SAN JOAQUIN VALLEY INSURANCE AUTHORITY

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORTS

FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2010

SAN JOAQUIN VALLEY INSURANCE AUTHORITY
FRESNO, CALIFORNIA

JUNE 30, 2010

TABLE OF CONTENTS

PRICE PAIGE& COMPANY
ACCOUNTANCY CORPORATION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Joaquin Valley Insurance Authority
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of San Joaquin Valley Insurance Authority (the Authority), as of and for the nine-month period ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Joaquin Valley Insurance Authority, as of June 30, 2010, and the respective changes in financial position, and cash flows, thereof, for the nine-month period then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2011, on our consideration of the Authority'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.

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 5 through 7 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

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

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.

Price Paige & Company

Clovis, California
July 11, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS

The following is a narrative overview and analysis of the financial performance of San Joaquin Valley Insurance Authority (the Authority) financial activities for the nine-month period ended June 30, 2010. Please read it in conjunction with the Authority's basic financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- At the close of the nine-month period, June 30, 2010, assets of the Authority exceeded it liabilities by $287,080 (net assets). This entire amount is unrestricted and may be used to meet the Authority's ongoing obligations.

- The Authority's total net assets increased by $287,080.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The annual financial report for the Authority includes this management's discussion and analysis (MD&A), the basic financial statements and notes to the basic financial statements.

The Authority reported as an *enterprise fund*. Enterprise funds are a type of proprietary fund that is used to report information in a manner similar to a private-sector business. An enterprise fund is used to account for functions that are intended to recover all or a significant portion of their costs through user users and charges.

The basic financial statements include the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Fund Net Assets; and Statement of Cash Flows. Following is a brief explanation of the use of each of the statements.

> The *Statement of Net Assets* presents information on all of the Authority's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
>
> The *Statement of Revenue, Expenses and Changes in Fund Net Assets* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.
>
> The *Statement of Cash Flows* presents the cash inflows and outflows and the resulting cash position at fiscal year-end.

Notes to the Basic Financial Statements. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 14-18 of this report.

Financial Statement Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In case of the Authority, assets exceed liabilities by $287,080 at the close of the most recent fiscal year.

Authority's Net Assets

Assets:	
Current and other assets	$ 414,265
Total Assets	414,265
Liabilities:	
Current and other liabilities	127,185
Total Liabilities	127,185
Net Assets:	
Unrestricted	287,080
Total Net Assets	$ 287,080

The entire net assets balance is unrestricted as of June 30, 2010, and may be used to meet the Authority's ongoing obligations to creditors.

Since this is the first year of the Authority, a comparison to the prior year is not possible. However, in future years, this section will explain the differences between the current- and prior-year assets, liabilities, and changes in net assets.

The Authority's net assets increased by $287,080 during the current fiscal year.

Authority's Change in Net Assets

Operating Revenues:	
Claims servicing revenue	$ 815,807
Total Revenues	815,807
Operating Expenses:	
Eligibility administration - Chimenti	291,036
Consulting fees - Gallagher	233,348
Administrative costs	4,343
Total Expenses	528,727
Change in Net Assets	287,080
Net Assets, Beginning of Year	-
Net Assets, End of Year	$ 287,080

Again, because this is the first year of the Authority, a comparison to prior year is not possible. However, in next year's discussion this section will show a condensed financial comparison of revenues and expenses and provided explanations for significant differences.

Economic Factors and Next Year's Budget

Although the Authority currently includes County entities that are suffering the effects of the recession, revenues are projected to remain stable for next year with a slight increase due to an overall increase in health insurance costs consistent with industry projections.

Personnel costs are also expected to increase slightly resulting in additional usage of the administrative reserve funds.

These factors were considered in preparing the Authority's budget for fiscal year 2010-11. The Authority will make adjustments to its budget as necessary to deal with further expected changes in County entities actions that impact benefit packages, and related costs.

Requests for Information

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Auditor-Controller/Treasurer-Tax Collector, 2281 Tulare Street, Fresno, CA 93721.

