

FDAC EMPLOYMENT BENEFITS AUTHORITY

Board of Directors Meeting

Sonoma Valley Fire & Rescue
630 2nd Street West
Sonoma, Ca

Thursday, November 17, 2011
9:00 a.m. – 10:00 a.m.

Agenda

<i>Item</i>	<i>Action</i>
I. Welcome and Introductions	
II. Public Comment	Discussion
III. Consent Calendar	Action
A. Minutes – October 27, 2011	
B. Financials – October 31, 2011	
C. Valley of the Moon JPA	
IV. HIPAA Policy	Info/Action
<i>The Board will review and approve a policy relating to the Health Insurance Portability and Accountability Act.</i>	
V. 2009-10 Financial Audit	Info/Action
<i>The Board will review and approve the financial audit for fiscal year 2009-10.</i>	
VI. Consultant Reports	Info
a. Thoits	
b. BRMS	
c. Smith Moore & Associates	
d. Legal Counsel	
VII. Next Meeting	Discussion
VIII. Adjourn	Action

FDAC Employment Benefits Authority
Board of Directors Teleconference Meeting
Thursday, October 27, 2011

In Attendance

Mike McMurry, President
Charlene Virts, Director
Jean Moore, Director
Tom Keating, Director

Consultants

Melissa Dixon, Administrator
Helen Buhagiar, Thoits
Rosa Soria, Thoits
Renee Labrie, BRMS
Randy Casto

President Mike McMurry called the meeting to order at 3:36 p.m. President McMurry welcomed everyone, and introductions were made. A quorum was established. There was no public comment.

Consent Calendar

The Board addressed the consent calendar, which included minutes from the September 16, 2011 meeting. Director Tom Keating moved to approve the consent calendar as presented; President McMurry seconded.

Ayes: Mike McMurry, Charlene Virts, Tom Keating
Noes: None
Abstain: Jean Moore

Conflict of Interest Code

Legal Counsel David McMurchie informed the Board that the notice period for the Conflict of Interest Code had ended, and the Board now needs to formally adopt the policy. Once adopted, McMurchie will file with the FPPC. Director Charlene Virts moved to approve the Conflict of Interest Code and authorize the President and Secretary to sign and file the necessary documents; Director Keating seconded.

Ayes: Mike McMurry, Charlene Virts, Jean Moore, Tom Keating
Noes: None

Board Vacancy

Administrator Melissa Dixon had distributed communication to the members seeking anyone interested in filling the vacancy created by the resignation of Vice President Jim Hill. Randy Casto, a Board member from Penn Valley Fire, was the only one to respond. The Board discussed the position with Casto, as well as the requirements of Board members. Casto indicated he was willing to serve, but did not know if he could commit to the full four-year term. Director Keating moved to appoint Casto to the vacant seat; Director Jean Moore seconded.

Ayes: Mike McMurry, Charlene Virts, Tom Keating, Jean Moore
Noes: None

Vice President Vacancy

The Board discussed appointed a member to fill the officer vacancy created by the resignation of Jim Hill. President McMurry moved to appoint Director Virts to the office of Vice President; Director Moore seconded.

Ayes: Mike McMurry, Charlene Virts, Tom Keating, Jean Moore, Randy Casto

Noes: None

Consultant Reports

Thoits reported that Valley of the Moon FPD would be joining the EBA with coverage effective January 1, 2012, and that Rancho Santa Fe was interested in meeting with the EBA again to discuss possibly joining the pool now that Health Net is the medical carrier. Open enrollment is going smoothly for both Thoits and BRMS.

Legal Counsel McMurchie informed the Board that he is working on a HIPAA policy, to be ready for the Board meeting in November.

Administrator Dixon informed the Board that progress was being made on the new website, although it would not be made active until the first of the year in order to include only information on the new Health Net plans.

Next Meeting

Administrator Dixon informed the Board that arrangements are made for the planning session to be held at Sonoma Valley Fire & Rescue on November 17, and that a small block of rooms has been reserved for the evening before the meeting. An invitation to attend will be distributed to the membership.

Having nothing further to discuss, the meeting was adjourned at 4:10 p.m.

Respectfully submitted,

Melissa Dixon
Administrator

FDAC EBA
Balance Sheet
As of October 31, 2011

	<u>Oct 31, 11</u>
ASSETS	
Current Assets	
Checking/Savings	
Margin Fund	336,069.39
Medical Reserve (BRMS held)	110,823.90
Money Market Account	8,737.59
US Bank	<u>21,358.34</u>
Total Checking/Savings	<u>476,989.22</u>
Accounts Receivable	
1200 - Accounts Receivable	<u>13,176.10</u>
Total Accounts Receivable	<u>13,176.10</u>
Total Current Assets	<u>490,165.32</u>
TOTAL ASSETS	<u><u>490,165.32</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2000 - Accounts Payable	<u>10,293.20</u>
Total Accounts Payable	10,293.20
Other Current Liabilities	
2200 - Preliminary Reports Recon	<u>8,310.18</u>
Total Other Current Liabilities	<u>8,310.18</u>
Total Current Liabilities	<u>18,603.38</u>
Total Liabilities	18,603.38
Equity	
Reserves & Contingencies	50,000.00
1110 - Retained Earnings	449,433.07
Net Income	<u>-27,871.13</u>
Total Equity	<u>471,561.94</u>
TOTAL LIABILITIES & EQUITY	<u><u>490,165.32</u></u>

FDAC EBA
Budget vs. Actual
July through October 2011

	<u>Jul - Oct 11</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income				
4000 · INCOME				
4100 · Interest	15.25	300.00	-284.75	5.08%
4300 · Premium Earnings	2,554,748.61	9,651,849.81	-7,097,101.20	26.47%
Total 4000 · INCOME	<u>2,554,763.86</u>	<u>9,652,149.81</u>	<u>-7,097,385.95</u>	<u>26.47%</u>
Total Income	2,554,763.86	9,652,149.81	-7,097,385.95	26.47%
Expense				
6000 · EXPENSE				
6010 · Administration				
6014 · Administration Contract	20,000.00	60,000.00	-40,000.00	33.33%
6016 · Third Party Administrator	33,193.00	96,518.50	-63,325.50	34.39%
6018 · FDAC Subsidiary Fee	0.00	20,000.00	-20,000.00	0.0%
Total 6010 · Administration	<u>53,193.00</u>	<u>176,518.50</u>	<u>-123,325.50</u>	<u>30.14%</u>
6040 · Bank Service Charges	0.00	100.00	-100.00	0.0%
6100 · Board Meetings	378.03	1,725.00	-1,346.97	21.92%
6150 · Broker	93,315.46	347,466.59	-254,151.13	26.86%
6200 · Carrier Payments	2,408,447.38	9,065,744.20	-6,657,296.82	26.57%
6300 · Insurance				
6320 · E & O Insurance	0.00	1,200.00	-1,200.00	0.0%
6350 · Insurance Other	1,178.50			
Total 6300 · Insurance	<u>1,178.50</u>	<u>1,200.00</u>	<u>-21.50</u>	<u>98.21%</u>
6400 · Miscellaneous	15.95			
6650 · Office Supplies				
6660 · Marketing	44.40			
6650 · Office Supplies - Other	0.00	300.00	-300.00	0.0%
Total 6650 · Office Supplies	<u>44.40</u>	<u>300.00</u>	<u>-255.60</u>	<u>14.8%</u>
6700 · Operating Expenses				
6710 · Postage and Delivery	58.51	200.00	-141.49	29.26%
6715 · Printing and Reproduction	28.18	50.00	-21.82	56.36%
6720 · Staff Travel	0.00	1,000.00	-1,000.00	0.0%
6725 · State Filing	0.00	10.00	-10.00	0.0%
6730 · Telephone	48.92	825.00	-776.08	5.93%
6735 · Storage	19.66	100.00	-80.34	19.66%
Total 6700 · Operating Expenses	<u>155.27</u>	<u>2,185.00</u>	<u>-2,029.73</u>	<u>7.11%</u>
6800 · Professional Fees				
6801 · Accounting	7,750.00	10,000.00	-2,250.00	77.5%
6804 · Consulting/Actuary	12,000.00	36,000.00	-24,000.00	33.33%
6807 · Legal Fees	6,157.00	10,000.00	-3,843.00	61.57%
Total 6800 · Professional Fees	<u>25,907.00</u>	<u>56,000.00</u>	<u>-30,093.00</u>	<u>46.26%</u>
6850 · Training/Communication	0.00	500.00	-500.00	0.0%
Total 6000 · EXPENSE	<u>2,582,634.99</u>	<u>9,651,739.29</u>	<u>-7,069,104.30</u>	<u>26.76%</u>

