



SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY EXECUTIVE COMMITTEE

LOCATION: **Campbell Union School District**
 155 N. Third Street
 Campbell, CA 95008

A - Action
I - Information

DATE / TIME: **March 5, 2015**
 9:30 AM

1 - Included
2 - Hand Out
3 - Separate
4 - Verbal

Per Government Code 54954.2, persons requesting disability related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, are requested to contact Joan Crossley at Alliant Insurance at (916) 643-2708.

Documents and material relating to an open session agenda item that are provided to the SBASIA Executive Committee less than 72 hours prior to a regular meeting will be available for public inspection and copying at 1792 Tribute Road, Suite 450, Sacramento, CA 95815.

Page

A. CALL TO ORDER

B. ROLL CALL

A 4

C. APPROVAL OF AGENDA

A 1

D. PUBLIC COMMENT

This time is reserved for members of the public to address the Executive Committee on matters of the SBASIA Executive Committee business.

E. CONSENT CALENDAR

A 1

1
2-4
5-11

- 1. Executive Committee Meeting Minutes – December 4, 2014**
- 2. Financial Report for Quarter Ending December 31, 2014**

F. GENERAL ADMINISTRATION

12-22

- 1. Financial Auditor Contract with James Marta & Co.**
Staff will present the renewal contract for the financial audits as of June 30, 2015, 2016 & 2017.

A 1



South Bay Area Schools Insurance Authority
Executive Committee Meeting
March 5, 2015

- 23 **2. Cyber Security Audit Request for Proposal Results** **A 2**
Staff will present the proposals received for Cyber Security Audit.
- 24-25 **3. Discount Factor Used in Actuarial Study** **A 1**
The Executive Committee will discuss changing the discount factor.
- 26 **4. Slate of Officers for June 18, 2015 Meeting** **I 1**
Staff and the Executive Committee will discuss developing a slate of officers for the June Board meeting.

G. FINANCIAL

- 27 **1. Preliminary Revenue and Expense Budget for July 1, 2015-2016** **I 2**
Staff will present a preliminary budget for the July 1, 2015-2016 program year.
- 28 **2. Review of Santa Clara County Treasury Pool Investments** **A 1**
The Executive Committee will review the JPA's investments in the Santa Clara County Pool.

H. COMMENTS FOR THE GOOD OF THE ORDER

ADJOURNMENT

NEXT MEETING

The next Executive Committee Meeting is set for Thursday, May 7, 2015 at 9:30 a.m. The Location will be at Campbell Union School District, 155 N. Third Street, Campbell, CA 95008.



Agenda Item E.1

CONSENT CALENDAR

ACTION ITEM

ISSUE: The Executive Committee should review the Consent Calendar and pull any item that needs discussion. Otherwise, the Executive Committee should adopt the Consent Calendar as presented.

RECOMMENDATION: The Program Administrator recommends adoption of the Consent Calendar Items as presented.

FISCAL IMPACT: None.

BACKGROUND: The following items are placed on the Consent Calendar for adoption by the Executive Committee. The Executive Committee may accept the Consent Calendar as posted or pull any item for discussion.

1. **Executive Committee Meeting Minutes – December 4, 2014**
2. **Financial Report for Quarter Ending December 31, 2014**

ATTACHMENTS: Executive Committee Meeting Minutes – December 4, 2014
Financial Report for Quarter Ending December 31, 2014



**SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY
EXECUTIVE COMMITTEE MEETING MINUTES
CAMPBELL, CALIFORNIA
December 4, 2014**

MEMBERS PRESENT

James Crawford, President, Campbell Union School District
Nelly Yang, Vice President, Evergreen School District
Phuong Le, Treasurer, Berryessa Union School District
Barbara Coats, Secretary, Santa Clara County Office of Education
Mark Allgire, Member at Large, Santa Clara Unified School District

MEMBERS ABSENT

None

GUESTS & CONSULTANTS

Matt Gowan, Alliant Insurance Services
Joan Crossley, Alliant Insurance Services

A. CALL TO ORDER

The meeting was called to order at 9:06 a.m.

B. ROLL CALL

The above-mentioned members were present constituting a quorum.

C. APPROVAL OF AGENDA

A motion was made to approve the agenda.

MOTION: Phuong Le	SECOND: Mark Allgire	MOTION CARRIED
AYES: 4	NOES: 0	ABSENT: 1
	ABSTAIN: 0	

AYES: Crawford, Yang, Le, Allgire
NAYS: None
ABSENT: Coats

D. PUBLIC COMMENT

There were no public comments.

E. CONSENT CALENDAR

1. Executive Committee Meeting Minutes – October 9, 2014

A motion was made to approve the items on the Consent Calendar as presented.