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BASIC FINANCIAL STATEMENTS

SAN JOAQUIN VALLEY INSURANCE AUTHORITY
FRESNO, CALIFORNIA

STATEMENT OF NET ASSETS
JUNE 30, 2010

Assets:		
Cash and cash equivalents	$	113,633
Due from other governmental units		182,919
Amount due from pool participants		117,713
Total assets	$	414,265
Liabilities:		
Accounts payable	$	127,185
Total liabilities		127,185
Net Assets:		
Unrestricted		287,080
Total net assets	$	287,080

The notes to the financial statements are an integral part of this statement.

SAN JOAQUIN VALLEY INSURANCE AUTHORITY
FRESNO, CALIFORNIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2010

Operating Revenues:	
Claims servicing revenue	$ 815,807
Total revenues	815,807
Operating Expenses:	
Eligibility administration - Chimenti	291,036
Consulting fees - Gallagher	233,348
Administrative costs	4,343
Total expenses	528,727
Change in net assets	287,080
Net assets, beginning of year	-
Net assets, end of year	$ 287,080

The notes to the financial statements are an integral part of this statement.

SAN JOAQUIN VALLEY INSURANCE AUTHORITY
FRESNO, CALIFORNIA

STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2010

Cash flows from operating activities:	
Cash received from users	$ 25,147,832
Cash paid to suppliers	(401,542)
Claims paid	(24,632,657)
Net cash provided by (used in) operating activities	113,633
Cash and cash equivalents - beginning	-
Cash and cash equivalents - ending	$ 113,633

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:

Operating income (loss)	$ 287,080
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
(Increase) decrease in due from other governmental units	(182,919)
(Increase) decrease in amount due from pool participants	(117,713)
Increase (decrease) in accounts payable	127,185
Total adjustments	(173,447)
Net cash provided by (used in) operating activities	$ 113,633

The notes to the financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

In November 1989, the GASB issued Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. GASB Statement No. 10 establishes accounting and financial reporting standards for risk financing and insurance-related activities for state and local governmental entities, including public entity risk pools. These financial statements have been prepared in accordance with GASB Statement No. 10, as amended by GASB Statement No. 30, *Risk Financing Omnibus*.

A. Reporting Entity

On October 6, 2009, County of Fresno and County of Tulare entered into an agreement creating the San Joaquin Valley Insurance Authority (the Authority) to negotiate, purchase or otherwise fund health, vision, dental, and life insurance for the employees of County of Fresno and certain employees of County of Tulare, in all instances subject to obtaining a financial commitment by the County of Fresno and County of Tulare to pay for their respective costs. Both counties desire to secure such coverage for the purpose of obtaining other coverage and/or insurance policies at more favorable rates, and administering such insurance programs with greater efficiency, than they could obtain by their individual efforts.

The Authority's Board of Directors is governed by the Board of Directors which is composed of seven directors. Four of the directors are appointed by the County of Fresno Board of Supervisors and three of the directors are appointed by the County of Tulare Board of Supervisors. The Board of Directors elects from its membership a President and Vice President to serve two-year terms.

The Authority is legally separate and financially independent and is not a component unit of the County of Fresno or County of Tulare. Therefore, these financial statements represent solely the activities, transactions and status of the Authority.

The Authority itself does not employ any personnel. The County of Fresno staff provides the necessary services such as maintenance and accounting to the Authority on a reimbursement basis.

B. Basis of Accounting

Pursuant to Governmental Accounting Standards Board (GASB) Standard No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary fund Accounting*, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989, are applied to proprietary operations unless they conflict with GASB pronouncements. The Authority has elected not to apply FASB statements issued subsequent to November 30, 1989.

The Authority is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting (Continued)

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Basis of Presentation

GASB Statement No. 10 states that public entity risk pools that do not transfer or pool risk among participants are acting as claims servicers and not insurers. Accordingly, operating statements of these pools should report claims servicing revenue and administrative costs. Amounts collected or due from pool participants and paid to settle claims should be reported as a net asset or liability on an accrual basis.

D. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the Authority's financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the Authority's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. New Pronouncements (Continued)

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. This statement did not have an impact on the Authority's financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the Authority's financial statements.

E. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Authority considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

2. Due from Other Governmental Units

Certain revenues are earned by the Authority during the current reporting period but are not received until after the beginning of the next fiscal period. These revenues are reported as due from other governmental units in the financial statements. The Authority's current due from other governmental units' balance of $182,919 as of June 30, 2010, is related to eligibility administration service fees, consulting fees and other administrative fees.

