

COMMUNITY COLLEGE INSURANCE GROUP
REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

June 30, 2013

COMMUNITY COLLEGE INSURANCE GROUP

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community College Insurance Group

Report on the Financial Statements

We have audited the accompanying statement of net position of the Community College Insurance Group (CCIG) as of June 30, 2013, and the related statements of revenue, expenses, and change in net position and cash flows, and the related notes to the financial statements for the fiscal year then ended.

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 policies and procedures of the *State Controller's Office Division of Local Government Fiscal Affairs Minimum Audit Requirements and Reporting Guidelines for California Special Districts*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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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Board of Directors
Community College Insurance Group

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CCIG as of June 30, 2013 and the changes in its net position and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2013 on our consideration of CCIG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.


VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA

December 5, 2013

COMMUNITY COLLEGE INSURANCE GROUP
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2013

The following report reflects on the financial condition of the Community College Insurance Group (CCIG) for the fiscal year ended June 30, 2013. It is provided in order to enhance the information in the independent financial audit and the financial management information report and should be reviewed with those reports.

Introduction and Background

CCIG was established under a Joint Exercise of Power Agreement effective February 2005 to provide college district members with the capability of self-funding dental and vision benefits that are stable and cost effective. CCIG includes two college districts in Siskiyou County and covers more 1,660 employees and their dependents.

With a strong commitment to self-funding and controlling costs, CCIG has offered a stable rate structure over its years of operation.

Services and Programs

CCIG participates in the California Dental Coalition and the Vision Service Plan (VSP) Coalition which, due to its increased size and purchasing power, provides CCIG the benefit of a reduced administration fee from Delta Dental and VSP. Delta Dental and VSP pay and administer CCIG member claims. Keenan & Associates, as the dental and vision consultant oversees the eligibility and billing process.

Membership

There are currently two members in the dental and vision programs. The membership decreased to two members in the dental and vision programs when City College of San Francisco and Monterey Peninsula College withdrew in the 2012/2013 program year, effective 07/01/2012.

Financial Management and Control

CCIG is responsible in establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP).

COMMUNITY COLLEGE INSURANCE GROUP

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2013**

Financial Management and Control (continued)

CCIG has contracted with Keenan & Associates for administrative management responsibilities. These services include ensuring that CCIG meets its commitment to the members for operational efficiency, organizational integrity and for implementing policies established by the Board of Directors (the Board) as set forth in organizational documents and bylaws. Service Enhancement Technologies (SETECH), a Division of Keenan & Associates, provides financial management and reporting to the Board. Budgetary control is provided by verification of budgeted amounts prior to expenditures and analysis of all account totals compared to budgeted amounts. Detailed financial statements and Treasurer's Reports include budget-to-actual comparisons and are provided to the Board.

Vicenti, Lloyd, Stutzman, LLP, Certified Public Accountants, have performed an independent audit examination of the financial statements in accordance with generally accepted auditing standards.

Description of the Basic Financial Statements

CCIG's financial statements are prepared in conformity with US GAAP and necessarily include amounts based upon reliable estimates and judgments. The Statement of Net Position, Statement of Revenue, Expenses and Change in Net Position, and the Statement of Cash Flows are included.

The Statement of Net Position provides information on CCIG's program assets and liabilities, with the difference reported as Designated/Undesignated Net Position as of 06/30/2013. The Statement of Revenues, Expenses and Change in Net Position presents information showing total revenues versus total expenditures for fiscal year 2012/2013 and the resulting effect on net position. The Statement of Cash Flows provides a reconciliation of the change during the fiscal year 2012/2013 in cash and cash equivalents.

CCIG operates on a program and fiscal year from July 1st through June 30th of each year, and calculates the financial position of each program year on the basis that each year stands on its own. Specifically, that means that the funding determined necessary for each claim year is collected in that claim year, and all liabilities and expenditures of each claim year are accounted for in the year they are incurred.

COMMUNITY COLLEGE INSURANCE GROUP

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2013**

Analysis of Overall Financial Position & Results of Operations

Condensed Financial Information Statement of Net Position

Below is a summary of the Statement of Net Position showing total assets and total liabilities with the variance and a percentage of change between 2011/2012 and 2012/2013.

