SJVIA

San Joaquin Valley Insurance Authority

Meeting Location:
Tulare County Employees' Retirement Association Board Chambers
136 N Akers St
Visalia, CA 93921
April 29, 2016
10:00 AM

AGENDA DATE: April 29, 2016

ITEM NUMBER: 9A

SUBJECT: 2012-2013 audited financial statements

REQUEST(S): That the Board receives and files the 2012-2013 audited financial statements

DESCRIPTION: Informational item. Please see attached report.

FISCAL IMPACT/FINANCING: None.

ADMINISTRATIVE SIGN-OFF:

Vicki Crow

Vicki Crow
SJVIA Auditor-Treasurer

BEFORE THE BOARD OF DIRECTORS SAN JOAQUIN VALLEY INSURANCE AUTHORITY

IN THE MATTER OF

RESOLUTION NO. __________
AGREEMENT NO. __________

UPON MOTION OF DIRECTOR _______________, SECONDED BY DIRECTOR ______________________, THE FOLLOWING WAS ADOPTED BY THE BOARD OF DIRECTORS, AT AN OFFICIAL MEETING HELD ____________ ______, BY THE FOLLOWING VOTE:

AYES:
NOES:
ABSTAIN:
ABSENT:

ATTEST:

BY: ___________________________

* * * * * * * * * * * * * * * * * *

SAN JOAQUIN VALLEY INSURANCE AUTHORITY

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORTS

FOR THE YEAR ENDED JUNE 30, 2013

SAN JOAQUIN VALLEY INSURANCE AUTHORITY
FRESNO, CALIFORNIA

JUNE 30, 2013

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PRICE PAIGE & COMPANY
Accountancy Corporation

The Place to Be

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of San Joaquin Valley Insurance Authority (the Authority), a component unit of the County of Fresno, California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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 opinions 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 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 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 Authority'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 Authority'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 the San Joaquin Valley Insurance Authority, as of June 30, 2013, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, effective July 1, 2012, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and GASB No. 65, *Items Previously Reported as Assets and Liabilities.* GASB Statement No. 65 recognizes certain amounts that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflow of resources on the statement of net position. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Claims Development Information on page 27 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 March 22, 2016, 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* in considering the Authority's internal control over financial reporting and compliance.

Price Paige & Company

Clovis, California
March 22, 2016

BASIC FINANCIAL STATEMENTS

SAN JOAQUIN VALLEY INSURANCE AUTHORITY
FRESNO, CALIFORNIA

STATEMENT OF NET POSITION
JUNE 30, 2013

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 4,645,192
Due from other governmental units	4,963,367
Other receivable	578,900
Investment income receivable	13,020
Prepaid expenses	17,524
Total current assets	10,218,003
Noncurrent Assets:	
Deposits receivable	947,448
Investments	5,034,502
Total noncurrent assets	5,981,950
Total assets	16,199,953
LIABILITIES	
Current Liabilities:	
Accounts payable	1,881,367
Unearned member contributions	12,258
Unpaid claims and claims adjustment expenses	8,002,750
Total current liabilities	9,896,375
Noncurrent Liabilities:	
Due to other governmental units	884,432
Unpaid claims and claims adjustment expenses	110,527
Total noncurrent liabilities	994,959
Total liabilities	10,891,334
NET POSITION	
Unrestricted	5,308,619
Total net position	$ 5,308,619

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 NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

Operating Revenues:	
Member contributions	$ 69,147,290
Total operating revenues	69,147,290
Operating Expenses:	
Claims and claims adjustment expenses	63,980,098
Administrative expenses	5,000,268
Total operating expenses	68,980,366
Operating income (loss)	166,924
Nonoperating Revenues:	
Investment income	47,522
Total nonoperating revenues	47,522
Change in net assets	214,446
Net position, beginning of year	4,817,695
Prior period adjustment	276,478
Net position, beginning of year - as restated	5,094,173
Net position, end of year	$ 5,308,619