FDAC EBA
Budget vs. Actual
July through October 2011

	<u>Jul - Oct 11</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Total Expense	<u>2,582,634.99</u>	<u>9,651,739.29</u>	<u>-7,069,104.30</u>	<u>26.76%</u>
Net Ordinary Income	<u>-27,871.13</u>	<u>410.52</u>	<u>-28,281.65</u>	<u>-6,789.23%</u>
Net Income	<u><u>-27,871.13</u></u>	<u><u>410.52</u></u>	<u><u>-28,281.65</u></u>	<u><u>-6,789.23%</u></u>

**JOINT POWERS AGREEMENT OF
FIRE DISTRICTS ASSOCIATION OF CALIFORNIA
EMPLOYMENT BENEFITS AUTHORITY**

This Joint Powers Agreement (the "Agreement") is made and entered into in the County of Sacramento, State of California, by and among various public agencies, hereafter collectively referred to as "Agencies" and individually as "Agency" who have or may hereafter execute this Joint Powers Agreement pursuant to the authority conferred by Government Code Section 6500 et seq.

RECITALS

WHEREAS, each of the Agencies who have executed this Agreement is a "public agency" as that term is defined in Section 6500 of the California Government Code; and

WHEREAS, California Government Code Section 6500 et seq. provides that two or more public agencies may by agreement jointly exercise any power common to the contracting parties; and

WHEREAS, California Government Code Sections 5300, 53201(a), 53202, 53202.2, 65205, 53205.1, 53206, and Health and Safety Code Section 13800 et seq. provides that a local public agency may provide for any health and welfare benefits for the benefit of its existing and retired officers, employees, and members of its legislative body, which health and welfare benefits include, but are not limited to hospital, medical, surgical, disability, legal expense, dental, vision, life, and income protection insurance or benefits, whether provided on an insurance basis, self funded basis, or some combination of insurance and self funding; and

WHEREAS, Government Code Section 53202 states that in providing such health and welfare benefits, a public agency may approve self funded plans or may contract with one or more admitted insurers, health service organizations or legal service organizations for such plans of health and welfare benefits as the public agency determines to be in the best interest of the public agency and its existing and retired officers, employees and legislative body; and

WHEREAS, Government Code Section 53202.2 provides that a public agency may prescribe such rules, regulations and procedures as are necessary to properly implement a system to administer the provision of such health and welfare benefits; and

WHEREAS, Government Code Section 53205 provides that the legislative body of a public agency may expend public agency funds for the premiums, dues or other charges for health and welfare benefits of its existing and retired officers, employees, and members of its legislative body; and

WHEREAS, Government Code Section 53206 provides that a public agency may pay the premiums, charges or other costs of health and welfare benefits from amounts derived from either employer contributions, employee payroll deductions, or both, directly to the contracting insurers or service organizations providing such health and welfare benefits; and

WHEREAS, each of the parties hereto has the power to establish, administer, operate, manage and pay for health and welfare benefits for their respective existing and retired officers, employees, and members of its legislative body, in addition to other powers which are common to each of them; and

WHEREAS, each of the Agencies which are parties to this Agreement desire to join together with other Agencies in order to collectively establish, operate, manage, and administer health and welfare benefits for their existing and retired officers, employees, and members of its legislative body, either through collectively self funding the cost of such health and welfare benefits, jointly purchasing insurance programs, benefits and services to provide such health and welfare benefits, or some combination thereof; and

WHEREAS, each of the Agencies which are parties to this Agreement find it to be to its mutual advantage and in the public benefit to utilize any power common to them, and all those powers available to a Joint Powers Authority pursuant to the Joint Powers Act at Government Code Section 6500 et seq., to coordinate the organization, management, administration and operation of health and welfare benefit programs for the benefit of its existing and retired officers, employees and members of its legislative body; and

WHEREAS, the Fire Districts Association of California is a non-profit public benefit corporation organized and existing to assist and promote the interests of its member Agencies which are public agencies in California providing one or more of the following services to the public: (1) fire suppression services; (2) emergency medical services; (3) hazardous material response services; (4) medical transport and ambulance services; (5) rescue services; and

WHEREAS, it is the desire of the Agencies which have executed this Agreement and which are members of the Fire Districts Association of California to enter into this Agreement to better define the existence, functions, and operations of this Joint Powers Authority and to specify a continuing working relationship between the Authority and the Fire Districts Association of California for the benefit of member Agencies of the Fire Districts Association of California; and

WHEREAS, it is to the mutual advantage of and in the best interest of the parties to this Joint Powers Agreement to establish this Joint Powers Authority for the purposes stated.

NOW THEREFORE, for and in consideration of the execution of this Agreement by other Agencies, each of the parties hereto does hereby agree as follows:

SECTION 1: PURPOSE

It is the purpose of this Agreement to establish, pursuant to the Joint Exercise of Powers Act, an authority to be known as the FIRE DISTRICTS ASSOCIATION OF CALIFORNIA EMPLOYMENT BENEFITS AUTHORITY (FDAC Employment Benefits Authority)(the "Authority") for and with the purpose of establishing, operating, managing, and administering health and welfare benefit programs for existing and retired employees, officers, and members of legislative body of Agencies who execute this Agreement. This Agreement is entered into by Agencies in order to jointly fund and develop programs to provide health and welfare benefits for participating member Agencies either through a program of collective self insurance, the purchase of insurance coverages and/or programs, or a combination thereof. It is the further purpose of this Agreement to make more efficient use of the common powers of participating member Agencies to design, establish, acquire, purchase, fund, operate and administer health and welfare benefit programs for the benefit of existing and retired officers, employees, and members of the legislative body of participating member Agencies to increase the efficiency and decrease the cost of such health and welfare programs. To achieve such purposes, the Authority and its participating member Agencies who have executed this Agreement are hereby granted the authority to enter into agreements with themselves and third parties that specifically govern and define their respective rights, obligations, duties and entitlements related to the establishment, operation and administration of particular health and welfare benefit programs including, but not limited to hospital insurance, medical insurance, surgical insurance, long term and short term disability insurance, legal expense insurance, dental insurance, vision insurance, life insurance, and income protection insurance or benefits. These purposes shall be accomplished through a joint exercise of powers by said Agencies pursuant to the terms of this Agreement and the creation of a separate Joint Powers Authority.

