

TRINDEL INSURANCE FUND

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2010

TRINDEL INSURANCE FUND

Board of Directors
For the Year Ended June 30, 2010

BOARD MEMBERS

| | | |
|-------------------|------------|--------|
| Randi Makely | Alpine | Member |
| Peggy Scroggins | Colusa | Member |
| Jeannie Galatioto | Del Norte | Member |
| Karen Fouch | Lassen | Member |
| Pam Randall | Modoc | Member |
| David Wilbrecht | Mono | Member |
| Shawn Montgomery | Plumas | Member |
| Richard Inman | San Benito | Member |
| Van Maddox | Sierra | Member |
| Dero Forslund | Trinity | Member |

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Financial Statements
June 30, 2010

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Trindel Insurance Fund
Sierra City, California

We have audited the accompanying basic financial statements of Trindel Insurance Fund as of and for the year ended June 30, 2010 as listed in the Table of Contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from Trindel Insurance Fund's 2009 financial statements and, in our report dated December 28, 2009, we expressed an unqualified opinion on the basic financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Trindel Insurance Fund as of June 30, 2010, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Board of Directors
Trindel Insurance Fund

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2010, on our consideration of Trindel Insurance Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The Statement of Revenues, Expenses, and Changes in Net Assets by program and member is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Gallina LLP

Roseville, California
December 21, 2010

TRINDEL INSURANCE FUND

Management Discussion and Analysis June 30, 2010

The following report provides general information on Trindel Insurance Fund and on its financial condition for the fiscal year ended June 30, 2010. It is provided in order to enhance the information in the financial audit and should be reviewed in concert with that report.

Trindel Insurance Fund Profile

Trindel Insurance Fund (Trindel) is a Joint Powers Authority established pursuant to California Government Code Section 6500 et.seq. Membership is limited to California counties. Trindel is dedicated to assisting with the insurance needs of its members by providing the most stable cost-effective risk-financing mechanisms, insurance program monitoring and loss prevention services available. Trindel was originally formed by Del Norte and Trinity counties in 1980. Trindel then expanded with the addition of 5 (five) counties (Alpine, Colusa, Lassen, Modoc and Sierra) during the insurance crisis of the mid 80s. Trindel added San Benito County in 1991, Mono County in 2000 and Plumas in 2010. At Trindel's November 2010 board meeting the Board of Directors prepared for growth in services and membership through a strategic planning session. The members currently employ 2,958 FTE staff to serve a population of 200,824, as of January 1, 2010.

Trindel's daily operations are managed by an Executive Director under the general direction of the Board of Directors, consisting of one voting member from each county. There is also an Executive Committee that includes the Board President, Board Vice-President and two at large members. The Trindel Board generally meets three times a year and the Executive Committee meets as needed. Due to the small number of members all policy decisions are made by the Board with implementation and initial enforcement of the policies handled by the Executive Director. Trindel was originally formed for the purpose of gaining size as leverage in the market place for the purchase of insurance/reinsurance and if necessary to pool resources in hard market times and to this day continues with this purpose. In concept and practice Trindel is a banking arrangement with its members wherein, over time, each member is fiscally responsible for their own losses and costs. All members share the Administration and Safety Officer costs equally. Trindel acts as the cash flow mechanism for the members. Should a member be responsible for several large losses in any given year or time period the pooled cash will pay the bills and the member will, over time, repay Trindel. Trindel uses its ability to combine the size of the members in order to obtain better insurance and pricing for selected insurance programs and the purchase of services to benefit all members.

The Trindel Board also employees a full time Safety Officer and a part time administrative assistant, under day to day supervision of the Executive Director. The Safety Officer provides training, safety programs, inspections etc. to each of the members on a regular basis; see section titled Services and Programs below for additional information on the Safety Officer. The Administrative Assistant provides clerical support for the Executive Director.

Trindel is audited annually by an outside audit firm. All excess insurance coverage's are purchased through either the CSAC-Excess Insurance Authority or Alliant Insurance Services.

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Members are required to participate in the workers compensation, liability and property programs along with a lengthy list of safety and loss prevention programs.

Insurance Market Conditions, Outlook and State Budget Effects

Trindel operates in an environment that is partially dependent on the insurance market and partly on the fiscal stability of its members. Historically, the insurance market has operated in cycles in which rates will swing from very high to the very low and back again. Through most of the 1990s we were in a very favorable environment with rates being very low (soft market cycle). Beginning in 2000, we started to see signs that companies were increasing insurance rates (hardening market). The events of September 11, 2001 hastened the hardening of the market, initially in the property sector. This hard market has been harder and longer than expected and affected every line of coverage. The property market has continued to harden with the 2005 hurricanes, however some softening has occurred in the most recent year. The renewals for 2008-09 saw some continuing improvement in workers compensation and property markets, but other sectors continue to be challenging. The workers' compensation market in the California market has softened considerably, but is showing some signs of hardening with increased rates. This market is expected to stabilize for the near future, particularly if further terrorist incidents or natural disasters do not occur. On a potential upside, as long as the California Legislature and the Governor allow the reforms contained in SB899 to continue without major changes and do not open up or liberalize the ability to file tort claims *the market should remain somewhat stable.*

As with the insurance market county governments also are impacted by similar cycles which are directly related to the overall national and state economy. Since county funding is so very dependent on State funding, county budgets tend to reflect what happens at the State level. It is expected that county budgets will again suffer at the hands of the State budget deficit.

Trindel is prepared to explore various options to maintain our goal of cost-effective risk financing mechanisms (see the Workers Compensation Program section below for a switch from a fully insured program to a self insured program). Again, county government budgets go as the State budget goes, because counties are so dependent on the State budget.

As is its history, Trindel has *continued to emphasize* safety and loss prevention. *Also* by using a portion of the members Due to Members funds to *reduce* annual insurance premiums and program costs to help alleviate reductions in revenue from the State.

Services and Programs

Trindel's two primary services are administration of the members' insurance programs and safety/loss prevention programs. Administration (Executive Director) focuses on payment of claims, establishing appropriate reserves for each member, maintaining an accounting system that tracks each members' income and expense by program, responsibility for all financial

TRINDEL INSURANCE FUND

Management Discussion and Analysis June 30, 2010

records and reports and cash flow. Administration also is the resource person for the members' coverage and cost questions, along with supervision of contract third party administrators. The Executive Director provides monthly, quarterly and annual financial information, analyzes losses, both historical and trends and offers recommendations for changes to program structures in an effort to keep the cost effective risk financing mechanisms intact. The Executive Director also sits on the CSAC-Excess Insurance Authority Board and is on 4 of its committees.

Trindel has always held the belief that the best way to reduce the cost of insurance is to reduce losses. To that end the Board employed a full-time Safety Officer in 1994. The Safety Officer works with each member Risk Manager/Loss Prevention Specialist to plan, develop, implement and maintain loss prevention/safety programs. In addition the Safety Officer provides and reviews training programs, develops policies and makes recommendations to the Trindel Board on ways that might reduce the number and magnitude of losses, keeps members updated on changes in OSHA and Cal-OSHA and develops and maintains boiler-plate policies and procedures for safety plans and procedures. The Safety Officer works closely with staff from each of the members to implement programs that help them reduce losses. These services include site safety inspections, training and incident/near miss reviews. Some of the training provided recently included Ergonomics, Sexual Harassment, Supervisor responsibilities, department safety representative training, ethics training and multiple safety compliance topics. In addition, the Safety Officer frequently works with members to conduct investigations of incidents or near-miss occurrences to help isolate the cause and make suggestions to avoid a recurrence. The Safety Officer also meets 3 times annually, in convenient locations, with loss prevention representatives, road commissioners and occasionally law enforcement staff from each member to share information, receive specific training and provide additional resources. These meetings are in addition to the monthly and/or bi-monthly visits that the Safety Officer makes to each members base location. As with most loss prevention programs it is difficult to quantify what losses may have been avoided, because of the training and inspections that were done. Trindel continues to provide safety and loss prevention services to its members as its primary method of reducing costs.

Trindel did not create or implement any new risk/safety programs during the year.

As mentioned in a previous section, Trindel is a bank for the members. The members pay a premium to Trindel and Trindel pays for all premiums, claims, third party administrator fees, property appraisals, actuarial reports, etc. of the members. Trindel maintains strict accountability of each member's assets with Trindel thus ensuring that each member is solely responsible for their own losses and costs. However, each member shares equally in the cost of the Executive Director and the Safety Officer budgets. There is no pooling of assets except for investment purposes. In addition to the major coverage programs (workers comp, liability, property), members also participate in some or all of the following: airport, aircraft, boiler & machinery, crime/bond, medical malpractice, pollution and watercraft insurance coverage programs.

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Trindel is well recognized in the JPA community. The California Association of Joint Powers Authorities (CAJPA) has set forth rigorous accreditation standards as a model of how a well-run Joint Powers Insurance Authority should operate. Trindel was first accredited on October 1, 1994, was reaccredited on October 31, 1997 and was awarded CAJPA's highest award – "Accreditation with Excellence" on October 31, 2000, on October 31, 2003 and October 31, 2006, and again on October 2009, each accreditation lasts for 3 years. The process for re-accreditation will start in August 2012.

Workers' Compensation Program

The Workers' Compensation Program began in 1980 as a self-insured program with excess coverage until July 1, 1997. With the soft market, at that time, it was decided to fully insure this program through membership in the CSAC-Excess Insurance Authority Primary Workers' Compensation Program (PWC), effective 7-1-2008 all Trindel members have withdrawn from the PWC. Trindel continually reviews *this* program to see if there are more cost effective alternatives (looking at the level of self-insurance on a regular basis), it was through this process that the Trindel Board determined it was in the best interests of the members to withdraw from the PWC effective 7-1-2008. The members are now self insured for the first \$125,000 of each occurrence with excess insurance purchased above this self insured layer through the CSAC-Excess Insurance Authority's excess workers compensation program. The members are still subject to assessment for all the PWC Program years, There were assessments in the PWC of \$915,044 during the 02-03 year and of \$690,620 during the 04-05 year for all prior years for the Trindel members. There was an assessment, by CSAC-EIA, on the Excess Workers Comp Program (EWC) in the amount of \$473,810 on the Trindel members paid in the 04-05 year. Mono County is the one member that has always maintained an initial level of self-insurance, (\$125,000 per occurrence) with excess above that layer. Trindel provides for an annual actuarial study to determine the necessary annual premium and to attain a reserve for claims at the 90% confidence level, reserves are currently booked at the expected, 50% confidence, level. All members are currently funded at the 90% confidence level. Claims are administered by York Insurance Services, with Trindel simply acting as a bank as it does for all the other programs. All members are required to participate in the workers compensation program.

The Workers' Compensation Program covers all member employees and volunteers who are injured during the course and scope of their employment.

Liability/Property Program

The Liability/Property Program began in 1985 as a self-insured program with excess coverage. The members purchase excess general liability, includes auto, E & O and employers liability, coverage through CSAC-Excess Insurance Authority to \$15 million with a \$100,000 Self-Insured Retention (SIR). All members, except Alpine, also purchase additional excess coverage up to \$25 million through CSAC-Excess Insurance Authority.

