INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY (ICRMA)

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014 AND 2013
(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, 2014 and 2013, 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Independent Cities Risk Management Authority as of June 30, 2014 and 2013 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 are presented for purposes of additional analysis and are 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.

<u>Other Reporting Required by *Government Auditing Standards*</u>

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2014 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 21, 2014

MANAGEMENT’S DISCUSSION AND ANALYSIS

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

AS OF JUNE 30, 2014

The management of the Independent Cities Risk Management Authority (ICRMA) is pleased to present the following discussion and analysis of the operating results, financial condition, and liquidity of ICRMA for the fiscal year ended June 30, 2014. 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, Orange and San Bernardino Counties, ICRMA offers pooled liability and workers' compensation coverage programs. Members also group purchase property/earthquake/flood insurance, along with auto physical damage and crime 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, 2014

Revenues	$21.8 million	Operating revenues increased $724,000 or (3%) 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) increased due to market value appreciation on the investment portfolio.
Expenses	$28.8 million	Increased $9 million (45%) 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	$69.8 million	Decreased $2.4 million over the prior year largely due to higher claim payment activity.
Liabilities	$39.2 million	Increased $3.8 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, 2014, 2013, and 2012

	2014	2013	2012
Current assets	$ 18,631,881	$ 23,046,514	$ 16,566,410
Noncurrent assets	51,124,281	49,099,015	47,518,764
Total assets	69,756,162	72,145,529	64,085,174
Current liabilities	7,364,475	6,121,542	4,611,184
Noncurrent liabilities	31,849,961	29,334,129	24,176,408
Total liabilities	39,214,436	35,455,671	28,787,592
Net position, unrestricted	$ 30,541,726	$ 36,689,858	$ 35,297,582

Current and Non-Current Assets

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 by retaining approximately $10 million of its' 2013/14 member contributions to cover future claim obligations which was offset by claim payments that were higher than the prior year of $8.2 million.

2012/13 Fiscal Year

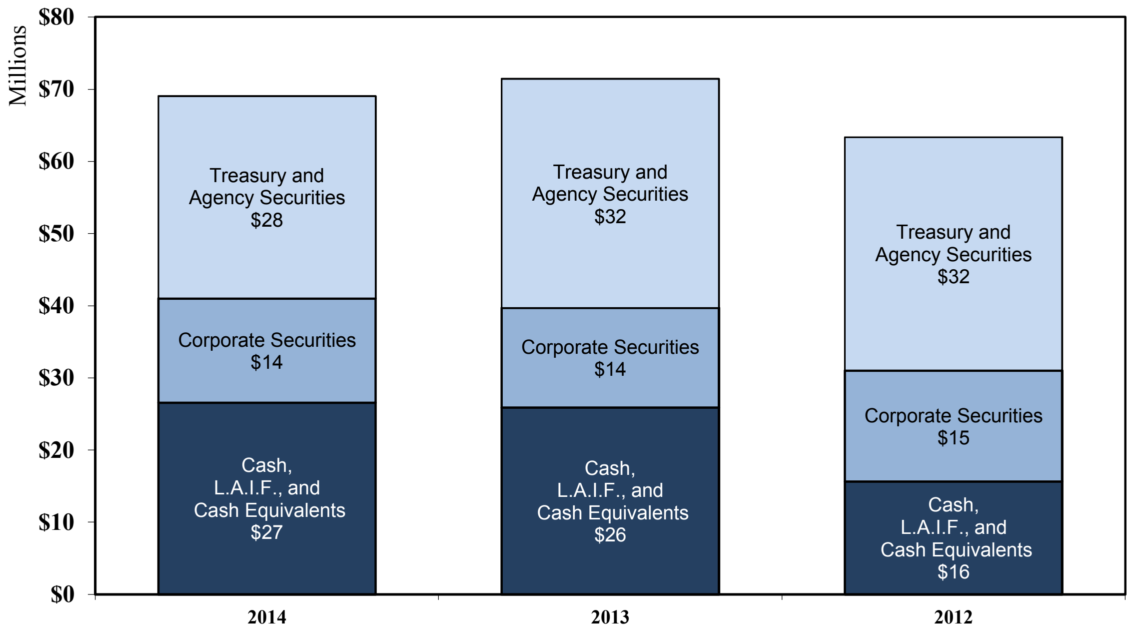
For the 2012/13 fiscal year, total assets increased approximately $8.1 million. The increase was driven by: 1) collection of contributions to fund the payment of self-insured general liability and workers' compensation losses in future years, 2) a $550,000 contribution to the Workers' Compensation Program mid-layer pool which was suspended in the prior year, and 3) 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, 2014, 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, 2014, 2013, and 2012:

Asset Allocation at June 30 2014, 2013, and 2012



Current and Non-Current Liabilities

2013/14 Fiscal Year

ICRMA's liability consists almost entirely of the unpaid liability for loss and loss adjustment expenses in the Liability and Workers' Compensation Programs. 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.

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, 2014, 2013, and 2012 was $6.8 million, $5.4 million and $3.6 million, respectively. The current portion of claims payable for the Workers' Compensation Program at June 30, 2014, 2013, and 2012 was $434,000, $599,000 and $817,000, respectively.

2012/13 Fiscal Year

At June 30, 2013, ICRMA's total claim 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, 2014, 2013, and 2012

	2014	2013	2012
Operating revenues	$ 21,794,603	$ 21,070,149	$ 19,847,624
Operating expenses	28,815,332	19,845,022	18,569,953
Operating income (loss)	(7,020,729)	1,225,127	1,277,671
Nonoperating revenues			
Investment income (loss)	872,597	167,149	1,229,937
Change in net position	(6,148,132)	1,392,276	2,507,608
Net position, beginning of year	36,689,858	35,297,582	32,789,974
Net position, end of year	$ 30,541,726	$ 36,689,858	$ 35,297,582

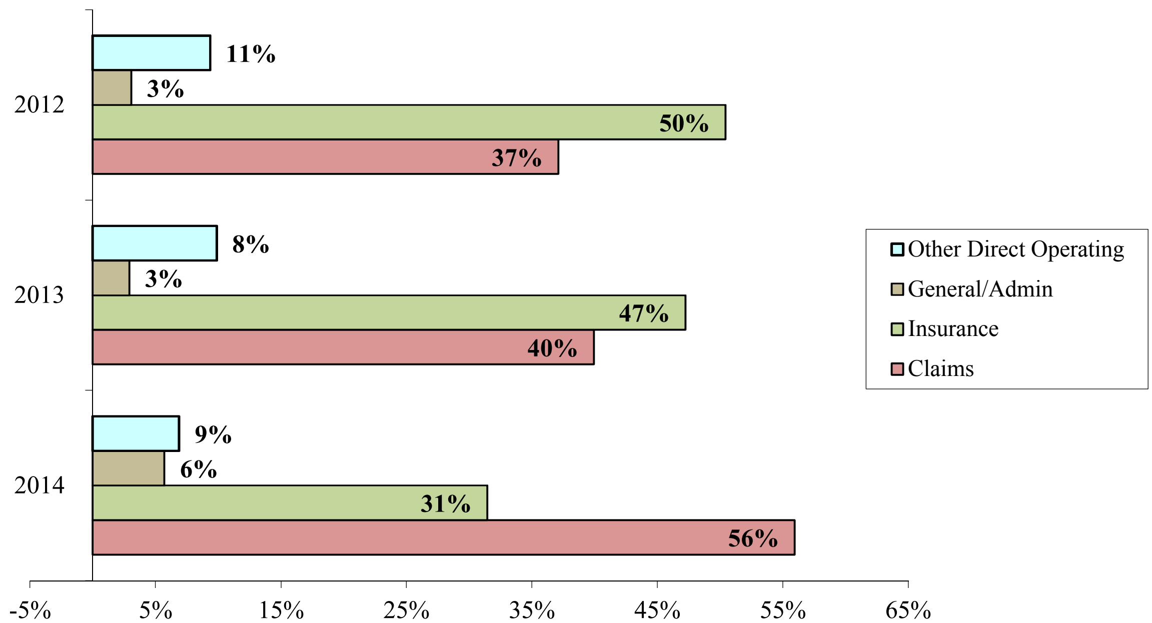
2013/14 Fiscal Year
Total operating revenues increased $724,000, or 3% over the prior year. The reduction in contribution caused by the withdrawal of one member was offset by increases in both the Liability and Workers' Compensation Programs. In the Liability Program, the probability level used to establish 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.

