through December 2018

REMIF SELF-FUNDED HEALTH PLAN

ITEM 10.1

Income and Expenses

7-1-18 through 12-31-18

PREMIUM INCOME	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
Total Medical Premium Collected	**$ 1,130,809**	**$ 1,151,550**	**$ 1,141,869**	**$ 1,138,165**	**$ 1,139,580**	**$ 1,155,544**
Premium Collected YTD	$ 1,130,809	$ 2,282,358	$ 3,424,227	$ 4,562,392	$ 5,701,972	$ 6,857,516

PLAN ADMINISTRATIVE EXPENSES	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
Fees & Stop Loss Expenses						
Voya Specific Stop Loss	$ 107,460	$ 109,277	$ 109,205	$ 107,867	$ 109,071	$ 111,213
Voya Aggregate Stop Loss	$ 2,202	$ 2,238	$ 2,236	$ 2,208	$ 2,233	$ 2,277
Broker Fees	$ 16,852	$ 17,124	$ 17,103	$ 16,894	$ 17,082	$ 17,418
TPA Fees	$ 19,690	$ 20,096	$ 19,940	$ 19,495	$ 19,911	$ 20,264
PPO/UR Fees	$ 18,069	$ 18,370	$ 18,347	$ 18,122	$ 18,325	$ 18,683
Envision Fees						
REMIF Admin Fee	$ 11,051	$ 11,176	$ 11,273	$ 11,190	$ 11,217	$ 11,356
Other Fees	$ -	$ -	$ 150			
Total Fees & Stop Loss	**$ 175,322**	**$ 178,281**	**$ 178,254**	**$ 175,775**	**$ 177,840**	**$ 181,211**
Total Fees YTD	$ 175,322	$ 353,603	$ 531,857	$ 707,632	$ 885,472	$ 1,066,683

CLAIMS EXPENSES	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
Medical	$ 683,304	$ 51,885	$ 601,772	$ 594,228	$ 784,284	$ 382,944
Rx	$ 136,631	$ 180,794	$ 131,352	$ 167,114	$ 177,384	$ 135,167
Total Claims Paid	**$ 819,935**	**$ 232,679**	**$ 733,124**	**$ 761,342**	**$ 961,668**	**$ 518,111**
Claims Paid YTD	$ 819,935	$ 1,052,614	$ 1,785,738	$ 2,547,081	$ 3,508,748	$ 4,026,859

RESERVE ACCOUNTING	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
Beginning Reserve Balance	**$ 2,765,455**	**$ 3,776,458**	**$ 4,591,853**	**$ 4,832,101**	**$ 5,037,917**	**$ 5,062,239**
INCOME						
Monthly Premium Income	$ 1,130,809	$ 1,151,550	$ 1,141,869	$ 1,138,165	$ 1,139,580	$ 1,155,544
Recovered Stop Loss Claims	$ 875,452	$ 74,805	$ 9,757	$ 4,768	$ 24,250	$ 5,335
Recovered Workers' Comp Claims						
Interest Income						
Other Income						
Total Income	**$ 2,006,261**	**$ 1,226,355**	**$ 1,151,626**	**$ 1,142,934**	**$ 1,163,829**	**$ 1,160,879**
EXPENSES						
Total Fees & Stop Loss	$ 175,322	$ 178,281	$ 178,254	$ 175,775	$ 177,840	$ 181,211
Total Claims	$ 819,935	$ 232,679	$ 733,124	$ 761,342	$ 961,668	$ 518,111
Other Expenses						
Total Expenses Paid	**$ 995,258**	**$ 410,960**	**$ 911,378**	**$ 937,117**	**$ 1,139,508**	**$ 699,322**
ENDING RESERVE BALANCE	**$ 3,776,458**	**$ 4,591,853**	**$ 4,832,101**	**$ 5,037,917**	**$ 5,062,239**	**$ 5,523,797**

# of REMIF Plan Members	**795**	**804**	**811**	**805**	**807**	**817**

Prepared by RealCare Insurance Marketing, Inc.
1/14/2019

NFP RealCare Insurance Marketing, Inc.

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ITEM 11.0

AGENDA ITEM SUMMARY

TITLE: **WORKERS' COMPENSATION AUDIT REPORT**

PRESENTED BY: **AMY NORTHAM, GENERAL MANAGER**

ISSUE

The State of California's Division of Workers' Compensation's 2016 Audit Rankings Summary, Attachment xx, is made available for inspection by the Board of Directors.

BACKGROUND

Pursuant to Board Policy 16.0, a report of claims audit shall be made available for inspection by the Board of Directors. The Division of Workers' Compensation conducts rigorously detailed audits of third-party administrators, insurance carriers, and self-administered employers once every five years to ensure that they have met their obligations under the Labor Code and the administrative director's regulations.

The performance rating is a composite score reflecting claims performance based on the following:

• The percentage of randomly selected claims with unpaid indemnity and the amount of unpaid indemnity in those claims;
• The percentage of randomly selected claims with late first temporary disability (TD) payments and/or failure to comply with the regulations for the provision of first notices of salary continuation in lieu of TD payment;
• The percentage of claims with late first payments of PD or death benefits;
• The percentage of claims with late subsequent indemnity payments; and
• The percentage of claims with violations involving failure to comply with the regulations for provision of notices to advise injured workers of the process for selecting Agreed Medical Examiners or Qualified Medical Examiners.

The goal is to obtain the lowest score possible. High scores will necessitate the administration of a Full Compliance Audit after which administrative penalties are assessed. In late 2017, audit results for audits conducted in 2016 were released by the Division of Workers' Compensation.

REMIF scored in the top 10 with a specific score of 0.63901, well below the standard of 1.53466 (the lower the number, the better).

FISCAL IMPACT

None

RECOMMENDED ACTION

None

ATTACHMENTS

11.1 Workers' Compensation Audit report

2016 AUDITS

A Report to the California Legislature on Claims Handling Practices of Workers' Compensation Administrators

Department of Industrial Relations

Division of Workers' Compensation
Audit & Enforcement Unit

Pursuant to Labor Code (LC) section 129(e), the Administrative Director of the Division of Workers' Compensation (DWC) submits this twenty-seventh annual workers' compensation report summarizing the results of audits conducted by the DWC Audit & Enforcement Unit.

2016 Audit Results

Profile Audit Review (PAR) standard–1.53446/Full Compliance Audit (FCA) standard–1.68525

LC sections 129 and 129.5 provide the framework for oversight and enforcement of the regulations of the Administrative Director for the prompt and accurate provision of workers' compensation benefits.

The performance of any insurer, self-insurer, or third-party administrator is rated for action in specific areas of benefit provision. Of foremost importance is the payment of all indemnities owed to an injured worker for an industrial injury. The timeliness of all initial and subsequent indemnity payments and compliance with the regulations of the Administrative Director for the provision of notice for a qualified or agreed medical evaluation are also measurable performance factors.

The DWC Audit & Enforcement Unit completed 47 profile audit reviews (PARs), which were all routinely selected; there were 0 target audits, which would have been conducted based upon the failure of a prior audit. The PAR subjects consisted of 7 insurance companies, 14 self-administered/self-insured employers, 22 third-party administrators (TPA), and 4 insurance companies/third-party administrators' combined claims-adjusting locations.

