

TRINDEL INSURANCE FUND

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2011

TRINDEL INSURANCE FUND

Board of Directors
For the Year Ended June 30, 2011

BOARD MEMBERS

Michelle McLelland	Alpine	Member
Peggy Scroggins	Colusa	Member
Joey Young	Del Norte	Member
Richard Egan	Lassen	Member
Chester Robertson	Modoc	Member
James M. Arkens	Mono	Member
Lori Simpson	Plumas	Member
Richard Inman	San Benito	Member
Van Maddox	Sierra	Member
Wendy Tyler	Trinity	Member

TRINDEL INSURANCE FUND

Financial Statements
June 30, 2011

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT DISCUSSION AND ANALYSIS.....	3-22
BASIC FINANCIAL STATEMENTS	
Statements of Net Assets	23
Statements of Revenues, Expenses, and Changes in Net Assets	24
Statements of Cash Flows.....	25-26
Notes to Financial Statements.....	27-37
SUPPLEMENTARY INFORMATION	
Statements of Revenues, Expenses and Changes in Net Assets by Program.....	38-42
OTHER REPORTS	
Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43-44



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, 2011 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 2010 financial statements and, in our report dated December 21, 2010, 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, 2011, 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.

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

Board of Directors
Trindel Insurance Fund

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2012, 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 Statements of Revenues, Expenses, and Changes in Net Assets by program and member is presented in the supplemental section 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 or provide assurance on it.

Gallina LLP

Roseville, California
February 23, 2012

TRINDEL INSURANCE FUND

Management Discussion and Analysis
June 30, 2011

The following report provides general information on Trindel Insurance Fund and on its financial condition for the fiscal year ended June 30, 2011. 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 five (5) 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. As of January 1, 2010 the members employed 2,958 FTE staff to serve a population of 200,824.

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. Trindel continues with this purpose today.

In concept and practice Trindel is a banking arrangement with its members wherein, over time, each member is fiscally responsible for its 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 employs two full time Safety Officers and an Administrative Assistant, under the 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 INSURANCE FUND

Management Discussion and Analysis June 30, 2011

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.

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 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 had 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 stabilized, but is showing some signs of hardening with increased rates. This market is expected to harden for the near future. 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 are also impacted by similar cycles which are directly related to the overall national and state economies. 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). Trindel has continued to emphasize safety and loss prevention. Also by using a portion of the members' Due to Members funds are used to reduce annual insurance premiums and program costs and to help alleviate reductions in revenue from the State.

TRINDEL INSURANCE FUND

Management Discussion and Analysis

June 30, 2011

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 member's income and expense by program, responsibility for all financial records and reports and cash flow. Administration is also the resource person for the members' coverage and cost questions, along with supervision of contract third party administrators. In an effort to keep the cost effective, risk financing mechanisms intact, the Executive Director provides monthly, quarterly, and annual financial information; analyzes losses, both historical and current trends; and offers recommendations for changes to program structures. The Executive Director also sits on the CSAC-Excess Insurance Authority Board and is on four 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 and a second in 2011. 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, makes recommendations to the Trindel Board on ways that might reduce the number and magnitude of losses, updates members on changes in OSHA and Cal-OSHA, and develops and maintains boiler-plate policies and procedures for safety plans. 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 recent training 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 three times annually, in convenient locations, with loss prevention representatives, road commissioners and occasionally with law enforcement staff from each member. Safety Officers share information, provide 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 member's base location. As with most loss prevention programs it is difficult to quantify what losses may have been avoided as a result 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.

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, thus ensuring that each member is solely responsible for its 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

TRINDEL INSURANCE FUND

Management Discussion and Analysis

June 30, 2011

participate in some or all of the following: airport, aircraft, boiler & machinery, crime/bond, medical malpractice, pollution, and watercraft insurance coverage programs.

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 and reaccredited on October 31, 1997. Trindel received CAJPA's highest award—"Accreditation with Excellence" on October 31, 2000, 2003, 2006, and 2009, respectively. The process for reaccreditation will resume 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). Trindel continually reviews the Workers' Compensation Program to see if there are more cost effective alternatives (i.e. regularly looking at the level of self-insurance). The Board determined it was in the members' best interests to withdraw from the PWC effective 7-1-2008. The members are now self-insured for the first \$125,000 of each occurrence. Excess insurance is 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 \$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 which 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 Risk Services group, 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, which includes auto, E & O and employer's 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.

TRINDEL INSURANCE FUND

Management Discussion and Analysis June 30, 2011

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. George Hills directs the claim to the appropriate insurer and coordinates coverage if more than one policy is impacted. Subrogation is aggressively pursued 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 completed every five years. The most current appraisals were completed in July 2009. The next appraisals will be completed 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 is currently \$1,000 per occurrence. 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.

TRINDEL INSURANCE FUND

Management Discussion and Analysis
June 30, 2011

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. Unlike the other programs this program is purchased by Trindel and the members are named insured's. Those insured through this policy are Modoc, Mono, 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 \$51,051 annually (\$53,604 starting in the 11-12 year) depending upon the score they receive on the evaluation. The difference between the \$51,051 and what the members actually receive is then placed into the Undisbursed Loss Prevention Subsidy Fund with each member being allocated an equal share. Eight members received the full subsidy for the 10-11 year (they are Colusa, Del Norte, Lassen, Mono, Plumas, San Benito, Sierra and Trinity). On June 30, 2011 this fund had a total balance of \$751,035. 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, through 2010-11. This program was established to address 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 could reduce or avoid this type of litigation. The results of this long term program 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.