MOTION: Phuong Le	SECOND: Nelly Yang	MOTION CARRIED
AYES: 3	NOES: 0	ABSENT: 1
	ABSTAIN: 1	



**SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY
EXECUTIVE COMMITTEE MEETING MINUTES
CAMPBELL, CALIFORNIA
December 4, 2014**

AYES: Crawford, Yang, Le

ABSTAIN: Allgire

NAYS: None

ABSENT: Coats

F. GENERAL ADMINISTRATION

1. Review of Board Agenda Items

Mr. Matt Gowan said he had some thoughts on future items for discussion. The JPA should talk about Liability limits. Los Angeles Unified School District had a molestation claim that exceeded \$100 million. Staff presented options for \$35 million and \$50 million Liability limits for the July renewal and the JPA chose to increase its Liability limit to \$35 million. Mr. Gowan said the cost to increase to \$50 million limit is relatively inexpensive. Mr. Mark Allgire suggested obtaining a quote from SELF as well as CSAC EIA for the July 2015 renewal.

Ms. Barbara Coats arrived at 9:22 a.m.

Mr. Gowan said a school JPA, San Mateo County SIG, just started an OCIP (owner controlled insurance program) for school construction projects. An OCIP generally saves 10% of insurance costs. After some discussion, the Executive Committee said an OCIP was not necessary for the JPA.

Regarding the Board of Directors agenda, Mr. Gowan said Jim Marta will present the audited financial report as of June 30, 2014. Ms. Tracey Smith-Reed will present the quarterly financial report as of September 30, 2014. Staff from Carl Warren & Company will attend for the closed claims session and the annual claims by class code report.

Mr. Gowan said the target surplus funding analysis as of June 30, 2014 shows the JPA is above the target equity by \$244,701. This is due to an adjustment in IBNR (incurred but not reported) that Jim Marta will discuss at the Board meeting. The Executive Committee said no dividends should be issued; the JPA should increase its surplus.

Mr. Gowan said staff will have a Cyber Liability presentation for the Board and will discuss if the JPA wants to have a cyber audit using the JPA's loss control fund. Mr. Gowan said staff will also discuss the new law effective January 1, 2015 that allows possession of alcohol on school campus for special events. Mr. Gowan said any person or group should have minimum Liquor Liability limit of \$1 million per occurrence, but the districts can request higher limits to discourage events with alcohol.

G. COMMENTS FOR THE GOOD OF THE ORDER

There were no comments for the good of the order.

ADJOURNMENT

Draft



**SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY
EXECUTIVE COMMITTEE MEETING MINUTES
CAMPBELL, CALIFORNIA
December 4, 2014**

The meeting was adjourned at 9:50 a.m.



Accountant's Compilation Report

To the Board and Management of
South Bay Area Schools Insurance Authority

We have compiled the accompanying statement of position of South Bay Area Schools Insurance Authority (SBASIA) as of December 31, 2014 and 2013, and the related statement of revenues, expenses, and changes in net position for the six months then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

The management of SBASIA is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit the statement of cash flows and substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted statement of cash flows and the disclosures were included in the financial statements, they might influence the user's conclusions about the company's financial position and results of operations. Accordingly, the financial statements are not designed for those who are not informed about such matters.

The supplementary statement of revenues and expenses –budget to actual is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information and, accordingly, do not express an opinion or provide any assurance on such supplementary information.

Management has omitted Management's Discussion and Analysis, Schedule of Funding Progress of Other Postemployment Benefits, Reconciliations of Claims Liabilities by Type of Contract, and Claims Development Information, 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context.

We are not independent with respect to SBASIA.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.

February 24, 2014

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South Bay Area Schools Insurance Authority
Statement of Net Position
As of December 31, 2014 and December 31, 2013

	<u>Dec 31, '14</u>	<u>Dec 31, '13</u>
ASSETS		
Current Assets		
Checking/Savings		
B of A - Santa Clara County	3,703,245.19	3,687,593.71
B of A - Transfer Account	10,000.00	10,000.00
B of A Claims Trust Account	45,665.11	335,109.49
B of A - General Checking	1,373,330.31	899,241.78
Total Checking/Savings	<u>5,132,240.61</u>	<u>4,931,944.98</u>
Accounts Receivable		
Member Receivable	-	304,889.94
Claim Recovery Receivable	452,699.68	-
Claims Deductibles	211,554.44	212,905.08
Total Accounts Receivable	<u>664,254.12</u>	<u>517,795.02</u>
Total Current Assets	5,796,494.73	5,449,740.00
Other Assets		
Interest Receivable	3,877.34	4,206.97
Prepaid Expenses		
Prepaid Contract Administration	75,000.00	75,000.00
Prepaid Excess Insurance	1,206,625.30	1,016,122.00
Total Prepaid Expenses	<u>1,281,625.30</u>	<u>1,091,122.00</u>
Total Other Assets	<u>1,285,502.64</u>	<u>1,095,328.97</u>
TOTAL ASSETS	<u><u>\$ 7,081,997.37</u></u>	<u><u>\$ 6,545,068.97</u></u>
LIABILITIES & EQUITY		
Current Liabilities		
Accounts Payable	\$ 20,345.22	\$ 81,027.00
Claims Reserves	650,000.00	600,000.00
Deferred Revenue	1,724,767.92	1,568,307.12
Total Current Liabilities	<u>2,395,113.14</u>	<u>2,249,334.12</u>
Long Term Liabilities		
IBNR & Reserves	1,338,114.00	1,755,405.00
Unallocated Loss Adjustment	276,000.00	177,000.00
Total Long Term Liabilities	<u>1,614,114.00</u>	<u>1,932,405.00</u>
TOTAL LIABILITIES	4,009,227.14	4,181,739.12
NET POSITION		
Reserve for Shock Loss	2,500,000.00	2,500,000.00
Unrestricted Net Position	244,700.97	(203,959.93)
Net Revenue Over Expenditures	328,069.26	67,289.78
TOTAL NET POSITION	<u><u>\$ 3,072,770.23</u></u>	<u><u>\$ 2,363,329.85</u></u>