	Balance as of		
	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>%</u>
Current Assets:			
Cash and Cash Equivalents	\$ 773,372	\$ 466,980	(39.62) %
Accounts/Interest Receivable	<u>282,992</u>	<u>235</u>	<u>(99.92)</u>
Total Assets	<u><u>\$ 1,056,364</u></u>	<u><u>\$ 467,215</u></u>	<u><u>(55.77)</u></u>
Current Liabilities:			
Accounts Payable	\$ 1,475	\$ 65,237	4,322.85
Claims Liabilities	<u>368,595</u>	<u>87,632</u>	<u>(76.23)</u>
Total Liabilities	<u>370,070</u>	<u>152,869</u>	<u>(58.69)</u>
Total Net Position	<u>686,294</u>	<u>314,346</u>	<u>(54.20)</u>
Total Liabilities and Net Position	<u><u>\$ 1,056,364</u></u>	<u><u>\$ 467,215</u></u>	<u><u>(55.77) %</u></u>

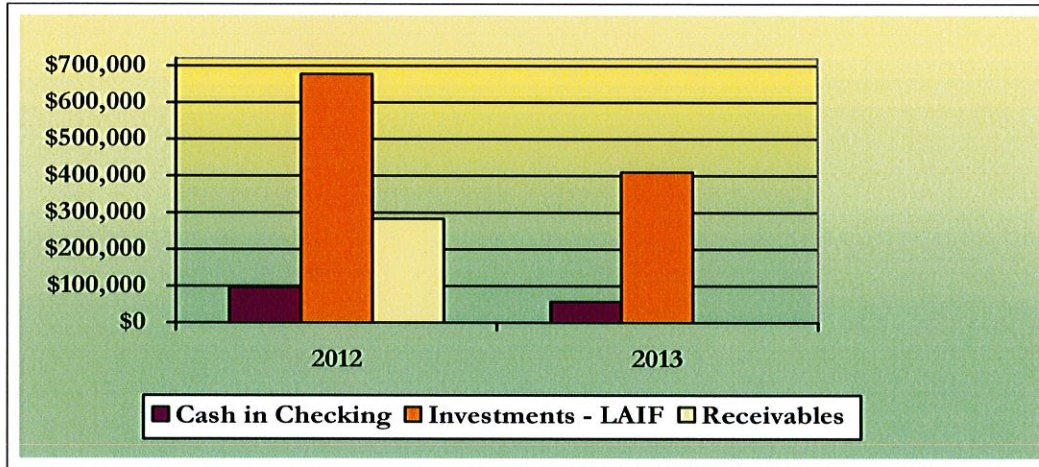
Assets

The assets of CCIG have decreased by 55.77% over the past year. The most significant factor is attributed to the payment of \$529,272 in member withdrawals to City College of San Francisco and Monterey Peninsula College as previously discussed.

COMMUNITY COLLEGE INSURANCE GROUP
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2013

Assets (continued)

Below is the allocation of total assets as of June 30, 2012 and 2013.



Liabilities

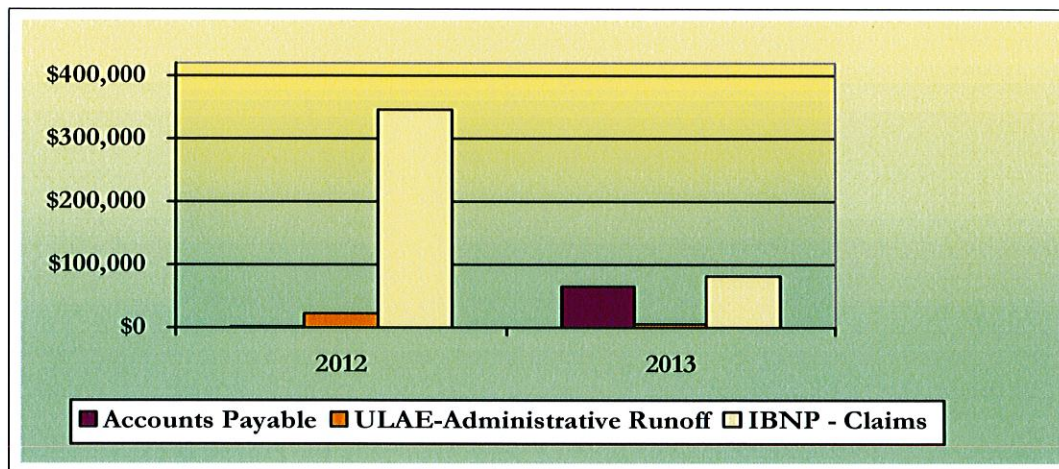
The liabilities of CCIG have decreased in 2012/2013 by \$217,201 or 58.69%. This is attributed to a decrease in estimated liabilities for open claims; Incurred But Not Paid (IBNP) and Unallocated Loss Adjustment Expense (ULAE) of \$280,963 or 76.23%. This is based upon an annual actuarial reevaluation of the outstanding claims experience. This decrease is reflected in both the dental and the vision programs and relates primarily to decreased membership due to the withdrawal of two member districts. In addition, claims experience was better than anticipated within 2012/2013.