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Claims are administered by George Hills Co., Inc. George Hills also acts as a clearing house for claims that may have coverage in other areas or have overlapping coverage's or issues, i.e. aircraft, boiler & machinery, crime/bond, medical malpractice, pollution and watercraft and directs the claim to the appropriate insurer. They also coordinate coverage if more than one policy is impacted and aggressively pursue subrogation where appropriate.

The members purchase excess property insurance through CSAC-Excess Insurance Authority with a \$25,000 SIR for real property and a \$10,000 SIR for vehicles, coverage includes all risk, earthquake (except for San Benito and Trinity, Del Norte purchases earthquake for selected locations) and flood (earthquake and flood have higher SIRs and lower limits). San Benito and Trinity do not purchase earthquake coverage due to their locations, which makes it very expensive. The other members are in zone 2 and thus have limited earthquake coverage at no additional cost. The majority of the members purchase replacement cost new coverage for their vehicles and contractors equipment. Appraisals, of all locations, with a value in excess of \$25,000, are done every 5 years; the most current appraisals were completed in July 2009. The next appraisals will be done in the summer of 2014.

Trindel provides for an annual actuarial study to determine the necessary premium for each member to attain a reserve for claims, including unpaid and IBNR (incurred but not reported) at the 90% confidence level, reserves are booked at expected, 50% confidence level. Overall the program is funded at the 95%+. The members are charged a deductible per occurrence for all property losses, the deductible currently is \$1,000 per occurrence, and there is no deductible for liability. All members are required to participate in the Liability/Property Program, with Trindel simply acting as a bank as it does for all the other programs.

Medical Malpractice Program

The Medical Malpractice Program was implemented at the October 27, 1998 Board meeting as a way for the members to set aside funds for potential deductible losses. Each member is to maintain funds, for one deductible payment, on deposit with Trindel. All members, participate in this program. The deductible is currently \$5,000 per claim; San Benito has a \$10,000 deductible. Coverage is purchased by the individual members through the CSAC-Excess Insurance Authority, with Trindel simply acting as a bank as it does for all the other programs. All members, except Del Norte, Lassen and Trinity, have accumulated at least one deductible payment on deposit with Trindel. Due to the small deductibles and negligible loss history in this program, no actuarial study is done on this program. Trindel pays any deductibles that are due and bills the member for the same amount in the ensuing fiscal year.

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Pollution Programs

Landfill Program:

The Landfill Pollution Program was started on May 17, 2001 when Trindel Insurance Fund purchased a pollution policy for landfill coverage for those members that did not already have a policy for pollution coverage for their landfills. Unlike the other programs this program is purchased by Trindel and the members are named insureds, those insured through this policy are Modoc, Mono, Plumas, San Benito and Sierra Counties. The current policy is a 3 year prepaid policy expiring May 17, 2010. The other members either have coverage through a different source or do not need the coverage. The deductible is \$100,000 per claim.

Other than Landfill Program:

All members have also purchased pollution coverage, for other than landfills, from CSAC-Excess Insurance Authority with a deductible of \$100,000. Trindel is simply acting as a bank as it does for all the other programs on this part of this program.

Undisbursed Loss Prevention Subsidy Fund

On July 1, 1997 Trindel started a formal Loss Prevention Subsidy Program with each member's Board of Supervisors contracting with Trindel to participate. The Trindel Board established a Loss Prevention Evaluation review that awards points for meeting certain safety and loss prevention criteria. The Trindel Safety Officer does an evaluation annually on each member. Each member can receive up to \$48,620 annually (\$51,051 starting in the 10-11 year) depending upon the score they receive on the evaluation. The difference between the \$48,620 and what the members actually receive is then placed into the Undisbursed Loss Prevention Subsidy Fund with each member being allocated an equal share. Four members received the full subsidy for the 09-10 year (they are Colusa, San Benito, Sierra and Trinity). At June 30, 2010 this fund has a total balance of \$716,994. These funds are to be used for the Leadership Supervisor Training Program (LSTP). The LSTP was instituted during the month of February 2003. All members are required, and did, participate, to varying degrees, in the LSTP during the 2003-04, thru 2009-10. This program was established to address an identified risk in the area of personnel administration, there has been an increasing trend toward litigation by employees and thus it was felt that by having better trained supervisors we can reduce or avoid this type of litigation. This is a long term program the results of which may be difficult to determine. As with most loss prevention programs it is difficult to quantify what losses may have been avoided. Trindel continues to provide safety and loss prevention services to its members as its primary method of reducing costs. In addition to the funds noted above, most members have the subsidies from CSAC-Excess Insurance Authority deposited into this Fund.

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Management Discussion and Analysis
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Financial Management and Control

Trindel management is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for preparation of financial statements in conformity with generally accepted accounting principles.

Since Trindel has only an Executive Director and administrative assistant, internal control procedures have had to be expanded to include the Board of Directors in a more active role than would normally be seen. Each year a detailed line item budget is adopted by the Board. The Bylaws include the requirement that there will be an Assistant Treasurer (the Executive Director is the Treasurer) and that the county auditor of the county in which the Trindel administrative office is located will be the Assistant Treasurer, currently the Sierra County Auditor. The Assistant Treasurer must approve all claims for payment and is a signatory on all bank accounts and investments. In addition the Board requires that financial, investment and budget vs. actual reports be sent quarterly to each and every Board member. In actual practice monthly financial and investment reports are posted on the Trindel web page, along with the quarterly Budget vs. Actual report, for all Board members to review. The Bylaws also require that at each Board of Directors meeting a register of all checks issued since the last Board meeting shall be provided for review by the Board, the actual documentation for each check is also made available for review. Additionally, starting with the January 2007 report, the Assistant Treasurer certifies that the monthly Investment and Cash Balance Report has been reviewed and/or sample checks made and that the cash balances have been verified to the bank statements. Trindel Executive Director, Don Hemphill retired 6/30/2010 an individual who spent 16 (including 10 years on the Trindel and CSAC-EIA Boards of Directors) years as a county auditor, 5 years as an auditor for the State Controllers Office and the last 13 years as Executive Director for Trindel. The Trindel Board hired David Nelson on December 1, 2009 as Assistant Executive Director and Executive Director as of July 1, 2010. David has 14 years with Trinity County, four as Auditor Controller and ten years on the Trindel Board of Directors. This type of experience gives the Board assurance that financial management will be handled ethically and correctly.

Trindel has adopted a conservative investment policy designed to optimize the rate of return on available assets not required for current operations while still keeping these assets readily available and safe. At June 30, 2010 46% of the total cash was invested in Mono County Treasury, 41% was held in North Valley Bank Money Market account 3% was held with the Local Agency Investment Fund (LAIF) in Sacramento administered by the California State Treasurer's Office. Generally 10% of the total cash is kept in checking accounts for daily operations.

As noted above, budgetary control is provided by verification of budgeted amounts prior to expenditures and monthly analysis of all accounts compared to budgeted amounts. Detailed reports of the budget-to-actual comparisons are provided to the Board at least quarterly on the Trindel web page. Also, the Executive Director prepares monthly financial statements and

TRINDEL INSURANCE FUND

Management Discussion and Analysis June 30, 2010

provides these monthly to all Board members and the public on the Trindel web page. At the November 2010 board meeting it was approved to purchase a fund accounting software. The software will be implemented and in use prior to 6/30/2011.

Description of the Basic Financial Statements

Trindel's audited financial statements are prepared in conformity with generally accepted accounting principles and necessarily include amounts based upon reliable estimates and judgments. A Statement of Net Assets; Statement of Revenues, Expenses & Changes in Net Assets; and Statement of Cash flows are prepared along with Notes to Financial Statements to clarify unique accounting policies. Also, Trindel's accounting system is organized so that each program for each member can be accounted for and evaluated independently. Five (5) separate funds are maintained by member: Workers' Compensation, Liability/Property, Medical Malpractice, Pollution and Undisbursed Loss Prevention Subsidy. The Executive Director and Safety Officer are under detailed budgetary control. 67% of the costs of the Administration (Executive Director) and Safety Officer budgets are transferred monthly to the Workers' Compensation Program and 33% to the Liability/Property Program. Within each of these Programs each member shares equally in the costs, the Board has adopted Resolution No. 06-06 (amended Resolution No. 99-03 on 11-2-06) which sets forth the distribution method. The assets, liabilities, revenues and expenses are reported on a full accrual basis. There were no significant accounting changes during the year.

Information on Trindel's long term liabilities can be found in the Notes to the Financial Statements section of this report.

Gallina LLP, Certified Public Accountants, have performed an independent audit of Trindel's financial statements in accordance with generally accepted auditing standards. Their opinion is included in the Financial Section of this report.

Bickmore Risk Services provides the independent actuarial reviews of the Workers' Compensation Program and of the Liability/Property Program which confirms the adequacy and reasonableness of the liabilities recorded as Unpaid Claims and Claim Adjustment Expenses for those programs. Actuarially determined liabilities and claim costs are not reflected on Trindel's basic financial statements, as they represent costs and liabilities of each individual member. The supplementary information included with this report shows the liabilities of each member.

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Management Discussion and Analysis June 30, 2010

Financial Information

Combined Statement of Net Assets

| | <u>June 30, 2010</u> | <u>June 30, 2009</u> | <u>% Change</u> |
|---|----------------------|----------------------|-----------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash & equivalents | \$ 20,731,352 | \$ 14,238,014 | 45.61% |
| Noncurrent Assets: | | | |
| Capital assets, net | <u>10,088</u> | <u>16,971</u> | (40.56%) |
| Total Assets | <u>\$ 20,741,440</u> | <u>\$ 14,254,985</u> | 45.50% |
| LIABILITIES & NET ASSETS | | | |
| Current Liabilities: | | | |
| Accounts payable | \$ 51,889 | \$ 8,821 | 488.24 % |
| Current portion of compensated absences | <u>19,618</u> | <u>17,784</u> | 10.31 % |
| Total Current Liabilities | <u>71,507</u> | <u>26,605</u> | 168.77 % |
| Noncurrent Liabilities: | | | |
| Long-term compensated absences | 19,617 | 17,784 | 10.31 % |
| Due to members | <u>20,650,316</u> | <u>14,210,596</u> | 45.32 % |
| Total Noncurrent Liabilities | <u>20,669,933</u> | <u>14,228,380</u> | 45.27 % |
| Total Liabilities | 20,741,440 | 14,254,985 | 45.50 % |
| Net Assets | <u>--</u> | <u>--</u> | |
| Total Liabilities & Net Assets | <u>\$ 20,741,440</u> | <u>\$ 14,254,985</u> | 45.50 % |

TRINDEL INSURANCE FUND

Management Discussion and Analysis
June 30, 2010

Financial Information

Combined Statement of Revenues, Expenses & Changes in Net Assets

| | <u>June 30, 2010</u> | <u>June 30, 2009</u> | <u>% Change</u> |
|-----------------------------------|----------------------|----------------------|-----------------|
| Operating Revenues: | | | |
| Charges for services | <u>\$ 1,347,389</u> | <u>\$ 1,030,882</u> | 30.70 % |
| Operating Expenses: | | | |
| Claims administration (TPAs) | 502,633 | 329,557 | 52.52 % |
| Trindel admin. & safety programs | 454,783 | 325,167 | 39.86 % |
| Loss control subsidy | 90,000 | 80,000 | 12.50 % |
| Employee assistance program | 81,776 | 74,338 | 10.01 % |
| Loss control services & purchases | 211,314 | 214,972 | (1.70)% |
| Depreciation | <u>6,883</u> | <u>6,848</u> | 0.51 % |
| Total Operating Expenses | <u>1,347,389</u> | <u>1,030,882</u> | 30.70 % |
| Increase (Decrease) in Net Assets | -- | -- | 0.00 % |
| Net Assets, Beginning of Year | <u>--</u> | <u>--</u> | 0.00 % |
| Net Assets, End of Year | <u><u>\$ --</u></u> | <u><u>\$ --</u></u> | 0.00 % |

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Management Discussion and Analysis June 30, 2010

Analysis of financial Information:

Cash and Equivalents increased by 45.61% in 2009-10. The increase is attributed to the collection of deposits from members for workers compensation program premiums. And one additional member (Plumas).