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 YEAR ENDED JUNE 30, 2013

Cash flows from operating activities:	
Cash received from members	$ 72,216,916
Cash received from reinsurance & refunds	2,300,852
Cash paid to vendors	(9,820,644)
Cash paid for claims	(63,974,071)
Net cash provided by (used in) operating activities	723,053
Cash flows from investing activities:	
Purchase of investments	(5,000,000)
Net cash provided by (used in) investing activities	(5,000,000)
Net increase (decrease) in cash and cash equivalents	(4,276,947)
Cash and cash equivalents - beginning	8,922,139
Cash and cash equivalents - ending	$ 4,645,192

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

Operating income (loss)	$ 166,924
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Prior period adjustments	276,478
(Increase) decrease in due from other governmental units	(1,313,185)
(Increase) decrease in other receivables	(329,869)
(Increase) decrease in deposits receivable	(237,261)
(Increase) decrease in prepaid expenses	(102)
Increase (decrease) in accounts payable	147,658
Increase (decrease) in unearned member contributions	12,258
Increase (decrease) in due to other governmental units	(30,249)
Increase (decrease) in unpaid claims and claims adjustment expenses	2,030,401
Total adjustments	556,129
Net cash provided by (used in) operating activities	$ 723,053

Noncash Investing Activities

Changes in unrealized gain (loss) on investments	$ 19,547
Accrued investment income	27,975
Total noncash investing activities	$ 47,522

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, 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 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 appoint a President and Vice President from is membership to serve two-year terms. The County of Fresno or the County of Tulare may withdraw from the Authority by giving 120 days written notice to the Board of Directors. Upon the dissolution, all assets of the Authority will be distributed among the County of Fresno and County of Tulare in proportion to their cash contributions.

The Authority's Board of Directors voted to keep health insurance costs neutral and moved from a claims-servicing pool to a risk-sharing pool and insurance-purchasing pool effective January 1, 2012. The result is the claims experience of all member entities is pooled and risk is shared among all members, or the risk is transferred to commercial insurers by purchasing insurance. The County of Fresno and the County of Tulare have transferred their reserve funding for incurred but not reported (IBNR) claims to the Authority.

The Authority is legally separate from the County of Fresno (the County). However, the Authority is a component unit of the County due to the fact that the County appoints a voting majority of the Authority's board and accordingly can significantly influence the activities and level of services performed by 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The Authority's Board of Directors has elected to open membership consideration to other public agencies to increase membership, further reduce imbedded overhead cost and leverage additional growth to improve the Authority's negotiating capabilities with plan vendors in California. In addition to the founding pool participants consisting of the County of Fresno and County of Tulare, the following public agencies have joined the Authority as of June 30, 2013:

- City of Tulare (effective July 1, 2012)
- City of Ceres (effective January 1, 2013)
- City of Waterford (effective June 1, 2013)

B. Basis of Accounting

The Authority complies with Generally Accepted Accounting Principles (GAAP). The Authority's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

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 Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

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 Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. 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 enterprise fund are those revenues that are generated from the primary operations of the Authority. These revenues include premiums for insurance coverage and insurance purchasing service revenue. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the Authority. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation

Since San Joaquin Valley Insurance Authority is both an insurance-purchasing pool and a risk-sharing pool, the Authority's activities include both acting as an insurance purchaser and as an insurer. For the activities for which the Authority was acting as an insurance purchaser, GASB Statement No. 10 states that public entity risk pools that do not accept, transfer or pool risk among participants but instead transfer that risk to commercial insurers by purchasing insurance are acting as insurance purchasers and not insurers. Accordingly, operating statements of these pools should report insurance purchasing service revenue and administrative costs. Amounts collected or due from pool participants and remitted to the insurance carriers should be reported as a net liability. For the activities for which the Authority was acting as an insurer, operating statements should report member contributions as well as claims and administrative expenses.

D. Assets, Liabilities and Net Position

1. Cash

For purposes of the Statement of Cash Flows, the Authority considered all cash in banks to be cash. Cash include three bank accounts with the JPMorgan Chase Bank.

