

**TRI-COUNTY  
SCHOOLS INSURANCE GROUP**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT**

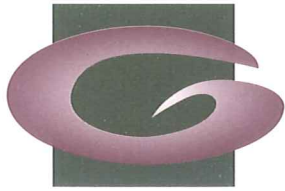
**FOR THE YEARS ENDED  
JUNE 30, 2009 AND 2008**

# TRI-COUNTY SCHOOLS INSURANCE GROUP

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## INDEPENDENT AUDITOR'S REPORT

**Board of Directors  
Tri-County Schools Insurance Group  
Yuba City, California**

We have audited the accompanying financial statements of the Tri-County Schools Insurance Group (the Group) as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 audit to obtain reasonable assurance about 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Group as of June 30, 2009, and the results of its operations and its cash flows for the year 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2009, on our consideration of the Group's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. 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 made for the purpose of forming an opinion on the financial statement taken as a whole. The Management's Discussion and Analysis on pages 3 through 7 and Reconciliation of Claims Liabilities by Type of Contract and Claims Development Information on pages 20 through 24 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The Combining Statement of Net Assets and Combining Statement of Revenues, Expenses and Changes in Net Assets on pages 26 through 27 are presented for purposes of additional analysis and are not required parts of the basis financial statements of the Group. Such information has been subjected to 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 basic financial statements taken as a whole.

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.**  
**Sacramento, California**

**December 3, 2009**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**The Group – An Overview**

The Tri-County Schools Insurance Group (TCSIG), Joint Powers Authority (JPA), is a self-insurance pool that was formed in 1983 for the purpose of establishing and maintaining quality programs for our public entity members at a reasonable cost. Our programs include Property & Liability, Medical, Dental, Vision, and Life benefits.

TCSIG is a public entity operating in accordance with the Ralph M. Brown Act. TCSIG is governed by a Board of Directors comprised of representatives from each member entity. Employee input is provided by the Employee Benefits Advisory Committee (EBAC) at meetings throughout the year. Two of its representatives sit as ex-officio members of the Executive Committee. The Executive Committee is comprised of seventeen elected (5) and appointed (12) Board members. The Executive Committee elects a President, Vice President, and Secretary as its officers.

The Executive Committee hires an Executive Director to administer TCSIG’s day-to-day operations. The Executive Director is responsible for the administration of policies as set forth by the JPA’s Agreement, Bylaws, the Board of Directors, and the Executive Committee.

**Description of Basic Financial Statements**

Individual program accounting is maintained in-house and is provided as supplemental information to the Statement of Net Assets (Liabilities), Statement of Revenues, Expenses and Changes in Net (Liabilities) Assets, and the Statement of Cash Flows. The Statement of Net Assets (Liabilities) provides information about the financial position of TCSIG as of June 30, 2009 and 2008. The Statement of Revenues, Expenses and Changes in Net (Liabilities) Assets reports the operations of the organization for the years ended June 30, 2009 and 2008. The Statement of Cash Flows is presented in the direct method to reflect the operations of TCSIG for the years ended June 30, 2009 and 2008 based on the inflow and outflow of cash.

The notes to the financial statements provide information on TCSIG’s accounting policies such as development of estimates of incurred but not reported liabilities and the provision for claim adjustment expenses.

# TRI-COUNTY SCHOOLS INSURANCE GROUP

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

### CONDENSED FINANCIAL INFORMATION

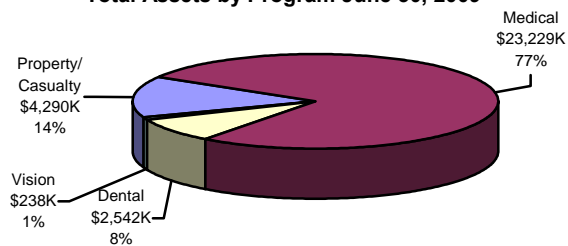
#### Statement of Net Assets June 30, 2009, 2008 and 2007

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current assets	\$ 30,294,470	\$ 28,939,106	\$ 24,754,376
Capital assets, net	4,863	14,476	19,468
Total assets	<u>30,299,333</u>	<u>28,953,582</u>	<u>24,773,844</u>
<u>LIABILITIES</u>			
Current liabilities	8,765,238	8,660,446	7,461,176
Long-term liabilities	697,065	755,365	528,552
Total liabilities	<u>9,462,303</u>	<u>9,415,811</u>	<u>7,989,728</u>
<u>NET ASSETS</u>			
Invested in capital assets, net	4,863	14,476	19,468
Unrestricted, designated	8,350,000	8,350,000	7,750,000
Unrestricted, undesignated	<u>12,482,167</u>	<u>11,173,295</u>	<u>9,014,648</u>
Total net assets	<u>\$ 20,837,030</u>	<u>\$ 19,537,771</u>	<u>\$ 16,784,116</u>

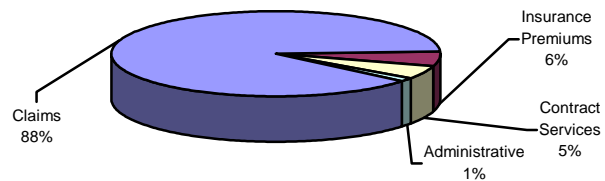
#### Statement of Revenues, Expenses and Changes in Net Assets For the Years Ended June 30, 2009, 2008 and 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>REVENUES</u>			
Member contributions	\$ 52,082,952	\$ 52,508,651	\$ 49,066,221
<u>EXPENSES</u>			
Operating expenses:			
Provision for claims and claim adjustment expenses	45,512,747	44,826,437	38,368,734
Insurance premiums	2,867,752	2,717,065	2,305,969
Contract services	2,612,466	2,499,013	2,291,093
General and administrative expenses	<u>658,888</u>	<u>908,243</u>	<u>582,626</u>
Total operating expenses	<u>51,651,853</u>	<u>50,950,758</u>	<u>43,548,422</u>
Operating income	431,099	1,557,893	5,517,799
<u>OTHER INCOME</u>			
Interest	<u>868,160</u>	<u>1,195,762</u>	<u>1,018,365</u>
Increase in net assets	1,299,259	2,753,655	6,536,164
NET ASSETS, beginning of year	<u>19,537,771</u>	<u>16,784,116</u>	<u>10,247,952</u>
NET ASSETS, end of year	<u>\$ 20,837,030</u>	<u>\$ 19,537,771</u>	<u>\$ 16,784,116</u>