Capital Assets, net decreased due to increased depreciation for a vehicle purchased in January 2008.

Accounts payable increased from prior year primarily because a TPA bill for \$38,182 was paid after 6/30/2010.

The Liability for Compensated Absences is recorded as required by GASB. Both staff's contracts allow for the accumulation and payoff of sick and vacation leave upon termination. This liability will be adjusted each year end to reflect the actual liability as of that date.

The Due to Members increased significantly because of the switch to a self insured workers compensation program effective July 12, 2008.

Operating Revenues for 2009-10 totaled \$1,347,389 for the year. This is an increase from 2008-09 of 30.70%. This increase was mostly due to the switch from a fully insured workers compensation program to a self insured program necessitating the hiring of a Third Party Administrator to hand the processing of the workers compensation claims which was previously handled by the fully insured insurer. Other contributing factors; adding a new member, increased usage of the EAP program (partially caused by the financial struggles that the members are going through with a lack of revenues for funding of State required programs), increased depreciation.

TRINDEL INSURANCE FUND

Management Discussion and Analysis June 30, 2010

Analysis of Significant Variations between Original Budget Amounts Final Budget Amounts and Actual Amounts

Note: The adopted budget for Trindel includes expected amounts for premium revenues, excess claim recoveries, interest and investment revenues, claims expenses, and excess premium expenses. Although these items represent cash inflows to Trindel, they are not recognizable as revenues and expenses under generally accepted accounting principles as Trindel does not assume risk for its members. Accordingly, while these items are included in the budgetary basis program analyses below, they are excluded from Trindel's Basic Financial Statements presented in accordance with generally accepted accounting principles.

Workers' Compensation Program

| | Original Budget | Final Budget | Budget Variance | Actual | Budget/ Actual Variance |
|-----------------------------------|---------------------|---------------------|--------------------|---------------------|-------------------------------|
| REVENUE | | | | | |
| Premiums | \$ 6,550,302 | \$ 9,951,403 | 52 % | \$ 9,951,404 | 0 % |
| Claim recoveries | 25,000 | 50,000 | 100 % | 176,593 | 253 % |
| Miscellaneous revenue | -- | 12,000 | 100 % | 5,012 | (58)% |
| CSA C-EIA subsidies | -- | 34,174 | 100 % | 31,353 | (8)% |
| Interest & investments | 90,000 | 50,000 | (44)% | 85,833 | 72 % |
| Total Revenues | <u>6,665,302</u> | <u>10,097,577</u> | 51 % | <u>10,250,195</u> | 2 % |
| EXPENSES | | | | | |
| Unpaid claims liab. chg. | -- | 5,000,000 | 100 % | 4,242,000 | (15)% |
| Insurance premiums | 1,124,500 | 1,122,592 | 0 % | 1,122,552 | 0 % |
| Claims costs | 4,275,621 | 2,000,000 | (53)% | 1,892,673 | (5)% |
| Claim administration | 235,000 | 273,500 | 16 % | 273,500 | 0 % |
| Trindel admin. & safety | 358,223 | 358,223 | 0 % | 340,215 | (5)% |
| Loss control subsidy | 45,000 | 50,000 | 11 % | 45,150 | (10)% |
| Loss prevention subsidy | 293,184 | 293,184 | 0 % | 293,179 | 0 % |
| Employee assistance | 73,000 | 73,000 | 0 % | 81,776 | 12 % |
| Loss control services & purchases | 90,000 | 90,000 | 0 % | 89,740 | 0 % |
| Return of funds | -- | 588,843 | 100 % | 585,993 | 0 % |
| Total Expenses | <u>6,494,528</u> | <u>9,849,342</u> | 52 % | <u>8,966,778</u> | (9)% |
| NET INCOME | 170,774 | 248,235 | 45 % | 1,283,417 | 417 % |
| Due to/from Members, Beginning | <u>2,846,325</u> | <u>4,591,403</u> | 61 % | <u>4,591,403</u> | 0 % |
| Due to/from Members, Ending | <u>\$ 3,017,099</u> | <u>\$ 4,839,638</u> | 60 % | <u>\$ 5,874,820</u> | 21 % |

TRINDEL INSURANCE FUND

Management Discussion and Analysis
June 30, 2010

Significant variances between original and final budget:

Premiums (revenues) are set at the May Trindel Board meeting, however the actual insurance premiums (expense) are not known until June or July. When the Trindel Board adopts the resolution setting the premiums they also authorize the Executive Director to adjust the Premiums to reflect the actual Insurance Premiums. The large difference is due to our new member Plumas joining in January. Plumas also had a large recovery of \$130,000.

CSAC-EIA Subsidies, again since the budget is done in May it is not known if any members will draw down any CEAS-EIA subsidies, in 09-10 five members had positive pay roll adjustment and deposited it into this fund.

Unpaid Claim Liab Chg was not anticipated in the Original Budget; the actuarial was completed in October 2010 and required the Final Budget change.

Claim costs, as time marches on and more claim years are included this number will increase significantly from what is shown for the final Budget.

Return of Funds, this amount was not determined until the members decided to take a return or leave the funds on deposit, later in the 09-10 fiscal year.

TRINDEL INSURANCE FUND

Management Discussion and Analysis June 30, 2010

Liability/Property Program

| | Original Budget | Final Budget | Budget Variance | Actual | Budget/ Actual Variance |
|--------------------------------|---------------------|---------------------|--------------------|---------------------|-------------------------------|
| REVENUE | | | | | |
| Premiums | \$ 5,158,823 | \$ 5,606,003 | 9 % | \$ 5,606,003 | 0 % |
| Claim recoveries | 200,000 | 1,100,000 | 450 % | 4,295,061 | 290 % |
| Miscellaneous revenue | -- | 5,000 | 100 % | 2,469 | (51)% |
| CSAC-EIA dividends | -- | -- | 100 % | 11,268 | 0 % |
| Interest & investments | 90,000 | 35,000 | (61)% | 42,105 | 20 % |
| Total Revenues | <u>5,448,823</u> | <u>6,746,003</u> | 24 % | <u>9,956,906</u> | 48 % |
| EXPENSES | | | | | |
| Insurance premiums | 2,254,931 | 2,573,671 | 14 % | 2,465,976 | (4)% |
| Unpaid claims liab. chg. | -- | 1,000,000 | 100 % | 548,001 | (45)% |
| Claims costs | 2,061,687 | 3,000,000 | 46 % | 5,003,900 | 67 % |
| Claim administration | 165,000 | 185,000 | 12 % | 229,132 | 24 % |
| Loss control subsidy | 45,000 | 50,000 | 11 % | 45,150 | (10)% |
| Return of funds | -- | 483,458 | 100 % | 501,153 | 4 % |
| Loss prevention study | 144,402 | 144,402 | 0 % | 144,401 | 0 % |
| Property appraisals | 30,000 | 26,838 | 100 % | 119,225 | 344 % |
| Trindel admin. & safety | 176,439 | 176,439 | 0 % | 167,569 | (5)% |
| Total Expenses | <u>4,877,459</u> | <u>7,639,808</u> | 57 % | <u>9,224,507</u> | 21 % |
| NET INCOME | 571,364 | (893,805) | (256)% | 732,399 | (182)% |
| Due to/from Members, Beginning | <u>2,368,686</u> | <u>2,199,638</u> | (7)% | <u>2,199,638</u> | 0 % |
| Due to/from Members, Ending | <u>\$ 2,940,050</u> | <u>\$ 1,305,833</u> | (56)% | <u>\$ 2,932,037</u> | 125 % |

TRINDEL INSURANCE FUND

Management Discussion and Analysis
June 30, 2010

Significant variances between original and final budget:

Premiums (revenues) are set at the May Trindel Board meeting, however the actual insurance premiums (expense) are not known until June or July. When the Trindel Board adopts the resolution setting the premiums they also authorize the Executive Director to adjust the Premiums to reflect the actual Insurance Premiums. Thus actual Premiums and Insurance Premiums were slightly different than anticipated.

Claim Recoveries, Claim Costs and Claims Administration are all higher than anticipated, several excess claims settled during the year that were not anticipated to settle when the budget was adopted.

Unpaid Claim Liab Chg was not anticipated in the Original Budget; the actuarial was completed in September 2009 and required the Final Budget change.

We had several members that had large settlements after the budget was created.

Return of Funds, this amount is not known until the members decide to take a return or leave the funds on deposit, after the budget is adopted.

Property appraisals came in a lot higher this year, CSAC contracted with a different provider the new appraisal company (Aliant) cost considerably more.

TRINDEL INSURANCE FUND

Management Discussion and Analysis June 30, 2010

Medical Malpractice Program

| | Original Budget | Final Budget | Budget Variance | Actual | Budget/ Actual Variance |
|--------------------------------|--------------------|-------------------|--------------------|-------------------|-------------------------------|
| REVENUE | | | | | |
| Premiums | \$ 229,610 | \$ 248,618 | 8 % | \$ 228,783 | (7.98)% |
| Interest & investments | 500 | 225 | (55)% | 399 | 77.22 % |
| Total Revenues | <u>230,110</u> | <u>248,843</u> | 8 % | <u>229,182</u> | (7.90)% |
| EXPENSES | | | | | |
| Insurance premiums | 231,132 | 220,049 | (5)% | 220,049 | 0.00 % |
| Claims costs | 5,000 | 5,000 | 0 % | -- | 0.00 % |
| Total Expenses | <u>236,132</u> | <u>225,049</u> | (5)% | <u>220,049</u> | (2.22)% |
| NET INCOME | (6,022) | 23,794 | 295 % | 9,133 | (61.62)% |
| Due to/from Members, Beginning | <u>57,696</u> | <u>92,491</u> | 60 % | <u>92,491</u> | 0.00 % |
| Due to/from Members, Ending | <u>\$ 51,674</u> | <u>\$ 116,285</u> | 125 % | <u>\$ 101,624</u> | (12.61)% |

Significant variances between original and final budget:

Premiums (revenues) are set at the May Trindel Board meeting, however the actual insurance premiums (expense) are not known until September. When the Trindel Board adopts the resolution setting the premiums they also authorize the Executive Director to adjust the Premiums to reflect the actual Insurance Premiums, however since the Trindel invoices are sent out in July and the actual premium for this program is not known until September there is still a difference between the revenue and expense. Thus actual Premiums and Insurance Premiums were less than anticipated.

