

San Joaquin Valley Insurance Authority

Fresno, CA

Financial Statements

For the Year Ended June 30, 2024



PRICE PAIGE & COMPANY
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of San Joaquin Valley Insurance Authority (the Authority), a component unit of the County of Fresno, California, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2024, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from

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fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Claims Development Information on pages 18-19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records

used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

Price Page & Company

Clovis, California
December 15, 2024

BASIC FINANCIAL STATEMENTS

SAN JOAQUIN VALLEY INSURANCE AUTHORITY | JUNE 30, 2024

Statement of Net Position

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,281,153
Intergovernmental receivables	3,592,819
Investment income receivable	314,242
Prepaid expenses	<u>8,896</u>

Total current assets 5,197,110

Committed assets:

Cash	20,869,688
Investments	<u>24,532,234</u>

Total committed assets 45,401,922

Total assets 50,599,032

LIABILITIES

Current liabilities:

Accounts payable	4,642,917
Intergovernmental payables	36,711
Unearned member contributions	4,925,154
Unpaid claims and claims adjustment expenses	<u>10,363,820</u>

Total current liabilities 19,968,602

Noncurrent liabilities:

Intergovernmental payables	<u>884,432</u>
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Total noncurrent liabilities 884,432

Total liabilities 20,853,034

NET POSITION

Committed - Stabilization reserve	20,484,697
Unrestricted	<u>9,261,301</u>

Total net position \$ 29,745,998

The notes to the basic financial statements are an integral part of this statement.

SAN JOAQUIN VALLEY INSURANCE AUTHORITY | FOR THE YEAR ENDED JUNE 30, 2024
Statement of Revenues, Expenses and Changes in Net Position

Operating revenues:	
Member contributions	<u>\$ 102,075,741</u>
Total operating revenues	<u>102,075,741</u>
Operating expenses:	
Claims and claims adjustment expenses	89,452,588
Administrative expenses	<u>5,899,120</u>
Total operating expenses	<u>95,351,708</u>
Operating income (loss)	<u>6,724,033</u>
Nonoperating revenues (expenses):	
Government grant (ARPA)	2,593,347
Interest revenue	<u>1,079,639</u>
Total nonoperating revenues (expenses)	<u>3,672,986</u>
Change in net position	10,397,019
Net position - beginning	<u>19,348,979</u>
Net position - ending	<u><u>\$ 29,745,998</u></u>

The notes to the basic financial statements are an integral part of this statement.

SAN JOAQUIN VALLEY INSURANCE AUTHORITY | FOR THE YEAR ENDED JUNE 30, 2024

Statement of Cash Flows

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from members	\$ 129,849,714
Cash received from reinsurance and refunds	5,178,664
Cash paid to vendors	(8,727,538)
Cash paid for claims	<u>(123,427,710)</u>
Net cash provided by (used for) operating activities	<u>2,873,130</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	<u>(9,710,344)</u>
Net cash provided by (used for) investing activities	<u>(9,710,344)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from government grant (ARPA)	5,020,081
Cash received from intergovernmental loan and interest payable	<u>3,894</u>
Net cash provided by (used for) noncapital financing activities	<u>5,023,975</u>
Net increase (decrease) in cash and cash equivalents	(1,813,239)
Cash and cash equivalents - beginning	<u>3,094,392</u>
Cash and cash equivalents - ending	<u><u>\$ 1,281,153</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ 6,724,033</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
(Increase) decrease in due from other governmental units	(916,838)
(Increase) decrease in other receivables	(105,647)
(Increase) decrease in prepaid expenses	(237)
Increase (decrease) in accounts payable	<u>(2,828,181)</u>
Total adjustments	<u>(3,850,903)</u>
Net cash provided by (used for) operating activities	<u><u>\$ 2,873,130</u></u>

The notes to the basic financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

In November 1989, GASB issued Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. GASB Statement No. 10 establishes accounting and financial reporting standards for risk financing and insurance-related activities for state and local governmental entities, including public entity risk pools. These financial statements have been prepared in accordance with GASB Statement No. 10, as amended by GASB Statement No. 30, *Risk Financing Omnibus*.

A. Reporting Entity

On October 6, 2009, the County of Fresno and the County of Tulare entered into an agreement creating the San Joaquin Valley Insurance Authority (the Authority) to negotiate, purchase or otherwise fund health, vision, dental, and life insurance for the employees of the County of Fresno and certain employees of the County of Tulare, in all instances subject to obtaining a financial commitment by the County of Fresno and the County of Tulare to pay for their respective costs. Both counties desire to secure such coverage for the purpose of obtaining other coverage and/or insurance policies at more favorable rates, and for the purpose of administering such insurance programs with greater efficiency, than they could obtain by their individual efforts.

The Authority is governed by the Board of Directors which is composed of seven directors. Four of the directors are appointed by the County of Fresno Board of Supervisors and three of the directors are appointed by the County of Tulare Board of Supervisors. The Board of Directors, President and Vice President serve two-year terms. The County of Fresno or the County of Tulare may withdraw from the Authority by giving 120 days written notice to the Board of Directors. Upon the dissolution, all assets of the Authority will be distributed among the County of Fresno and the County of Tulare in proportion to their cash contributions.

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

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

The Authority itself does not employ any personnel. The County of Fresno and the County of Tulare staff provide the necessary services such as maintenance and accounting to the Authority on a reimbursement basis.

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

During this fiscal period, there were no new membership applications. As of June 30, 2024, membership in the Authority consists of the County of Fresno and the County of Tulare, its founding entities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting

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

The Authority is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the enterprise fund are those revenues that are generated from the primary operations of the Authority. These revenues include premiums for insurance coverage. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the Authority. All other expenses are reported as nonoperating expenses.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

C. Basis of Presentation

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

D. Assets, Liabilities and Net Position

Cash

For purposes of the Statement of Cash Flows, the Authority considered all cash in banks to be cash. This includes two active bank accounts with JPMorgan Chase Bank, one used for claims funding and the other for reserves.

Investments

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

Intergovernmental Receivables

Certain revenues are earned by the Authority during the current reporting period but are not received until after the beginning of the next fiscal year. These revenues are reported as intergovernmental receivables on the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Position (Continued)

Deposits Receivable

There were no deposit receivables for the fiscal year 2024.

Member Contribution

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

Accounts Payable

Certain costs are incurred by the Authority during the current reporting period but are not paid until after the beginning of the next fiscal year. These costs are reported as payables in the financial statements. The Authority's current accounts payable balance of \$4,642,917 as of June 30, 2024, is related to certain contract services and payments for eligibility administration and consulting fees as well as amounts collected or due from pool participants and remitted to the insurance carriers. Adjustments to estimates are charged or credited to expense in the periods in which they are made.

Intergovernmental Payables

The County of Fresno has made a required minimum claims deposit of \$884,432 to Anthem Blue Cross on behalf of the Authority. The Authority will repay the County of Fresno after receiving refunds from Anthem Blue Cross. The full deposit amount of \$884,432 is recognized as a noncurrent intergovernmental payable as of June 30, 2024.

Current intergovernmental payables are the Patient-Centered Outcomes Research fee (PCOR), which is an annual fee imposed on the sponsors of self-insured health insurance plans by the Internal Revenue Service. Current intergovernmental payables totaled \$36,711.

Unpaid Claims and Claims Adjustment Expenses

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Position (Continued)

Reinsurance

In the ordinary course of business, the Authority reinsures certain risks with commercial insurers through contractual agreements, commonly referred to as reinsurance ceded. These agreements serve to limit the Authority’s potential losses for large aggregate and individual losses. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Authority as direct insurer of the risks reinsured. A contingent liability exists with respect to reinsurance ceded to the extent that any reinsurer is unable to meet its obligation assumed under the reinsurance agreements. The Authority does not report reinsured risk as liabilities unless it is probable that those risks will not be covered by reinsurers. Premiums ceded to reinsurers during fiscal year 2024 was \$2,130,112, and the amounts recovered from reinsurers during fiscal year was \$738,464.

Net Position

Net position is reported in three categories as follows:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Committed – This amount is committed by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount represents all resources that do not meet the definition of “net investment in capital assets” or “committed net position”.

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – CASH AND CASH EQUIVALENTS

A. Summary of Deposits

Cash and cash equivalents as of June 30, 2024, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and cash equivalents	\$ <u>1,281,153</u>
Total	\$ <u>1,281,153</u>

Cash and cash equivalents as of June 30, 2024, consist of the following:

Deposits with financial institutions	\$ <u>1,281,153</u>
Total cash and cash equivalents	\$ <u>1,281,153</u>

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

B. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Authority’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

As of June 30, 2024, the Authority’s deposits with financial institutions in excess of federal depository insurance limits were held in fully collateralized accounts, as permitted by the California Government Code.

NOTE 3 – INTERGOVERNMENTAL RECEIVABLES

The Authority’s current intergovernmental receivables balance of \$3,592,819 as of June 30, 2024, is related to insurance premiums, claims reserve, eligibility administration service fees, consulting fees and other administrative fees due from the County of Fresno. As of June 30, 2024, all of the intergovernmental receivables are considered by management to be collectible. Therefore, no allowance for doubtful accounts has been recognized.

NOTE 4 – COMMITTED ASSETS

Committed assets authorized by the Authority’s Investment Policy at June 30, 2024, consist of the following:

External Investment Pool – Fresno County	
Stabilization Reserve	\$ 20,869,688
Treasury Investment Pool	<u>24,532,234</u>
 Total committed assets	 <u>\$ 45,401,922</u>

Information about the Fresno County Treasury Investment Pool can be found in the County’s annual comprehensive financial report, which is available on the County’s website.

NOTE 5 – RECONCILIATION OF CLAIMS LIABILITIES

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

	2024	2023
Unpaid claims and claim adjustment expenses at beginning of year	\$ 10,363,820	\$ 8,855,820
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	89,452,588	89,272,913
Total incurred claims and claim adjustment expense	<u>89,452,588</u>	<u>89,272,913</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	79,088,768	78,909,093
Claims and claim adjustment expenses attributable to insured events of prior years	<u>10,363,820</u>	<u>8,855,820</u>
Total payments	<u>89,452,588</u>	<u>87,764,913</u>
Total unpaid claims and claim adjustment expenses at ending of year	<u>\$ 10,363,820</u>	<u>\$ 10,363,820</u>

NOTE 6 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2024 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Intergovernmental payables	\$ 884,432	-	-	\$ 884,432
Total	<u>\$ 884,432</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 884,432</u>

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation, which is likely to have a material adverse effect on the financial position of the Authority.

NOTE 8 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omission. During the year ended June 30, 2024, the Authority carried insurance through various commercial carriers for all risks of losses. No settlements have exceeded coverage levels in place during the fiscal year ended June 30, 2024.

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

Coverage Type	Description	Limit	Deductible
Master Crime Policy	Coverage is provided for incidents such as public employee dishonesty, forgery or alteration, theft, computer fraud and embezzlement.	\$10 Million	\$ 25,000
Trustees Errors & Omissions	Fiduciary liability insurance is a popular vehicle for the financial protection of fiduciaries of employee benefit plans against legal liability arising out of their role as fiduciaries, including the cost of defending those claims that seek to establish such liability. Coverage is provided for incidents such as miscalculation, a class action lawsuit, and enrollment errors.	\$10 Million	\$ 25,000
Special Liability	This program provides coverage for claims from third parties alleging damages due to negligence arising out of personal injury and property damage.	\$10 Million	\$ 50,000
Fiduciary Liability	Pays the legal liability arising from claims for alleged failure to act prudently. Protects the assets of a plan fiduciary due to allegations of breach of fiduciary duties. ERISA explicitly allows for the purchase of fiduciary insurance. It could be a breach of fiduciary duty if a claim arises and no insurance is in place that was readily available.	\$5 Million	\$ 25,000

NOTE 9 – GOVERNMENT GRANT (ARPA)

On March 11, 2021, the American Rescue Plan Act (ARPA) was signed into law, that established the Coronavirus State and Local Fiscal Recovery (SLFRF) Program. This initiative was designed to provide financial assistance to state and local governments as they navigate the challenges posed by the COVID-19 public health crisis and work towards recovery.

Subsequently, on March 5, 2024, the County of Tulare formalized an agreement with the Authority, designating it as a subrecipient. Under Section 6029(c) (3) of the ARPA, the County has the authority to transfer SLFRF funds to a special purpose unit of state or local government for eligible purposes aligned with ARPA’s goals. Pursuant to this agreement, SJVIA received a grant in the amount of \$2,593,347, serving as a reimbursement for eligible expenditures related to COVID-19 during fiscal years 2021-2024. The Authority recorded this grant as “Government grant (ARPA)” on the Statement of Revenues, Expenses and Changes in Net Position for the fiscal year ended June 30, 2024.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated and concluded that there are no subsequent events that have occurred from June 30, 2024 through the date the financials were available to be issued at December 15, 2024, that would require disclosure or adjustment.

REQUIRED SUPPLEMENTARY INFORMATION

The following table illustrates how the Authority's earned revenue (net of reinsurance) and investment income compares to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Authority as of the end of the previous nine fiscal years. The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
- (2) This line shows each fiscal year's other operating costs of the Authority including overhead and claims expenses.
- (3) This line shows the Authority's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expense (both paid and accrued) as originally reported at the end of the year in which the event that triggered coverage occurred (called fiscal year).
- (4) This section of one row shows the cumulative net amounts paid as of the end of successive years for each fiscal year.
- (5) This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of current year for each fiscal year.
- (6) This section of one row shows how each fiscal year's net incurred losses increased or decreased as of the end of successive years. (This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.)
- (7) This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally thought.

As data for individual fiscal years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature fiscal years. The columns of the table show data for successive fiscal years.

SAN JOAQUIN VALLEY INSURANCE AUTHORITY | JUNE 30, 2024

Claims Development Information

(Continued)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
(1) Required contribution and investment revenue:										
Earned	\$ 89,887,953	\$ 110,381,036	\$ 101,397,579	\$ 80,398,094	\$ 82,018,812	\$ 91,839,197	\$ 93,964,685	\$ 90,202,266	\$ 94,716,808	\$ 105,255,936
Ceded	(2,244,758)	(2,761,514)	(2,235,292)	(1,881,130)	(1,263,754)	(1,970,531)	(1,845,070)	(1,401,126)	(1,615,892)	(2,130,112)
Net earned	87,643,195	107,619,522	99,162,287	78,516,964	80,755,058	89,868,666	92,119,615	88,801,140	93,100,916	103,125,824
(2) Unallocated expenses	6,917,501	7,622,465	6,308,763	5,709,359	6,362,834	7,349,777	5,431,701	5,551,133	5,495,195	5,899,120
(3) Estimated claims and expenses, end of fiscal year:										
Incurred	86,497,444	111,419,173	98,934,822	68,802,180	70,424,244	72,853,476	78,250,954	86,000,514	91,263,756	90,191,052
Ceded	(1,302,386)	(198,626)	(323,314)	(99,361)	(554,547)	(454,775)	(692,752)	(620,529)	(1,990,843)	(738,464)
Net incurred	85,195,058	111,220,547	98,611,508	68,702,819	69,869,697	72,398,701	77,558,202	85,379,985	89,272,913	89,452,588
(4) Net paid (cumulative) as of:										
End of fiscal year	77,594,079	100,151,412	92,775,406	65,559,526	72,139,822	71,812,035	72,847,735	78,463,365	80,374,384	80,316,771
One year later	81,850,351	100,151,412	92,775,406	65,559,526	72,139,822	71,812,035	72,847,735	78,463,365	80,374,384	-
Two years later	81,850,351	100,151,412	92,775,406	65,559,526	72,139,822	71,812,035	72,847,735	78,463,365	-	-
Three years later	81,850,351	100,151,412	92,775,406	65,559,526	72,139,822	71,812,035	72,847,735	-	-	-
Four years later	81,850,351	100,151,412	92,775,406	65,559,526	72,139,822	71,812,035	-	-	-	-
Five years later	81,850,351	100,151,412	92,775,406	65,559,526	72,139,822	-	-	-	-	-
Six years later	81,850,351	100,151,412	92,775,406	65,559,526	-	-	-	-	-	-
Seven years later	81,850,351	100,151,412	92,775,406	-	-	-	-	-	-	-
Eight years later	81,850,351	100,151,412	-	-	-	-	-	-	-	-
Nine years later	81,850,351	-	-	-	-	-	-	-	-	-
(5) Reestimated ceded claims and expenses	1,302,386	198,626	323,314	99,361	554,547	454,775	692,752	620,529	1,990,843	738,464
(6) Reestimated net incurred claims and expenses:										
End of fiscal year	85,195,058	111,220,547	98,611,508	68,702,819	69,869,697	72,398,701	77,558,202	85,379,985	89,272,913	89,452,588
One year later	85,195,058	111,220,547	98,611,508	68,702,819	69,869,697	72,398,701	77,558,202	85,379,985	89,272,913	-
Two years later	85,195,058	111,220,547	98,611,508	68,702,819	69,869,697	72,398,701	77,558,202	85,379,985	-	-
Three years later	85,195,058	111,220,547	98,611,508	68,702,819	69,869,697	72,398,701	77,558,202	-	-	-
Four years later	85,195,058	111,220,547	98,611,508	68,702,819	69,869,697	72,398,701	-	-	-	-
Five years later	85,195,058	111,220,547	98,611,508	68,702,819	69,869,697	-	-	-	-	-
Six years later	85,195,058	111,220,547	98,611,508	68,702,819	-	-	-	-	-	-
Seven years later	85,195,058	111,220,547	98,611,508	-	-	-	-	-	-	-
Eight years later	85,195,058	111,220,547	-	-	-	-	-	-	-	-
Nine years later	85,195,058	-	-	-	-	-	-	-	-	-
(7) Increase (decrease) in estimated net incurred losses and expenses from end of fiscal year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SUPPLEMENTARY INFORMATION

SAN JOAQUIN VALLEY INSURANCE AUTHORITY | FOR THE YEAR ENDED JUNE 30, 2024

Schedule of Expenditures of Federal Awards

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
Department of the Treasury			
Passed through the County of Tulare:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	1060	\$ <u>2,593,347</u>
Total Department of the Treasury			<u>2,593,347</u>
Total Expenditures of Federal Awards			<u>\$ 2,593,347</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of San Joaquin Valley Insurance Authority (the Authority). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies are included in the schedule. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

NOTE 2 – BASIS OF ACCOUNTING

The accompanying SEFA is presented using the accrual basis of accounting, which is described in Note 1 of the Authority's financial statements. Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal award expenditures agree or can be reconciled with the amounts reported in the Authority's basic financial statements.

NOTE 4 – INDIRECT COST RATE

The Authority has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 5 – PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the Authority determined that no identifying number is assigned for the program, or the Authority was unable to obtain an identifying number from the pass-through entity.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of San Joaquin Valley Insurance Authority (the Authority), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 15, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Price Page & Company

Clovis, California
December 15, 2024



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited San Joaquin Valley Insurance Authority's (the Authority) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2024. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and

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therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Price Pange & Company

Clovis, California
December 15, 2024

FINDINGS AND QUESTIONED COSTS

SECTION I – SUMMARY OF AUDITOR’S FINDINGS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
 Material weaknesses identified? _____ yes x no

Significant deficiencies identified that are not considered to be material weaknesses? _____ yes x no

Noncompliance material to financial statement noted? _____ yes x no

Federal Awards

Internal control over major programs:
 Material weaknesses identified? _____ yes x no

Significant deficiencies identified that are not considered to be material weaknesses? _____ yes x no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200, Section 200.516(a) _____ yes x no

Identification of Major Programs

<u>Federal Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	COVID-19 - Coronavirus State and Local Recovery Funds
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	_____ yes <u> x </u> no

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARDS FINDINGS

None reported.

FINANCIAL STATEMENT FINDINGS

Finding 2023-01 – Accounts Payable and Claims Costs (Material Weakness)

Criteria: A strong system of internal controls and management review requires that general ledger account balances be properly reconciled to adequate supporting documentation during the year-end financial close process in order to accurately and completely close the current year general ledger in a timely matter. Management is responsible for maintaining its accounting records in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Condition: During the audit of the Authority’s financial statements, we identified material misstatements related to the accuracy and completeness of the Authority’s accounts payable and claims expenses.

Cause: The accounting department of the County of Fresno had a significant turnover of experienced staff during the fiscal year ended June 30, 2023. Accordingly, the year-end closing procedure was not followed correctly.

Effect: The accounts payable and claims expenses noted above were initially misstated, which required a journal entry to be posted subsequent to receiving the Authority’s final trial balance.

Recommendation: We recommend the Authority review the payables and claims expenses balances next year to ensure they are appropriately supported and recorded as part of the year-end close. In addition, we recommend the Authority to initiate the training of employees regarding the end-year closing procedures to improve the accuracy of payables and claims expenses for next year.

Implementation: Implemented.