

TRINDEL INSURANCE FUND

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2006

DRAFT 10/19/2006

TRINDEL INSURANCE FUND

Board of Directors
For the Year Ended June 30, 2006

BOARD MEMBERS

Randi Makely	Alpine	Member
Peggy Scroggins	Colusa	Member
Jeannie Galatioto	Del Norte	Member
Karen Fouch	Lassen	Member
Mike Maxwell	Modoc	Member
David Wilbrecht	Mono	Member
Van Maddox	Sierra	Member
Susan Thompson	San Benito	Member
Brian Muir	Trinity	Member

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June 30, 2006

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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, 2006 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.

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 and the State Controller's Minimum Audit Requirements for California Special Districts. 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, 2006, 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 as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

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 the Governmental Accounting Standards Board. 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
Sierra City, California

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2006, 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 been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

BARTIG, BASLER & RAY, LLP
A Gallina LLP Company

August 3, 2006
Roseville, California

TRINDEL INSURANCE FUND

Management Discussion and Analysis June 30, 2006

The following report provides general information on Trindel Insurance Fund and on its financial condition for the fiscal year ended June 30, 2006. It is provided in order to enhance the information in the financial audit and should be reviewed in concert with that report.

Background & Membership

Trindel Insurance Fund (Trindel) is a Joint Powers Authority created 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, added San Benito County in 1991 and Mono County in 2000. After a lengthy study and comprehensive analysis at the Trindel Board meeting on October 27, 2000 the Board of Directors voted to not actively recruit new members, but would accept new members if they met adopted criteria. The members currently employ approximately 3,000 full and part-time staff to serve a population of 181,700. The members own property with a declared value of \$419,000,000 as of April 1, 2006.

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 employs a full time Safety Officer, 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 Executive Director and the Safety Officer are the only employees of Trindel.

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Trindel is audited annually by an outside audit firm. All excess or primary insurance coverage's are purchased through either the CSAC-Excess Insurance Authority or DriverAlliant 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 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 3-7 year cycles in which rates will swing from the very high to very low and back again. Up until five years ago we were in a favorable market environment with insurance rates being very low (soft market cycle), however, the events of September 11, 2001 changed that along with the downturn in the investment market and several catastrophic weather related events. The renewals for 2005-06 were an improvement in all programs, including workers' compensation. The workers' compensation market in the California market has softened considerably. This is mostly due to the passage of SB899 in April 2004, premiums have gone down by 15% in the last year and an additional reduction of 21% was realized for the 06-07 year. This market is expected to stabilize in this phase for the near future, particularly if further terrorist incidents or natural disasters do not occur, as the investment market improves and as long as the Legislature and the Governor allow SB899 to be fully implemented without major changes.

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.

Trindel is prepared to explore various options to maintain our goal of cost-effective risk financing mechanisms. Again, county government budgets go as the State budget goes, because counties are so dependent on what the State budget does.

To help mitigate the impact of the hard market cycle, Trindel has increased its emphasis on safety and loss prevention and by using a portion of the members Due to Members funds to stabilize annual insurance premiums and program costs.

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 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

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June 30, 2006

losses, both historical and trends and offers recommendations for changes to program structures in an effort to keep the cost effective risk financing mechanisms in tact. The Executive Director is also on 4 committees of CSAC-Excess Insurance Authority.

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 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 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.

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 has been awarded CAJPA's highest award – "Accreditation with Excellence" on October 31, 2000 and again on October 31, 2003, each accreditation lasts for 3 years. The process for re-accreditation will start in August 2006.

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Expanded Services and Programs

Trindel and its members continue to explore new areas that might benefit the members through the reduction and/or avoidance of losses. A new loss prevention program was instituted during the month of February 2003. This program is called the Leadership/Supervisor Training Program (LSTP). All members are required, and did, participate, to varying degrees, in the LSTP during the 2003-04, 2004-05 and 2005-06 years. This program was instituted 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. During the 2005-06 year of 895 supervisors, within the members' staff, 73% completed at least one training, 39% completed two, and 34% completed three trainings. Not a bad result for supervisors already burdened with a lack of support staff due to two years of budget cuts. 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.

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

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), which continues to the present time. The CSAC-EIA PWC is currently funded and is not proposing any additional assessments at this time; there was an assessment of \$915,044 during the 02-03 year and an assessment of \$690,620 during the 04-05 year for all prior years for the Trindel members. Additionally there was an assessment, by CSAC-EIA, on the Excess Workers Comp Program (EWC) in the amount of \$473,810 on the Trindel members due in the 04-05 year. Mono County is the one member that continues to maintain an initial level of self-insurance, (\$125,000 per occurrence) with excess above that layer, if the market ever does soften sufficiently they will also participate in the fully insured program. Trindel provides for an annual actuarial study to determine the necessary premium for Mono County to attain a reserve for claims at the 90% confidence level, reserves are currently booked at the expected, 50% confidence, level which then throws Mono County into a deficit fund balance position with Trindel creating a large Due From on Trindel's books. In reality Mono County is funded below the expected confidence level, which is still an improvement from the prior year, due to a 21% premium increase, while all other members were seeing a 15% reduction. Claims are administered by a Third Party Administrator (TPA), with Trindel simply acting as a bank as it does for all the other programs.

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

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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). Some members also purchase additional excess coverage up to \$25 million through CSAC-Excess Insurance Authority.

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 and flood (earthquake and flood have higher SIRs and lower limits). Del Norte, 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 started during 2003-04 and completed in July 2004.

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. Overall the program is funded at the 95%+. The members are charged a deductible per occurrence for all property losses the deductible is \$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 approved 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, except Lassen County 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 Modoc, 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, San Benito and Sierra Counties. The other members either have coverage through a different source or do not need the coverage. The deductible is \$25,000 per claim for all but Modoc which has a \$100,000 deductible.

Other than Landfill Program:

All members, except Modoc, have also purchased pollution coverage, for other than landfills, from CSAC-Excess Insurance Authority with a deductible of \$100,000, All but Del Norte, Lassen and Trinity have elected to buy down the deductible to \$25,000 per claim, with Trindel simply acting as a bank as it does for all the other programs on this part of this program. For the 2003-04 and subsequent years Modoc withdrew from the CSAC-Excess Insurance Authority Pollution program, but still participates in the Trindel Landfill Pollution 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 \$40,000 annually (\$42,000 starting in the 06-07 year) depending upon the score they receive on the evaluation. The difference between the \$40,000 and what the members actually receive is then placed into the Undisbursed Loss Prevention Subsidy Fund with each member being allocated an equal share. Prior to the 05-06 year, only 4 members had received the entire \$40,000 in any given year. Due to their continued efforts to improve their Loss Prevention Programs, 5 members received the full subsidy for the 05-06 year (they are Colusa, Del Norte, Lassen, Sierra & Trinity). At June 30, 2006 this fund has a total balance of \$383,036. These funds are to be used for the Leadership Supervisor Training Program (LSTP) as described in the section titled Expanded Services and Programs. In addition to the funds noted above, most members have the subsidies from CSAC-Excess Insurance Authority deposited into this Fund.

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.

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Since Trindel has only an Executive Director for administrative staff, 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. Trindel is also fortunate to have, as the Executive Director, 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 9 years as Executive Director for Trindel. This type of experience does give the Board some assurance that financial management will be handled ethically and correctly. The experience also gives Trindel a historical archive of information and perspective

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, 2006 approximately 93% of the total cash was invested in the Local Agency Investment Fund (LAIF) in Sacramento administered by the State Treasurer's Office. Generally 2% to 5% of the total cash is kept in checking accounts for daily operations, with the remaining cash invested in LAIF. Monthly investment transaction and cash balance reports are posted to the Trindel web page for all Board members to review.

As noted above, budgetary control is provided by verification of budgeted amounts prior to expenditures and quarterly 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 provides these quarterly to all Board members on the Trindel web page.

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

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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. 99-03 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.

Bartig, Basler & Ray, 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 Mono County portion 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.

