



June 19, 2020

NOTICE

The Kaweah Delta Health Care District Board of Directors will meet in an Audit and Compliance Committee meeting at 9:00 AM on Tuesday, June 23, 2020 in the Kaweah Delta Chronic Disease Management Center Building – Conference Room {325 S. Willis St, Visalia} and via GoTo meeting <https://global.gotomeeting.com/join/939414061> or via [phone 669-224-3412](tel:669-224-3412) Access Code 939-414-061

The Board of Directors of the Kaweah Delta Health Care District will meet in a Closed Audit and Compliance Committee meeting immediately following the 9:00 AM meeting on Tuesday, June 23, 2020 in the Kaweah Delta Chronic Disease Management Center Building – Conference Room {325 S. Willis St, Visalia} pursuant to Government Code 54956.9(d)(2).

All Kaweah Delta Health Care District regular board meeting and committee meeting notices and agendas are posted 72 hours prior to meetings in the Kaweah Delta Medical Center, Mineral King Wing entry corridor between the Mineral King lobby and the Emergency Department waiting room.

Due to COVID 19 visitor restrictions to the Medical Center - the disclosable public records related to agendas can be obtained by contacting the Board Clerk at Kaweah Delta Medical Center – Acequia Wing, Executive Offices (Administration Department) {1st floor}, 400 West Mineral King Avenue, Visalia, CA via email: cmoccio@kdhcd.org, via phone: 559-624-2330 or on the Kaweah Delta Health Care District web page <http://www.kawahdelta.org>.

KAWEAH DELTA HEALTH CARE DISTRICT
Dave Frances, Secretary/Treasurer

A handwritten signature in black ink that reads 'Cindy Moccio'.

Cindy Moccio
Board Clerk
Executive Assistant to CEO

DISTRIBUTION:
Governing Board
Legal Counsel
Executive Team
Chief of Staff

<http://www.kawahdelta.org/about/agenda.asp>

KAWEAH DELTA HEALTH CARE DISTRICT BOARD OF DIRECTORS AUDIT AND COMPLIANCE COMMITTEE

Tuesday, June 23, 2020

Kaweah Delta Chronic Disease Management Center Building
325 S. Willis Street, Visalia CA
Conference Room

Join from your computer, tablet or smartphone
<https://global.gotomeeting.com/join/939414061>

You can also dial in using your phone.

United States: +1 (669) 224-3412 / Access Code: 939-414-061

ATTENDING: Directors; Herb Hawkins (Chair) & Nevin House; Gary Herbst, CEO; Tom Rayner, Senior VP Chief Operating Officer; Malinda Tupper, VP Chief Financial Officer; Regina Sawyer, VP Chief Nursing Officer; Dennis Lynch, Legal Counsel; Ben Cripps, Chief Compliance Officer; Suzy Plummer, Director of Internal Audit; Lisa Wass, Compliance Analyst

GUESTS: Jennifer Stockton; Director of Finance; Dianne Cox, Human Resources, VP; Jean Born, Director of Human Resources; Brian Conner, Moss Adams, Abigail Pike, Moss Adams; Rebecca Rickards, Moss Adams

OPEN MEETING – 9:00 AM

Call to order – Herb Hawkins, Audit and Compliance Committee Chair

Public / Medical Staff participation – Members of the public wishing to address the Committee concerning items not on the agenda and within the subject matter jurisdiction of the Committee may step forward and are requested to identify themselves at this time. Members of the public or the medical staff may comment on agenda items after the item has been discussed by the Committee but before a Committee recommendation is decided. In either case, each speaker will be allowed five minutes.