The table below shows the distribution of the major expense categories for the fiscal years ended June 30, 2014, 2013, and 2012. The distribution shifted in 2014 due to an increase in claim expense in the Liability Program.

2014, 2013, and 2012 Program Year Expenses, excluding dividends



<u>2012/13 Fiscal Year</u>
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 an 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.

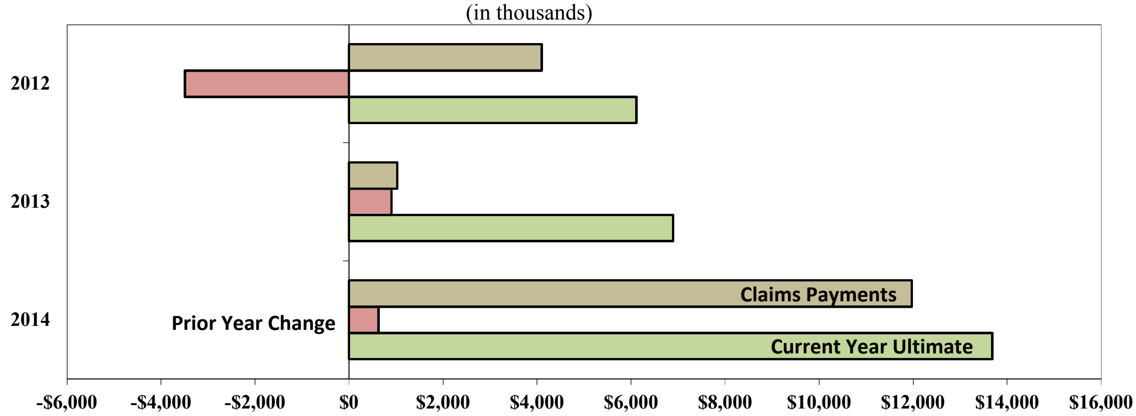
ICRMA's investment earnings decreased $1.1 million or (86%) over the prior year due to unrealized losses on the fixed income portion of the portfolio.

Provision for Insured Events

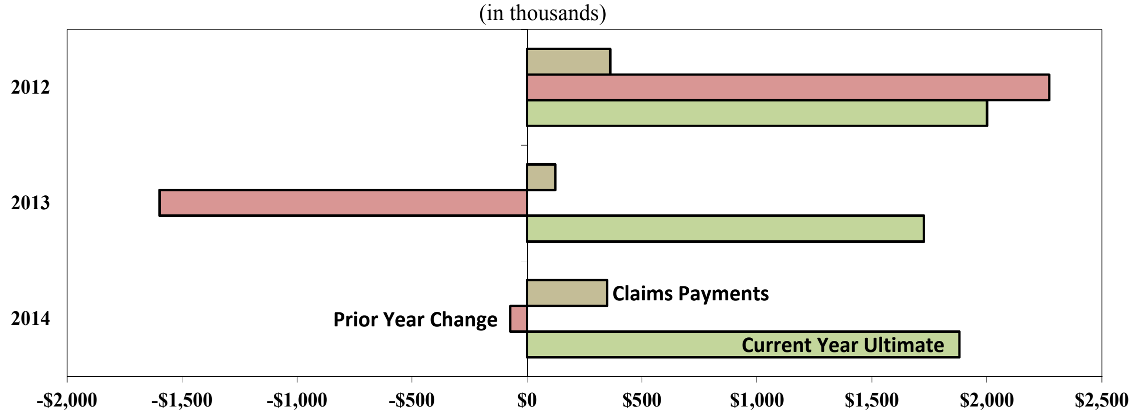
As discussed above, total claims expenses increased $8.2 million over the prior year. The increase results from: 1) recognizing the initial estimates of claims costs incurred in the recently completed program year which were significantly higher than in the prior year, and 2) the effect of re-estimating the ultimate cost of claims of all other program years. Current year claims costs were estimated at $13.7 million in the Liability Program, which was $6.8 million more than the initial estimates of the 2013 program year claims. This sharp increase was due to the occurrence of several large liability claims during the fiscal year. The Workers' Compensation Program ultimate loss estimates for the 2013/14 claims were $153,000 less than the initial estimates of 2013 claims. The re-estimated costs of claims incurred in older accident years were stable with an increase of $628,000 in the Liability Program and a decrease of $73,000 in the Workers' Compensation Program.

The following chart illustrates the claims expense activity experienced by ICRMA for the prior three fiscal years, identifying payments made during each fiscal year, adjustments to prior years resulting from re-estimated costs, and the recognition of the current year ultimate loss.

Claims Activity for the
Liability Program
(in thousands)