COMMUNITY COLLEGE INSURANCE GROUP

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2013

Liabilities (continued)

Below is the allocation of total liabilities as of June 30, 2012 and 2013.



Net Position

CCIG's Statement of Net Position reflects the undesignated fund of \$314,346 which includes a designated capital target of \$115,905. CCIG's net position has decreased by \$371,948 or 54.20%. This decrease is primarily attributed to the payments made for member withdrawals as described earlier.

Capital Target

CCIG has adopted a Capital Target policy that is reviewed annually based upon the adopted annual budget and is calculated using the annual actual claims multiplied by 8%. Capital Target applies to each member's equity. The capital target policy requires an evaluation of the net asset/ (deficit) position overall as well as by individual program years. Member distributions are calculated using the audited year-end financial statements. The Statement of Net Position reflects the capital target reserve and the amount available above the capital target. Distributions are made by request and approval of the Treasurer.

COMMUNITY COLLEGE INSURANCE GROUP

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2013**

Withdrawals

Each member's contributions are based upon their individual claims experience, on a program year stand alone bases. Equity (Net Position) is tracked by member. Withdrawing members are eligible for return of their equity or responsible for their deficits, based upon the capital target policy. A waiting period is designated by the Board. Effective 07/01/2012, Monterey Peninsula College and City College of San Francisco withdrew from CCIG. Both groups were in an equity position with net position designated for future payments. This was paid to the members in installments in the 2012/2013 program year.

Statement of Revenues, Expenses, and Change in Net Position

Expenditures exceeded Revenues by \$371,948 in 2012/2013, resulting in a net decrease to the fund net position of 54.20% as shown in the condensed Statement of Revenue, Expenses and Change in Net Position shown below.

	Fiscal Year Ended June 30,		
	2012	2013	Percentage
Operating Revenue			
Pool contributions - Dental	\$ 5,212,075	\$ 1,413,203	(72.89) %
Pool contributions - Vision	298,647	271,604	(9.06)
Less member withdrawals	-	(529,272)	-
Total operating revenue	<u>5,510,722</u>	<u>1,155,535</u>	<u>(79.03)</u>
Operating Expenses			
Claims expense	5,167,467	1,507,007	(70.84)
Administrative expense	43,388	22,369	(48.44)
Total operating expenses	<u>5,210,855</u>	<u>1,529,376</u>	<u>(70.65)</u>
Non-Operating Revenue			
Investment income	1,737	1,893	8.98
Total non-operating Revenue	<u>1,737</u>	<u>1,893</u>	<u>8.98</u>
Change in net position	301,604	(371,948)	(223.32)
Net Position- beginning of year	384,690	686,294	78.40
Net Position - end of year	<u>\$ 686,294</u>	<u>\$ 314,346</u>	<u>(54.20) %</u>

COMMUNITY COLLEGE INSURANCE GROUP
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2013

Revenue

Pool operating revenue consists of contributions received from members. Member contributions decreased in 2012/2013 by 69.43% from \$5,510,722 to \$1,684,807. This is a result of the two members withdrawing from the program as previously discussed. The annual funding renewal process determines member contributions rates. As a part of the renewal funding process the Board adopts recommended percentage rate changes increases or decreases annually. Each Member reviews their recommended renewal prepared by Keenan & Associates Underwriting department and approves an increase or decrease based upon the funding required to meet their costs and protect the positive position of the pool. Capital targets are provided on a member bases for this analysis.

