



February 12, 2014

To the Board of Directors  
San Joaquin Valley Insurance Authority

We have audited the financial statements of the San Joaquin Valley Insurance Authority for the year ended June 30, 2012. 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 letter to you dated May 15, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by San Joaquin Valley Insurance 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 fiscal year 2012. We noted no transactions entered into by the San Joaquin Valley Insurance Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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. The most sensitive estimate(s) affecting the San Joaquin Valley Insurance Authority's financial statements was:

Unpaid claims and claims adjustment expense is determined using claims, premium, expense, and enrollment data with relevant actuarial assumptions. We evaluated the key factors and assumptions used to develop the unpaid claims and claims adjustment expenses in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

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

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### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The material misstatements (see attached schedule) detected as a result of audit procedures were corrected by the management.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is 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 February 12, 2014.

### *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.

### Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

Very truly yours,

*Price Pauge & Company*

Prepared by \_\_\_\_\_

**San Joaquin Valley Insurance Authority  
Adjusting Journal Entries**

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Reviewed by \_\_\_\_\_

Reference	Type	Date Account Number	Description	Detailed Description	Debit	Credit
AJE01	Adjusting	06/30/12				
		7709-4815-9861-0-42351	Anthem BC Claim Fund (PPO-HM)	To reclass capitation surplus from		1,775,855.84
		1435-4815-9861-0-42351	Due to Other Gov't Units-L/t	To reclass capitation surplus from	1,775,855.84	
			To reclass capitation surplus from due to other gov back to expense by reversing client's AJE10.			
AJE02	Adjusting	06/30/12				
		1435-4815-9864-0-42354	L/t Member Deposit Payable/Capit	To reclass transfer of claim reserv	2,000,361.15	
		1435-4815-9864-0-42354	L/t Member Deposit Payable/Capit	To reclass transfer of claim reserv	3,906,626.74	
		1435-4815-9864-0-42354	L/t Member Deposit Payable/Capit	To reclass transfer of claim reserv	842,134.92	
		5705-4815-9860-0-42356	Transfers of Reserve Balance from	To reclass transfer of claim reserv		6,749,122.81
			To reclass transfer of claim reserve balances from COT and COF from deposit payable to revenue.			
AJE03	Adjusting	06/30/12				
		1435-4815-9864-0-42354	L/t Member Deposit Payable/Capit	Remove extraordinary items by re		4,771,865.00
		3382-4815-9860-0-42350	Extraordinary Item-Reduction in D	Remove extraordinary items by re	4,771,865.00	
			Remove extraordinary items by reversing client's AJE17.			
AJE04	Adjusting	06/30/12				
		1435-4815-9861-0-42351	Due to Other Gov't Units-L/t	To reclass receipt of reserve for tr	1,893,605.66	
		1435-4815-9864-0-42354	L/t Member Deposit Payable/Capit	To reclass receipt of reserve for tr		842,134.92
		5705-4815-9860-0-42356	Transfers of Reserve Balance from	To reclass receipt of reserve for tr		1,051,470.74
			To reclass receipt of reserve for transmittal related to the claim servicing period & claims adj/refund from DTOG to rev			

Prepared by \_\_\_\_\_

**San Joaquin Valley Insurance Authority  
Adjusting Journal Entries**

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Reviewed by \_\_\_\_\_

Reference	Type	Date Account Number	Description	Detailed Description	Debit	Credit
AJE05	Adjusting	06/30/12				
		1435-4815-9861-0-42351	Due to Other Gov't Units-L/t	To reclass receipt of the claim pay	13,109.56	
		5705-4815-9860-0-42356	Transfers of Reserve Balance from	To reclass receipt of the claim pay		13,109.56
			To reclass receipt of the claim payment from COF related to the claim servicing period from DTOG to revenue.			
AJE06	Adjusting	06/30/12				
		1834-4815-9861-0-42351	S/t-Determinable Claims Payable	To reclass fixed costs (HMO Cap	1,278,779.59	
		1210-4815-9866-0-42356	Accounts Payable	To reclass fixed costs (HMO Cap		1,278,779.59
			To reclass fixed costs (HMO Capitation) from unpaid claims ST to accounts payable.			
AJE07	Adjusting	06/30/12				
		1834-4815-9861-0-42351	S/t-Determinable Claims Payable	To reclass stop-loss receivable as		249,030.56
		0350-4815-9860-0-42350	Accounts Receivable	To reclass stop-loss receivable as	249,030.56	
			To reclass stop-loss receivable as of 6/30/12 from unpaid claims ST to accounts receivable.			
		TOTAL			<u>16,731,369.02</u>	<u>16,731,369.02</u>