TRINDEL INSURANCE FUND

Management Discussion and Analysis
June 30, 2011

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 an 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). 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. This policy has changed for the 2011/12 year. In addition the Board requires that financial, investment, and Budget vs. Actual reports be sent quarterly to each Board member. In practice quarterly financial and investment reports and the quarterly Budget vs. Actual report are posted on the Trindel web page 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 Reports have been reviewed and/or sample checks made and that the cash balances have been verified to the bank statements. On December 1, 2009 the Trindel Board hired David Nelson as the Assistant Executive Director. Mr. Nelson became the Executive Director on July 1, 2010. Mr. Nelson previously worked for fourteen years with Trinity County, four of them as the Auditor Controller. He also served ten years on the Trindel Board of Directors. This type of experience assures the Board that finances will be managed 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. On June 30, 2011 40% of the total cash was invested in Mono County Treasury, 50% was held in North Valley Bank Money Market account, 2% was held with the Local Agency Investment Fund (LAIF) in Sacramento administered by the California State Treasurer's Office. Generally 8% 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 quarterly financial statements and provides these monthly to all Board members and the public on the Trindel web page. At the

TRINDEL INSURANCE FUND

Management Discussion and Analysis June 30, 2011

November 2010 board meeting it was approved to purchase a fund accounting software. The software was implemented and in use on 11/1/2010.

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. 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. Each month 67% of the costs of the Administration (Executive Director) and Safety Officer budgets are transferred 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.

TRINDEL INSURANCE FUND

Management Discussion and Analysis
June 30, 2011

Financial Information

Combined Statement of Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>% Change</u>
ASSETS			
Current Assets:			
Cash & equivalents	\$ 24,054,159	\$ 20,731,352	16.03%
Noncurrent Assets:			
Capital assets, net	<u>3,990</u>	<u>10,089</u>	(60.45%)
Total Assets	<u>\$ 24,058,149</u>	<u>\$ 20,741,441</u>	15.99%
LIABILITIES & NET ASSETS			
Current Liabilities:			
Accounts payable	\$ 18,198	\$ 51,889	(64.93)%
Current portion of compensated absences	<u>17,180</u>	<u>19,618</u>	(12.43)%
Total Current Liabilities	<u>35,378</u>	<u>71,507</u>	(50.53)%
Noncurrent Liabilities:			
Long-term compensated absences	17,180	19,618	(12.43)%
Due to members	<u>24,005,591</u>	<u>20,650,316</u>	16.25 %
Total Noncurrent Liabilities	<u>24,022,771</u>	<u>20,669,934</u>	16.22 %
Total Liabilities	24,058,149	20,741,441	15.99 %
Net Assets	<u>--</u>	<u>--</u>	
Total Liabilities & Net Assets	<u>\$ 24,058,149</u>	<u>\$ 20,741,441</u>	15.99 %

TRINDEL INSURANCE FUND

Management Discussion and Analysis
June 30, 2011

Financial Information

Combined Statement of Revenues, Expenses & Changes in Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>% Change</u>
Operating Revenues:			
Charges for services	<u>\$ 1,468,513</u>	<u>\$ 1,347,389</u>	8.99%
Operating Expenses:			
Claims administration (TPAs)	552,746	502,633	9.97%
Trindel admin. & safety programs	505,334	454,783	11.12%
Loss control subsidy	100,000	90,000	11.11%
Employee assistance program	97,157	81,776	18.81%
Loss control services & purchases	207,178	211,314	-1.96%
Depreciation	<u>6,098</u>	<u>6,883</u>	-11.40%
Total Operating Expenses	<u>1,468,513</u>	<u>1,347,389</u>	8.99%
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>	0.00%

TRINDEL INSURANCE FUND

Management Discussion and Analysis June 30, 2011

Analysis of Financial Information:

Cash and Equivalents increased by 16.03% in 2010-11. The increase is attributed to the collection of deposits from members for the workers' compensation program and liability / property premiums.

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

Accounts payable decreased from prior year primarily because a TPA bill for 38,182 was paid in the prior year.

The Liability for Compensated Absences is recorded as required by GASB. Staff 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 because of the switch to a self insured workers' compensation program effective July 12, 2008. The claims liability is still increasing.

Operating Revenues for 2010-11 totaled \$1,468,513 for the year. This is an increase from 2009-10 of 8.99%. This increase was mostly due to the increase in claims liability for the workers' compensation program.

TRINDEL INSURANCE FUND

Management Discussion and Analysis June 30, 2011

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	Actual	Budget/ Actual Variance
REVENUE				
Member contributions	\$ 9,951,403	\$ 9,951,403	\$ 7,151,497	\$ (2,799,906)
Interest income	50,000	50,000	113,878	63,878
Other income	12,000	12,000	1,548	(10,452)
Total Revenues	<u>10,013,403</u>	<u>10,013,403</u>	<u>7,266,923</u>	<u>(2,746,480)</u>
EXPENSES				
Claims paid	\$ 4,000,000	\$ 4,000,000	\$ 2,416,891	\$ 1,583,109
Change in unpaid claims liability	--	--	968,000	(968,000)
Claims void	--	--	(1,416)	1,416
Claims refund	--	--	(1,093)	1,093
Claims excess recovery	(50,000)	(50,000)	(516,827)	466,827
Claims administration	389,000	389,000	364,765	24,235
Excess insurance	1,112,547	1,112,547	1,270,244	(157,697)
Subsidy	(34,174)	(34,174)	--	(34,174)
State fees	50,000	50,000	40,935	9,065
Risk management	122,981	126,197	114,511	11,686
Loss control	65,000	65,000	54,664	10,336
Hearing tests	25,000	25,000	14,929	10,071
Loss control subsidy	50,000	50,000	50,000	--
Loss prevention subsidy	307,839	307,839	55,378	252,461
Employee assistance program	75,000	75,000	97,157	(22,157)
General & administrative	196,771	210,171	209,375	796
Bank service charges	--	--	96	(96)
Depreciation expense	--	--	3,052	(3,052)
Transfers in/out	--	--	506,406	(506,406)
Return of funds	--	--	650,036	(650,036)
Total Expenses	<u>6,309,964</u>	<u>6,326,580</u>	<u>6,297,103</u>	<u>29,477</u>
Transfers in/out	<u>\$ 3,703,439</u>	<u>\$ 3,686,823</u>	<u>\$ 969,820</u>	<u>\$ (2,775,957)</u>

TRINDEL INSURANCE FUND

Management Discussion and Analysis
June 30, 2011

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 not adjusting the budget to reflect actual Premiums.