1. [Fiscal Year 2019 Pension Plan Audited Financial Statements 1. KDHC Retirement Plan 2019 Governance Communication Issued.pdf](#) – Brian Conner and Abigail Pike, Moss Adams, Rebecca Rickards, Moss Adams
2. [Fiscal Year 2018 401K Financial Statement Audit Results 2. Kaweah 401k Audit Financial statement 2018 issued.pdf](#) – Brian Conner and Abigail Pike, Moss Adams, Rebecca Rickards, Moss Adams
3. **Written Reports** – Committee review and discussion of written reports
 - 3.1 [Compliance Program Activity Report](#) – Ben Cripps
 - 3.2 [Commercial Card Audit Report](#) – Kaweah Delta Health Care District – Suzy Plummer
 - 3.3 [Commercial Card Audit Report](#) – Kaweah Delta Medical Foundation – Suzy Plummer
4. **Verbal Reports**
 - 4.1 Compliance Program – Provide an update on the status of Compliance Program activity – Ben Cripps
 - 4.2 Internal Audit Update – Provide an update on the status of Internal Audit activity – Suzy Plummer
5. **Approval of Closed Meeting Agenda** – Kaweah Delta Medical Center Acequia Wing – Executive Office Conference Room – immediately following the open meeting
 - o Conference with Legal Counsel – Anticipated Litigation
Significant exposure to litigation pursuant to Government Code 54956.9(d)(2) (21 cases) – Ben Cripps and Dennis Lynch (Legal Counsel)

Adjourn Open Meeting – Herb Hawkins, *Audit and Compliance Committee Chair*

**Confidential GoTo Information provided to the
Audit and Compliance Committee and Board of Directors**

CLOSED MEETING – Immediately following the 9:00 AM open meeting

Call to order – Herb Hawkins, *Audit and Compliance Committee Chair*

1. [Conference with Legal Counsel - Anticipated Litigation](#) - Significant exposure to litigation pursuant to Government Code 54956.9(d)(2) (21 cases) – Ben Cripps and Dennis Lynch (Legal Counsel)

Adjourn – Herb Hawkins, *Audit and Compliance Committee Chair*

In compliance with the Americans with Disabilities Act, if you need special assistance to participate at this meeting, please contact the Board Clerk (559) 624-2330. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to the Kaweah Delta Health Care District Board of Directors meeting.



*Report of Independent Auditors and
Financial Statements with
Required Supplementary Information*

**Kaweah Delta Health Care District
Employees' Retirement Plan**

June 30, 2019 and 2018

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Report of Independent Auditors

To the Trustees and Participants
Kaweah Delta Health Care District
Employees' Retirement Plan

Report on the Financial Statements

We have audited the accompanying financial statements of the Kaweah Delta Health Care District Employees' Retirement Plan (the "Plan"), which comprise the statements of fiduciary net position as of June 30, 2019 and 2018, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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 Plan'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 Plan's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of June 30, 2019 and 2018, and the changes in fiduciary net position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 7 and the schedule of changes in net pension liability and related ratios, the schedule of employer contributions and the schedule of investment returns on pages 22 to 24 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 or provide any assurance.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Stockton, California
December 20, 2019

Management Discussion and Analysis

Kaweah Delta Health Care District Employees' Retirement Plan Management Discussion and Analysis

Kaweah Delta Health Care District's (the "District") discussion and analysis of the financial activities of the Kaweah Delta Health Care District Employees' Retirement Plan (the "Plan") is designed to assist the reader in focusing on significant financial issues, provide an overview of the Plan's financial activity, and identify changes in the Plan's financial position for the years ended June 30, 2019 and 2018. Please read it in conjunction with the audited financial statements and supplementary information in this report.

FINANCIAL HIGHLIGHTS

- Effective June 30, 2011, the Plan was amended to suspend all accruals and otherwise freeze benefits under the Plan.
- The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. The ratio of the Plan's fiduciary net position as a percentage of total pension liability increased to 88.8% as of June 30, 2019, the date of the Plan's last actuarial valuation, from 84.9% as of June 30, 2018.
- The Plan's net position increased by \$17.9 million, or 7.8%, in 2019, as a result of continued strong market conditions and the same level of Plan contributions as in prior year.
- The Plan's additions to Plan net position, consisting of employer contributions and net investment income, totaled \$31.4 million in 2019 and \$37.3 million in 2018. The decrease is attributable to a \$5.9 million decrease in net investment income, which fluctuates year-to-year depending on market conditions.
- The Plan's deductions from Plan net position, consisting of benefit payments and administrative expenses, totaled \$13.5 million in 2019, and \$12.9 million in 2018. The increase in 2019 is attributable to the increase in benefit payments.

REQUIRED FINANCIAL STATEMENTS

The required financial statements include:

- the statement of fiduciary net position reports the Plan's assets, less liabilities, and the resulting net position restricted for future benefit payments. The Plan's net position is restricted to the payment of benefits as shown in the schedule of changes in net pension liability and related ratios;
- the statement of changes in fiduciary net position reports the sources and uses of funds during the year corresponding to the change in net position from the previous year;
- notes to the financial statements are an integral part of the financial statements and include additional detailed information and schedules to provide a better understanding of the financial statements.