SECTION 2: CREATION OF JOINT POWERS AUTHORITY

Pursuant to Section 6500 et seq. of the California Government Code, there is hereby created a public entity separate and apart from the parties hereto, to be known as the Fire Districts Association of California Employment Benefits Authority (FDAC Employment Benefits Authority). A notice of this Agreement shall be filed with the Secretary of State within 30 days after the effective date as required by Government Code Section 6503.5.

SECTION 3: MEMBERSHIP

Each Agency which is a party to this Agreement must be a public agency which is duly organized and existing under the laws of the State of California with the power to provide at least one of the following services: (1) fire suppression services, (2) emergency medical services, (3) hazardous material response services (4) medical transport and/or ambulance services; (5) rescue services. Each Agency must be a member of the Fire Districts Association of California and must be approved for participation in the Authority in the manner provided in the Bylaws of the Authority.

SECTION 4: PARTIES TO AGREEMENT

Each Agency which has signed this Agreement certifies that it intends to and does contract with the Authority, and with all other Agencies who have signed this Agreement, and, in addition, with each Agency which may later be added as a party to and may sign this Agreement. Each Agency which has or may hereafter sign this Agreement also certifies that the deletion of any Agency from this Agreement by voluntary withdrawal, involuntary termination, or otherwise, shall not affect this Agreement nor each Agencies intent to contract as described above with the then remaining Agencies.

SECTION 5: TERM OF AGREEMENT

After becoming effective upon the execution of the initial signatory Agencies who have been admitted to membership in the Authority, this Agreement shall continue thereafter until terminated as provided herein. This Agreement shall become effective as to each initial signatory Agency of the Authority upon the date of its execution by such Agencies; and shall become effective as to Agencies who later execute this Agreement upon approval of the Agencies membership by the Board of Directors of the Authority, execution of this Agreement by the Agency and by the Authority, and by payment by the Agency of its initial contribution for participation in one or more health and welfare benefit programs offered by the Authority.

SECTION 6: POWERS OF THE AUTHORITY

The Authority shall have all the powers common to its participating Agencies and all additional powers set forth in the Joint Powers Authority Act relating to the creation, establishment, financing, use, operation, and administration of health and welfare benefit programs for the benefit of existing and retired officers, employees, and members of the body of participating member Agencies. This Joint Powers Authority hereby is authorized to do all acts necessary for the exercise of said common powers, including, but not limited to, any or all of the following:

- (a) to make and enter into contracts;
- (b) to employ agents and employees and/or to contract for services from third party consultants;
- (c) to incur debts, liabilities and obligations;
- (d) to acquire property by gift, grant, exchange, devise, or purchase;
- (e) to hold, lease, convey, sell, encumber, or dispose of property;
- (f) to sue and to be sued in its own name;
- (g) to receive contributions and donations of property, funds, services and other forms of assistance from persons, firms, corporations, and other governmental entities;
- (h) to issue or caused to be issue bonded and other indebtedness, and pledge any property or revenues as security to the extent permitted by law by Articles 2 and 4, Chapter 5, Division 7, Title 1 of the Government Code or

- otherwise including, but not limited to, bonds or other evidences of indebtedness issued on behalf of the Authority or its member Agencies;
- (i) obtain in its own name all necessary permits, licenses, opinions and rulings;
 - (j) whenever necessary to facilitate the exercise of its powers, to form and administer nonprofit corporations to perform one or more of the functions which the Authority is empowered to perform, or to perform any other proper corporate function, and to enter into agreements with such nonprofit corporations;
 - (k) exercise all powers necessary and proper to carry out the terms and provisions of this Agreement or otherwise authorized by law.

SECTION 7: BOARD OF DIRECTORS

All powers of the Authority shall be exercised by and through its Board of Directors. Said Board of Directors is hereby designated as the agency to administer and execute this Agreement pursuant to Government Code Section 6506. The Board of Directors shall be composed of five members appointed by the Board of Directors of the Fire Districts Association of California, all of which shall also concurrently be members of the Benefits Committee of the Board of Directors of the Fire Districts Association of California. Each member of the Board of Directors shall have one vote. The Board of Directors shall have the authority to conduct all business and govern all affairs of this Joint Powers Authority under the provisions hereof and pursuant to law and shall have such powers and functions as are provided for herein, in the Bylaws, or by law.

SECTION 8: POWERS OF THE BOARD OF DIRECTORS

The Board of Directors shall have the following powers:

- (a) Exercise all powers and conduct all business of this Joint Powers Authority.
- (b) Determine the details of and select health and welfare benefit programs including, but not limited to, hospital insurance, medical insurance, surgical insurance, long term and short term disability insurance, legal expense insurance, dental insurance, vision insurance, life insurance, and income protection insurance or benefits to be offered by this Joint Powers Authority to existing and retired officers, employees, and members of the legislative body of participating member Agencies.
- (c) Contract for or develop various services for the Authority including, but not limited to, insurance consulting and brokerage services; claims adjustment services, loss control and risk management services; accountancy, auditing and actuarial services; and legal and legislative advocacy services.

- (d) Appoint committees, appoint staff, and employ such persons as the Board of Directors deems necessary for the administration of this Joint Powers Authority.
- (e) Determine and purchase all necessary insurance coverage to carry out the programs offered by the Authority.
- (f) Fix and collect contributions from participating member Agencies in consideration for participation in the health and welfare benefit programs offered by the Authority to such participating member Agencies.
- (g) Deposit all funds received in separate bank accounts in the name of FDAC Employment Benefit Authority.
- (h) Invest funds on hand in any manner authorized by law for the investment of funds of a public agency.
- (i) Direct the payment, adjustment, and defense of all claims for health and welfare benefits which are the liability of participating member Agencies during their period of membership in and participation in this Authority.
- (j) Expend funds of the Authority only for the purpose of carrying out the provisions of the Joint Powers Agreement and the Bylaws as they now exist or may hereafter be amended.
- (k) Provide administrative services, consulting services, claims management services, financial services, accountancy and actuarial services, legal representation and other services necessary or proper to carry out the purposes of the Authority either through its own employees or by contract with one or more third parties.
- (l) Purchase liability insurance, directors and officers liability insurance, and such other insurance as the Board of Directors may deem necessary or proper in order to protect the Authority, its employees and the participating member Agencies.
- (m) Obtain a fidelity bond in such amount as the Board of Directors may determine for any person or persons who have charge of or the authority to expend funds of the Authority.
- (n) Acquire property by gift, grant, exchange, devise, or purchase; or hold, lease, convey, sell, encumber, or dispose of all property necessary or appropriate to carry out the powers and operations of the Authority.
- (o) Establish policies and procedures for the operation of the Authority.
- (p) Enter into any and all contracts or agreements necessary or appropriate to carryout the purposes and functions of the Authority.

