

**ALTA HEALTHCARE DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2020**

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**ALTA HEALTHCARE DISTRICT  
ORGANIZATION STRUCTURE  
JUNE 30, 2020**

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, 2022
Javier Quevedo	Vice-Chairperson	I	December, 2022
Kathy Grant	Director	II	December, 2020
Martha Swaim	Director	IV	December, 2022
Margie Davidian	Director	V	December, 2020

Staff

Chief Fiscal Officer	Clifford Bressler
Board Clerk	Irene Clements
Attorney	Mike Wilhelm

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**FINANCIAL SECTION**

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## 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, 2020, 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, 2020, 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**

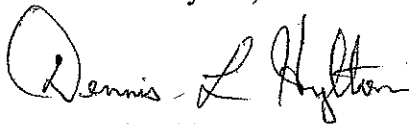
### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which the governing board has elected not to provide, and budgetary comparison information (page 14) 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### **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

A handwritten signature in black ink that reads "Dennis L. Hylton". The signature is written in a cursive style with a large initial "D".

December 11, 2020

**ALTA HEALTHCARE DISTRICT**  
**GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	<u>General Fund</u>	<u>Adjustments</u>	Statement of <u>Net Position</u>
<b>ASSETS</b>			
Cash	\$ 230,388	\$ -	\$ 230,388
Marketable Securities	810,557		810,557
Prepaid Expenditures	<u>7,802</u>		<u>7,802</u>
Total Assets	<u>\$ 1,048,747</u>	<u>-</u>	<u>1,048,747</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 18,340	-	<u>18,340</u>
Total Liabilities	<u>18,340</u>	<u>-</u>	<u>18,340</u>
<b>FUND BALANCE/NET POSITION</b>			
Committed Fund Balance	114,425	(114,425)	-
Unassigned Fund Balance	<u>915,982</u>	<u>(915,982)</u>	-
Total Fund Balance	<u>1,030,407</u>	<u>(1,030,407)</u>	-
Total Liabilities and Fund Balance	<u>\$ 1,048,747</u>		
Net Position:			
Restricted		114,425	114,425
Unrestricted		<u>915,982</u>	<u>915,982</u>
Total Net Position		<u>\$ 1,030,407</u>	<u>\$ 1,030,407</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, 2020**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>REVENUES</b>			
Property Taxes	\$ 529,613	\$ -	\$ 529,613
Dividend & Other Income	<u>14,972</u>	<u>          </u>	<u>14,972</u>
Total Revenues	<u>544,585</u>	<u>          </u>	<u>544,585</u>
 <b>EXPENDITURES/EXPENSES</b>			
Current:			
Healthcare Grants	613,287		613,287
General & Administration	<u>137,757</u>	<u>          </u>	<u>137,757</u>
Total Expenditures/Expenses	<u>751,044</u>	<u>          </u>	<u>751,044</u>
 Excess Expenditures over Revenues	<u>(206,459)</u>		
 Other Sources			
Fair Value Adjustment	51,698		51,698
Gain on Stock Sale	<u>2,472</u>	<u>          </u>	<u>2,472</u>
Total Other Sources	<u>54,170</u>	<u>          </u>	<u>54,170</u>
 Excess Expenditures over Revenues and Other Sources	(152,289)	152,289	
 Change in Net Position		(152,289)	(152,289)
 Fund Balance/Net Position			
July 1, 2019	<u>1,182,696</u>	<u>          </u>	<u>1,182,696</u>
June 30, 2020	<u>\$ 1,030,407</u>	<u>\$ -</u>	<u>\$ 1,030,407</u>

The accompanying notes are an integral part of these financial statements



**ALTA HEALTHCARE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**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 District also has no fiduciary activities.

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, 2020**

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. Budgets & Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the governmental fund. By state law, the District's Governing Board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board adopted a budget without holding a public hearing. This budget is revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by individual appropriation accounts. Expenditures cannot legally exceed appropriations by individual account.

**ALTA HEALTHCARE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

F. 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.

G. 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.

H. Investment

Investments in marketable securities are 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.

I. Prepaid Expenditures

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.

J. Fund Balances

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

**Nonspendable Fund Balance** - The portion of fund balance reflecting assets not in spendable form, either because they will never convert to cash or must remain intact pursuant to legal or contractual requirements.

**Restricted Fund Balance** – The portion of fund balance representing resources subject to externally imposed and legally enforceable constraints imposed either by external resource providers, e.g., grantors or creditors, or by law through constitutional provisions or enabling legislation.