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Management Discussion and Analysis
June 30, 2006

Financial Information

Combined Statement of Net Assets

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>% Change</u>
ASSETS			
Current Assets:			
Cash & equivalents	\$ 7,822,792	\$ 6,345,745	23.28%
Investments	--	345	(100.00%)
Excess claim receivables	522,239	401,183	30.17%
Interest receivables	78,256	43,769	78.79%
Prepaid expenses	54,325	85,596	(36.53%)
Total Current Assets	<u>8,477,612</u>	<u>6,876,638</u>	23.28%
Noncurrent Assets:			
Due from members	427,649	1,095,371	(60.96%)
Capital assets, net	3,188	466	584.12%
Total Noncurrent Assets	<u>430,837</u>	<u>1,095,837</u>	
Total Assets	<u>\$ 8,908,449</u>	<u>\$ 7,972,475</u>	11.74%
LIABILITIES & NET ASSETS			
Current Liabilities:			
Accounts payable	56,903	243,682	(76.65)%
Compensated absences	16,783	10,302	62.91 %
Unpaid claims & ALAE	1,327,794	1,697,214	(21.77)%
Total Current Liabilities	<u>1,401,480</u>	<u>1,951,198</u>	(28.17)%
Noncurrent Liabilities:			
Long-term compensated absences	16,783	10,302	62.91 %
Unpaid claims & ALAE	2,767,206	2,313,786	19.60 %
Due to members	4,722,980	3,697,189	27.75 %
Total Noncurrent Liabilities	<u>7,506,969</u>	<u>6,021,277</u>	24.67 %
Total Liabilities	8,908,449	7,972,475	11.74 %
Net Assets	<u>--</u>	<u>--</u>	
Total Liabilities & Net Assets	<u>\$ 8,908,449</u>	<u>\$ 7,972,475</u>	11.74 %

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Management Discussion and Analysis June 30, 2006

Financial Information

Combined Statement of Revenues, Expenses & Changes in Net Assets

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>% Change</u>
Operating Revenues:			
Premiums	\$ 12,166,944	\$ 13,150,891	(7.48)%
Claim recoveries	2,089,197	1,174,774	77.84 %
CSAC-EIA dividends	--	148,819	(100.00)%
Miscellaneous revenue	82,587	75,036	10.06 %
Return of PY W/C premium	1,019,002	235,700	332.33 %
Total Operating Revenues	<u>15,357,730</u>	<u>14,785,220</u>	3.87 %
Operating Expenses:			
Excess insurance premiums	8,212,942	10,804,212	(23.98)%
Claim liabilities change	84,000	295,000	(71.53)%
Claim costs	3,864,493	2,596,972	48.81 %
Claims administration (TPAs)	231,626	178,234	29.96 %
Trindel admin. & safety programs	347,511	327,362	6.15 %
Loss control subsidy	90,000	90,000	0.00 %
Loss prevention subsidy	360,000	360,000	0.00 %
Employee assistance program	57,992	60,011	(3.36)%
Loss control services & purchases	79,708	95,712	(16.72)%
Depreciation	2,822	1,198	135.56 %
Total Operating Expenses	<u>13,331,094</u>	<u>14,808,701</u>	(9.98)%
Operating Income (Loss)	<u>2,026,636</u>	<u>(23,481)</u>	(8730.96)%
Non-Operating Revenues & Expenses:			
Interest & investments	202,993	112,243	80.85 %
(Return of funds)	(536,116)	(588,289)	(8.87)%
Due to members, changes in	(993,859)	1,044,188	(195.18)%
Due from members, changes in	(699,654)	(544,661)	28.46 %
Total Non-Operating Revenues & Expenses	<u>(2,026,636)</u>	<u>23,481</u>	(8730.96)%
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 %

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Analysis of Financial Information

Cash and Equivalents increased by 23% in 2005-06. A large portion of the increase is attributed to the collection of excess claim costs in a more timely manner and not having to establish receivables at June 30 each year. Additionally a large return on the 04-05 workers compensation premium invoiced by CSAC-Excess Insurance Authority, came about because the premiums are based on estimated payroll and then at the end of the year premiums are recalculated based on actual payroll and either a refund is due or additional premium must be paid. This is also a large part of the reason why the Due from Members decreased by 61%.

Investments decreased by 100% due to the sale, in 04-05, of the final security in the portfolio being held by Union Bank of California. The sale was done because the fees for maintaining the security at Union Bank were more than what was being earned in interest. The remaining balance was transferred out in August 2005 and the account at Union Bank of California was closed effective August 31, 2005.

Interest Receivable is from the State LAIF that was earned but not yet received on June 30th. The amount is up from the prior year due to an increased rate of return on investments and on the increased cash balance on deposit with LAIF.

The decrease in Prepaid Insurance reflects the fact that 06-07 is the last year remaining on the four year prepaid crime/bond policy in the Liability/Property Program Fund and there is only one year remaining (policy year 06-07) on the landfill pollution policy that was purchased in May 2004 in the Pollution Program Fund.

Due From Members decreased by 61% largely due an overall betterment of the funding position of the members and to the continued effort by Mono & Trinity to reduce their deficits in the Workers Comp Program. The refund of the 04-05 workers comp premium also had a significant impact.

The 77% decrease in Accounts Payable was due to the delay in paying out a Return of Funds, for the 04-05 year, to Trinity County in the amount of \$183,544, do to an oversight and was paid out in 05-06 thus the 04-05 Accounts Payable balance at June 30, 2005 was an anomaly.

The Liability for Compensated Absences are recorded as required by GASB. Both staff's contracts allow for the accumulation and payoff of sick and vacation leave upon termination. The overall increase was due to the granting of salary increases to staff in November 2005. This liability will be adjusted each year end to reflect the actual liability as of that date.

Unpaid Claims & ALAE has increased due to some unfavorable loss development for Mono County in the Workers' Compensation Program. Based on the recent actuarial studies this trend will continue, however at a slower pace, in particular in the Workers Comp Program for Mono County, where there may actually be a reduction.

TRINDEL INSURANCE FUND

Management Discussion and Analysis June 30, 2006

Due to Members increased, again because of the large 04-05 return of workers compensation premiums during the 05-06 year. This is a good thing as it reflects the continued strengthening of the members overall financial position in Trindel.

Operating Revenues for 2005-06 totaled \$15,357,730 for the year. This is an increase from 2004-05 of \$572,510 or about 4%. Which came about through a \$1,000,000 decrease in the workers comp premium, a \$149,000 decrease in CSAC-EIA Dividends, netted against a \$780,000 increase the Return of PY W/C and a \$900,000 increase in claim recoveries, The decrease, in workers' compensation premiums, was mainly due to the continuing implementation of SB899, passed by the Legislature in April 2004, and the fact that Trinity Hospital dropped out of the Trindel program. The liability/property premium saw a minimal increase of \$10,000 due to a slight softening of the market. Lastly there was an increase of \$900,000 in Claim Recoveries due to a single claim settling, this is offset by an increase in Claim Costs. Historically the Return of PY W/C Premiums, excess premiums paid to the insurer are partially based on payroll and then adjusted to actual at year end creating either an additional amount due or a refund on the prior year premium paid to the insurer, have been offset by the insurer against future premium, now however actual refunds/additional bills are issued, thus the increase of \$783,000.

Premiums (Member contributions) were \$8,448,897 for Workers' Compensation, \$3,331,257 for Liability/Property, \$317,050 for Medical Malpractice and \$69,740 for Pollution for the 05-06 year compared to \$9,467,757, \$3,321,495, \$288,396 and \$73,243 respectively for the 04-05 year. As evidenced by the numbers the market seems to have stabilized and softened significantly in the workers compensation program.

Claim Recoveries increased almost entirely due to a single claim that settled and the excess claim cost reimbursement was received shortly there after.

Return of PY W/C Premiums, for the 05-06 year, is a refund of overpayment of the 04-05 year workers' compensation premiums from the insurer. Annual premiums are based upon estimated payroll. Once the year is closed out each member reports their actual payroll and premiums are adjusted to the actual payroll leading to either an over or under payment. The refunds received in 05-06 were actually for the 04-05 year. All members initially over reported estimated payroll for 04-05 in October 2003, but due to a hard budget year (04-05) positions were left vacant and new positions were not filled.

Interest revenue included the State LAIF and Placer Sierra accounts. Yields began a slight increase, during the year, from all sources, from around 2.85% at July 1, 2005 to 4.53% at year end. The increase in interest revenue was almost entirely due to the increasing interest rates, however there was also a monthly average cash balance increase over the year. Investment revenues are used to offset program costs wherever possible and reduce the required member contributions. The ability of these funds to earn investment income has a direct effect on program premiums, as this income is used to discount future liabilities. When investments fall short of projections, additional funding may be required to meet actuarial estimates.