SECTION 9: RESTRICTIONS ON POWER

Such powers enumerated in Section 6 hereof are subject to the restrictions upon the manner of exercising power by a Fire Protection District formed and operating pursuant to the provisions of Health and Safety Code Section 13800 et seq. or its successor, pursuant to California Government Code Section 6509.

SECTION 10: ADMINISTRATIVE SERVICES

Pursuant to California Government Code Section 6506, the Fire Districts Association of California, a California non-profit public benefit corporation, shall provide all administrative services to the Authority under the direction of the Board of Directors of the Authority on a continuing basis. In consideration for such services the Fire District Association of California may charge the Authority an annual administrative fee as may be agreed upon from time to time by the Board of Directors of the Authority and the Board of Directors of the Fire District Association of California, as set forth in the Bylaws of the Authority.

SECTION 11: BYLAWS

The Bylaws of the FDAC Employment Benefits Authority, a copy of which is attached hereto and marked Exhibit A, are hereby incorporated into this Agreement and made a part hereof. Each party to this Agreement by the execution hereof agrees to be bound by and to comply with all the terms and conditions of this Agreement and of said Bylaws as they now exist or may hereafter be amended. The FDAC Employment Benefits Authority shall operate and conduct its business and affairs pursuant to the terms of this Agreement and said Bylaws.

SECTION 12: WITHDRAWAL OR INVOLUNTARY TERMINATION

Any Agency, after completing three fiscal years as a participating member Agency, may voluntarily withdraw from membership as provided in the Bylaws; or an Agency may be involuntarily terminated as a provided in the Bylaws. Such withdrawal or involuntary termination by any participating member Agency shall not terminate this Agreement as to the remaining participating member Agencies or the existence of the Authority. Said withdrawing or terminated Agency shall remain subject to any and all outstanding obligations arising out of any benefit program agreement to which said withdrawn or terminated Agency is a signatory.

SECTION 13: TERMINATION OF FDAC EMPLOYMENT BENEFITS AUTHORITY

The FDAC Employment Benefits Authority may be terminated at any time upon the Agreement of two-thirds of the then participating member Agencies, provided, however, that the Authority shall continue to exist for the purpose of disposing of all claims, distribution of all assets, and all other functions necessary to wind up the affairs of the Authority. Upon termination, and after making proper provisions for the winding up of the affairs of the Authority, the Authority shall pay to the then participating member Agencies their pro rata share of the net assets of the Authority pursuant to the provisions of the Bylaws.

SECTION 14: AMENDMENTS

This Joint Powers Agreement may be amended by an amendment in writing signed by two-thirds of the Agencies then parties to this Agreement. Upon signature of any amendment by two-thirds of the then participating member Agencies, any member Agency failing or refusing to

sign such amendment may be involuntarily terminated as a party to this Agreement as provided in the Bylaws.

SECTION 15: ENFORCEMENT

The FDAC Employment Benefits Authority is hereby granted authority to enforce this Agreement. In the event action is instituted to enforce any term of this Agreement or any term of the Bylaws against any Agency which has signed this Agreement, the Agency agrees to pay such sums as the court may fix as attorney fees and costs in said action.

SECTION 16: NON-LIABILITY OF MEMBER AGENCIES AND THE FIRE DISTRICTS ASSOCIATION OF CALIFORNIA

Nothing in the Joint Powers Agreement or in the Bylaws adopted pursuant thereto shall be construed as imposing liability upon any Agency, or any officer, employee or member of the legislative body thereof, or upon the Fire Districts Association of California, a non profit corporation, or any of its employees, officers, or directors, for the payment of any benefits claimed pursuant to the health and welfare benefit programs offered by the Authority to its participating member Agencies, the sole recourse of claimants being against funds of those insurance programs and/or self funded programs administered by the Authority for the payment of such benefits. Pursuant to Government Code Section 6508.1, the debts, liabilities and obligations of the FDAC Employment Benefits Authority shall not be the debts, liabilities or obligations of the Districts which are parties to the Joint Powers Agreement or of the Fire Districts Association of California, unless assumed in a particular case by resolution of the legislative body of a participating member Agency pursuant to specific benefit program agreements that the participating member Agency anticipates entering into in accomplishing the purposes of the Authority.

SECTION 17: NON-LIABILITY OF DIRECTORS, OFFICERS, ADMINISTRATOR, AGENTS AND EMPLOYEES

The Authority and its directors, officers, administrator, agents, and employees shall not be liable to the Authority, to any participating member Agency, or to any other person for any actual or alleged breach of duty, mistake of judgment, neglect, error, misstatement, misleading statement, or any other act or omission in the performance of their duties hereunder; for any action taken or admitted by any director, officer, administrator, agent, or employee, for loss incurred through the investment or failure to invest funds; or loss attributable to any failure or omission to procure or maintain insurance; except in the event of fraud, gross negligence, or intentional misconduct of such director, officer, administrator, agent, or employee. No director, officer, administrator, agent, or employee shall be liable for any action taken or omitted by any other director, officer, administrator, agent, or employee.

SECTION 18: INDEMNIFICATION OF BOARD OF DIRECTORS, OFFICERS, ADMINISTRATOR, AGENTS, AND EMPLOYEES

As a public entity, the Authority shall defend and shall indemnify and hold harmless its directors, officers, administrator, agents, and employees against any claim or action arising out of any act or omission occurring within the scope of employment pursuant to the provisions of Division 3.6, Title 1, of the California Government Code, commencing at Government Code Section 810. The Authority may purchase insurance to provide coverage for acts or omissions of its directors, officers, administrator, agents and employees.

SECTION 19: MISCELLANEOUS PROVISIONS

(a) This Agreement shall bind and inure to the heirs, devisees, assignees and successors in interest of the Authority and to the successors in interest of each participating member Agency in the same manner as if such parties had been expressly named herein.

(b) This Agreement shall be governed by the law of the state of California. This Agreement together with the documents incorporated into the Agreement by reference constitute the entire Agreement between the parties regarding its subject matter. If any provisions in this Agreement are held by any court to be invalid, void, or unenforceable, the remaining provisions of this Agreement shall nevertheless continue in full force and effect.

SECTION 20: EXECUTION IN COUNTERPARTS

This Agreement may be executed in one or more counterparts and shall be as fully effective as though executed in one document.

Valley of the Moon Fire District
(Name of Public Agency)

By: 
President

By: 
Secretary

EXECUTION BY FDAC EMPLOYMENT BENEFITS AUTHORITY

The FDAC Employment Benefits Authority (the Joint Powers Authority created by this Joint Powers Agreement), hereby executes this Agreement and accepts the Agency named above as a member Agency in FDAC Employment Benefits Authority subject to all the terms and conditions set forth in this Joint Powers Agreement and in the Bylaws, effective on _____, 200__.