**ALTA HEALTHCARE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

Committed Fund Balance – The portion of fund balance representing resources whose use is constrained by limitations self-imposed by the District through formal action of the governing board as the highest level of decision-making authority. The constraints imposed by formal actions can be modified or removed only through the same process by which they were imposed. The action imposing the constraint must be made within the fiscal reporting period. The actual amounts may be determined at a later date but prior to the issuance of the financial statements.

Assigned Fund Balance – The portion of fund balance representing resources that are intended to be used for specific purposes but for which the constraints do not meet the criteria to be reported as restricted or committed. Constraints giving rise to assigned fund balance may be imposed at any time before the financial statements are issued, and may be modified or removed by a process less formal than is required for committed fund balance.

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

**K. Net Position**

The District applies restricted resources first when an expense is incorrect for purposes which both restricted and unrestricted net position are available.

Restricted net position is reported when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulation of other governments.

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.

**L. 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.

**M. 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, 2020:

Demand account	\$ 201,970
Tulare County Treasury	24,734
Wells Fargo Advisors cash	<u>3,684</u>
Total Cash	<u>\$ 230,388</u>

**ALTA HEALTHCARE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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 (\$25,404 as of June 30, 2020 which approximates the \$24,734 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 adopted February 6, 2020 a policy regarding investments with the following four objectives:

1. Maintain the value of current assets and provide future receipts for services and support activities.
2. Maintain a constant funding-support ratio where investment total return is sufficient to provide new funds to keep pace with cost increases and program expansions.
3. Handle short-term volatility within any investment markets while maintaining necessary liquidity at all times.
4. Maintain an appropriate asset allocation based upon a total return policy compatible with flexible spending and potential of positive real returns.

The District investment policy provides for the following guidelines:

1. A long-term investment horizon with sufficient short-term liquidity.
2. A risk tolerance goal of a reasonable return with short-term liquidity.
3. Expected return that will provide an overall target rate of return of six percent (6%).
4. Use a long-term investment of asset class mix to balance risk and rewards allocation.

The District's investment advisor will use a *Balanced Growth* target model to reach the stated target rate of return.

**ALTA HEALTHCARE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

The following is a summary of the District's investments in marketable securities at June 30:

	<u>Fair Value</u>
Exchange-traded stock funds	\$ 322,995
Exchange-traded bond funds	42,674
Stock mutual funds	304,291
Real Estate mutual funds	38,429
Bond mutual funds	<u>102,168</u>
	<u>\$ 810,557</u>

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.

Concentration of Credit Risk

Investments in any one issuer that represents 5% or more of total District investments is as follows:

Ishares Core MSCI EAFE ETF	\$ 55,788
Ishares Core S & P Total U.S. Stock Market ETF	168,739
Ishares Core U.S. Aggregate Bond ETF	42,674
Ishares Edge MSCS USA Quality Factor ETF	49,399
Blackrock Total Return Fund	45,234
Blackrock Emerging Markets Fund	49,524
Blackrock Event Driven Equity Fund	58,767
Blackrock Advantage Large Cap Core Fund	86,692
Franklin Convertible Securities Fund	46,486

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

**ALTA HEALTHCARE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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. Wells Fargo Advisors cash is not covered by FDIC.

Fair Value Measurements

Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The District uses appropriate valuation techniques to determine value based on inputs available.

When available, the District measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. The following description summarizes the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying Statements of Net Position.

The three levels of inputs used to measure fair value are as follows:

Level 1 – Values measured using quoted prices in active markets for identical investments. The fair value of these financial instruments and investments is based on quoted market prices or dealer quotes in active markets. The fair value of the District's investments were measured using quoted market prices in active markets.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. The District did not have any input into the fair value of Level 2 investments. The District did not have any assets reported as fair value with Level 2 inputs.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The District did not have any assets reported at fair value with Level 3 inputs.

**ALTA HEALTHCARE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

The level within the fair value hierarchy at which investments are measured at June 30, 2020 is as follows:

<u>Investment Type</u>	<u>Fair Value Measurements on a Recurring Basis</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Exchange-traded stock funds	\$ 322,995	\$ 322,955	\$ -	\$ -
Exchange-traded bond funds	42,674	42,674	-	-
Stock mutual funds	304,291	304,291	-	-
Real Estate mutual funds	38,429	38,429	-	-
Bond mutual funds	102,168	102,168	-	-
	<u>\$ 810,557</u>	<u>\$ 810,557</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 3 – EXCESS EXPENDITURES OVER APPROPRIATIONS**

At June 30, 2020, the District general fund expenditures exceeded the budgeted amounts as follows:

Healthcare grants	\$ 95,757	Budget not increased when expenditures approved
Insurance	43	Budget exceeded by April approved expenditures

**NOTE 4 – COMMITTED FUND BALANCE/RESTRICTED NET POSITION**

At June 30, 2020, committed fund balance/restricted net position is comprised of \$114,425 for Cutler-Orosi Unified School District sports complex.