South Bay Area Schools Insurance Authority
Statement of Revenue, Expenses, and Changes in Net Position
For the Quarter and Year to Date Ended December 31, 2014 and December 31, 2013

	<u>Oct '14 - Dec '14</u>	<u>Jul '14 - Dec '14</u>	<u>Jul '13 - Dec '13</u>
Revenue			
Member Contributions			
Liability Contributions	\$ 177,331.50	\$ 354,663.00	\$ 274,966.50
Property Contributions	422,751.25	845,502.50	734,695.50
Crime Policy	3,230.00	6,460.00	6,460.06
Administration	63,321.24	126,642.48	127,685.00
Loss Funding	195,749.97	391,499.94	424,500.06
Total Member Contributions	<u>862,383.96</u>	<u>1,724,767.92</u>	<u>1,568,307.12</u>
Interest Income	3,877.34	7,832.16	8,100.24
Total Income	<u>866,261.30</u>	<u>1,732,600.08</u>	<u>1,576,407.36</u>
Expense			
General & Administrative			
General Expenses			
Accounting Services	5,250.00	10,500.00	10,500.00
Appraisal Services	-	-	94,740.00
Audit Expense - Financial	11,870.00	11,870.00	11,470.00
Bank Service Charges	-	-	465.58
Conference	-	1,476.59	403.41
Dues & Membership	-	450.00	-
Supplies, Postage, Misc Expense	-	40.40	-
Total Administration	<u>17,120.00</u>	<u>24,336.99</u>	<u>117,578.99</u>
Program Administration			
Claims Management Fees	11,149.15	22,119.48	42,197.29
Contract Administration	37,500.00	75,000.00	75,000.00
Total Program Administration	<u>48,649.15</u>	<u>97,119.48</u>	<u>117,197.29</u>
Total General and Administrative Expenses	<u>65,769.15</u>	<u>121,456.47</u>	<u>234,776.28</u>
Insurance Expense			
Excess Liability Policy	177,331.50	354,663.00	274,966.50
Excess Property Policy	422,751.16	845,502.32	734,695.50
Crime Policy	3,230.00	6,460.00	6,460.00
Total Insurance Expense	<u>603,312.66</u>	<u>1,206,625.32</u>	<u>1,016,122.00</u>
Claims Expenses			
Claims Payments	34,497.98	99,975.31	326,224.60
Claims Adjustment Account	(17,103.00)	(23,526.28)	(68,005.30)
Total Claims Expenses	<u>17,394.98</u>	<u>76,449.03</u>	<u>258,219.30</u>
Total Expenses	<u>686,476.79</u>	<u>1,404,530.82</u>	<u>1,509,117.58</u>
Net Revenue Over Expenses	<u>\$ 179,784.51</u>	<u>328,069.26</u>	<u>\$ 67,289.78</u>
Net Position, Beginning		<u>\$ 2,744,700.97</u>	<u>\$ 2,296,040.07</u>
Net Position, Ending		<u>\$ 3,072,770.23</u>	<u>\$ 2,363,329.85</u>

South Bay Area Schools Insurance Authority
Statement of Revenues and Expenses - Budget vs. Actual
For the Quarter and Year to Date Ended December 31, 2014

