INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY (ICRMA)

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015 AND 2014
(With Independent Auditors' Report)

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INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

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James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Tax, and Consulting

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Independent Cities Risk Management Authority
Orange, California

Report on the Financial Statements

We have audited the accompanying Statement of Net Position of Independent Cities Risk Management Authority (ICRMA) as of June 30, 2015 and 2014, and the related Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

701 Howe Avenue, Suite E3, Sacramento, CA 95825 (916) 993-9494 fax (916) 993-9489
www.jpmcpa.com jmarta@jpmcpa.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Independent Cities Risk Management Authority as of June 30, 2015 and 2014 and the results of its operations and its 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ICRMA's basic financial statements. The Supplemental Information, as listed on the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplemental Information, as listed on the table of contents are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Supplemental Information, as listed on the table of contents are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2015 on our consideration of Independent Cities Risk Management Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control 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* in considering the entities internal control over financial reporting and compliance.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
October 16, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Independent Cities Risk Management Authority (ICRMA) presents the following discussion and analysis of the operating results, financial condition, and liquidity of ICRMA for the fiscal year ended June 30, 2015. This discussion should be read in conjunction with the financial statements and notes to the financial statements included with this report.

General Program Highlights

ICRMA was established for the purpose of operating and maintaining a cooperative program of self-insurance and risk management. Consisting of 21 cities in Los Angeles and Orange Counties, ICRMA offers pooled liability and workers' compensation coverage programs. Members also group purchase property/earthquake/flood insurance, along with auto physical damage, crime and cyber coverage. ICRMA provides its members with a wide range of tailored risk management services, including claims oversight, cost containment, training, and loss control services.

Financial Highlights for the Fiscal Year Ended June 30, 2015

Revenues	$23.8 million	Operating revenues increased $1.3 million, or (6%) over the prior year. A reduction in contribution due to one member withdrawal was offset by more conservative funding levels in the Liability and Workers' Compensation Programs. Non-operating revenues (investment income) decreased from the prior year due to market valuation on the investment portfolio.
Expenses	$45.6 million	Increased $16.8 million (58%) over the prior year primarily as a result of increased claims expense in the Liability Program driven by large claims incurred during the fiscal year.
Assets	$65.5 million	Decreased $4.2 million from the prior year largely due to higher claim payment activity.
Liabilities	$56.8 million	Increased $17.6 million due to increased claim liability estimates in the Liability Program for claims incurred during the fiscal year.

Description of the Basic Financial Statements

ICRMA's financial statements are prepared in conformity with generally accepted accounting principles and include amounts based upon reliable estimates and judgments. The basic financial statements include a Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; and Statement of Cash Flows, along with accompanying Notes to Financial Statements.

The **Statement of Net Position** presents information on ICRMA's assets and liabilities, the difference between the two representing net position, also known as pool equity.

The **Statement of Revenues, Expenses and Changes in Net Position** presents information showing total revenues versus total expenses and how ICRMA's net position changed during the fiscal year. All revenues and expenses are recognized as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in the disbursement or collection of cash during future fiscal years (e.g., the expense associated with the increase in claims liability, involving cash outlay beyond the date of the financial statements).

The **Statement of Cash Flows** presents the changes in ICRMA's cash and cash equivalents during the fiscal year. ICRMA's routine activities appear in the operating activities while sales and purchases of investments are part of investing activities.

The **Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes describe the nature of ICRMA's operations and significant accounting policies as well as clarify unique financial information.

The **Required Supplementary Information** follows the basic financial statements and provides further detail and reconciliation of claims liabilities.

Analysis of Overall Financial Position and Results of Operations

Condensed Statements of Net Position
June 30, 2015, 2014, and 2013

	2015	2014	2013
Current assets	$ 15,911,261	$ 18,631,881	$ 23,046,514
Noncurrent assets	49,625,087	51,124,281	49,099,015
Total assets	65,536,347	69,756,162	72,145,529
Current liabilities	8,069,684	7,364,475	6,121,542
Noncurrent liabilities	48,697,672	31,849,961	29,334,129
Total liabilities	56,767,356	39,214,436	35,455,671
Net position:			
Unrestricted	$ 8,768,991	$ 30,541,726	$ 36,689,858

Current and Non-Current Assets

2014/15 Fiscal Year

Total assets decreased approximately $4.2 million (6%) from $69.8 million at June 30, 2014, to $65.5 million at June 30, 2015. The decrease was due to a net cash outflow of $6.0 million in the Liability Program due to payments on multiple large claims. The Workers' Compensation Program, however, was stable and experienced a growth in cash of $1.3 million.

2013/14 Fiscal Year

Total assets decreased approximately $2.4 million (3%) from $72.1 million at June 30, 2013, to $69.8 million at June 30, 2014. The increase in assets was driven more conservative funding which was offset by claim payments that were higher than the prior year.

2012/13 Fiscal Year

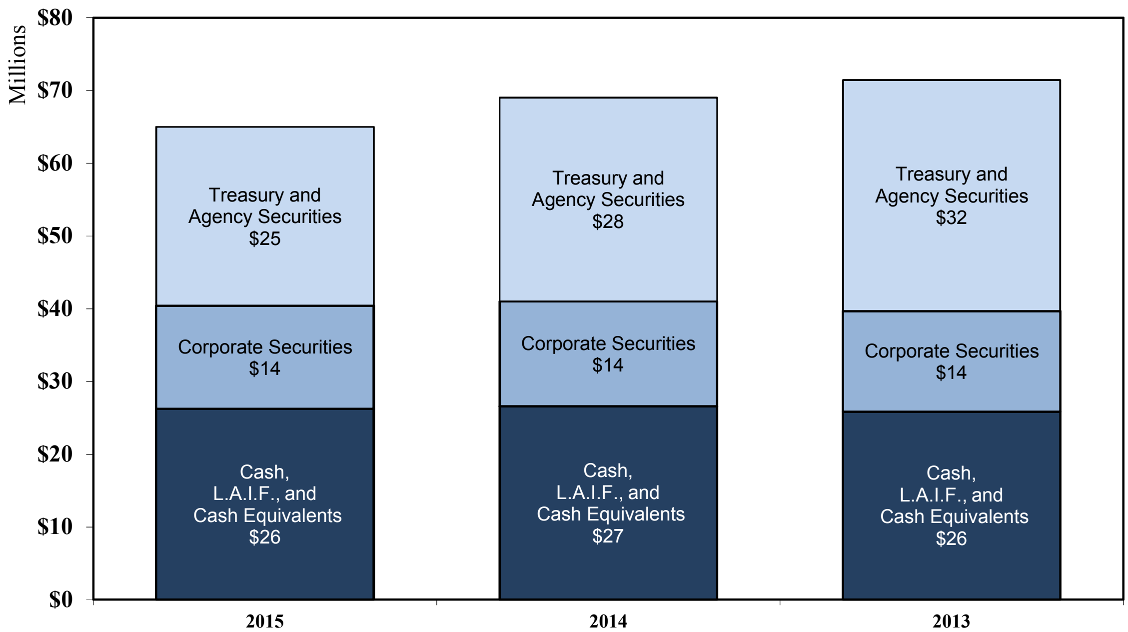
Total assets increased approximately $8.1 million which was driven by the collection of contributions to fund the payment of self-insured general liability and workers' compensation losses in future years, resuming the funding in the Workers' Compensation Program mid-layer pool, and a reduction in claim payments over the prior year of $3.6 million.

Cash and Investments

The majority of ICRMA's investments are maintained in a professionally managed portfolio or in the Local Agency Investment Fund (LAIF), an external investment pool managed by the State Treasurer's Office. The managed portfolio consists of fixed income securities and cash equivalents purchased and held in accordance with ICRMA's investment policy and the California Government Code.

The asset allocation at June 30, 2015, remained generally consistent over prior years with an increase in the deposits held in LAIF to match an expected increase in claim payments. The following graph depicts the make-up of ICRMA's cash and investments at June 30, 2015, 2014, and 2013:

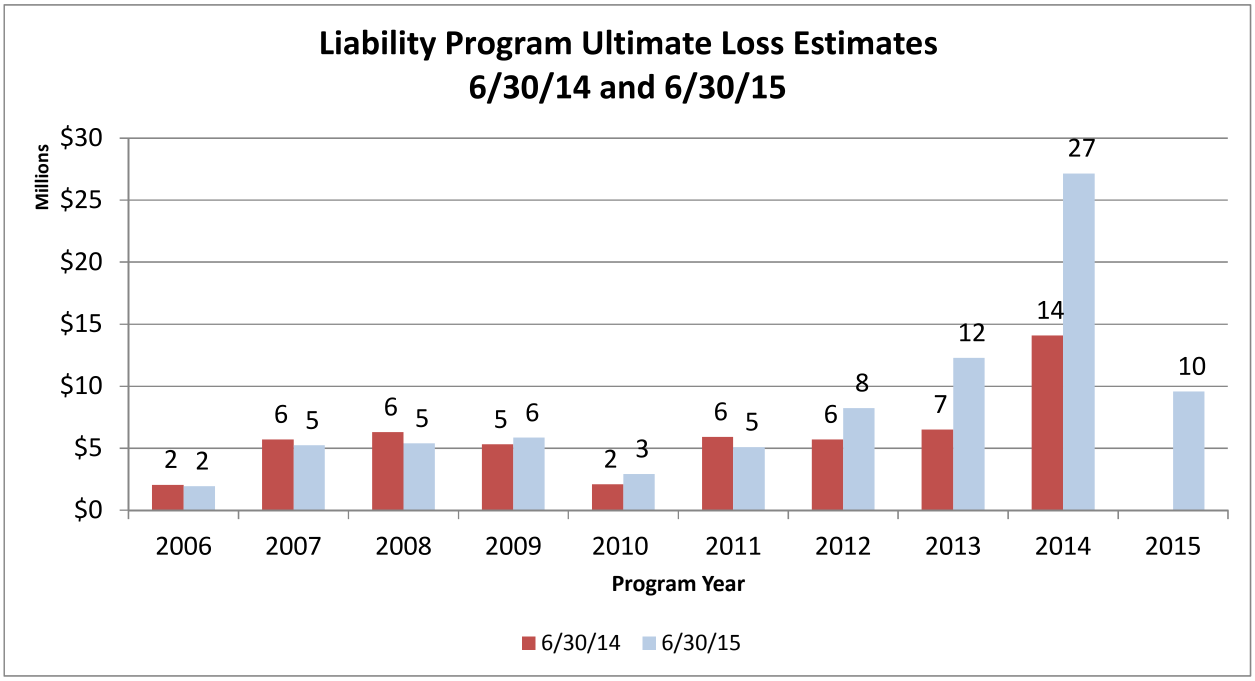
Asset Allocation at June 30 2015, 2014, and 2013



Current and Non-Current Liabilities

<u>2014/15 Fiscal Year</u>

ICRMA's liabilities consist almost entirely of the unpaid liability for loss and loss adjustment expenses in the Liability and Workers' Compensation Programs, which increased $17.6 million over the prior year. While the Workers' Compensation claim costs were stable over the prior year, the Liability Program experienced a significant increase in losses due to multiple large losses that were incurred in the 2012/13 and 2013/14 program years, but which increased in value during the 2014/15 fiscal year. In addition, two claims were resolved during the fiscal year that involved matters brought against the ICRMA by two cities. The increase in the incurred losses in the Liability Program resulted in both an increase in the case reserves established on these claims as well as the estimate of incurred but not reported liability. The following chart presents a comparison of the ultimate loss estimates by program year valued at 6/30/15 and 6/30/14 for the Liability Program only. As shown in the chart, the ultimate estimated claim costs increased in several program years, of which $44.4 million and $27.0 million remained unpaid as of June 30, 2015 and 2014, respectively. The increase in unpaid, together with the estimated unpaid loss for the 2014/15 program year caused the increase in unpaid claims over the prior year.