FDAC EMPLOYMENT BENEFITS AUTHORITY

By: _____
Chairman of the Board of Directors

By: _____
Secretary of the Board of Directors

**FIRE DISTRICT ASSOCIATION OF CALIFORNIA
EMPLOYMENT BENEFITS AUTHORITY
POLICIES AND PROCEDURES**

**COMPLIANCE WITH THE REQUIREMENTS OF THE HEALTH INSURANCE
PORTABILITY AND ACCOUNTABILITY ACT OF 1996 (“HIPAA”)**

I. INTRODUCTION.

HIPAA is federal legislation signed by President Clinton August 21, 1996 setting forth statutory provisions and regulations protecting the privacy of individually identifiable health information of individuals. Extensive regulations were adopted by the Department of Health & Human Services applicable to: (1) health plans; (2) healthcare clearing houses; and (3) healthcare providers who transmit health information. The regulations were significantly amended by adoption of the Health Information Technology for Economic and Clinical Health Act (“HITECH”) adopted as part of the American Recovery and Reinvestment Act of 2009. The effect of the adoption of the HITECH Act and the regulations promulgated thereunder extends privacy provisions regarding individually identifiable health information to a wider scope of firms and individuals who may have access to such information. The Act regulates the uses of, disclosures of, and requests for such individual health information of firms and individuals such as the FDAC/EBA Board, staff, broker, actuary, legal counsel, member districts, and other independent contractors to whom such individual medical information may need to be disclosed in order that those firms and/or individuals may provide requested contractual services to the Authority.

Therefore, it is necessary that the Authority adopt policies and procedures necessary to implement the provisions of HIPAA as amended by HITECH to maintain the confidentiality of individual health information disclosed, used, received or retained by the Authority or its consultants.

II. PURPOSE.

The purpose of these policies and procedures is to ensure that the Authority Board of Directors, staff, actuary, broker, legal counsel, and other independent consultants, as well as the member districts of the Authority, comply with the provisions of HIPAA as specified in these policies in order to maintain the confidentiality of individual health information of employees of member districts who access their medical care through the medical insurance programs offered by the Authority.

The specific purposes of these policies and procedures are as follows:

(1) To establish permitted uses and disclosures of Personal Health Information (hereinafter “PHI”) by the Authority, its member districts and its consultants; and

(2) To require the Authority, member districts and consultants to have appropriate administrative, physical and technical safeguards for PHI and to notify the Authority's third party administrator and Group Health Plan Provider ("Group Health Plan Provider") of any breaches in the maintenance of confidentiality of PHI; and

(3) To require the reporting of any use or disclosure of PHI not provided for by a consultant's contract of which it becomes aware; and

(4) To assure that any agents, including the subcontractor of a consultant of the Authority to whom PHI is provided, agree to the same confidentiality restrictions and conditions that are required by HIPAA and specified in these policies; and

(5) To make available PHI for access to or amendment requests by the individual to whom the PHI relates; and

(6) To provide information accounting for any disclosures of PHI; and

(7) To make available the internal practices, books and records regarding the use and disclosure of PHI received from, created by or received by the Authority, its member districts, or consultants available to the Secretary of the Department of Health and Human Services (hereinafter "DHHS") upon request for purposes of determining compliance; and

(8) To require the return of PHI upon termination of a contract with a consultant, if feasible; and

(9) To require that when PHI is used, disclosed, or requested by the Authority or any of its member districts or consultants, that the PHI disclosed or used be limited to the minimum amount of information necessary to accomplish the intended purpose of the use, disclosure or request; and

(10) To require the Authority Board, staff, and consultants to take reasonable steps, if they know of a pattern or practice of activity of an individual or subcontractor that constitutes a material breach or violation of these policies, to cure the breach of that consultant or subcontractor.

III. DEFINITIONS.

3.1 Health Information. "Health Information" shall mean those records maintained by the Authority, the Authority's Group Health Plan Provider, a member district of the Authority, or a consultant of the Authority that are: (a) the medical records and billing records about Individuals maintained by or for the Group Health Benefit Plan currently under contract with the Authority, and (b) the enrollment, payment, claims adjudication, and case or medical management record systems maintained by or for the health plan operated and administered by the Authority; or (c) used, in whole or in part,

by the Authority, its member districts, or its consultants to make decisions about individuals. The term “Information” means any item, collection or grouping of information that includes Protected Health Information and is maintained, collected, used or disseminated by the Authority, the Authority’s Group Health Benefit Plan, any of the member districts of Authority, or any of the Authority’s consultants.

3.2 Individual. “Individual” shall mean the person who is the subject of the Protected Health Information and has the same meaning as the term “individual” in 45 CFR ' 160.103 and shall include a person who qualifies as a personal representative.

3.3 Individually Identifiable Health Information. “Individually Identifiable Health Information” shall mean Information that is a subset of Health Information, including demographic information collected from an Individual, and: (a) is created or received by a healthcare provider, the Authority, the Authority Group Health Plan Provider, a member district of the Authority, the Authority’s TPA, broker, actuary, or legal counsel, or the Authority’s third party administrator; and (b) relates to the past, present or future physical or mental health or condition of an Individual; the provision of healthcare to an Individual; or the past, present or future payment for the provision of healthcare to an Individual; and (c) identifies the Individual; or (d) with respect to which there is a reasonable basis to believe the information can be used to identify the Individual.

3.4 Protected Health Information (“PHI”). “Protected Health Information (“PHI”)” shall mean Individually Identifiable Health Information received by the Authority, its member districts, or any Authority consultant that is either: (a) transmitted or maintained in any form or medium including electronic media. “Protected Health Information” shall have the same meaning as the term “protected health information” in 45 CFR ' 160.103.

3.5 Unsecured PHI. “Unsecured PHI” shall mean PHI that is not secured through the use of a technology or methodology to make it unusable, unreadable, or indecipherable through encryption or destruction technologies as specified by DHHS.

IV. PROTECTION AND SCOPE OF USE OF PHI.

4.1 Protection of PHI. All medical and financial records directly or indirectly pertaining to patients treated by a medical provider through the Authority’s Group Health Insurance Plan shall at all times be strictly confidential. The use or disclosure of such information, other than in the course and scope of the business functions of the Authority, its member districts, and its consultants is contrary to the best interests of the Individual to whom the PHI applies, and may cause harm and damage to such Individual. Disclosure of such confidential and proprietary PHI information or documents by the Authority, its member districts or its consultants, is prohibited except as expressly permitted by these policies.

4.2 Scope of Use and Disclosure of PHI. The Authority, its member districts, its consultants, as well as subcontractors of such consultants, may: (a) use or disclose PHI in its possession for its proper management and administration, and to fulfill its legal and contractual responsibilities; (b) disclose the PHI in its possession to a third party for the purpose of the proper management and administration of its legal and contractual responsibilities provided that: (1) such third party provides written assurances that the information will be held confidentially and used or further disclosed only as required by law or for the purposes for which it was disclosed to the third party; and (2) the third party agrees to notify the Authority, its member districts or consultants of any instances of the breach of confidentiality of PHI of which it becomes aware.