Expenses

Operating expenditures, claims costs and fully-insured premiums, and administrative expenditures decreased by 70.65% in 2012/2013 from \$5,210,855 to \$1,529,376, consistent with the decrease in revenue.

Description of Facts or Conditions that are expected to have a Significant Effect on Financial Position or Results of Operations

In November 2013, the CCIG approved the addition of a new member, Ohlone Community College District, effective 01/01/2014.

Other than as mentioned above, there are no known facts or conditions that are expected to have a significant effect on the financial position or results of operations.

FINANCIAL STATEMENTS

COMMUNITY COLLEGE INSURANCE GROUP

STATEMENT OF NET POSITION

June 30, 2013

ASSETS

Cash and cash equivalents	\$	466,980
Accounts receivable		<u>235</u>
TOTAL ASSETS	\$	<u>467,215</u>

LIABILITIES AND NET POSITION

LIABILITIES:

Accounts payable	\$	65,237
Estimated liability for administrative run-off		5,681
Estimated liability for open claims		<u>81,951</u>
Total liabilities		<u>152,869</u>

NET POSITION:

Unrestricted:		
Designated capital target		115,905
Undesignated		<u>198,441</u>
Total net position		<u>314,346</u>

TOTAL LIABILITIES AND NET POSITION	\$	<u>467,215</u>
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See the accompanying notes to financial statements.

COMMUNITY COLLEGE INSURANCE GROUP

**STATEMENT OF REVENUE, EXPENSES, AND
CHANGE IN NET POSITION**

For the Fiscal Year Ended June 30, 2013

OPERATING REVENUE:

Member contributions - Delta Dental	\$ 1,413,203
Member contributions - VSP	271,604
Less member withdrawals	<u>(529,272)</u>
Total operating revenue	<u>1,155,535</u>

OPERATING EXPENSES:

Claims expense	1,671,499
Administrative expense	22,369
Coalition administration	116,471
Benefit for administrative run-off	(17,014)
Benefit for estimated open claims	<u>(263,949)</u>
Total operating expenses	<u>1,529,376</u>

Operating loss (373,841)

NON-OPERATING INCOME:

Investment income	<u>1,893</u>
Total non-operating income	<u>1,893</u>

Change in net position (371,948)

NET POSITION - beginning of year 686,294

NET POSITION - end of year \$ 314,346

See the accompanying notes to financial statements.

COMMUNITY COLLEGE INSURANCE GROUP

**STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2013**

Cash Flows From Operating Activities:

Member contributions received	\$ 1,967,153
Member withdrawals	(464,935)
Vision and dental claims paid	(1,671,499)
Administrative expenses paid	<u>(139,415)</u>
Net cash used in operating activities	<u>(308,696)</u>

Cash Flows From Investing Activities:

Cash received from investment income	<u>2,304</u>
Net cash provided by investing activities	<u>2,304</u>
Net decrease in cash and cash equivalents	(306,392)
Cash and cash equivalents, beginning of year	<u>773,372</u>
Cash and cash equivalents, end of year	<u>\$ 466,980</u>

**Reconciliation of Operating Loss to
Net Cash Used in Operating Activities**

Operating loss	<u>\$ (373,841)</u>
Adjustments to reconcile operating loss to cash used in operating activities:	
Changes in assets and liabilities:	
Decrease in accounts receivable	282,346
Increase in accounts payable	63,762
Decrease in estimated liability for administrative run-off	(17,014)
Decrease in estimated liability for open claims	<u>(263,949)</u>
Total adjustments	<u>65,145</u>
Net cash used in operating activities	<u>\$ (308,696)</u>

See the accompanying notes to financial statements.