TRINDEL INSURANCE FUND

Management Discussion and Analysis June 30, 2010

Pollution Program

| | Original Budget | Final Budget | Budget Variance | Actual | Budget/ Actual Variance |
|--------------------------------|--------------------|-----------------|--------------------|------------|-------------------------------|
| REVENUE | | | | | |
| Premiums | \$ 123,661 | \$ 133,661 | 8 % | \$ 133,661 | 0 % |
| Interest & investments | (900) | (300) | (67)% | (128) | (57)% |
| Total Revenues | 122,761 | 133,361 | 9 % | 133,533 | 0 % |
| EXPENSES | | | | | |
| Insurance premiums | 124,235 | 110,698 | (11)% | 88,726 | (20)% |
| Total Expenses | 124,235 | 110,698 | (11)% | 88,726 | (20)% |
| NET INCOME | | | | | |
| | (1,474) | 22,663 | 1638 % | 44,807 | 98 % |
| Due to/from Members, Beginning | 13,143 | 16,607 | 26 % | 16,607 | 0 % |
| Due to/from Members, Ending | \$ 11,669 | \$ 39,270 | 237 % | \$ 61,414 | 56 % |

Significant variances between original and final budget:

Premiums (revenues) are set at the May Trindel Board meeting, however the actual insurance premiums (expense) are not known until June or July. When the Trindel Board adopts the resolution setting the premiums they also authorize the Executive Director to adjust the Premiums to reflect the actual Insurance Premiums. Thus actual Premiums and Insurance Premiums were slightly different than anticipated.

TRINDEL INSURANCE FUND

Management Discussion and Analysis June 30, 2010

Undisbursed Loss Prevention Subsidy Fund Program

| | Original Budget | Final Budget | Budget Variance | Actual | Budget/ Actual Variance |
|--------------------------------|--------------------|-------------------|--------------------|-------------------|-------------------------------|
| TRANSFERS IN | | | | | |
| From Liab/Prop | \$ 23,100 | \$ 16,350 | (29)% | \$ -- | (100)% |
| From Work. Comp. | 46,900 | 33,196 | (29)% | 34,312 | 3 % |
| From Member Contributions | 45,000 | 45,000 | 0 % | 98,593 | 119 % |
| From EIA subsidies | -- | 55,121 | 100 % | 16,824 | (69)% |
| Total Transfers In | <u>115,000</u> | <u>149,667</u> | 30 % | <u>149,729</u> | 0 % |
| OTHER INCOME | | | | | |
| Interest | 12,000 | 10,472 | (13)% | 5,532 | (47)% |
| Total Other Income | <u>12,000</u> | <u>10,472</u> | (13)% | <u>5,532</u> | (47)% |
| Total Income | <u>127,000</u> | <u>160,139</u> | (13)% | <u>155,261</u> | (47)% |
| EXPENDITURES | | | | | |
| Member expended | <u>150,000</u> | <u>101,080</u> | (33)% | <u>61,130</u> | (40)% |
| Total Expenses | <u>150,000</u> | <u>101,080</u> | (33)% | <u>61,130</u> | (40)% |
| NET INCOME | | | | | |
| | (23,000) | 59,059 | 157 % | 94,131 | 59 % |
| Due to/from Members, Beginning | <u>536,292</u> | <u>563,803</u> | 5 % | <u>622,862</u> | 10 % |
| Due to/from Members, Ending | <u>\$ 513,292</u> | <u>\$ 622,862</u> | 21 % | <u>\$ 716,993</u> | 15 % |

Significant variances between original and final budget:

From Liab/Prop, From Work Comp and From EIA Subsidies because the budget is adopted in May and all of these items are unknown until June or later the Original budget is just an estimate.

Interest, yields decreased during the year, however the cash balance was up due to the increasing carryover balance.

TRINDEL INSURANCE FUND

Management Discussion and Analysis June 30, 2010

Trindel Administration & Safety Programs

| | Original Budget | Final Budget | Budget Variance | Actual | Budget/ Actual Variance |
|---------------------------------|--------------------|-------------------|--------------------|-------------------|-------------------------------|
| SALARIES & BENEFITS | | | | | |
| Salaries | \$ 186,925 | \$ 239,702 | 28 % | \$ 239,702 | 0 % |
| FICA & medicare | 2,710 | 3,476 | 28 % | 3,563 | 2 % |
| Workers comp. | 2,337 | 2,997 | 28 % | 3,246 | 8 % |
| Unemployment | 420 | 756 | 80 % | 728 | (4)% |
| Health insurance | 12,836 | 16,731 | 30 % | 15,298 | (9)% |
| Chg in compensated absences | 5,000 | 5,000 | 0 % | 3,667 | (27)% |
| Retirement | 34,684 | 44,845 | 29 % | 46,003 | 3 % |
| Total Salaries & Benefits | <u>244,912</u> | <u>313,507</u> | 28 % | <u>312,207</u> | 0 % |
| SERVICES & SUPPLIES | | | | | |
| Communications | 5,000 | 5,500 | 10 % | 4,796 | (13)% |
| Dues & subscriptions | 3,400 | 3,400 | 0 % | 2,118 | (38)% |
| SO loss control | 14,000 | 9,081 | (35)% | 9,178 | 1 % |
| Office expense | 6,800 | 6,500 | (4)% | 7,571 | 16 % |
| Rent | 10,050 | 9,525 | (5)% | 12,124 | 27 % |
| Road commissioner meeting | 9,000 | 6,000 | (33)% | 4,500 | (25)% |
| Sheriff meetings | 7,000 | -- | (100)% | -- | 0 % |
| Loss prevention officer meeting | 9,000 | 25,000 | 178 % | 23,586 | (6)% |
| SO meals & lodging | 6,300 | 6,000 | (5)% | 4,157 | (31)% |
| SO vehicle expense | 4,000 | 4,000 | 0 % | 2,684 | (33)% |
| SO air travel | 12,000 | 12,000 | 0 % | 7,811 | (35)% |
| SO other training | 1,500 | 1,500 | 0 % | -- | 0 % |
| Liab/Prop insurance | 11,500 | 10,873 | (5)% | 11,514 | 6 % |
| Audit expense | 21,000 | 19,535 | (7)% | 19,535 | 0 % |
| Miscellaneous | 5,000 | 1,000 | (80)% | 1,481 | 0 % |
| Actuary services | -- | 1,750 | 0 % | 1,750 | 0 % |
| Legal services | 500 | 500 | 0 % | -- | 0 % |
| Board of Director meeting | 21,000 | 21,000 | 0 % | 17,444 | (17)% |
| Executive committee | 200 | 200 | 0 % | -- | 0 % |
| CAJPA conference | 13,000 | 8,500 | (35)% | 8,370 | (2)% |
| PARMA/ERI conference | 20,000 | 15,000 | (25)% | 12,765 | (15)% |
| CSOOC conference | 13,000 | 13,000 | 0 % | 13,371 | 3 % |
| Exec. Dir. Travel | 6,500 | 9,291 | 43 % | 9,828 | 6 % |
| Other committees | 1,000 | -- | (100)% | -- | 0 % |
| Staffing support | 70,000 | 15,000 | (79)% | -- | (100)% |
| Office move & setup | 10,000 | 10,000 | 0 % | 14,064 | 41 % |
| Depreciation | 9,000 | 7,000 | (22)% | 6,882 | (2)% |
| Total Services & Supplies | <u>289,750</u> | <u>221,155</u> | (24)% | <u>195,529</u> | (12)% |
| Total Budget | <u>\$ 534,662</u> | <u>\$ 534,662</u> | 0 % | <u>\$ 507,736</u> | -5% |
| TRANSFERS TO: | | | | | |
| Workers comp. program | \$ 358,223 | \$ 358,223 | 0 % | \$ 340,215 | (5)% |
| Prop/Liab program | 176,439 | 176,439 | 0 % | 167,568 | (5)% |
| Total Transfers To | <u>\$ 534,662</u> | <u>\$ 534,662</u> | 0 % | <u>\$ 372,747</u> | |

TRINDEL INSURANCE FUND

Management Discussion and Analysis
June 30, 2010

Significant variances between original and final budget:

Salaries and benefits were increased to accommodate transition period for the Executive Director.

Board of Directors meeting decrease was due to reduced attendance, holding 1 meeting in conjunction with CSAC-EIA and no paid speaker at the retreat in May 2009.

CAJPA Conference, attendance lower than anticipated.

CSOOC Conference, attendance was higher than anticipated.

Exec Dir Travel increased due significantly more member visits to train new member staff. And travel to Plumas our newest member.

Office move and setup cost more than anticipated.

Overall the Final Budget for staff was 5% lower than the Original Budget; staff should be commended for their efficient and prudent use of funds.

Description of Facts or Conditions that are Expected to have a Significant Effect on Financial Position or Results of Operations

There are no known facts or conditions that will have a significant effect on the financial position or results of operations of Trindel Insurance Fund for the next fiscal year. The members that were participating in the EIA Primary Workers Com Program (PWC) withdrew from this fully insured program effective 7-1-2008. They have set a self insured layer of \$125,000 per occurrence for the 08-09 and ensuing years. This change will have a positive effect in the short term as the tail claims will stay with the prior insurer. It is very much hoped that the State Legislature and the Governor have addressed the workers compensation issue with SB899, and will continue it without change. We also hope that the insurance market at least stabilizes or possibly takes a turn for the better leading to a softer market in the future for liability/property. There has been significant relief from the constant increase in workers comp premiums.

The other potential condition that could have a significant effect on the financial position is the financial condition of the members. This will be dependent upon what actions the State takes in it's never ending chaos to solve its own budget problems and the additional burden, if any, that they place on local governments to solve the State's fiscal problems.

Lastly, effective 1-1-10 Plumas County became a member of Trindel, however this addition is not expected to have an adverse impact on the other members and may actually have a positive effect in spreading the Administration and Safety Officer budgets over a larger base.