4.3 Safeguards for Protection of PHI. The Authority, its member districts and consultants shall implement appropriate safeguards and protect all PHI in their possession from any unauthorized, oral, written or electronic disclosure which may compromise the security or privacy of such PHI. The Authority, its member districts and consultants shall appropriately safeguard the PHI consistent with the security standards established under the HIPAA Regulations, by: (a) implementing administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity and availability of the PHI; (b) ensuring that any agent, including a subcontractor, to whom they provide such PHI agrees to implement the same reasonable and appropriate safeguards to protect the PHI; and (c) reporting any breach of confidentiality of the PHI of which the Authority, a member district or an Authority consultant becomes aware.

4.3.1 Administrative Safeguards. Administrative safeguards consist of security management processes that provide for: (a) risk analysis and management; (b) sanctions; (c) PHI information system activity reviews; (d) assigned security responsibility to a security officer; (e) workforce security including limited authorization to PHI and designated supervision of employees with access to PHI; (f) information access management including isolation of healthcare related functions and specifying authorized methods for access to PHI; (g) security awareness and training including security reminders, log-in monitoring and password management; (h) security incident procedures including response and reporting procedures; and (i) contingency plans including data backup plans, emergency mode operation plans and periodic security system evaluation.

4.3.2 Physical Safeguards. Physical safeguards include the following: (a) workstation use and security policies; (b) device and media controls including disposal, data backup storage policies and reuse of media.

4.3.3 Technical Safeguards. Technical safeguards include the following: (a) access controls including unique user identification for access to PHI; (b) emergency access procedures; (c) automatic log-off; (d) inscription and decryption of PHI; and (e) audit systems and controls.

4.4 Reporting of Unauthorized Use of PHI. A member district of Authority or a consultant of Authority shall report to Authority any unauthorized use or disclosure of

any of an Individual's PHI within 24 hours of becoming aware of it. Such member district or consultant shall mitigate, to the extent practicable, any harmful effect that is known to such member district or consultant of a use or disclosure of PHI in violation of the requirements of these policies. The Authority is then obligated to report such unauthorized use or disclosure of such PHI to the third party administrator and the Group Health Plan Provider as soon as practicable. The Authority shall permit the third party administrator and/or the Group Health Plan Provider to investigate any such report and to examine all relevant premises, systems, records and practices.

This notice requirement applies if there has been an impermissible use or disclosure of unsecured PHI, or the impermissible use or disclosure of PHI which compromises the security or privacy of that PHI. A use or disclosure of PHI which "compromises the security or privacy of PHI" means that unauthorized access to such PHI poses a significant risk of financial, reputational or other harm to the Individual. The Authority, its member districts and consultants shall perform a risk assessment in each case of impermissible use or disclosure of PHI to determine the risk of harm to the Individual involved.

4.4.1 Risk Assessment. Risk Assessment should include an analysis of the following: (a) who impermissibly used or received PHI and whether that Individual or entity is subject to HIPAA; (b) the type and amount of PHI to indicate the types of services received by the patient, the diagnosis, or the inclusion of personally identifying information which exposes the Individual to potential identity theft; and (c) steps which may be taken to mitigate the risk of harm to the individual from the release of such PHI.

4.5 Requirements of Notice. Notice is required in any case of "breach" in the acquisition, access, use or disclosure of PHI which compromises the security or privacy of that PHI. Following discovery of a breach by the Authority, the Authority must notify the Authority's Group Health Plan Provider without unreasonable delay and in no case later than 60 days after discovery of the breach. The Notice must include the identification of the Individuals affected and any other information available regarding the nature of the PHI compromised. The Authority's Group Health Plan Provider must then notify the Individual whose PHI has been, or is reasonably believed to have been accessed, used or disclosed. This Notice should also include steps taken to investigate and mitigate the breach.

4.5.1 Content of Breach Notices. Notices regarding the breach of confidentiality of PHI by a member district or consultant to the Authority, or a breach notice by the Authority to the Authority Group Health Plan Provider shall contain the following information: (a) a brief description of what happened, including the date of the breach and the date of the discovery of the breach, if known; (b) a description of the types of unsecured PHI involved in the breach; (c) the steps Individuals should take to protect themselves from unauthorized access, use or disclosure of the PHI involved; (d) a brief description of what the member district, Authority consultant or Authority is doing to investigate the breach, mitigate losses, and protect against further breaches; (e) provide contact information for Individuals to use to inquire about the breach; (f) for breaches

involving 500 or more Individuals, specific notification requirements to DHHS are triggered by the HIPAA requirements.

4.5.2 Exceptions to the Notice Requirements. The following constitute circumstances in which a disclosure or acquisition of PHI should be reported by an Authority member district or consultant to the Authority, but such circumstances do **not** require the Authority to report a Notice of Breach of Confidentiality to the Authority's third party administrator or Group Health Plan Provider:

(a) Any unintentional acquisition, access or use of PHI by a workforce member or person acting under the authority of the Authority, a member district or Authority consultant, if made in good faith within the scope of the Authority and does not result in further unauthorized uses or disclosures.

For example, a consultant's employee mistakenly opens a file including Individually Identifiable Health Information while performing his/her job responsibilities. Realizing the mistake the employee closes the file and no further unauthorized uses or disclosures occur.

(b) Any inadvertent disclosure by a person who is authorized to access PHI through another authorized person within the Authority's healthcare program and the PHI is not further used or disclosed in an unauthorized manner.

For example, an employee of a consultant or member district mistakenly emails PHI to a co-worker. The co-worker deletes the email upon realizing the mistake, and no further unauthorized uses or disclosures occur.

V. PERMISSIBLE USE AND DISCLOSURE OF PHI.

5.1 Authority, Member District or Consultant's Use and Disclosure of Protected Health Information. The Authority, an Authority member district or consultant may use or disclose the PHI for the purposes necessary to fulfill its obligations and perform functions, activities, or services, for, or on behalf of, the Authority as specified in the JPA agreement or contracts between a consultant and the Authority.

5.1.1 The Authority, an Authority member district or consultant is permitted to disclose PHI received for the proper management and administration of the member district or consultant's legal responsibilities provided: (a) the disclosure is required by law; or (b) the Authority, member district or consultant obtains reasonable assurances from the person to whom the information is disclosed that it will be held confidentially and used or further disclosed only as required by law or for the purposes for which it was disclosed by the person, the person will use appropriate safeguards to prevent use or disclosure of the information, and the person immediately notifies Authority, member district or consultant of any instance of which it is aware in which the confidentiality of the information has been breached. Additionally, Authority, member district or consultant may use and disclose PHI to a third party if otherwise authorized by

Individual in accordance with Section 164.508 of the HIPAA Privacy Regulations with respect to his or her own PHI.

5.1.2 In addition to the other uses and disclosures of PHI permitted under these policies, the Authority, Authority member districts or consultants may use PHI to create information that is not Individually Identifiable Health Information, or may disclose PHI to an agent or subcontractor of Authority, member districts or consultants for such purpose.

5.1.3 The Authority, an Authority member district or consultant is also permitted to use or disclose PHI to provide data aggregation services relating to the healthcare operations of the Authority, a member district, or the Authority's program.

5.2 Obligations of Authority, Authority Member Districts and Consultants.

5.2.1 Mitigation. The Authority, Authority member districts and consultants shall, to the extent practicable, mitigate any harmful effect that is known to the Authority, Authority member districts and/or consultants of a use or disclosure of PHI by the Authority, Authority member districts or consultants in violation of the requirements of these policies.

