

CITY OF CEDARBURG INTERNAL SERVICE/RISK MANAGEMENT FUND

Under Statement No. 10 of the Governmental Accounting Standards Board, risk management activities of a governmental entity can be accounted for in either the General Fund or an Internal Service Fund. The City of Cedarburg has chosen to use an Internal Service Fund. As such, this fund accounts for all risk management activities of the City.

Costs accounted for in this fund include premiums and claims costs for:

- General Liability Insurance (\$5 million)
- Excess Liability Insurance (\$5 million excess of \$5 million)
- Auto Physical Damage Insurance
- Property Insurance
- Employment Practices Insurance (\$1 million)
- Workers' Compensation Insurance
- Unemployment Compensation (Uninsured)
- Boiler & Machinery Insurance
- Deductible and uncovered liability expenses

PROVIDERS

The general liability insurance is provided through the Cities and Villages Mutual Insurance Company (CVMIC), a municipal insurance pool, in which the City retains exposure to losses for liability claims up to \$17,500 per occurrence, with a \$70,000 yearly claims payment maximum (the Cedarburg Light & Water Commission also is considered in the yearly maximum). The general liability policy provides coverage for "third-party" claims for auto and other forms of damages. The insurance pool also covers and administers workers' compensation. On a group purchase basis, the City obtains Auto Physical Damage, Excess Liability, Boiler & Machinery and Employment Practices Insurance through CVMIC. Property insurance is obtained through the State of Wisconsin Local Government Property Insurance Fund (LGPIF).

DEDUCTIBLES AND SELF-INSURED RETENTIONS

The Employment Practices and Excess Liability programs have no deductible. For the State of Wisconsin LGPIF program, the City has opted for the \$10,000 deductible per claim, no aggregate.

The Auto Physical Damage deductible is set at \$1,000 per claim. Workers' Compensation coverage by Statute for wage reimbursement begins after the third day of injury leave. The City's policy is to continue an employee's normal wage and self-insure the first three days of injury leave until workers' compensation begins. The General Liability program has a per claim deductible of \$17,500 with a \$70,000 total annual aggregate.

In addition to premiums and claims within the City's self-insured retention, other liability insurance costs that may be paid by this fund include claims outside the scope of the policy or coverage period or litigation expenses related to defending the City against claims.

ALLOCATION OF COSTS

The premium and claims costs for the above programs are funded via charges to General Fund departments, the Sewer Utility Fund, the Swimming Pool, Cemetery, Recreation Programs and Library in the Special Revenue Fund, and the operations of the senior van accounted for in the Trust and Agency Fund. Premium charges to operating departments are based on factors such as number of automobiles used, state value of buildings and contents and employee salaries. One-half of the City's liability

insurance premium is attributable to vehicles and allocated along with the physical damage premium. The remainder of the liability insurance premium is combined with an estimate of claims costs (including legal and administration) and allocated accordingly to individual funds. In addition to premium and claims costs, this fund also paid the debt service on the bonds required to be issued by the City with respect to the formation of CVMIC. These debt service costs were financed by dividends from CVMIC based on investment earnings of CVMIC. The bonds were paid in full in 2007.

The budgeted expenses and revenues for this fund are in full compliance with GASB 10. This fund reflects all the above noted costs in a single fund to better account for and monitor the City's insurance costs (previously, insurance costs were accounted for in several different departments and funds). The Internal Service Fund includes Cedarburg Light & Water's liability and workers' compensation claims expense per the recommendation of the City's auditors.