TRINDEL INSURANCE FUND

Management Discussion and Analysis

June 30, 2006

Operating Expenses for 2005-06 totaled \$13,331,095 for the year. This is a decrease from 2004-05 of \$1,477,606 or about 10%, which is mostly made up of a \$2,502,485 decrease in workers compensation excess premium due to the softening market and SB899, an increase of \$1,267,521 in Claim cost of which \$1,250,000 is related to one settled claim.

The 71.5% decrease in Claim Liabilities Change was due to a very small decrease in the Liability/Property Program of \$33,000 compared to an increase of \$35,000 for 04-05. Additionally the increase for workers comp, for Mono only, also declined to \$117,000 for 05-06 compared to an increase of \$260,000 for 04-05. We view this decrease in liability/property claim liabilities and reduction in the increase for workers comp as a sign that our safety and loss prevention programs may be having a positive impact on losses.

Claim Costs have once again increased, 49% or \$1,267,521, mostly due to one liability claim with a cost of \$1,250,000.

Claims Administration (TPAs) expense has increased 30% or \$53,392, all related to the Liability/Property program. The increase is almost all attributable to a substantial increase in the number and complexity of the claims for San Benito, which was \$49,201 of the increase.

Loss Control Services & Purchases decreased due to no property appraisals for 05-06. Appraisals were done in 04-05 and are only done every 5 years.

Return of Funds declined as excess funds have been declining and Resolution No. 99-06 limits the amount that maybe returned. Of the \$536,117 returned to the members, \$178,820 was from the Liability/Property Program and \$357,297 was from the Workers' Compensation Program. The term Return of Funds is used in connection with Trindel's banking arrangement with the members and therefore there is no equity by member and thus no dividends.

TRINDEL INSURANCE FUND

Management Discussion and Analysis
June 30, 2006

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

Workers' Compensation Program

	Original Budget	Final Budget	Budget Variance	Actual	Budget/ Actual Variance
REVENUE					
Premiums	\$ 9,765,868	\$ 8,448,897	13 %	\$ 8,448,897	\$ --
Claim recoveries	313,718	32,169	(90)%	32,169	--
Miscellaneous revenue	--	717	100 %	717	--
EIA loss control reimbursement	--	11,051	100 %	11,051	--
Return of PY premiums	--	1,019,002	100 %	1,019,002	--
Interest & investments	(4,000)	8,141	(304)%	8,141	--
Total Revenues	<u>10,075,586</u>	<u>9,519,977</u>	(6)%	<u>9,519,977</u>	<u>--</u>
EXPENSES					
Unpaid claims liab. chg.	--	117,000	100 %	117,000	--
Insurance premiums	8,728,506	6,350,602	(27)%	6,350,602	--
Claims costs	510,000	388,841	(24)%	388,841	--
Claim administration	34,000	33,426	(2)%	33,426	--
Triden admin. & safety	240,043	240,687	0 %	240,687	--
Loss control subsidy	45,000	45,000	0 %	45,000	--
Loss prevention subsidy	241,200	241,200	0 %	241,200	--
Employee assistance	60,000	57,992	(3)%	57,992	--
Loss control services & purchases	57,500	69,865	22 %	69,865	--
Return of funds	--	357,297	100 %	357,297	--
Total Expenses	<u>9,916,249</u>	<u>7,901,910</u>	(20)%	<u>7,901,910</u>	<u>--</u>
NET INCOME	159,337	1,618,067	915 %	1,618,067	--
Due to/from Members, Beginning	<u>166,920</u>	<u>(841,117)</u>	(604)%	<u>(841,117)</u>	<u>--</u>
Due to/from Members, Ending	<u>\$ 326,257</u>	<u>\$ 776,950</u>	138 %	<u>\$ 776,950</u>	<u>\$ --</u>

Trindel adjusts all of the budgets to actual after year end closing, thus Final Budget reflects Actual Revenue and Expense and no variance between the two, unless there is an outside auditor adjustment.

Significant variances between original and final budget:

Premiums are set at the May Trindel Board meeting, however the actual Insurance premiums (expense) are not known until June. When the Trindel Board adopts the resolution setting the premiums they also authorize the Executive Director to adjust the Premiums to reflect the actual

TRINDEL INSURANCE FUND

Management Discussion and Analysis

June 30, 2006

Insurance Premiums. Thus actual Insurance Premiums were less than anticipated as noted elsewhere in this analysis.

Claim Recoveries included a known Return of PY Premiums of \$280,000, for 03-04, and thus was misclassified in the Original Budget.

Interest, as previously noted yields increased during the year and cash flow was more positive than in the last several years.

Return of PY Premiums, when the budget was adopted, in May 2005, it was not known how much, if any, 04-05 return would be received in 05-06. As noted above the 03-04 return was misclassified in the Original Budget.

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

Insurance Premiums, as noted above actual premiums were not known until after the Original Budget was adopted.

Claim Costs variance was unanticipated, but is certainly a welcome result. These are for Mono County only, all other members are fully insured. As mentioned through out this Analysis the effects of SB899 are a large part of the reason for the decrease.

Loss Control Svc & Purchases, the majority of this increase has to do with the web page upgrade and the increase in the monthly maintenance fee.

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 04-05 fiscal year.

TRINDEL INSURANCE FUND

Management Discussion and Analysis June 30, 2006

Liability/Property Program

	Original Budget	Final Budget	Budget Variance	Actual	Budget/ Actual Variance
REVENUE					
Premiums	\$ 3,398,442	\$ 3,331,257	(2)%	\$ 3,331,257	\$ --
Claim recoveries	--	2,057,028	100 %	2,057,028	--
CSAC-EIA dividends	--	--	0 %	--	--
Miscellaneous revenue	1,000	353	(65)%	353	--
Interest & investments	90,000	187,187	108 %	187,187	--
Total Revenues	<u>3,489,442</u>	<u>5,575,825</u>	60 %	<u>5,575,825</u>	<u>--</u>
EXPENSES					
Insurance premiums	1,802,850	1,473,693	(18)%	1,473,693	--
Unpaid claims liab. chg.	--	(33,000)	(100)%	(33,000)	--
Claims costs	1,250,000	3,470,670	178 %	3,470,670	--
Claim administration	150,000	198,200	32 %	198,200	--
Loss control subsidy	45,000	45,000	0 %	45,000	--
Return of funds	--	178,820	100 %	178,820	--
Loss prevention study	118,800	118,800	0 %	118,800	--
Property appraisals	--	--	0 %	--	--
Trindel admin. & safety	118,230	118,547	0 %	118,547	--
Total Expenses	<u>3,484,880</u>	<u>5,570,730</u>	60 %	<u>5,570,730</u>	<u>--</u>
NET INCOME	4,562	5,095	12 %	5,095	--
Due to/from Members, Beginning	<u>3,047,485</u>	<u>3,060,258</u>	0 %	<u>3,060,258</u>	<u>--</u>
Due to/from Members, Ending	<u>\$ 3,052,047</u>	<u>\$ 3,065,353</u>	0 %	<u>\$ 3,065,353</u>	<u>\$ --</u>

Trindel adjusts all of the budgets to actual after year end closing, thus Final Budget reflects Actual Revenue and Expense and no variance between the two, unless there is an outside auditor adjustment.

Significant variances between original and final budget:

Claim Recoveries, Claim Costs and Claims Administration, one significant excess claim settled during the year that was not anticipated to settle when the budget was adopted. Also, as noted else where in this Analysis, there was a significant increase in the number and complexity of the claims for San Benito, several of which involved the excess layer, but that were paid and the reimbursement received during the 05-06 year.

Interest, as previously noted yields increased during the year.

TRINDEL INSURANCE FUND

Management Discussion and Analysis June 30, 2006

Insurance Premiums, as noted above actual premiums were not known until after the Original Budget was adopted.

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 05-06 fiscal year.