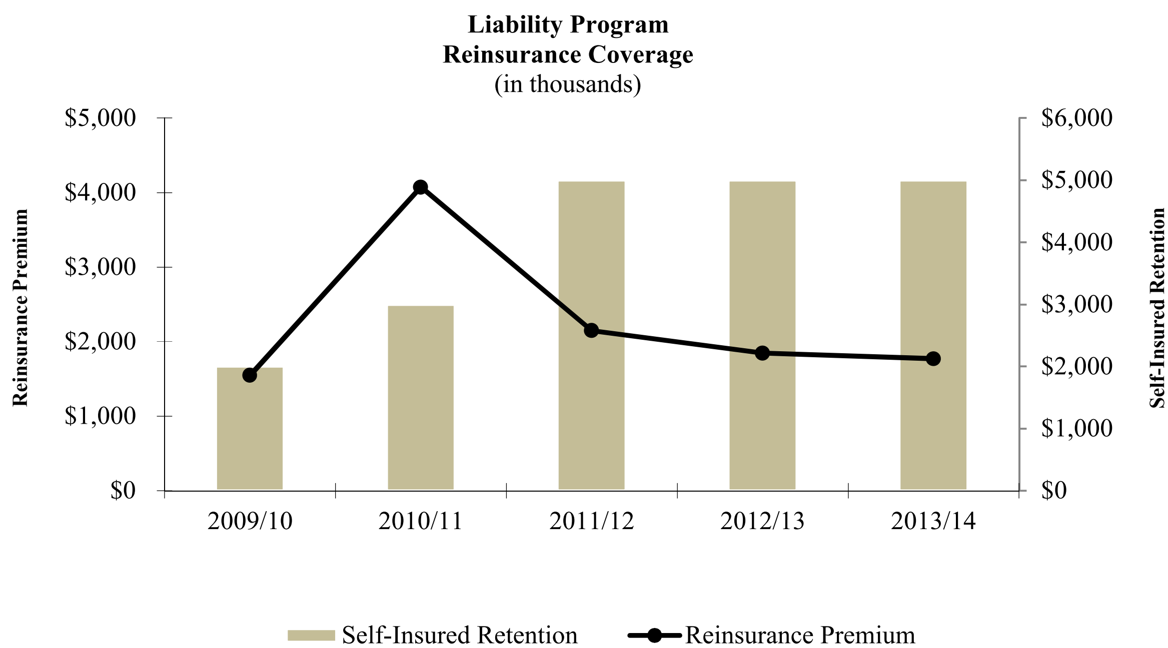


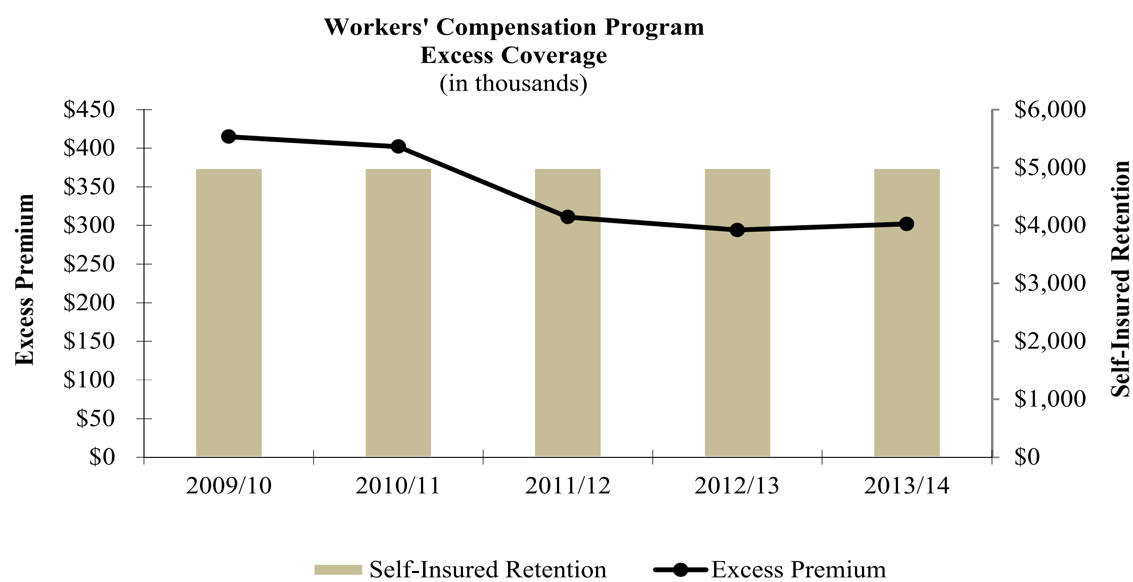
Claims Activity for the
Workers' Compensation Program
(in thousands)



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 with lower premium costs for the 2013/14 fiscal year due to the effects of the withdrawn member. The Workers' Compensation excess insurance costs remained stable over the prior year.





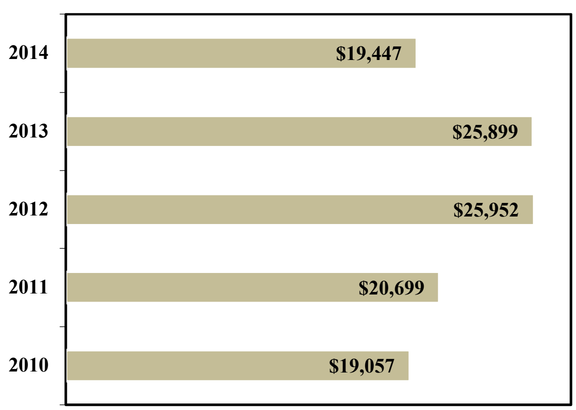
Net Position

The Liability Program net position, or equity, was $19.4 million at June 30, 2014, which was a decrease over the prior year of $6.5 million due to increased claims costs for the 2013/14 fiscal year. The Workers' Compensation equity was $11.1 million at the end of the fiscal year, increasing approximately $300,000 over the prior year.

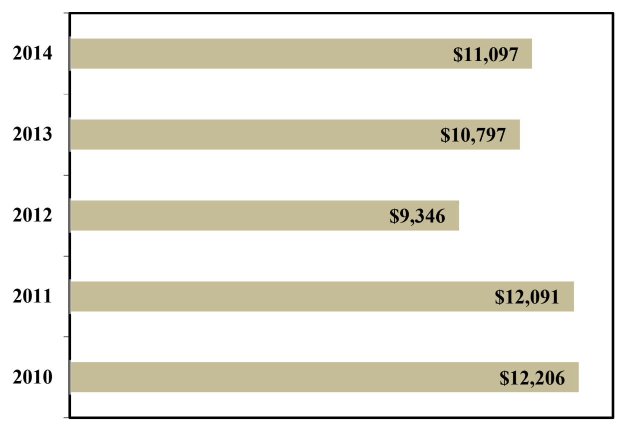
The following charts display ICRMA's historical net position.

Historical Net Position
(in thousands)

Liability Program



Workers' Compensation Program



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	
	2014	2013	2014	2013
Net contributions received	$ 9,389,743	$ 8,695,040	$ 3,149,282	$ 2,795,057
Net position as of June 30	$ 19,446,551	$ 25,898,754	$ 11,096,656	$ 10,796,535
Net contribution to net position ratio (Target: <2:1)	**0.48:1**	**0.34:1**	**0.28:1**	**0.26:1**
Net position as of June 30	$ 19,446,551	$ 25,898,754	$ 11,096,656	$ 10,796,535
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)	**3.89:1**	**5.18:1**	**2.22:1**	**2.16:1**

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, 2014, 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 quickly 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.

The combined results for the 2013 Property & Casualty loss ratio was down to 97.6% from 102.2% the prior year. Overall the industry benefited from improved pricing, lower catastrophe losses and slow but steady economic recovery.

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 are firming in proportion to client exposure and loss development. Carriers will be seeking minimum increases in the 5-10% range if loss experience remains consistent. Competition will favorably weigh into the final outcome of ICRMA's ultimate pricing. Changes in retentions remain an option for maintaining flat rates with carriers for ICRMA.

Employment Practice Liability rate increases have been modest, but consistent. Carriers are basing pricing on experience. For reasonably good experience a 5% increase is the minimum. Social Media presents a new hot exposure with many allegations of privacy violations, with the emphasis on uniform reinforcement.

Workers' Compensation
The Workers' Compensation marketplace remains unprofitable at a 110% loss ratio up from the previous year's 109%. Rate increases for Excess Workers' Compensation remains erratic with carriers seeking increases ranging from 5-20% in an attempt to shore up rates across entire books of business. Finding the proper attachment point is key. ICRMA's ability to take a large retention, has been, and will continue to be a great advantage. With average rate increases in the 10-20% range, it is anticipated that ICRMA's program will experience with a below average rate increase. The marketplace remains limited with just a few carriers able to write full Statutory limits for accounts with high hazard exposures such a police and fire fighters in California.

The impact of SB 863, a major reform that was passed at the end of 2012, continues to be monitored. The Department of Industrial Relations has concluded that it is still too early to score the overall effects of the reforms. Regarding cost savings, certain provisions, such as those related to ambulatory surgical centers and surgical implant hardware have gone roughly according to expectations. Lien reform so far has exceeded expectation, though there are legal challenges related to those reforms. Lastly, independent medical review (IMR) has had a challenging start. The system has been flooded with tens of thousands of IMRs more than anticipated, and this has led to longer processing times and greater frictional costs than anticipated. Aside from IMR, the most concerning recent trend has been a steady increase in claim frequency, driven particularly by the Los Angeles area.