2013/14 Fiscal Year
The total claim liability increased $3.8 million over the prior year to $39.1 million at June 30, 2014. In the Liability Program, a $13.7 million liability was recorded for the estimated claims incurred in the 2014 fiscal year, which was offset by a pay down of the liability for prior year claims of $11.3 million. The liability recorded in the Workers' Compensation Program was consistent with the prior year.

2012/13 Fiscal Year
At June 30, 2013, ICRMA's total liability for unpaid claims increased $6.8 million over the prior year to $35.3 million and was experienced almost entirely in the Liability Program. In the Workers' Compensation Program a $1.7 million liability was recognized for 2012/13 fiscal year claims, but was offset by a $1.6 million decrease in the re-estimated ultimate cost of claims incurred in prior fiscal years.

Revenues and Expenses

Condensed Statements of Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2015, 2014, and 2013

	2015	2014	2013
Operating revenues	$ 23,080,193	$ 21,794,603	$ 21,070,149
Operating expenses	45,571,647	28,815,332	19,845,022
Operating income	(22,491,454)	(7,020,729)	1,225,127
Nonoperating revenues, investment income (loss)	718,719	872,597	167,149
Increase in net position	(21,772,735)	(6,148,132)	1,392,276
Net position, beginning of year	30,541,726	36,689,858	35,297,582
Net position, end of year	$ 8,768,991	$ 30,541,726	$ 36,689,858

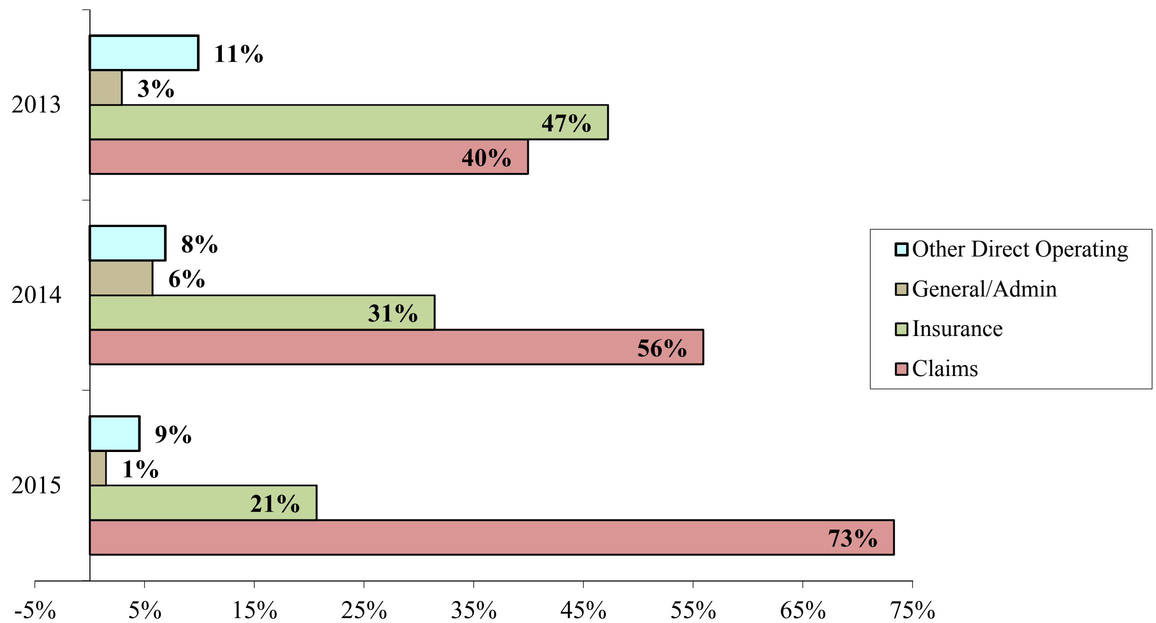
2014/15 Fiscal Year
Total operating revenues increased $1.1 million or 5% over the prior year which was driven primarily by increased contributions in the Liability Program. The rates for the liability program self-insured layer of coverage increased an average of 10% and the cost of reinsurance increased 13%. These two components make up the majority of the contributions paid by members. ICRMA's other programs were stable over the prior year with contribution increases of less than 10%.

Investment income was consistent with the prior year.

Expenses increased $16.8 million or 58% over the prior year as a result of the increased claim expense in the Liability Program of $17.3 million as discussed above. In the prior year, a $1.0 million reserve fund distribution was made, but was not repeated in the 2014/15 fiscal year and offset the increase in expense. Professional fees, program operating expenses, regulatory assessments, and general and administrative expenses were stable with a less than 4% increase over the prior year.

The table below shows the distribution of the major expense categories for the fiscal years ended June 30, 2015, 2014, and 2013. The distribution shifted in 2015 due to the high claim expense in the Liability Program.

2015, 2014, and 2013 Program Year Expenses, excluding dividends

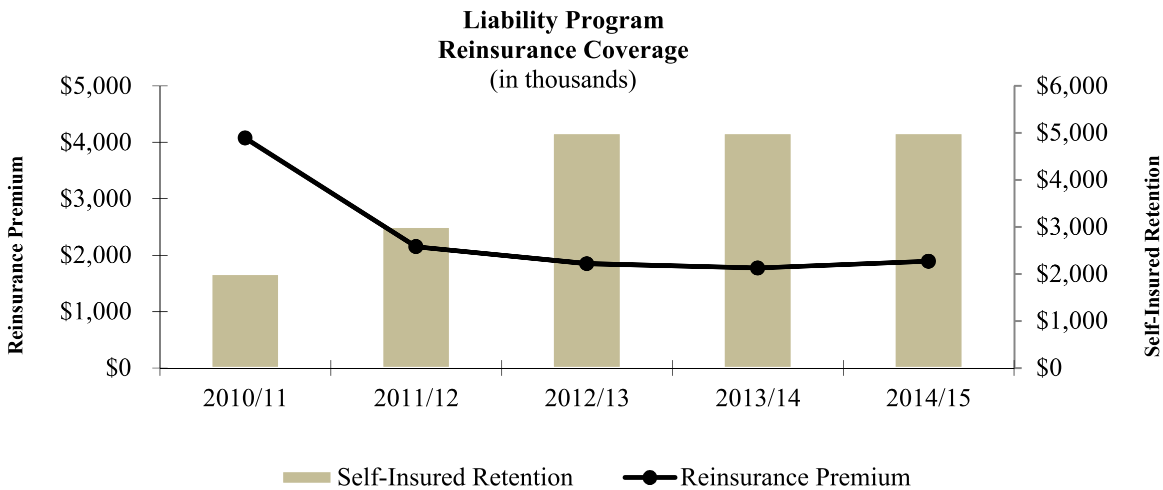


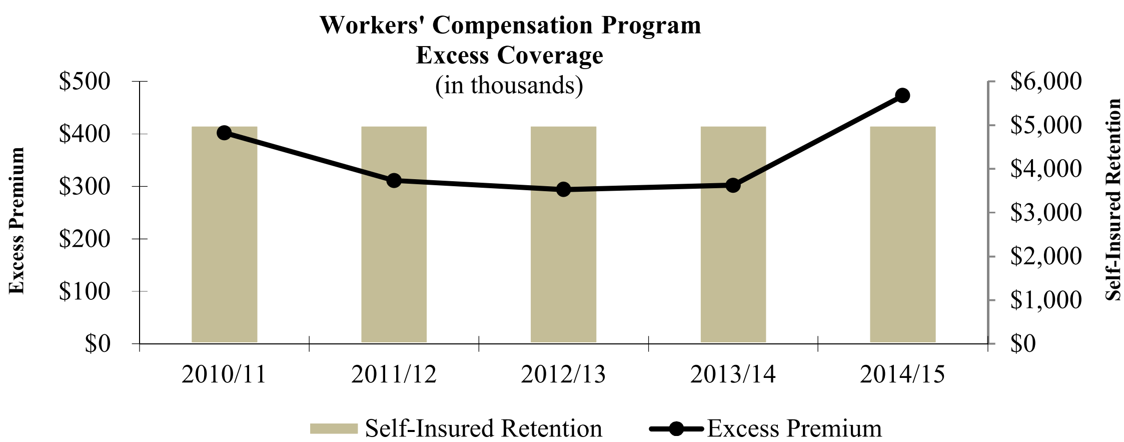
Provision for Insured Events

As discussed above, total claims expenses increased $17.6 million over the prior year. The increase results from: 1) recognizing the initial estimates of claims costs for the 2014/15 program year, and 2) the effect of re-estimating the ultimate cost of claims of all older program years. The initial estimates of the 2014/15 claims were favorable in both programs, with lower estimates than the prior year in both the Liability and Workers' Compensation Programs. The re-estimated costs of claims incurred in older accident years increased sharply in the Liability Program due to the high claim activity discussed above, but was favorable in the Workers' Compensation where the estimates were reduced from the prior year.

Insurance Expense

ICRMA purchases liability reinsurance and workers' compensation excess insurance to cover losses in excess of its self-insured retentions of $5 million for both programs. The graphs below show ICRMA's historical excess insurance premiums and the respective self-insured retentions. The Liability Program reinsurance coverage renewed at a 13% premium increase for the 2014/15 fiscal year due to the effects of large losses incurred during recent years. The Workers' Compensation excess insurance costs increased over the prior year as a result of the Governing Board increasing the coverage in this program from $500 million to statutory limits.