TRINDEL INSURANCE FUND

Statement of Net Assets
 June 30, 2010
 (With Comparative Figures as of June 30, 2009)

| | 2010 | 2009 |
|---|---------------|---------------|
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash and equivalents | \$ 20,731,352 | \$ 14,238,014 |
| Total Current Assets | 20,731,352 | 14,238,014 |
| Noncurrent Assets: | | |
| Capital assets, net | 10,088 | 16,971 |
| Total Noncurrent Assets | 10,088 | 16,971 |
| Total Assets | \$ 20,741,440 | \$ 14,254,985 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities: | | |
| Accounts payable | \$ 51,889 | \$ 8,821 |
| Current portion of compensated absences | 19,618 | 17,784 |
| Total Current Liabilities | 71,507 | 26,605 |
| Noncurrent Liabilities: | | |
| Long term portion of compensated absences | 19,617 | 17,784 |
| Due to members | 20,650,316 | 14,210,596 |
| Total Noncurrent Liabilities | 20,669,933 | 14,228,380 |
| Total Liabilities | 20,741,440 | 14,254,985 |
| Net Assets: | | |
| Unrestricted | -- | -- |
| Total Liabilities and Net Assets | \$ 20,741,440 | \$ 14,254,985 |

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

TRINDEL INSURANCE FUND

Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2010
(With Comparative Figures for the Year Ended June 30, 2009)

| | 2010 | 2009 |
|-----------------------------------|--------------|--------------|
| Operating Revenues: | | |
| Charges for services | \$ 1,347,389 | \$ 1,030,882 |
| Total Operating Revenues | 1,347,389 | 1,030,882 |
| Operating Expenses: | | |
| Claims administration (TPAs) | 502,633 | 329,557 |
| Trindel admin. & safety programs | 454,783 | 325,167 |
| Loss control subsidy | 90,000 | 80,000 |
| Employee assistance program | 81,776 | 74,338 |
| Loss control services & purchases | 211,314 | 214,972 |
| Depreciation | 6,883 | 6,848 |
| Total Operating Expenses | 1,347,389 | 1,030,882 |
| Change in Net Assets | -- | -- |
| Net Assets, Beginning of Year | -- | -- |
| Net Assets, End of Year | \$ -- | \$ -- |

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

TRINDEL INSURANCE FUND

Statement of Cash Flows
For the Year Ended June 30, 2010
(With Comparative Figures for the Year Ended June 30, 2009)

| | <u>2010</u> | <u>2009</u> |
|---|----------------------|----------------------|
| Cash Flows from Operating Activities: | | |
| Charges for services collected | \$ 1,347,389 | \$ 1,030,882 |
| Claims administration | (502,633) | (329,557) |
| General & administration expenses paid | (408,048) | (318,766) |
| Loss prevention expenses paid | <u>(383,090)</u> | <u>(369,310)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>53,618</u> | <u>13,249</u> |
| Cash Flows from Noncapital Financing Activities: | | |
| Change in due to members | <u>6,439,720</u> | <u>4,243,670</u> |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>6,439,720</u> | <u>4,243,670</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Purchase of capital assets | <u>--</u> | <u>(1,274)</u> |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>--</u> | <u>(1,274)</u> |
| Net Increase (Decrease) in Cash | 6,493,338 | 4,255,645 |
| Beginning Cash and Equivalents and Investments | <u>14,238,014</u> | <u>9,982,369</u> |
| Ending Cash and Equivalents and Investments | <u>\$ 20,731,352</u> | <u>\$ 14,238,014</u> |

continued

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

TRINDEL INSURANCE FUND

Statement of Cash Flows (continued)
For the Year Ended June 30, 2010
(With Comparative Figures for the Year Ended June 30, 2009)

| | <u>2010</u> | <u>2009</u> |
|--|--------------------|--------------------|
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | | |
| Cash Flows from Operating Activities: | | |
| Operating income (loss) | \$ -- | \$ -- |
| Adjustments to Reconcile Operating Income/(Loss) to Cash Provided (Used) by Operations: | | |
| Depreciation and amortization | 6,883 | 6,848 |
| Increase (Decrease) in: | | |
| Accounts payable | 43,068 | 3,519 |
| Compensated absences | 3,667 | 2,882 |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 53,618</u> | <u>\$ 13,249</u> |

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

TRINDEL INSURANCE FUND

Notes to Financial Statements
June 30, 2010

Note 1: **Summary of Significant Accounting Policies**

A. Reporting Entity

The Trindel Insurance Fund, (Trindel) was initially established by the counties of Del Norte and Trinity to provide workers' compensation benefits for their employees. Trindel was subsequently expanded to include property damage and liability insurance coverage. The counties of Alpine, Colusa, Lassen, Modoc, San Benito, Sierra and Mono were later added and Plumas County was added during the 09/10 fiscal year. Trindel is governed by a joint powers agreement between the member counties under Article I, Chapter 5, of Division 7, Title I of the *Government Code of California*. Its purpose is to provide for the creation and operation of a claims-servicing or account pool, which is where a group of governmental entities join together to administer the separate account of each entity in the payment of losses, and an insurance-purchasing pool to be used to meet the obligations of the counties to provide workers' compensation benefits for their employees and provide public liability and property damage insurance for its members. Trindel is governed by a nine-member Board of Directors composed of one member from each of the participating counties.

B. Membership

As of June 30, 2010, membership of the various funds is as follows:

| <u>Members</u> | <u>Workers'</u> <u>Compensation</u> | <u>Property</u> <u>Liability</u> | <u>Public</u> <u>Liability</u> | <u>Medical</u> <u>Malpractice</u> | <u>Pollution</u> |
|-------------------|--|-------------------------------------|-----------------------------------|--------------------------------------|------------------|
| Alpine County | X | X | X | X | X |
| Colusa County | X | X | X | X | X |
| Del Norte County | X | X | X | X | X |
| Lassen County | X | X | X | | X |
| Modoc County | X | X | X | X | X |
| Mono County | X | X | X | X | X |
| Plumas County | X | X | X | | X |
| San Benito County | X | X | X | X | X |
| Sierra County | X | X | X | X | X |
| Trinity County | X | X | X | X | X |

TRINDEL INSURANCE FUND

Notes to Financial Statements
June 30, 2010

Note 1: **Summary of Significant Accounting Policies** (continued)

C. Admission and Withdrawal of Members

Admission

Entities applying for membership must be approved by a unanimous vote of the Board Members.

Withdrawal

Members may withdraw from the Trindel upon advance written notice. The effect of withdrawal (or termination), does not terminate the responsibility of the member to continue paying its share of assessments or other financial obligations incurred by reason of its previous participation. No refund or repayment shall be given to any withdrawing member until approved by the Board. Trindel shall be responsible for servicing claims of members that have withdrawn, which were incurred while a member. Withdrawal does not relieve the member of the responsibility to pay special assessments or premium charges.

D. Basis of Presentation and Method of Accounting

Trindel accounts for its activities as a single enterprise fund, and the financial statements are accounted for on a flow of economic resources management focus, using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liability is incurred, regardless of the timing of related cash flows.

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Accounting Standards

Pursuant to Government Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, Trindel has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

TRINDEL INSURANCE FUND

Notes to Financial Statements
June 30, 2010

Note 1: **Summary of Significant Accounting Policies** (continued)

D. Basis of Presentation and Method of Accounting (continued)

Accounting Standards (continued)

The presentation of the basic financial statements reflects the requirements of Governmental Accounting Standards Board Statement 10. *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. According to paragraph 51 of the standard, public entity pools that do not involve a transfer or pooling of risk among pool participants and each participant is responsible for their own claims, shall account like a claims services entity. The operating account should report claim servicing revenue and administrative costs.

Amounts collected or due from participants and paid or to be paid to settle claims should be reported as a net asset or liability on an accrual basis.

E. Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term are described elsewhere in this report.

F. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are investments readily convertible into known amounts of cash with original maturities at date of purchase of less than three months. Trindel also deposits funds with the State of California Local Agency Investment Fund.

G. Due To and Due From Members

Since Trindel is a banking/claims servicing pool, the net assets or liabilities for each member are shown as a due to the member or a due from the member.

TRINDEL INSURANCE FUND

Notes to Financial Statements
June 30, 2010

Note 1: **Summary of Significant Accounting Policies** (continued)

H. Investments

Trindel's investment policy is designed to achieve an optimum rate of return on available assets not required for current operating needs. Section 53601 of the California Government Code provides the legal authority for investments. Securities are selected for investment that are liquid, marketable, and high quality. Adequate diversification is applied to prevent an undue amount of investment risk with any one institution. The classes of investment that most adequately meets the above mentioned criteria shall be allowed for purchase, including United States Government, federal agencies (GNMA, FNMA, FHLB, FFCB, Freddie Mac), negotiable certificates of deposit, bankers acceptances, commercial paper and medium-term notes. The Fund also deposits investment funds with the State of California Local Agency Investment Fund.

I. Capital Assets

Furniture, equipment and vehicles are recorded at cost. Trindel defines capital assets as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of three years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets:

| | |
|---------|------------------------|
| 3 years | Computer Equipment |
| 5 years | Equipment and vehicles |
| 7 years | Furniture |

J. Compensated Absences

It is Trindel's policy to permit employees to accumulate earned but unused vacation and compensatory time. All vacation pay is accrued when incurred in the financial statements.

TRINDEL INSURANCE FUND

Notes to Financial Statements
June 30, 2010

Note 1: **Summary of Significant Accounting Policies** (continued)

M. Net Assets

Trindel is accounted for as a banking pool in accordance with GASB Statement No. 10. Accordingly net amounts of individual member net assets are shown as due to or due from as applicable.

N. Revenue Recognition

Revenues are recognized as revenue when earned. Claims servicing revenues are recorded to the extent of claims servicing expenses. Net excess is recorded as due to members. Net deficits are recorded as due from members.

O. Allocated Costs

Management allocates internal administration costs to both the workers' compensation and property/liability programs. These costs are then charged to each of the members in the respective programs based on Resolution No. 06-06 as adopted by the Board of Directors.

P. Self Insured Reserves and Deductible Payments

The members accumulate equity through the insurance programs for the payment of Self Insured Retention (SIR's) and deductibles. When the payments are made for claim SIRs and deductibles, the member's equity is correspondingly reduced.

Q. Income Taxes

Trindel is an organization comprised of public agencies and is exempt from federal income and California franchise taxes. Accordingly, no provision for federal or state income taxes has been made in the accompanying financial statements.

R. Comparative Data and Reclassifications

Comparative data for the prior year have been presented in certain sections of the accompanying basic financial statements in order to provide an understanding of changes in Trindel's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

TRINDEL INSURANCE FUND

Notes to Financial Statements
June 30, 2010

Note 2: Cash and Equivalents and Investments

A. Credit Risk, Carrying Amount and Market Value Investments

Cash was classified as follows at June 30:

| | <u>2010</u> | |
|---|---------------------------|----------------------|
| | <u>Carrying Value</u> | <u>Fair Value</u> |
| Pooled Investments: | | |
| California Local Agency Investment Fund | \$ 592,536 | \$ 592,536 |
| Mono County Treasury Pool | 9,484,146 | 9,484,146 |
| Cash Deposits | 10,654,170 | 10,654,170 |
| Cash on Hand | <u>500</u> | <u>500</u> |
| Total Cash and Equivalents | <u>\$ 20,731,352</u> | <u>\$ 20,731,352</u> |

B. Cash Deposits

The carrying amounts of Trindel's cash deposits were \$10,654,170 at June 30, 2010. Bank balances before reconciling items were \$10,743,206 at that date.

Cash balances held in banks are fully insured up to \$200,000 by the Federal Depository Insurance Corporation or are fully collateralized.

Trindel places certain funds with the Mono County Treasury. Trindel is a voluntary participant in the Mono County Treasury. Oversight is provided by the Mono County Finance Department and the Board of Supervisors. Fair value of these investments is substantially the same as carrying value. For more information on the Pool, contact the Mono County Finance Department at PO Box 495, Bridgeport, CA 95317

Trindel places certain funds with the State of California's Local Agency Investment Fund (LAIF). Trindel is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of Trindel's investment in this pool is reported in the accompanying financial statements based upon Trindel's share of the pool, as determined on an amortized cost basis. The monies held in the pooled investment funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis, hence, fair value is essentially the same as the value of the pool shares.

TRINDEL INSURANCE FUND

Notes to Financial Statements
June 30, 2010

Note 2: **Cash and Equivalents** (continued)

B. Cash Deposits (continued)

Funds are accessible and transferable to the master account with twenty-four hours notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises and corporations. LAIF is administered by the State Treasurer. LAIF investments are audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office; 915 Capital Mall; Sacramento, California 95814. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized.