The statement of fiduciary net position and the statement of changes in fiduciary net position report information about the Plan's activities. These statements include all assets and liabilities, using the full accrual basis of accounting. All of the current year revenues and expenses are taken into account regardless of when cash is received or paid. All investments are stated at fair market value. Gains and losses are shown at trade date, not settlement date, and both realized and unrealized gains and losses on investments are shown.

Kaweah Delta Health Care District Employees' Retirement Plan Management Discussion and Analysis

Because of the long-term nature of a defined benefit pension plan, financial statements alone cannot provide sufficient information to properly reflect the ongoing Plan perspective. The required supplementary information provides historical data and projected obligations that reflect the long-term nature of the Plan and trends over time, and includes:

- schedule of changes in the net pension liability and related ratios which contains the items contributing to the changes in the pension liability and Plan's net position. Ratios comparing the unfunded liability to the Plan's net position and covered-employee payroll are also provided;
- schedule of employer's contributions which contains a history of employer contributions made to the Plan;
- schedule of investment returns which contains a history of the Plan's investment performance on a money-weighted basis.

FINANCIAL ANALYSIS

The table below provides summary information about the Plan's fiduciary net position (in \$000's).

	JUNE 30,			2019-2018		2018-2017	
	2019	2018	2017	\$ Change	% Change	\$ Change	% Change
ASSETS							
Receivables	\$ 733	\$ 331	\$ 492	\$ 402	121.5%	\$ (161)	-32.7%
Due from broker	343	254	233	89	35.0%	21	9.0%
Investments, at Fair Value	246,746	229,336	204,767	17,410	7.6%	24,569	12.0%
TOTAL ASSETS	247,822	229,921	205,492	17,901	7.8%	24,429	11.9%
NET POSITION RESTRICTED FOR PENSIONS							
	\$ 247,822	\$ 229,921	\$ 205,492	\$ 17,901	7.8%	\$ 24,429	11.9%

Kaweah Delta Health Care District Employees' Retirement Plan Management Discussion and Analysis

The table below provides a summary of the changes in the Plan's net position during the years and reflects the activities of the Plan (in \$000's).

	YEARS ENDED JUNE 30,			2019-2018		2018-2017	
	2019	2018	2017	\$ Change	% Change	\$ Change	% Change
ADDITIONS							
Employer contributions	\$ 11,400	\$ 11,400	\$ 9,000	\$ -	0.0%	\$ 2,400	26.7%
Net investment income	20,001	25,925	24,285	(5,924)	-22.9%	1,640	6.8%
Total additions	31,401	37,325	33,285	(5,924)	-15.9%	4,040	12.1%
DEDUCTIONS							
Benefit payments	13,275	12,707	11,333	568	4.5%	1,374	12.1%
Administrative expenses	225	189	242	36	19.0%	(53)	-21.9%
Total deductions	13,500	12,896	11,575	604	4.7%	1,321	11.4%
Net increase in net position	17,901	24,429	21,710	(6,528)	-26.7%	2,719	12.5%
NET POSITION							
RESTRICTED FOR PENSIONS							
Beginning of year	229,921	205,492	183,782	24,429	11.9%	21,710	11.8%
End of year	\$ 247,822	\$ 229,921	\$ 205,492	\$ 17,901	7.8%	\$ 24,429	11.9%

The Plan's fiduciary net position and funded status may serve over time as a useful indication of the Plan's financial position. The Plan's fiduciary net position increased by 7.8% in 2019 compared to 2018, primarily due to net appreciation in the fair value of investments. As of June 30, 2019, \$247.8 million in fiduciary net position is held in trust for future pension benefits.

Investments – The investments of the Plan are governed by the “prudent investor rule.” The prudent investor rule, as set forth by state statute, establishes a standard for all fiduciaries, which includes anyone who has authority with respect to the fund.