2. Investments

Investments are recorded at fair value. Investment income is recorded as earned.

3. 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 year. These revenues are reported as due from other governmental units in the financial statements.

4. Deposits Receivable

The Authority has made the required minimum claims deposit to Anthem Blue Cross, and the deposit will be returned to the Authority when the Authority discontinues the agreement with Anthem Blue Cross. The minimum claims deposit held by Anthem Blue Cross as of June 30, 2013 is $947,448.

5. Member Contributions

Each member is assessed a premium which is intended to cover the Authority's claims, operating costs, claim expenses and any premiums for any risk transferred to commercial insurers by purchasing insurance for the insurance programs. Premiums are based upon the approved rates by the Authority's Board of Directors. All premiums are recognized as revenue when earned, based upon the period covered by the premiums. In determining if a premium deficiency exists, the pool does not consider anticipated investment income.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Position (Continued)

6. 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 year. These costs are reported as payables in the financial statements. The Authority's current accounts payable balance of $1,881,367 as of June 30, 2013, is related to certain contract services and payments for eligibility administration and consulting fees as well as amounts collected or due from pool participants and remitted to the insurance carriers.

7. Due to Other Governmental Units

County of Fresno has made the required minimum claims deposit to Anthem Blue Cross on behalf of the Authority. The Authority will repay the County of Fresno after receiving refunds from Anthem Blue Cross. The noncurrent due to other governmental units as of June 30, 2013 is $884,432.

8. Unpaid Claims and Claims Adjustment Expenses

The Authority establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported (IBNR). Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

9. Reinsurance

In the ordinary course of business, the Authority reinsures certain risks with commercial insurers through contractual agreements, commonly referred to as reinsurance ceded. These agreements serve to limit the Authority's potential losses for large aggregate and individual losses. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Authority as direct insurer of the risks reinsured. A contingent liability exists with respect to reinsurance ceded to the extent that any reinsurer is unable to meet its obligation assumed under the reinsurance agreements. The Authority does not report reinsured risk as liabilities unless it is probable that those risks will not be covered by reinsurers. Premiums ceded to reinsurers during fiscal year 2013 were $1,911,418, and the amounts recovered from reinsurers during fiscal year 2013 were $1,555,632.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Position (Continued)

10. Net Position

Net position is reported in three categories as follows:

Net Investment in capital assets – 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 represents all resources that do not meet the definition of "net investment in capital assets" or "restricted net position."

11. 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.

E. New Pronouncements

1. New Accounting Pronouncements Adopted

Governmental Accounting Standards Board Statement No. 60

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this statement is to improve financial reporting by addressing issues related to service concession arrangements ("SCAs"), which are a type of public-private or public-public partnership. This statement requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments. Application of this statement is effective for the Authority's fiscal year ending June 30, 2013. The Statement did not have any effect on the Authority's financial statements.

Governmental Accounting Standards Board Statement No. 61

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus-– an amendment of GASB Statements No. 14 and No. 34.* This statement modifies certain requirements for inclusion of component units in the financial reporting entity. The requirements of this statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2012. This statement did not have any effect on the Authority's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. New Pronouncements (Continued)

1. New Accounting Pronouncements Adopted (Continued)

Governmental Accounting Standards Board Statement No. 62

Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedures which does not conflict with or contradict other GASB pronouncements The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. As of July 1, 2012, the Authority adopted this statement, which did not have a significant impact on its financial statements.

Governmental Accounting Standards Board Statement No. 63

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This statement also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. As of July 1, 2012, the Authority adopted this standard, which did not have a significant impact on its financial statements. The Authority renamed net assets as net position in the current year financial statements.

Governmental Accounting Standards Board Statement No. 65

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this statement are effective for the Authority's fiscal year ending June 30, 2014. As of July 1, 2012, the Authority adopted this statement, which did not have a significant impact on its financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. New Pronouncements (Continued)

1. New Accounting Pronouncements Adopted (Continued)

Governmental Accounting Standards Board Statement No. 66

In March 2012, GASB issued Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62.* The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The requirements of this statement are effective for the Authority's fiscal year ending June 30, 2014.

Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements." This statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. As of July 1, 2012, the Authority adopted this standard, which did not have a significant impact on its financial statements.

2. New Accounting Pronouncements Not Yet Adopted

Governmental Accounting Standards Board Statement No. 67

In June 2012, GASB issued No. 67, Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25. The objective of this statement is to improve financial reporting by state and local governmental pension plans. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures,* as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statement No.'s 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement and to defined contribution plans that provide postemployment benefits other than pensions. The requirements of this statement are effective for the Authority's fiscal year ending June 30, 2014. The provisions of this statement are not expected to be applicable to the Authority.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. New Pronouncements (Continued)

2. New Accounting Pronouncements Not Yet Adopted (Continued)

Governmental Accounting Standards Board Statement No. 68

In June 2012, GASB issued No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statement No.'s 27 and 50 remain applicable for pensions that are not covered by the scope of this statement. The requirements of this statement are effective for the Authority's fiscal year ending June 30, 2015. The provisions of this statement are not expected to be applicable to the Authority.

Governmental Accounting Standards Board Statement No. 69

In January 2013, the GASB issued Statement No. 69, Government Combinations and Disposals of Government Operations. The objective of this statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The statement requires disclosure to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The requirements of this statement are effective for the Authority's fiscal year ending June 30, 2015. The provisions of this statement are not expected to be applicable to the Authority.

Governmental Accounting Standards Board Statement No. 70

In April 2013, GASB issued Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The requirements of this statement are effective for the Authority's fiscal year ending June 30, 2014. The provisions of this statement are not expected to be applicable to the Authority.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. New Pronouncements (Continued)

2. New Accounting Pronouncements Not Yet Adopted (Continued)

Governmental Accounting Standards Board Statement No. 71

In November 2013, GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68". The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68 relating to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The requirements of this Statement are effective for the Authority's fiscal year ending June 30, 2015.

Governmental Accounting Standards Board Statement No. 72

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application.* This statement addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements for this provision are effective for the Authority's fiscal year ending June 30, 2016.

Governmental Accounting Standards Board Statement No. 73

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68 and Amendments to Certain Provisions of GASB Statements 67 and 68.* The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and accessing accountability. This statement results from comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this statement are effective for the Authority's fiscal year ending June 30, 2017.

Governmental Accounting Standards Board Statement No. 74

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures.* The requirements of this statement are effective for the Authority's fiscal year ending June 30, 2017.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. New Pronouncements (Continued)

2. New Accounting Pronouncements Not Yet Adopted (Continued)

Governmental Accounting Standards Board Statement No. 75

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* for OPEB. The requirements of this statement are effective for the Authority's fiscal year ending June 30, 2018.

Governmental Accounting Standards Board Statement No. 76

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The requirements for this statement are effective for the Authority's fiscal year ending June 30, 2016.

NOTE 2 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2013 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and cash equivalents	$ 4,645,192
Total cash and cash equivalents	$ 4,645,192

Cash and cash equivalents as of June 30, 2013 consist of the following:

Deposits with financial institutions	$ 4,645,192
Total cash and cash equivalents	$ 4,645,192

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.

As of June 30, 2013, 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 – DUE FROM OTHER GOVERNMENTAL UNITS

The Authority's current due from other governmental units balance of $4,963,367 as of June 30, 2013 is related to insurance premiums, claims reserve, eligibility administration service fees, consulting fees and other administrative fees due from County of Fresno. As of June 30, 2013, all of the "due from other governmental units" are considered by management to be collectible. Therefore, no allowance for doubtful accounts has been recognized.