At all audits, claim files were selected for review on a random basis, with the number of indemnity and denied cases selected based on the number of claims reported in each of those populations for the audit subject in the three calendar years prior to the commencement of an audit. In addition, if any complaints were received regarding possible violations of the LC or regulations of the Administrative Director, each respective claim file related to a complaint may have been part of the audit, pursuant to California Code of Regulations (CCR), Title 8, sections 10107.1 (c)(2), (d)(2), and (e)(2).

Pursuant to CCR, Title 8, section 10107.1(c) and (d), either a "PAR sample" of up to 59 or a "full compliance audit (FCA) sample" of up to 138 indemnity claims is audited, depending on the claims administrator's performance, as measured in the key areas after the PAR sample is audited. CCR, Title 8, section 10107.1(e), provides for a "sample" of up to 67 denied claims that may be audited. The sample size depends on the claims administrator's performance, as measured in specific areas of benefit provision and determined by reviewing all audits conducted of indemnity claims in the "FCA stage 1 sample."

In 2016, in the PAR/FCA audits, compliance officers audited 2,843 claim files, of which 2,774 were randomly selected claims in which some form of indemnity benefits was paid. Targeted claims audited included 66 files based on complaints received by the DWC. Another 3 audited claims were designated as an "additional" file.

"Additional" files include the following:

- Claims audited as a companion file to a randomly selected file.
- Claims chosen based on criteria relevant to a target audit but for which no specific complaints were received.
- Claims in excess of the number of claims in the random sample, audited because the files selected were incorrectly designated in the log.

Basis for the PAR Performance Rating

The current audit regulations (CCR, Title 8, sections 10100.2 through 10115.2) became effective on May 20, 2009. The audit regulations are crafted to produce more efficient audits by workers' compensation claims administrators and establish new procedures and penalty provisions for statutory and regulatory obligations.

The audit regulations are currently being amended to address the statutory changes brought about by the adoption of Senate Bill (SB) 863. As of January 1, 2013, the amended Labor Code section 4650(b)(2) came into effect and now provides that, under specific circumstances set by statute, permanent disability (PD) indemnity will not be payable to an injured employee until it is awarded by the Workers' Compensation Appeals Board.

Pursuant to CCR, Title 8, section 10107.1(c)(3), when the Audit & Enforcement Unit conducts a PAR of claim files, a performance rating is calculated for the sample of randomly selected indemnity claims. At present, the performance rating is a composite score reflecting claims performance based on the following:

- The percentage of randomly selected claims with unpaid indemnity and the amount of unpaid indemnity in those claims;
- The percentage of randomly selected claims with late first temporary disability (TD) payments and/or failure to comply with the regulations for the provision of first notices of salary continuation in lieu of TD payment;
- The percentage of claims with late first payments of PD or death benefits;
- The percentage of claims with late subsequent indemnity payments; and
- The percentage of claims with violations involving failure to comply with the regulations for provision of notices to advise injured workers of the process for selecting Agreed Medical Examiners or Qualified Medical Examiners.

As calculated pursuant to CCR, Title 8, section 10107.1 (c)(3), low performance rating numbers reflect good claims-handling performance, and high rating numbers reflect poor performance. If an audit subject's PAR performance rating meets or exceeds the PAR performance standard, the audit is terminated, and no administrative penalties are assessed for claims violations. In order to meet or exceed the PAR performance standard, an audit subject's PAR performance rating must meet or exceed the ratings of the worst 20% of performance ratings calculated for all audits conducted over the three-year period preceding the year before the audit. In other words, a PAR performance rating for a 2016 audit that falls within the range of the 80% best scores of all audits conducted from 2012 through 2014 will meet or exceed the PAR performance standard for 2016, which is 1.53446.

Performance Ratings of Audit Subjects

The performance ratings for the 47 audit subjects in 2016 were as follows:

- Forty-three audit subjects (91%) met or exceeded the PAR 2016 performance standard and therefore had no penalty citations assessed in accordance with LC section 129.5(c) and CCR, Title 8, section 10107.1(c)(4). However, these audit subjects were ordered to pay all unpaid compensation.
- Four audit subjects (9%) failed to meet or exceed the PAR standard, and their audits were expanded to a full compliance audit of indemnity claims (FCA stage 1) Two of these audit subjects (50% of those that failed to meet or exceed the PAR standard) met or exceeded the FCA 2016 performance standard and therefore had penalty citations assessed for unpaid and late payment of indemnities in accordance with LC section 129.5(c)(2) and CCR, Title 8, sections 10107.1(d).

  2) The remaining two of the four audit subjects (50% of those that failed to meet or exceed the PAR standard) failed to meet or exceed the FCA 2016 performance standard and their audits expanded into full compliance audit of indemnity claims (FCA stage 2) and added a sample of denied claims to be audited. These audit subjects were assessed administrative penalties for all penalty citations in accordance with LC section 129.5(c) and CCR, Title 8, Section 10107.1(d) and 10107.1(e).

The **DWC Administrative Director's 2016 Audit Ranking Report** (see Statewide Exhibit 4) is part of this annual report. The Ranking Report rates the performance of the 47 audit subjects in order, from the best to the worst performer.

In accordance with LC sections 129(b)(1) and 129.5(c), the pass/failure for an audit is determined at the conclusion of the FCA of indemnity files. An audit subject who fails to meet or exceed the FCA standard is deemed to have failed the audit. Although the determination and rating are set at the conclusion of the FCA of indemnity files, the administrator's final performance rating may be subject to adjustment for any information provided during the final stage of the audit to address penalty citations for the previously reviewed indemnity files.

The Ranking Report also indicates the number of Notice(s) of Compensation Due issued for the individual adjusting locations.

Figure 1 shows a synopsis of audit performance from 2012 to 2016.

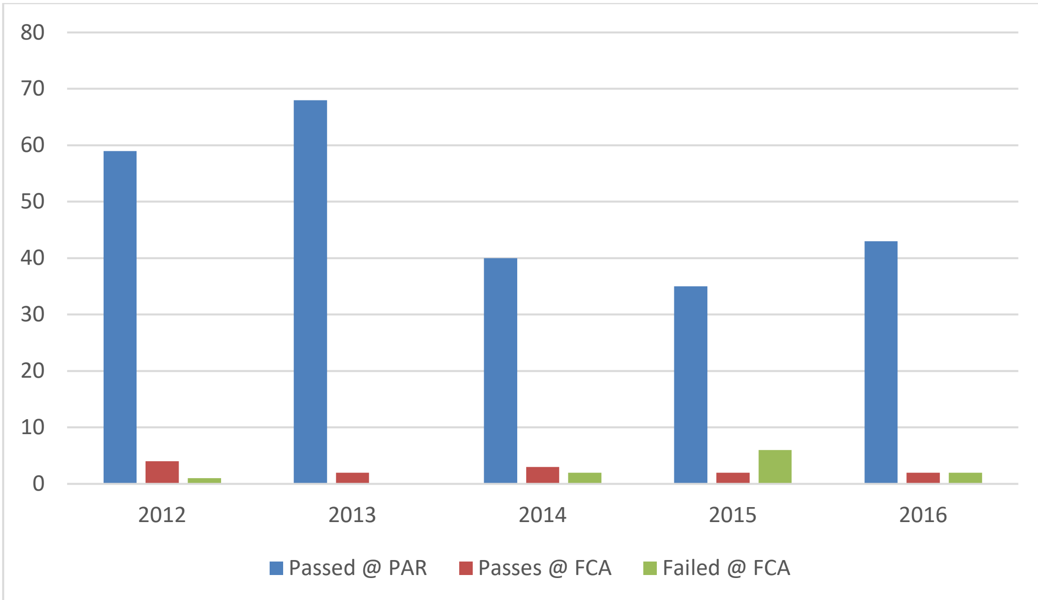

Figure 1. Audit Results for 2012-2016

Violations of the Administrative Director's Regulations

As a result of PAR/FCA audits conducted during calendar year 2016, the Audit & Enforcement Unit found and cited 3,736 violations against claims administrators, with administrative penalties totaling $986,515 (see Statewide Exhibit 1).