	<u>Jul '14 - Dec '14</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Revenue				
Member Contributions				
Liability Contributions	\$ 354,663.00	\$ 709,326.00	-354,663.00	50.0%
Property Contributions	845,502.50	1,691,005.00	-845,502.50	50.0%
Crime Policy	6,460.00	12,920.00	-6,460.00	50.0%
Administration	126,642.48	253,285.00	-126,642.52	50.0%
Loss Funding	391,499.94	783,000.00	-391,500.06	50.0%
Total Member Contributions	<u>1,724,767.92</u>	<u>3,449,536.00</u>	<u>-1,724,768.08</u>	<u>50.0%</u>
Interest Income	7,832.16	0.00	7,832.16	100.0%
Total Revenue	<u>1,732,600.08</u>	<u>3,449,536.00</u>	<u>-1,716,935.92</u>	<u>50.23%</u>
Expense				
General and Administrative Expenses				
General Expenses				
Accounting Services	10,500.00	22,000.00	-11,500.00	47.73%
Audit Expense - Claims	0.00	3,500.00	-3,500.00	0.0%
Audit Expense - Financial	11,870.00	12,285.00	-415.00	96.62%
Conference	1,476.59	2,500.00	-1,023.41	59.06%
Contingency	0.00	5,000.00	-5,000.00	0.0%
Dues & Membership	450.00	500.00	-50.00	90.0%
Legal Expense - JPA	0.00	2,000.00	-2,000.00	0.0%
Loss Control	0.00	100,000.00	-100,000.00	0.0%
Meeting Expense	0.00	500.00	-500.00	0.0%
Supplies, Postage, Misc Expense	40.40	0.00	40.40	100.0%
Total General Expenses	<u>24,336.99</u>	<u>148,285.00</u>	<u>-123,948.01</u>	<u>16.41%</u>
Program Administration				
Claims Management Fees	22,119.48	55,000.00	-32,880.52	40.22%
Contract Administration	75,000.00	150,000.00	-75,000.00	50.0%
Total Program Administration	<u>97,119.48</u>	<u>205,000.00</u>	<u>-107,880.52</u>	<u>47.38%</u>
Total General and Administrative Expenses	<u>121,456.47</u>	<u>353,285.00</u>	<u>-231,828.53</u>	<u>34.38%</u>
Insurance Expense				
Excess Liability Policy	354,663.00	709,326.00	-354,663.00	50.0%
Excess Property Policy	845,502.32	1,691,005.00	-845,502.68	50.0%
Crime Policy	6,460.00	12,920.00	-6,460.00	50.0%
Total Insurance Expense	<u>1,206,625.32</u>	<u>2,413,251.00</u>	<u>-1,206,625.68</u>	<u>50.0%</u>
Claims Costs				
Claims Payments	99,975.31	783,000.00	-683,024.69	
Claims Adjustment Account	-23,526.28	0.00	-23,526.28	
Total Claims Costs	<u>76,449.03</u>	<u>783,000.00</u>	<u>-706,550.97</u>	<u>9.76%</u>
Total Expense	<u>1,404,530.82</u>	<u>3,549,536.00</u>	<u>-2,145,005.18</u>	<u>39.57%</u>
Net Revenue Over Expenses	<u><u>\$ 328,069.26</u></u>	<u><u>\$ (100,000.00)</u></u>	<u><u>\$ 428,069.26</u></u>	<u><u>-328.07%</u></u>

South Bay Area Schools Insurance Authority

General Checking Account Activity

October 1, 2014 - December 31, 2014

Type	Date	Num	Name	Memo	Split	Debit	Credit	Balance
Bank of America - 61312								
Check	10/22/2014	10132	Carl Warren & Company	Claims Replenishment	B of A Claims Trust Account			1,498,538.01
Check	10/22/2014	10133	Carl Warren & Company	Claim Mgmt Fees August & September	Claims Management Fees	26,775.45		1,471,762.56
Check	10/22/2014	10134	James Marta & Company	Inv # 8106	Audit Expense - Financial		5,160.86	1,466,601.70
Check	10/22/2014	10135	Gilbert Associates, Inc.	Inv # 306756 - 3rd Qtr 2014	Accounting Services		3,500.00	1,463,101.70
Deposit	10/23/2014			Deposit		1,883.95	5,250.00	1,457,851.70
Check	11/14/2014	10136	Carl Warren & Company	Replenishment	Accounts Receivable			1,459,735.65
Check	11/14/2014	10137	James Marta & Company	Inv # 8206	B of A Claims Trust Account	36,177.56		1,423,558.09
Check	12/03/2014	10138	Carl Warren & Company	Inv # 1632595 - 1632615 - October 2014	Audit Expense - Financial		500.00	1,423,058.09
Check	12/03/2014	10139	Beryessa USD	Reimbursement for CAJPA conference Phuong Le - Inv # 150024	Claims Management Fees		3,923.93	1,419,134.16
Check	12/03/2014	10140	Carl Warren & Company	Replenishment	Conference		876.59	1,418,257.57
Total Bank of America - 61312						1,883.95	44,927.26	1,373,330.31
TOTAL						1,883.95	127,091.65	1,373,330.31

South Bay Area Schools Insurance Authority
Claim Payments - Carl Warren Claims Trust Account
October 1, 2014 - December 31, 2014