This is the first year using the Sage software budgeting model and certain accounts were not previously budgeted; therefore some budgeted items were not that accurate. This is the case for Claims Paid account and Claims Excess Recovery.

Unpaid Claim Liability Change was not anticipated in the Budget. The actuarial was completed in October 2011.

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 10-11 fiscal year.

TRINDEL INSURANCE FUND

Management Discussion and Analysis June 30, 2011

Liability/Property Program

	Original Budget	Final Budget	Actual	Budget/ Actual Variance
REVENUE				
Member contributions	\$ 5,606,003	\$ 5,606,003	\$ 5,971,759	\$ 365,756
Interest income	35,000	35,000	58,450	23,450
Other income	5,000	5,000	683	(4,317)
Total Revenues	<u>5,646,003</u>	<u>5,646,003</u>	<u>6,030,892</u>	<u>384,889</u>
EXPENSES				
Claims expense	--	--	1,311,330	(1,311,330)
Claims paid	3,000,000	3,000,000	1,321,526	1,678,474
Change in unpaid claims liability	1,000,000	1,000,000	(76,000)	1,076,000
Claims subrogation	--	--	(11,240)	11,240
Claims excess recovery	(1,100,000)	(1,100,000)	(1,109,522)	9,522
Claims administration	185,000	185,000	187,982	(2,982)
Insurance expense	--	--	17	(17)
Excess insurance	2,496,347	2,496,347	2,613,451	(117,104)
Insurance dividends	--	--	(157,163)	157,163
Subsidy	(77,324)	(77,324)	--	(77,324)
Risk management	60,572	62,156	56,401	5,755
Loss control subsidy	50,000	50,000	50,000	--
Loss prevention subsidy	144,402	144,402	27,275	117,127
Professional fees	--	--	18,829	(18,829)
General & administrative	96,917	103,517	105,761	(2,244)
Travel expenses	--	--	1,017	(1,017)
Depreciation expense	--	--	3,052	(3,052)
Transfers in/out	--	(176,439)	30,767	(207,206)
Return of funds	483,458	483,458	427,041	56,417
Total Expenses	<u>6,339,372</u>	<u>6,171,117</u>	<u>4,800,524</u>	<u>1,370,593</u>
NET INCOME	<u>\$ (693,369)</u>	<u>\$ (525,114)</u>	<u>\$ 1,230,368</u>	<u>\$ (985,704)</u>

TRINDEL INSURANCE FUND

Management Discussion and Analysis June 30, 2011

Significant variances between original and final budget:

Claims Expense and Claims Paid were recorded correctly, but were budgeted only under claims paid. When the accounts are combined the difference is relatively small.

The change in Claims liability was a guess at the beginning of the year. The actuarial was completed in October 2011 and the budget was not revised.

Taking out the Change in claims liability this budget was fairly accurate.

Medical Malpractice Program

	Original Budget	Final Budget	Actual	Budget/ Actual Variance
REVENUE				
Member contributions	\$ 248,618	\$ 248,618	\$ 234,265	\$ (14,353)
Interest income	225	225	3,222	2,997
Total Revenues	<u>248,843</u>	<u>248,843</u>	<u>237,487</u>	<u>(11,356)</u>
EXPENSES				
Claims expense	--	--	2,069	(2,069)
Claims paid	5,000	5,000	2,931	2,069
Insurance expense	--	--	190,892	(190,892)
Excess insurance	220,049	220,049	--	220,049
Insurance dividends	--	--	(63,744)	63,744
Total Expenses	<u>225,049</u>	<u>225,049</u>	<u>132,148</u>	<u>92,901</u>
NET INCOME	<u>\$ 23,794</u>	<u>\$ 23,794</u>	<u>\$ 105,339</u>	<u>\$ (104,257)</u>

Significant variances between original and final budget:

There were no significant variances in the budget. Accounts 5600 and 5610 should be considered as one for this year.

TRINDEL INSURANCE FUND

Management Discussion and Analysis June 30, 2011

Pollution Program

	Original Budget	Final Budget	Actual	Budget/ Actual Variance
REVENUE				
Member contributions	\$ 133,661	\$ 133,661	\$ 122,592	\$ (11,069)
Interest income	(300)	(300)	1,569	1,869
Total Revenues	<u>133,361</u>	<u>133,361</u>	<u>124,161</u>	<u>(9,200)</u>
EXPENSES				
Insurance expense	--	--	116,574	(116,574)
Excess insurance	110,698	110,698	--	110,698
Total Expenses	<u>110,698</u>	<u>110,698</u>	<u>116,574</u>	<u>(5,876)</u>
NET INCOME	<u>\$ 22,663</u>	<u>\$ 22,663</u>	<u>\$ 7,587</u>	<u>\$ (3,324)</u>

Significant variances between original and final budget:

There were no significant variances in the budget. Accounts 5600 and 5610 should be considered as one for this year.