Not all administrative penalties are subject to collection. Under the LC, no penalties are assessed on those "cited" violations unless the audit subject fails the audit at a specific level.

If an audit subject passes the PAR, which is the first level of audit, no penalties will be assessed, in accordance with LC section 129.5(c)(1). If an audit subject fails the PAR but passes the second level, or FCA stage 1, under LC section 129.5(c)(2), penalties for unpaid and late-paid indemnity will be assessed, but penalties will not be assessed for violations related to issues of compliance with administrative functions, such as the provision of notices for salary continuation and advice for agreed or qualified medical examination. If an audit subject does not pass the FCA stage 1 audit, the file review will proceed to a full compliance audit of the indemnity files plus a sample of denied claims. For the FCA stage 2 audit, in accordance with LC section 129.5(c)(3), a comprehensive file review is conducted, and penalties are assessed for all violations found. Penalties assessed for a failed FCA stage 2 audit may be modified relative to the size of the adjusting location to mitigate any inequities for penalty assessment for small and large claims administrators in accordance with CCR, Title 8, Section 10111.2(c)(7).

Statewide Exhibit 2 provides a detailed analysis of all penalties assessable, by type and those cited in 2016. In accordance with LC section 129.5(c) and regulatory authority, the Audit & Enforcement Unit did not assess $543,968 for administrative penalties of the cited violations. The violations that, by law, were not assessed occurred in the 43 audits that met or exceeded the PAR performance standard. All violations cited in the audit that failed the FCA performance standard were assessed. The assessed penalties subject to collection from claims administrators for FCA audits totaled $442,547.

Figure 2 illustrates the violations cited and penalties assessed and collected in the PAR/FCA audit process for calendar years 2012 to 2016.

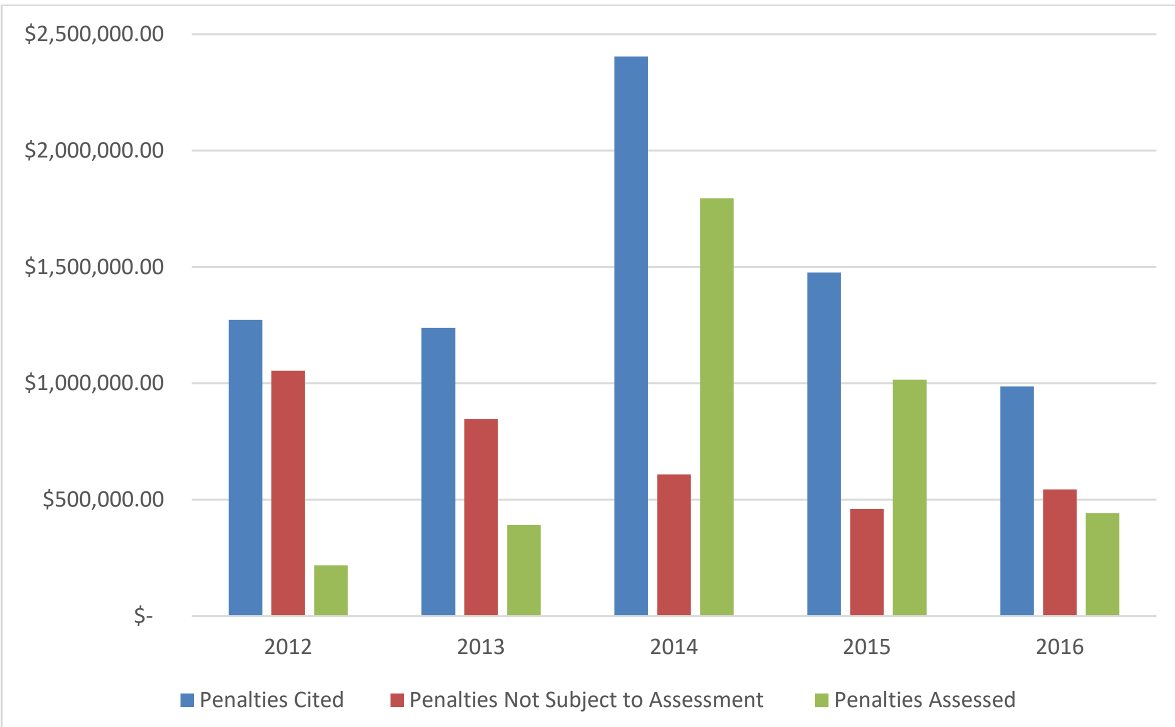

Figure 2. Penalty Assessments and Collections for 2012-2016

Unpaid Compensation Due to Employees

PAR/FCA audits conducted in 2016 reveal that 10% of the 2,843 claims reviewed had unpaid indemnities. The Audit & Enforcement Unit issued 297 Notices of Compensation Due with the final audit reports. Copies of these notices were sent to injured workers in accordance with LC section 129(c). The total compensation cited to be paid was $238,502.28 (see Statewide Exhibit 3), an average of $803.04 per file with unpaid compensation. This total unpaid compensation consists of $215,775.87 owed in 294 randomly selected claims and $22,726.41 found to be owed in 7 additional claims audited and complaints claims submitted to the Audit & Enforcement Unit.

- $152,230.38 in temporary disability indemnity and salary continuation in lieu of temporary disability (63.83% of the unpaid compensation)
- $57,551 in permanent disability indemnity (24.13% of the unpaid compensation)
- $26,896.60 in 10% self-imposed increases for late indemnity payments (11.28% of the unpaid compensation)
- $1,824.30 in interest and penalty or failure to reimburse medical expenses (00.76% of the unpaid compensation)
- $0 in death benefits

When a Notice of Compensation Due is issued with the final audit findings and becomes final, the compensation is due and payable within fifteen (15) days of receipt of the notice. In order to avoid penalty assessments under LC section 129.5(a)(2) and CCR, Title 8, section 10111.2, payment must be timely, and documentation of payment must be forwarded to the Audit & Enforcement Unit within thirty (30) days of receipt of the notice.

When employees due unpaid compensation cannot be located, the unpaid compensation is payable by the claims administrator to the Workers' Compensation Administration Revolving Fund. In these instances, an employee can apply to the DWC for payment of moneys deposited into this fund by claims administrators. For audits conducted in 2016, $94.41 was paid into this fund because the injured workers could not be located.

Figure 3 shows undisputed compensation found to be due in routine and target audits conducted since 2012.