2013/14 Fiscal Year
Total operating revenues increased $724,000, or 3% over the prior year. The reduction in contribution caused by the withdrawal of one member was offset by increases in both the Liability and Workers' Compensation Programs. In the Liability Program, the probability level used to establish the funding rates was increased from the central estimate to 70% probability causing an increase in the loss fund contributions. In the Workers' Compensation Program, the funding for the layer covering losses from $1 million to $5 million was changed from a fixed amount to the actuarial based central estimate, causing a slight increase in funding.

Expenses increased $9 million or 45% over the prior year which was driven by an increase in the estimated cost of claims incurred in the 2013/14 fiscal year. The total claims expense in the Liability Program increased $6.5 million, with the claims expense in the Workers' Compensation Program increasing $1.7 million. The remaining increases in expenses were minor and spread across other operating expenses.

ICRMA's investment earnings increased $705,000 or (422%) over the prior year which was driven by unrealized gains on the fixed income portion of the portfolio.

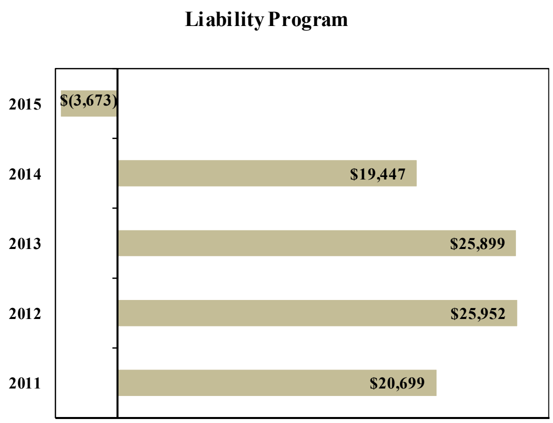
2012/13 Fiscal Year
Total operating revenues increased $1.8 million, or 6% over the prior year. The increase resulted primarily from the addition of group purchased auto physical damage and crime programs, as well as an increase in the member contributions necessary to cover a large increase in the user assessment paid to the State of California Division of Workers' Compensation.

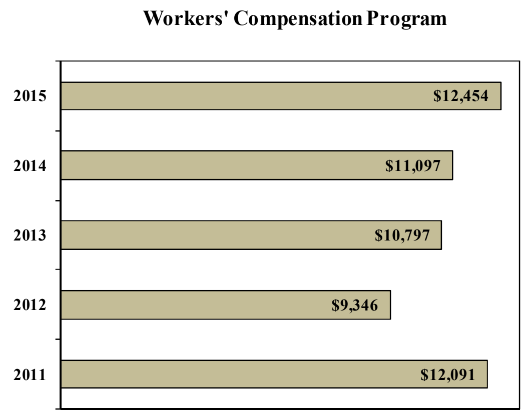
Expenses increased $1.3 million or 7% in 2013 due to a significant increase in the amount assessed by the State of California, Department of Industrial Relations to cover the costs of administering the State's workers' compensation system. In addition, the costs associated with ICRMA's self-insured losses and loss adjustment expenses increased $1.0 million over 2012, with a $4.1 million decrease in the Workers' Compensation Program and a $5.2 million increase in the Liability Program. Excess insurance and reinsurance costs were stable over the prior year.

Net Position
The Liability Program net deficit was $3.7 million at June 30, 2015, which was a decrease from the prior year of $23.1 million. The reduction to net position was directly related to the increased claims costs discussed above. The Workers' Compensation net position was $12.5 million at the end of the fiscal year, increasing approximately $1.4 million over the prior year due to stable loss experience.

The following charts display ICRMA's historical net position.

Historical Net Position
(in thousands)





The following ratios are used to gauge the financial stability of ICRMA. The two ratios shown below provide an indication of financial strength based on the net position maintained by ICRMA. A low ratio of net contribution to net position indicates that a margin exists in the event annual contributions are ultimately deemed insufficient to cover all program year losses and expenses. A high ratio of net position to self-insured retention indicates a greater ability to finance multiple large losses without impairing the solvency of ICRMA.

	Liability Program		Workers' Compensation Program	
	2015	2014	2015	2014
Net contributions received	$ 10,075,267	$ 9,389,743	$ 3,387,895	$ 3,149,282
Net position as of June 30	$ (3,672,561)	$ 19,446,551	$ 12,454,491	$ 11,096,656
Net contribution to net position ratio (Target: <2:1)	**-2.74:1**	**0.48:1**	**0.27:1**	**0.28:1**
Net position as of June 30	$ (3,672,561)	$ 19,446,551	$ 12,454,491	$ 11,096,656
Program SIR as of June 30	$ 5,000,000	$ 5,000,000	$ 5,000,000	$ 5,000,000
Net position to self-insured retention ratio (Target: >5:1)	**-0.73:1**	**3.89:1**	**2.49:1**	**2.22:1**

With the Liability Program experiencing a net deficit at June 30, 2015, the ratios are unfavorable. The Workers' Compensation Program was stable over the prior year.

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

In developing the budget for the fiscal year ended June 30, 2015, pool administration staff and the Governing Board took into account the factors that had significant potential to adversely affect the budgeted figures: primarily the claims, investment, and insurance environments. Projections for investment income took into consideration the trends in the interest income generated by ICRMA's invested cash and the resulting effect on the funding levels.

The following is a brief overview of conditions in the insurance and fixed income investment markets. While the potential for adverse market conditions can have a future impact on ICRMA, its stable membership, strong surplus, and flexibility allow ICRMA to adapt to changing conditions. ICRMA continues to emphasize loss control and the creation of value added programs in order to maintain stability in the cost to members.

Liability

Soft market conditions continue to be driven by a surplus of capacity and new capital into the marketplace, assisting with the level of increases that would otherwise be seen. Rates continue to remain soft although increases are not uncommon when high exposures and/or adverse loss development exists. Carriers are honoring flat renewals for profitable accounts and seeking minimum increases in the 5-10% range, and higher, consistent with the levels of losses. Competition is helpful, however, ICRMA's ultimate pricing will be reflective of current losses delivered. Changes in retentions remain an option for minimizing rate increases with ICRMA carriers.

The Employment Practice Liability market tightened in 2014 due to deteriorating industry-wide loss experience. Fair Labor Standards Act (FLSA) litigation is increasingly problematic for many employers as "wage and hour" claims are not covered by most EPL policies.

Workers' Compensation

Statewide California experience indicates that costs started to level off in 2014. As a result, the WCIRB filed for a rate decrease of 5.0%, effective July 1, 2015. In part, the reason for the decrease is that 2014 costs emerged lower than anticipated. Contributing factors to the lower costs included the implementation of Resource-Based Relative Value Scale (RBRVS) and Independent Medical Review (IMR), both of which are associated with SB 863. Although the average medical and indemnity loss per claim has stabilized, one area of concern is the steady increase in claim frequency, driven particularly by the Los Angeles area. In addition, allocated loss adjustment expense (ALAE) continues to increase.

Property

By the end of 2015, interest rates are predicted to slowly increase which is a positive sign for property carriers along with the increase in values for most accounts. This benefits the insurance industry because the majority of their assets are invested in financial markets, and the yields on these investments will likely increase. With very modest catastrophe losses in 2014, this presented yet another profitable year for carriers. Property insurance rates are separated into two classes, non-catastrophe for basic fire perils, and catastrophe (CAT) exposures such as earthquake and flood. Property without CAT exposure is seeing flat rates to a 5% reduction where loss activity is modest. When CAT perils are purchased the level of rate increase is dictated by the volume of paid losses, in conjunction with the concentration of property values within proximity of known faults and bodies of water. Probably Maximum Loss (PML) modeling studies are produced to estimate the determinations for carriers. ICRMA's 2014 study suggests an estimated PML in the $150 Million range. .

Investments

The first six months of 2015 have experienced a great deal of volatility in interest rates, with yields for a 2-year Treasury security higher than one year ago. Investor anticipation about a possible change in Fed policy and a rise in the Federal Funds Target Rate, as well as market shifts due to uncertainty about the insolvency of Greek sovereign debt, continue to drive the overall rate level for maturities shorter than five years. It is anticipated that an associated improvement in domestic economic conditions will eventually lead the Fed to raise the Federal Funds Target Rate sometime soon, but recent mixed economic news and the uncertain future of European finances have made the timing of the rate change uncertain.

Over the past year, the Authority's investment portfolio has experienced a decline in the supply of federal agency obligations available for purchase as a result of the U.S. Treasury's gradual wind-down of the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC). This has had the effect of 1) increasing the value of government-sponsored enterprise (GSE) obligations already held in the portfolio, and 2) decreasing the amount of yield earned for newly-purchased GSEs. As with most other local government investors, the Authority will have to explore other asset classes as an alternative to shrinking GSE debt. In the meantime, the Authority has continued to meet its goals of safety, liquidity, and yield/return through execution of an actively-managed strategy that seeks to identify undervalued securities that help the Authority meet its investment goals safely.

It is anticipated that the gradual rise in rates will continue to provide new opportunities to reinvest at higher rate levels, increasing interest income, but any new investment opportunities are weighed against the probability for further rate increases and their potential to diminish the fair value of the Authority's investments.

ICRMA, through its investment advisor, PFM Asset Management LLC, continues to pursue a policy of diversification of issuers, credit, bond market sectors, and maturities. Likewise, it monitors closely market changes that place upward pressure on interest rates for buying opportunities as well as for any negative effects on the fair market value of its holdings. Additionally, all investments are carefully analyzed and monitored to ensure that the portfolio maintains safety and liquidity, and all holdings continue to be appropriate for the Authority's goals. ICRMA's investment advisor will continue to monitor the markets for new risks and opportunities, assessing the investment marketplace and its impact on the portfolio in light of these current market forces.

BASIC FINANCIAL STATEMENTS

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

STATEMENT OF NET POSITION

AS OF JUNE 30, 2015 AND 2014

ASSETS

	2015	2014
Current Assets:		
Cash and Cash Equivalents (Note 2)	$ 12,908,148	$ 17,602,341
Investments (Note 2)	2,477,388	499,840
Accounts Receivable	189,207	224,924
Interest Receivable	170,288	136,687
Prepaid Expenses	166,230	168,089
Total Current Assets	15,911,261	18,631,881
Noncurrent Assets:		
Accounts Receivable	-	175,597
Investments (Note 2)	49,625,087	50,948,684
Total Noncurrent Assets	49,625,087	51,124,281
Total Assets	65,536,347	69,756,162

LIABILITIES

	2015	2014
Current Liabilities:		
Accounts Payable	50,684	90,475
Claims Payable - Current Portion (Note 4)	8,019,000	7,274,000
Total Current Liabilities	8,069,684	7,364,475
Noncurrent Liabilities:		
Claims Payable - Long-term Portion (Note 4)	48,697,672	31,849,961
Total Liabilities	56,767,356	39,214,436

NET POSITION

	2015	2014
Net Position - Unrestricted (Note 5)	$ 8,768,991	$ 30,541,726

See accompanying notes to financial statements.