TRINDEL INSURANCE FUND

Management Discussion and Analysis
June 30, 2011

Undisbursed Loss Prevention Subsidy Fund Program

	Original Budget	Final Budget	Actual	Budget/ Actual Variance
REVENUE				
Member contributions	\$ 85,000	\$ 85,000	\$ --	\$ (85,000)
Interest income	4,000	4,000	7,225	3,225
Other income	--	--	100	100
Total Revenue	<u>89,000</u>	<u>89,000</u>	<u>7,325</u>	<u>(81,675)</u>
EXPENSES				
Insurance expense	--	--	(33,799)	33,799
Subsidy	--	--	(5,194)	5,194
Loss prevention subsidy	--	--	418,107	(418,107)
Training	150,000	150,000	102,349	47,651
Dues & subscriptions	--	--	32,775	(32,775)
CSOOC conference	--	--	1,150	(1,150)
Travel expenses	--	--	1,075	(1,075)
Miscellaneous expense	--	--	50	(50)
Total Expenses	<u>150,000</u>	<u>150,000</u>	<u>516,513</u>	<u>(366,513)</u>
NET INCOME (LOSS)	<u>\$ (61,000)</u>	<u>\$ (61,000)</u>	<u>\$ (509,188)</u>	<u>\$ 284,838</u>
Transfers in/out	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (537,172)</u>	<u>\$ 537,172</u>

Significant variances between original and final budget:

This budget has some significant changes because this is the first year that we are using the Sage accounting system. The system allows us to record transactions with much more detail. The Undisbursed Loss Prevention Subsidy fund holds funds to be distributed to members for loss control efforts and loss control subsidy. It is hard to estimate what our members will use of this resource from year to year. It is also difficult to know how many members will pass the loss prevention evaluation.

We will do better with our budgets once we get some history on how funds are expended out of this program.

TRINDEL INSURANCE FUND

Management Discussion and Analysis
June 30, 2011

Trindel Administration

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Budget/ Actual Variance</u>
REVENUE				
Other income	\$ --	\$ --	\$ 475	\$ 475
Total Revenue	<u>--</u>	<u>--</u>	<u>475</u>	<u>475</u>
EXPENSES				
Training	--	--	290	(290)
Professional fees	--	--	258	(258)
Audit expenses	16,000	16,000	14,500	1,500
Legal expenses	500	500	--	500
General & administration	--	--	339,928	(339,928)
Salaries	116,480	116,480	97,945	18,535
Employee benefits	42,308	42,308	72,435	(30,127)
Banks service charges	--	--	90	(90)
Dues & subscriptions	1,500	1,500	414	1,086
General insurance	13,000	13,000	9,295	3,705
CSOOC conference	13,000	13,000	11,812	1,188
CAJPA	13,000	13,000	11,638	1,362
PARMA	20,000	20,000	19,922	78
Utilities & housekeeping	--	--	1,277	(1,277)
Travel expenses	6,500	6,500	4,908	1,592
Board meeting expenses	22,200	22,200	23,064	(864)
Office materials & supplies	6,500	26,500	28,797	(2,297)
Communications/IT	1,500	1,500	3,856	(2,356)
Depreciation expense	9,000	9,000	--	9,000
Miscellaneous expense	5,000	5,000	1,649	3,351
Rental/lease expense	7,200	7,200	7,318	(118)
Total Expenses	<u>293,688</u>	<u>313,688</u>	<u>649,396</u>	<u>(335,708)</u>
NET INCOME (LOSS)	<u><u>\$ (293,688)</u></u>	<u><u>\$ (313,688)</u></u>	<u><u>\$ (648,921)</u></u>	<u><u>\$ 336,183</u></u>
Transfers in/out	<u><u>\$ (293,688)</u></u>	<u><u>\$ (313,688)</u></u>	<u><u>\$ (649,871)</u></u>	<u><u>\$ 336,183</u></u>

TRINDEL INSURANCE FUND

Management Discussion and Analysis June 30, 2011

General Admin account budget was omitted, this was the amount of admin through November 2010 when we converted from Quick Books to Sage. For presentation purposes and the way it is currently accounted for Transfer in/out shows the offsetting amount.

Employee benefits was recording state and federal withholding and that is why it is overstated. Withholding should be under salary expense. Considering the savings in the salary line item that leaves a 10% overage in salaries and benefits.

The overall administration budget is within one percent of actual.

Loss Prevention:

	Original Budget	Final Budget	Actual	Budget/ Actual Variance
EXPENSES				
Risk management	\$ --	\$ --	\$ 167,855	\$ (167,855)
Loss control	14,000	14,000	11,814	2,186
Training	1,500	1,500	--	1,500
Law enforcement meeting	7,000	7,000	1,270	5,730
Loss prevention specialist	9,000	9,000	18,950	(9,950)
Road commissioners meeting	9,000	9,000	2,909	6,091
Professional fees	--	--	165	(165)
Salaries	82,764	82,764	67,337	15,427
Employee benefits	23,889	23,889	29,631	(5,742)
Dues & subscriptions	1,900	1,900	632	1,268
CSOOC conference	--	--	211	(211)
Utilities & housekeeping	--	--	99	(99)
Travel expenses	22,300	27,100	21,866	5,234
Board meeting expenses	--	--	75	(75)
Office materials & supplies	3,300	3,300	8,858	(5,558)
Communications/IT	3,500	3,500	7,851	(4,351)
Miscellaneous expense	--	--	305	(305)
Rental/lease expense	5,400	5,400	4,133	1,267
Total Expenses	<u>183,553</u>	<u>188,353</u>	<u>343,961</u>	<u>(155,608)</u>
Transfers in/out	<u>\$ (183,553)</u>	<u>\$ (188,353)</u>	<u>\$ (343,961)</u>	<u>\$ 155,608</u>

TRINDEL INSURANCE FUND

Management Discussion and Analysis
June 30, 2011

Significant variances between original and final budget:

Risk Management account budget was omitted. This was the amount of Loss prevention costs through November 2010 when we converted from Quick Books to Sage. For presentation purposes and the way it is currently accounted for Transfer in/out shows the offsetting amount.

Employee benefits was recording state and federal withholding and that is why it is overstated. Withholding should be under salary expense. Considering the savings in the salary line item it covers the overage in benefits for Admin and Loss prevention.

This is the first year to separate out Admin and Loss prevention into their individual budget.