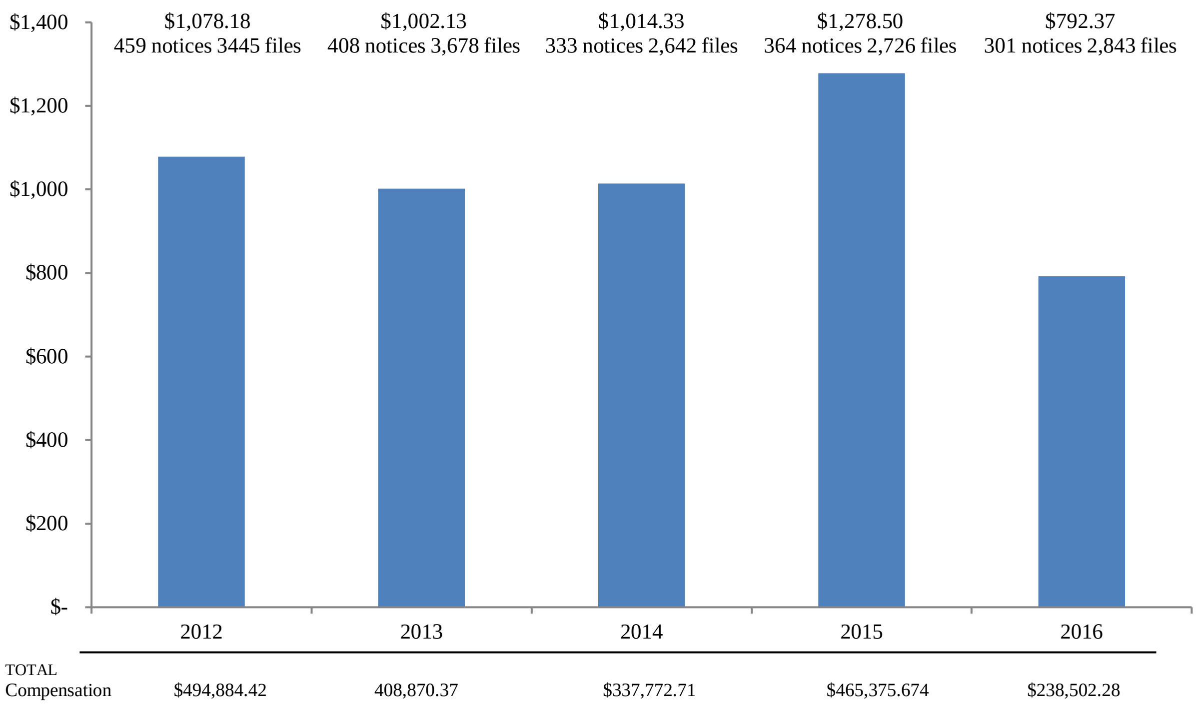

Figure 3. Average Unpaid Compensation Due per File for 2012–2016

Civil Penalty Issues

Civil Penalty under LC section 129.5(e)

A claims administrator identified for a return target audit because of failure of a PAR/FCA audit conducted in 2003 or later may be subject to a civil penalty under LC section 129.5(e), which reads in part:

> In addition to the penalty assessments permitted by subdivision (a), the Administrative Director may assess a civil penalty, not to exceed one hundred thousand dollars ($100,000), upon finding, after hearing, that an employer, insurer, or third-party administrator for an employer has knowingly committed or has performed with sufficient frequency so as to indicate a general business practice any of the following:
>
> 1. Induced employees to accept less than compensation due, or made it necessary for employees to resort to proceedings against the employer to secure compensation due.
> 2. Refused to comply with known and legally indisputable compensation obligations.
> 3. Discharged or administered compensation obligations in a dishonest manner.
> 4. Discharged or administered compensation obligations in a manner as to cause injury the public or those dealing with the employer or insurer.
>
> Any employer, insurer, or third-party administrator that fails to meet the full compliance audit performance standards in two consecutive full compliance audits shall be rebuttably presumed to have engaged in a general business practice of discharging and administering its compensation obligations in a manner causing injury to those dealing with it.

Other Issues

The Annual Report of Inventory

CCR, Title 8, section 10104, requires claims administrators to file an annual report of inventory (ARI) with the Administrative Director (more specifically, with the Audit & Enforcement Unit) for all claims reported to each of their adjusting locations in the prior calendar year. The report is due by April 1 for any location adjusting California workers' compensation claims and must be filed even if no claims were reported in the prior year. Reports submitted in 2016 identify 395 locations adjusting claims, of which 307 are in California, and 88 are out of state.

In addition to the penalty assessments totaling $986,515 that were assessed as a result of audits conducted in 2016, an additional 16 penalties totaling $7,600 were assessed based on the failure of claims administrators to either file or timely file the ARI with the Audit &

Enforcement Unit. The penalty assessments are issued pursuant to CCR, Title 8, section 10111.2(b)(25). These penalties are not included as part of the audit data in this report.

Profile Audit Performance Standards/Full Compliance Audit Standards for 2016

The PAR and FCA performance standards have been updated pursuant to LC section 129(b) and CCR, Title 8, sections 10107.1(c), (d), and (e). This was accomplished by taking the 2015 audit results and using the performance ratings for the five factors subject to the profile audit review program. The results were then combined with the 2013 and 2014 performance rating scores to develop the 2016 scores (as noted earlier, the lower the number, the better the rating). The Audit Unit continues to act as a deterrent to poor claims handling and works to ensure that injured workers receive their workers' compensation benefits.

Figure 4 shows a historical analysis of the PAR/FCA performance standards set for audits conducted in calendar years 2012 to 2016.

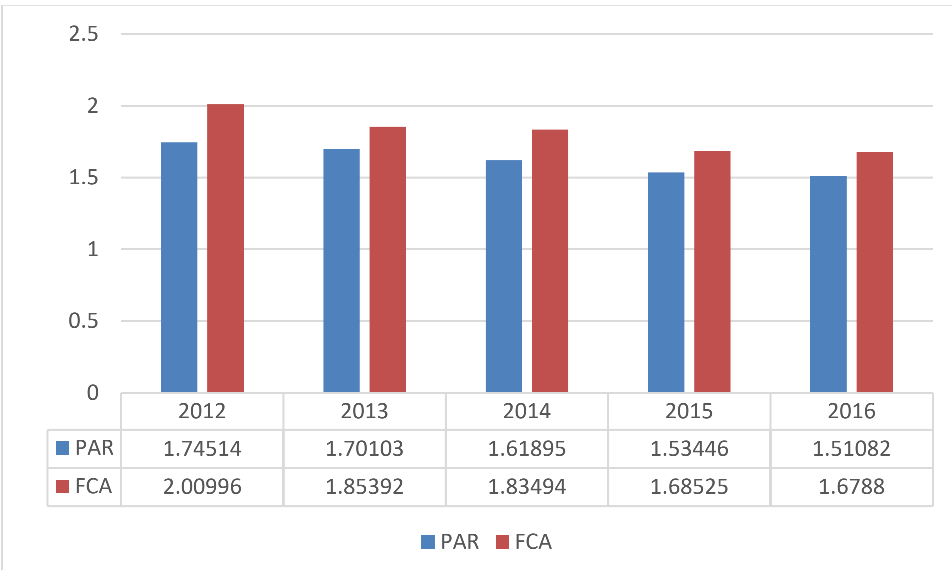

Figure 4. PAR/FCA Performance Rating for 2012-2016

Description of Statewide Exhibits

Statewide Exhibit 1–Audit Penalty Assessments and Collections is a listing of audits conducted in 2016. It provides a summary of all files audited by type, the numbers and amounts of penalties, amounts collected, balance due, and the number of appeals.

Statewide Exhibit 2–Summary of Penalties for PAR/FCA Audits describes and separates the schedule of administrative penalties described in CCR, Title 8, section 10111.2, into various categories showing totals and amounts of assessable administrative penalties for this statewide audit finding.