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
OPERATING REVENUES:		
Member Premiums	$ 23,080,193	$ 21,794,603
OPERATING EXPENSES:		
Direct Operating Expenses:		
Claims Paid and Claim Adjustment Expenses, Net	33,419,066	16,122,723
Insurance Expense	9,422,028	9,060,928
Property Appraisals	-	1,080
Broker Fees	204,366	204,366
Claims Administration	294,949	290,704
CA Division of Workers Comp. Assessment	639,660	655,406
Structured Return To Work Program	253,887	235,657
Program Administration	659,875	597,641
Total Direct Operating Expenses	44,893,831	27,168,505
General and Administrative:		
Reserve Fund Distribution	-	1,000,000
General and Administrative	677,816	646,827
Total Operating Expenses	45,571,647	28,815,332
Operating Income (Loss)	(22,491,454)	(7,020,729)
NONOPERATING REVENUES:		
Investment Income	718,719	872,597
Change in Net Position	(21,772,735)	(6,148,132)
Net Position, Beginning of Year	30,541,726	36,689,858
Net Position, End of Year	$ 8,768,991	$ 30,541,726

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Cash Flows from Operating Activities:		
Cash Received from Members for Deposit Premiums	$ 23,291,507	$ 21,644,314
Cash Payments to Suppliers for Services	(12,190,521)	(12,732,409)
Cash Payments Relating to Claims and Claim Administration	(15,826,355)	(12,321,891)
Net Cash Provided By (Used For) Operating Activities	(4,725,369)	(3,409,986)
Cash Flows from Investing Activities:		
Purchases of Investments	(51,373,630)	(38,218,403)
Proceeds from Investment Sales and Maturities	50,794,431	37,194,179
Interest Income Received	610,374	926,976
Net Cash Provided By (Used For) Investing Activities	31,175	(97,249)
Net Increase (Decrease) in Cash and Cash Equivalents	(4,694,194)	(3,507,235)
Cash and Cash Equivalents, Beginning of Year	17,602,342	21,109,576
Cash and Cash Equivalents, End of Year	$ 12,908,148	$ 17,602,341
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income (loss)	$ (22,491,454)	$ (7,020,729)
Adjustment to net cash used by operating activities:		
(Increase) Decrease in Accounts Receivable	211,314	(150,289)
(Increase) Decrease in Prepaid Expenses	1,851	(2,084)
(Decrease) Increase in Accounts Payable	(39,791)	(37,716)
(Decrease) Increase in Claims Payable	17,592,711	3,800,832
Net Cash Provided By (Used For) Operating Activities	$ (4,725,369)	$ (3,409,986)
Cash and Cash Equivalents as Reported:		
Demand Deposits	$ 7,882	$ 28,250
Investment in State Investment Pool (LAIF)	12,825,760	17,481,170
Investment in California Asset Management Program (CAMP)	74,506	92,921
Cash and Cash Equivalents, End of Year	$ 12,908,148	$ 17,602,341
Noncash Investing, Capital and Financing Activities		
Unrealized gain (loss) in market values of investments	$ (66,398)	$ (301,569)

See accompanying notes to financial statements.

1. GENERAL INFORMATION

Independent Cities Risk Management Authority (ICRMA) was formed in 1980 under a joint exercise of powers agreement with five members in accordance with the provisions of California Government Code Section 6500, et seq. As of June 30, 2015, there were 21 participating members. ICRMA was created to provide risk treatment programs to protect its members, their officers and employees, and property against unavoidable losses through pooling of losses, self-insurance and purchasing insurance. ICRMA is governed by a Governing Board of Directors, consisting of one voting member appointed by each member agency.

Each member may elect to participate in one or more of the risk treatment programs that are offered by ICRMA for liability, workers' compensation and property coverage. A member may elect to withdraw from ICRMA at the end of a given fiscal year by providing written notice by December 1. Such withdrawal, however, will not terminate the member's responsibility for its share of claims and losses incurred prior to its withdrawal. ICRMA also has the right to cancel a member's participation with the approval of a two-thirds vote of the Governing Board.

ICRMA maintains an agreement with a pool management firm to provide administrative services to ICRMA. ICRMA also maintains agreements with outside firms to provide general legal counsel, coverage counsel, insurance brokerage, actuarial, financial auditing, claims auditing, claims administration and litigation management, pre-employment screening and investment management.

A. MEMBERSHIP

As of June 30, 2015, membership and selected retained limits were as follows:

Member	General Liability Program	Workers' Compensation Program	Property Program[1]	Auto Physical Damage Program[1]	Crime Program[1]	Cyber Program[1]
City of Alhambra	$250,000	$500,000	●	●	●	●
City of Azusa	500,000	350,000	●	●	●	●
City of Baldwin Park	300,000	500,000	●	●	●	●
City of Bell	250,000	--				●
City of Culver City	1,000,000	1,000,000	●	●	●	●
City of Downey	2,000,000	--	●	●	●	●
City of El Monte	250,000	--	●		●	●
City of El Segundo	750,000	350,000	●			●
City of Fullerton	5,000,000	--	●	●		●
City of Glendora	300,000	500,000	●	●	●	●
City of Hawthorne	250,000	--	●		●	●
City of Hermosa Beach	250,000	500,000	●	●	●	●
City of Huntington Park	250,000	500,000	●	●	●	●
City of Inglewood	1,500,000	1,000,000	●			●
City of Lynwood	100,000	500,000	●	●	●	●
City of Manhattan Beach	500,000	750,000	●		●	●
City of Monrovia	300,000	750,000	●	●	●	●
City of Monterey Park	300,000	500,000	●	●	●	●
City of Redondo Beach	500,000	750,000	●	●	●	●
San City of Fernando	250,000	500,000	●	●	●	●
City of South Gate	250,000	--	●	●	●	●

[1] These programs are a fully insured group purchase program with no risk sharing.

B. ADMISSION AND WITHDRAWAL OF MEMBERS

Admission

Any governmental agency, organized and operating under the laws of the state of California which is authorized to participate in a joint powers agreement under the Government Code may become a member of ICRMA. Prospective members must submit an application for admission and are subject to inspections by ICRMA. Admission into ICRMA is subject to the approval of the Governing Board, and prospective members must agree to remain a member for at least three consecutive fiscal years. The bylaws of each of ICRMA's programs contain admission and termination provisions specific to each program.

Withdrawal

Any member that has completed three complete fiscal years as a member of ICRMA may voluntarily terminate their membership provided it gives written notice of its intention to withdraw by December 1.

C. DESCRIPTION OF PROGRAMS

Liability Program

The general liability self-insurance arranged by ICRMA for its members affords protection from third party tort claims alleging damages from member activities or facilities. The Liability Program has the following coverage limit features:

July 1, 2014 to June 30, 2015	
Member Retentions:	Ranges from $100,000 to $5,000,000
ICRMA's Retention:	$5,000,000 less the Member Retention
Reinsurance:	$25,000,000 excess of $5,000,000

Each ICRMA member pays for its own losses up to the retention it selects. ICRMA provides coverage that exceeds the Member Retentions up to $5,000,000 each, after which ICRMA's reinsurers assume the loss until it totals $30,000,000. For the 2014/2015 program year, one member's retention was $5,000,000.

The annual contributions paid by each member to ICRMA for the Liability Program are approved by the Governing Board and are calculated to cover ICRMA's forecasted claim expenses, settlements and operating costs. Every member participates in the liability program.

Workers' Compensation Program

ICRMA's Workers' Compensation Program operates in a similar fashion to the Liability Program. It has the following coverage limit features:

C. DESCRIPTION OF PROGRAMS (continued)

July 1, 2014 to June 30, 2015

Member Retentions:	Range from $350,000 to $1,000,000
ICRMA's Retention:	$5,000,000 less the Member Retention
Excess Insurance:	Excess of $5,000,000 to Statutory Limits

Within ICRMA's retention, a risk sharing pool arrangement has been established whereby each member selects its own self-insured retention level from $350,000 to $1,000,000. Each member of ICRMA then assumes its own losses up to its selected retention. Any losses between its retention and $5,000,000 are shared by participating members. A commercial insurance company provides coverage in excess of ICRMA's retained limit up to statutory limits. Fifteen members participated in the Workers' Compensation Program during the fiscal year ended June 30, 2015.

Property, Auto Physical Damage, Crime, & Cyber Programs
ICRMA also provides its members a Property, Auto Physical Damage, Crime, and Cyber Program. These are group purchased, non-risk sharing, fully insured all-risk programs. The property program also includes boiler and machinery coverage. Program deductibles are the individual member's responsibility.

2. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Proprietary funds are accounted for using the accrual basis of accounting as prescribed by the Governmental Accounting Standards Board (GASB). Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

B. Measurement Focus

The accounts of ICRMA are organized on the basis of a fund which is considered a separate accounting entity. The operation of this fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. ICRMA's resources are allocated and accounted for based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. For external financial reporting purposes, all program activities of ICRMA are organized into one fund which is accounted for as an enterprise fund as prescribed by the Governmental Accounting Standards Board (GASB) Statement No. 10.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Enterprise funds, which fall under the Proprietary Fund Type category, are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing services to members on a continuing basis be financed or recovered primarily through user charges or where periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

C. Reporting Entity

ICRMA's reporting entity includes all activities (operations of its administrators, officers, and Governing Board as they relate to ICRMA) considered to be part of (controlled by or dependent upon) ICRMA. This includes financial activity relating to all of the membership years of ICRMA.

For financial reporting purposes, ICRMA is considered to have one fund. Components of this fund are identified in the accounting records of ICRMA. Combining information concerning these components has been presented as supplementary information accompanying these basic financial statements.

D. Operating Revenues and Expenses

Operating revenues, such as charges for services (membership premiums) result from exchange transactions associated with the principal activity of ICRMA. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment income, result from nonexchange transactions or ancillary activities in which ICRMA gives (receives) value without directly receiving (giving) equal value in exchange.

Operating expenses include costs of services and administrative expenses. All expenses not meeting this definition are reported as nonoperating expenses.