Note 3: **Capital Assets**

Trindel's capital assets consisted of the following at:

| | <u>Balance</u> <u>July 1, 2009</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u> <u>June 30, 2010</u> |
|--------------------------------------|---------------------------------------|-------------------|--------------------|--|
| Furniture, equipment and Vehicles | \$ 45,383 | \$ -- | \$ -- | \$ 45,383 |
| Accumulated depreciation | (28,412) | (6,883) | -- | (35,295) |
| Total Capital Assets (Net) | <u>\$ 16,971</u> | <u>\$ (6,883)</u> | <u>\$ --</u> | <u>\$ 10,088</u> |

Depreciation expense was \$6,883 for the fiscal year ended June 30, 2010.

Note 4: **Compensated Absences**

The following is a summary of compensated absences of Trindel for the fiscal year ended June 30, 2010:

| | <u>July 1, 2009</u> | <u>Additions</u> | <u>Retirements</u> | <u>June 30, 2010</u> | <u>Current Portion</u> |
|----------------------|---------------------|------------------|--------------------|----------------------|----------------------------|
| Compensated absences | <u>\$ 35,568</u> | <u>\$ 3,667</u> | <u>\$ --</u> | <u>\$ 39,235</u> | <u>\$ 19,618</u> |

TRINDEL INSURANCE FUND

Notes to Financial Statements
June 30, 2010

Note 5: **Joint Powers Agreement**

Each of the members of Trindel is also a member of CSAC Excess Insurance Authority (CSAC EIA) through a joint powers agreement. The relationship between Trindel and the joint powers authority is such that CSAC EIA is not a component unit of Trindel for financial reporting purposes.

CSAC EIA arranges for and provides excess property, liability, workers' compensation and medical malpractice coverage up to \$30 million for its members. The joint venture is governed by a Board consisting of representatives from member agencies. The Board controls the operation of the joint venture, 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 agency pays a premium commensurate with the level of coverage requested and shares surplus and deficits proportionate to their participation in the joint venture.

Condensed financial information for CSAC EIA for the year ended June 30, 2010, is as follows:

| | <u>CSAC EIA</u> <u>(Audited)</u> |
|---------------------------------------|-------------------------------------|
| Total Assets | <u>\$ 546,764,817</u> |
| Total Liabilities | 428,407,212 |
| Equity | <u>118,357,605</u> |
| Total Liabilities and Net Assets | <u>\$ 546,764,817</u> |
| Total Revenues | \$ 416,173,553 |
| Total Expenses | <u>(443,609,321)</u> |
| Net Increase (Decrease) in Net Assets | <u>\$ (27,435,768)</u> |

TRINDEL INSURANCE FUND

Notes to Financial Statements
June 30, 2010

Note 6: **Deferred Compensation**

The Executive Director and Safety Officer participate in a deferred compensation plan adopted under the provision of Internal Revenue Code Section 457, *Deferred Compensation Plans with Respect to Service for State and Local Governments*.

Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

The Executive Director and Safety Officer are also covered under a multiple-employer defined benefit pension plan maintained by the California Public Employees' Retirement System (CalPERS). The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Note 7: **Fund Employees Retirement Plan (Defined Benefit Pension Plan)**

A. **Plan Description**

The Fund contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS annual financial report may be obtained from their Executive Office – 400 Q Street, Sacramento, CA 95811.

B. **Funding Policy**

The Fund makes the contributions required of its employees on their behalf and for their account. The rates are set by statute and therefore generally remain unchanged from year to year. The present actuarially determined rates of annual covered payroll are as follows:

| <u>Category</u> | <u>Member Rates as a Percentage of Wages</u> |
|-----------------------------|--|
| Local miscellaneous members | 8% |

The contribution requirements of the plan members are established by State statutes and the employer contribution rate is established and may be amended by PERS.

TRINDEL INSURANCE FUND

Notes to Financial Statements
June 30, 2010

Note 7: **Fund Employees Retirement Plan (Defined Benefit Pension Plan)** (continued)

B. Funding Policy (continued)

Annual Pension Cost

For fiscal year 2009/2010, the Fund's annual pension cost was \$46,003 and the Fund actually contributed \$46,003. The required contribution for fiscal year 2009/2010 was determined as part of the New Agency Actuarial Valuation as of June 30, 2007, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45%; and (c) no cost-of-living adjustment. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of the Fund's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of the investment gains and/or losses. The Fund's excess assets are being amortized as a level percentage of projected payroll on a closed basis.

Three-Year Trend Information⁽¹⁾

| <u>Fiscal Year Ending</u> | <u>Annual Pension Cost (APL)</u> | <u>Percentage of APL Contributed</u> | <u>Net Pension Obligation</u> |
|-----------------------------------|--|--|---------------------------------------|
| 6/30/08 | \$ 30,249 | 100% | -- |
| 6/30/09 | \$ 33,312 | 100% | -- |
| 6/30/10 | \$ 46,003 | 100% | -- |

The schedule of funding progress is available only on a pooled-basis only and can be obtained from CalPERS, P.O. Box 942709, Sacramento, CA 94229-2709.

SUPPLEMENTAL INFORMATION

TRINDEL INSURANCE FUND

Statement of Revenues, Expenses and Changes in Net Assets (Unaudited)
Property and General Liability Program
For the Year Ended June 30, 2010

| | Alpine | Colusa | Del Norte | Lassen | Modoc | Mono | Plumas | San Benito | Sierra | Trinity Gen | Total |
|--|----------------------|----------------------|------------------------|------------------------|----------------------|----------------------|----------------------|------------------------|----------------------|----------------------|------------------------|
| Operating Revenues: | | | | | | | | | | | |
| CSAC-EIA dividends | \$ 1,000.00 | \$ -- | \$ 1,000.00 | \$ 1,000.00 | \$ 1,000.00 | \$ -- | \$ 4,267.95 | \$ 1,000.00 | \$ 1,000.00 | \$ 1,000.00 | \$ 11,267.95 |
| Premiums | 187,538.00 | 663,613.00 | 769,177.00 | 824,620.00 | 396,797.00 | 664,706.00 | 492,181.24 | 878,257.00 | 267,496.00 | 461,618.00 | 5,606,003.24 |
| Claim recoveries | 62,489.91 | -- | 731,516.76 | 968,462.71 | 656.76 | 14,199.25 | 583,817.07 | 1,106,535.38 | 7,856.51 | -- | 3,475,534.35 |
| Miscellaneous revenue | 274.30 | 274.30 | 274.30 | 274.30 | 274.30 | 274.30 | -- | 274.30 | 274.30 | 274.30 | 2,468.73 |
| Total Operating Revenue | <u>251,302.21</u> | <u>663,887.30</u> | <u>1,501,968.06</u> | <u>1,794,357.01</u> | <u>398,728.06</u> | <u>679,179.55</u> | <u>1,080,266.26</u> | <u>1,986,066.68</u> | <u>276,626.81</u> | <u>462,892.30</u> | <u>9,095,274.27</u> |
| Operating Expenses: | | | | | | | | | | | |
| Change in claim liabilities | 1,076.88 | (44,664.73) | 79,938.26 | 54,800.10 | (25,810.42) | (183,810.15) | 302,778.00 | 315,245.21 | (6,041.20) | 54,489.05 | 548,001.00 |
| Excess insurance prem | 89,357.92 | 305,298.19 | 378,621.79 | 336,097.83 | 175,058.72 | 330,096.57 | -- | 442,038.59 | 127,895.63 | 221,881.83 | 2,406,347.07 |
| Claim costs | 93,724.51 | 104,295.63 | 1,172,665.15 | 1,127,369.87 | 25,046.97 | 605,515.99 | 226,575.13 | 1,500,515.66 | 44,389.07 | 103,802.18 | 5,003,900.16 |
| Claims administration | 7,087.85 | 16,569.00 | 57,006.45 | 20,829.90 | 5,463.20 | 14,013.30 | 12,007.40 | 72,354.00 | 3,885.85 | 19,915.86 | 229,132.81 |
| Trindel admin & safety | 12,433.75 | 18,855.84 | 24,464.65 | 20,967.55 | 18,345.43 | 17,837.84 | -- | 21,842.53 | 12,652.49 | 20,168.30 | 167,568.38 |
| Loss control subsidy | 5,000.00 | 5,150.00 | 5,000.00 | 5,000.00 | 5,000.00 | 5,000.00 | -- | 5,000.00 | 5,000.00 | 5,000.00 | 45,150.00 |
| Loss prevention subsidy | 16,044.60 | 16,044.60 | 16,044.60 | 16,044.60 | 16,044.60 | 16,044.60 | -- | 16,044.60 | 16,044.60 | 16,044.60 | 144,401.40 |
| Property appraisals | 6,809.47 | 8,024.23 | 23,910.50 | 18,079.45 | 10,619.90 | 15,284.51 | 8,665.75 | 6,460.50 | 4,648.50 | 16,722.57 | 119,225.38 |
| Total Operating Expenses | <u>231,534.98</u> | <u>429,572.76</u> | <u>1,757,651.40</u> | <u>1,599,189.30</u> | <u>229,768.40</u> | <u>819,982.66</u> | <u>550,026.28</u> | <u>2,379,501.09</u> | <u>208,474.94</u> | <u>458,024.39</u> | <u>8,663,726.20</u> |
| Operating Income (Loss) | <u>19,767.24</u> | <u>234,314.55</u> | <u>(255,683.33)</u> | <u>195,167.71</u> | <u>168,959.66</u> | <u>(140,803.10)</u> | <u>530,239.98</u> | <u>(393,434.41)</u> | <u>68,151.87</u> | <u>4,867.91</u> | <u>431,548.07</u> |
| Non-Operating Revenue and Expenses: | | | | | | | | | | | |
| Interest and investments | 7,371.54 | 5,725.76 | 1,295.75 | 6,566.16 | 4,051.44 | 9,805.99 | 487.73 | (2,176.52) | 2,585.09 | 6,392.48 | 42,105.42 |
| (Return of funds) | (250,000.00) | (67,429.00) | -- | -- | (73,077.00) | (110,647.00) | -- | -- | -- | -- | (501,153.00) |
| (EIA dividend passthrough) | -- | -- | (19,714.00) | -- | (10,622.00) | -- | -- | (29,293.00) | -- | -- | (59,629.00) |
| Total Non-Operating Revenues and Expenses | <u>(242,628.46)</u> | <u>(61,703.24)</u> | <u>(18,418.25)</u> | <u>6,566.16</u> | <u>(79,647.56)</u> | <u>(100,841.01)</u> | <u>487.73</u> | <u>(31,469.52)</u> | <u>2,585.09</u> | <u>6,392.48</u> | <u>(518,676.58)</u> |
| Net Income (Loss) | <u>(222,861.22)</u> | <u>172,611.31</u> | <u>(274,101.58)</u> | <u>201,733.87</u> | <u>89,312.10</u> | <u>(241,644.11)</u> | <u>530,727.71</u> | <u>(424,903.93)</u> | <u>70,736.96</u> | <u>11,260.39</u> | <u>(87,128.51)</u> |
| Due To/(From) Members, Beginning of Year | 903,745.11 | 234,967.70 | (101,042.51) | 60,086.22 | 269,900.56 | 723,985.19 | -- | (369,777.70) | 125,830.58 | 351,942.49 | 2,199,637.64 |
| Reserve to Reflect 90% CL | 40,409.65 | 188,465.30 | 251,716.65 | 250,167.43 | 99,206.80 | 105,875.39 | 108,399.34 | 362,713.81 | 59,564.49 | 143,481.16 | 1,610,000.00 |
| Unreserved Due To/(From) | 640,474.23 | 219,113.71 | (613,014.34) | 781,507.94 | 260,005.86 | 412,290.82 | 422,328.37 | (1,157,395.43) | 137,003.06 | 219,721.72 | 1,322,035.94 |
| Due To/(From) Members, End of Year | <u>\$ 680,883.89</u> | <u>\$ 407,579.01</u> | <u>\$ (361,297.69)</u> | <u>\$ 1,031,675.37</u> | <u>\$ 359,212.66</u> | <u>\$ 518,166.21</u> | <u>\$ 530,727.71</u> | <u>\$ (794,681.63)</u> | <u>\$ 196,567.54</u> | <u>\$ 363,202.88</u> | <u>\$ 2,932,035.94</u> |
| Claim Liabilities (Reserves) | <u>\$ 112,870.93</u> | <u>\$ 526,415.19</u> | <u>\$ 703,086.81</u> | <u>\$ 698,759.57</u> | <u>\$ 277,101.22</u> | <u>\$ 295,727.71</u> | <u>\$ 302,777.52</u> | <u>\$ 1,013,120.50</u> | <u>\$ 166,373.60</u> | <u>\$ 400,766.95</u> | <u>\$ 4,497,000.00</u> |