Statewide Exhibit 3–Statewide Summary of Notices of Compensation Due gives, by type of indemnity, the amounts of unpaid compensation found in the 297 audited claims for which notices of compensation due were issued.

Statewide Exhibit 4–The **DWC Administrative Director's 2016 Audit Ranking Report** is issued in accordance with LC section 129(e). The report ranks all insurers, self-insured employers, and third-party administrators audited during 2016 according to their performance measured by the profile audit review and full compliance audit performance standards.

Calendar Year 2016 **Statewide Exhibit 1**

Audit Penalty Assessments and Collections

Audit Subject & Location	R / T	INS/ SI/ TPA	Number of Files Audited: I	D	C	A	Total	# of AP's Cited	Total $ Violations Identified	$ Not Subject to Assessment	Total $ Subject to Assessment	Balance $ Due	Appeals: Y	N
PAR/FCA Audits														
AdminSure / Diamond Bar	R	TPA	58		0	0	58	23	$4,955	$4,955	$0			X
Albertsons Companies Inc. (formerly Vons) / Fullerton	R	SI	56		1	0	57	87	$26,710	$26,710	$0			X
Berkshire Hathaway Homstate Companies / San Diego	R	INS	59		1	0	60	43	$8,905	$8,905	$0			X
Broadspire / Folsom, CA	R	TPA	57		2	0	59	72	$16,060	$16,060	$0			X
Ca. Fair Service Authority / Sacramento, CA	R	SI	30		0	0	30	37	$6,150	$6,150	$0			X
Cannon Cochran Management Services / Concord, CA	R	TPA	56		0	0	56	63	$10,835	$10,835	$0			X
City of San Jose / San Jose, CA	R	SI	78	47	3	0	128	567	$142,215		$142,215			X
Corvel / Folsom, CA	R	TPA	132	50	7	0	189	575	$255,060		$255,060			X
Corvel Corporation / Camarillo	R	TPA	56		0	0	56	88	$6,850	$6,850	$0			X
Corvel Corporation / Rancho Cucamonga	R	TPA	58		11	0	69	77	$16,780	$16,780	$0			X
County of Riverside / Riverside	R	SI	55		0	0	55	69	$9,280	$9,280	$0			X
County of Sacramento / Sacramento, CA	R	SI	55		1	0	56	55	$6,195	$6,195	$0			X
County of San Diego / San Diego	R	SI	54		0	0	54	105	$9,820	$9,820	$0			X
E&J Gallo / Modesto, CA	R	SI	42		0	0	42	25	$9,475	$9,475	$0			X
Enstar Administrators (formerly Seabright) / Orange	R	INS / TPA	57		1	0	58	45	$15,555	$15,555	$0			X
Farmers Insurance Exchange / Scottsdale, AZ	R	INS	25		0	0	25	45	$8,825	$8,825	$0			X
Farmers Insurance Exchange / Austin, TX	R	INS	55		0	0	55	86	$21,930	$5,430	$16,500			X
Gallagher Bassett / Roseville, CA	R	TPA	57		2	0	59	29	$15,340	$15,340	$0			X
Gallagher Bassett / Gold River, CA	R	TPA	58		0	0	58	49	$7,690	$7,690	$0			X
Gallagher Bassett Services #187 / San Diego	R	TPA	134		0	2	136	170	$46,645	$17,873	$28,772			X
Illinois Midwest General Insurance / Springfield, Il	R	TPA	57		0	0	57	45	$10,385	$10,385	$0			X
Intercare / Rocklin, CA	R	TPA	56		1	0	57	65	$15,575	$15,575	$0			X
Lance Camper Manufacturing Corp. / Lancaster	R	SI	19		0	0	19	24	$2,945	$2,945	$0			X
Liberty Mutual / Rocklin, CA	R	INS / TPA	59		5	0	64	108	$13,285	$13,285	$0			X
Liberty Mutual Group / Aliso Viejo	R	INS	53		0	0	53	59	$9,375	$9,375	$0			X
Loma Linda University / San Bernardino	R	SI	47		0	0	47	35	$6,020	$6,020	$0			X
LWP Claims Solutions, Inc. / Glendale	R	TPA	51		0	0	51	52	$9,120	$9,120	$0			X
Nordstrom, Inc. / Santa Ana	R	SI	51		0	0	51	32	$7,650	$7,650	$0			X
Northern Claims Management / Santa Rosa, CA	R	TPA	54		0	0	54	50	$3,680	$3,680	$0			X
Pacific Claims Management / Fresno, CA	R	INS / TPA	54		0	0	54	52	$11,385	$11,385	$0			X

Calendar Year 2016

Audit Penalty Assessments and Collections

Audit Subject & Location	R / T	INS/ SI/ TPA	Number of Files Audited I	D	C	A	Total	# of AP's Cited	Total $ Violations Identified	$ Not Subject to Assessment	Total $ Subject to Assessment	Balance $ Due	Appeals Y	Appeals N
Pegasus / Modesto, CA	R	TPA	57		0	0	57	61	$12,080	$12,080	$0			X
Redwood Empire Muni Insurance Fund / Sonoma, CA	R	SI	54		0	0	54	26	$4,420	$4,420	$0			X
RICA/RICC / San Francisco, CA	R	INS	58		0	0	58	29	$5,165	$5,165	$0			X
SCIF / Fresno, CA	R	INS	58		0	0	58	48	$9,230	$9,230	$0			X
Sedgwick / Walnut Creek, CA	R	TPA	59		4	0	63	79	$21,055	$21,055	$0			X
Sedgwick / Roseville, CA	R	TPA	51		0	0	51	14	$1,450	$1,450	$0			X
Sedgwick / Rancho Cordova, CA	R	TPA	58		0	0	58	58	$15,815	$15,815	$0			X
Sedgwick Claims Management / San Diego	R	TPA	54		2	0	56	29	$5,485	$5,485	$0			X
Sedgwick Claims Management Services / Long Beach	R	TPA	59		12	0	71	79	$23,150	$23,150	$0			X
Sedgwick Claims Management Services / Riverside	R	TPA	58		0	0	58	70	$29,335	$29,335	$0			X
Shasta County Risk Management / Redding, CA	R	SI	39		0	0	39	21	$11,250	$11,250	$0			X
Sutter Health / Sacramento, CA	R	SI	57		0	0	57	55	$9,765	$9,765	$0			X
The Walt Disney Company / Anaheim	R	SI	57		1	1	59	62	$17,645	$17,645	$0			X
York Risk Services Group, Inc. / Rancho Cucamonga	R	TPA	59		0	0	59	46	$20,635	$20,635	$0			X
York Risk Services Group, Inc. / Valencia	R	TPA	57		2	0	59	92	$29,325	$29,325	$0			X
Zenith / Fresno, CA	R	INS	58		0	0	58	26	$5,440	$5,440	$0			X
Zurich North America / Woodland Hills	R	INS / TPA	58		3	0	61	109	$30,575	$30,575	$0			X
TOTALS:			**2,684**	**97**	**59**	**3**	**2,843**	**3,736**	**$986,515**	**$543,968**	**$442,547**	**$0**		**47**

File type: I - Indemnity; D - Denied; C - Complaint; A - Additional

R - Routine	47
T - Target	0
TOTAL	47

INS	Insurer	7
SI	Self-Insured Employer	14
TPA	Third-Party Administrator	22
INS / TPA	Insurer/Third-Party Administrator	4
SI / TPA	Self-Insured/Third-Party Administrator	0
TOTAL		47