E. Investments

Generally accepted accounting principles require that public agencies report investments in their financial statements at fair value, except for certain nonparticipating certificates of deposit and investment contracts that are reported at cost if they are not transferable and they have terms that are not affected by changes in market interest rates.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Investments (continued)

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

F. Cash and Cash Equivalents

For purposes of presentation in the statement of cash flows, cash and cash equivalents represent funds that can be withdrawn at any time without restriction or penalty such as demand deposits and deposits held by the state local agency investment fund (LAIF) and the California Asset Management Program (CAMP).

G. Accounts Receivable

ICRMA allowed members to defer the portion of their annual contributions for the 2004/2005 and 2006/2007 program years. Members were required to pay the contribution at the central estimate but could defer the additional amount up to the required confidence level for that year. Interest accrues on the unpaid portion of the 2004/2005 deferred contribution. These amounts were called by the Governing Board during the 2014-2015 fiscal year and are being collected from members.

H. Claims Payable (Claims Reserves and Claims Incurred But Not Reported)

ICRMA establishes claims liabilities based on actuarial estimates of the ultimate cost of claims (including future claims adjustment expenses) 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 claim costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims payable does not necessarily result in an exact amount, particularly for coverage such as claims liability. Claims liabilities are re-computed periodically using a variety of actuarial techniques to produce current estimates that reflect recent settlements, claims frequency, and broader economic and social trends. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on historical data that reflects inflation and on other factors considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged to expense in the periods in which they are made. Claims payable are presented at their net present value, discounted at 2% for the Liability Program and 3% for the Workers' Compensation Program. This valuation of claims payable is used since claims are paid out over a period of time, yet contributions to pay for the claims are collected immediately and earn interest, which will offset the amount paid.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Confidence Level Used by ICRMA

The liability for unpaid claims is measured in terms of a *confidence or probability level* because the actual development and outcome of claims (and of losses incurred but not reported as claims) cannot be known with absolute certainty. Confidence level measures the degree of certainty in estimating the liability for claims payable. For example, a 50% confidence level means that 50% of the time, the methodology and assumptions used by the actuary will produce an estimate of the liability for claims payable that is equal to (or greater than) the actual amount that will be paid for those claims and losses. The accompanying financial statements reflect the application of a central estimate (which approximates 57% confidence level). The central estimate is a representation of the statistical distribution, which approximates the mean or average value. Member contribution rates for losses were set to provide funding for the fiscal year as follows: 1) 70% probability level for the Liability Program self-insured layer from the members' retained limit to $5.0 million, 2) 70% confidence level for the Workers' Compensation Program self-insured layer from the members' retained limit to $5.0 million.

J. Unallocated Loss Adjustment Expense

The liability for unallocated loss adjustment expense (ULAE) includes all costs expected to be incurred in connection with the settlement of unpaid claims that cannot be related to a specific claim. The estimate has been calculated by ICRMA's actuary. The liability for ULAE is included as a component of claims payable in the accompanying balance sheet.

K. Income Taxes

ICRMA is an organization comprised of public agencies and is exempt from federal income taxes under Internal Revenue Code Section 115 and from California franchise taxes. Accordingly, no provision for federal or state income taxes has been made in the accompanying financial statements.

L. Use of 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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) CASH AND INVESTMENTS

Cash and investments held by ICRMA are reflected in the accompanying statement of net position at June 30, 2015 and 2014 as follows:

	2015	2014
Cash and cash equivalents	$12,908,148	$17,602,341
Investments – current	2,477,388	499,840
Investments - noncurrent	49,625,087	50,948,684
Total	$65,010,623	$69,050,865

Deposit accounts and investments held by ICRMA at June 30, 2015 and 2014 consisted of the following:

	2015	2014
Deposits	$7,882	$28,250
Investments	65,002,741	69,022,615
Total	$65,010,623	$69,050,865

Investments Authorized by the California Government Code and ICRMA's Investment Policy

The table below identifies the investment types that are authorized for ICRMA by the California Government Code and ICRMA's investment policy. The table also identifies certain provisions of the California Government Code (or ICRMA's investment policy, if more restrictive) that address interest rate risk and concentration of credit risk.

Investment Types Authorized by State Law	Authorized By Investment Policy	*Maximum Maturity	*Maximum Percentage Of Portfolio	*Maximum Investment In One Issuer
Local Agency Bonds	Yes	5 years	30%	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	1 year	30%	None
Repurchase Agreements	Yes	30 days	None	None
Reverse Repurchase Agreements	No	N/A	N/A	N/A
Medium-Term Corporate Notes	Yes	5 years	30%	None
Supranational Debt	Yes	5 years	15%	None
Asset Backed Securities	Yes	5 years	10%	None
Mutual Funds	Yes	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	No	N/A	N/A	N/A
County Pooled Investment Funds	No	N/A	N/A	N/A
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
JPA Pools (other investment pools)	Yes	N/A	None	None

*Based on state law requirements or investment policy requirements, whichever is more restrictive.

(2) CASH AND INVESTMENTS (continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that ICRMA manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of ICRMA's investments to market interest rate fluctuations is provided by the following table that shows the distribution of ICRMA's investments by maturity as of June 30, 2015:

		Remaining Maturity (in months)		
	Fair Value	12 months or less	13 to 24 months	25 to 60 months
Mortgage backed securities	$ 11,990,942	$ -	$ 9,884,822	$ 2,106,121
US Treasury Notes	12,605,281	-	1,298,867	11,306,414
Medium Term Corporate Notes	14,173,569	-	11,449,304	2,724,265
Municipal Bond	3,753,438	977,501	2,775,938	-
Certificate of Deposit	9,264,664	1,499,887	6,772,407	992,370
Supranational Debt	314,580	-	314,580	-
State Investment Pool	12,825,751	12,825,751	-	-
Money Market Fund - CAMP Trust	74,515	74,515	-	-
Total	$ 65,002,741	$ 15,377,654	$ 32,495,918	$ 17,129,169

Concentration of Credit Risk

The investment policy of ICRMA contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total ICRMA investments are as follows:

Issuer	Investment Type	Reported Amount	% of Portfolio
FANNIE MAE	Federal agency securities	$4,344,271	8%
FREDDIE MAC	Federal agency securities	$3,382,725	6%

(2) CASH AND INVESTMENTS (continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, ICRMA's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Ratings As of Year End
U.S. Treasury notes	$12,605,281	N/A	Exempt
Federal agency securities	11,990,942	N/A	AA or Better
Medium-term corporate notes	8,822,535	A	AA or Better
Medium-term corporate notes	5,351,034	A	A
Municipal bond	2,622,717	N/A	AA or Better
Municipal bond	844,416	N/A	A
Municipal bond	286,305	N/A	Not Rated
Negotiable Certificate of deposit	4,076,002	N/A	A-1
Negotiable Certificate of deposit	3,196,450	N/A	AA or Better
Negotiable Certificate of deposit	1,992,212	N/A	A
Supranational Debt	314,580	AA	AAA
State investment pool	12,825,751	N/A	Not Rated
Money market fund–CAMP Trust	74,515	N/A	Not Rated
Total	$65,002,741		

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and ICRMA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

(2) CASH AND INVESTMENTS (continued)

Managed Investment Pools

ICRMA is a voluntary participant in LAIF that is regulated by California Government Code under the oversight of the Treasurer of the State of California. The fair value of ICRMA's investment in this pool is reported in the accompanying financial statements at amounts based upon ICRMA'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 balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

ICRMA is a voluntary participant in the CAMP Trust (Trust), which was established as a nontaxable investment portfolio under provisions of the California Joint Exercise of Powers Act to provide California Public Agencies with comprehensive investment management services. There are no minimum deposit requirements or limits on deposits and withdrawals. Dividends from net investment income are declared on a daily basis and paid on the last day of the month. Dividends paid are automatically reinvested in each account by the purchase of additional shares. The contract creating the Trust specifies the types of investments that can be made by the investment portfolio with available cash: U.S. Government securities, securities of federally sponsored agencies, repurchase agreements, banker's acceptances, negotiable certificates of deposit and commercial paper. CAMP contracts with a private investment firm to manage the investments held by CAMP. CAMP investors are provided with statements issued by the custodial bank.

At June 30, 2015, the fair value of ICRMA's investments (current and noncurrent) was $87,959 more than the book value. At June 30, 2014, the fair value of ICRMA's investments was $21,561 more than the book value. The increase the fair value of these investments in the amount of $66,398 has been reflected as an increase in investment income recognized by ICRMA for the year ended June 30, 2015, as required by GASB Statement No. 31.

3. MEMBER DIVIDEND

In accordance with each program's bylaws, a dividend calculation is performed five years after the end of the program year. Dividends are available to be declared only at such time as each individual program as a whole has equity, with liabilities actuarially stated at a 90% confidence level and discounted (Liability Program) or undiscounted (Workers' Compensation Program). The calculated amount represents the maximum dividend available to be declared. No dividends were declared or paid during the fiscal year ended June 30, 2015.

4. CLAIMS PAYABLE

ICRMA establishes a liability for both reported and unreported covered events, which includes estimates of both future payments of losses, related claim adjustment expenses and unallocated loss adjustment expenses. Claims payable are presented at their net present value, discounted at 2% for the liability program and 3% for the workers' compensation program.

The following represents the changes in the claims payable for the years ended June 30 2015 and 2014:

	2015	2014
Unpaid claims and claims adjustment expenses at beginning of fiscal year	$39,123,961	$35,323,129
Incurred claim and claims adjustment expenses:		
Provision for insured events of the current fiscal year	10,950,483	15,566,836
Increase (decrease) in provision for insured events of prior fiscal years	22,468,583	555,887
Total incurred claims and claims adjustment expenses	33,419,066	16,122,723
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	-	-
Claims and claim adjustment expenses attributable to covered events in prior years	(15,826,355)	(12,321,891)
Total payments	(15,826,355)	(12,321,891)
Total unpaid claims and claim adjustment expenses at end of fiscal year	$,56,716,672	$39,123,961

	2015	2014
Claims reserves	$27,877,324	$13,833,025
Claims incurred but not reported (IBNR)	28,012,611	24,589,055
Unallocated loss adjustment expenses (ULAE)	816,737	701,931
Total	$56,716,672	$39,123,961

The portion of claims considered to be currently payable (in less than one year) was actuarially determined. The current portion of claims payable for the Liability Program at June 30, 2015, and 2014 is $7,590,000 and $6,840,000, respectively. The current portion of claims payable for the Workers' Compensation Program at June 30, 2015, and 2014 is $429,000 and $434,000, respectively. As of June 30, 2015 and 2014, the undiscounted unpaid claims and claims adjustment expenses were $65,214,903 and $45,524,322, respectively.

5. NET POSITION

ICRMA's Governing Board established a designation for rate stabilization and/or program expansion/development for the Liability Program. The reserve fund's balance, including accrued interest, at June 30, 2015, is $366,247.