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**REQUIRED SUPPLEMENTARY INFORMATION**

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**ALTA HEALTHCARE DISTRICT**  
**GENERAL FUND - BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 493,050	\$ 481,450	\$ 529,613	\$ 48,163
Dividend & Other Income	<u>2,836</u>	<u>2,836</u>	<u>14,972</u>	<u>12,136</u>
Total Revenues	<u>495,886</u>	<u>484,286</u>	<u>544,585</u>	<u>60,299</u>
<b>EXPENDITURES</b>				
Health grants	36,500	517,530	613,287	(95,757)
Legal Fees	54,000	121,500	72,312	49,188
Professional Fees	29,950	54,950	44,202	10,748
Insurance	8,871	10,200	10,243	(43)
Other expenditures	<u>12,409</u>	<u>15,682</u>	<u>11,050</u>	<u>4,632</u>
Total Expenditures	<u>141,730</u>	<u>719,862</u>	<u>751,094</u>	<u>(31,232)</u>
Excess Revenues over (under) Expenditures	<u>\$ 354,156</u>	<u>\$ (235,576)</u>	(206,459)	<u>\$ 29,067</u>
<b>Other Sources</b>				
Fair Value Adjustment			51,698	
Gain on Stock Sale			<u>2,472</u>	
Excess Expenditures over Revenues and Other Sources			(152,289)	
Fund Balance – June 30, 2019			<u>1,182,696</u>	
Fund Balance – June 30, 2020			<u>\$ 1,030,407</u>	

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**OTHER REPORT OF INDEPENDENT AUDITOR**

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DENNIS L. HYLTON  
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, 2020, 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.

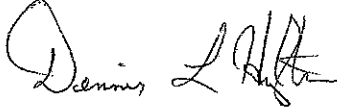
A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the following deficiency in internal control to be a significant deficiency:

Investment monitoring

The District adopted policy no. VI – Investment Policy that is to assist in effectively supervising, monitoring and evaluating the management of District assets in its portfolio consistent with and following the investment program in the various sections of the policy. The District has \$810,557 invested in an account with Wells Fargo Advisors as of June 30, 2020. The issue of noncompliance to the Investment Policy for monitoring is included in finding noted as 2020-1.

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

A handwritten signature in black ink that reads "Dennis L. Hylton". The signature is written in a cursive style with a large initial "D".

December 11, 2020

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## **FINDINGS AND RECOMMENDATIONS**

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**ALTA HEALTHCARE DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND RECOMMENDATIONS**  
June 30, 2020

Finding

2020-1 Investment Policy Monitoring and Control Procedure

- Criteria: Policy No. VI – Investment Policy pages 5-6 Monitoring and Control Procedures.
- Condition: Wells Fargo Advisors investment advisor commenced February 21, 2018 with the District portfolio of \$608,000. The investment advisor is to provide the District with quarterly reports to evaluate investment performance with comparative benchmarks and asset allocation – current vs policy. Such reports have not been provided by the investment advisor nor mentioned as overdue by the District since December 31, 2019.
- Effect: The District was not properly monitoring its investments in accordance with Policy No. VI.
- Cause: Wells Fargo Advisors has discontinued providing quarterly Executive Summary reports and only annual reports from the investment advisor are available in the future.
- Recommendation: Since Wells Fargo Advisors discontinued quarterly performance reports entitled Executive Summary, I recommend that the governing board revisit Policy No. VI to assure compliance of monitoring District investments.
- District Response: District did not provide a response.

**ALTA HEALTHCARE DISTRICT**  
**STATUS OF PRIOR YEAR AUDIT FINDINGS**  
June 30, 2020

<u>Finding</u>	<u>Recommendation</u>	<u>Status</u>
2019-1	Implement procedures for accounting and monitoring District investments in accordance with page 3 of Policy No. VI.	See 2020-1
2019-2	Require investment advisor to bring portfolio in compliance with its Short Term Asset Allocation and Exhibit A Allowable Investment Instruments.	District approved amended investment Policy.