Statewide Summary of Penalties for PAR/FCA Audits

Cited by Type of Penalty

Type of Violation	# of Violations Cited	Total $ Violations Cited	$ Not Subject to Assessment	Total $ Subject to Assessment	Total $ Amount Collected	Appeal
Late first payment of temporary disability indemnity benefits. (TD)	525	$208,300	$153,427	$54,873	$54,873	N
Late first payment of permanent disability indemnity benefits (PD).	44	$31,320	$23,628	$7,692	$7,692	N
Late subsequent payment of indemnity benefits.	331	$78,029	$64,038	$13,991	$13,991	N
Late first payment of death benefits (DB).	1	$80	$80	$0	$0	N
Failure to issue benefit notices other than specific notices for denial of liability.	163	$28,850	$3,530	$25,320	$25,320	N
Late provision of benefit notices other than specific notices for denial of injury.	224	$16,442	$4,010	$12,432	$12,432	N
Failure to comply with requirements to provide notice of the QME/AME process.	1,569	$207,164	$148,040	$59,124	$59,124	N
Failure to pay any TD or SC in lieu of TD.	240	$185,000	$106,440	$78,560	$78,560	N
Failure to pay any PD indemnity benefit.	17	$18,560	$10,700	$7,860	$7,860	N
Failure to pay any 10% self-imposed increase for any late paid indemnity benefits.	111	$24,255	$17,975	$6,280	$6,280	N
Failure to pay any indemnity as ordered by the WCAB.	15	$10,650	$10,650	$0	$0	N
Failure to pay any other indemnity, including but not limited to failure to pay any interest on a WCAB Order or Award; failure to pay DB.	7	$15,850	$1,450	$14,400	$14,400	N

Statewide Summary of Penalties for PAR/FCA Audits

Cited by Type of Penalty

Type of Violation	# of Violations Cited	Total $ Violations Cited	$ Not Subject to Assessment	Total $ Subject to Assessment	Total $ Amount Collected	Appeal
Failure to pay or object to medical treatment expense in the manner required by law or regulation.	273	$111,555	$0	$111,555	$111,555	N
Failure to pay or object to medical-legal expense in the manner required by law or regulation.	12	$4,800	$0	$4,800	$4,800	N
Failure to issue training or SJDB voucher (injuries on/after 01/01/04) in the manner required by law or regulation.	0	$0	$0	$0	$0	N
Failure to provide notices denying all liability or death benefits as required.	12	$6,240	$0	$6,240	$6,240	N
Failure to timely respond to a request to provide or authorize medical treatment.	0	$0	$0	$0	$0	N
Failure to include specific items or properly designate entries on a claim log.	15	$3,000	$0	$3,000	$3,000	N
Materially incomplete or inaccurate benefit notices including denial for all liability.	16	$2,160	$0	$2,160	$2,160	N
Failure to investigate.	4	$8,400	$0	$8,400	$8,400	N
Failure to fully or timely comply with any award or order of the WCAB for issues other than payment of indemnity under 8CCR§10111.2(a).	2	$2,160	$0	$2,160	$2,160	N
Penalties for failure to comply with any regulation of the AD not otherwise assessed.	155	$23,700	$0	$23,700	$23,700	N
Unsupported denial of all liability for a claim.	0	$0	$0	$0	$0	N
TOTAL	**3,736**	**$986,515**	**$543,968**	**$442,547**	**$442,547**	

Administrative penalties assessed pursuant to Labor Code Section 129.5(c) and regulatory authority.

Calendar Year 2016 **Statewide Exhibit 3**

Statewide Summary of

301 Notices of Compensation Due

Type of Compensation		Amount Found Due
Temporary Disability	$	152,230.38
Permanent Disability	$	57,551.00
Self-Imposed Increase	$	26,896.60
Death Benefits	$	-
Penalty, Interest or Other	$	1,824.30
Total Compensation Due:	**$**	**238,502.28**

DWC ADMINISTRATIVE DIRECTOR'S 2016 AUDIT RANKING REPORT

Issued in accordance with Labor Code §129(e) and Title 8, California Code of Regulations, §10107.1(c)(3)

	Routine and Target Audits conducted pursuant to Labor Code Sections 129(b)(1)(2)(3), and 129.5(c)(1)(2)(3) (Rankings from the best to the worst performers) **AUDIT SUBJECT / LOCATION**	**PAR Standard 1.51082**	**FCA Stage 1 Standard 1.6788**	**FCA Stage 2 Final Rating**	**Unpaid Compensation All Claim Files 301 / $238,502.28**
	The following audit subjects under the Profile Audit Review (LC 129) met or exceeded the PAR standard (1.53446 or less). All administrative penalties were not assessed pursuant to Labor Code Section 129.5(c)(1). The unpaid compensation found due to injured workers within each claim file was ordered paid.				
1	Sedgwick / Roseville, CA	**0.20584**	**n/a**	**n/a**	**1 / $47.50**
2	Zenith / Fresno, CA	**0.39853**	**n/a**	**n/a**	**1 / $240.00**
3	AdminSure / Diamond Bar	**0.38544**	**n/a**	**n/a**	**3 / $5753.63**
4	Gallagher Bassett / Roseville, CA	**0.48760**	**n/a**	**n/a**	**5 / $2,150.40**
5	Nordstrom, Inc. / Santa Ana	**0.49425**	**n/a**	**n/a**	**9 / $2,579.92**
6	RICA/RICC / San Francisco, CA	**0.54517**	**n/a**	**n/a**	**0 / $0.00**
7	Sedgwick Claims Management / San Diego	**0.56684**	**n/a**	**n/a**	**10 / $4,538.20**
8	Berkshire Hathaway Homstate Companies / San Diego	**0.62018**	**n/a**	**n/a**	**8 / $2,422.74**
9	Loma Linda University / San Bernardino	**0.63365**	**n/a**	**n/a**	**4 / $353.13**
10	Redwood Empire Muni Insurance Fund / Sonoma, CA	**0.63901**	**n/a**	**n/a**	**1 / $110.10**
11	Gallagher Bassett / Gold River, CA	**0.64427**	**n/a**	**n/a**	**3 / $920.76**
12	Shasta County Risk Management / Redding, CA	**0.66955**	**n/a**	**n/a**	**1 / $9,716.07**
13	SCIF / Fresno, CA	**0.66979**	**n/a**	**n/a**	**3 / $1,282.11**
14	Illinois Midwest General Insurance / Springfield, Il	**0.69269**	**n/a**	**n/a**	**4 / $4,537.03**
15	LWP Claims Solutions, Inc. / Glendale	**0.73330**	**n/a**	**n/a**	**3 / $949.03**
16	Pegasus / Modesto, CA	**0.75779**	**n/a**	**n/a**	**5 / $526.98**
17	Pacific Claims Management / Fresno, CA	**0.76651**	**n/a**	**n/a**	**5 / $2,643.05**
18	York Risk Services Group, Inc. / Rancho Cucamonga	**0.77030**	**n/a**	**n/a**	**4 / $4,482.67**
19	Northern Claims Management / Santa Rosa, CA	**0.08028**	**n/a**	**n/a**	**0 / $0.00**
20	E&J Gallo / Modesto, CA	**0.83587**	**n/a**	**n/a**	**7 / $6,267.07**