NOTE 4 – INVESTMENTS

The Authority maintains an external position in the County of Tulare Investment Pool. This pool has significant regulatory oversight as delineated in both the County of Tulare's Investment Policy and the California Government Code. For example, the County of Tulare's Investment Policy directs that all investments should be made in accordance with the County Treasurer's Investment Policy and California Government Code §27000 et. seq., and §53600 et. seq. The Policy also directs that the administration of idle funds should be performed in accordance with the prudent investor standard as stated in California Government Code §§27000.3 and 53600.3. The Policy lists the Treasurer's primary goals for the investment of the portfolio as (in order of priority as per California Government Code §§27000.5 and 53600.5): safety, liquidity and yield. The Policy also directs the County of Tulare Treasury Oversight Committee to annually review and monitor the Investment Policy and cause an annual audit to determine the Treasurer's compliance with the Investment Policy.

The Authority's investment is recognized at fair value. It is expressed as a percentage of the Authority's position (.515594084%) in the total estimated fair value of the County of Tulare's investment pool at June 30, 2013 ($976,446,828). The Authority's investment is $5,034,502 as of June 30, 2013.

NOTE 4 – INVESTMENTS (Continued)

Investments Authorized by the Authority's Investment Policy

The following securities are authorized investments for the San Joaquin Valley Insurance Authority Investment Pool.

Permitted Investments/Deposits	Government Code Limits %	Investment Policy Limits %	Investment Policy Term Limit	Rating
U.S. Government Securities (1)	No Limit	100%	5 years	N/A
Securities issued by United States Government Sponsored Enterprises (1)	No Limit	100%	5 years	N/A
Bankers Acceptances (2)	40%	40%	180 days	N/A
Commercial Paper	40%	40%	270 days	P-1, A-1+
Negotiable Certificates of Deposit (3)	40%	30%	13 months	P-1, A-1+ or 4 Star
Non-negotiable Certificates of Deposit (3)	No Limit	50%	13 months	P-1, A-1+ or 4 Star
Account Registry Service Deposits	30%	15%	Overnight/Weekend	N/A
Repurchase Agreements	No Limit	15%	Overnight/Weekend	N/A
Medium Term Notes (4)	30%	30%	5 years	AAA
LAIF (5)	No Limit	$50,000,000	5 years	N/A
Mutual Funds (6)	20%	20%	5 years	AAA, AAa
Bonds, notes or warrants of the State of California and any local agency within California	No Limit	No limit	No limit	N/A
Fresno County and Tulare County treasury pool	No Limit	No limit	No limit	N/A

(1) Investments in securities of the U.S. Government and securities issued by the U.S. Government Sponsored Enterprises have a combined limit of 85% of the portfolio.

(2) The Authority's investment policy limits any investment in bankers acceptances to the top 150 world banks as determined by their total assets and limited to those institutions in this group whose short term debt is of prime quality and of the highest ranking as provided for by Moody's or Standard and Poor's (P-1, A-1+).

(3) Banks, savings associations or federal associations having a "4 Star" or higher rating as provided by Bauer Financial, Inc. or a comparable rating service. For negotiable certificates of deposit, no more than 5 percent of the money shall be invested in any one institution. Negotiable certificates of deposit and account registry service deposits combined shall not exceed 30% of the portfolio. For non-negotiable certificates of deposit, no more than 15 percent of the money shall be invested in any one institution.

(4) Investments in medium term notes are restricted to maturities of not to exceed two years if in rating category "A", not to exceed three years if in rating category "AA" and not to exceed five years if in rating category "AAA".

(5) LAIF Board of Directors limits the investment to $50,000,000, excluding bond and note proceeds. Government Code does not place a percentage limit on the amount of money that may be invested in LAIF.

NOTE 4 – INVESTMENTS (Continued)

Investments Authorized by the Authority's Investment Policy (Continued)

(6) Diversified management companies investing in the securities and obligations as authorized by California Government Code, Sections 53601, et seq., shall either [1] attain the highest ranking or the highest letter and numerical rating provided by two of the largest nationally recognized rating services, or [2] have an investment adviser registered with the SEC with at least five years of experience investing in the securities authorized by code sections noted in the Authority's investment policy and with assets under management in excess of $500,000,000. Diversified management companies issuing shares of beneficial interest that are money market funds registered with the Securities and Exchange Commission (SEC) under the Investment Act of 1940 shall either [1] attain the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations, or [2] retain an investment adviser registered or exempt from registration with the SEC with not less than five years of experience managing money market mutual funds with assets under management in excess of $500,000,000. Only 10 percent of the money may be invested in any one mutual fund.