The Governing Board also established a Risk Management Fund Program (Program). The purpose of the Program is to provide a mechanism for ICRMA members to fund expenditures that support safety and risk management programs. The balance of this designation at June 30, 2015, is $355,742.

The Liability Program Net Deficit as of and for the Fiscal Year Ended June 30, 2015, is ($3,672,561) which includes the above Board designated amounts.

The Workers' Compensation Program Net Position as for and for Fiscal Year Ended June 30, 2015 is $12,454,491.

The total Combined Net Position as of and for the Fiscal Year Ended June 30, 2015, is $8,768,991.

6. CONTINGENCIES

Various claims and suits have been filed in the normal course of operations. The probable amounts of loss associated with these cases have been estimated by contracted actuarial consultants and reflected in the accompanying financial statements as claims payable. Although the outcome of these claims and lawsuits is uncertain, management does not expect that the resolution of these cases will have a material adverse effect on ICRMA that is significantly beyond the provision for claims payable reflected in the accompanying financial statements.

7. LIABILITY PROGRAM DEFICIT

The Liability Program maintained an unfunded deficit of $3,672,561 as of June 30, 2015. The recognition of this deficit arose as a result of loss development in the Liability Program and the resulting increases in the claim reserves and related provision for future development known as Incurred But Not Reported (IBNR).

Management, the Administrative Committee, and the Board of Directors have reviewed the facts and circumstances surrounding the net deficit and have engaged a financial consultant to assist in the development of a plan to restore the net position in the Liability Program. The timing surrounding this restoration is unknown at this time, but will be reviewed by the Governing Board during the 2015/16 fiscal year. The liquidity of the Liability Program is not a concern due to the long-term nature of the claim payout for these liabilities, and the anticipated deficit restoration plan.

8. SUBSEQUENT EVENTS

ICRMA's management has reviewed its financial statement and evaluated subsequent events for the period of time from its year ended June 30, 2015 through October 16, 2015, the date the financial statement were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

RECONCILIATON OF CLAIMS LIABILTY BY PROGRAM

FOR YEARS ENDED JUNE 30, 2015 AND 2014

	General Liability		Workers' Compensation		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Unpaid loss and loss adjustment expenses at beginning of year	$ 27,033,589	$ 24,691,112	$ 12,090,372	$ 10,632,017	$ 39,123,961	$ 35,323,129
beginning of the year						
Incurred losses and loss adjustment expenses:						
Provision for insured events of current year	8,981,566	13,686,518	1,968,917	1,880,318	10,950,483	15,566,836
Provision for insured events of prior years	23,524,704	628,500	(1,056,121)	(72,613)	22,468,583	555,887
Total incurred loss and loss adjustment expenses	32,506,270	14,315,018	912,796	1,807,705	33,419,066	16,122,723
Payments:						
Loss and loss adjustments expenses for insured events of the current year	-	-	-	-	-	-
Loss and loss adjustments expenses for insured events of the prior year	(15,094,419)	(11,972,541)	(731,936)	(349,350)	(15,826,355)	(12,321,891)
Total payments of loss and loss adjustment expenses	(15,094,419)	(11,972,541)	(731,936)	(349,350)	(15,826,355)	(12,321,891)
Unpaid loss and loss adjustment expenses at end of year	$ 44,445,440	$ 27,033,589	$ 12,271,232	$ 12,090,372	$ 56,716,672	$ 39,123,961
Reserve for known claims	$ 24,863,683	$ 10,879,282	$ 3,023,641	$ 2,953,743	$ 27,887,324	$ 13,833,025
Reserve for incurred but not reported (IBNR)	18,810,678	15,494,951	9,201,933	9,094,054	28,012,611	24,589,005
Reserve for unallocated loss adjustment expenses (ULAE)	771,079	659,356	45,658	42,575	816,737	701,931
Total claims payable as of end of year	$ 44,445,440	$ 27,033,589	$ 12,271,232	$ 12,090,372	$ 56,716,672	$ 39,123,961

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

CLAIMS DEVELOPMENT INFORMATION – LIABILITY PROGRAM

FOR THE TEN FISCAL YEARS ENDED JUNE 30, 2015 (In Thousands)

(in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1. Contributions and investment income:										
Earned	$ 10,541	$ 10,847	$ 12,623	$ 10,642	$ 9,005	$ 11,691	$ 11,126	$ 10,499	$ 11,665	$ 12,367
Ceded	2,081	1,082	1,800	1,546	1,548	4,074	2,149	1,846	1,771	1,891
Net earned and investment income	7,499	7,203	5,905	6,398	5,697	6,641	8,022	8,553	9,302	10,018
2. Unallocated expenses	1,097	1,131	1,224	1,214	1,261	1,278	1,124	1,050	1,119	1,146
3. Estimated incurred claims and expenses, end of policy year	5,633	4,834	4,441	4,448	4,647	6,247	6,112	6,893	13,687	8,982
4. Paid (cumulative) as of:										
End of policy year	-	2	-	-	-	-	-	-	-	-
One year later	43	118	4	15	7	21	454	1,602	4,802	-
Two years later	80	2,406	1,133	1,571	29	386	4,806	2,689	-	-
Three years later	1,702	4,628	3,788	3,956	48	3,858	5,974	-	-	-
Four years later	1,662	4,720	5,208	4,194	1,515	4,323	-	-	-	-
Five years later	1,790	4,939	5,255	4,215	2,533	-	-	-	-	-
Six years later	1,792	4,954	5,148	4,602	-	-	-	-	-	-
Seven years later	1,792	5,016	5,376	-	-	-	-	-	-	-
Eight years later	1,948	5,021	-	-	-	-	-	-	-	-
Nine years later	1,946	-	-	-	-	-	-	-	-	-
Ten years later	-	-	-	-	-	-	-	-		
5. Reestimated ceded claims and expenses	123	1,567	1,819	1	-	-	-	-		
6. Reestimated claims and expenses:										
End of policy year	5,633	4,834	4,441	4,448	4,647	6,247	6,112	6,893	13,687	8,982
One year later	5,626	4,650	4,267	5,115	5,156	3,995	5,871	6,427	26,216	-
Two years later	3,261	5,087	8,011	4,472	2,348	6,037	5,689	11,997	-	-
Three years later	3,338	5,776	6,071	5,256	2,278	5,840	8,188	-	-	-
Four years later	2,532	5,646	6,357	5,484	2,081	5,059	-	-	-	-
Five years later	2,278	5,873	6,393	5,278	2,911	-	-	-	-	-
Six years later	2,192	6,098	6,287	5,810	-	-	-	-	-	-
Seven years later	2,099	5,689	5,376	-	-	-	-	-	-	-
Eight years later	2,058	5,220	-	-	-	-	-	-	-	-
Nine years later	1,946	-	-	-	-	-	-	-	-	-
Ten years later	-	-	-	-	-					
7. Increase (decrease) in estimated incurred claims and expenses from end of year	$ (3,687)	$ 386	$ 935	$ 1,362	$ (1,736)	$ (1,188)	$ 2,076	$ 5,104	$ 12,529	$ -

See accompanying independent auditors' report.

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

CLAIMS DEVELOPMENT INFORMATION – WORKERS' COMPENSATION PROGRAM

FOR THE TEN FISCAL YEARS ENDED JUNE 30, 2015 (In Thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
					(in thousands)					
1. Contributions and investment income:										
Earned	$ 5,444	$ 3,612	$ 3,790	$ 3,975	$ 3,916	$ 4,226	$ 2,865	$ 3,017	$ 3,879	$ 4,121
Ceded	1,121	849	525	412	415	402	311	294	302	473
Net earned and investment income	4,323	2,763	3,265	3,563	3,501	3,824	2,554	2,723	3,577	3,648
2. Unallocated expenses	566	609	982	1,129	1,136	1,134	994	1,283	1,322	1,378
3. Estimated incurred claims and expenses, end of policy year	1,410	486	940	1,129	942	1,452	2,000	1,727	1,880	1,969
4. Paid (cumulative) as of:										
End of policy year	-	-	-	-	-	199	-	-	-	-
One year later	-	-	-	-	-	400	-	-	-	
Two years later	-	-	60	-	-	432	151	5		
Three years later	-	-	70	-	-	519	299			
Four years later	-	-	115	-	2	656				
Five years later	-	-	147	67	2					
Six years later	-	-	159	103						
Seven years later	-	9	177							
Eight years later	-	518								
Nine years later	-									
Ten years later										
5. Reestimated ceded claims and expenses	-	-	-	-	-	-	-	-	-	-
6. Reestimated claims and expenses:										
End of policy year	1,410	486	940	1,045	942	1,452	2,000	1,727	1,880	1,969
One year later	824	507	821	701	745	2,539	1,372	1,605	1,806	
Two years later	782	273	1,272	625	1,196	2,114	1,322	1,237		
Three years later	489	640	1,113	989	1,372	3,049	1,945			
Four years later	431	635	1,366	613	790	2,012				
Five years later	399	1,173	956	677	787					
Six years later	511	1,414	990	612						
Seven years later	531	1,067	947							
Eight years later	454	1,241								
Nine years later	577									
Ten years later										
7. Increase (decrease) in estimated incurred claims and expenses from end of year	$ (833)	$ 755	$ 7	$ (517)	$ (155)	$ 560	$ (55)	$ (490)	$ (74)	$ -

See accompanying independent auditors' report.

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

JUNE 30, 2015

1. RECONCILIATION OF CLAIMS LIABILITIES BY PROGRAM

The schedules represent the changes in claims liabilities for the current and past year for ICRMA's liability and workers' compensation programs.

2. CLAIMS DEVELOPMENT INFORMATION

The tables illustrate how ICRMA's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by ICRMA as of the end of the year. The rows of the table are defined as follows:

(1) This line shows the total of each fiscal year's gross earned premiums and reported investment revenue amounts of premiums ceded and reported premiums (net of reinsurance) and reported investment revenue.

(2) This line shows each fiscal year's other operating costs of the Programs including overhead and claims expenses not allocable to individual claims.

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

(4) This section shows the cumulative net amounts paid as of the end of the year.

(5) This line shows the latest re-estimated amount of losses assumed by reinsurers as of the end of the current year for each insured year.

(6) This section shows how each accident year's net amount of losses increased or decreased as of the end of successive years. The annual re-estimation results from new information received on known claims, reevaluation of existing information on known losses, and emergence of new claims not previously known.

(7) This line compares the latest re-estimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally thought.

The original and re-estimated cost of claims is presented on a net present value basis, the effect of which decreases over time and may cause the appearance of adverse loss development when compared to original estimates. As data for individual accident years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature accident years. The columns of the table show data for successive accident years.