Medical Malpractice Program

	Original Budget	Final Budget	Budget Variance	Actual	Budget/ Actual Variance
REVENUE					
Premiums	\$ 316,643	\$ 317,049	0 %	\$ 317,049	\$ --
Interest & investments	1,000	(172)	(117)%	(172)	--
Total Revenues	<u>317,643</u>	<u>316,877</u>	0 %	<u>316,877</u>	<u>--</u>
EXPENSES					
Insurance premiums	309,145	309,497	0 %	309,497	--
Claims costs	<u>5,000</u>	<u>5,000</u>	0 %	<u>5,000</u>	<u>--</u>
Total Expenses	<u>314,145</u>	<u>314,497</u>	0 %	<u>314,497</u>	<u>--</u>
NET INCOME					
	3,498	2,380	(32)%	2,380	--
Due to/from Members, Beginning	<u>72,575</u>	<u>72,611</u>	0 %	<u>72,611</u>	<u>--</u>
Due to/from Members, Ending	<u>\$ 76,073</u>	<u>\$ 74,991</u>	(1)%	<u>\$ 74,991</u>	<u>\$ --</u>

Trindel adjusts all of the budgets to actual after year end closing, thus Final Budget reflects Actual Revenue and Expense and no variance between the two, unless there is an outside auditor adjustment.

Significant variances between original and final budget:

Premiums & Insurance Premiums, 05-06 was the second year of a two year commitment from the reinsurer and thus the premium was known at the time the original budget was adopted.

Interest decreased mostly because the excess premium is paid in September and Trinity paid quarterly instead of annually in July, thus the cash balance was materially less throughout the year than in previous years.

TRINDEL INSURANCE FUND

Management Discussion and Analysis June 30, 2006

Pollution Program

	Original Budget	Final Budget	Budget Variance	Actual	Budget/ Actual Variance
REVENUE					
Premiums	\$ 69,740	\$ 69,740	0 %	\$ 69,740	\$ --
Interest & investments	(900)	(1,256)	40 %	(1,256)	--
Total Revenues	<u>68,840</u>	<u>68,484</u>	(1)%	<u>68,484</u>	--
EXPENSES					
Insurance premiums	<u>67,277</u>	<u>70,228</u>	4 %	<u>70,225</u>	<u>3</u>
Total Expenses	<u>67,277</u>	<u>70,228</u>	4 %	<u>70,225</u>	<u>3</u>
NET INCOME					
	1,563	(1,744)	(212)%	(1,741)	(3)
Due to/from Members, Beginning	<u>(2,966)</u>	<u>(3,253)</u>	10 %	<u>(5,084)</u>	<u>1,831</u>
Due to/from Members, Ending	<u>\$ (1,403)</u>	<u>\$ (4,997)</u>	256 %	<u>\$ (6,825)</u>	<u>\$ 1,828</u>

Trindel adjusts all of the budgets to actual after year end closing, thus Final Budget reflects Actual Revenue and Expense and no variance between the two, unless there is an outside auditor adjustment.

Significant variances between original and final budget:

None that were material.

TRINDEL INSURANCE FUND

Management Discussion and Analysis
June 30, 2006

Undisbursed Loss Prevention Subsidy Fund Program

	Original Budget	Final Budget	Budget Variance	Actual	Budget/ Actual Variance
TRANSFERS IN					
From Liab/Prop	\$ 15,000	\$ 12,276	(18)%	\$ 12,276	\$ --
From Work. Comp.	33,000	24,924	(24)%	24,924	--
From Member Contributions	--	78,200	100 %	78,200	--
From EIA subsidies	--	70,466	100 %	70,466	--
Total Transfers In	<u>48,000</u>	<u>185,866</u>	287 %	<u>185,866</u>	<u>--</u>
OTHER INCOME					
Interest	4,000	9,094	127 %	9,094	--
Miscellaneous	--	--	0 %	--	--
Total Other Income	<u>4,000</u>	<u>9,094</u>	127 %	<u>9,094</u>	<u>--</u>
Total Income	<u>52,000</u>	<u>194,960</u>	127 %	<u>194,960</u>	<u>--</u>
EXPENDITURES					
Member expended	<u>150,000</u>	<u>125,243</u>	(17)%	<u>125,243</u>	<u>--</u>
Total Expenses	<u>150,000</u>	<u>125,243</u>	(17)%	<u>125,243</u>	<u>--</u>
NET INCOME					
	(98,000)	69,717	(171)%	69,717	--
Due to/from Members, Beginning	<u>266,517</u>	<u>313,319</u>	18 %	<u>313,319</u>	<u>--</u>
Due to/from Members, Ending	<u>\$ 168,517</u>	<u>\$ 383,036</u>	127 %	<u>\$ 383,036</u>	<u>\$ --</u>

Trindel adjusts all of the budgets to actual after year end closing, thus Final Budget reflects Actual Revenue and Expense and no variance between the two, unless there is an outside auditor adjustment.

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 a guess.

Interest, as previously noted yields increased slightly during the year.

Member Expended, implementation of the Leadership/Supervisor Training Program took place in earnest during the year.

TRINDEL INSURANCE FUND

Management Discussion and Analysis June 30, 2006

Trindel Administration & Safety Programs

	Original Budget	Final Budget	Budget Variance	Actual	Budget/ Actual Variance
SALARIES & BENEFITS					
Salaries	\$ 156,759	\$ 163,608	4 %	\$ 163,608	\$ --
FICA & medicare	13,191	13,768	4 %	13,768	--
Workers comp.	6,035	3,070	(49)%	3,070	--
Unemployment	700	448	(36)%	448	--
Health insurance	10,421	10,357	(1)%	10,357	--
Chg in compensated absences	--	12,962	100 %	12,962	--
Deferred compensation	15,676	16,361	4 %	16,361	--
Total Salaries & Benefits	<u>202,782</u>	<u>220,574</u>	9 %	<u>220,574</u>	<u>--</u>
SERVICES & SUPPLIES					
Communications	6,000	4,220	(30)%	4,220	--
Dues & subscriptions	2,500	2,355	(6)%	2,355	--
SO loss control	5,000	9,217	84 %	9,217	--
Office expense	5,500	5,610	2 %	5,610	--
Rent	8,940	9,391	5 %	9,391	--
Road commissioner meeting	6,000	5,181	(14)%	5,181	--
Sheriff meetings	6,000	3,459	(42)%	3,459	--
Loss prevention officer meeting	6,000	6,262	4 %	6,262	--
SO meals & lodging	4,500	4,720	5 %	4,720	--
SO vehicle expense	2,000	1,635	(18)%	1,635	--
SO air travel	7,000	8,791	26 %	8,791	--
SO other training	500	625	25 %	625	--
Liab/Prop insurance	8,500	9,279	9 %	9,279	--
Audit expense	13,500	12,000	(11)%	12,000	--
Miscellaneous	2,000	390	(81)%	390	--
Actuary services	5,500	4,000	(27)%	4,000	--
Legal services	500	59	(88)%	59	--
Board of Director meeting	18,000	19,168	6 %	19,168	--
Executive committee	200	--	(100)%	--	--
CAJPA conference	7,000	8,148	16 %	8,148	--
PARMA/ERI conference	16,000	10,099	(37)%	10,099	--
CSOOC conference	8,000	6,476	(19)%	6,476	--
Exec. Dir. Travel	4,000	4,757	19 %	4,757	--
Other committees	1,000	--	(100)%	--	--
Union bank fees	850	--	(100)%	--	--
Depreciation	8,500	2,822	(67)%	2,822	--
Total Services & Supplies	<u>153,490</u>	<u>138,664</u>	(10)%	<u>138,664</u>	<u>--</u>
Total Budget	<u>356,272</u>	<u>359,238</u>	1 %	<u>359,238</u>	<u>--</u>
TRANSFERS TO:					
Workers comp. program	238,702	240,687	1 %	240,687	--
Prop/Liab program	117,570	118,547	1 %	118,547	--
Total Transfers To	<u>356,272</u>	<u>359,234</u>	1 %	<u>359,234</u>	<u>--</u>

TRINDEL INSURANCE FUND

Management Discussion and Analysis June 30, 2006

Trindel adjusts all of the budgets to actual after year end closing, thus Final Budget reflects Actual Revenue and Expense and no variance between the two, unless there is an outside auditor adjustment.

Significant variances between original and final budget:

Salaries & Benefits: Workers Comp decrease is attributable to the continuing implementation of SB899 passed by the Legislature in April 2004.

Chg in Compensated Absences increased because of staff salary increases granted in November 2005 and by the Executive Director almost maxing out the amount of accrued vacation.

SO Loss Control, increase was due to maintenance on our website and the new LSTP data base that the members are using to track the training. Also upgrades were made to the data base and web page and the monthly maintenance fee increased by \$200 per month in January 2006.