COMMUNITY COLLEGE INSURANCE GROUP

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity

The Community College Insurance Group (CCIG) was formed on February 1, 2005 and became operational on February 1, 2005 when Monterey Peninsula College, City College of San Francisco, College of the Siskiyous and Chabot Las Positas Community College District joined together under Section 6503 of the California Government Code to create a public agency. The purpose of CCIG is to provide services and other items necessary and appropriate for the establishment, operation and maintenance of a joint program for benefit protection for the public agencies who are members, and to provide a forum for discussion, study, development and implementation of recommendations of mutual interest regarding other joint programs.

Effective July 1, 2012, Monterey Peninsula College and City College of San Francisco member districts withdrew from CCIG.

CCIG functions as a joint banking pool for its respective members and, accordingly, does not transfer risk between members. CCIG is managed by a Board of Directors composed of a designated representative from the member districts.

Accounting Policies

The accounting policies of CCIG conform to accounting principles generally accepted in the United States of America (US GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants.

Change in Accounting Principle

CCIG adopted the new accounting principle, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. There was no effect on the beginning net position as a result of this change in accounting principle.

Basis of Accounting

CCIG records financial transactions on the accrual basis of accounting, wherein expenditures are recorded at the time liabilities are incurred and income is recorded when earned.

COMMUNITY COLLEGE INSURANCE GROUP

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:
(continued)

Fund Accounting

The accounts of CCIG are organized and accounted for with a set of self-balancing accounts that comprise its assets, liabilities, net position, member contributions, investment income and expenses. CCIG's resources are allocated to and accounted for based upon the purpose for which they are to be spent and the means by which spending activities are controlled. CCIG accounts for operations that are financed and operated in a manner similar to a private enterprise, where the cost of providing the pooling is financed through the contributions made by the member districts.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents, for purposes of reporting cash flows, consist primarily of cash in banks and claims trust accounts, and are stated at fair value. Cost approximates fair value for amounts held in the Local Agency Investment Fund in accordance with the requirements of GASB Statement No. 31.

Accounts Receivable

Receivables are generally recorded when an amount is earned and can be estimated. Accounts receivable consists of amounts due for investment income.

Net Position

Net position is reportable in three categories: invested in capital assets net of related debt, restricted and unrestricted. Currently, only the unrestricted category applies to CCIG; however, a portion of the balance has been designated to comply with the board adopted capital target policy. The policy is reviewed annually based upon the adopted annual budget and is calculated using the annual actual claims multiplied by 8%. The capital target policy requires an evaluation of the net asset/ (deficit) position overall as well as by individual program years.

COMMUNITY COLLEGE INSURANCE GROUP

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

(continued)

Operating Revenues and Expenses

Operating revenues include activities that have the characteristics of exchange transactions, such as self-insurance premiums. Nonoperating revenues include activities that have the characteristics of nonexchange transactions that are defined as nonoperating revenues by GASB No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting, and GASB No. 33, such as investment income. Operating expenses include those necessary costs incurred to provide the services of CCIG.

Member Contributions

Each member's contribution is determined based upon the number of plan participants and the contribution rate for each classification of covered participant. The rates for each member are determined based on each member's loss history, unusual exposures, and other pertinent information. If the total obligations would exceed the total assets of CCIG, the members may be assessed additional contributions.

Service Agreements – Dental and Visions Claims

CCIG has contracted with Delta Dental Service and Vision Service Plan for the servicing of member claims.

NOTE 2 - CASH AND CASH EQUIVALENTS:

CCIG's cash and cash equivalents at June 30, 2013 are presented below:

Deposits:	
Cash in bank	\$ 46
Claims trust account - Delta Dental	35,438
Claims trust account - VSP	21,576
External Investment Pools:	
Local Agency Investment Fund:	409,920
Total cash and cash equivalents	<u>\$ 466,980</u>

COMMUNITY COLLEGE INSURANCE GROUP

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 2 - CASH AND CASH EQUIVALENTS: (continued)

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, CCIG's deposits may not be returned to it. CCIG does not have a policy for custodial credit risk for deposits. The bank balance is pooled with other entities by the administrator in trust and in checking accounts that are fully insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2013, CCIG did not have exposure to credit risk.

Cash in Local Agency Investment Fund (LAIF)

CCIG is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The fair value of CCIG's investment in the pool is reported in the accompanying financial statements at amounts based upon CCIG's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the portfolio). The amount of funds available for withdrawal is based on the accounting records maintained by LAIF which is recorded on the amortized cost basis.