INSURANCE PROGRAM SUMMARY

Account/Fund Budgeted	Property/Auto Insurance	Worker's Comp.*	General Liability	Surety Bond	Total
519400					
General Fund	\$2,270		\$7,813	\$1,012	\$11,095
Other Depts.					
General Fund	62,185	81,502	44,051		187,738
Sewer	7,015	13,739	6,370		27,124
Cemetery	114	481	198		793
Swimming Pool	988	5,200	2,143		8,331
Library		778	4,363		5,141
Trust & Agency	199				199
Recreation Programs		2,585	1,065		3,650
<i>Total 2010</i>	<i>\$72,771</i>	<i>\$104,285</i>	<i>\$66,003</i>	<i>\$1,012</i>	<i>\$244,071</i>
<i>Total 2009</i>	<i>\$73,433</i>	<i>\$118,453</i>	<i>\$65,239</i>	<i>\$1,025</i>	<i>\$258,150</i>

*Net dividend

**CITY OF CEDARBURG
INTERNAL SERVICE FUND - RISK MANAGEMENT**

	2006 ACTUAL	2007 ACTUAL	2008 ACTUAL	2009 BUDGET	2009 ESTIMATED	2010 ADOPTED
REVENUES - FUND 700						
481100 Interest Income	\$32,099	\$28,239	\$13,691	\$14,995	\$3,500	\$3,500
481195 Dividend Income/WC Dividend	53,543	53,723	28,587	25,126	12,000	32,565
484000 Insurance Recoveries	(4,592)	25,907	4,944		2,433	
482000 Worker's Compensation - Wage Recovery	5,018	5,988	7,056		7,396	
491100 Charges to General Fund	177,504	197,225	202,745	196,864	207,272	195,913
491200 Charges to Cemetery Fund	1,174	1,214	1,284	656	656	793
491220 Charges to Recreation Programs Fund	1,288	1,774	1,930	1,878	1,878	3,650
491240 Charges to Swimming Pool Fund	8,210	9,396	10,563	9,840	9,840	8,331
491221 Transfer from Youth Center	214	145	165	172	172	0
491260 Charges to Library	4,871	5,158	5,152	5,907	5,907	5,141
491601 Transfer from Sewer Fund	32,044	30,665	31,273	31,205	31,205	27,124
491800 Transfer from Trust & Agency Fund	258	238	234	196	196	199
TOTAL REVENUES	311,631	359,672	307,623	286,839	282,455	277,216
EXPENSES - FUND 700						
519400 Insurance Premiums/Costs:						
-165 Workers' Compensation Insurance	128,318	162,884	156,033	143,579	149,304	113,354
-393 Unemployment Compensation			499		1,200	8,175
-510 Property/Auto Insurance	34,312	38,878	40,574	42,909	39,585	41,559
-512 General Liability Insurance	58,539	64,336	4,216	65,239	56,676	66,003
-513 Employment Practices Insurance	8,928	10,570	8,799	13,563	9,848	9,848
-515 Boiler Insurance	1,577	1,782	1,353	1,548	1,318	1,548
-536 2002 Liability Claims Paid	3,210					
-537 2003 Liability Claims Paid	15,780		169		48	
-538 2004 Liability Claims Paid		12,559				
-539 2005 Liability Claims Paid	8,135					
-540 2006 Liability Claims Paid	40,435	25,225	7,917	2,500	942	
-543 2007 Liability Claims Paid		26,999	8,866	2,500		2,500
-544 2008 Liability Claims Paid			18,269	5,000	3,529	2,500
-545 2009 Liability Claims Paid				10,000	10,293	5,000
-546 2010 Liability Claims Paid						10,000
Total operating expenses	299,234	343,233	246,694	286,838	272,743	260,486
592000 Transfers to Other Funds						
-910 Transfer to General Fund	40,000	98,376	0	0	0	0
Non-operating Expenses						
583000 Principal & Interest Expense	2,714	552	0	0	0	0
TOTAL EXPENSES	341,948	442,161	246,694	286,838	272,743	260,486
NET INCOME (LOSS)	(30,317)	(82,489)	60,930	1	9,712	16,730
FUND BALANCE, JANUARY 1	621,506	591,189	508,700	569,630	569,630	579,342
FUND BALANCE, DECEMBER 31:	591,189	508,700	569,630	569,631	579,342	596,072