Property

The anticipation of a firming marketplace has been delayed with the continual increase in capacity and limited number of major catastrophes delivered in 2013, in comparison to previous year averages. 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% increase, 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, based on the RMIS 2013 software. ICRMA’s outlook for all property exposure remains favorable so long as catastrophe losses through the balance of the year remain light.

Investments

The last six months of fiscal year 2013/2014 have seen a gradual rise in interest rates driven by the Fed's gradual reduction of economic stimulus through sustained asset purchases. If the tapering of these purchases continue as scheduled, this form of stimulus, known as "quantitative easing" will end before the end of calendar year 2014. It is anticipated that the associated improvement in economic conditions that has led to this taper will eventually lead the Fed to raise the Federal Funds Target Rate sometime in 2015.

Over the past year, ICRMA'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 Federal National Mortgage Association (FNMA) and 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, ICRMA will have to explore other asset classes as an alternative to shrinking GSE debt.

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 ICRMA'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, 2014 AND 2013

ASSETS

	2014	2013
Current Assets:		
Cash and Cash Equivalents (Note 2)	$ 17,602,341	$ 21,109,576
Investments (Note 2)	499,840	1,242,949
Accounts Receivable	224,924	250,234
Interest Receivable	136,687	277,750
Prepaid Expenses	168,089	166,005
Total Current Assets	18,631,881	23,046,514
Noncurrent Assets:		
Accounts Receivable	175,597	-
Investments (Note 2)	50,948,684	49,099,015
Total Noncurrent Assets	51,124,281	49,099,015
Total Assets	$ 69,756,162	$ 72,145,529

LIABILITIES

	2014	2013
Current Liabilities:		
Accounts Payable	90,475	127,436
Due to Members	-	5,106
Claims Payable - Current Portion (Note 4)	7,274,000	5,989,000
Total Current Liabilities	7,364,475	6,121,542
Noncurrent Liabilities:		
Claims Payable - Long-term Portion (Note 4)	31,849,961	29,334,129
Total Liabilities	39,214,436	35,455,671

NET POSITION

	2014	2013
Net Position - Unrestricted (Note 5)	$ 30,541,726	$ 36,689,858

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, 2014 AND 2013

	2014	2013
OPERATING REVENUES:		
Member Premiums	$ 21,794,603	$ 21,070,149
OPERATING EXPENSES:		
Direct Operating Expenses:		
Claims Paid and Claim Adjustment Expenses, Net	16,122,723	7,926,920
Insurance Expense	9,060,928	9,376,144
Property Appraisals	1,080	25,625
Broker Fees	204,366	210,000
Claims Administration	290,704	285,008
CA Division of Workers Comp. Assessment	655,406	603,546
Structured Return To Work Program	235,657	243,570
Program Administration	597,641	592,487
Total Direct Operating Expenses	27,168,505	19,263,300
Reserve Fund Distribution	1,000,000	-
General and Administrative	646,827	581,722
Total Operating Expenses	28,815,332	19,845,022
Operating Income (Loss)	(7,020,729)	1,225,127
NONOPERATING REVENUES:		
Investment Income	872,597	167,149
Change in Net Position	(6,148,132)	1,392,276
Net Position, Beginning of Year	36,689,858	35,297,582
Net Position, End of Year	$ 30,541,726	$ 36,689,858

See accompanying notes to financial statements.

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Cash Flows from Operating Activities:		
Cash Received from Members for Deposit Premiums	$ 21,644,314	$ 21,103,324
Cash Payments to Suppliers for Services	(12,732,409)	(12,033,027)
Cash Payments Relating to Claims and Claim Administration	(12,321,891)	(1,147,199)
Net Cash Provided By (Used For) Operating Activities:	(3,409,986)	7,923,098
Cash Flows from Investing Activities:		
Purchases of Investments	(38,218,403)	(40,782,676)
Proceeds from Investment Sales and Maturities	37,194,179	39,822,052
Interest Income Received	926,976	907,618
Net Cash Provided By (Used For) Investing Activities:	(97,249)	(53,006)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,507,235)	7,870,092
Cash and Cash Equivalents, Beginning of Year	21,109,576	13,239,484
Cash and Cash Equivalents, End of Year	$ 17,602,341	$ 21,109,576
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income (loss)	$ (7,020,729)	$ 1,225,127
Adjustment to net cash used by operating activities:		
(Increase) Decrease in Accounts Receivable	(150,289)	33,174
(Increase) Decrease in Prepaid Expenses	(2,084)	1,069
(Decrease) Increase in Accounts Payable	(37,716)	(53,490)
(Decrease) Increase in Due to Members	-	(62,503)
(Decrease) Increase in Claims Payable	3,800,832	6,779,721
Net Cash Provided By (Used For) Operating Activities:	$ (3,409,986)	$ 7,923,098
Cash and Cash Equivalents as Reported:		
Demand Deposits	$ 28,250	$ 13,235
Investment in State Investment Pool (LAIF)	17,481,170	20,852,354
Investment in California Asset Management Program (CAMP)	92,921	243,987
Cash and Cash Equivalents, End of Year:	$ 17,602,341	$ 21,109,576
Noncash Investing, Capital and Financing Activities		
Unrealized gain (loss) in market values of investments	$ (301,569)	$ (1,044,494)

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, 2014, 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 representative 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 five months in advance of the beginning of the next fiscal year. 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, 2014, 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]
City of Alhambra	$250,000	$500,000	●	●	●
City of Azusa	500,000	350,000	●	●	●
City of Baldwin Park	300,000	500,000	●	●	●
City of Colton	500,000				
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 five months prior to the commencement of the fiscal year of withdrawal.

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, 2013 to June 30, 2014

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 2013/2014 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. Twenty-one members participated in the liability program during the fiscal year ended June 30, 2014.

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, 2013 to June 30, 2014

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 $100,000,000

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 $100,000,000. Fifteen members participated in the Workers Compensation Program during the fiscal year ended June 30, 2014.

Property, Auto Physical Damage & Crime Programs
ICRMA also provides its members a Property, Auto Physical Damage and Crime 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 are callable by ICRMA.

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) 80% confidence level for the Workers' Compensation Program self-insured layer from the members' retained limit to $1.0 million, and 3) the central estimate for the Workers' Compensation Program self-insured layer from $1.0 million to $5 million for the fiscal year.