Check	Payee	Check Date	DOL	Claim	Cov	Claimant	Action Cod	Amount	Loss	Expense
10523	DAVIS & YOUNG, APLC	10/27/2014	7/31/2012	1859899	LPI	MCELROY, GEORGE	Coding Correction	-\$1,712.50	\$0.00	-\$1,712.50
10523	DAVIS & YOUNG,	10/27/2014	9/5/2012	1867378	LBI	DOE, JANE	Payment	\$1,712.50	\$0.00	\$1,712.50
10525	Campbell USD	10/08/2014	8/22/2014	1892643	ACL	Campbell Union Schoo	Payment	\$977.56	\$977.56	\$0.00
10526	DAVIS & YOUNG,	10/20/2014	11/16/2012	1862442	LBI	COVARRUBIAS, NOAH	Payment	\$1,057.46	\$0.00	\$1,057.46
10527	DAVIS & YOUNG,	10/20/2014	8/9/2010	1860076	LBI	LEON, ARLETH	Payment	\$2,181.08	\$0.00	\$2,181.08
10528	DAVIS & YOUNG,	10/20/2014	8/9/2010	1614389	LBI	Pham, Wendy	Payment	\$2,854.71	\$0.00	\$2,854.71
10529	DAVIS & YOUNG,	10/20/2014	8/9/2010	1614389	LBI	Pham, Wendy	Payment	\$5,646.13	\$0.00	\$5,646.13
10530	DAVIS & YOUNG,	10/20/2014	10/1/2011	1860075	LBI	ROE, MARY	Payment	\$1,026.78	\$0.00	\$1,026.78
10531	DAVIS & YOUNG,	10/20/2014	1/1/2013	1852921	LBI	SHENE, HARLEY	Payment	\$527.50	\$0.00	\$527.50
10532	DAVIS & YOUNG,	10/20/2014	12/19/2012	1858406	LBI	PETITO, ARIEL	Payment	\$3,361.58	\$0.00	\$3,361.58
10533	DAVIS & YOUNG,	10/20/2014	12/19/2012	1858406	LBI	PETITO, ARIEL	Payment	\$1,744.90	\$0.00	\$1,744.90
10534	DAVIS & YOUNG,	10/20/2014	7/31/2012	1859899	LPI	MCELROY, GEORGE	Payment	\$2,847.79	\$0.00	\$2,847.79
10535	DAVIS & YOUNG,	10/29/2014	8/23/2011	1865109	LBI	DUONG, BECKY (MINOR)	Payment	\$2,181.35	\$0.00	\$2,181.35
10536	DAVIS & YOUNG,	10/29/2014	8/23/2011	1865109	LBI	DUONG, BECKY (MINOR)	Payment	\$1,431.60	\$0.00	\$1,431.60
10537	DAVIS & YOUNG,	10/29/2014	12/2/2012	1847819	LBI	OH, GREEN	Payment	\$3,503.23	\$0.00	\$3,503.23
10538	DAVIS & YOUNG,	10/29/2014	8/24/2011	1868927	LBI	VILLARREAL, ISABEL	Payment	\$2,056.35	\$0.00	\$2,056.35
10539	DAVIS & YOUNG,	10/29/2014	8/24/2011	1868927	LBI	VILLARREAL, ISABEL	Payment	\$830.20	\$0.00	\$830.20
10540	DAVIS & YOUNG,	10/29/2014	5/2/2013	1860712	LBI	PACHECO, FREDERIC	Payment	\$1,233.68	\$0.00	\$1,233.68
10541	DAVIS & YOUNG,	10/29/2014	9/3/2013	1882132	LBI	WIGGEN, LINDA	Payment	\$1,422.18	\$0.00	\$1,422.18
10542	DAVIS & YOUNG,	10/29/2014	9/5/2012	1867378	LBI	DOE, JANE	Payment	\$1,293.48	\$0.00	\$1,293.48
10543	DAVIS & YOUNG,	11/10/2014	9/21/2013	1894367	LPI	PERRIZO, KAYDEN	Payment	\$1,842.50	\$0.00	\$1,842.50
10544	DAVIS & YOUNG,	11/10/2014	9/5/2012	1867378	LBI	DOE, JANE	Payment	\$1,698.80	\$0.00	\$1,698.80
10545	DAVIS & YOUNG,	11/11/2014	12/2/2012	1847819	LBI	OH, GREEN	Payment	\$2,544.78	\$0.00	\$2,544.78
10546	DAVIS & YOUNG,	11/11/2014	12/19/2012	1858406	LBI	PETITO, ARIEL	Payment	\$1,050.05	\$0.00	\$1,050.05
10547	DAVIS & YOUNG,	11/11/2014	1/1/2013	1852921	LBI	SHENE, HARLEY	Payment	\$1,621.58	\$0.00	\$1,621.58
10548	DAVIS & YOUNG,	11/24/2014	8/9/2010	1614389	LBI	Pham, Wendy	Payment	\$7,345.50	\$0.00	\$7,345.50
10549	DAVIS & YOUNG,	11/24/2014	8/9/2010	1860076	LBI	LEON, ARLETH	Payment	\$5,743.36	\$0.00	\$5,743.36
10550	DAVIS & YOUNG,	11/24/2014	1/19/2007	P039-07-	LEP	RAZAVI, MELINA	Payment	\$2,591.23	\$0.00	\$2,591.23
10551	DAVIS & YOUNG,	11/24/2014	1/19/2007	P039-07-	LEP	RAZAVI, MELINA	Payment	\$489.46	\$0.00	\$489.46
10552	ANLEE D. KUO	11/25/2014	8/9/2010	1614389	LBI	Pham, Wendy	Payment	\$5,000.00	\$0.00	\$5,000.00
10553	ANLEE D. KUO	11/25/2014	8/9/2010	1860076	LBI	LEON, ARLETH	Payment	\$5,000.00	\$0.00	\$5,000.00