During 2019, total investments measured at fair market value increased \$17.4 million, or 7.6%, from 2018. The overall return on total investments decreased from 12.7% in 2018 to 8.7% in 2019. The Plan's management compares the actual returns to published index benchmarks by category. The Plan's composite-weighted benchmark for 2019 was a return of 4.1% compared to the Plan's actual return of 8.7%. The Plan's composite-weighted benchmark for 2018 was 10.7% compared to the Plan's actual return of 12.7%.

The Plan invests funds for the long-term, anticipating both good and bad financial markets. Investments are diversified to reduce investment risk and mitigate the risk of underperforming the assumed actuarial rate of return. While for any particular year, market performance may not match the assumed actuarial rate of return, long-term returns are expected to be in line with the assumption based on the diversified nature of the portfolio.

Kaweah Delta Health Care District Employees' Retirement Plan Management Discussion and Analysis

Additions to fiduciary net position – The assets needed to fund retirement benefits are accumulated through employer contributions and earnings on investments (net of investment fees). Employer contributions remained the same at \$11.4 million in both 2019 and 2018, but increased \$2.4 million, or 26.7%, in 2018 from 2017. Net investment earnings decreased \$5.9 million, or 22.9%, in 2019 from 2018 but increased \$1.6 million, or 6.8%, in 2018 from 2017. Per the Plan's funding policy, for Plan years ending on or before June 30, 2016, the actuarially-determined contribution was calculated based upon the existing unfunded accrued liability amortized over 30 years. The District annually assesses the need to increase or decrease the contribution amount based upon the District's current and projected financial outlook. Beginning with the Plan year 2017, the District changed its funding policy to calculate contributions based on the existing unfunded accrued liability amortized over 15 years.

Deductions from fiduciary net position – The Plan was established to provide lifetime retirement annuities and survivor benefits to qualified members and their beneficiaries. Deductions from fiduciary net position include recurring monthly benefit payments, as designated by the Plan, and the cost of administering the Plan. Benefits payments increased \$568,000, or 4.5%, in 2019 from 2018 and increased \$1.4 million, or 12.1%, in 2018 from 2017, due to the annual cost of living adjustment received by participants and increasing participant retirements. Administrative expenses has remained relatively constant with an increase of \$36,000, or 19.0%, in 2019 from 2018, and a decrease of \$53,000, or 21.9%, in 2018 from 2017.

PLAN'S FIDUCIARY RESPONSIBILITIES

As a part of the District's annual budget process, the District's Board of Directors authorizes all contributions to the Plan. The Retirement Committee and the District's Board of Directors are fiduciaries of the Plan under the California Government Code. The assets of the Plan can only be used for the exclusive benefit of Plan members and their beneficiaries.

CONTACTING THE PLAN

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Kaweah Delta Health Care District Employees' Retirement Plan
Attn: Malinda Tupper, Chief Financial Officer
400 W. Mineral King Avenue
Visalia, California 93291

Financial Statements

**Kaweah Delta Health Care District
 Employees' Retirement Plan
 Statements of Fiduciary Net Position
 June 30, 2019 and 2018 (in \$000's)**

	<u>2019</u>	<u>2018</u>
ASSETS		
RECEIVABLES		
Accrued interest and dividends receivable	\$ 733	\$ 331
Due from broker	<u>343</u>	<u>254</u>
Total receivables	<u>1,076</u>	<u>585</u>
INVESTMENTS at fair value:		
Cash and cash equivalents	6,382	16,255
Fixed income investments	45,985	22,208
Alternative investments	35,301	11,783
Equities	<u>159,078</u>	<u>179,090</u>
Total investments	<u>246,746</u>	<u>229,336</u>
TOTAL ASSETS, NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 247,822</u>	<u>\$ 229,921</u>

**Kaweah Delta Health Care District
Employees' Retirement Plan
Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2019 and 2018 (in \$000's)**

	2019	2018
ADDITIONS		
Employer contributions	\$ 11,400	\$ 11,400
Investment income:		
Net increase in fair value of investments	15,757	24,250
Interest and dividend income	5,716	3,307
Investment expense	(1,472)	(1,632)
Net income from investing	20,001	25,925
Total additions	31,401	37,325
DEDUCTIONS		
Benefit payments	13,275	12,707
Administrative expenses	225	189
Total deductions	13,500	12,896
Net increase in net position	17,901	24,429
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of year	229,921	205,492
End of year	\$ 247,822	\$ 229,921

Kaweah Delta Health Care District Employees' Retirement Plan Notes to Financial Statements