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 its 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.

TRINDEL INSURANCE FUND

Statement of Net Assets
June 30, 2011
(With Comparative Figures as of June 30, 2010)

	2011	2010
<u>ASSETS</u>		
Current Assets:		
Cash and equivalents	\$ 24,054,159	\$ 20,731,352
Total Current Assets	24,054,159	20,731,352
Noncurrent Assets:		
Capital assets, net	3,990	10,088
Total Noncurrent Assets	3,990	10,088
Total Assets	\$ 24,058,149	\$ 20,741,440
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 18,198	\$ 51,889
Current portion of compensated absences	17,180	19,618
Total Current Liabilities	35,378	71,507
Noncurrent Liabilities:		
Long term portion of compensated absences	17,180	19,617
Due to members	24,005,591	20,650,316
Total Noncurrent Liabilities	24,022,771	20,669,933
Total Liabilities	24,058,149	20,741,440
Net Assets:		
Unrestricted	--	--
Total Liabilities and Net Assets	\$ 24,058,149	\$ 20,741,440

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, 2011
(With Comparative Figures for the Year Ended June 30, 2010)

	<u>2011</u>	<u>2010</u>
Operating Revenues:		
Charges for services	\$ 1,468,513	\$ 1,347,389
Total Operating Revenues	<u>1,468,513</u>	<u>1,347,389</u>
Operating Expenses:		
Claims administration (TPAs)	552,746	502,633
Trindel admin. & safety programs	505,334	454,783
Loss control subsidy	100,000	90,000
Employee assistance program	97,157	81,776
Loss control services & purchases	207,178	211,314
Depreciation	6,098	6,883
Total Operating Expenses	<u>1,468,513</u>	<u>1,347,389</u>
Change in Net Assets	<u>--</u>	<u>--</u>
Net Assets, Beginning of Year	<u>--</u>	<u>--</u>
Net Assets, End of Year	<u>\$ --</u>	<u>\$ --</u>

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

TRINDEL INSURANCE FUND

Statement of Cash Flows
For the Year Ended June 30, 2011
(With Comparative Figures for the Year Ended June 30, 2010)

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Charges for services collected	\$ 1,468,513	\$ 1,347,389
Claims administration	(552,746)	(502,633)
General & administration expenses:		
Paid to vendors	(271,681)	(94,006)
Paid to employees	(272,219)	(314,042)
Loss prevention expenses paid	(404,335)	(383,090)
	<u>(32,468)</u>	<u>53,618</u>
Net Cash Provided (Used) by Operating Activities	(32,468)	53,618
Cash Flows from Noncapital Financing Activities:		
Change in due to members	<u>3,355,275</u>	<u>6,439,720</u>
	<u>3,355,275</u>	<u>6,439,720</u>
Net Cash Provided (Used) by Noncapital Financing Activities	3,355,275	6,439,720
Net Increase (Decrease) in Cash	3,322,807	6,493,338
Beginning Cash and Equivalents and Investments	<u>20,731,352</u>	<u>14,238,014</u>
Ending Cash and Equivalents and Investments	<u><u>\$ 24,054,159</u></u>	<u><u>\$ 20,731,352</u></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, 2011

(With Comparative Figures for the Year Ended June 30, 2010)

	<u>2011</u>	<u>2010</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	6,098	6,883
Increase (Decrease) in:		
Accounts payable	(33,691)	43,068
Compensated absences	(4,875)	3,667
Net Cash Provided (Used) by Operating Activities	<u>\$ (32,468)</u>	<u>\$ 53,618</u>

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

TRINDEL INSURANCE FUND

Notes to Financial Statements
June 30, 2011

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, 2011, 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, 2011

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, 2011

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, 2011

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, 2011

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, 2011

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>2011</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>
Pooled Investments:		
California Local Agency Investment Fund	\$ 596,255	\$ 596,255
Mono County Treasury Pool	9,611,127	9,611,127
Cash Deposits	13,846,727	13,846,727
Cash on Hand	<u>50</u>	<u>50</u>
Total Cash and Equivalents	<u>\$ 24,054,159</u>	<u>\$ 24,054,159</u>

B. **Cash Deposits**

The carrying amounts of Trindel's cash deposits were \$13,846,727 at June 30, 2011. Bank balances before reconciling items were \$14,143,558 at that date.

Cash balances held in banks are fully insured up to \$250,000 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, 2011

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:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011
Furniture, equipment and Vehicles	\$ 45,383	\$ --	\$ --	\$ 45,383
Accumulated depreciation	(35,295)	(6,098)	--	(41,393)
Total Capital Assets (Net)	\$ 10,088	\$ (6,098)	\$ --	\$ 3,990

Depreciation expense was \$6,098 for the fiscal year ended June 30, 2011.

Note 4: **Compensated Absences**

The following is a summary of compensated absences of Trindel for the fiscal year ended June 30, 2011:

	July 1, 2010	Additions	Retirements	June 30, 2011	Current Portion
Compensated absences	\$ 19,618	\$ 14,742	\$ --	\$ 34,360	\$ 17,180

TRINDEL INSURANCE FUND

Notes to Financial Statements
June 30, 2011

Note 5: **Due to Members Summary**

Due to members represents the net assets or liabilities for the members. The proportionate share of each member's balance at June 30, 2011, not taking into consideration assets and liabilities that belong solely to the member (i.e., risk liability), is as follows:

Alpine County	\$ 1,292,839
Colusa County	1,901,842
Del Norte County	2,684,330
Lassen County	3,680,710
Modoc County	1,473,151
Mono County	3,817,068
Plumas County	4,383,423
San Benito County	1,907,883
Sierra County	796,381
Trinity County	1,998,899
Trindel – unallocated	<u>69,065</u>
	<u>\$ 24,005,591</u>

Note 6: **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.