TRINDEL INSURANCE FUND

Statement of Revenues, Expenses and Changes in Due To/From (Unaudited)
Workers' Compensation Program
For the Year Ended June 30, 2010

| | Alpine | Colusa | Del Norte | Lassen | Modoc | Mono | Plumas | San Benito | Sierra | Trinity Gen | Total |
|---|----------------------|----------------------|----------------------|------------------------|----------------------|------------------------|------------------------|----------------------|----------------------|----------------------|------------------------|
| Operating Revenues: | | | | | | | | | | | |
| Premiums | \$ 283,094.00 | \$ 547,314.00 | \$ 1,122,659.00 | \$ 1,287,477.00 | \$ 509,779.00 | \$ 731,307.00 | \$ 3,442,105.69 | \$ 985,206.00 | \$ 310,966.00 | \$ 731,496.00 | \$ 9,951,403.69 |
| Claim recoveries | -- | 554.28 | -- | -- | -- | 10,318.44 | 30,929.72 | 5,634.29 | -- | 157.14 | 47,593.87 |
| Miscellaneous revenue | 556.91 | 556.91 | 556.91 | 556.91 | 556.91 | 556.91 | 0.02 | 556.91 | 556.91 | 556.91 | 5,012.24 |
| Prior year pay roll refunds | 3,972.00 | (2,850.00) | 7,654.00 | 9,175.00 | -- | -- | -- | -- | 5,332.00 | 8,070.00 | 31,353.00 |
| Total Operating Revenues | <u>287,622.91</u> | <u>545,575.19</u> | <u>1,130,869.91</u> | <u>1,297,208.91</u> | <u>510,335.91</u> | <u>742,182.35</u> | <u>3,473,035.43</u> | <u>991,397.20</u> | <u>316,854.91</u> | <u>740,280.05</u> | <u>10,035,362.80</u> |
| Operating Expenses: | | | | | | | | | | | |
| Change in claim liabilities | 96,531.77 | 193,870.12 | 424,390.65 | 256,863.02 | 192,913.67 | 169,845.04 | 2,174,361.00 | 349,995.14 | 147,662.79 | 235,566.80 | 4,242,000.00 |
| Insurance premiums | 47,122.00 | 121,653.00 | 164,450.00 | 177,353.00 | 112,964.00 | 143,245.00 | -- | 199,811.00 | 46,456.00 | 99,452.00 | 1,112,506.00 |
| Claim costs | 8,407.25 | 130,042.74 | 194,325.11 | 447,930.38 | 95,343.01 | 278,408.45 | 272,808.21 | 194,087.43 | 124,743.96 | 146,576.05 | 1,892,672.59 |
| Claim admin (tpa) | 13,258.28 | 19,691.60 | 35,183.36 | 41,225.46 | 23,203.40 | 35,444.19 | 34,499.98 | 29,369.96 | 13,819.88 | 27,803.85 | 273,499.96 |
| Employee assistance program | 690.00 | 6,720.00 | 21,090.00 | 15,250.00 | 6,225.80 | 7,400.00 | -- | 13,760.00 | 7,400.00 | 3,240.00 | 81,775.80 |
| Hearing tests | 2,000.00 | 2,100.00 | 900.00 | 1,330.00 | 1,330.00 | 4,000.00 | -- | 2,145.00 | 2,100.00 | 2,000.00 | 17,905.00 |
| Loss control funds | 958.64 | 1,427.73 | 6,201.99 | 16,968.65 | 586.54 | 21,533.63 | 901.29 | 1,696.97 | 7,684.47 | 13,877.25 | 71,837.16 |
| W/C SIP Assessment | -- | 1,237.83 | 3,435.53 | 1,882.12 | 13.69 | 2,637.57 | -- | 369.38 | 189.87 | 278.99 | 10,044.98 |
| Trindel admin & safety | 37,801.62 | 37,801.62 | 37,801.62 | 37,801.62 | 37,801.62 | 37,801.62 | -- | 37,801.62 | 37,801.62 | 37,801.62 | 340,214.58 |
| Loss control subsidy | 5,000.00 | 5,150.00 | 5,000.00 | 5,000.00 | 5,000.00 | 5,000.00 | -- | 5,000.00 | 5,000.00 | 5,000.00 | 45,150.00 |
| Loss prevention subsidy | 32,575.40 | 32,575.40 | 32,575.40 | 32,575.40 | 32,575.40 | 32,575.40 | -- | 32,575.40 | 32,575.40 | 32,575.40 | 293,178.60 |
| Total Operating Expenses | <u>244,344.96</u> | <u>552,270.04</u> | <u>925,353.66</u> | <u>1,034,179.65</u> | <u>507,957.13</u> | <u>737,890.90</u> | <u>2,482,570.48</u> | <u>866,611.90</u> | <u>425,433.99</u> | <u>604,171.96</u> | <u>8,380,784.67</u> |
| Operating Income (Loss) | <u>43,277.95</u> | <u>(6,694.85)</u> | <u>205,516.25</u> | <u>263,029.26</u> | <u>2,378.78</u> | <u>4,291.45</u> | <u>990,464.95</u> | <u>124,785.30</u> | <u>(108,579.08)</u> | <u>136,108.09</u> | <u>1,654,578.13</u> |
| Non-Operating Revenues & Expenses: | | | | | | | | | | | |
| Interest and investments | 4,302.03 | 3,065.41 | 6,934.65 | 15,139.07 | 2,849.64 | 20,439.51 | 8,563.08 | 9,280.36 | 2,843.85 | 12,415.07 | 85,832.67 |
| (Return of funds) | -- | (50,493.00) | (30,438.00) | (177,073.00) | (33,141.00) | (164,214.00) | -- | (130,634.00) | -- | -- | (585,993.00) |
| Total Non-Operating Revenues & Expenses | <u>4,302.03</u> | <u>(47,427.59)</u> | <u>(23,503.35)</u> | <u>(161,933.93)</u> | <u>(30,291.36)</u> | <u>(143,774.49)</u> | <u>8,563.08</u> | <u>(121,353.64)</u> | <u>2,843.85</u> | <u>12,415.07</u> | <u>(500,160.33)</u> |
| Net Income (Loss) | <u>47,579.98</u> | <u>(54,122.44)</u> | <u>182,012.90</u> | <u>101,095.33</u> | <u>(27,912.58)</u> | <u>(139,483.04)</u> | <u>999,028.03</u> | <u>3,431.66</u> | <u>(105,735.23)</u> | <u>148,523.16</u> | <u>1,154,417.80</u> |
| Due To/(From) Members, Beginning of Year | <u>332,286.90</u> | <u>194,712.10</u> | <u>255,965.75</u> | <u>948,630.13</u> | <u>151,221.52</u> | <u>1,336,390.89</u> | <u>--</u> | <u>445,329.50</u> | <u>176,539.68</u> | <u>750,326.45</u> | <u>4,591,402.92</u> |
| Due To/(From) Members, End of Year | <u>\$ 379,866.88</u> | <u>\$ 140,589.66</u> | <u>\$ 437,978.65</u> | <u>\$ 1,049,725.46</u> | <u>\$ 123,308.94</u> | <u>\$ 1,196,907.85</u> | <u>\$ 999,028.03</u> | <u>\$ 448,761.16</u> | <u>\$ 70,804.45</u> | <u>\$ 898,849.61</u> | <u>\$ 5,745,820.72</u> |
| Claim Liabilities, End of Period | <u>\$ 187,284.77</u> | <u>\$ 392,458.13</u> | <u>\$ 901,744.95</u> | <u>\$ 874,186.77</u> | <u>\$ 392,109.95</u> | <u>\$ 1,056,035.87</u> | <u>\$ 2,174,361.47</u> | <u>\$ 755,664.10</u> | <u>\$ 233,420.76</u> | <u>\$ 619,733.23</u> | <u>\$ 7,587,000.00</u> |
| Reserve to Reflect 90% CL | 52,411.87 | 109,829.88 | 252,354.40 | 244,642.21 | 109,732.44 | 137,234.94 | 282,564.61 | 211,473.50 | 65,323.08 | 173,433.08 | 1,639,000.00 |
| Unreserved To/(From) | <u>327,455.02</u> | <u>30,759.79</u> | <u>185,624.25</u> | <u>805,083.25</u> | <u>13,576.51</u> | <u>1,059,672.91</u> | <u>716,463.42</u> | <u>237,287.67</u> | <u>5,481.37</u> | <u>725,416.53</u> | <u>4,106,820.72</u> |
| | <u>\$ 379,866.88</u> | <u>\$ 140,589.66</u> | <u>\$ 437,978.65</u> | <u>\$ 1,049,725.46</u> | <u>\$ 123,308.94</u> | <u>\$ 1,196,907.85</u> | <u>\$ 999,028.03</u> | <u>\$ 448,761.16</u> | <u>\$ 70,804.45</u> | <u>\$ 898,849.61</u> | <u>\$ 5,745,820.72</u> |