Sheriff's meetings, although this shows a decrease from the Original budget amount we actually had our first Sheriff's meeting in at least 5 years during 05-06.

SO Air Travel, rental fees increased due to increased use and the cost of fuel.

CAJPA Conference, had attendance higher than anticipated.

PARMA/ERI Conference, had attendance lower than anticipated, was held in Southern California.

CSOOC Conference, had attendance lower than anticipated.

Depreciation, this was a typo. Budget should have been \$3,000 not \$8,500.

Overall the Final Budget for staff was 1% higher (\$2,963) than the Original Budget, staff should be commended for their efficient and prudent use of funds.

TRINDEL INSURANCE FUND

Management Discussion and Analysis

June 30, 2006

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. It is very much hoped that the State Legislature and the Governor have addressed the workers compensation issue with SB899, and will continue to allow full implementation, but we are not sure of what the expected savings will be in the long term, however it does appear that insurance and claim costs are down significantly, as much as 35%, from prior years. 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 and medical malpractice. 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 States fiscal problems. There does appear to be some hope for the members as the State adopted a budget on time, for the 06-07 year, and appears to have almost completely restored funding for local governments.

TRINDEL INSURANCE FUND

Statement of Net Assets
June 30, 2006
(With Comparative Figures as of June 30, 2005)

Assets	2006	2005
Current Assets:		
Cash and equivalents	\$ 7,822,792	\$ 6,345,745
Investments	--	345
Excess claims receivable	522,239	401,183
Interest receivable	78,256	43,769
Prepaid expenses	54,325	85,596
Total Current Assets	8,477,612	6,876,638
Noncurrent Assets:		
Due from members	427,649	1,095,370
Capital assets, net	3,188	467
Total Noncurrent Assets	430,837	1,095,837
Total Assets	\$ 8,908,449	\$ 7,972,475
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 56,903	\$ 243,682
Current portion of compensated absences	16,783	10,302
Current portion of unpaid claims and claim adjustment expense	1,327,794	1,697,214
Total Current Liabilities	1,401,480	1,951,198
Noncurrent Liabilities:		
Long term portion of compensated absences	16,783	10,302
Unpaid claims and claim adjustment expenses	2,767,206	2,313,786
Due to members	4,722,980	3,697,189
Total Noncurrent Liabilities	7,506,969	6,021,277
Total Liabilities	8,908,449	7,972,475
Net Assets:		
Unrestricted	--	--
Total Liabilities and Net Assets	\$ 8,908,449	\$ 7,972,475

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

TRINDEL INSURANCE FUND

Statement of Revenues, Expenses and Changes in Net Assets
June 30, 2006
(With Comparative Figures for the Year Ended June 30, 2005)

	2006	2005
Operating Revenues:		
Premiums	\$ 12,166,944	\$ 13,150,891
Claim recoveries	2,089,197	1,174,774
CSAC-EIA dividends	--	148,819
Miscellaneous revenue	82,587	75,036
Return of PY W/C premium	1,019,002	235,700
Total Operating Revenues	15,357,730	14,785,220
Operating Expenses:		
Excess insurance premiums	8,212,942	10,804,212
Claim liabilities change	84,000	1,165,063
Claim costs	3,864,493	1,726,908
Claims administration (TPAs)	231,626	178,234
Trindel admin. & safety programs	347,511	327,361
Loss control subsidy	90,000	90,000
Loss prevention subsidy	360,000	360,000
Employee assistance program	57,992	60,011
Loss control services & purchases	79,708	95,712
Depreciation	2,822	1,199
Total Operating Expenses	13,331,094	14,808,700
Operating Income (Loss)	2,026,636	(23,480)
Non-Operating Revenues & Expense:		
Interest income	202,993	112,243
Return of funds	(536,117)	(588,290)
Due to members, change in	(1,025,791)	1,044,188
Due from members, change in	(667,721)	(544,661)
Total Non-Operating Revenues and Expenses	(2,026,636)	23,480
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

June 30, 2006

(With Comparative Figures for the Year Ended June 30, 2005)

	2006	2005
Cash Flows from Operating Activities:		
Direct premiums collected	\$ 15,236,674	\$ 15,596,421
Excess insurance premiums paid	(8,212,942)	(10,804,212)
Losses & loss adjustment expense	(4,394,201)	(3,142,684)
Claims administration	(231,626)	(178,234)
General & administration expenses paid	(490,057)	(83,753)
Employee assistance expenses paid	(57,992)	(60,011)
Net Cash Provided (Used) by Operating Activities	1,849,856	1,327,527
Cash Flows from Noncapital Financing Activities:		
Return of funds	(536,117)	(588,289)
Net Cash Provided (Used) by Noncapital Financing Activities	(536,117)	(588,289)
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	(5,543)	--
Net Cash Provided (Used) by Capital and Related Financing Activities	(5,543)	--
Cash Flows from Investing Activities:		
Interest income	168,506	89,685
Net Cash Provided (Used) by Investing Activities	168,506	89,685
Net Increase (Decrease) in Cash	1,476,702	828,923
Beginning Cash and Equivalents and Investments	6,346,090	5,517,167
Ending Cash and Equivalents and Investments	\$ 7,822,792	\$ 6,346,090
<u>Reconciliation of Cash and Equivalents and Investments to Statement of Net Assets</u>		
Cash and equivalents	\$ 7,822,792	\$ 6,345,745
Investments	--	345
Total Cash and Equivalents and Investments	\$ 7,822,792	\$ 6,346,090

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

TRINDEL INSURANCE FUND

Statement of Cash Flows (continued)

June 30, 2006

(With Comparative Figures for the Year Ended June 30, 2005)

	<u>2006</u>	<u>2005</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Cash Flows from Operating Activities:		
Operating income (loss)	\$ 2,026,636	\$ (23,480)
Adjustments to Reconcile Operating Income/(Loss) to Cash Provided (Used) by Operations:		
Net decrease/(increase) in fair market value of investments		
Depreciation and amortization	2,822	1,198
(Increase) Decrease in:		
Accounts receivable	(121,056)	811,201
Prepaid expenses	31,271	51,865
Increase (Decrease) in:		
Accounts payable	(186,779)	193,549
Compensated absences	12,962	(1,806)
Change in claim liabilities	84,000	295,000
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,849,856</u>	<u>\$ 1,327,527</u>

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

TRINDEL INSURANCE FUND

Notes to Financial Statements
June 30, 2006

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 and Sierra were added in previous years and Mono County was added, effective July 1, 2000. 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, 2006, 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	
Colusa County	X	X	X	X	
Del Norte County	X	X	X	X	
Lassen County	X	X	X		
Modoc County	X	X	X	X	X
Mono County	X	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	

TRINDEL INSURANCE FUND

Notes to Financial Statements
June 30, 2006

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.

Nonexchange transactions, in which Trindel gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. In accordance with GASB No. 33, *Accounting and Reporting for Nonexchange Transactions*, revenue from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

TRINDEL INSURANCE FUND

Notes to Financial Statements
June 30, 2006

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

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

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.

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.

TRINDEL INSURANCE FUND

Notes to Financial Statements
June 30, 2006

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

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.

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 accumulated 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, 2006

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

K. **Provision for Unpaid Claims and Claim Adjustment Expenses**

Trindel establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage, subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverage such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

L. **Excess Insurance**

The members enter into excess insurance agreements, whereby they cede various amounts of risk to other insurance companies or joint powers authorities. At June 30, 2006, the members retained the first \$100,000 of general liability per incident. Trindel also services workers' compensation insurance to the members under a fully insured program with the exception of Mono County, which is self-insured up to \$125,000 per occurrence. Risk ceded to other entities is treated as though it were not risk for which the members are liable.

The members obtained insurance policies with varying deductibles to cover all property and medical malpractice claims, as well as some pollution and crime/bond claims.

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.

TRINDEL INSURANCE FUND

Notes to Financial Statements
June 30, 2006

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

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. 99-03 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, 2006

Note 2: Cash and Equivalents and Investments

A. Credit Risk, Carrying Amount and Market Value Investments

Cash was classified as follows at June 30:

	2006	
	<u>Carrying Value</u>	<u>Fair Value</u>
Pooled Investments (Not Categorized):		
California Local Agency Investment Fund	<u>\$ 7,286,394</u>	<u>\$ 7,273,175</u>
Total Investments	7,286,394	7,273,175
Cash Deposits	535,898	535,898
Cash on Hand	<u>500</u>	<u>500</u>
Total Cash and Equivalents	<u>\$ 7,822,792</u>	<u>\$ 7,809,573</u>

B. Maturity

Trindel's pooled investments are recorded at market value. Investments are available immediately.