5.2.2 Reports of Improper Use or Disclosure. The Authority, Authority member districts and consultants shall report to Authority within a reasonable time period discovery of any use or disclosure of PHI not provided for or allowed by these policies. The Authority, Authority member districts and consultants shall report any security incident of which they become aware. Security incident shall mean the attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or interference with systems operations in an information system.

5.2.3 Subcontractors and Agents. Anytime PHI is provided or made available to any subcontractors or agents by the Authority, an Authority member district or consultant, the Authority, Authority member district or consultant must enter into a subcontract with the subcontractor or agent that contains the same terms, conditions and restrictions on the use and disclosure of PHI as contained in these policies. Moreover, the Authority, Authority member district and/or consultant shall ensure that any such agent or subcontractor agrees to implement reasonable and appropriate safeguards to protect Authority's PHI as specified in these policies.

VI. SANCTIONS FOR FAILURE TO COMPLY WITH AUTHORITY HIPAA POLICIES.

6.1 Involuntary Termination of Membership of Member District. Violation of the provisions of these policies shall constitute grounds for issuance of a Notice of Proposed Involuntary Termination of a Member District pursuant to the Authority's Bylaws. Grounds for such action include, but are not limited to the following: (a) repeated improper use or disclosure of a PHI in violation of these policies; (b) persistent

inadequate safeguards after prior notice and an opportunity to improve such safeguards and security procedures to eliminate the unauthorized disclosure or use of PHI; (c) failure to implement agreed-upon mitigation plans after violations of these policies and HIPAA Regulations.

6.2 Termination of Consulting Agreement for Breach. The Authority may immediately terminate a Consulting Agreement with one of its consultants without penalty if the Authority determines that the consultant has repeatedly violated these policies by improperly using, disclosing or retaining PHI; for failure to implement adequate safeguards for protection of the use and disclosure of PHI after notice from Authority; and for failure to implement mitigation procedures agreed upon between Authority and consultant to secure the protection of the confidentiality of PHI as required by the HIPAA Regulations.

Upon termination of any such agreement, consultant shall return or destroy all PHI, if feasible, received from, created or received by them on behalf of the Authority which such consultant maintains in any form. Consultant shall not retain copies of such information. An authorized representative of consultant shall certify in writing to the Authority within fifteen (15) days from the date of termination of the agreement that all PHI has been returned or disposed of and that such consultant no longer retains any such PHI in any form.



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Board of Directors
FDAC Employment Benefits Authority

We have audited the financial statements of the FDAC Employment Benefits Authority for the year ended June 30, 2010, and have issued our report thereon dated July 13, 2011. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated September 24, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated in our meeting about planning matters on September 24, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by FDAC Employment Benefits Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are

particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 13, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

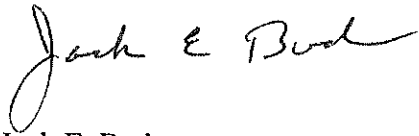
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the

governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of FDAC Employment Benefits Authority and is not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

BODEN KLEIN & SNEESBY
A Professional Corporation

A handwritten signature in cursive script that reads "Jack E Boden". The signature is written in black ink and is positioned above the printed name.

Jack E. Boden

FDAC Employment Benefits Authority
 Summary of Uncorrected Financial Statement Misstatements
 June 30, 2010

(In Thousands, 000's)

Debit (Credit)	Assets	Liabilities	Equity	Net Sales	Expenses	Net Income
A						
Insurance premiums	6,163					
Accounts receivable				(6,163)		(6,163)
<i>To adjust gross revenue to actual per the final reconciliation report provided by BRMS.</i>						
Totals	6,163	-	-	(6,163)	-	(6,163)
Financial statements captions	542,366	6,231	536,135	9,391,033	9,385,125	6,106
Percentage	1.14%	0.00%	0.00%	-0.07%	0.00%	-100.93%

**FIRE DISTRICT ASSOCIATION OF CALIFORNIA
EMPLOYMENT BENEFITS AUTHORITY**

**FINANCIAL STATEMENTS
JUNE 30, 2010**

**FIRE DISTRICT ASSOCIATION OF CALIFORNIA
EMPLOYMENT BENEFITS AUTHORITY**

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June 30, 2010

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fire District Association of California
Employment Benefits Authority
Sacramento, California

We have audited the accompanying statement of net assets of the Fire District Association of California Employment Benefits Authority ("Authority") as of June 30, 2010, and the related statements of activity and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2010, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

The Management's Discussion and Analysis and Supplementary Information, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Boden Klein & Sneesby

BODEN KLEIN & SNEESBY
Certified Public Accountants

July 13, 2011

**FIRE DISTRICTS ASSOCIATION OF CALIFORNIA
EMPLOYMENT BENEFITS AUTHORITY**

Management's Discussion and Analysis

June 30, 2010

The Authority is a Joint Powers Authority created pursuant to the California Government Code that provides a pooled approach to medical, dental, vision and life insurance to its members. This section of the Authority's financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2010.

Description of the Basic Financial Statements

The financial statements consist of the following parts: Management's discussion and analysis; the statement of net assets; statement of activities and changes in net assets; statement of cash flows; and notes to the financial statements.

The statement of net assets provides information about the assets and liabilities of the Authority on a full accrual basis as of the last day of the fiscal year. For financial statement purpose the term "current" describes assets or liabilities that are due or payable during the next fiscal year.

The statement of activities and changes in net assets reports the results of operations of the Authority on the full accrual basis based on its fiscal year.

The statement of cash flows reflects the inflow and outflow of cash over the Authority's fiscal year.

Analysis of Overall Financial Position and Results of Operations

Fire Districts Association of California Employment Benefits Authority's total net assets increased by \$6,106 for the year ended June 30, 2010. The main component of assets as of June 30, 2010 is cash, which was generated from operations. Margin fund increased in the fiscal year ended June 30, 2010 by \$2,428 and accounted for roughly half the increase in net assets.

Capital Assets

As of June 30, 2010, the Fire Districts Association of California Employment Benefits Authority contracts for administration and does not own capital assets.

**FIRE DISTRICTS ASSOCIATION OF CALIFORNIA
EMPLOYMENT BENEFITS AUTHORITY**

Management's Discussion and Analysis

June 30, 2010

Short-Term Debt

As of June 30, 2010, the Fire Districts Association of California Employment Benefits Authority has \$147 in short-term debt owed to the FDAC and was paid subsequent to year-end. This is an interest fee charged on the original promissory note. The principal amount had been paid, but the interest was still outstanding as of June 30, 2010.

Analysis of Significant Variations

The variations between the fiscal years ending June 30, 2009 and 2010 can be explained due to the fact that carrier rates increased, however, the EBA did not increase the rates to its members, and therefore the BRMS held account was slowly being depleted. The BRMS held account was replenished by the margin fund, subsequent to year-end.

Economic Factors and Next Year's Budget

In 2010, the FDAC EBA Board of Directors approved a change in brokerage firms, in order to both lower broker fees as well as better control the products being offered to EBA members. When the Board set the rates for the 2011 calendar year, it approved utilizing a portion of the reserve monies to keep costs reduced for member agencies. In order to remain competitive in the medical insurance marketplace, the Board approved moving to a different medical carrier beginning in January 2012. This new carrier is offering more competitive rates for the active population as well as appropriately rating the retired population, which is something the current carrier was unable to do.