3. Amount due from pool participants

The Authority has made claim payments to the health care providers on behalf of the County of Fresno and County of Tulare during the fiscal year but has not been reimbursed by the counties as of year-end. The amount due from pool participants as of June 30, 2010, is $117,713.

4. Accounts Payable

Certain costs are incurred by the Authority during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The Authority's current accounts payable balance of $127,185 as of June 30, 2010, is related to certain contract services and payments for eligibility administration and consulting fees.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets (Continued)

5. Net Assets

Net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	$ 113,633
Total cash and cash equivalents	$ 113,633

Cash and cash equivalents as of June 30, 2010, consist of the following:

Deposits with financial institutions	$ 113,633
Total cash and cash equivalents	$ 113,633

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

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 California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, 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 Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2010, the Authority's deposits with financial institutions in excess of federal depository insurance limits were held in fully collateralized accounts, as permitted by the California Government Code.

NOTE 3 – COMMITMENTS AND CONTIGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation which is likely to have a material adverse affect on the financial position of the Authority.

OTHER INDEPENDENT AUDITOR'S REPORT

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PRICE PAIGE & COMPANY
ACCOUNTANCY CORPORATION

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*

To the Board of Directors
San Joaquin Valley Insurance Authority
Fresno, California

We have audited the financial statements of the San Joaquin Valley Insurance Authority (the Authority), Fresno, California, as of and for the nine-month period ended June 30, 2010, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated July 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2010-01 and 2010-02 to be material weaknesses.

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

Compliance and Other Matters

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

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Authority's responses and accordingly, we express no opinion on them.

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

Price Paige & Company

Clovis, California
July 11, 2011

SAN JOAQUIN VALLEY INSURANCE AUTHORITY
FRESNO, CALIFORNIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unqualified			
Internal control over financial reporting: Material weakness(es) identified?	X	yes		no
Significant deficiencies identified that are not considered to be material weaknesses?		yes	X	none reported
Noncompliance material to financial statement noted?		yes	X	no

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2010-01 **Insurance Premiums and Claim Expenses**

Condition: During our testing, we noted several insurance premium and claim expense transactions were not recorded or were improperly recorded in the accounting records. Material adjusting journal entries were proposed to correct insurance premium and claim expense balances.

Criteria: Audit adjustments not identified by an entity's accounting control activities are a strong indicator of a material weakness in internal controls. Internal control policies and procedures should be established and monitored to ensure account balances are accurately recorded in a timely manner.

Effect: Material weaknesses in internal controls raise the risk of misstatements in the financial statements. Inaccurate recording of insurance premium and claim expense transactions may result in a material misstatement in the financial statements and may not accurately reflect the insurance premium and claim activities for the fiscal year.

Cause: Internal controls were not properly designed and/or operating effectively to ensure the insurance premium and claim expense transactions were initiated, recorded and reported appropriately.

Recommendation: A review of insurance premium and claim expense transactions should be performed by a person other than the preparer.

Management Response: The accounting unit has implemented additional review procedures along with tracking procedures of claims documentation to assure all claim expense transactions are recorded in the accounting system and reviewed by the financial reporting unit. This additional set of internal controls will ensure all claim expenses are reported properly and in a timely manner.

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2010-02	**Bank Reconciliation Adjustments**
Condition:	As a result of our audit procedures, a material adjustment was proposed to correct the Authority's cash balance.
Criteria:	Audit adjustments not identified by an entity's accounting control activities are a strong indicator of a material weakness in internal controls. Internal control policies and procedures should be established and monitored to ensure account balances are accurately recorded in a timely manner.
Effect:	Material weaknesses in internal controls raise the risk of misstatements in the financial statements. Inaccurate recording of cash transactions may result in a material misstatement in the financial statements.
Cause:	Internal controls were not properly designed and/or operating effectively to ensure the cash balance was reconciled accurately.
Recommendation:	A thorough review of bank reconciliations should be performed by a person other than the preparer.
Management Response:	The accounting unit receives monthly bank reconciliations from the insurance vendor which details all bank expenses. The reconciliations will be verified against claims expenditures by the financial reporting unit and compared to accounting transactions to ensure appropriate internal controls are in place.