South Bay Area Schools Insurance Authority
Claim Payments - Carl Warren Claims Trust Account
October 1, 2014 - December 31, 2014

Check	Payee	Check Date	DOL	Claim	Cov	Claimant	Action Cod	Amount	Loss	Expense
10554	ANLEE D. KUO	11/25/2014	8/23/2011	1865109	LBI	DUONG, BECKY (MINOR)	Payment	\$5,000.00	\$0.00	\$5,000.00
10555	ANLEE D. KUO	11/25/2014	8/24/2011	1868927	LBI	VILLARREAL, ISABEL	Payment	\$5,000.00	\$0.00	\$5,000.00
10556	DAVIS & YOUNG,	12/18/2014	6/1/2010	1567819	LPI	MOORE, CHRISTINA	Payment	\$1,639.89	\$0.00	\$1,639.89
10557	DAVIS & YOUNG,	12/22/2014	9/21/2013	1894367	LPI	PERRIZO, KAYDEN	Payment	\$2,695.00	\$0.00	\$2,695.00
								\$85,439.71	\$977.56	\$84,462.15

Claims Checking Account

Beginning Balance @ 9/30/14	\$ 23,224.55
Deposits	\$ 107,880.27
Claim Payments	\$ (85,439.71)
Ending Balance @ 12/31/14	<u>\$ 45,665.11</u>



Agenda Item F.1

FINANCIAL AUDITOR CONTRACT WITH JAMES MARTA & CO.

ACTION ITEM

ISSUE: The Executive Committee should review and, if appropriate, approve the renewal contract with James Marta & Company for the audited financial report.

RECOMMENDATIONS: None

FISCAL IMPACT: \$12,110 for June 30, 2015 financial audit
\$12,350 for June 30, 2016 financial audit
\$12,595 for June 30, 2017 financial audit

BACKGROUND: James Marta & Company has performed the annual financial audit for the last six years. Their contract expires with the June 30, 2014 audit. Mr. David Becker will supervise the audit, replacing Mr. James Marta who supervised for the past six years.

ATTACHMENTS: James Marta & Co. Contract for June 30, 2015, 2016 & 2017 Financial Audits

**FINANCIAL AUDIT SERVICES AGREEMENT BETWEEN
SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY
AND JAMES MARTA & COMPANY**

This Agreement is made this 8th day of January 2015, by and between the South Bay Area Schools Insurance Authority ("SBASIA") and James Marta & Company ("Auditor") concerning services.

WHEREAS, SBASIA desires to retain the services of Auditor to provide annual financial audit and Auditor desires to perform such services on the terms and conditions set forth below,

NOW, THEREFORE, the parties agree as follows:

- A. *Description of Work* – See Scope of Work on attached engagement letter.
- B. *Compensation* – See Fees on attached engagement letter.
- C. *Term* – This agreement is for the financial audits as of June 30, 2015, 2016 and 2017.
- D. *Compliance with Laws* - Auditor agrees that the work will be conducted and the services will be performed in compliance with all laws and regulations, with the policies, procedures and directives of SBASIA, particularly those related to fiscal and management matters, and with generally accepted accounting principles applicable to governmental entities.
- E. *Termination* - This Agreement may be terminated at any time by either party upon ninety days advance written notice to the other party. Upon termination by either party, Auditor shall be compensated for all work performed through the date of termination.
- F. *Disclosures of Conflicts* – Auditor shall be responsible for disclosing financial interests that may be a conflict. Disclosure may be satisfied through completion of the related Fair Political Practices Commission form on an annual basis.
- G. *Insurance* – Auditor shall maintain Commercial General Liability on an occurrence basis with limits no less than \$1,000,000 per occurrence and general aggregate limit no less than \$2,000,000; Auto Liability with limit no less than \$1,000,000 per accident; Workers' Compensation with Statutory limits and Employer's Liability with limits of no less than \$1,000,000 per accident for bodily injury or disease; Professional Liability insurance with limit no less than \$1,000,000 per occurrence or claim and aggregate no less than \$2,000,000.