**Total Assets by Program June 30, 2009**



**Breakdown of Expenses For The Year Ended June 30, 2009**

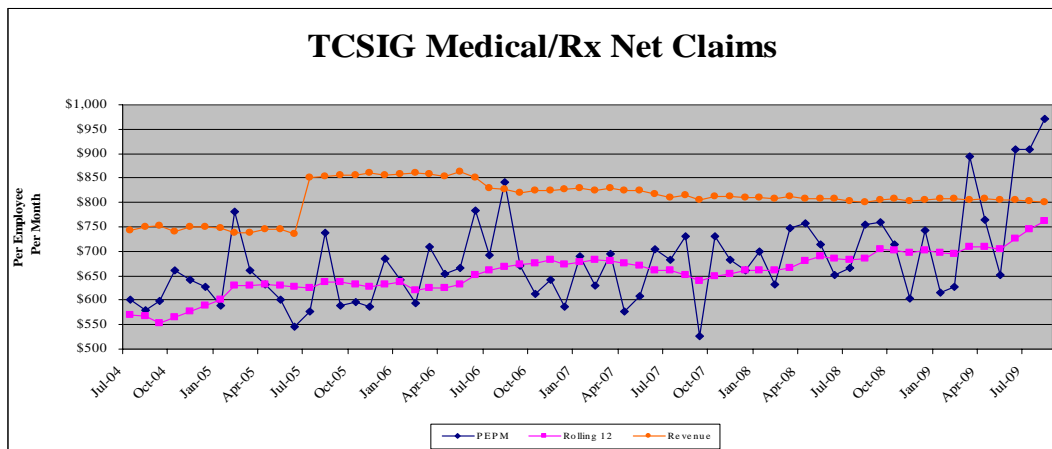


# TRI-COUNTY SCHOOLS INSURANCE GROUP

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

### Analysis of Overall Financial Position and Results of Operations

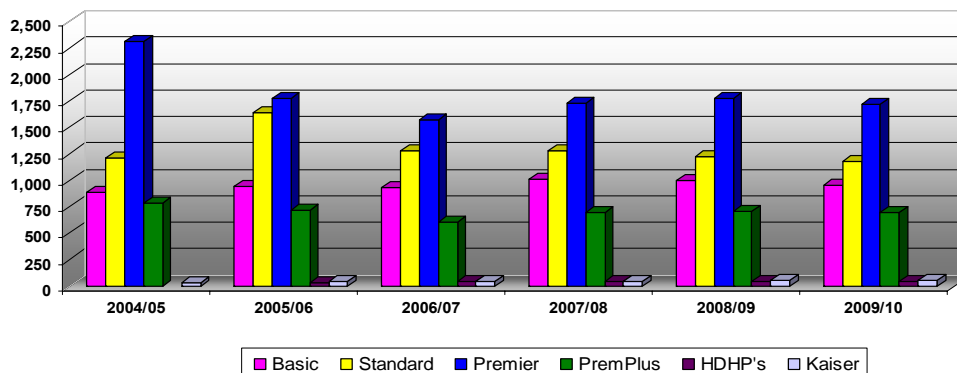
Total assets increased by \$1.3 million from June 30, 2008 to June 30, 2009. This was mainly due to stable claims experience. Total liabilities remained at the same level. As a result of these changes in assets and liabilities, the total net assets increased by \$1.3 million from June 30, 2008 to June 30, 2009. This places the Group in an excellent financial position. Revenue remained fairly constant from June 30, 2008 to June 30, 2009 at \$52 million. However claims trended up approximately \$1 million, which was less than expected. Due to the excellent condition of the employee benefit programs, rate increases were not needed in any of the employee benefit programs.



Membership in the employee benefit programs is remaining constant, with Basic, Standard, and Premier Plans being the most popular of the medical program. High Deductible Health Plans are also offered to allow members to save for future medical costs tax-free.

Preventive medical benefits have been increased so that 100% of the costs are paid by the medical program for routine in-network preventive care. Free health screenings performed at the employee's place of work is another benefit for our members in order to help them understand their own health situation. There are also on-line tools available for members to get and stay healthy. These initiatives are believed to have a long term impact on claims cost.

### Medical Plan Enrollment Migration



# TRI-COUNTY SCHOOLS INSURANCE GROUP

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

In the property/casualty program, proactive steps were made to keep rates from increasing. Due to the financial stability of the program, the formation of a new Joint Powers Authority was possible. TCSIG and two other JPA's pooled their resources in order to form Superior California Excess Liability Pool (SUPERIOR), which will cover another layer of self-insured retention, thereby keeping the cost of excess insurance to a minimum. This JPA was formed to provide an alternative to commercial re-insurance for the \$250,000 to \$1,000,000 layer of liability coverage.

### Comparison of Budget to Actual For the Year Ended June 30, 2009

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>DOLLAR VARIANCE</u>	<u>PERCENTAGE VARIANCE</u>
<u>REVENUES</u>				
Contributions	\$ 52,082,952	\$ 52,931,213	\$ (848,261)	-1.60%
Interest Income	<u>868,160</u>	<u>1,000,000</u>	<u>(131,840)</u>	<u>-0.13%</u>
Total Revenues	\$ 52,951,112	\$ 53,931,213	\$ (980,101)	-1.82%
<u>EXPENSES</u>				
Provision for Claims				
And Claim Adjustment	\$ 45,512,747	\$ 49,647,500	\$ (4,134,753)	-8.33%
Insurance Premiums	2,867,752	2,935,676	(67,924)	-2.31%
Contract Services	2,612,466	2,689,400	(76,934)	-2.86%
General and Administrative	<u>658,888</u>	<u>681,585</u>	<u>(22,697)</u>	<u>3.33%</u>
Total Expenses	<u>51,651,853</u>	<u>55,954,161</u>	<u>(4,302,308)</u>	<u>-7.69%</u>
Net Income	<u>\$ 1,299,259</u>	<u>\$ (2,022,948)</u>	<u>\$ 3,322,207</u>	<u>-164.23%</u>

The decrease in budgeted to actual Contributions is due to a slight decrease in average membership.

The decrease in Interest Income was caused by less than anticipated return on investment funds. Interest income exceeded general and administrative expense.

The decrease in Provision for Claims and Claim Adjustment expense is due to better medical claims experience than anticipated, also there was a slight decrease in average membership.

The decrease in Insurance Premiums expense is largely due to the rate on Specific Excess Insurance in the Property/Liability Fund not increasing as much as anticipated.

The decrease in Contract Services is due to successful negotiations with our Preferred Provider Networks and Third Party Administrator resulting in lower rate increases.

The decrease in General and Administrative expense is due to less than anticipated administrative costs.

# TRI-COUNTY SCHOOLS INSURANCE GROUP

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

### Comparison of Budget to Actual For the Year Ended June 30, 2008

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>DOLLAR VARIANCE</u>	<u>PERCENTAGE VARIANCE</u>
<u>REVENUES</u>				
Contributions	\$ 52,508,651	\$ 49,936,858	\$ 2,571,793	5.15%
Interest Income	<u>1,195,762</u>	<u>885,600</u>	<u>310,162</u>	<u>35.02%</u>
Total Revenues	\$ 53,704,413	\$ 50,822,458	\$ 2,881,955	5.67%
<u>EXPENSES</u>				
Provision for Claims And Claim Adjustment	\$ 44,826,437	\$ 44,879,000	\$ (52,563)	-0.12%
Insurance Premiums	2,717,065	2,754,886	(37,821)	-1.37%
Contract Services	2,499,015	2,540,760	(41,745)	-1.64%
General and Administrative	<u>908,241</u>	<u>667,585</u>	<u>240,656</u>	<u>36.05%</u>
Total Expenses	<u>50,950,758</u>	<u>50,842,231</u>	<u>108,527</u>	<u>0.21%</u>
Net Income	<u>\$ 2,753,655</u>	<u>\$ (19,773)</u>	<u>\$ 2,773,428</u>	<u>-14,026.35%</u>

The increase in budgeted to actual Contributions is due to a slight increase in average membership.