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 sensitivity of an investment's fair value to changes in market interest rates is proportional to the length of the maturity of an investment. The Authority monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Authority's interest rate risk policies are reflected in the "Investments Authorized by the Authority's Investment Policy" section by virtue of the disclosure of its policy to only invest in certain authorized investments with authorized percentage limits, terms and ratings. The weighted average maturity of the County of Tulare investment pool as of June 30, 2013 is 1.98 years.

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of June 30, 2013 and during the 2012-2013 fiscal year, the Authority did not hold or purchase investments that were highly sensitive to interest rate fluctuations.

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. The County of Tulare Investment Pool is not rated. The Authority's credit risk policies are reflected in the "Investments Authorized by the Authority's Investment Policy" section by virtue of the disclosure of its policy to only invest in certain authorized investments with authorized percentage limits, terms and ratings.

NOTE 5 – RECONCILIATION OF CLAIMS LIABILITIES

Liabilities for claims are based on undiscounted estimates of the ultimate net cost of settling all claims which are incurred but unpaid at year end, including claims incurred but not reported. The following represents changes in liabilities for the Authority during the fiscal year ended June 30, 2013:

Changes in the balance of claims liabilities dring the fiscal year is as follows:

	2013	2012
Unpaid claims and claim adjustment expenses at beginning of year	$ 6,082,876	$ -
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	65,640,209	29,984,544
Decrease in provision for insured events of prior years	(1,660,111)	-
Total incurred claims and claim adjustment expense	63,980,098	29,984,544
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	57,532,430	23,901,668
Claims and claim adjustment expenses attributable to insured events of prior years	4,417,267	-
Total payment	61,949,697	23,901,668
Total unpaid claims and claim adjustment expenses at end of the year	$ 8,113,277	$ 6,082,876

NOTE 6 – PRIOR PERIOD ADJUSTMENTS

During the current year, it was determined that $276,478 in net revenues was not recorded in the prior year. To correct this error, beginning net position was increased by this amount.

Additionally, the cost of the excess insurance coverage and the related portion of the premium revenue charged to cover this cost were recorded as insurance expense and member contribution revenue respectively in the prior year. In the current year, these were recorded in accounts payable to net insurance purchasing activity in a net liability in accordance with GASB Statement No. 10. There was no change to the net position for the manner in which these were recorded in the prior year since this revenue and expense offset each other with a net effect to net position of $0.

NOTE 7– COMMITMENTS AND CONTINGENCIES

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 effect on the financial position of the Authority.

NOTE 8 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omission. During the year ended June 30, 2013, the Authority carried insurance through various commercial carriers all risks of losses. No settlements have exceeded coverage levels in place during fiscal year 2012-2013.

The Authority participated in the following insurance coverage programs with various commercial carriers:

Coverage Type	Description	Limit	Deductible
Master Crime Policy	Coverage is provided for incidents such as public employee dishonesty, forgery or alteration, theft, computer fraud and embezzlement.	$10 Million	$ 25,000
Trustees Errors & Omissions	Fiduciary liability insurance is a popular vehicle for the financial protection of fiduciaries of employee benefit plans against legal liability arising out of their role as fiduciaries, including the cost of defending those claims that seek to establish such liability. Coverage is provided for incidents such as miscalculation, a class action lawsuit, and enrollment errors.	$10 Million	$ 25,000
Special Liability	This program provides coverage for claims from third parties alleging damages due to negligence arising out of personal injury and property damage.	$10 Million	$ 1,000
Fiduciary Liability	Pays the legal liability arising from claims for alleged failure to act prudently. Protects the assets of a plan fiduciary due to allegations of breach of fiduciary duties. ERISA explicitly allows for the purchase of fiduciary insurance. It could be a breach of fiduciary duty if a claim arises and no insurance is in place that was readily available.	$5 Million	N/A