- H. *Indemnification* – Auditor agrees to indemnify, defend and hold harmless SBASIA, its officers, directors and member agencies from any liability arising from Auditor’s negligence or willful misconduct or omissions in the performance of this agreement. SBASIA, its officers, directors and member agencies agree to indemnify, defend and hold harmless Auditor from any liability arising from the negligence, willful misconduct or omissions of SBASIA, its officers, directors and member agencies.
- I. *Independent Contractor* – It is expressly agreed by the parties that Auditor’s relationship to SBASIA is that of an independent contractor. As such, SBASIA will not be providing any Workers’ Compensation coverage or benefits to Auditor.
- J. *Other Obligations of Parties* – See Management’s Responsibilities, Our Responsibility and Character and Limitations of an Audit in attached engagement Letter.
- K. *Entire Agreement* - This writing constitutes the entire agreement between the parties relative to the services specified herein, and no modifications shall be effective unless and until such modification is evidenced by a writing signed by both parties.
- L. *Successors and Assignment* - Auditor agrees that it will not assign, transfer, convey, or otherwise dispose of this Agreement or any part thereof, or its rights, title, or interest therein, without the prior written consent of SBASIA.
- M. *Waiver* - The waiver by either party of a breach by the other of any provision of this Agreement shall not constitute a continuing waiver or a waiver of any subsequent breach of either of the same or a different provision of this Agreement.
- N. *Severability* - Should any part of this Agreement be declared unconstitutional, invalid, or beyond the authority of either party to enter into or carry out, such decision shall not affect the validity of the remainder of this agreement, which shall continue in full force and effect; provided that the remainder of this contract can, absent the excised portion, be reasonably interpreted to give effect to the intentions of the parties.
- O. *Headings* - The descriptive headings used in this Agreement are for convenience only and shall not control or affect the meaning or construction of any of its provisions.
- P. *Working Papers*- See attached engagement letter.

IN WITNESS WHEREOF, the parties execute this Agreement on the day and year first above written.

SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY

BY _____

DATE _____

TITLE _____

JAMES MARTA & COMPANY

BY _____

DATE _____

TITLE _____



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

January 8, 2015

Joan Crossley
South Bay Area Schools Insurance Authority

Dear Board of Directors

We are pleased to confirm our understanding of the services we are to provide for South Bay Area Schools Insurance Authority for June 30, 2015, 2016 and 2017.

I. SCOPE OF WORK

The following represents our understanding of the services we will provide South Bay Area Schools Insurance Authority (Authority).

You have requested that we audit the Statement of Net Position of South Bay Area Schools Insurance Authority as of June 30, 2015, 2016 and 2017, and for the years then ended and the related notes to the financial statements, which collectively comprise Authority's basic financial statements as listed in the table of contents. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on each opinion unit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Claims Development Information, and Notes to Required Supplementary Information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by *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. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by accounting principles generally accepted in the United States of America. This RSI will be subjected to certain limited procedures but will not be audited:

- *Management's Discussion and Analysis*
- *Claims Development Information*
- *Notes to Required Supplementary Information*

Supplementary information other than RSI will accompany Authority's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and perform certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on the following supplementary information in relation to the financial statements as a whole.

- Graphical Summary of Claims

The Objective of an Audit

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

General Audit Procedures

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) *and in accordance with Government Auditing Standards*, and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements. 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.

Internal Control Audit Procedures

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS *and in accordance with Government Auditing Standards, and the State Controller's Minimum Audit Requirements for California Special Districts.*

In making our risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

Compliance with Laws and Regulations

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of South Bay Area Schools Insurance Authority's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Management Responsibilities

Our audit will be conducted on the basis that *management* acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America
- b. For 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 error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements; and
- c. To provide us with:
 - i. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - ii. Additional information that we may request from management for the purpose of the audit; and
 - iii. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
- d. For including the auditor's report in any document containing financial statements that indicates that such financial statements have been audited by the entity's auditor;

- e. For identifying and ensuring that the entity complies with the laws and regulations applicable to its activities; and
- f. For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period(s) under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility: (a) for the preparation of the supplementary information in accordance with the applicable criteria; (b) to provide us with the appropriate written representations regarding supplementary information; (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information; and (d) to present the supplementary information with the audited financial statements, or if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.¹

As part of our audit process, we will request from *management and, when appropriate, those charged with governance*, written confirmation concerning representations made to us in connection with the audit.

Reporting

We will issue a written report upon completion of our audit of Authority's basic financial statements. Our report will be addressed to the governing body of Authority. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

We also will issue a written 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 Standard upon completion of our audit.

Other

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

Provisions of Engagement Administration, Timing and Fees

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

David Becker is the engagement partner for the audit services specified in this letter. *His* responsibilities include supervising James Marta & Company, LLP's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Fees

Our fee for the audits will be \$12,110 for 2015, \$12,350 for 2016, and \$12,595 for 2017. We will bill you on a monthly basis for our services and invoices are payable upon presentation. Unpaid fee balances 30 days overdue will bear interest at 18 percent per annum. This fee is based upon the assumption that the closing journal entries will be made and accounting will be finalized and closed before the year end audit fieldwork. Additional time and billing charges will incur if accounting service is provided for closing or reconciling accounting records.

Whenever possible, we will attempt to use your personnel to assist in the preparation of schedules and analyses of accounts. We understand that your employees will prepare all cash or other confirmations we request and will locate any invoices selected by us for testing. This effort could substantially reduce our time requirements and facilitate the timely conclusion of the audit.