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 balance sheet at June 30, 2014 and 2013 as follows:

	2014	2013
Cash and cash equivalents	$17,602,341	$21,109,576
Investments – current	499,840	1,242,949
Investments - noncurrent	50,948,684	49,099,015
Total	$69,050,865	$71,451,540

Deposit accounts and investments held by ICRMA at June 30, 2014 and 2013 consisted of the following:

	2014	2013
Deposits	$28,250	$13,235
Investments	69,022,615	71,438,305
Total	$69,050,865	$71,451,540

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
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, 2014:

		Remaining Maturity (in months)		
	Fair Value	12 months or less	13 to 24 months	25 to 60 months
Mortgage backed securities	$15,922,814	$ -	$8,766,254	$7,156,560
US Treasury Notes	12,130,637	-	6,758,545	5,372,092
Medium Term Corporate Notes	14,424,518	-	10,497,329	3,927,188
Municipal Bond	2,843,083	-	1,027,406	1,815,677
Certificate of Deposit	5,627,633	-	5,627,633	-
Commercial Paper	499,840	499,840	-	-
State Investment Pool	17,481,170	17,481,170	-	-
Money Market Fund - CAMP Trust	92,921	92,921	-	-
Total	$69,022,615	$18,073,931	$32,677,168	$18,271,517

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	$9,806,521	19%
FHLMC	Federal agency securities	$3,417,887	7%

(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	$12,652,878	N/A	Exempt
Federal agency securities	15,922,812	N/A	AA or Better
Medium-term corporate notes	9,533,396	A	AA or Better
Medium-term corporate notes	4,891,122	A	A-
Municipal bond	2,348,011	N/A	AA or Better
Municipal bond	495,072	N/A	A
Negotiable Certificate of deposit	999,605	N/A	AA or Better
Negotiable Certificate of deposit	1,000,330	N/A	A
Negotiable Certificate of deposit	2,526,546	N/A	A-1+
Negotiable Certificate of deposit	1,101,152	N/A	A-1
Commercial paper	499,840	A-	A-1
State investment pool	17,481,170	N/A	Not Rated
Money market fund–CAMP Trust	92,921	N/A	Not Rated
Total	$69,022,613		

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, 2014, the fair value of ICRMA's investments (current and noncurrent) was $301,094 less than the book value. At June 30, 2013, the fair value of ICRMA's investments was $274,313 less than the book value. The decrease in the fair value of these investments in the amount of $705,448 has been reflected as a decrease in investment income recognized by ICRMA for the year ended June 30, 2014, 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, 2014.

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 2014 and 2013:

	2014	2013
Unpaid claims and claims adjustment expenses at beginning of fiscal year	$35,323,129	$28,543,408
Incurred claim and claims adjustment expenses:		
Provision for insured events of the current fiscal year	15,566,836	8,619,521
Increase (decrease) in provision for insured events of prior fiscal years	555,887	(692,601)
Total incurred claims and claims adjustment expenses	16,122,723	7,926,920
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	(12,321,891)	(1,147,199)
Total payments	(12,321,891)	(1,147,199)
Total unpaid claims and claim adjustment expenses at end of fiscal year	$39,123,961	$35,323,129

	2014	2013
Claims reserves	$13,833,025	$13,309,870
Claims incurred but not reported (IBNR)	24,589,055	21,374,755
Unallocated loss adjustment expenses (ULAE)	701,931	638,504
Total	$39,123,961	$35,323,129

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, 2014, and 2013 is $6,840,000 and $5,390,000, respectively. The current portion of claims payable for the Workers' Compensation Program at June 30, 2014, and 2013 is $434,000 and $599,000, respectively. As of June 30, 2014 and 2013, the undiscounted unpaid claims and claims adjustment expenses were $45,524,322 and $41,111,786, respectively.

5. NET POSITION

ICRMA's Governing Board established a reserve fund for rate stabilization and/or program expansion/development for the Liability Program. The reserve fund's balance, including accrued interest, at June 30, 2014, is $362,473.

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 their safety and risk management programs. The balance of this reserve fund at June 30, 2014, is $352,320.

The Liability Program Net Position as of and for the Fiscal Year Ended June 30, 2014, is $19,446,551 which includes the above Board designated reserve amounts.

The Workers' Compensation Program Net Position as for and for Fiscal Year Ended June 30, 2014 is $11,096,656.

The total Combined Net Position as of and for the Fiscal Year Ended June 30, 2014, is $30,541,726.

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. 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, 2014 through October 20, 2014, 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, 2014 AND 2013

	General Liability		Workers' Compensation		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Unpaid loss and loss adjustment expenses at beginning of year beginning of the year	$ 24,691,112	$ 17,916,486	$ 10,632,017	$ 10,626,922	$ 35,323,129	$ 28,543,408
Incurred losses and loss adjustment expenses:						
Provision for insured events of current year	13,686,518	6,892,920	1,880,318	1,726,601	15,566,836	8,619,521
Provision for insured events of prior years	628,500	905,412	(72,613)	(1,598,013)	555,887	(692,601)
Total incurred loss and loss adjustment expenses	14,315,018	7,798,332	1,807,705	128,588	16,122,723	7,926,920
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	(11,972,541)	(1,023,706)	(349,350)	(123,493)	(12,321,891)	(1,147,199)
Total payments of loss and loss adjustment expenses	(11,972,541)	(1,023,706)	(349,350)	(123,493)	(12,321,891)	(1,147,199)
Unpaid loss and loss adjustment expenses at end of year	$ 27,033,589	$ 24,691,112	$ 12,090,372	$ 10,632,017	$ 39,123,961	$ 35,323,129
Reserve for known claims	$ 10,879,282	$ 9,809,241	$ 2,953,743	$ 3,500,629	$ 13,833,025	$ 13,309,870
Reserve for incurred but not reported (IBNR)	15,494,951	14,279,649	9,094,054	7,095,106	24,589,005	21,374,755
Reserve for unallocated loss adjustment expenses (ULAE)	659,356	602,222	42,575	36,282	701,931	638,504
Total claims payable as of end of year	$ 27,033,589	$ 24,691,112	$ 12,090,372	$ 10,632,017	$ 39,123,961	$ 35,323,129

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

CLAIMS DEVELOPMENT INFORMATION – LIABILITY PROGRAM

FOR THE TEN FISCAL YEARS ENDED JUNE 30, 2014 (In Thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1. Contributions and investment income:										
Earned	$ 10,673	$ 10,541	$ 10,847	$ 12,623	$ 10,642	$ 9,005	$ 11,691	$ 11,126	$ 10,499	$ 11,753
Ceded	2,113	2,081	1,082	1,800	1,546	1,548	4,074	2,149	1,846	1,771
Net earned and investment income	7,645	7,499	7,203	5,905	6,398	5,697	6,641	8,022	8,553	9,390
2. Unallocated expenses	1,333	1,097	1,131	1,224	1,214	1,261	1,278	1,124	1,050	1,119
3. Estimated incurred claims and expenses, end of policy year	5,852	5,633	4,834	4,441	4,448	4,647	6,247	6,112	6,893	13,687
4. Paid (cumulative) as of:										
End of policy year	1	-	2	-	-	-	-	-	-	-
One year later	11	43	118	4	15	7	21	454	1,602	-
Two years later	1,211	80	2,406	1,133	1,571	29	386	4,806	-	-
Three years later	5,207	1,702	4,628	3,788	3,956	48	3,858	-	-	-
Four years later	6,738	1,662	4,720	5,208	4,194	1,515	-	-	-	-
Five years later	6,742	1,790	4,939	5,255	4,215	-	-	-	-	-
Six years later	6,743	1,792	4,954	5,148	-	-	-	-	-	-
Seven years later	6,743	1,792	5,016	-	-	-	-	-	-	-
Eight years later	6,743	1,948	-	-	-	-	-	-	-	-
Nine years later	6,743	-	-	-	-	-	-	-	-	-
Ten years later	-	-	-	-	-	-	-	-	-	
5. Reestimated ceded claims and expenses	82	123	1,567	1,819	1	-	-	-	-	
6. Reestimated claims and expenses:										
End of policy year	5,852	5,633	4,834	4,441	4,448	4,647	6,247	6,112	6,893	13,687
One year later	6,146	5,626	4,650	4,267	5,115	5,156	3,995	5,871	6,427	-
Two years later	6,504	3,261	5,087	8,011	4,472	2,348	6,037	5,689	-	-
Three years later	7,603	3,338	5,776	6,071	5,256	2,278	5,840	-	-	-
Four years later	7,949	2,532	5,646	6,357	5,484	2,081	-	-	-	-
Five years later	7,482	2,278	5,873	6,393	5,278	-	-	-	-	-
Six years later	6,992	2,192	6,098	6,287	-	-	-	-	-	-
Seven years later	7,491	2,099	5,689	-	-	-	-	-	-	-
Eight years later	7,046	2,058	-	-	-	-	-	-	-	-
Nine years later	6,849	-	-	-	-	-	-	-	-	-
Ten years later	-	-	-	-	-	-				
7. Increase (decrease) in estimated incurred claims and expenses from end of year	$ 997	$ (3,575)	$ 855	$ 1,846	$ 830	$ (2,566)	$ (407)	$ (423)	$ (466)	$ -