TRINDEL INSURANCE FUND

Notes to Financial Statements
June 30, 2011

Note 6: **Joint Powers Agreement** (continued)

Condensed financial information for CSAC EIA for the year ended June 30, 2011, is as follows:

	<u>CSAC EIA</u> <u>(Audited)</u>
Total Assets	\$ <u>563,838,876</u>
Total Liabilities	459,524,237
Equity	<u>104,314,639</u>
Total Liabilities and Net Assets	\$ <u>563,838,876</u>
Total Revenues	\$ 465,661,390
Total Expenses	<u>(479,704,356)</u>
Net Increase (Decrease) in Net Assets	\$ <u>14,042,966</u>

Note 7: **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.

TRINDEL INSURANCE FUND

Notes to Financial Statements
June 30, 2011

Note 8: **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.

Annual Pension Cost

For fiscal year 2010/2011, the Fund's annual pension cost was \$32,263 and the Fund actually contributed \$32,263. The required contribution for fiscal year 2010/2011 was determined as part of the New Agency Actuarial Valuation as of June 30, 2008, 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.

TRINDEL INSURANCE FUND

Notes to Financial Statements
June 30, 2011

Note 8: **Fund Employees Retirement Plan (Defined Benefit Pension Plan)** (continued)

B. Funding Policy (continued)

Annual Pension Cost (continued)

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>
6/30/09	\$ 33,312	100%	--
6/30/10	\$ 46,003	100%	--
6/30/11	\$ 32,263	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.

Note 9: **Subsequent Event**

On March 2, 2011, the Board of Directors approved the hire of Trindel's second loss prevention position. The position was filled in September of 2011.

On May 11, 2011, the Board approved ending the contract with Trindel's workers' compensation third party administrator (York) in order to move claim handling in house. Trindel secured the certificate to self-administer and hired three claims positions to administer the members' claims.

On November 3, 2011, the Board of Directors amended the JPA's bylaws to reassign Assistant Treasurer duties to the Secretary and Administrative Assistant.

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, 2011

	Alpine	Colusa	Del Norte	Lassen	Modoc	Mono	Plumas	San Benito	Sierra	Trinity Gen	Total
Revenues:											
Member contributions	\$ 212,110.00	\$ 722,029.00	\$ 1,010,294.00	\$ 815,866.00	\$ 420,852.00	\$ 722,015.00	\$ 454,878.00	\$ 789,671.00	\$ 287,671.00	\$ 536,373.00	\$ 5,971,759.00
Interest income	4,807.00	8,797.00	4,336.00	8,212.00	5,908.00	10,375.00	6,786.00	1,947.00	3,542.00	3,739.00	58,449.00
Other income	68.00	68.00	68.00	68.00	68.00	68.00	68.00	68.00	68.00	68.00	680.00
Total Revenue	216,985.00	730,894.00	1,014,698.00	824,146.00	426,828.00	732,458.00	461,732.00	791,686.00	291,281.00	540,180.00	6,030,888.00
Expenses:											
Claims expense	124,859.00	(31,570.00)	357,804.00	626,314.00	(85,278.00)	(192,857.00)	235,068.00	149,369.00	72,096.00	368,271.00	1,624,076.00
Insurance expense	74,171.00	270,810.00	348,724.00	334,660.00	127,003.00	341,080.00	243,162.00	405,221.00	100,544.00	210,931.00	2,456,306.00
Risk management	10,640.00	10,640.00	11,282.00	12,084.00	10,640.00	18,983.00	27,486.00	10,640.00	10,640.00	10,640.00	133,675.00
Professional fees	10.00	--	20.00	8,845.00	--	1,624.00	--	6,710.00	10.00	1,610.00	18,829.00
General & administrative	6,356.00	13,275.00	14,681.00	11,834.00	10,489.00	10,376.00	11,210.00	13,225.00	6,625.00	11,759.00	109,830.00
Transfers in/out	26,179.00	21,847.00	21,847.00	21,847.00	26,660.00	21,847.00	5,000.00	(158,153.00)	21,847.00	21,847.00	30,768.00
Return on premium funds	200,000.00	60,365.00	3,363.00	--	--	--	--	--	46,633.00	116,680.00	427,041.00
Total Expenses	442,215.00	345,367.00	757,721.00	1,015,584.00	89,514.00	201,053.00	521,926.00	427,012.00	258,395.00	741,738.00	4,800,525.00
Total Net Income	(225,230.00)	385,527.00	256,977.00	(191,438.00)	337,314.00	531,405.00	(60,194.00)	364,674.00	32,886.00	(201,558.00)	1,230,363.00
Beginning Fund Balance	680,884.00	407,579.00	(375,144.00)	261,820.00	359,213.00	482,341.00	530,728.00	(794,682.00)	196,568.00	363,203.00	2,112,510.00
Ending Fund Balance	\$ 455,654.00	\$ 793,106.00	\$ (118,167.00)	\$ 70,382.00	\$ 696,527.00	\$ 1,013,746.00	\$ 470,534.00	\$ (430,008.00)	\$ 229,454.00	\$ 161,645.00	\$ 3,342,873.00

TRINDEL INSURANCE FUND

Statement of Revenues, Expenses and Changes in Net Assets (Unaudited) Workers' Compensation Program For the Year Ended June 30, 2011