NOTE 9 – SUBSEQUENT EVENTS

The Authority's Board of Directors has elected to open membership consideration to other public agencies. The goal is to increase membership, further reduce imbedded overhead cost and leverage additional growth to improve the Authority's negotiating capabilities with plan vendors in California. The following public agencies joined the Authority after June 30, 2013:

- City of Sanger, City of San Joaquin, and City of Shafter (effective July 1, 2013)
- City of Gustine (effective October 1, 2013)
- City of Reedley, City of Wasco, City of Farmersville, City of Riverbank, and City of Newman (effective January 1, 2014)
- City of Oakdale, City of Hanford, City of Modesto, City of Hughson, and Kings County Superior Courts, City of Clovis (effective January 1, 2015)
- San Joaquin Valley Air Pollution Control District (effective February 1, 2015)
- City of Escalon (effective March 1, 2015)
- County of Sutter, Sutter County Superior Courts and, City of Marysville (effective July1, 2015)

After June 30, 2013, in an effort to continue to expand benefits to its members, the Authority's Board elected to extend its insurance offerings to pool participants to include additional health insurance coverage under Kaiser.

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REQUIRED SUPPLEMENTARY INFORMATION

SAN JOAQUIN VALLEY INSURANCE AUTHORITY
FRESNO, CALIFORNIA

CLAIMS DEVELOPMENT INFORMATION
JUNE 30, 2013

The following table illustrates how the Authority's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Authority as of the end of the previous two fiscal year. Note that only six months of activity is shown for this fiscal year 2012 since the period for which the Authority used a risk-sharing pool was only six months from January 1, 2012 through June 30, 2012. The rows of the table are defined as follows:

(1) This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.

(2) This line shows each fiscal year's other operating costs of the Authority including overhead and claims expenses.

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

(4) This section of one row shows the cumulative net amounts paid as of the end of successive years for each fiscal year.

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

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

(7) This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally thought. As data for individual fiscal 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 fiscal years. The columns of the table show data for successive fiscal years.

SAN JOAQUIN VALLEY INSURANCE AUTHORITY
FRESNO, CALIFORNIA

CLAIMS DEVELOPMENT INFORMATION
JUNE 30, 2013

		2012	2013
(1)	Required contribution and investment revenue		
	Earned	$ 37,177,277	$ 71,106,229
	Ceded	953,519	1,911,418
	Net earned	36,223,758	69,194,811
(2)	Unallocated expenses	2,385,290	5,000,268
(3)	Estimated claims and expenses, end of fiscal year		
	Incurred	30,233,575	67,195,841
	Ceded	249,031	1,555,632
	Net incurred	29,984,544	65,640,209
(4)	Net paid (cumulative) as of:		
	End of fiscal year	23,901,668	57,532,430
	One year later	28,318,935	-
(5)	Reestimated ceded claims and expenses	249,031	1,555,632
(6)	Reestimated net incurred claims and expenses:		
	End of fiscal year	29,984,544	65,640,209
	One year later	28,324,433	-
(7)	Increase (decrease) in estimated net incurred losses and expenses from end of fiscal year	(1,660,111)	-

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OTHER INDEPENDENT AUDITOR’S REPORT

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PRICE PAIGE & COMPANY
Accountancy Corporation

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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, in accordance with the 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 the San Joaquin Valley Insurance Authority (the Authority), Fresno, California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise of the Authority's basic financial statements, and have issued our report thereon dated March 22, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority's 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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*.

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Price Paige & Company

Clovis, California
March 22, 2016

SAN JOAQUIN VALLEY INSURANCE AUTHORITY
FRESNO, CALIFORNIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified			
Internal control over financial reporting: Material weaknesses identified?		yes	X	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

None reported.