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

CLAIMS DEVELOPMENT INFORMATION – WORKERS' COMPENSATION PROGRAM

FOR THE TEN FISCAL YEARS ENDED JUNE 30, 2014 (In Thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
					(in thousands)					
1. Contributions and investment income:										
Earned	$ 5,621	$ 5,444	$ 3,612	$ 3,790	$ 3,975	$ 3,916	$ 4,226	$ 2,865	$ 3,017	$ 3,733
Ceded	1,272	1,121	849	525	412	415	402	311	294	302
Net earned and investment income	4,349	4,323	2,763	3,265	3,563	3,501	3,824	2,554	2,723	3,431
2. Unallocated expenses	422	566	609	982	1,129	1,136	1,134	994	1,283	1,322
3. Estimated incurred claims and expenses, end of policy year	3,514	1,410	486	940	1,129	942	1,452	2,000	1,727	1,880
4. Paid (cumulative) as of:										
End of policy year	-	-	-	-	-	-	199	-	-	-
One year later	166	-	-	-	-	-	400	-	-	
Two years later	240	-	-	60	-	-	432	151		
Three years later	391	-	-	70	-	-	519			
Four years later	440	-	-	115	-	2				
Five years later	478	-	-	147	67					
Six years later	566	-	-	159						
Seven years later	621	-	9							
Eight years later	632	-								
Nine years later	650									
Ten years later										
5. Reestimated ceded claims and expenses	13	-	-	-	-	-	-	-	-	-
6. Reestimated claims and expenses:										
End of policy year	3,514	1,410	486	940	1,045	942	1,452	2,000	1,727	1,880
One year later	2,276	824	507	821	701	745	2,539	1,372	1,605	
Two years later	1,331	782	273	1,272	625	1,196	2,114	1,322		
Three years later	1,058	489	640	1,113	989	1,372	3,049			
Four years later	1,067	431	635	1,366	613	790				
Five years later	1,102	399	1,173	956	677					
Six years later	1,069	511	1,414	990						
Seven years later	1,100	531	1,067							
Eight years later	882	454								
Nine years later	920									
7. Increase (decrease) in estimated incurred claims and expenses from end of year	$ (2,594)	$ (956)	$ 581	$ 50	$ (452)	$ (152)	$ 1,597	$ (678)	$ (122)	$ -

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

JUNE 30, 2014

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, 2014 AND 2013

	LIABILITY	WORKERS COMPENSATION	PROPERTY	AUTO PHYSICAL DAMAGE	CRIME	TOTALS 2014	TOTALS 2013
ASSETS							
Current Assets:							
Cash and Cash Equivalents	$ 11,649,356	$ 6,035,017	$ (80,429)	$ (2,737)	$ 1,135	$ 17,602,341	$ 21,109,576
Investments	499,840	-	-	-	-	499,840	1,242,949
Accounts Receivable	198,668	9,962	11,622	4,672	-	224,924	250,234
Interest Receivable	136,687	-	-	-	-	136,687	277,750
Prepaid Expenses	78,556	23,338	66,195	-	-	168,089	166,005
Total Current Assets	12,563,107	6,068,317	(2,612)	1,935	1,135	18,631,881	23,046,514
Noncurrent Assets:							
Accounts Receivable	175,597	-	-	-	-	175,597	-
Investments	33,829,973	17,118,711	-	-	-	50,948,684	49,099,015
Total Noncurrent Assets	34,005,570	17,118,711	-	-	-	51,124,281	49,099,015
Total Assets	$ 46,568,676	$ 23,187,028	$ (2,612)	$ 1,935	$ 1,135	$ 69,756,162	$ 72,145,529
LIABILITIES							
Current Liabilities:							
Accounts Payable	88,536	-	-	1,939	-	90,475	127,436
Due to Members	-	-	-	-	-	-	5,106
Claims Payable - Current Portion	6,840,000	434,000	-	-	-	7,274,000	5,989,000
Total Current Liabilities	6,928,536	434,000	-	1,939	-	7,364,475	6,121,542
Noncurrent Liabilities:							
Claims Payable - Long-term Portion	20,193,589	11,656,372	-	-	-	31,849,961	29,334,129
Total Liabilities	27,122,125	12,090,372	-	1,939	-	39,214,436	35,455,671
NET POSITION							
Net Position - Unrestricted	$ 19,446,551	$ 11,096,656	$ (2,612)	$ (4)	$ 1,135	$ 30,541,726	$ 36,689,858

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

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

FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013

	LIABILITY	WORKERS COMPENSATION	PROPERTY	AUTO PHYSICAL DAMAGE	CRIME	TOTALS 2014	TOTALS 2013
OPERATING REVENUES:							
Member Premiums	$ 11,161,134	$ 3,451,752	$ 6,874,582	$ 275,251	$ 31,884	$ 21,794,603	$ 21,070,149
OPERATING EXPENSES:							
Direct Operating Expenses:							
Claims Paid and Claim Adjustment Expenses, Net	14,315,018	1,807,705	-	-	-	16,122,723	7,926,920
Insurance Expense	1,771,391	302,470	6,695,383	264,952	26,732	9,060,928	9,376,144
Property Appraisals	-	-	1,080	-	-	1,080	25,625
Broker Fees	102,183	14,306	87,877	-	-	204,366	210,000
Claims Administration	204,094	86,610	-	-	-	290,704	285,008
CA Division of Workers Comp. Assessment	-	655,406	-	-	-	655,406	603,546
Structured Return To Work Program	-	235,657	-	-	-	235,657	243,570
Program Administration	426,882	87,254	68,055	10,300	5,150	597,641	592,487
	16,819,568	3,189,408	6,852,395	275,252	31,882	27,168,505	19,263,300
Reserve Fund Distribution	1,000,000	-	-	-	-	1,000,000	-
General and Administrative:							
Legal	78,855	39,427	13,142	-	-	131,424	68,843
Financial and Claims Auditing	9,193	7,354	1,839	-	-	18,386	17,850
Claims Review	31,440	-	-	-	-	31,440	32,550
Actuarial	44,972	35,710	-	-	-	80,682	84,625
Special Studies	23,566	24,606	-	-	-	48,172	-
Meetings	17,804	8,902	2,967	-	-	29,673	36,565
Risk Management Award	-	-	-	-	-	-	5,336
Loss Control/University Program	23,923	121,898	-	-	-	145,821	149,935
Risk Management Program	84,609	-	-	-	-	84,609	86,636
Scholarship/Conference	4,401	2,934	-	-	-	7,335	10,100
Insurance	12,800	-	-	-	-	12,800	8,409
Occu-Med	51,000	-	-	-	-	51,000	66,000
Marketing	-	-	-	-	-	-	8,695
Dues, Subscriptions and Other Expenses	3,271	1,924	290	-	-	5,485	6,178
	385,834	242,755	18,238	-	-	646,827	581,722
Total Operating Expenses	18,205,402	3,432,163	6,870,633	275,252	31,882	28,815,333	19,845,023
Operating Income (Loss)	(7,044,268)	19,589	3,949	(1)	2	(7,020,729)	1,225,127
NONOPERATING REVENUES:							
Investment Income	592,065	280,532	-	-	-	872,597	167,149
Change in Net Position	(6,452,203)	300,121	3,949	(1)	2	(6,148,132)	1,392,276
Net Position, Beginning of Year	25,898,754	10,796,535	(6,561)	(3)	1,133	36,689,858	35,297,582
Net Position, End of Year	$ 19,446,551	$ 11,096,656	$ (2,612)	$ (4)	$ 1,135	$ 30,541,726	$ 36,689,858