	Alpine	Colusa	Del Norte	Lassen	Modoc	Mono	Plumas	San Benito	Sierra	Trinity Gen	Total
Revenues:											
Member contributions	\$ 278,253.00	\$ 553,849.00	\$ 1,012,722.00	\$ 1,154,177.00	\$ 529,464.00	\$ 643,573.00	\$ 968,082.00	\$ 1,001,655.00	\$ 272,632.00	\$ 737,091.00	\$ 7,151,498.00
Interest income	4,914.00	4,652.00	13,485.00	19,078.00	4,253.00	17,812.00	25,417.00	10,590.00	2,178.00	11,500.00	113,879.00
Other income	139.00	139.00	139.00	139.00	139.00	139.00	139.00	301.00	139.00	139.00	1,552.00
Total Revenue	<u>283,306.00</u>	<u>558,640.00</u>	<u>1,026,346.00</u>	<u>1,173,394.00</u>	<u>533,856.00</u>	<u>661,524.00</u>	<u>993,638.00</u>	<u>1,012,546.00</u>	<u>274,949.00</u>	<u>748,730.00</u>	<u>7,266,929.00</u>
Expenses:											
Claims expense	37,198.00	312,637.00	298,552.00	553,778.00	308,468.00	381,190.00	615,442.00	345,289.00	177,259.00	200,510.00	3,230,323.00
Insurance expense	41,857.00	100,121.00	142,707.00	184,665.00	122,723.00	153,699.00	169,937.00	206,128.00	38,934.00	109,473.00	1,270,244.00
State fees	87.00	3,122.00	3,418.00	8,472.00	1,956.00	4,671.00	8,786.00	2,905.00	4,220.00	3,298.00	
Risk management	21,611.00	33,255.00	43,944.00	44,007.00	21,431.00	62,418.00	58,751.00	39,325.00	28,714.00	33,184.00	386,640.00
General & administrative	21,252.00	21,252.00	21,252.00	21,252.00	21,252.00	21,252.00	21,252.00	21,252.00	21,252.00	21,252.00	212,520.00
Transfers in/out	43,000.00	34,204.00	34,204.00	34,204.00	43,977.00	34,204.00	--	214,204.00	34,204.00	34,204.00	506,405.00
Return on premium funds	50,000.00	32,002.00	--	--	--	--	--	45,000.00	69,714.00	453,320.00	650,036.00
Total Expenses	<u>215,005.00</u>	<u>536,593.00</u>	<u>544,077.00</u>	<u>846,378.00</u>	<u>519,807.00</u>	<u>657,434.00</u>	<u>874,168.00</u>	<u>874,103.00</u>	<u>374,297.00</u>	<u>855,241.00</u>	<u>6,256,168.00</u>
Total Net Income	<u>68,301.00</u>	<u>22,047.00</u>	<u>482,269.00</u>	<u>327,016.00</u>	<u>14,049.00</u>	<u>4,090.00</u>	<u>119,470.00</u>	<u>138,443.00</u>	<u>(99,348.00)</u>	<u>(106,511.00)</u>	<u>1,010,761.00</u>
Beginning Fund Balance	<u>379,867.00</u>	<u>140,590.00</u>	<u>437,979.00</u>	<u>1,049,726.00</u>	<u>123,309.00</u>	<u>1,196,908.00</u>	<u>999,028.00</u>	<u>448,761.00</u>	<u>70,804.00</u>	<u>898,850.00</u>	<u>5,745,822.00</u>
Ending Fund Balance	<u>\$ 448,168.00</u>	<u>\$ 162,637.00</u>	<u>\$ 920,248.00</u>	<u>\$ 1,376,742.00</u>	<u>\$ 137,358.00</u>	<u>\$ 1,200,998.00</u>	<u>\$ 1,118,498.00</u>	<u>\$ 587,204.00</u>	<u>\$ (28,544.00)</u>	<u>\$ 792,339.00</u>	<u>\$ 6,715,648.00</u>

TRINDEL INSURANCE FUND

Statement of Revenues, Expenses and Changes in Net Assets (Unaudited)
 Medical Malpractice Program
 For the Year Ended June 30, 2011

	Alpine	Colusa	Del Norte	Lassen	Modoc	Mono	Plumas	San Benito	Sierra	Trinity Gen	Total
Revenues:											
Member contributions	\$ 1,197.00	\$ 4,350.00	\$ 48,958.00	\$ 8,322.00	\$ 124,399.00	\$ 9,410.00	\$ 9,043.00	\$ 17,130.00	\$ 8,044.00	\$ 3,413.00	\$ 234,266.00
Interest income	246.00	311.00	313.00	301.00	224.00	546.00	554.00	213.00	130.00	381.00	3,219.00
Total Revenue	<u>1,443.00</u>	<u>4,661.00</u>	<u>49,271.00</u>	<u>8,623.00</u>	<u>124,623.00</u>	<u>9,956.00</u>	<u>9,597.00</u>	<u>17,343.00</u>	<u>8,174.00</u>	<u>3,794.00</u>	<u>237,485.00</u>
Expenses:											
Claims expense	--	--	--	--	--	--	--	--	5,000.00	--	5,000.00
Insurance expense	1,733.00	2,883.00	12,339.00	8,320.00	82,247.00	6,108.00	9,646.00	11,375.00	5,125.00	(12,628.00)	127,148.00
Total Expenses	<u>1,733.00</u>	<u>2,883.00</u>	<u>12,339.00</u>	<u>8,320.00</u>	<u>82,247.00</u>	<u>6,108.00</u>	<u>9,646.00</u>	<u>11,375.00</u>	<u>10,125.00</u>	<u>(12,628.00)</u>	<u>132,148.00</u>
Total Net Income	<u>(290.00)</u>	<u>1,778.00</u>	<u>36,932.00</u>	<u>303.00</u>	<u>42,376.00</u>	<u>3,848.00</u>	<u>(49.00)</u>	<u>5,968.00</u>	<u>(1,951.00)</u>	<u>16,422.00</u>	<u>105,337.00</u>
Beginning Fund Balance	<u>10,941.00</u>	<u>20,788.00</u>	<u>(7,620.00)</u>	<u>--</u>	<u>18,690.00</u>	<u>24,684.00</u>	<u>10,048.00</u>	<u>10,129.00</u>	<u>10,706.00</u>	<u>3,257.00</u>	<u>101,623.00</u>
Ending Fund Balance	<u>\$ 10,651.00</u>	<u>\$ 22,566.00</u>	<u>\$ 29,312.00</u>	<u>\$ 303.00</u>	<u>\$ 61,066.00</u>	<u>\$ 28,532.00</u>	<u>\$ 9,999.00</u>	<u>\$ 16,097.00</u>	<u>\$ 8,755.00</u>	<u>\$ 19,679.00</u>	<u>\$ 206,960.00</u>