Our initial fee estimate assumes we will receive the aforementioned assistance from your personnel and unexpected circumstances will not be encountered. In the event that the GASB, FASB, AICPA, GAO, OMB, or the State of California issues additional standards or audit procedures that require additional work during the audit period, we will discuss these requirements with you before proceeding further. Before starting the additional work, we will prepare an estimate of the time necessary, as well as the fee for performing the additional work. Our fee for addressing the additional requirements will be at our standard hourly rates for each person involved in the additional work.

In the event we are required to respond to discovery requests, subpoenas, and outside inquiries, we will first obtain your permission unless otherwise required to comply under the law. Our time and expense to comply with such requests will be charged at our standard hour rates in addition to the stated contract.

We agree to retain our audit documentation or work papers for a period of at least seven years from the date of our report.

At the conclusion of our audit engagement, we will communicate to the board of directors the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

The audit documentation for this engagement is the property of James Marta & Company, LLC and constitutes confidential information. However, we may be requested to make certain audit documentation available pursuant to authority given to any regulator by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of James Marta & Company, LLC's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to any regulator. They may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

Mediation Provision

Disputes arising under this agreement (including scope, nature, and quality of services to be performed by us, our fees and other terms of the engagement) shall be submitted to mediation. A competent and impartial third party, acceptable to both parties shall be appointed to mediate, and each disputing party shall pay an equal percentage of the mediator's fees and expenses. No suit or arbitration proceedings shall be commenced under this agreement until at least 60 days after the mediator's first meeting with the involved parties. If the dispute requires litigation, the court shall be authorized to impose all defense costs against any non-prevailing party found not to have participated in the mediation process in good faith.

Several technical accounting and auditing words and phrases have been used herein. We presume you to understand their meaning or that you will notify us otherwise so that we can furnish appropriate explanations.

We have attached a copy of our latest external peer review report of our firm for your consideration and files.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California

RESPONSE:

This letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of:

South Bay Area Schools Insurance Authority

Approved by: _____

Title: _____

Date: _____



Agenda Item F.2

CYBER SECURITY AUDIT REQUEST FOR PROPOSAL RESULTS

ACTION ITEM

ISSUE: The Executive Committee should review the proposals received for Cyber Security Audit and select a firm to perform the audit.

RECOMMENDATION: None

FISCAL IMPACT: To be determined

BACKGROUND: At the December 4, 2014 Board of Directors meeting, the Board directed staff to issue a Request for Proposal (RFP) for Cyber Security Audit. Staff distributed the RFP to three firms and received two responses.

ATTACHMENTS: To be handed out



Agenda Item F.3

DISCOUNT FACTOR USED IN ACTUARIAL STUDY

ACTION ITEM

ISSUE: The Executive Committee should review the discount factor used in the actuarial study and decide if the discount factor should be changed.

RECOMMENDATION: None

FISCAL IMPACT: To be determined

BACKGROUND: At its March 6, 2014 meeting, the Executive Committee decided to change the discount factor from 3% to 2% and revisit it again in a year. The discount factor is used to discount losses as determined by the actuary to offset income earned on investments.

ATTACHMENTS: Loss Funding at Various Discount Factors

SBASIA
LOSS FUNDING AT VARIOUS DISCOUNT FACTORS

70% Confidence Level

Discount Factor	3%	2%	1%	0%
Loss Funding	\$782,000	\$800,000	\$821,000	\$840,000

75% Confidence Level

Discount Factor	3%	2%	1%	0%
Loss Funding	\$872,000	\$893,000	\$914,000	\$937,000

80% Confidence Level

Discount Factor	3%	2%	1%	0%
Loss Funding	\$980,000	\$1,003,000	\$1,027,000	\$1,052,000



Agenda Item F.4

SLATE OF OFFICERS FOR JUNE 18, 2015 MEETING

INFORMATION ITEM

EXPLANATION: Each June, the Board of Directors elects the Executive Committee officers and a Member at Large for the annual term of office beginning July 1.

Staff and the Executive Committee will discuss developing a slate of officers to present to the Board of Directors at the June 18, 2015 meeting.

ATTACHMENTS: None



Agenda Item G.1

PRELIMINARY REVENUE AND EXPENSE BUDGET FOR JULY 1, 2015 - 2016

INFORMATION ITEM

EXPLANATION: Staff will present a preliminary revenue and expense budget showing allocation of premium, loss funding and expenses for the insurance renewals and administrative contracts effective July 1. This document will provide preliminary indications of cost to members. This preliminary budget will be distributed to members as soon as possible to assist them in development of their own district budgets.

ATTACHMENTS: None



Agenda Item G.2

REVIEW OF SANTA CLARA COUNTY TREASURY POOL INVESTMENTS

ACTION ITEM

ISSUE: The Executive Committee should review the JPA's investments in the Santa Clara County Treasury Pool and decide if there are any long term investments available that would be beneficial to the JPA.

RECOMMENDATION: None

FISCAL IMPACT: To be determined

BACKGROUND: The JPA's assets are invested in the Santa Clara County Treasury Pool. At the December 4, 2014 Board of Directors meeting, there was a brief discussion as to whether the JPA should look at any long term investments available in the County pool.

ATTACHMENTS: None