The increase in Interest Income was caused by a greater than anticipated return on investment funds and a larger average balance being invested. Interest income exceeded general and administrative expense. The decrease in Provision for Claims and Claim Adjustment expense is due to better medical claims experience. Trend was less than anticipated trend.

The decrease in Insurance Premiums expense is largely due to the rate on Specific Excess Insurance in both the Property/Liability Fund and the Medical Fund not increasing as much as anticipated.

The decrease in Contract Services is due to successful negotiations with our Preferred Provider Networks and Third Party Administrator resulting in lower rate increases.

The increase in General and Administrative expense is primarily due to board action to eliminate a \$252,000 side fund balance at CalPERS.

# TRI-COUNTY SCHOOLS INSURANCE GROUP

## STATEMENTS OF NET ASSETS

JUNE 30, 2009 AND 2008

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	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 27,916,521	\$ 26,743,198
Accounts receivable	1,571,281	1,429,045
Prepaid expenses	803,944	764,139
Deposits	<u>2,724</u>	<u>2,724</u>
Total Current Assets	30,294,470	28,939,106
<b>CAPITAL ASSETS:</b>		
Furniture and equipment, net	<u>4,863</u>	<u>14,476</u>
 Total Assets	 <u>30,299,333</u>	 <u>28,953,582</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	116,661	205,943
Due to member districts	220,097	
Claims payable	430,562	506,559
Deferred revenue	111,311	87,084
Accrued liability for unpaid claims - current portion	<u>7,886,607</u>	<u>7,860,860</u>
Total Current Liabilities	8,765,238	8,660,446
<b>NONCURRENT LIABILITIES:</b>		
Member deposits	44,330	44,330
Accrued liability for unpaid claims	<u>652,735</u>	<u>711,035</u>
Total Liabilities	<u>9,462,303</u>	<u>9,415,811</u>
<b>NET ASSETS</b>		
<b>NET ASSETS:</b>		
Invested in capital assets	4,863	14,476
Unrestricted	<u>20,832,167</u>	<u>19,523,295</u>
 Total Net Assets	 <u>\$ 20,837,030</u>	 <u>\$ 19,537,771</u>

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

# TRI-COUNTY SCHOOLS INSURANCE GROUP

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2009 AND 2008

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	<u>2009</u>	<u>2008</u>
<b>OPERATING REVENUES:</b>		
Member contributions	\$ <u>52,082,952</u>	\$ <u>52,508,651</u>
<b>OPERATING EXPENSES:</b>		
Provision for claims and claim adjustment expenses	45,512,747	44,826,437
Insurance premiums	2,867,752	2,717,065
Contract services	2,612,466	2,499,013
General and administrative expenses	<u>658,888</u>	<u>908,243</u>
Total Operating Expenses	<u>51,651,853</u>	<u>50,950,758</u>
 Operating Income	 431,099	 1,557,893
<b>NON OPERATING REVENUES:</b>		
Investment Income	<u>868,160</u>	<u>1,195,762</u>
 Change in net assets	 1,299,259	 2,753,655
<b>NET ASSETS, Beginning of Year</b>	<u>19,537,771</u>	<u>16,784,116</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 20,837,030</u>	<u>\$ 19,537,771</u>

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

# TRI-COUNTY SCHOOLS INSURANCE GROUP

## STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received for premium contributions	\$ 51,542,817	\$ 52,639,612
Cash paid for insurance claims	(45,545,300)	(43,503,293)
Cash paid for insurance premiums	(2,867,752)	(2,717,065)
Cash paid to employees, member districts and vendors	<u>(2,898,292)</u>	<u>(3,417,521)</u>
Net Cash Provided by Operating Activities	231,473	3,001,733
<b>CASH FLOWS USED IN CAPITAL AND RELATED FINANCIAL ACTIVITIES:</b>		
Purchase of furniture and equipment		(5,497)
<b>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:</b>		
Interest received	<u>941,850</u>	<u>1,256,669</u>
<b>NET INCREASE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	1,173,323	4,252,905
<b>CASH AND EQUIVALENTS BALANCE, Beginning</b>	<u>26,743,198</u>	<u>22,490,293</u>
<b>CASH AND EQUIVALENTS BALANCE, Ending</b>	<u>\$ 27,916,521</u>	<u>\$ 26,743,198</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 431,099	\$ 1,557,893
Adjustments to reconcile operating income to net cash Provided by operating activities:		
Depreciation	9,613	10,489
Increase in accounts receivable	(215,926)	(261,791)
(Increase) decrease in prepaid expenses	(39,805)	269,059
(Decrease) increase in accounts payable	(89,282)	49,818
Increase in due to member districts	220,097	
(Decrease) increase in claims payable	(75,997)	75,442
Increase (decrease) in deferred revenue	24,227	(22,321)
(Decrease) increase in unpaid claims and claims adjustment expenses	<u>(32,553)</u>	<u>1,323,144</u>
Net Cash Provided by Operating Activities	<u>\$ 231,473</u>	<u>\$ 3,001,733</u>

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

# TRI-COUNTY SCHOOLS INSURANCE GROUP

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

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### 1. GENERAL INFORMATION

#### **Organization**

Tri-County Schools Insurance Group (the Group), is a Joint Powers Authority (JPA) established by a Joint Powers Agreement in 1983 for the purpose of providing property, liability and health benefits coverage (Program Coverage) to its members.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The accompanying financial statements are presented on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles. Under the accrual basis, revenues and the related assets are recognized when earned, and expenses and related liabilities are recognized when the obligation is incurred. The Group has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989.

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and investments readily convertible into known amounts of cash with original maturities at date of purchase of less than three months.

#### **Fair Value of Pooled Investments**

Changes in fair value of pooled investments are reported in the statement of revenues, expenses and change in net assets. The fair value of investments, at June 30, 2009 and June 30, 2008 approximated their carrying value. As a result, no change in fair value amounts were reported in the statement of revenues, expenses and change in net assets.

#### **Furniture and Equipment**

Furniture and equipment are carried at cost. Depreciation is computed on the straight-line method with useful lives of three to five years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Management evaluates furniture and equipment for financial impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable.

#### **Provision for Unpaid Claims and Claim Adjustment Expenses**

The Group's policy is to establish unpaid claims and claim adjustment expenses 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 subrogation and reinsurance recoverable on unpaid claims are deducted from the liability. The Group also estimates the unallocated claim

# TRI-COUNTY SCHOOLS INSURANCE GROUP

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

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adjustment expense and includes it in this liability. Because actual claims costs depend on such complex factors as inflation, changes in the doctrine of legal liability, and damage awards, the process used in computing unpaid claims and claim adjustment expenses does not necessarily result in an exact amount, particularly for coverages such as general liability. Unpaid claims and claim adjustment expenses are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, other economic and social factors, and estimated payment dates. Adjustments to unpaid claims and claim adjustment expenses are charged or credited to expense in the period in which they are made. The current portion of unpaid claims and claim adjustment expenses is estimated based on current year payments and known claims information at the end of the year.

### **Excess Insurance**

The Group purchases specific occurrence excess insurance from excess or reinsurance providers for the Medical and Property/Casualty programs. For the year ended June 30, 2009, the specific excess insurance for medical claims provides coverage on a claims paid basis for policy year losses related to individual members over \$200,000 and additional corridor retention of \$555,000. The Group provides the property/casualty program with a self-insured retention of \$100,000 for property and \$250,000 for liability, and excess insurance from this level up to \$20,000,000 per occurrence.

### **Member Contributions**

Member contributions are recognized as revenues in the period for which insurance protection is provided. If the Group's Board of Directors determines that the insurance funds for a program are insufficient to pay losses, the Group may impose a supplemental assessment on all participating members. Supplemental assessments are recognized as income in the period assessed. The contributions for the Group's Medical, Dental and Vision programs were based on an actuarial study which included estimated administrative expenses. Operating revenues and expenses include all activities necessary to achieve the objectives of the Group. Non-operating revenues and expenses include investment activities.

Entities applying for membership must be approved by a majority vote of the Executive Committee members present and voting, and must pay an appropriate entry fee or charge as established by the Executive Committee. Members may withdraw from the Group upon advance written notice subject to the participation agreement of each program. The effect of withdrawal (or termination) for the pooling programs 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.

### **Designated Net Assets**

The Board has designated a stabilization reserve at a 95% confidence interval for the Medical program and an amount not less than seven times the current specific stop loss of \$250,000 in the Property and Casualty program. The stabilization reserve at June 30, 2009 and 2008 was \$6,600,000 and \$6,600,000, respectively, for the Medical program. The stabilization reserve at June 30, 2009 and 2008 was \$1,750,000, for Property and Casualty. Any net assets in the Dental and Vision programs are undesignated.

# TRI-COUNTY SCHOOLS INSURANCE GROUP

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

### Income Taxes

The Group 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.

### Significant events

The Group has considered subsequent events for inclusion in the audit report through the date of issuance.

### Post employment benefits

In July of 2004, the GASB issued GASB Statement 45 (GASB 45), Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, with required implementation for the Group during the 2008-09 fiscal year. The new statement will significantly change the way state and local governments report their "other postemployment benefits" to the public. As a result of GASB 45, state and local governments will be required to (1) recognize the cost of these benefits in periods when the related services were rendered to the employer, (2) provide information about the actuarial accrued liabilities for promised benefits associated with past services and to what extent those benefits have been funded, (3) and provide information useful in assessing potential demands on employer's cash flow. The Group has not implemented GASB 45 as of June 30, 2009, however plan management does not believe that there will be a significant impact to the financial statements and plans to use the Alternative Measurement Method to account for the liability.

### 3. CASH AND CASH EQUIVALENTS

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

	<u>2009</u>	<u>2008</u>
Cash in Yuba County Treasury	\$ 29,857,636	\$ 27,850,549
Cash on hand and in banks	24,190	52,590
Claims payable	<u>(1,965,305)</u>	<u>(1,159,941)</u>
Total cash and cash equivalents	<u>\$ 27,916,521</u>	<u>\$ 26,743,198</u>

# TRI-COUNTY SCHOOLS INSURANCE GROUP

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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### **Cash in County Treasury**

In accordance with the Joint Powers Agreement, the Group maintains substantially all of its cash in the Yuba County Treasury. The County pools these funds with those of other governmental units in the County and invests the cash. These pooled funds are carried at fair value. Interest earned is deposited quarterly into the funds of participating programs. Any investment gains and losses are proportionately shared by all programs in the pool.

Because the Group's deposits are maintained in a recognized Pooled Investment Fund (Fund) under the care of a third party and the Group's share of the pool does not consist of specific, identifiable investment securities owned by the Group, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

The Group's deposits in the Fund are considered to be highly liquid. Interest earned is deposited quarterly into participating funds. In accordance with applicable State laws, the Yuba County Treasurer may invest in derivative securities. However, at June 30, 2009, the Yuba County Treasurer has represented that the Fund contained no derivatives or other investments with similar risk profiles.

### **Custodial Credit Risk**

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) or are collateralized with investment securities owned by the bank. At June 30, 2009, the carrying amount of the Group's accounts was \$24,190 and the bank balances were \$315,262 of which \$46,478 exceeded the FDIC insured limit. The carrying value and the bank balance differ due to deposits in transit and outstanding checks and cash held with separate institutions.

### **Investment Interest Rate Risk**

The Group has adopted the County of Yuba's investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2009, the Group had no significant interest rate risk related to cash and cash equivalents held.

### **Investment Credit Risk**

The Group does not have a formal investment policy that limits its investment choices other than the limitations of state law.

### **Concentration of Investment Credit Risk**

The Group does not place limits on the amount it may invest in any one issuer. At June 30, 2009, the Group had no concentration of credit risk.

# TRI-COUNTY SCHOOLS INSURANCE GROUP

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

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### 4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, consisted of the following:

	<u>2009</u>	<u>2008</u>
Contributions receivable	\$ 563,671	\$ 912,107
Excess Insurance receivable	848,677	284,141
Interest receivable	158,895	232,585
Other receivable	<u>38</u>	<u>212</u>
Total accounts receivable	<u>\$ 1,571,281</u>	<u>\$ 1,429,045</u>

### 5. FURNITURE AND EQUIPMENT

Furniture and equipment at June 30, consisted of the following:

	<u>2009</u>	<u>2008</u>
Office equipment	\$ 52,775	\$ 52,775
Computers	41,212	41,212
Software	<u>16,098</u>	<u>16,098</u>
Furniture and equipment at cost	110,085	110,085
Less accumulated depreciation	<u>(105,222)</u>	<u>(95,609)</u>
Furniture and equipment, net	<u>\$ 4,863</u>	<u>\$ 14,476</u>

Activity for furniture and equipment for the years ended June 30, included the following:

	<u>2009</u>	<u>2008</u>
Furniture and equipment, beginning of year	\$ 14,476	\$ 19,468
Purchases		5,497
Current year depreciation expense	<u>(9,613)</u>	<u>(12,801)</u>
Furniture and equipment, end of year	<u>\$ 4,863</u>	<u>\$ 14,476</u>

# TRI-COUNTY SCHOOLS INSURANCE GROUP

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

### 6. UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

As discussed in Note 2, the Group established a liability for both reported and unreported insured events for the Program Coverages. The following represents changes in those aggregate liabilities during the years ended June 30:

	<u>2009</u>	<u>2008</u>
Unpaid claims and claim adjustment expenses, beginning of year	\$ 8,571,895	\$ 7,248,751
Incurred claims and claim adjustment expenses:		
Provision for covered events of the current year	47,790,031	45,682,369
Decrease in provision for covered events of prior years	<u>(2,277,283)</u>	<u>(855,931)</u>
Total incurred claims and claim adjustment expenses	<u>45,512,747</u>	<u>44,826,438</u>
Payments:		
Claims and claim adjustment expenses attributable to covered events of the current year	39,827,043	37,750,830
Claims and claim adjustment expenses attributable to covered events of prior years	<u>5,718,258</u>	<u>5,752,464</u>
Total payments	<u>45,545,301</u>	<u>43,503,294</u>
Total unpaid claims and claim adjustment expenses, end of year	<u>\$ 8,539,342</u>	<u>\$ 8,571,895</u>

The components of the unpaid claims and claim adjustment expenses as of June 30, were as follows:

	<u>2009</u>	<u>2008</u>
Claims incurred, but not reported (IBNR)	\$ 7,819,450	\$ 7,582,635
Unallocated loss adjustment expenses (ULAE)	628,101	694,580
Accrued claims reserves	<u>91,791</u>	<u>294,680</u>
	8,539,342	8,571,895
Less current portion	<u>(7,886,607)</u>	<u>(7,860,860)</u>
Accrued liability for unpaid claims – noncurrent portion	<u>\$ 652,735</u>	<u>\$ 711,035</u>

### 7. EMPLOYEE RETIREMENT PLAN

Qualified employees are covered under an agent multi-employer defined benefit pension plan maintained by an agency of the State of California. Group employees are members of the California Public Employees' Retirement System (CalPERS).

#### Plan Description

The Group's defined benefit pension plan (the "Plan") provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of

# TRI-COUNTY SCHOOLS INSURANCE GROUP

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

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benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The Plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board approval. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, California 95814.

### **Funding Policy**

Active Group plan members are required to contribute 8% of their annual covered salary. The Group is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended June 30, 2009 was 12.53%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

### **Annual Pension Cost**

For the year ended June 30, 2009, the Group's annual pension cost was \$44,173 and the Group contributed \$44,173. The required contribution was determined as part of the June 30, 2006 actuarial valuation. A summary of the principle assumptions and methods used to determine the annual required contribution is shown below.

Valuation Date	June 30, 2006
Actual Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	16 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, Service and Type of Employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scaled varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

# TRI-COUNTY SCHOOLS INSURANCE GROUP

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

The Group's plan had less than 100 active members as of the June 30, 2006 actuarial valuation. As a result, the Group's members are required to participate in a larger risk pool Miscellaneous 2.7% at 55 Risk Pool.

Unfunded liabilities are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

The CalPERS Miscellaneous 2.7% at 55 Risk Pool Plan has an unfunded liability of \$210,610,066 as of June 30, 2006. This liability will be amortized through higher employer pension rates applied over a 30-year period as determined by CalPERS.

### Three Year Trend Information for the Plan

<u>Fiscal Year Ended June 30:</u>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation (Asset)</b>
2007	\$ 53,619	100%	\$ 0
2008	\$ 55,896	100%	\$ 0
2009	\$ 44,174	100%	\$ 0

Amounts contributed to CalPERS are based on the actuarially determined annual contribution rates applied as a percentage of payroll costs. The amounts contributed will differ from the projected annual pension cost due to fluctuations between actual and projected payroll costs. The net pension liability as of June 30, 2009 is not significant and has not been accrued in the financial statements.

### Funded Status of the Plan

<b>Valuation Date</b>	<b>Entry Age Normal Accrued Liability</b>	<b>Actuarial Value of Assets</b>	<b>Unfunded Liability (UAAL) / (Surplus)</b>	<b>Funded Status</b>	<b>Annual Covered Payroll</b>	<b>UAAL as a Percentage of Payroll</b>
2004	\$ 681,517,006	\$ 580,960,891	\$ 100,556,115	85.2%	\$ 160,107,449	62.8%
2005	\$ 872,346,612	\$ 729,556,809	\$ 142,789,803	83.6%	\$ 203,995,039	70.0%
2006	\$ 1,280,157,040	\$ 1,069,546,974	\$ 210,610,066	83.6%	\$ 304,898,179	69.1%

# TRI-COUNTY SCHOOLS INSURANCE GROUP

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

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### 8. SUPERIOR CALIFORNIA EXCESS LIABILITY POOL

TCSIG participates in a joint venture under a joint powers agreement (JPA) with Superior California Excess Liability Pool (the Pool). The relationship between TCSIG and the Pool is such that the Pool is not a component unit of TCSIG for financial reporting purposes.

The Pool arranges for and provides the services and other items necessary and appropriate for the establishment, operation, and maintenance of excess liability, other risk pooling and insured plans. A board consisting of a representative from each member agency governs the Pool. The Board controls the operations of the Pool including approval of operating budgets, independent of any influence by the member agencies beyond their representation on the board. Each member's agency pays a premium commensurate with the actuarial determination proportionate to their ADA.

Condensed financial information of the Pool for the year ended June 30, 2009 is as follows:

Total Assets	<u>\$ 1,938,214</u>
Total Liabilities	<u>\$ 12,750</u>
Total Net Assets	<u>\$ 1,925,464</u>
Total Revenues	\$ 989,333
Total Expenses	<u>16,762</u>
Increase in Net Assets	<u>\$ 972,571</u>

## **SUPPLEMENTARY INFORMATION**

**TRI-COUNTY SCHOOLS INSURANCE GROUP**

**RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT  
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>Property and Casualty</u>		<u>Medical Benefits</u>		<u>Dental Benefits</u>		<u>Vision Benefits</u>		<u>Totals</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Unpaid claims and claim adjustment expenses, beginning of year	\$ 1,066,035	\$ 940,000	\$ 7,025,670	\$ 5,884,270	\$ 422,850	\$ 369,132	\$ 57,340	\$ 55,349	\$ 8,571,895	\$ 7,248,751
Incurred claims and claim adjustment expenses:										
Provision for covered events of the current year	446,473	616,702	43,175,477	41,097,849	3,503,949	3,328,396	664,132	639,422	47,790,031	45,682,369
Change in provision for covered events of prior years	<u>(276,529)</u>	<u>(139,596)</u>	<u>(1,739,327)</u>	<u>(515,092)</u>	<u>(225,087)</u>	<u>(166,394)</u>	<u>(36,340)</u>	<u>(34,849)</u>	<u>(2,277,283)</u>	<u>(855,931)</u>
Total incurred claims and claim adjustment expenses	<u>169,944</u>	<u>477,106</u>	<u>41,436,150</u>	<u>40,582,757</u>	<u>3,278,862</u>	<u>3,162,002</u>	<u>627,792</u>	<u>604,573</u>	<u>45,512,748</u>	<u>44,826,438</u>
Payments:										
Claims and claim adjustment expenses attributable to covered events of the current fiscal year	48,595	191,023	36,106,386	34,072,179	3,066,741	2,905,546	605,321	582,082	39,827,043	37,750,830
Claims and claim adjustment expenses attributable to covered events of prior years	<u>213,152</u>	<u>160,048</u>	<u>5,286,343</u>	<u>5,369,178</u>	<u>197,763</u>	<u>202,738</u>	<u>21,000</u>	<u>20,500</u>	<u>5,718,258</u>	<u>5,752,464</u>
Total payments	<u>261,747</u>	<u>351,071</u>	<u>41,392,729</u>	<u>39,441,357</u>	<u>3,264,504</u>	<u>3,108,284</u>	<u>626,321</u>	<u>602,582</u>	<u>45,545,301</u>	<u>43,503,294</u>
Total unpaid claims and claims adjustment expense, end of year	<u>\$ 974,232</u>	<u>\$ 1,066,035</u>	<u>\$ 7,069,091</u>	<u>\$ 7,025,670</u>	<u>\$ 437,208</u>	<u>\$ 422,850</u>	<u>\$ 58,811</u>	<u>\$ 57,340</u>	<u>\$ 8,539,342</u>	<u>\$ 8,571,895</u>
Claims incurred but not reported	\$ 785,441	\$ 603,355	\$ 6,570,744	\$ 6,530,818	\$ 410,755	\$ 397,266	\$ 52,510	\$ 51,196	\$ 7,819,450	\$ 7,582,635
ULAE	97,000	168,000	498,347	494,852	26,453	25,584	6,301	6,144	628,101	694,580
Accrued claims reserves	<u>91,791</u>	<u>294,680</u>							<u>91,791</u>	<u>294,680</u>
Total unpaid claims and claims adjustment expense	<u>\$ 974,232</u>	<u>\$ 1,066,035</u>	<u>\$ 7,069,091</u>	<u>\$ 7,025,670</u>	<u>\$ 437,208</u>	<u>\$ 422,850</u>	<u>\$ 58,811</u>	<u>\$ 57,340</u>	<u>\$ 8,539,342</u>	<u>\$ 8,571,895</u>

See notes to supplementary information

**TRI-COUNTY SCHOOLS INSURANCE GROUP**  
**PROPERTY AND CASUALTY**  
**SUPPLEMENTARY SCHEDULE OF CLAIMS DEVELOPMENT INFORMATION - TEN YEARS**  
**JUNE 30, 2009**

	Fiscal and Policy Year Ended June 30,									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1) Required contribution and investment revenue:										
Earned	\$ 970,623	\$ 1,038,276	\$ 1,115,530	\$ 1,243,358	\$ 1,326,315	\$ 1,411,169	\$ 1,534,475	\$ 1,636,680	\$ 1,730,423	\$ 1,644,978
Ceded	(492,427)	(459,225)	(557,054)	(703,833)	(750,770)	(751,524)	(803,532)	(791,502)	(1,036,739)	(1,014,443)
Net earned	478,196	579,051	558,476	539,525	575,545	659,645	730,943	845,178	693,684	630,535
2) Unallocated expenses	36,174	11,155	73,327	38,953	51,297	72,513	23,617	(76,691)	166,706	(38,617)
3) Estimated incurred claims and expense, end of policy year:										
Incurred	384,722	291,132	457,802	366,575	361,297	486,328	541,562	552,872	616,702	446,473
Ceded	(616)									
Net Insured	384,106	291,132	457,802	366,575	361,297	486,328	541,562	552,872	616,702	446,473
4) Paid (cumulative) as of:										
End of program year	162,197	50,805	95,744	75,264	34,706	86,661	117,026	47,942	191,023	48,595
One year later	166,921	61,440	214,098	271,985	65,763	123,204	207,163	70,444	231,905	
Two years later	221,187	194,197	277,985	469,423	87,171	227,351	321,382	106,059		
Three years later	256,578	197,629	300,305	499,401	100,774	250,172	449,198			
Four years later	260,322	198,793	341,310	501,336	100,773	259,250				
Five years later	325,899	198,793	341,310	501,336	100,773					
Six years later	327,512	198,793	341,310	493,125						
Seven years later	327,722	198,797	349,819							
Eight years later	328,223	198,797								
Nine years later	327,686									
5) Reestimated ceded claims and expenses	616									
6) Reestimated net incurred claims and expenses										
End of program year	384,106	291,132	457,802	366,575	361,297	486,328	541,562	552,872	616,702	446,473
One year later	300,045	280,000	470,464	484,772	146,704	503,733	443,834	229,681	648,722	
Two years later	308,000	228,811	375,775	566,742	133,177	367,346	698,464	155,828		
Three years later	308,000	228,811	351,995	508,059	138,082	328,116	558,966			
Four years later	308,000	198,793	341,310	508,059	105,773	259,250				
Five years later	345,037	198,793	341,310	508,059	100,773					
Six years later	342,538	198,793	341,310	493,125						
Seven years later	342,538	198,797	349,819							
Eight years later	343,130	198,797								
Nine years later	328,223									
7) Increase (decrease) in estimated incurred claims and expenses from end of program year	\$ (55,883)	\$ (92,335)	\$ (107,983)	\$ 126,550	\$ (260,524)	\$ (227,078)	\$ 17,404	\$ (397,044)	\$ 32,020	\$ 0

See notes to supplementary information

**TRI-COUNTY SCHOOLS INSURANCE GROUP**

**MEDICAL BENEFITS  
SUPPLEMENTARY SCHEDULE OF CLAIMS DEVELOPMENT INFORMATION - TEN YEARS  
JUNE 30, 2009**

	Fiscal and Policy Year Ended June 30,									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1) Required contribution and investment revenue:										
Earned	\$ 20,218,012	\$ 23,564,594	\$ 25,619,634	\$ 30,989,580	\$ 38,120,591	\$ 46,677,385	\$ 52,784,180	\$ 44,754,158	\$ 47,632,495	\$ 46,994,397
Ceded	(389,951)	(538,652)	(778,751)	(812,251)	(1,437,834)	(1,523,067)	(1,581,322)	(1,514,467)	(1,680,326)	(1,853,309)
Net earned	19,828,061	23,025,942	24,840,883	30,177,329	36,682,757	45,154,318	51,202,858	43,239,691	45,952,169	45,141,088
2) Unallocated expenses	1,412,841	1,529,565	14,572,265	2,062,085	2,375,419	2,409,586	2,451,614	2,469,664	3,081,258	2,885,418
3) Estimated incurred claims and expense, end of policy year:										
Incurred	19,475,460	21,800,818	23,727,890	32,218,559	37,521,449	41,645,346	42,773,078	36,774,391	41,510,561	43,726,715
Ceded	(309,167)	(473,165)	(299,916)	(253,385)	(182,768)	(338,882)	(473,974)	(262,725)	(412,712)	(551,238)
Net Insured	19,166,293	21,327,653	23,427,974	31,965,174	37,338,681	41,306,464	42,299,104	36,511,666	41,097,849	43,175,477
4) Paid (cumulative) as of:										
End of program year	16,227,426	18,055,379	19,744,254	26,147,150	30,473,863	34,355,574	35,537,525	30,627,396	34,072,179	36,106,386
One year later	18,395,775	20,437,586	22,709,126	32,444,457	35,807,250	39,176,548	40,674,044	35,996,574	39,358,522	
Two years later	18,395,775	20,437,586	22,709,126	32,444,457	35,807,250	39,176,548	40,674,044	35,996,574		
Three years later	18,395,775	20,437,586	22,709,126	32,444,457	35,807,250	39,176,548	40,674,044			
Four years later	18,395,775	20,437,586	22,709,126	32,444,457	35,807,250	39,176,548				
Five years later	18,395,775	20,437,586	22,709,126	32,444,457	35,807,250					
Six years later	18,395,775	20,437,586	22,709,126	32,444,457						
Seven years later	18,395,775	20,437,586	22,709,126							
Eight years later	18,395,775	20,437,586								
Nine years later	18,395,775									
5) Reestimated ceded claims and expenses	782,332	773,081	553,301	436,152	521,651	812,856	736,699	675,436	963,950	551,238
6) Reestimated net incurred claims and expenses										
End of program year	19,166,293	21,327,653	23,427,974	31,965,174	37,338,681	41,306,464	42,299,104	36,511,666	41,097,849	43,175,477
One year later	18,395,775	20,437,586	22,709,126	32,444,457	35,807,250	39,176,548	40,674,044	35,996,574	39,358,522	
Two years later	18,395,775	20,437,586	22,709,126	32,444,457	35,807,250	39,176,548	40,674,044	35,996,574		
Three years later	18,395,775	20,437,586	22,709,126	32,444,457	35,807,250	39,176,548	40,674,044			
Four years later	18,395,775	20,437,586	22,709,126	32,444,457	35,807,250	39,176,548				
Five years later	18,395,775	20,437,586	22,709,126	32,444,457	35,807,250					
Six years later	18,395,775	20,437,586	22,709,126	32,444,457						
Seven years later	18,395,775	20,437,586	22,709,126							
Eight years later	18,395,775	20,437,586								
Nine years later	18,395,775									
7) Increase (decrease) in estimated incurred claims and expenses from end of program year	\$ (770,518)	\$ (890,067)	\$ (718,848)	\$ 479,283	\$ (1,531,431)	\$ (2,129,916)	\$ (1,625,060)	\$ (515,092)	\$ (1,739,327)	\$ 0

See notes to supplementary information

**TRI-COUNTY SCHOOLS INSURANCE GROUP**

**DENTAL BENEFITS**

**SUPPLEMENTARY SCHEDULE OF CLAIMS DEVELOPMENT INFORMATION - TEN YEARS**

**JUNE 30, 2009**

	Fiscal and Policy Year Ended June 30,									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1) Required contribution and investment revenue:										
Earned	\$ 3,041,177	\$ 3,257,544	\$ 3,239,560	\$ 3,562,578	\$ 4,016,092	\$ 3,905,962	\$ 3,084,794	\$ 3,096,939	\$ 3,562,357	\$ 3,521,175
Ceded										
Net earned	3,041,177	3,257,544	3,239,560	3,562,578	4,016,092	3,905,962	3,084,794	3,096,939	3,562,357	3,521,175
2) Unallocated expenses	203,342	209,794	209,129	242,901	268,428	278,490	212,798	222,817	271,142	264,236
3) Estimated incurred claims and expense, end of policy year:										
Incurred	2,596,264	2,645,726	2,615,368	3,161,814	3,511,049	3,689,966	2,860,322	2,897,113	3,328,396	3,503,949
Ceded										
Net Insured	2,596,264	2,645,726	2,615,368	3,161,814	3,511,049	3,689,966	2,860,322	2,897,113	3,328,396	3,503,949
4) Paid (cumulative) as of:										
End of program year	2,303,479	2,325,872	2,253,986	2,707,256	3,056,491	3,216,545	2,502,923	2,527,981	2,905,546	3,066,741
One year later	2,537,926	2,576,713	2,527,353	3,037,560	3,405,685	3,467,524	2,699,587	2,730,719	3,103,309	
Two years later	2,537,926	2,576,713	2,527,353	3,037,560	3,405,685	3,467,524	2,699,587	2,730,719		
Three years later	2,537,926	2,576,713	2,527,353	3,037,560	3,405,685	3,467,524	2,699,587			
Four years later	2,537,926	2,576,713	2,527,353	3,037,560	3,405,685	3,467,524				
Five years later	2,537,926	2,576,713	2,527,353	3,037,560	3,405,685					
Six years later	2,537,926	2,576,713	2,527,353	3,037,560						
Seven years later	2,537,926	2,576,713	2,527,353							
Eight years later	2,537,926	2,576,713								
Nine years later	2,537,926									
5) Reestimated ceded claims and expenses										
6) Reestimated net incurred claims and expenses										
End of program year	2,596,264	2,645,726	2,615,368	3,161,814	3,511,049	3,689,966	2,860,322	2,897,113	3,328,396	3,503,949
One year later	2,537,926	2,576,713	2,527,353	3,037,560	3,405,685	3,467,524	2,699,587	2,730,719	3,103,309	
Two years later	2,537,926	2,576,713	2,527,353	3,037,560	3,405,685	3,467,524	2,699,587	2,730,719		
Three years later	2,537,926	2,576,713	2,527,353	3,037,560	3,405,685	3,467,524	2,699,587			
Four years later	2,537,926	2,576,713	2,527,353	3,037,560	3,405,685	3,467,524				
Five years later	2,537,926	2,576,713	2,527,353	3,037,560	3,405,685					
Six years later	2,537,926	2,576,713	2,527,353	3,037,560						
Seven years later	2,537,926	2,576,713	2,527,353							
Eight years later	2,537,926	2,576,713								
Nine years later	2,537,926									
7) Increase (decrease) in estimated incurred claims and expenses from end of program year	\$ (58,338)	\$ (69,013)	\$ (88,015)	\$ (124,254)	\$ (105,364)	\$ (222,442)	\$ (160,735)	\$ (166,394)	\$ (225,087)	\$ 0

See notes to supplementary information

# TRI-COUNTY SCHOOLS INSURANCE GROUP

## VISION BENEFITS

### SUPPLEMENTARY SCHEDULE OF CLAIMS DEVELOPMENT INFORMATION - TEN YEARS

JUNE 30, 2009

	Fiscal and Policy Year Ended June 30,									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1) Required contribution and investment revenue:										
Earned	\$ 502,236	\$ 509,069	\$ 492,757	\$ 535,046	\$ 605,216	\$ 682,126	\$ 592,456	\$ 596,809	\$ 779,130	\$ 790,560
Ceded										
Net earned	502,236	509,069	492,757	535,046	605,216	682,126	592,456	596,809	779,130	790,560
2) Unallocated expenses	60,977	68,539	61,405	77,777	89,037	89,316	82,005	85,558	99,597	93,840
3) Estimated incurred claims and expense, end of policy year:										
Incurred	448,433	447,032	426,150	550,349	642,405	658,700	585,877	601,020	639,422	664,132
Ceded										
Net Incurred	448,433	447,032	426,150	550,349	642,405	658,700	585,877	601,020	639,422	664,132
4) Paid (cumulative) as of:										
End of program year	409,204	411,004	384,456	494,481	586,537	599,782	533,860	545,671	582,082	605,321
One year later	433,223	439,061	414,678	526,482	616,539	633,438	557,523	566,171	603,082	
Two years later	433,223	439,061	414,678	526,482	616,539	633,438	557,523	566,171		
Three years later	433,223	439,061	414,678	526,482	616,539	633,438	557,523			
Four years later	433,223	439,061	414,678	526,482	616,539	633,438				
Five years later	433,223	439,061	414,678	526,482	616,539					
Six years later	433,223	439,061	414,678	526,482						
Seven years later	433,223	439,061	414,678							
Eight years later	433,233	439,061								
Nine years later	433,233									
5) Reestimated ceded claims and expenses										
6) Reestimated net incurred claims and expenses										
End of program year	448,433	447,032	426,150	550,349	642,405	658,700	585,877	601,020	639,422	664,132
One year later	433,223	439,061	414,678	526,482	616,539	633,438	557,523	566,171	603,082	
Two years later	433,223	439,061	414,678	526,482	616,539	633,438	557,523	566,171		
Three years later	433,223	439,061	414,678	526,482	616,539	633,438	557,523			
Four years later	433,223	439,061	414,678	526,482	616,539	633,438				
Five years later	433,223	439,061	414,678	526,482	616,539					
Six years later	433,223	439,061	414,678	526,482						
Seven years later	433,223	439,061	414,678							
Eight years later	433,233	439,061								
Nine years later	433,233									
7) Increase (decrease) in estimated incurred claims and expenses from end of program year	\$ (15,200)	\$ (7,971)	\$ (11,472)	\$ (23,867)	\$ (25,866)	\$ (25,262)	\$ (28,354)	\$ (34,849)	\$ (36,340)	\$ 0

See notes to supplementary information

# TRI-COUNTY SCHOOLS INSURANCE GROUP

## NOTES TO SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2009

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The tables illustrate how the Group's earned revenues (net of reinsurance) and investment income compare to related costs of loss and other expenses assumed by the Group as of the end of each of the last ten years. The rows of tables are defined as follows:

- (1) Total of each fiscal year's gross earned contribution and investment revenues, contribution revenue ceded to reinsurers, and net earned contribution and investment revenues.
- (2) Fiscal year's other operating costs of the Group including overhead and claims expenses not allocable to individual claims (for the medical, dental and vision programs, unallocated loss adjustment expenses are included in lines 3 and 6).
- (3) The Group's gross incurred claims and claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- (4) Cumulative amounts paid as of the end of successive years for each policy year.
- (5) The latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
- (6) Policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, as well as emergence of new claims not previously known.
- (7) Compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

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

## **ADDITIONAL INFORMATION**

# TRI-COUNTY SCHOOLS INSURANCE GROUP

## COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2009

	<u>Property and Casualty</u>	<u>Medical</u>	<u>Dental</u>	<u>Vision</u>	<u>Total</u>
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 3,513,316	\$ 21,685,268	\$ 2,490,428	\$ 227,509	\$ 27,916,521
Accounts receivable	21,070	1,488,069	51,787	10,355	1,571,281
Prepaid expenses	755,030	48,501	258	155	803,944
Deposits	<u>                    </u>	<u>2,724</u>	<u>                    </u>	<u>                    </u>	<u>2,724</u>
Total Current Assets	4,289,416	23,224,562	2,542,473	238,019	30,294,470
<b>CAPITAL ASSETS:</b>					
Furniture and equipment, net	<u>244</u>	<u>4,230</u>	<u>244</u>	<u>145</u>	<u>4,863</u>
Total Assets	<u>4,289,660</u>	<u>23,228,792</u>	<u>2,542,717</u>	<u>238,164</u>	<u>30,299,333</u>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES:</b>					
Accounts payable	1,269	113,362	1,269	761	116,661
Due to member districts	220,097				220,097
Claims payable		365,680		64,882	430,562
Deferred revenue	104,560	6,751			111,311
Accrued liability for unpaid claims - current portion	<u>321,497</u>	<u>7,069,091</u>	<u>437,208</u>	<u>58,811</u>	<u>7,886,607</u>
Total Current Liabilities	647,423	7,554,884	438,477	124,454	8,765,238
<b>NONCURRENT LIABILITIES:</b>					
Member deposits		37,529	5,437	1,364	44,330
Accrued liability for unpaid claims	<u>652,735</u>				<u>652,735</u>
Total Liabilities	<u>1,300,158</u>	<u>7,592,413</u>	<u>443,914</u>	<u>125,818</u>	<u>9,462,303</u>
<b>NET ASSETS</b>					
<b>NET ASSETS:</b>					
Invested in capital assets	244	4,230	244	145	4,863
Unrestricted	<u>3,209,351</u>	<u>15,412,059</u>	<u>2,098,555</u>	<u>112,202</u>	<u>20,832,167</u>
Total Net Assets	<u>\$ 3,209,595</u>	<u>\$ 15,416,289</u>	<u>\$ 2,098,799</u>	<u>\$ 112,347</u>	<u>\$ 20,837,030</u>

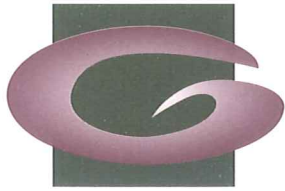
# TRI-COUNTY SCHOOLS INSURANCE GROUP

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2009

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	<b>Property and Casualty</b>	<b>Medical</b>	<b>Dental</b>	<b>Vision</b>	<b>Total</b>
<b>OPERATING REVENUES:</b>					
Member contributions	<u>\$ 1,531,280</u>	<u>\$ 46,320,222</u>	<u>\$ 3,445,933</u>	<u>\$ 785,517</u>	<u>\$ 52,082,952</u>
<b>OPERATING EXPENSES:</b>					
Provision for claims and claim adjustment expenses	169,944	41,436,149	3,278,862	627,792	45,512,747
Insurance premiums	1,014,444	1,853,308			2,867,752
Contract services		2,304,146	233,161	75,159	2,612,466
General and administrative expenses	<u>32,383</u>	<u>577,773</u>	<u>30,209</u>	<u>18,523</u>	<u>658,888</u>
Total Operating Expenses	<u>1,216,771</u>	<u>46,171,376</u>	<u>3,542,232</u>	<u>721,474</u>	<u>51,651,853</u>
Operating income (loss)	314,509	148,846	(96,299)	64,043	431,099
<b>NON OPERATING REVENUES:</b>					
Investment Income	<u>113,698</u>	<u>674,175</u>	<u>75,243</u>	<u>5,044</u>	<u>868,160</u>
Change in Net Assets	428,207	823,021	(21,056)	69,087	1,299,259
<b>NET ASSETS, Beginning of Year</b>	<u>2,781,388</u>	<u>14,593,268</u>	<u>2,119,855</u>	<u>43,260</u>	<u>19,537,771</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 3,209,595</u>	<u>\$ 15,416,289</u>	<u>\$ 2,098,799</u>	<u>\$ 112,347</u>	<u>\$ 20,837,030</u>

## **OTHER INDEPENDENT AUDITOR'S REPORT**



**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  
Tri-County Schools Insurance Group  
Yuba City, California**

We have audited the accompanying financial statements of Tri-County Schools Insurance Group (the Group) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 3, 2009. 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 the Group's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Group's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Group's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Group's financial statements that is more than inconsequential will not be prevented or detected by the Group's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Group's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Group's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 or other matters that are required to be reported under *Government Auditing Standards*.

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

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.**  
**Sacramento, California**

**December 3, 2009**