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

COMBINING STATEMENT OF CASH FLOWS

FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013

	LIABILITY	WORKERS COMPENSATION	PROPERTY	AUTO PHYSICAL DAMAGE	CRIME	TOTALS 2014	TOTALS 2013
Cash Flows from Operating Activities:							
Cash Received from Members for Deposit Premiums	$ 11,024,579	$ 3,451,752	$ 6,865,520	$ 270,579	$ 31,884	$ 21,644,314	$ 21,103,324
Cash Payments to Suppliers for Services	(3,925,841)	(1,625,634)	(6,875,739)	(273,313)	(31,882)	(12,732,409)	(12,033,027)
Cash Payments Relating to Claims and Claim Administration	(11,972,541)	(349,350)	-	-	-	(12,321,891)	(1,147,199)
Net Cash Provided By (Used For) Operating Activities	(4,873,803)	1,476,768	(10,219)	(2,734)	2	(3,409,986)	7,923,098
Cash Flows from Investing Activities:							
Purchases of Investments	(25,418,440)	(12,799,963)	-	-	-	(38,218,403)	(40,782,676)
Proceeds from Investment Sales and Maturities	24,737,245	12,456,934	-	-	-	37,194,179	39,822,052
Interest Income Received	749,620	177,356	-	-	-	926,976	907,618
Net Cash Provided By (Used For) Investing Activities	68,425	(165,673)	-	-	-	(97,249)	(53,006)
Net Increase (Decrease) in Cash and Cash Equivalents	(4,805,378)	1,311,095	(10,219)	(2,734)	2	(3,507,235)	7,870,092
Cash and Cash Equivalents, Beginning of Year	16,454,734	4,723,922	(70,210)	(3)	1,133	21,109,576	13,239,484
Cash and Cash Equivalents, End of Year	$ 11,649,356	$ 6,035,017	$ (80,429)	$ (2,737)	$ 1,135	$ 17,602,341	$ 21,109,576
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:							
Operating income (loss)	$ (7,044,268)	$ 19,589	$ 3,949	$ (1)	$ 2	$ (7,020,729)	$ 1,225,127
Adjustment to net cash used by operating activities:							
(Increase) Decrease in Accounts Receivable	(136,555)	-	(9,062)	(4,672)	-	(150,289)	33,174
(Increase) Decrease in Prepaid Expenses	(908)	(1,176)	-	-	-	(2,084)	1,069
(Decrease) Increase in Accounts Payable	(34,549)	-	(5,106)	1,939	-	(37,716)	(53,490)
(Decrease) Increase in Due to Members	-	-	-	-	-	-	(62,503)
(Decrease) Increase in Claims Payable	2,342,477	1,458,355	-	-	-	3,800,832	6,779,721
Net Cash Provided By (Used For) Operating Activities	$ (4,873,803)	$ 1,476,768	$ (10,219)	$ (2,734)	$ 2	$ (3,409,986)	$ 7,923,098
Cash and Cash Equivalents as Reported:							
Demand Deposits	$ 72,646	$ 37,635	$ (80,429)	$ (2,737)	$ 1,135	$ 28,250	$ 13,235
Investment in State Investment Pool (LAIF)	11,515,499	5,965,671	-	-	-	17,481,170	20,852,354
Investment in California Asset Management Program (CAMP)	61,211	31,710	-	-	-	92,921	243,987
Cash and Cash Equivalents, End of Year	$ 11,649,356	$ 6,035,017	$ (80,429)	$ (2,737)	$ 1,135	$ 17,602,341	$ 21,109,576
Noncash Investing, Capital and Financing Activities							
Change in unrealized gain (loss) in market values of investments	$ (198,655)	$ (102,914)	$ -	$ -	$ -	$ (301,569)	$ (1,044,494)

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

COMBINING STATEMENT OF NET POSITION - PRIOR YEAR COMPARISON

FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013

	LIABILITY		WORKERS COMPENSATION		PROPERTY		AUTO PHYSICAL DAMAGE		CRIME	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
ASSETS										
Current Assets:										
Cash and Cash Equivalents	$ 11,649,356	$ 16,454,734	$ 6,035,017	$ 4,723,922	$ (80,429)	$ (70,210)	$ (2,737)	$ (3)	$ 1,135	$ 1,133
Investments	499,840	1,242,949	-	-	-	-	-	-	-	-
Accounts Receivable	198,668	237,712	9,962	9,962	11,622	2,560	4,672	-	-	-
Interest Receivable	136,687	277,750	-	-	-	-	-	-	-	-
Prepaid Expenses	78,556	77,648	23,338	22,162	66,195	66,195	-	-	-	-
Total Current Assets	12,563,107	18,290,793	6,068,317	4,756,046	(2,612)	(1,455)	1,935	(3)	1,135	1,133
Noncurrent Assets:										
Accounts Receivable	175,597									
Investments	33,829,973	32,426,509	17,118,711	16,672,506	-	-	-	-	-	-
Total Noncurrent Assets	34,005,570	32,426,509	17,118,711	16,672,506	-	-	-	-	-	-
Total Assets	46,568,676	50,717,302	23,187,028	21,428,552	(2,612)	(1,455)	1,935	(3)	1,135	1,133
LIABILITIES										
Current Liabilities:										
Accounts Payable	88,536	127,436	-	-	-	-	1,939	-	-	-
Due to Members	-	-	-	-	-	5,106	-	-	-	-
Claims Payable - Current Portion	6,840,000	5,390,000	434,000	599,000	-	-	-	-	-	-
Total Current Liabilities	6,928,536	5,517,436	434,000	599,000	-	5,106	1,939	-	-	-
Noncurrent Liabilities:										
Claims Payable - Long-term Portion	20,193,589	19,301,112	11,656,372	10,033,017	-	-	-	-	-	-
Total Liabilities	27,122,125	24,818,548	12,090,372	10,632,017	-	5,106	1,939	-	-	-
NET POSITION										
Net Position - Unrestricted	$ 19,446,551	$ 25,898,754	$ 11,096,656	$ 10,796,535	$ (2,612)	$ (6,561)	$ (4)	$ (3)	$ 1,135	$ 1,133

