TRINDEL INSURANCE FUND

Management Report
With Required Communication

For the Year Ended June 30, 2013

GALLINA LLP
CERTIFIED PUBLIC ACCOUNTANTS

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TRINDEL INSURANCE FUND

Management Report
For the Year Ended June 30, 2013

Table of Contents

	Page
Introduction	1
Required Communication	3-4
Current Year Comments and Recommendations	5
Status of Prior Year Recommendations	6

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GALLINA LLP
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Trindel Insurance Fund
Weaverville, California

We have audited the basic financial statements of the Trindel Insurance Fund for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated April 29, 2013. Professional standards also require that we communicate to you the following information related to our audit as discussed in the Required Communications section of this report.

In planning and performing our audit of the basic financial statements of the Fund for the fiscal year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

We previously reported on the Fund's internal control in our report dated December 12, 2013, which contains our report on the Fund's internal control. This letter does not affect our report dated December 12, 2013, on the basic financial statements of the Trindel Insurance Fund.

During our audit we also became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

This report is intended for the use of management and the Board of Directors.

We thank the Fund's staff for its cooperation during our audit.

Gallina LLP

Roseville, California
December 12, 2013

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TRINDEL INSURANCE FUND

Management Report
Required Communication
For the Year Ended June 30, 2013

We have audited the financial statements of the Trindel Insurance Fund (Fund), for the year ended June 30, 2013, and have issued our report thereon dated December 12, 2013. 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 April 29, 2013, 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.

As part of our audit, we considered the internal control of the Fund. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Fund's compliance with those requirements.

Significant Accounting Policies

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 the Fund 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 the year ended June 30, 2013.

We noted no transactions entered into by the Fund 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

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. We noted no sensitive estimates affecting the financial statements.

Difficulties Encountered in Performing the Audit

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

TRINDEL INSURANCE FUND

Management Report
Required Communication
For the Year Ended June 30, 2013

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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

The following top-sided adjustments were accepted by management:

- Closing of premium revenue, excess claim recoveries, dividends, interest revenue, excess insurance premiums, claims costs and liabilities, and employee assistance program expenses to the due to members liability account as these amounts reflect activity that is attributable to member entities but not Trindel itself.
- Recognition of charges for services to the extent of remaining administrative expenses.

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 December 12, 2013.

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 Fund'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 the Trindel Insurance Fund and is not intended to be and should not be used by anyone other than these specified parties.

STRENGTHEN CONTROLS OVER BANK RECONCILIATIONS

Criteria

Good internal control procedures over cash would dictate a more defined separation of duties than now exists due to the small number of people in the office performing accounting duties. Independent review of bank statements will ensure that errors or unusual items are investigated in a timely matter.

Condition

At present, bank reconciliations are being performed by the Executive Director without any external review. Prior to Trindel moving to Weaverville, monthly bank reconciliations were being reviewed by a member of Trindel.

Effect of Condition

An independent review of the monthly bank statements and cash reconciliations will improve internal controls over cash and reduce the possibility of errors and irregularities.

Recommendation

We recommend that bank statements and reconciliations be reviewed by an individual other than the Executive Director who performs the reconciliation of cash to the general ledger, and/or the bank statements and cleared checks be sent directly to a member for review prior to sending to Trindel. The review of the bank reconciliations should include the investigation of old outstanding checks.

Management Response

The Executive Director has started cross training the Administrative Secretary to perform bank reconciliations to help improve internal controls.

VOIDED CHECKS

Criteria

Voided checks should be recorded in the accounting system on a routine basis in conjunction with the preparation of bank reconciliations.

Condition

During our examination of bank statement reconciliations, we identified approximately $54,000 of checks that had been voided by York Insurance but had not been voided in the Trindel's accounting system. These checks were still included in the outstanding checks section of the reconciliation.

Effect of Condition

By including voided checks in the bank reconciliation, the balance of cash and investments is understated.

Recommendation

We recommend that voided checks be properly voided in the accounting system in conjunction with the preparation of bank reconciliations.

Status

Implemented.