NOTE 3 - ESTIMATED LIABILITY FOR ADMINISTRATIVE RUN-OFF:

The actuary has calculated \$5,681 as an administrative fee that would occur if CCIG were to cease operation on June 30, 2013. This would be the tail coverage cost for the next three years for all open claims as of the reporting date.

The provision for administrative run-off expense was a benefit of \$(17,014) which represents a decrease in the estimated liability for administrative run-off expense over the last fiscal year.

COMMUNITY COLLEGE INSURANCE GROUP

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 4 - ESTIMATED LIABILITY FOR OPEN CLAIMS:

At the close of the fiscal year ended June 30, 2013, the estimated liability for open claims was determined to be \$81,951. The estimated liability was based on calculations made by CCIG's external administrator and supported by an independent actuary. These calculations are based on estimates that may fluctuate from period to period, based upon changes in information or additional information becoming available from time to time.

The provision for estimated open claims was a benefit of \$(263,949) which represents a decrease in the estimated liability for open claims over the last fiscal year.

NOTE 5 - RECONCILIATION OF UNPAID CLAIMS LIABILITIES:

As discussed in Notes 3 and 4, CCIG establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claims adjustment expenses for the Delta Dental and VSP programs. The following represents changes in these aggregate liabilities for CCIG during the past two years ended:

	<u>June 30, 2012</u>	<u>June 30, 2013</u>
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	\$ 416,533	\$ 345,900
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	4,917,239	1,434,475
Decrease in provision for insured events of prior fiscal years	<u>(100,791)</u>	<u>(26,925)</u>
Total incurred claims and claim adjustment expenses	<u>4,816,448</u>	<u>1,407,550</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	4,581,764	1,368,290
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>305,317</u>	<u>303,209</u>
Total payments	<u>4,887,081</u>	<u>1,671,499</u>
Total unpaid claims and claim adjustment expenses at end of the fiscal year	<u>\$ 345,900</u>	<u>\$ 81,951</u>

COMMUNITY COLLEGE INSURANCE GROUP

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE 6 – SUBSEQUENT EVENTS:

In November 2013, CCIG approved the addition of a new member, Ohlone Community College District, effective January 1, 2014.

CCIG has evaluated subsequent events through December 5, 2013, which is the date these financial statements were available to be issued. Other than as described above, there were no items requiring recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

COMMUNITY COLLEGE INSURANCE GROUP
RECONCILIATION OF UNPAID CLAIMS LIABILITIES
BY CONTRACT TYPE
DELTA DENTAL
For the Fiscal and Policy Years Ended

	<u>June 30,</u> <u>2012</u>	<u>June 30,</u> <u>2013</u>
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	<u>\$ 403,268</u>	<u>\$ 335,936</u>
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	4,706,976	1,237,071
Increase (decrease) in provision for insured events of prior fiscal years	<u>(102,266)</u>	<u>(30,340)</u>
Total incurred claims and claim adjustment expenses	<u>4,604,710</u>	<u>1,206,731</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	4,381,380	1,178,994
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>290,662</u>	<u>290,440</u>
Total payments	<u>4,672,042</u>	<u>1,469,434</u>
Total unpaid claims and claim adjustment expenses at end of the fiscal year	<u>\$ 335,936</u>	<u>\$ 73,233</u>

See the notes to Required Supplementary Information.

COMMUNITY COLLEGE INSURANCE GROUP
RECONCILIATION OF UNPAID CLAIMS LIABILITIES
BY CONTRACT TYPE
VSP
For the Fiscal and Policy Years Ended

	<u>June 30,</u> <u>2012</u>	<u>June 30,</u> <u>2013</u>
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	\$ 13,265	\$ 9,964
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	210,263	197,404
Increase (decrease) in provision for insured events of prior fiscal years	<u>1,475</u>	<u>3,415</u>
Total incurred claims and claim adjustment expenses	<u>211,738</u>	<u>200,819</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	200,384	189,296
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>14,655</u>	<u>12,769</u>
Total payments	<u>215,039</u>	<u>202,065</u>
Total unpaid claims and claim adjustment expenses at end of the fiscal year	<u>\$ 9,964</u>	<u>\$ 8,718</u>

See the notes to Required Supplementary Information.