Contacting the Authority

For further questions or comments regarding the management's discussion and analysis, please contact either the Administrator Catherine Smith or Deputy Administrator Melissa Dixon at the Fire Districts Association of California Employment Benefits Authority office; 800-829-4309.

**FIRE DISTRICT ASSOCIATION OF CALIFORNIA
EMPLOYMENT BENEFITS AUTHORITY**

Statement of Net Assets
June 30, 2010

ASSETS

Current assets:

Cash and cash equivalents	\$ 464,060
Accounts receivable	73,104
Prepaid expense	<u>5,202</u>
Total current assets	<u>542,366</u>
Total assets	<u>\$ 542,366</u>

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	6,084
Interest payable	<u>147</u>
Total current liabilities	<u>6,231</u>

Net assets:

Unrestricted net assets	<u>536,135</u>
Total net assets	<u>536,135</u>
Total liabilities and net assets	<u>\$ 542,366</u>

See notes to financial statements

FIRE DISTRICT ASSOCIATION OF CALIFORNIA
EMPLOYMENT BENEFITS AUTHORITY
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2010

Revenue:

Insurance premiums	<u>\$ 9,391,033</u>
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Operating expenses:

Carrier payments	8,775,375
Broker fees	370,066
Third party administrator	102,161
Professional fees	64,363
Administration contract	48,000
FDAC subsidiary fee	20,000
Staff travel	2,001
Board member insurance	1,182
Board meetings	831
Telephone	734
Office expense	281
Postage and delivery	<u>131</u>

Total operating expenses	<u>9,385,125</u>
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Operating income	5,908
------------------	-------

Other income (expense):

Interest income	<u>198</u>
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Increase in net assets	6,106
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Net assets, beginning of year	<u>530,029</u>
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Net assets, end of year	<u><u>\$ 536,135</u></u>
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See notes to financial statements

**FIRE DISTRICT ASSOCIATION OF CALIFORNIA
EMPLOYMENT BENEFITS AUTHORITY**

Statement of Cash Flows
For the Year Ended June 30, 2010

Cash flows from operating activities:

Change in net assets \$ 6,106

Adjustments to reconcile change in
net assets to net cash provided by
operating activities:

Changes in operating assets and liabilities:

Accounts receivable (3,916)

Prepaid expenses (1,202)

Accounts payable 6,084

Net cash provided by operating activities 7,072

Cash flows from financing activities:

Interest payable (2,174)

Net cash (used) by financing activities (2,174)

Net increase in cash and cash equivalents 4,898

Cash and cash equivalents, beginning of year 459,162

Cash and cash equivalents, end of year \$ 464,060

See notes to financial statements

**FIRE DISTRICT ASSOCIATION OF CALIFORNIA
EMPLOYMENT BENEFITS AUTHORITY**

Notes to Financial Statements
June 30, 2010

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES:

a. Organization -

Fire District Association of California Employment Benefits Authority, "the Authority", is a public agency created on July 1, 2005, to provide health, dental, vision and life insurance to active and retired officers, employees and members of its legislative body. The Authority was created pursuant to Article I of Chapter 5, Division 7, Title I of the California Government Code and was established to provide insurance to the member districts.

b. Basis of Accounting -

The accompanying financial statements are presented as proprietary (enterprise) fund on the accrual basis of accounting in accordance with Government Generally Accepted Accounting Principles (GASB). Under the accrual basis, revenues and the related assets are recognized when earned, and expenses and related liabilities are recognized when the obligation is incurred. The Authority applies all GASB pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, including those issued after November 30, 1989 unless those statements conflict with or contradict GASB pronouncements.

c. Cash and Cash Equivalents -

For the purposes of the statement of cash flows, the Authority considers cash and cash equivalents consist of money market funds and all highly liquid investments with original maturities of three months or less to be cash.

d. Use of estimates -

In preparing financial statements in conformity with U.S. generally accepted accounting principles, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates.

**FIRE DISTRICT ASSOCIATION OF CALIFORNIA
EMPLOYMENT BENEFITS AUTHORITY**

Notes to Financial Statements
June 30, 2010

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued):

e. Income taxes -

The Authority is comprised of public agencies, and is exempt from Federal and State income taxes. Thus, no provision for Federal and State income taxes has been made in the accompanying financial statements.

NOTE 2 - NOTE PAYABLE:

For the year ending June 30, 2006, the Authority borrowed a total of \$40,000 from the Fire District Association of California, a related entity by common board members. The terms of the note are that principal and interest are to accrue at a rate of 3% per annum and is payable on January 24, 2011. The outstanding balance as of June 30, 2010 is \$147.

NOTE 3 - RELATED PARTY:

The Authority has an agreement with the Fire District Association of California (FDAC) for the endorsement of the Authority to member agencies and for those services, the Authority paid \$20,000 for the year ended June 30, 2010.

NOTE 4 - CONCENTRATION OF CREDIT RISK:

The Authority maintains its cash accounts with two financial institutions, which at times, may exceed federally insured limits. The Authority has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

NOTE 5 - RISK MANAGEMENT:

The Board of Directors is exposed to potential liability resulting from any errors or omissions in management of the Authority for which the Authority carries insurance. The insurance policy covers for public officials' errors and omissions, personal injury, non-owned and hired automobile liability. All coverage areas have a \$1,000,000 limit per each occurrence in addition to a \$1,000 deductible.

NOTE 6 - SUBSEQUENT EVENTS:

The Authority as evaluated the potential for subsequent events through the available for issuance date of the financial statements, July 13, 2011.

**FIRE DISTRICT ASSOCIATION OF CALIFORNIA
EMPLOYMENT BENEFITS AUTHORITY
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010**

**FIRE DISTRICT ASSOCIATION OF CALIFORNIA
EMPLOYMENT BENEFITS AUTHORITY**

Revenue and Expenses - Budget v. Actual
June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:			
Insurance premiums	\$ 9,561,228	\$ 9,391,033	\$ (170,195)
 Operating expenses:			
Carrier payments	8,879,514	8,775,375	(104,139)
Broker fees	369,129	370,066	937
Third party administrator	107,783	102,161	(5,622)
Administration contract	48,000	64,363	16,363
Professional fees	53,500	48,000	(5,500)
FDAC subsidiary fee	20,000	20,000	-
Staff travel	200	2,001	1,801
Board member insurance	1,500	1,182	(318)
Board meetings	3,500	831	(2,669)
Telephone	600	734	134
Office expense	1,450	281	(1,169)
Postage and delivery	500	131	(369)
Training/communication	5,000	-	(5,000)
Total operating expenses	<u>9,490,676</u>	<u>9,385,125</u>	<u>(105,551)</u>
Operating income	70,552	5,908	(64,644)
 Other income (expense):			
Interest income	<u>-</u>	<u>198</u>	<u>198</u>
Increase in net assets	<u>\$ 70,552</u>	<u>\$ 6,106</u>	<u>\$ (64,446)</u>