C. Cash Deposits

The carrying amounts of Trindel's cash deposits were \$ 535,898 at June 30, 2006. Bank balances before reconciling items were \$670,348 at that date.

Cash balances held in banks are fully insured up to \$100,000 by the Federal Depository Insurance Corporation or are fully collateralized.

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 the Trindel's investment in this pool is reported in the accompanying financial statements based upon Trindel's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). 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.

TRINDEL INSURANCE FUND

Notes to Financial Statements
June 30, 2006

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

C. **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, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2006</u>
Furniture, equipment and Vehicles	\$ 50,117	\$ 5,543	\$ (17,305)	\$ 38,355
Total Capital Assets	50,117	5,543	(17,305)	38,355
Accumulated Depreciation	(49,650)	(2,822)	17,305	(35,167)
Total Capital Assets (Net)	<u>\$ 467</u>	<u>\$ 2,721</u>	<u>\$ --</u>	<u>\$ 3,188</u>

Depreciation expense was \$ 2,822 for the fiscal year ended June 30, 2006.

TRINDEL INSURANCE FUND

Notes to Financial Statements
June 30, 2006

Note 4: **Compensated Absences**

The following is a summary of compensated absences of Trindel for the fiscal year ended June 30, 2006:

	July 1, 2005	Additions	Retirements	June 30, 2006	Current Portion
Compensated absences	\$ 20,604	\$ 12,962	--	\$ 33,566	\$ 16,783

Note 5: **Unpaid Claims and Claim Adjustment Expenses**

Trindel establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for Trindel during the years ended June 30:

	2006	2005
Unpaid claims and claim adjustment expenses at the beginning of the fiscal year	\$ 4,011,000	\$ 3,716,000
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	2,003,000	2,025,000
Increases (decreases) in provisions for insured events of the prior fiscal years	299,071	156,562
Total Incurred Claims and Claim Adjustment Expenses	2,302,071	2,181,562
Payments:		
Claims and claim adjustment expenses attributed to insured events of the current year	1,212,547	1,055,002
Claims and claim adjustment expenses attributed to insured events of the prior fiscal year	1,005,524	831,560
Total Payments	2,218,071	1,886,562
Total Unpaid Claims and Claim Adjustment Expenses at the End of the Fiscal Year	\$ 4,095,000	\$ 4,011,000

TRINDEL INSURANCE FUND

Notes to Financial Statements
June 30, 2006

Note 6: **Joint Powers Agreement**

Each of the members of Trindel Insurance Fund 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 the CSAC EIA liability, workers' compensation and medical malpractice programs for the year ended June 30, 2005 is as follows:

	<u>CSAC EIA (Audited)</u>
Total Assets	<u>\$ 305,648,692</u>
Total Liabilities	279,975,343
Equity	<u>25,673,349</u>
Total Liabilities and Net Assets	<u>\$ 305,648,692</u>
Total Revenues	287,221,942
Total Expenditures	<u>(266,608,471)</u>
Net Increase (Decrease) in Net Assets	<u>\$ 20,613,471</u>

The audited financial statements for the fiscal year ended June 30, 2006 were not available.

TRINDEL INSURANCE FUND

Notes to Financial Statements
June 30, 2006

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.

SUPPLEMENTAL INFORMATION

DRAFT 10/19/2006

TRINDEL INSURANCE FUND

Statement of Revenues, Expenses and Changes in Net Assets Property and General Liability Program For the Year Ended June 30, 2006

	Alpine	Colusa	Del Norte	Lassen	Modoc	Mono	San Benito	Sierra	Trinity Gen	Total
Operating Revenues:										
CSAC-EIA dividends	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Premiums	137,636.00	428,414.00	462,892.00	496,462.00	296,835.00	460,337.00	503,959.00	159,432.00	385,290.00	3,331,257.00
Claim recoveries	625.00	340,509.85	1,715.64	248,059.39	54,190.18	111,517.34	1,281,320.07	--	19,090.51	2,057,027.98
Miscellaneous revenue	14.59	45.41	49.07	52.63	31.47	48.80	53.42	16.90	40.84	353.14
Total Operating Revenue	<u>138,275.59</u>	<u>768,969.26</u>	<u>464,656.71</u>	<u>744,574.02</u>	<u>351,056.65</u>	<u>571,903.14</u>	<u>1,785,332.49</u>	<u>159,448.90</u>	<u>404,421.35</u>	<u>5,388,638.12</u>
Operating Expenses:										
Claim liabilities change	(6,157.34)	(20,429.36)	(33,267.10)	12,412.57	(782.27)	(31,716.00)	63,649.12	(5,470.14)	(11,239.48)	(33,000.00)
Excess insurance premiums	64,214.33	158,201.58	192,481.75	230,158.92	127,449.33	188,284.17	261,141.75	74,280.25	177,481.33	1,473,693.41
Claim costs	9,037.65	475,164.91	57,332.90	586,881.90	193,403.40	180,412.54	1,819,348.60	52,257.60	96,830.64	3,470,670.14
Claims administration	1,951.10	9,130.60	17,085.80	29,163.20	8,033.10	14,343.20	102,804.80	5,521.90	10,166.00	198,199.70
Trindel admin. & safety	9,438.62	13,315.07	16,700.61	14,589.72	13,006.98	12,700.59	15,117.87	9,570.66	14,107.28	118,547.41
Loss control subsidy	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	45,000.00
Loss prevention subsidy	13,200.00	13,200.00	13,200.00	13,200.00	13,200.00	13,200.00	13,200.00	13,200.00	13,200.00	118,800.00
Property appraisals	--	--	--	--	--	--	--	--	--	--
Total Operating Expenses	<u>96,684.36</u>	<u>653,582.80</u>	<u>268,533.96</u>	<u>891,406.31</u>	<u>359,310.54</u>	<u>382,224.50</u>	<u>2,280,262.14</u>	<u>154,360.27</u>	<u>305,545.77</u>	<u>5,391,910.66</u>
Operating Income (Loss)	<u>41,591.23</u>	<u>115,386.47</u>	<u>196,122.75</u>	<u>(146,832.29)</u>	<u>(8,253.90)</u>	<u>189,678.64</u>	<u>(494,929.64)</u>	<u>5,088.63</u>	<u>98,875.58</u>	<u>(3,272.54)</u>
Non-Operating Revenues & Expenses:										
Interfund transfers										--
Interest and investments	27,337.94	26,231.22	35,509.81	12,483.99	23,286.79	24,615.24	14,605.40	10,300.15	12,816.09	187,186.63
(Dividends paid out)	--	(90,476.00)	--	--	(40,540.00)	--	(47,804.00)	--	--	(178,820.00)
(EIA dividend pass-through)	--	--	--	--	--	--	--	--	--	--
Total Non-Operating Revenues & (Expenses)	<u>27,337.94</u>	<u>(64,244.78)</u>	<u>35,509.81</u>	<u>12,483.99</u>	<u>(17,253.21)</u>	<u>24,615.24</u>	<u>(33,198.60)</u>	<u>10,300.15</u>	<u>12,816.09</u>	<u>8,366.63</u>
Net Income (Loss)	<u>68,929.17</u>	<u>51,141.69</u>	<u>231,632.56</u>	<u>(134,348.30)</u>	<u>(25,507.11)</u>	<u>214,293.88</u>	<u>(528,128.24)</u>	<u>15,388.78</u>	<u>111,691.67</u> #	<u>5,094.09</u>
Due To/(From) Members, Beginning of Year	<u>798,771.16</u>	<u>357,550.73</u>	<u>526,883.57</u>	<u>(10,988.14)</u>	<u>498,767.58</u>	<u>195,686.34</u>	<u>222,360.79</u>	<u>178,471.27</u>	<u>292,754.89</u>	<u>3,060,258.19</u>
Reserve to Reflect 90% CL	26,280.80	147,907.08	150,147.47	178,222.91	90,797.74	147,723.84	183,978.37	48,186.79	108,755.00	1,082,000.00
Unreserved Due To/(From)	841,419.53	260,785.34	608,368.66	(323,559.35)	382,462.73	262,256.38	(489,745.82)	145,673.26	295,691.56	1,983,352.28
Due To/(From) Members, End of Year	<u>\$ 867,700.33</u>	<u>\$ 408,692.42</u>	<u>\$ 758,516.13</u>	<u>\$ (145,336.44)</u>	<u>\$ 473,260.47</u>	<u>\$ 409,980.22</u>	<u>\$ (305,767.45)</u>	<u>\$ 193,860.05</u>	<u>\$ 404,446.56</u> #	<u>\$ 3,065,352.28</u>
Claims Liabilities (Reserves)	<u>\$ 64,098.91</u>	<u>\$ 360,745.64</u>	<u>\$ 366,209.96</u>	<u>\$ 434,686.00</u>	<u>\$ 221,455.86</u>	<u>\$ 360,298.71</u>	<u>\$ 448,723.61</u>	<u>\$ 117,527.67</u>	<u>\$ 265,253.64</u>	<u>\$ 2,639,000.00</u>