TRINDEL INSURANCE FUND

Statement of Revenues, Expenses and Changes in Due To/From (Unaudited)
 Medical Malpractice Program
 For the Year Ended June 30, 2010

| | <u>Alpine</u> | <u>Colusa</u> | <u>Del Norte</u> | <u>Lassen</u> | <u>Modoc</u> | <u>Mono</u> | <u>Plumas</u> | <u>San Benito</u> | <u>Sierra</u> | <u>Trinity Gen</u> | <u>Total</u> |
|--|---------------------|---------------------|----------------------|---------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|----------------------|
| Operating Revenues: | | | | | | | | | | | |
| Premiums | \$ 1,200.00 | \$ 4,368.00 | \$ 42,656.00 | \$ -- | \$ 121,164.63 | \$ 9,445.00 | \$ 10,000.00 | \$ 17,191.00 | \$ 9,659.00 | \$ 13,099.00 | \$ 228,782.63 |
| Total Operating Revenue | <u>1,200.00</u> | <u>4,368.00</u> | <u>42,656.00</u> | <u>--</u> | <u>121,164.63</u> | <u>9,445.00</u> | <u>10,000.00</u> | <u>17,191.00</u> | <u>9,659.00</u> | <u>13,099.00</u> | <u>228,782.63</u> |
| Operating Expenses: | | | | | | | | | | | |
| Insurance premiums | 1,197.00 | 4,350.00 | 42,432.00 | -- | 124,399.00 | 9,410.00 | -- | 17,129.00 | 8,044.00 | 13,088.00 | 220,049.00 |
| Total Operating Expenses | <u>1,197.00</u> | <u>4,350.00</u> | <u>42,432.00</u> | <u>--</u> | <u>124,399.00</u> | <u>9,410.00</u> | <u>--</u> | <u>17,129.00</u> | <u>8,044.00</u> | <u>13,088.00</u> | <u>220,049.00</u> |
| Operating Income (Loss) | <u>3.00</u> | <u>18.00</u> | <u>224.00</u> | <u>--</u> | <u>(3,234.37)</u> | <u>35.00</u> | <u>10,000.00</u> | <u>62.00</u> | <u>1,615.00</u> | <u>11.00</u> | <u>8,733.63</u> |
| Non-Operating Rev & Expense: | | | | | | | | | | | |
| Interest and investments (Dividends paid out) | 92.77 | 164.74 | (81.89) | -- | (195.93) | 210.19 | 48.40 | 55.41 | 81.65 | 23.41 | 398.75 |
| Total Non-Operating Revenues & (Expense) | <u>92.77</u> | <u>164.74</u> | <u>(81.89)</u> | <u>--</u> | <u>(195.93)</u> | <u>210.19</u> | <u>48.40</u> | <u>55.41</u> | <u>81.65</u> | <u>23.41</u> | <u>398.75</u> |
| Net Income (Loss) | <u>95.77</u> | <u>182.74</u> | <u>142.11</u> | <u>--</u> | <u>(3,430.30)</u> | <u>245.19</u> | <u>10,048.40</u> | <u>117.41</u> | <u>1,696.65</u> | <u>34.41</u> | <u>9,132.38</u> |
| Due To/(From) Members, Beginning of Year | <u>10,845.44</u> | <u>20,605.47</u> | <u>(7,761.73)</u> | <u>--</u> | <u>22,120.16</u> | <u>24,439.27</u> | <u>--</u> | <u>10,011.20</u> | <u>9,009.28</u> | <u>3,222.31</u> | <u>92,491.40</u> |
| Due To/(From) Members, End of Year | <u>\$ 10,941.21</u> | <u>\$ 20,788.21</u> | <u>\$ (7,619.62)</u> | <u>\$ --</u> | <u>\$ 18,689.86</u> | <u>\$ 24,684.46</u> | <u>\$ 10,048.40</u> | <u>\$ 10,128.61</u> | <u>\$ 10,705.93</u> | <u>\$ 3,256.72</u> | <u>\$ 101,623.78</u> |

TRINDEL INSURANCE FUND

Statement of Revenues, Expenses and Changes in Due To/From (Unaudited)
Undisbursed Loss Prevention Subsidy Funds
For the Year Ended June 30, 2010

| | Alpine | Colusa | Del Norte | Lassen | Modoc | Mono | Plumas | San Benito | Sierra | Trinity Gen | Total |
|---|---------------------|---------------------|---------------------|----------------------|---------------------|----------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| Operating Revenues: | | | | | | | | | | | |
| Allocated to | \$ 3,812.41 | \$ 3,812.41 | \$ 3,812.41 | \$ 3,812.41 | \$ 3,812.41 | \$ 3,812.41 | \$ -- | \$ 3,812.41 | \$ 3,812.41 | \$ 3,812.41 | \$ 34,311.69 |
| EIA loss cont, risk mgmt & tech reimb | 1,498.39 | -- | 3,487.13 | 3,570.16 | 2,227.52 | -- | 1,864.02 | -- | 1,634.84 | 2,542.31 | 16,824.37 |
| Member contributions | 7,900.00 | 5,000.00 | 7,000.00 | 6,900.00 | 6,900.00 | 5,000.00 | 41,092.93 | 5,000.00 | 6,900.00 | 6,900.00 | 98,592.93 |
| Total Revenues | <u>13,210.80</u> | <u>8,812.41</u> | <u>14,299.54</u> | <u>14,282.57</u> | <u>12,939.93</u> | <u>8,812.41</u> | <u>42,956.95</u> | <u>8,812.41</u> | <u>12,347.25</u> | <u>13,254.72</u> | <u>149,728.99</u> |
| Expenses: | | | | | | | | | | | |
| Projects/subscriptions | -- | 8,000.00 | 8,183.86 | 10,726.75 | -- | 12,649.66 | -- | 8,195.00 | 4,468.66 | 8,905.60 | 61,129.53 |
| Total Expenses | <u>--</u> | <u>8,000.00</u> | <u>8,183.86</u> | <u>10,726.75</u> | <u>--</u> | <u>12,649.66</u> | <u>--</u> | <u>8,195.00</u> | <u>4,468.66</u> | <u>8,905.60</u> | <u>61,129.53</u> |
| Income (Loss) | <u>13,210.80</u> | <u>812.41</u> | <u>6,115.68</u> | <u>3,555.82</u> | <u>12,939.93</u> | <u>(3,837.25)</u> | <u>42,956.95</u> | <u>617.41</u> | <u>7,878.59</u> | <u>4,349.12</u> | <u>88,599.46</u> |
| Other Revenues & Expense: | | | | | | | | | | | |
| Interest and investments | 690.78 | 526.47 | 621.54 | 807.35 | 367.43 | 1,199.80 | 193.69 | 445.18 | 262.89 | 417.02 | 5,532.15 |
| Total Other Revenues & Expense | <u>690.78</u> | <u>526.47</u> | <u>621.54</u> | <u>807.35</u> | <u>367.43</u> | <u>1,199.80</u> | <u>193.69</u> | <u>445.18</u> | <u>262.89</u> | <u>417.02</u> | <u>5,532.15</u> |
| Net Income (Loss) | <u>13,901.58</u> | <u>1,338.88</u> | <u>6,737.22</u> | <u>4,363.17</u> | <u>13,307.36</u> | <u>(2,637.45)</u> | <u>43,150.64</u> | <u>1,062.59</u> | <u>8,141.48</u> | <u>4,766.14</u> | <u>94,131.61</u> |
| Due To/(From) Members, Beginning of Year | 76,357.15 | 62,951.55 | 70,628.09 | 96,822.98 | 39,994.82 | 142,083.45 | -- | 53,507.60 | 29,978.08 | 50,538.71 | 622,862.43 |
| Due To/(From) Members, End of Year | <u>\$ 90,258.73</u> | <u>\$ 64,290.43</u> | <u>\$ 77,365.31</u> | <u>\$ 101,186.15</u> | <u>\$ 53,302.18</u> | <u>\$ 139,446.00</u> | <u>\$ 43,150.64</u> | <u>\$ 54,570.19</u> | <u>\$ 38,119.56</u> | <u>\$ 55,304.85</u> | <u>\$ 716,994.04</u> |

TRINDEL INSURANCE FUND

Statement of Revenues, Expenses and Changes in Due To/From (Unaudited)
Pollution Program
For the Year Ended June 30, 2010

| | Alpine | Colusa | Del Norte | Lassen | Modoc | Mono | Plumas | San Benito | Sierra | Trinity Gen | Total |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|--------------------|--------------------|--------------------|---------------------|
| Operating Revenues: | | | | | | | | | | | |
| Premiums | \$ 6,484.00 | \$ 9,724.00 | \$ 9,724.00 | \$ 9,724.00 | \$ 21,781.00 | \$ 30,300.00 | \$ 10,000.00 | \$ 16,127.00 | \$ 13,313.00 | \$ 6,484.00 | \$ 133,661.00 |
| Total Operating Revenue | <u>6,484.00</u> | <u>9,724.00</u> | <u>9,724.00</u> | <u>9,724.00</u> | <u>21,781.00</u> | <u>30,300.00</u> | <u>10,000.00</u> | <u>16,127.00</u> | <u>13,313.00</u> | <u>6,484.00</u> | <u>133,661.00</u> |
| Operating Expenses: | | | | | | | | | | | |
| Insurance premiums | 4,087.00 | 6,129.00 | 6,129.00 | 6,129.00 | 16,144.51 | 22,087.28 | -- | 11,966.78 | 9,924.78 | 6,129.00 | 88,726.35 |
| Total Operating Expenses | <u>4,087.00</u> | <u>6,129.00</u> | <u>6,129.00</u> | <u>6,129.00</u> | <u>16,144.51</u> | <u>22,087.28</u> | <u>--</u> | <u>11,966.78</u> | <u>9,924.78</u> | <u>6,129.00</u> | <u>88,726.35</u> |
| Operating Income (Loss) | <u>2,397.00</u> | <u>3,595.00</u> | <u>3,595.00</u> | <u>3,595.00</u> | <u>5,636.49</u> | <u>8,212.72</u> | <u>10,000.00</u> | <u>4,160.22</u> | <u>3,388.22</u> | <u>355.00</u> | <u>44,934.65</u> |
| Non-Operating Revenues & Expense: | | | | | | | | | | | |
| Interest and investments | 30.07 | 17.32 | 22.85 | 33.42 | (148.15) | (80.26) | 48.42 | (45.50) | (11.14) | 5.28 | (127.69) |
| Total Non-Operating Revenues & Expense | <u>30.07</u> | <u>17.32</u> | <u>22.85</u> | <u>33.42</u> | <u>(148.15)</u> | <u>(80.26)</u> | <u>48.42</u> | <u>(45.50)</u> | <u>(11.14)</u> | <u>5.28</u> | <u>(127.69)</u> |
| Net Income (Loss) | 2,427.07 | 3,612.32 | 3,617.85 | 3,628.42 | 5,488.34 | 8,132.46 | 10,048.42 | 4,114.72 | 3,377.08 | 360.28 | 44,806.96 |
| Due To/(From) Members, Beginning of Year | <u>3,091.57</u> | <u>3,546.21</u> | <u>682.94</u> | <u>978.41</u> | <u>(1,232.15)</u> | <u>3,095.04</u> | <u>--</u> | <u>1,658.09</u> | <u>3,749.45</u> | <u>1,037.45</u> | <u>16,607.01</u> |
| Due To/(From) Members, End of Year | <u>\$ 5,518.64</u> | <u>\$ 7,158.53</u> | <u>\$ 4,300.79</u> | <u>\$ 4,606.83</u> | <u>\$ 4,256.19</u> | <u>\$ 11,227.50</u> | <u>\$ 10,048.42</u> | <u>\$ 5,772.81</u> | <u>\$ 7,126.53</u> | <u>\$ 1,397.73</u> | <u>\$ 61,413.97</u> |

OTHER REPORTS



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Trindel Insurance Fund
Weaverville, California

We have audited the financial statements of Trindel Insurance Fund as of and for the year ended June 30, 2010, and have issued our report thereon dated December 21, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Trindel Insurance Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Trindel Insurance Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Trindel Insurance Fund's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Fund's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Directors
Trindel Insurance Fund

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trindel Insurance Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Gallina LLP

Roseville, California
December 21, 2010