SUPPLEMENTAL INFORMATION

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INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

COMBINING STATEMENT OF NET POSITION

FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

	LIABILITY	WORKERS COMPENSATION	PROPERTY	AUTO PHYSICAL DAMAGE	CRIME	CYBER	TOTALS 2015	TOTALS 2014
ASSETS								
Current Assets:								
Cash and Cash Equivalents	$ 5,677,436	$ 7,315,843	$ (83,059)	$ (5)	$ 1,138	$ (3,205)	$ 12,908,148	$ 17,602,341
Investments	2,477,388	-	-	-	-	-	2,477,388	499,840
Accounts Receivable	173,248	9,962	5,997	-	-	-	189,207	224,924
Interest Receivable	170,288	-	-	-	-	-	170,288	136,687
Prepaid Expenses	77,734	22,301	66,195	-	-	-	166,230	168,089
Total Current Assets	8,576,093	7,348,106	(10,867)	(5)	1,138	(3,205)	15,911,261	18,631,881
Noncurrent Assets:								
Accounts Receivable	-	-	-	-	-	-	-	175,597
Investments	32,247,470	17,377,617	-	-	-	-	49,625,087	50,948,684
Total Noncurrent Assets	32,247,470	17,377,617	-	-	-	-	49,625,087	51,124,281
Total Assets	40,823,563	24,725,723	(10,867)	(5)	1,138	(3,205)	65,536,347	69,756,162
LIABILITIES								
Current Liabilities:								
Accounts Payable	50,684	-	-	-	-	-	50,684	90,475
Due to Members	-	-	-	-	-	-	-	-
Claims Payable - Current Portion	7,590,000	429,000	-	-	-	-	8,019,000	7,274,000
Total Current Liabilities	7,640,684	429,000	-	-	-	-	8,069,684	7,364,475
Noncurrent Liabilities:								
Claims Payable - Long-term Portion	36,855,440	11,842,232	-	-	-	-	48,697,672	31,849,961
Total Liabilities	44,496,124	12,271,232	-	-	-	-	56,767,356	39,214,436
NET POSITION								
Net Position - Unrestricted	$ (3,672,561)	$ 12,454,491	$ (10,867)	$ (5)	$ 1,138	$ (3,205)	$ 8,768,991	$ 30,541,726

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

	LIABILITY	WORKERS COMPENSATION	PROPERTY	AUTO PHYSICAL DAMAGE	CRIME	CYBER	TOTALS 2015	TOTALS 2014
OPERATING REVENUES:								
Member Premiums	$ 11,965,974	$ 3,861,347	$ 6,822,789	$ 291,369	$ 33,664	$ 105,050	$ 23,080,193	$ 21,794,603
OPERATING EXPENSES:								
Direct Operating Expenses:								
Claims Paid and Claim Adjustment Expenses, Net	32,506,270	912,796	-	-	-	-	33,419,066	16,122,723
Insurance Expense	1,890,707	473,452	6,644,583	281,370	28,661	103,255	9,422,028	9,060,928
Property Appraisals	-	-	-	-	-	-	-	1,080
Broker Fees	102,183	14,306	87,877	-	-	-	204,366	204,366
Claims Administration	201,611	93,338	-	-	-	-	294,949	290,704
CA Division of Workers Comp. Assessment	-	639,660	-	-	-	-	639,660	655,406
Structured Return To Work Program	-	253,887	-	-	-	-	253,887	235,657
Program Administration	472,413	92,028	75,434	10,000	5,000	5,000	659,875	597,641
	35,173,184	2,479,467	6,807,894	291,370	33,661	108,255	44,893,831	27,168,505
General and Administrative:								
Legal	121,096	56,061	18,687	-	-	-	195,844	131,424
Financial and Claims Auditing	9,468	40,124	1,894	-	-	-	51,486	18,386
Claims Review	-	-	-	-	-	-	-	31,440
Actuarial	45,427	36,071	-	-	-	-	81,498	80,682
Special Studies	5,659	5,659	-	-	-	-	11,318	48,172
Meetings	15,415	7,707	2,569	-	-	-	25,691	29,673
Loss Control/University Program	22,565	128,151	-	-	-	-	150,716	145,821
Risk Management Program	77,622	-	-	-	-	-	77,622	84,609
Scholarship/Conference	8,224	5,483	-	-	-	-	13,707	7,335
Insurance	8,050	2,708	-	-	-	-	10,758	12,800
Occu-Med	51,000	-	-	-	-	-	51,000	51,000
Marketing	2,698	1,780	-	-	-	-	4,478	-
Reserve Fund Distribution	-	-	-	-	-	-	-	1,000,000
Dues, Subscriptions and Other Expenses	2,219	1,479	-	-	-	-	3,698	5,485
	369,443	285,223	23,150	-	-	-	677,816	1,646,827
Total Operating Expenses	35,542,627	2,764,690	6,831,044	291,370	33,661	108,255	45,571,648	28,815,333
Operating Income (Loss)	(23,576,653)	1,096,657	(8,255)	(1)	3	(3,205)	(22,491,454)	(7,020,729)
NONOPERATING REVENUES:								
Investment Income	457,541	261,178	-	-	-	-	718,719	872,597
Change in Net Position	(23,119,112)	1,357,835	(8,255)	(1)	3	(3,205)	(21,772,735)	(6,148,132)
Net Position, Beginning of Year	19,446,551	11,096,656	(2,612)	(4)	1,135	-	30,541,726	36,689,858
Net Position, End of Year	$ (3,672,561)	$ 12,454,491	$ (10,867)	$ (5)	$ 1,138	$ (3,205)	$ 8,768,991	$ 30,541,726

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

COMBINING STATEMENT OF CASH FLOWS

FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

	LIABILITY	WORKERS COMPENSATION	PROPERTY	AUTO PHYSICAL DAMAGE	CRIME	CYBER	TOTALS 2015	TOTALS 2014
Cash Flows from Operating Activities:								
Cash Received from Members for Deposit Premiums	$ 12,166,991	$ 3,861,347	$ 6,828,414	$ 296,041	$ 33,664	$ 105,050	$ 23,291,507	$ 21,644,314
Cash Payments to Suppliers for Services	(3,073,395)	(1,850,857)	(6,831,044)	(293,309)	(33,661)	(108,255)	(12,190,521)	(12,732,409)
Cash Payments Relating to Claims and Claim Administration	(15,094,419)	(731,936)	-	-	-	-	(15,826,355)	(12,321,891)
Net Cash Provided By (Used For) Operating Activities	(6,000,823)	1,278,554	(2,630)	2,732	3	(3,205)	(4,725,369)	(3,409,986)
Cash Flows from Investing Activities:								
Purchases of Investments	(31,885,526)	(19,488,104)	-	-	-	-	(51,373,630)	(38,218,403)
Proceeds from Investment Sales and Maturities	31,526,040	19,268,391	-	-	-	-	50,794,431	37,194,179
Interest Income Received	388,388	221,986	-	-	-	-	610,374	926,976
Net Cash Provided By (Used For) Investing Activities	28,903	2,272	-	-	-	-	31,175	(97,249)
Net Increase (Decrease) in Cash and Cash Equivalents	(5,971,920)	1,280,826	(2,630)	2,732	3	(3,205)	(4,694,194)	(3,507,235)
Cash and Cash Equivalents, Beginning of Year	11,649,356	6,035,017	(80,429)	(2,737)	1,135	-	17,602,342	21,109,576
Cash and Cash Equivalents, End of Year	$ 5,677,436	$ 7,315,843	$ (83,059)	$ (5)	$ 1,138	$ (3,205)	$ 12,908,148	$ 17,602,341
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:								
Operating income (loss)	$ (23,576,653)	$ 1,096,657	$ (8,255)	$ (1)	$ 3	$ (3,205)	$ (22,491,454)	$ (7,020,729)
Adjustment to net cash used by operating activities:								
(Increase) Decrease in Accounts Receivable	201,017	-	5,625	4,672	-	-	211,314	(150,289)
(Increase) Decrease in Prepaid Expenses	814	1,037	-	-	-	-	1,851	(2,084)
(Decrease) Increase in Accounts Payable	(37,852)	-	-	(1,939)	-	-	(39,791)	(37,716)
(Decrease) Increase in Claims Payable	17,411,851	180,860	-	-	-	-	17,592,711	3,800,832
Net Cash Provided By (Used For) Operating Activities	$ (6,000,823)	$ 1,278,554	$ (2,630)	$ 2,732	$ 3	$ (3,205)	$ (4,725,369)	$ (3,409,986)
Cash and Cash Equivalents as Reported:								
Demand Deposits	$ 40,642	$ 52,371	$ (83,059)	$ (5)	$ 1,138	$ (3,205)	$ 7,882	$ 28,250
Investment in State Investment Pool (LAIF)	5,604,238	7,221,522	-	-	-	-	12,825,760	17,481,170
Investment in California Asset Management							-	
Program (CAMP)	32,556	41,950	-	-	-	-	74,506	92,921
Cash and Cash Equivalents, End of Year	$ 5,677,436	$ 7,315,843	$ (83,059)	$ (5)	$ 1,138	$ (3,205)	$ 12,908,148	$ 17,602,341
Noncash Investing, Capital and Financing Activities								
Change in unrealized gain (loss) in market values of investments	$ (29,013)	$ (37,385)	$ -	$ -	$ -	$ -	$ (66,398)	$ (301,569)

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

COMBINING STATEMENT OF NET POSITION - PRIOR YEAR COMPARISON

FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

ASSETS

	LIABILITY		WORKERS COMPENSATION		PROPERTY		AUTO PHYSICAL DAMAGE		CRIME		CYBER	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Current Assets:												
Cash and Cash Equivalents	$ 5,677,436	$ 11,649,356	$ 7,315,843	$ 6,035,017	$ (83,059)	$ (80,429)	$ (5)	$ (2,737)	$ 1,138	$ 1,135	$ (3,205)	$ -
Investments	2,477,388	499,840	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	173,248	198,668	9,962	9,962	5,997	11,622	-	4,672	-	-	-	-
Interest Receivable	170,288	136,687	-	-	-	-	-	-	-	-	-	-
Prepaid Expenses	77,734	78,556	22,301	23,338	66,195	66,195	-	-	-	-	-	-
Total Current Assets	8,576,093	12,563,107	7,348,106	6,068,317	(10,867)	(2,612)	(5)	1,935	1,138	1,135	(3,205)	-
Noncurrent Assets:												
Accounts Receivable	-	175,597	-	-	-	-	-	-	-	-	-	-
Investments	32,247,470	33,829,973	17,377,617	17,118,711	-	-	-	-	-	-	-	-
Total Noncurrent Assets	32,247,470	34,005,570	17,377,617	17,118,711	-	-	-	-	-	-	-	-
Total Assets	40,823,563	46,568,676	24,725,723	23,187,028	(10,867)	(2,612)	(5)	1,935	1,138	1,135	(3,205)	-