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, 2014 AND 2013

	LIABILITY		WORKERS COMPENSATION		PROPERTY		AUTO PHYSICAL DAMAGE		CRIME	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
OPERATING REVENUES:										
Member Premiums	$ 11,161,134	$ 10,541,192	$ 3,451,752	$ 3,088,786	$ 6,874,582	$ 7,141,659	$ 275,251	$ 266,747	$ 31,884	$ 31,765
OPERATING EXPENSES:										
Direct Operating Expenses:										
Claims Paid and Claim Adjustment Expenses, Net	14,315,018	7,798,332	1,807,705	128,588	-	-	-	-	-	-
Insurance Expense	1,771,391	1,846,152	302,470	293,729	6,695,383	6,953,881	264,952	256,750	26,732	25,632
Property Appraisals					1,080	25,625	-	-	-	-
Broker Fees	102,183	105,000	14,306	15,000	87,877	90,000	-	-	-	-
Claims Administration	204,094	198,520	86,610	86,488	-	-	-	-	-	-
CA Division of Workers Comp. Assessment	-	-	655,406	603,546	-	-	-	-	-	-
Structured Return To Work Program	-	-	235,657	243,570	-	-	-	-	-	-
Program Administration	426,882	422,473	87,254	88,941	68,055	66,073	10,300	10,000	5,150	5,000
	16,819,568	10,370,477	3,189,408	1,459,862	6,852,395	7,135,579	275,252	266,750	31,882	30,632
Reserve Fund Distribution	1,000,000	-	-	-	-	-	-	-	-	-
General and Administrative:										
Legal	78,855	41,306	39,427	20,653	13,142	6,884	-	-	-	-
Financial and Claims Auditing	9,193	8,925	7,354	7,140	1,839	1,785	-	-	-	-
Claims Review	31,440	-	-	32,550	-	-	-	-	-	-
Actuarial	44,972	47,903	35,710	36,722	-	-	-	-	-	-
Special Studies	23,566	-	24,606	-	-	-	-	-	-	-
Meetings	17,804	21,939	8,902	10,970	2,967	3,656	-	-	-	-
Risk Management Award	-	2,668	-	2,668	-	-	-	-	-	-
Loss Control/University Program	23,923	26,049	121,898	123,886	-	-	-	-	-	-
Risk Management Program	84,609	86,636	-	-	-	-	-	-	-	-
Scholarship/Conference	4,401	6,060	2,934	4,040	-	-	-	-	-	-
Insurance	12,800	8,409	-	-	-	-	-	-	-	-
Occu-Med	51,000	66,000	-	-	-	-	-	-	-	-
Marketing	-	4,348	-	4,347	-	-	-	-	-	-
Dues, Subscriptions and Other Expenses	3,271	3,738	1,924	2,124	290	316	-	-	-	-
	385,834	323,981	242,755	245,100	18,238	12,641	-	-	-	-
Total Operating Expenses	18,205,402	10,694,458	3,432,163	1,704,962	6,870,633	7,148,220	275,252	266,750	31,882	30,632
Operating Income (Loss)	(7,044,268)	(153,266)	19,589	1,383,824	3,949	(6,561)	(1)	(3)	2	1,133
NONOPERATING REVENUES:										
Investment Income	592,065	100,034	280,532	67,115	-	-	-	-	-	-
Change in Net Position	(6,452,203)	(53,232)	300,121	1,450,939	3,949	(6,561)	(1)	(3)	2	1,133
Net Position, Beginning of Year	25,898,754	25,951,986	10,796,535	9,345,596	(6,561)	-	(3)	-	1,133	-
Net Position, End of Year	$ 19,446,551	$ 25,898,754	$ 11,096,656	$ 10,796,535	$ (2,612)	$ (6,561)	$ (4)	$ (3)	$ 1,135	$ 1,133

INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY

COMBINING STATEMENT OF CASH FLOWS - PRIOR YEAR COMPARISON

FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013

	LIABILITY		WORKERS COMPENSATION		PROPERTY		AUTO PHYSICAL DAMAGE		CRIME	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Cash Flows from Operating Activities:										
Cash Received from Members for Deposit Premiums	$ 11,024,579	$ 10,467,609	$ 3,451,752	$ 3,140,278	$ 6,865,520	$ 7,196,925	$ 270,579	$ 266,747	$ 31,884	$ 31,765.00
Cash Payments to Suppliers for Services	(3,925,841)	(2,851,831)	(1,625,634)	(1,666,211)	(6,875,739)	(7,217,603)	(273,313)	(266,750)	(31,882)	(30,632)
Cash Payments Relating to Claims and Claim Administration	(11,972,541)	(1,023,706)	(349,350)	(123,493)	-	-	-	-	-	-
Net Cash Provided By (Used For) Operating Activities	(4,873,803)	6,592,072	1,476,768	1,350,574	(10,219)	(20,678)	(2,734)	(3)	2	1,133
Cash Flows from Investing Activities:										
Purchases of Investments	(25,418,440)	(28,581,949)	(12,799,963)	(12,200,727)	-	-	-	-	-	-
Proceeds from Investment Sales and Maturities	24,737,245	27,908,709	12,456,934	11,913,343	-	-	-	-	-	-
Interest Income Received	749,620	840,503	177,356	67,115	-	-	-	-	-	-
Net Cash Provided By (Used For) Investing Activities	68,425	167,264	(165,673)	(220,270)	-	-	-	-	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	(4,805,378)	6,759,336	1,311,095	1,130,304	(10,219)	(20,678)	(2,734)	(3)	2	1,133
Cash and Cash Equivalents, Beginning of Year	16,454,735	9,695,398	4,723,921	3,593,617	(70,210)	(49,532)	(3)	-	1,133	-
Cash and Cash Equivalents, End 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
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:										
Operating income (loss)	$ (7,044,268)	$ (153,266)	$ 19,589	$ 1,383,824	$ -	$ (6,561.00)	$ (1)	$ (3)	$ 2	$ 1,133.00
Adjustment to net cash used by operating activities:										
(Increase) Decrease in Accounts Receivable	(136,555)	(73,583)	-	51,491	(9,062)	55,266	-	-	-	-
(Increase) Decrease in Prepaid Expenses	(908)	7,897	(1,176)	52	-	(6,880)	-	-	-	-
(Decrease) Increase in Accounts Payable	(34,549)	36,398	-	(89,888)	-	-	-	-	-	-
(Decrease) Increase in Due to Members	-	-	-	-	-	(62,503)	-	-	-	-
(Decrease) Increase in Claims Payable	2,342,477	6,774,626	1,458,355	5,095	-	-	-	-	-	-
Net Cash Provided By (Used For) Operating Activities	$ (4,873,803)	$ 6,592,072	$ 1,476,768	$ 1,350,574	$ (9,062)	$ (20,678)	$ (1)	$ (3)	$ 2	$ 1,133
Cash and Cash Equivalents as Reported:										
Demand Deposits	$ 72,646	$ 63,955	$ 37,635	$ 18,360	$ (80,429)	$ (70,210)	$ (2,737)	$ (3)	$ 1,135	$ 1,133
Investment in State Investment Pool (LAIF)	11,515,499	16,201,214	5,965,671	4,651,140	-	-	-	-	-	-
Investment in California Asset Management Program (CAMP)	61,211	189,565	31,710	54,422	-	-	-	-	-	-
Cash and Cash Equivalents, End of Year	$ 11,649,356	$ 16,454,734	$ 6,035,017	$ 4,723,922	$ (80,429)	$ (70,210)	$ (2,737)	$ (3)	$ 1,135	$ 1,133
Noncash Investing, Capital and Financing Activities										
Change in unrealized gain (loss) in market values of investments	$ (198,655)	$ (811,518)	$ (102,914)	$ (232,976)	$ -	$ -	$ -	$ -	$ -	$ -