TRINDEL INSURANCE FUND

Statement of Revenues, Expenses and Changes in Net Assets (Unaudited)
 Undisbursed Loss Prevention Subsidy Funds
 For the Year Ended June 30, 2011

	Alpine	Colusa	Del Norte	Lassen	Modoc	Mono	Plumas	San Benito	Sierra	Trinity Gen	Total
Revenues:											
Interest income	845.00	619.00	641.00	1,084.00	478.00	1,389.00	781.00	532.00	290.00	565.00	7,224.00
Other income	--	--	--	--	--	--	--	--	--	100.00	100.00
Total Revenue	845.00	619.00	641.00	1,084.00	478.00	1,389.00	781.00	532.00	290.00	665.00	7,324.00
Expenses:											
Insurance expense	(4,000.00)	--	(4,000.00)	(4,000.00)	(4,000.00)	(9,194.00)	(5,799.00)	(4,000.00)	(4,000.00)	--	(38,993.00)
Risk management	10,342.00	4,261.00	18,529.00	4,569.00	3,150.00	10,536.00	16,383.00	4,802.00	9,156.00	20,622.00	102,350.00
General & administrative	--	--	3,603.00	3,372.00	10,465.00	8,333.00	--	--	7,128.00	2,150.00	35,051.00
Transfers in/out	(5,000.00)	(5,000.00)	(5,000.00)	(5,000.00)	(5,000.00)	(5,000.00)	(5,000.00)	(5,000.00)	(5,000.00)	(5,000.00)	(50,000.00)
Total Expenses	1,342.00	(739.00)	13,132.00	(1,059.00)	4,615.00	4,675.00	5,584.00	(4,198.00)	7,284.00	17,772.00	48,408.00
Total Net Income	(497.00)	1,358.00	(12,491.00)	2,143.00	(4,137.00)	(3,286.00)	(4,803.00)	4,730.00	(6,994.00)	(17,107.00)	(41,084.00)
Beginning Fund Balance	90,259.00	64,290.00	77,365.00	101,186.00	53,302.00	139,446.00	43,151.00	54,570.00	38,120.00	55,305.00	716,994.00
Ending Fund Balance	\$ 89,762.00	\$ 65,648.00	\$ 64,874.00	\$ 103,329.00	\$ 49,165.00	\$ 136,160.00	\$ 38,348.00	\$ 59,300.00	\$ 31,126.00	\$ 38,198.00	\$ 675,910.00

TRINDEL INSURANCE FUND

Statement of Revenues, Expenses and Changes in Net Assets (Unaudited)
 Pollution Program
 For the Year Ended June 30, 2011

	Alpine	Colusa	Del Norte	Lassen	Modoc	Mono	Plumas	San Benito	Sierra	Trinity Gen	Total
Revenues:											
Member contributions	\$ 6,484.00	\$ 19,591.00	\$ 9,724.00	\$ 9,724.00	\$ 21,781.00	\$ 9,724.00	\$ 6,491.00	\$ 16,127.00	\$ 13,313.00	\$ 9,634.00	\$ 122,593.00
Interest income	195.00	176.00	143.00	319.00	(80.00)	3.00	558.00	27.00	10.00	219.00	1,570.00
Total Revenue	<u>6,679.00</u>	<u>19,767.00</u>	<u>9,867.00</u>	<u>10,043.00</u>	<u>21,701.00</u>	<u>9,727.00</u>	<u>7,049.00</u>	<u>16,154.00</u>	<u>13,323.00</u>	<u>9,853.00</u>	<u>124,163.00</u>
Expenses:											
Insurance expense	4,087.00	15,996.00	6,129.00	6,129.00	19,413.00	25,529.00	6,276.00	12,842.00	10,893.00	9,279.00	116,573.00
Total Expenses	<u>4,087.00</u>	<u>15,996.00</u>	<u>6,129.00</u>	<u>6,129.00</u>	<u>19,413.00</u>	<u>25,529.00</u>	<u>6,276.00</u>	<u>12,842.00</u>	<u>10,893.00</u>	<u>9,279.00</u>	<u>116,573.00</u>
Total Net Income	<u>2,592.00</u>	<u>3,771.00</u>	<u>3,738.00</u>	<u>3,914.00</u>	<u>2,288.00</u>	<u>(15,802.00)</u>	<u>773.00</u>	<u>3,312.00</u>	<u>2,430.00</u>	<u>574.00</u>	<u>7,590.00</u>
Beginning Fund Balance	<u>5,519.00</u>	<u>7,159.00</u>	<u>4,301.00</u>	<u>4,607.00</u>	<u>4,256.00</u>	<u>11,228.00</u>	<u>10,048.00</u>	<u>5,773.00</u>	<u>7,127.00</u>	<u>1,398.00</u>	<u>61,416.00</u>
Ending Fund Balance	<u>\$ 8,111.00</u>	<u>\$ 10,930.00</u>	<u>\$ 8,039.00</u>	<u>\$ 8,521.00</u>	<u>\$ 6,544.00</u>	<u>\$ (4,574.00)</u>	<u>\$ 10,821.00</u>	<u>\$ 9,085.00</u>	<u>\$ 9,557.00</u>	<u>\$ 1,972.00</u>	<u>\$ 69,006.00</u>

OTHER REPORTS



**INDEPENDENT AUDITOR'S 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, 2011, and have issued our report thereon dated February 23, 2012. 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
February 23, 2012