Statewide Exhibit 4

DWC ADMINISTRATIVE DIRECTOR'S 2016 AUDIT RANKING REPORT

Issued in accordance with Labor Code §129(e) and Title 8, California Code of Regulations, §10107.1(c)(3)

	Routine and Target Audits conducted pursuant to Labor Code Sections 129(b)(1)(2)(3), and 129.5(c)(1)(2)(3) (Rankings from the best to the worst performers) **AUDIT SUBJECT / LOCATION**	**PAR Standard 1.51082**	**FCA Stage 1 Standard 1.6788**	**FCA Stage 2 Final Rating**	**Unpaid Compensation All Claim Files 301 / $238,502.28**
21	Lance Camper Manufacturing Corp. / Lancaster	**0.84323**	**n/a**	**n/a**	**0 / $0.00**
22	The Walt Disney Company / Anaheim	**0.86778**	**n/a**	**n/a**	**10 / $2,575.54**
23	Liberty Mutual Group / Aliso Viejo	**0.92165**	**n/a**	**n/a**	**5 / $973.10**
24	Sutter Health / Sacramento, CA	**0.92849**	**n/a**	**n/a**	**4 / $735.91**
25	Sedgwick / Rancho Cordova, CA	**0.93381**	**n/a**	**n/a**	**2 / $6,398.41**
26	Liberty Mutual / Rocklin, CA	**0.96032**	**n/a**	**n/a**	**4 / $417.17**
27	Sedgwick / Walnut Creek, CA	**0.98697**	**n/a**	**n/a**	**7 / $8,949.07**
28	County of Sacramento / Sacramento, CA	**1.00454**	**n/a**	**n/a**	**0 / $0.00**
29	Cannon Cochran Management Services / Concord, CA	**1.04046**	**n/a**	**n/a**	**6 / $1,939.88**
30	Sedgwick Claims Management Services / Riverside	**1.05353**	**n/a**	**n/a**	**13 / $6,290.83**
31	Enstar Administrators (formerly Seabright) / Orange	**1.06476**	**n/a**	**n/a**	**9 / $6,741.32**
32	Broadspire / Folsom, CA	**1.12840**	**n/a**	**n/a**	**4/ $805.51**
33	Corvel Corporation / Rancho Cucamonga	**1.17968**	**n/a**	**n/a**	**13 / $3,512.38**
34	Corvel Corporation / Camarillo	**1.19347**	**n/a**	**n/a**	**6 / $3,736.49**
35	County of Riverside / Riverside	**1.19664**	**n/a**	**n/a**	**9 / $2,004.73**
36	Ca. Fair Service Authority / Sacramento, CA	**1.23224**	**n/a**	**n/a**	**2 / $121.93**
37	Sedgwick Claims Management Services / Long Beach	**1.27138**	**n/a**	**n/a**	**11 / $11,368.86**
38	Intercare / Rocklin, CA	**1.29549**	**n/a**	**n/a**	**8 / $11,794.96**
39	York Risk Services Group, Inc. / Valencia	**1.29793**	**n/a**	**n/a**	**14 / $6,485.38**
40	Albertsons Companies Inc. (formerly Vons) / Fullerton - onsite	**1.31122**	**n/a**	**n/a**	**10 / $4,451.11**
41	Farmers Insurance Exchange / Scottsdale, AZ	**1.32020**	**n/a**	**n/a**	**4 / $1,781.22**
42	County of San Diego / San Diego	**1.45340**	**n/a**	**n/a**	**1 / $617.28**
43	Zurich North America / Woodland Hills	**1.50327**	**n/a**	**n/a**	**10 / $29,742.91**

DWC ADMINISTRATIVE DIRECTOR'S 2016 AUDIT RANKING REPORT

Issued in accordance with Labor Code §129(e) and Title 8, California Code of Regulations, §10107.1(c)(3)

	Routine and Target Audits conducted pursuant to Labor Code Sections 129(b)(1)(2)(3), and 129.5(c)(1)(2)(3) (Rankings from the best to the worst performers) **AUDIT SUBJECT / LOCATION**	**PAR** **Standard** **1.51082**	**FCA Stage 1** **Standard** **1.6788**	**FCA Stage 2** **Final** **Rating**	**Unpaid Compensation** **All Claim Files** **301 / $238,502.28**
	Four audit subjects under the Profile Audit Review (LC 129) failed to meet or exceed the PAR standard (1.51082 or less). The audit proceeded to the Full Compliance Audit Stage 1 [LC 129(b)(2)] and two of the four met or exceeded the FCA standard (1.6788 or less). Administrative penalties pursuant to Labor Code 129.5(c)(2) were assessed and unpaid compensation found due injured workers within each claim file was ordered paid.				
44	Gallagher Bassett Services #187 / San Diego	**1.55021**	**1.50740**	**n/a**	**25 / $24,003.35**
45	Farmers Insurance Exchange / Austin, TX	**1.98145**	**1.67138**	**n/a**	**4 / $12,428.92**
	Two audit subjects under the Profile Audit Review (LC 129) failed to meet or exceed the PAR standard (1.51082 or less) and proceeded to the Full Compliance Audit Stage 1 [LC 129(b)(2)], where they failed to meet or exceed the FCA standard (1.6788 or less). The audit then extended to the Full Compliance Audit Stage 2 [LC 129(b)(2)] for a comprehensive and detailed review of the audit subject's performance. Administrative penalties pursuant to Labor Code 129.5(c)(3) were assessed and unpaid compensation found due to injured workers within each claim file was ordered paid.				
46	Corvel / Folsom, CA	**3.19502**	**2.41756**	**2.41756**	**32 / $36,504.71**
47	City of San Jose / San Jose, CA	**2.56838**	**3.05285**	**3.05285**	**10 / $16,089.91**

REMIF
REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

414 W. Napa St. • P.O. Box 885 • Sonoma, CA 95476 • 707.938.2388 • Fax 707.938.0374
Members: Arcata Cloverdale Cotati Eureka Fort Bragg Fortuna Healdsburg Lakeport
Rohnert Park St. Helena Sebastopol Sonoma Ukiah Willits Windsor

ITEM 12.0

AGENDA ITEM SUMMARY

TITLE: **NOMINATION NEEDED FOR SOUTHERN REGION REPRESENTATIVE ON EXECUTIVE COMMITTEE**

PRESENTED BY: **AMY NORTHAM, GENERAL MANAGER**

ISSUE
Due to a vacancy, a nomination is required for replacement on the Executive Committee to represent the Southern region. Approval of the representative requires ratification by the Board.

BACKGROUND
Camille Kazarian, the prior Executive Committee representative for the Southern region, is no longer employed by the Town of Windsor. Due to this vacancy, we will need a nomination for a representative from the Southern region to sit on the Executive Committee as a replacement. Each region elects their Executive Committee Representative. We will need a nomination and vote, and then new representative will serve until June of 2020.

The Executive Committee is made up of five (5) members (a president, vice president and three representatives) and me. While I serve on the committee, I do not vote. The president/vice president are elected in odd number years and serve for two (2) years. The three (3) representatives are elected in even number years and serve for two (2) years. Each region elects their Executive Committee Representative.