LIABILITIES

	LIABILITY 2015	LIABILITY 2014	WORKERS COMPENSATION 2015	WORKERS COMPENSATION 2014	PROPERTY 2015	PROPERTY 2014	AUTO PHYSICAL DAMAGE 2015	AUTO PHYSICAL DAMAGE 2014	CRIME 2015	CRIME 2014	CYBER 2015	CYBER 2014
Current Liabilities:												
Accounts Payable	50,684	88,536	-	-	-	-	-	1,939	-	-	-	-
Due to Members	-	-	-	-	-	-	-	-	-	-	-	-
Claims Payable - Current Portion	7,590,000	6,840,000	429,000	434,000	-	-	-	-	-	-	-	-
Total Current Liabilities	7,640,684	6,928,536	429,000	434,000	-	-	-	1,939	-	-	-	-
Noncurrent Liabilities:												
Claims Payable - Long-term Portion	36,855,440	20,193,589	11,842,232	11,656,372	-	-	-	-	-	-	-	-
Total Liabilities	44,496,124	27,122,125	12,271,232	12,090,372	-	-	-	1,939	-	-	-	-

NET POSITION

	LIABILITY 2015	LIABILITY 2014	WORKERS COMPENSATION 2015	WORKERS COMPENSATION 2014	PROPERTY 2015	PROPERTY 2014	AUTO PHYSICAL DAMAGE 2015	AUTO PHYSICAL DAMAGE 2014	CRIME 2015	CRIME 2014	CYBER 2015	CYBER 2014
Net Position - Unrestricted	$ (3,672,561)	$ 19,446,551	$ 12,454,491	$ 11,096,656	$ (10,867)	$ (2,612)	$ (5)	$ (4)	$ 1,138	$ 1,135	$ (3,205)	$ -

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIOR YEAR COMPARISON

FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

	LIABILITY		WORKERS COMPENSATION		PROPERTY		AUTO PHYSICAL DAMAGE		CRIME		CYBER	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
OPERATING REVENUES:												
Member Premiums	$ 11,965,974	$ 11,161,134	$ 3,861,347	$ 3,451,752	$ 6,822,789	$ 6,874,582	$ 291,369	$ 275,251	$ 33,664	$ 31,884	$ 105,050	$ -
OPERATING EXPENSES:												
Direct Operating Expenses:												
Claims Paid and Claim Adjustment Expenses, Net	32,506,270	14,315,018	912,796	1,807,705	-	-	-	-	-	-	-	-
Insurance Expense	1,890,707	1,771,391	473,452	302,470	6,644,583	6,695,383	281,370	264,952	28,661	26,732	103,255	-
Property Appraisals					-	1,080	-	-	-	-	-	-
Broker Fees	102,183	102,183	14,306	14,306	87,877	87,877	-	-	-	-	-	-
Claims Administration	201,611	204,094	93,338	86,610	-	-	-	-	-	-	-	-
CA Division of Workers Comp. Assessment	-	-	639,660	655,406	-	-	-	-	-	-	-	-
Structured Return To Work Program	-	-	253,887	235,657	-	-	-	-	-	-	-	-
Program Administration	472,413	426,882	92,028	87,254	75,434	68,055	10,000	10,300	5,000	5,150	5,000	-
Total Direct Operating Expenses	35,173,184	16,819,568	2,479,467	3,189,408	6,807,894	6,852,395	291,370	275,252	33,661	31,882	108,255	-
General and Administrative:												
Legal	121,096	78,855	56,061	39,427	18,687	13,142	-	-	-	-	-	-
Financial and Claims Auditing	9,468	9,193	40,124	7,354	1,894	1,839	-	-	-	-	-	-
Claims Review	-	31,440	-	-	-	-	-	-	-	-	-	-
Actuarial	45,427	44,972	36,071	35,710	-	-	-	-	-	-	-	-
Special Studies	5,659	23,566	5,659	24,606	-	-	-	-	-	-	-	-
Meetings	15,415	17,804	7,707	8,902	2,569	2,967	-	-	-	-	-	-
Loss Control/University Program	22,565	23,923	128,151	121,898	-	-	-	-	-	-	-	-
Risk Management Program	77,622	84,609	-	-	-	-	-	-	-	-	-	-
Scholarship/Conference	8,224	4,401	5,483	2,934	-	-	-	-	-	-	-	-
Insurance	8,050	12,800	2,708	-	-	-	-	-	-	-	-	-
Occu-Med	51,000	51,000	-	-	-	-	-	-	-	-	-	-
Marketing	2,698	-	1,780	-	-	-	-	-	-	-	-	-
Reserve Fund Distribution	-	1,000,000	-	-	-	-	-	-	-	-	-	-
Dues, Subscriptions and Other Expenses	2,219	3,271	1,479	1,924	-	290	-	-	-	-	-	-
	369,443	1,385,834	285,223	242,755	23,150	18,238	-	-	-	-	-	-
Total Operating Expenses	35,542,627	18,205,402	2,764,690	3,432,163	6,831,044	6,870,633	291,370	275,252	33,661	31,882	108,255	-
Operating Income (Loss)	(23,576,653)	(7,044,268)	1,096,657	19,589	(8,255)	3,949	(1)	(1)	3	2	(3,205)	-
NONOPERATING REVENUES:												
Investment Income	457,541	592,065	261,178	280,532	-	-	-	-	-	-	-	-
Change in Net Position	(23,119,112)	(6,452,203)	1,357,835	300,121	(8,255)	3,949	(1)	(1)	3	2	(3,205)	-
Net Position, Beginning of Year	19,446,551	25,898,754	11,096,656	10,796,535	(2,612)	(6,561)	(4)	(3)	1,135	1,133	-	-
Net Position, End of Year	$ (3,672,561)	$ 19,446,551	$ 12,454,491	$ 11,096,656	$ (10,867)	$ (2,612)	$ (5)	$ (4)	$ 1,138	$ 1,135	$ (3,205)	$ -

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

COMBINING STATEMENT OF CASH FLOWS - PRIOR YEAR COMPARISON

FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

	LIABILITY		WORKERS COMPENSATION		PROPERTY		AUTO PHYSICAL DAMAGE		CRIME		CYBER	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Cash Flows from Operating Activities:												
Cash Received from Members for Deposit Premiums	$ 12,166,991	$ 11,024,579	$ 3,861,347	$ 3,451,752	$ 6,828,414	$ 6,865,520	$ 296,041	$ 270,579	$ 33,664	$ 31,884	$ 105,050	$ -
Cash Payments to Suppliers for Services	(3,073,395)	(3,925,841)	(1,850,857)	(1,625,634)	(6,831,044)	(6,875,739)	(293,309)	(273,313)	(33,661)	(31,882)	(108,255)	-
Cash Payments Relating to Claims and Claim Administration	(15,094,419)	(11,972,541)	(731,936)	(349,350)	-	-	-	-	-	-	-	-
Net Cash Provided By (Used For) Operating Activities	(6,000,823)	(4,873,803)	1,278,554	1,476,768	(2,630)	(10,219)	2,732	(2,734)	3	2	(3,205)	-
Cash Flows from Investing Activities:												
Purchases of Investments	(31,885,526)	(25,418,440)	(19,488,104)	(12,799,963)	-	-	-	-	-	-	-	-
Proceeds from Investment Sales and Maturities	31,526,040	24,737,245	19,268,391	12,456,934	-	-	-	-	-	-	-	-
Interest Income Received	388,388	749,620	221,986	177,356	-	-	-	-	-	-	-	-
Net Cash Provided By (Used For) Investing Activities	28,903	68,425	2,272	(165,673)	-	-	-	-	-	-	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	(5,971,920)	(4,805,378)	1,280,826	1,311,095	(2,630)	(10,219)	2,732	(2,734)	3	2	(3,205)	-
Cash and Cash Equivalents, Beginning of Year	11,649,356	16,454,735	6,035,016	4,723,921	(80,429)	(70,210)	(2,737)	(3)	1,135	1,133.00	-	-
Cash and Cash Equivalents, End of Year	$ 5,677,436	$ 11,649,356	$ 7,315,842	$ 6,035,016	$ (83,059)	$ (80,429)	$ (5)	$ (2,737)	$ 1,138	$ 1,135	$ (3,205)	$ -
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:												
Operating income (loss)	$ (23,576,653)	$ (7,044,268)	$ 1,096,657	$ 19,589	$ -	$ -	$ (1)	$ (1)	$ 3	$ 2.00	$ (3,205)	$ -
Adjustment to net cash used by operating activities:												
(Increase) Decrease in Accounts Receivable	201,017	(136,555)	-	-	5,625	(9,062)	-	-	-	-	-	-
(Increase) Decrease in Prepaid Expenses	814	(908)	1,037	(1,176)	-	-	-	-	-	-	-	-
(Decrease) Increase in Accounts Payable	(37,852)	(34,549)	-	-	-	-	-	-	-	-	-	-
(Decrease) Increase in Claims Payable	17,411,851	2,342,477	180,860	1,458,355	-	-	-	-	-	-	-	-
Net Cash Provided By (Used For) Operating Activities	$ (6,000,823)	$ (4,873,803)	$ 1,278,554	$ 1,476,768	$ 5,625	$ (9,062)	$ (1)	$ (1)	$ 3	$ 2	$ (3,205)	$ -
Cash and Cash Equivalents as Reported:												
Demand Deposits	$ 40,642	$ 72,646	$ 52,371	$ 37,635	$ (83,059)	$ (80,429)	$ (5)	$ (2,737)	$ 1,138	$ 1,135	$ (3,205)	$ -
Investment in State Investment Pool (LAIF)	5,604,238	11,515,499	7,221,522	5,965,671	-	-	-	-	-	-	-	-
Investment in California Asset Management Program (CAMP)	32,556	61,211	41,950	31,710	-	-	-	-	-	-	-	-
Cash and Cash Equivalents, End of Year	$ 5,677,436	$ 11,649,356	$ 7,315,843	$ 6,035,017	$ (83,059)	$ (80,429)	$ (5)	$ (2,737)	$ 1,138	$ 1,135	$ (3,205)	$ -
Noncash Investing, Capital and Financing Activities												
Change in unrealized gain (loss) in market values of investments	$ (29,013)	$ (198,655)	$ (37,385)	$ (102,914)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -