

**ALTA HEALTHCARE DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017**

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**ALTA HEALTHCARE DISTRICT
ORGANIZATION STRUCTURE
JUNE 20, 2017**

The Alta Healthcare District is located in Dinuba, California. The District is organized pursuant to the terms of the Local Health Care District Law (California Health & Safety Code, §32000 et seq.), to promote the public health and general medical and health related welfare within the District. From 2002, the District was in Chapter 9 in the United States Bankruptcy Court, Eastern District of California, Fresno Division until closed by court order on October 31, 2015. The District is governed by a five-member board of directors serving four year terms.

<u>Name</u>	<u>Office</u>	<u>Zone Representation</u>	<u>Term Expiration</u>
Yvette Botello	Chairperson	III	December, 2018
Javier Quevedo	Vice-Chairperson	I	December, 2018
Raymond Millard	Director	II	December, 2018
Martha Swaim	Director	IV	December, 2018
Margie Davidian	Director	V	December, 2020

Staff

Financial Officer
Board Clerk
Attorney

Clifford Bressler
Irene Clements
Mike Wilhelm

FINANCIAL SECTION

DENNIS L. HYLTON
CERTIFIED PUBLIC ACCOUNTANT
202 SOUTH MIRAGE
LINDSAY, CALIFORNIA 93247
TELEPHONE (559) 562-4938
FACSIMILE (559) 562-6268

REPORT OF INDEPENDENT AUDITOR

To the Board of Directors of
Alta Healthcare District
Dinuba, California

I have audited the accompanying financial statements of the governmental activities and major fund of Alta Healthcare District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund, of the Alta Healthcare District as of June 30, 2017, and the respective changes in financial position 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.

Other Matters

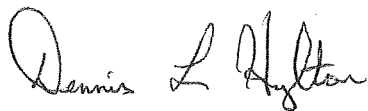
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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. The governing board of Alta Healthcare District has elected not to provide the management's discussion and analysis, and never adopted a budget as required by generally accepted accounting principles.

Other Information

The healthcare district organization structure has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide assurance on it.

Dennis L. Hylton, CPA



September 5, 2017

ALTA HEALTHCARE DISTRICT
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>General Fund</u>	<u>Adjustments</u>	Statement of <u>Net Position</u>
ASSETS			
Cash	\$ 581,277	\$ -	\$ 581,277
Marketable Securities	<u>78,874</u>	<u>-</u>	<u>78,874</u>
Total Assets	<u>\$ 660,151</u>	<u>-</u>	<u>660,151</u>
LIABILITIES			
Accounts Payable	\$ <u>6,829</u>	<u>-</u>	<u>6,829</u>
Total Liabilities	<u>6,829</u>	<u>-</u>	<u>6,829</u>
FUND BALANCE/NET POSITION			
Unassigned Fund Balance	<u>653,322</u>	<u>(653,322)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 660,151</u>		
Net Position:			
Unrestricted		<u>653,322</u>	<u>653,322</u>
Total Net Position		<u>\$ -</u>	<u>\$ 653,322</u>

The accompanying notes are an integral
part of these financial statements

ALTA HEALTHCARE DISTRICT
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Property Taxes	\$ 448,762	\$ -	\$ 448,762
Dividend & Interest Income	<u>3,462</u>	<u>-</u>	<u>3,462</u>
Total Revenues	<u>452,224</u>	<u>-</u>	<u>452,224</u>
 EXPENDITURES/EXPENSES			
Current:			
Healthcare Grants	186,449		186,449
General & Administration	<u>65,765</u>	<u>-</u>	<u>65,765</u>
Total Expenditures/Expenses	<u>252,214</u>	<u>-</u>	<u>252,214</u>
 Excess Revenues over Expenditures	200,010		
 Other Sources (Uses)			
Fair Value Adjustment	<u>14,708</u>		<u>14,708</u>
 Excess Revenues and Other Sources over Expenditures and Other Uses	214,718	(214,718)	
 Change in Net Position		214,718	214,718
 Fund Balances/Net Position			
July 1, 2016	<u>438,604</u>	<u>-</u>	<u>438,604</u>
June 30, 2017	<u>\$ 653,322</u>	<u>\$ -</u>	<u>\$ 653,322</u>

The accompanying notes are an integral
part of these financial statements

**ALTA HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Alta Healthcare District (District) accounts for its financial transactions in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants, and in accordance with those policies and procedures.

A. Reporting Entity

The District's financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 61, "The Financial Reporting Entity", include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board (blending of component units requires that there be substantively the same governing body as the primary government)
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency, including a financial benefit or burden relationship, by the organization on the District (District approves component units budget, issuance of debt or levying of taxes)

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's nonfiduciary activities with all interfund activities removed. Governmental activities include programs supported primarily by property taxes. The District has no business type activities that rely, to a significant extent, on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function.

**ALTA HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Fund financial statements provide reports on the financial condition and results of operations for the governmental fund category.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statement of this fund presents net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable. The expenditures related to certain claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after the year end.

Property tax revenue is recognized under the susceptible-to-accrual concept. Investment earnings are recorded as earned, since they are both measurable and available.

D. Fund Accounting

The District reports the general fund as a major governmental fund. The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**ALTA HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

F. Deposits

Cash balances held in banks are insured to \$250,000 by the Federal Depository Insurance Corporation. Whenever the balance exceeds this amount, the remaining balance is collateralized by the pledging financial institution as required by section 53651 of the Californian Department of Business Oversight, Division of Financial Institutions Local Agency Security Law.

G. Investment

Investments in marketable security is stated at fair value. Fair value is estimated based on quoted market price at year-end under level 1 of the fair value hierarchy which is quoted price in an active market for identical asset.

H. Fund Balances

When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, assigned amounts should be reduced first and then unassigned amounts. Governmental funds report fund balance as the following in accordance with GASB Statement No. 54:

Unassigned Fund Balance – the portion of fund balance not classified as nonspendable, restricted, committed, or assigned.

I. Net Position

Unrestricted net position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources that are not reported in any other category.

J. Property Tax Revenue

The County of Tulare is responsible for assessing, collecting, and apportioning property taxes. Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and March 1. Unsecured property taxes are payable in one installment on or before August 31.

K. Evaluation Subsequent Events

The District has evaluated subsequent events through the report date of these financial statements.

NOTE 2 - CASH AND INVESTMENTS

The following is a summary of the District's cash and investments with fiscal agents at June 30, 2017:

Demand account	\$ 563,799
Tulare County Treasury	<u>17,478</u>
Total Cash	<u>\$ 581,277</u>

**ALTA HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Cash in County Treasury

The District is considered to be an involuntary participant in an external investment pool with Tulare County Treasury as the county retains property taxes collected until disbursed to the District. The fair value of the District's investment in the pool is based upon the District's pro-rata share of the fair value provided by the Tulare County Treasurer for the entire portfolio (\$17,449 as of June 30, 2017 which approximates the \$17,478 reported on the financial statements.) The fair value of the pooled investment portfolio is determined monthly within the framework established by GASB Statement No. 72 *Fair Value Measurements and Application*. Nearly all fair values were considered Level 2. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. This investment pool is considered unclassified as to credit risk for the District because it is not evidenced by securities that exist in physical or book entry form.

Investments

The District does not have any policy regarding investments and therefore is subject to California Government Code Sections 53600-53609. Investing must meet the following three objectives: first to safeguard the principal, second to meet liquidity needs, and third to achieve a return on funds. At time of investment, the security term remaining to maturity cannot exceed five years. Investments can include the following: United States Treasury notes, bonds, bills, or those which the faith and credit of the United States are pledged for payment; California local agency bonds; Federal agency or United States government-sponsored enterprise obligations; negotiable certificates of deposit; corporate notes rated "A" or higher, and other specified securities. The marketable securities are a violation of these allowed investments.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, an investment with a longer maturity has a greater sensitivity for its fair value to changes in market interest rates.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. California Government Code requires a rating of "A" or higher.

ALTA HEALTHCARE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Concentration of Credit Risk

The District has no investment policy for concentration of credit risk.

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 does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: a financial institution shall secure deposits made by state or local government 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 under a letter of credit shall have a market value of at least 105% of the total amount deposited by the public agencies in excess of FDIC. Bank of the West has made such a pledge.

OTHER REPORT OF INDEPENDENT AUDITOR

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CERTIFIED PUBLIC ACCOUNTANT
202 SOUTH MIRAGE
LINDSAY, CALIFORNIA 93247
TELEPHONE (559) 562-4938
FACSIMILE (559) 562-6268

REPORT OF INDEPENDENT AUDITOR ON INTERNAL CONTROL

To the Board of Directors of
Alta Healthcare District
Dinuba, California

In planning and performing my audit of the financial statements of the governmental activities and major fund as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, I considered Alta Healthcare District'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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Alta Healthcare District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies.

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 be prevented, or detected and corrected, on a timely basis. I did not identify any deficiencies in internal control that I consider to be material weaknesses.

A significant deficiency is a deficiency, or a combinations of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the following deficiencies in internal control to be significant deficiencies:

Investment not allowed by California Government Code

The district owns 1,611 shares of MetLife, which was received in trust from ownership of a life insurance policy when MetLife became a public stock company. Stock ownership is not a permitted investment under California Government Code 53600-53602. The district should contact Computershare, the trustee, to liquidate this investment to become compliant with investment regulations.

Budget

Generally accepting accounting principles requires a budget to be adopted for governmental funds. The district has not adopted a budget for its general fund and therefore budgetary comparison information is not available as supplementary information required by the Governmental Accounting Standards Board. Budgetary control provides management a device to assure revenues are properly accounted for and expenditures are in agreement with intended uses. It also assists in maintenance of established reserves. A public hearing is required prior to approval of the annual budget.

Cancelled checks

The district does not currently have access to cancelled checks. Bank of the West does not provide these in monthly bank statements nor are electronic copies available. Internal control is enhanced by the ability of a second person to review cancelled checks when a bank account is reconciled to assure the payee was not changed after check signing and endorsement agrees with payee. The district authorized signers should establish access to cancelled checks to strengthen internal control.

This communication is intended solely for the information and use of the board of directors, and others within Alta Healthcare District, and the State Controller and Tulare County Auditor-Controller, and is not intended to be and should not be used by anyone other than these specified parties.

Dennis L. Hylton, CPA

September 5, 2017

FINDINGS AND RECOMMENDATIONS

DENNIS L. HYLTON
CERTIFIED PUBLIC ACCOUNTANT
202 SOUTH MIRAGE
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TELEPHONE (559) 562-4938
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September 5, 2017

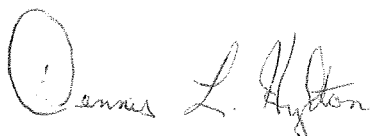
Mr. Clifford Bressler, Financial Officer
Alta Healthcare District
PO Box 3257
Clovis, CA 93613-3257

Dear Mr. Bressler:

In performing the audit of the financial statements of Alta Healthcare District for the year ended June 30, 2017, I observed the accumulation of cash in the Bank of the West choice business checking account that yields no interest.

You should exercise your fiduciary responsibility for district assets to manage district cash in a manner that meets the following three objectives: first to safeguard the principal, second to meet liquidity needs, and third to achieve a return on funds. I highly recommend the transfer of excess cash from the demand bank account to either the Tulare County Treasury or California Local Agency Investment Fund (LAIF). Both provide opportunities to participate in a major portfolio that would meet the above three objectives. Neither has any management investment cost.

Sincerely,



Dennis L. Hylton, CPA