The representatives represent the following three (3) regions:
South region includes: Cotati, Sebastopol, Rohnert Park, Sonoma, and Windsor
Central region includes: Cloverdale, Healdsburg, Lakeport, St. Helena, and Ukiah
North region includes: Arcata, Eureka, Fort Bragg, Fortuna, and Willits

The current vacancy on the Executive Committee needs to be filled at this Board meeting by a vote from the appropriate region, and the representative will serve until June 30, 2020.

The Executive Committee meets on as needed basis and usually telephonically. The primary functions of the Executive Committee are to approve settlement amounts (between $40,000 and $150,000), to approve service contracts in excess of $50,000; amend the budget up to $50,000 and other authority as directed by the Board.

FISCAL IMPACT
None

RECOMMENDED ACTION
Nomination for replacement of the Southern Region representative is needed. After the nomination, approval of the representative requires ratification by the Board. The representative will serve until June 30, 2020.

ATTACHMENTS
None

REMIF
REDWOOD EMPIRE MUNICIPAL INSURANCE FUND

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ITEM 13.0

AGENDA ITEM SUMMARY

TITLE: **NEW REMIF BOARD POLICY**

PRESENTED BY: **AMY NORTHAM, GENERAL MANAGER**

ISSUE

The Board of Directors has requested that necessary and relevant Board Policies be drafted, reviewed and adopted as REMIF Board policies. Board Policy requires ratification by the Board of Directors.

BACKGROUND

It is important to organizations to have up to date, relevant and applicable policies that are followed. Policies clarify roles and responsibilities, which promote positive working relationships among the Board, the General Manager, and staff.

Policies foster more consistent decisions, thus improving understanding and morale. Policies also save the Board time, money, and effort by settling questions that might otherwise repeatedly surface, improve relations because expectations are clarified, reduce pressure on the Board and curtail criticism when decisions are based on established policy. They also give the Board, the General Manager and staff a sense of direction based upon a solid policy foundation, promote continuity of action, which is especially important when members from the Board of Directors and staff change, help ensure a better-informed Board, General Manager and staff, and assist in the orientation of newcomers.

Below please find a listing of a new recommended Board Policy to be adopted (new one is highlighted in yellow). A copy of the DRAFT policy is attached.

POLICY #	NAME OF POLICY	DATE ORIGINAL POLICY WAS BOARD APPROVED and DATE BOARD CONFIRMED POLICY	RECOMMENDATIONS	NEEDED FOR CAJPA ACCREDITATION?
1	REMIF Records Retention	01/28/94; 09/27/18	n/a	Yes
2	Legal Fees to Obtain Coverage Opinions	04/06/94; 09/27/18	n/a	No
~~3~~	~~Automobile Purchase~~	Repealed on 09/27/18	n/a	~~No~~
4	Pre-Employment Physical	01/31/97; 09/27/18	n/a	No
5	Flood and/or Earthquake Insurance Funds Allocation	10/02/97; 09/27/18	n/a	No
6	Mileage Reimbursement Rate	06/29/98; 09/27/18	n/a	No

POLICY #	NAME OF POLICY	DATE ORIGINAL POLICY WAS BOARD APPROVED and DATE BOARD CONFIRMED POLICY	RECOMMENDATIONS	NEEDED FOR CAJPA ACCREDITATION?
7	Refund Policy for the Workers' Compensation and General/Auto Liability Coverage Programs	06/29/98; 09/27/18	n/a	Yes
8	Handling of Late Claims by City Attorneys	06/29/98; 09/27/18	n/a	No
9	Use of Vehicles for City Business/Use of City-Owned Vehicles	09/27/18	n/a	No
10	Assignment of Defense Attorneys to REMIF Covered Claims/Lawsuits Filed Against the Covered Member Entities	10/27/05; 09/27/18	n/a	No
11	Training Seminar Participation	06/24/14; 09/27/18	n/a	No
12	REMIF's Defense Attorneys	08/16; 09/27/18	n/a	No
13	REMIF Investment	09/29/16; 09/27/18	n/a	Yes
14	OPEB Investment	10/31/17; 09/27/18	n/a	Yes
15	Conflict of Interest	09/27/18; 09/27/18	n/a	Yes
16	Frequency of Actuarial Studies and Claims Audits	09/27/18; 09/27/18	n/a	Yes
17	Sexual Harassment	09/27/18	n/a	No
18	Non-Discrimination	09/27/18	n/a	No
19	Qualifications of REMIF Board Treasurer	09/27/18	n/a	Yes
20	Written Documentation of Investment Controls	n/a	See attached draft	Yes
*	Target Equity	n/a	Adopt policy at future meeting	Yes
*	Underwriting Policy (if completed)		Adopt policy at future meeting	Yes
*	IT Policy		Adopt policy at future meeting	Yes
*	Loss Control		Adopt policy at future meeting	Yes
*	Coverage and Claims Dispute		Adopt policy at future meeting	Yes
Bylaws	Settlement Authority	In REMIF bylaws	Keep in place as currently worded	Yes

FISCAL IMPACT
None

RECOMMENDED ACTION
Adopt the following new policy: #20 – Written Documentation of Investment Controls

ATTACHMENTS
13.1 Policy # 20 - Written Documentation of Investment Controls

ITEM 13.1

Redwood Empire Municipal Insurance Fund
Investments - Internal Controls and Procedures
As of January 25, 2019

<u>Purpose</u>: This document outlines the system of internal controls that regulate the activities of internal staff and external investment advisors/custodians.

<u>Procedures</u>: *<u>Investment Advisor and Custodian:</u>*

Chandler Asset Management, Inc. (Chandler) handles management of the investments of the Redwood Empire Municipal Insurance Fund (REMIF). Chandler has discretion in the purchase and sale of investments, but only within the investment guidelines and within Board Policy established by the REMIF Board of Directors. Monthly statements are available to download from Chandler's website. Chandler meets with the Treasurer and Board of Directors at least annually to discuss the portfolio and investment policy. Chandler has no physical custody of securities or cash.

U.S. Bank provides custodial services. REMIF has a separate contract with U.S. Bank for these services. U.S. Bank sends a monthly statement to Chandler and REMIF. REMIF staff reconcile this statement to the Chandler statement and investigates discrepancies.

<u>Monthly Reconciliation Process:</u>
Monthly statements are downloaded from Chandler.

REMIF staff reconciles the Chandler statements to the U.S. Bank Investment statement. Any differences are investigated. Balances are adjusted using U.S. Bank statement.

On a quarterly basis, a Treasurer's Report is compiled and submitted to the Treasurer for review. Upon completion of the review, the Treasurer's Report is added to the Board of Directors Agenda.

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ITEM 14.0

AGENDA ITEM SUMMARY

TITLE: **HOST FOR ANNUAL MEMBERSHIP MEETING IN 2020**

PRESENTED BY: **AMY NORTHAM, GENERAL MANAGER**

ISSUE

A host city is needed for the Annual Membership Meeting in January of 2020.

BACKGROUND

Pursuant to Article V of the REMIF bylaws, there shall be at least one regular meeting of the Board of Directors each year, which shall be designated as the Annual Membership Meeting.

Historically, the Annual Membership Meeting is a two-day meeting, with one day dedicated to training/planning and the second day dedicated to a Board of Directors' meeting.

The locations for the past five years have been: Fort Bragg, St. Helena, Fortuna, Willits and Windsor. A volunteer from a city is requested to be the host for the 2020 annual meeting.

FISCAL IMPACT

None

RECOMMENDED ACTION

Need Volunteer Host City for 2020 REMIF Annual Membership Meeting

ATTACHMENTS

None