TRINDEL INSURANCE FUND

Statement of Revenues, Expenses and Changes in Net Assets
Workers' Compensation Program
For the Year Ended June 30, 2006

	Alpine	Colusa	Del Norte	Lassen	Modoc	Mono	San Benito	Sierra	Trinity Gen	Trinity Hospital	Total
Operating Revenues:											
Premiums	\$ 350,334.00	\$ 656,827.00	\$ 1,183,655.00	\$ 1,790,012.00	\$ 653,731.00	\$ 872,540.00	\$ 1,384,341.00	\$ 353,013.00	\$ 1,051,332.00	\$ 153,112.00	\$ 8,448,897.00
Claim recoveries	--	--	--	--	--	32,169.39	--	--	--	--	32,169.39
Miscellaneous revenue	29.73	55.74	100.45	151.90	55.48	74.04	117.48	29.96	89.22	12.99	716.97
EIA loss control reimbursement	--	--	--	--	--	--	11,050.95	--	--	--	11,050.95
Prior Year Payroll Refunds	26,066.73	79,793.01	144,389.19	245,271.57	41,026.00	--	17,769.58	50,977.13	212,597.57	201,111.29	1,019,002.07
Total Operating Revenue	376,430.46	736,675.75	1,328,144.64	2,035,435.47	694,812.48	904,783.43	1,413,279.01	404,020.09	1,264,018.79	354,236.28	9,511,836.38
Operating Expenses:											
Change in claim liabilities						117,000.00					117,000.00
Insurance premiums	265,435.00	531,193.00	1,024,049.00	1,662,943.00	543,657.00	166,773.00	1,097,080.00	265,940.00	793,532.00	--	6,350,602.00
Claim costs						388,841.07					388,841.07
Claim admin. (TPA)						33,426.21					33,426.21
Employee assistance program	360.00	7,425.00	14,340.00	11,910.00	2,686.40	5,580.00	9,170.00	941.01	5,580.00	--	57,992.41
Hearing tests	2,191.00	2,100.00	1,923.45	2,955.00	2,626.48	4,668.50	2,100.00	2,357.84	2,000.00	--	22,922.27
Loss control funds	1,784.39	2,715.14	1,052.03	10,584.69	474.55	7,142.11	7,540.23	3,737.24	11,912.62	--	46,943.00
Trindel admin. & safety	26,743.02	26,743.02	26,743.02	26,743.02	26,743.02	26,743.02	26,743.02	26,743.02	26,743.02	--	240,687.16
Loss control subsidy	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	--	45,000.00
Loss prevention subsidy	26,800.00	26,800.00	26,800.00	26,800.00	26,800.00	26,800.00	26,800.00	26,800.00	26,800.00	--	241,200.00
Total Operating Expenses	328,313.41	601,976.16	1,099,907.50	1,746,935.71	607,987.45	781,973.91	1,174,433.25	331,519.11	871,567.64	--	7,544,614.12
Operating Income (Loss)	48,117.05	134,699.59	228,237.14	288,499.76	86,825.03	122,809.53	238,845.76	72,500.98	392,451.15	354,236.28	1,967,222.26
Non-Operating Revenues & Expenses:											
Interest and investments											
(Dividends paid out)	8,194.84	(1,832.37)	(12,933.19)	(6,680.72)	(4,045.74)	27,399.39	4,728.34	5,669.33	(12,359.25)	--	8,140.63
Interfund transfers	--	(120,205.00)	(108,490.00)	--	--	--	(57,061.00)	(71,541.00)	--	--	(357,297.00)
Total Non-Operating Revenues & (Expenses)	8,194.84	(122,037.37)	(121,423.19)	(6,680.72)	(4,045.74)	27,399.39	(52,332.66)	(65,871.67)	(12,359.25)	--	(349,156.37)
Net Income (Loss)	56,311.89	12,662.22	106,813.95	281,819.04	82,779.29	150,208.92	186,513.10	6,629.31	380,091.90	354,236.28	1,618,065.89
Due To/(From) Members, Beginning of Year	360,576.35	50,923.36	15,996.32	208,414.18	(66,557.49)	(916,069.87)	(15,328.13)	118,226.48	(150,729.54)	(446,568.75)	(841,117.09)
Reserve to Reflect 70% CL											
Unreserved Due To/(From)	--	--	--	--	--	--	--	--	--	--	--
Due To/(From) Members, End of Year	416,888.24	63,585.58	122,810.27	490,233.22	16,221.80	(765,860.95)	171,184.97	124,855.79	229,362.36	(92,332.47)	776,948.80
Claim Liabilities, End of Period	416,888.24	63,585.58	122,810.27	490,233.22	16,221.80	(765,860.95)	171,184.97	124,855.79	229,362.36	(92,332.47)	776,948.80
CLAIM LIABILITIES, END OF PERIOD	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,456,000.00	\$ --	\$ --	\$ --	\$ --	\$ 1,456,000.00

TRINDEL INSURANCE FUND

Statement of Revenues, Expenses and Changes in Net Assets
 Medical Malpractice Program
 For the Year Ended June 30, 2006

	Alpine	Colusa	Del Norte	Lassen	Modoc	Mono	San Benito	Sierra	Trinity Gen	Total
Operating Revenues:										
Premiums	\$ 1,161.00	\$ 5,454.00	\$ 19,123.00	\$ --	\$ 142,641.00	\$ 3,829.00	\$ 16,751.00	\$ 6,548.00	\$ 121,542.50	\$ 317,049.50
Claim recoveries	--	--	--	--	--	--	--	--	--	--
Miscellaneous revenue	--	--	--	--	--	--	--	--	--	--
Total Operating Revenue	<u>1,161.00</u>	<u>5,454.00</u>	<u>19,123.00</u>	<u>--</u>	<u>142,641.00</u>	<u>3,829.00</u>	<u>16,751.00</u>	<u>6,548.00</u>	<u>121,542.50</u>	<u>317,049.50</u>
Operating Expenses:										
Insurance premiums	1,205.00	5,672.00	12,138.00	--	142,641.00	3,976.00	15,520.00	6,803.00	121,542.00	309,497.00
Claim costs	--	--	--	--	5,000.00	--	--	--	--	5,000.00
Total Operating Expenses	<u>1,205.00</u>	<u>5,672.00</u>	<u>12,138.00</u>	<u>--</u>	<u>147,641.00</u>	<u>3,976.00</u>	<u>15,520.00</u>	<u>6,803.00</u>	<u>121,542.00</u>	<u>314,497.00</u>
Operating Income (Loss)	<u>(44.00)</u>	<u>(218.00)</u>	<u>6,985.00</u>	<u>--</u>	<u>(5,000.00)</u>	<u>(147.00)</u>	<u>1,231.00</u>	<u>(255.00)</u>	<u>0.50</u>	<u>2,552.50</u>
Non-Operating Revenues & Expenses:										
Interest and investments	190.35	412.00	247.71	--	(1,252.49)	675.68	561.09	309.24	(1,315.22)	(171.64)
Total Non-Operating Revenues & (Expenses)	<u>190.35</u>	<u>412.00</u>	<u>247.71</u>	<u>--</u>	<u>(1,252.49)</u>	<u>675.68</u>	<u>561.09</u>	<u>309.24</u>	<u>(1,315.22)</u>	<u>(171.64)</u>
Net Income (Loss)	146.35	194.00	7,232.71	--	(6,252.49)	528.68	1,792.09	54.24	(1,314.72)	2,380.86
Due To/(From) Members, Beginning of Year	<u>6,406.73</u>	<u>12,475.94</u>	<u>(308.23)</u>	<u>--</u>	<u>3,811.86</u>	<u>21,057.43</u>	<u>14,554.50</u>	<u>9,070.25</u>	<u>5,542.38</u>	<u>72,610.86</u>
Due To/(From) Members, End of Year	<u>\$ 6,553.08</u>	<u>\$ 12,669.94</u>	<u>\$ 6,924.48</u>	<u>\$ --</u>	<u>\$ (2,440.63)</u>	<u>\$ 21,586.11</u>	<u>\$ 16,346.59</u>	<u>\$ 9,124.49</u>	<u>\$ 4,227.66</u>	<u>\$ 74,991.72</u>

TRINDEL INSURANCE FUND

Statement of Revenues, Expenses and Changes in Net Assets
Undisbursed Loss Prevention Subsidy Program
For the Year Ended June 30, 2006

	<u>Alpine</u>	<u>Colusa</u>	<u>Del Norte</u>	<u>Lassen</u>	<u>Modoc</u>	<u>Mono</u>	<u>San Benito</u>	<u>Sierra</u>	<u>Trinity Gen</u>	<u>Total</u>
Operating Revenues:										
Allocated to	\$ 4,133.33	\$ 4,133.36	\$ 4,133.33	\$ 4,133.33	\$ 4,133.33	\$ 4,133.33	\$ 4,133.33	\$ 4,133.33	\$ 4,133.33	\$ 37,200.00
EIA loss control & tech sub reimb	4,544.06	11,405.28	17,915.21	12,920.31	6,513.17	4,132.48	--	4,527.18	8,508.48	70,466.17
Member contributions	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	38,200.00	5,000.00	5,000.00	5,000.00	78,200.00
Total Operating Revenue	<u>13,677.39</u>	<u>20,538.64</u>	<u>27,048.54</u>	<u>22,053.64</u>	<u>15,646.50</u>	<u>46,465.81</u>	<u>9,133.33</u>	<u>13,660.51</u>	<u>17,641.81</u>	<u>185,866.17</u>
Operating Expenses:										
Projects/subscriptions	3,230.00	9,690.00	22,610.00	15,345.41	20,121.40	15,889.01	9,037.52	16,843.83	12,475.50	125,242.67
Total Operating Expenses	<u>3,230.00</u>	<u>9,690.00</u>	<u>22,610.00</u>	<u>15,345.41</u>	<u>20,121.40</u>	<u>15,889.01</u>	<u>9,037.52</u>	<u>16,843.83</u>	<u>12,475.50</u>	<u>125,242.67</u>
Operating Income (Loss)	<u>10,447.39</u>	<u>10,848.64</u>	<u>4,438.54</u>	<u>6,708.23</u>	<u>(4,474.90)</u>	<u>30,576.80</u>	<u>95.81</u>	<u>(3,183.32)</u>	<u>5,166.31</u>	<u>60,623.50</u>
Other Revenue and Expense:										
Interest and investments	1,155.06	779.13	499.30	1,170.61	720.44	1,658.54	1,145.02	878.39	1,087.17	9,093.66
Total Other Revenue and Expense	<u>1,155.06</u>	<u>779.13</u>	<u>499.30</u>	<u>1,170.61</u>	<u>720.44</u>	<u>1,658.54</u>	<u>1,145.02</u>	<u>878.39</u>	<u>1,087.17</u>	<u>9,093.66</u>
Net Income (Loss)	11,602.45	11,627.77	4,937.84	7,878.84	(3,754.46)	32,235.34	1,240.83	(2,304.93)	6,253.48	69,717.16
Due To/(From) Members, Beginning of Year	<u>36,741.01</u>	<u>22,924.51</u>	<u>27,152.87</u>	<u>42,370.99</u>	<u>25,887.57</u>	<u>52,429.90</u>	<u>34,793.66</u>	<u>31,458.63</u>	<u>39,559.36</u>	<u>313,318.50</u>
Due To/(From) Members, End of Year	<u>\$ 48,343.46</u>	<u>\$ 34,552.28</u>	<u>\$ 32,090.71</u>	<u>\$ 50,249.83</u>	<u>\$ 22,133.11</u>	<u>\$ 84,665.24</u>	<u>\$ 36,034.49</u>	<u>\$ 29,153.70</u>	<u>\$ 45,812.84</u>	<u>\$ 383,035.66</u>

TRINDEL INSURANCE FUND

Statement of Revenues, Expenses and Changes in Net Assets
Pollution Program
For the Year Ended June 30, 2005

	<u>Alpine</u>	<u>Colusa</u>	<u>Del Norte</u>	<u>Lassen</u>	<u>Modoc</u>	<u>Mono</u>	<u>San Benito</u>	<u>Sierra</u>	<u>Trinity Gen</u>	<u>Total</u>
Operating Revenues:										
Premiums	\$ 3,720.00	\$ 5,460.00	\$ 4,630.00	\$ 4,530.00	\$ 9,100.00	\$ 19,200.00	\$ 13,300.00	\$ 6,800.00	\$ 3,000.00	\$ 69,740.00
Total Operating Revenue	<u>3,720.00</u>	<u>5,460.00</u>	<u>4,630.00</u>	<u>4,530.00</u>	<u>9,100.00</u>	<u>19,200.00</u>	<u>13,300.00</u>	<u>6,800.00</u>	<u>3,000.00</u>	<u>69,740.00</u>
Operating Expenses:										
Insurance premiums	<u>3,700.00</u>	<u>5,441.00</u>	<u>4,499.00</u>	<u>4,528.00</u>	<u>8,943.00</u>	<u>18,968.00</u>	<u>14,450.00</u>	<u>6,699.00</u>	<u>3,000.00</u>	<u>70,228.00</u>
Total Operating Expenses	<u>3,700.00</u>	<u>5,441.00</u>	<u>4,499.00</u>	<u>4,528.00</u>	<u>8,943.00</u>	<u>18,968.00</u>	<u>14,450.00</u>	<u>6,699.00</u>	<u>3,000.00</u>	<u>70,228.00</u>
Operating Income (Loss)	<u>20.00</u>	<u>19.00</u>	<u>131.00</u>	<u>2.00</u>	<u>157.00</u>	<u>232.00</u>	<u>(1,150.00)</u>	<u>101.00</u>	<u>--</u>	<u>(488.00)</u>
Non-Operating Revenue & Expense:										
Interest and investments	<u>(41.63)</u>	<u>0.55</u>	<u>(0.68)</u>	<u>(0.15)</u>	<u>(330.24)</u>	<u>(498.49)</u>	<u>(283.34)</u>	<u>(59.58)</u>	<u>(42.81)</u>	<u>(1,256.37)</u>
Total Non-Operating Revenue & Expense	<u>(41.63)</u>	<u>0.55</u>	<u>(0.68)</u>	<u>(0.15)</u>	<u>(330.24)</u>	<u>(498.49)</u>	<u>(283.34)</u>	<u>(59.58)</u>	<u>(42.81)</u>	<u>(1,256.37)</u>
Net Income (Loss)	(21.63)	19.55	130.32	1.85	(173.24)	(266.49)	(1,433.34)	41.42	(42.81)	(1,744.37)
Due To/(From) Members, Beginning of Year	<u>208.81</u>	<u>(0.49)</u>	<u>(97.87)</u>	<u>38.00</u>	<u>(2,277.08)</u>	<u>(1,905.66)</u>	<u>119.81</u>	<u>624.72</u>	<u>37.01</u>	<u>(3,252.75)</u>
Due To/(From) Members, End of Year	<u>\$ 187.18</u>	<u>\$ 19.06</u>	<u>\$ 32.45</u>	<u>\$ 39.85</u>	<u>\$ (2,450.32)</u>	<u>\$ (2,172.15)</u>	<u>\$ (1,313.53)</u>	<u>\$ 666.14</u>	<u>\$ (5.80)</u>	<u>\$ (4,997.12)</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
Sierra City, California

We have audited the basic financial statements of Trindel Insurance Fund as of and for the year ended June 30, 2006, and have issued our report thereon dated August 3, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A *material weakness* is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Directors
Trindel Insurance Fund

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trindel Insurance Fund's basic 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.

BARTIG, BASLER & RAY, LLP
A Gallina LLP Company

August 3, 2006
Roseville, California