COMMUNITY COLLEGE INSURANCE GROUP

**CLAIMS DEVELOPMENT INFORMATION – DELTA DENTAL AND VSP
For the Fiscal and Policy Years Ended June 30,**

	2005	2006	2007	2008	2009	2010	2011	2012	2013
1. Net earned required contribution and investment revenues	\$ 1,240,489	\$ 3,960,926	\$ 4,535,712	\$ 4,720,592	\$ 4,907,969	\$ 5,367,871	\$ 5,552,851	\$ 5,512,459	\$ 1,686,700
2. Unallocated expenses	85,142	272,790	301,692	329,939	367,975	381,041	397,553	383,545	138,840
3. Estimated incurred claims and expense, end of policy year	1,201,968	3,664,143	3,884,055	4,212,845	4,698,334	5,030,631	5,093,251	4,917,239	1,434,475
4. Paid (cumulative) as of:									
End of policy year	974,673	3,361,143	3,578,648	3,862,498	4,346,932	4,630,159	4,679,209	4,581,764	1,368,290
One year later	1,189,351	3,644,605	3,833,468	4,199,375	4,737,165	5,023,241	4,984,526	4,884,973	
Two years later	1,189,351	3,644,605	3,833,468	4,212,980	4,737,165	5,023,241	4,984,526		
Three years later	1,189,351	3,644,605	3,833,468	4,212,980	4,737,165	5,023,241			
Four years later	1,189,351	3,644,605	3,833,468	4,212,980	4,737,165				
Five years later	1,189,351	3,644,605	3,833,468	4,212,980					
Six years later	1,189,351	3,644,605	3,833,468						
Seven years later	1,189,351	3,644,605							
Eight years later	1,189,351								
5. Reestimated incurred claims and expense:									
End of policy year	1,201,968	3,664,143	3,884,055	4,212,845	4,698,334	5,030,631	5,093,251	4,917,239	1,434,475
One year later	1,189,351	3,645,214	3,837,815	4,201,545	4,705,771	5,025,732	4,992,460	4,890,314	
Two years later	1,189,351	3,644,605	3,837,815	4,212,980	4,737,165	5,023,241	4,984,526		
Three years later	1,189,351	3,644,605	3,833,468	4,212,980	4,737,165	5,023,241			
Four years later	1,189,351	3,644,605	3,833,468	4,212,980	4,737,165				
Five years later	1,189,351	3,644,605	3,833,468	4,212,980					
Six years later	1,189,351	3,644,605	3,833,468						
Seven years later	1,189,351	3,644,605							
Eight years later	1,189,351								
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	(12,617)	(19,538)	(50,587)	135	38,831	(7,390)	(108,725)	(26,925)	

See the notes to Required Supplementary Information.

COMMUNITY COLLEGE INSURANCE GROUP

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2013

NOTE 1 - PURPOSE OF SCHEDULES:

Reconciliation of Claims Liabilities

This schedule is required supplementary information and presents changes in claims liabilities for the past two years for CCIG's Delta Dental and VSP claims.

Claims Development Information

The table is required supplementary information and illustrates how CCIG's earned revenues and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by CCIG as of the end of each of the nine years of operation of CCIG. In future years, ten years of claims development information will be presented. The rows of the table are defined as follows: (1) Total of each fiscal year's earned contribution revenues and investment revenues. (2) Each fiscal year's other operating costs of CCIG including overhead and claims expense not allocable to individual claims. (3) CCIG's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year). (4) This section shows the cumulative amounts paid as of the end of successive years for each policy year. (5) This section shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation result from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (6) Compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Community College Insurance Group

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Community College Insurance Group (CCIG), as of and for the year ended June 30, 2013, and the related notes to the financial statements and have issued our report thereon dated December 5, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered CCIG's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CCIG's internal control. Accordingly, we do not express an opinion on the effectiveness of CCIG's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

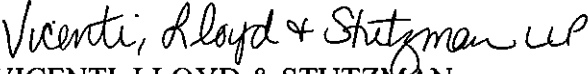
**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CCIG's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
December 5, 2013