NOTE 1 – DESCRIPTION OF PLAN

The Kaweah Delta Health Care District Employees' Retirement Plan (the "Plan") is a single-employer pension plan for certain employees of the Kaweah Delta Health Care District (the "District"). The following brief description is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

General – The Plan is a defined benefit pension plan established to provide benefits to participants upon retirement. To be eligible for participation, an employee must be an employee of the District and his or her most recent date of hire must be on or before December 31, 2002. The employee must have elected not to participate in the Kaweah Delta Health Care District Employees' Salary Deferral Plan special matching component and must not be a member of a collective bargaining agreement. The Plan is administered by a committee (the "Retirement Committee") comprised of a District board member, management, and Plan participants.

Effective January 1, 2003, the Plan was amended to provide participants of the Plan the option to cease participation in the Plan and become a participant of the Kaweah Delta Health Care District Employees' Salary Deferral Plan's special matching component. Employees who made this irrevocable election transferred all service credit to the new defined contribution plan. Their vested net assets under the Plan were frozen and will be kept in the trust until such participants reach retirement age. The amendment further provided that no new employees will be allowed to participate in the Plan as of January 1, 2003.

Effective June 30, 2011, the Plan was amended to suspend all accruals and otherwise freeze benefits under the Plan and participants were offered a one-time opportunity to convert sick-leave hours to years of credited service. The California Public Employees' Pension Reform Act of 2013 is not applicable since benefits under the Plan are frozen.

Vesting – A participant in the Plan will not vest until he or she has completed five years of employment. At that time, the employee will become 100% vested in their benefit.

All amounts allocated to a participant's account become fully vested in the event of death of the participant and may then be paid in full to a designated beneficiary.

Retirement benefits – The Plan provides for retirement benefits to participants who are eligible. Normal retirement age is 65. Those participants who were members of the California Public Employees Retirement System on June 30, 1984, may elect early retirement starting at age 50 provided they have completed at least five years of service. All other participants may elect early retirement provided they are at least 55 and have completed at least ten years of service. Benefits are paid in the form of monthly payments based on years of service and a defined maximum of average monthly compensation for the three fiscal years of highest earnings preceding the date of retirement. The amendment effective June 30, 2011, freezes credited years of service and freezes the compensation used for benefits to periods ending no later than June 30, 2011.

Participants receiving monthly benefits are entitled to a cost-of-living increase each July 1, which reflects the change in the Consumer Price Index for the year. The maximum amount of such increase is 2% per year.

**Kaweah Delta Health Care District
Employees' Retirement Plan
Notes to Financial Statements**

Plan membership – Plan membership consisted of the following number of participants as of the actuarial valuation dates. The actuarial valuation for fiscal year 2019 and 2018 is based on participant data as of June 30, 2018 and June 30, 2017, respectively. Update procedures were used to rollforward the total pension liability to each Plan year end measurement date.

	2019	2018
Active employees	747	784
Terminated vested	1,001	1,009
Retirees receiving benefits	763	730
 Total participants	 2,511	 2,523

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units, using the accrual method of accounting. Employer contributions are recognized as additions to Plan assets in the period they are appropriated by the District’s Board of Directors. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Investment valuation and income recognition – Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 7 for discussion of fair value measurements. Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. The net increase or decrease in fair value of investments consists of both realized gains or losses and unrealized appreciation and depreciation of Plan investments.

Payments of benefits – Benefit payments are recorded upon distribution.

Administrative expenses – All administrative costs are paid using the assets of the Plan. Certain administrative and accounting services are provided to the Plan by the District without charge.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Risk and uncertainties – Plan contributions are made and the total pension liability are reported based on certain assumptions pertaining to expected rates of returns on investments, interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

**Kaweah Delta Health Care District
 Employees' Retirement Plan
 Notes to Financial Statements**

NOTE 3 – PLAN TERMINATION

Although the District has expressed no intent to terminate the Plan agreement, it may do so upon the occurrence of any of the following:

- 1. Resolution of termination by the District;
- 2. The bankruptcy or receivership of the District; or
- 3. The dissolution or merger of the District unless a successor to the business agrees to continue the Plan by executing an appropriate agreement.

In the event the Plan terminates, the accrued benefits of all affected participants accrued to the date of such termination or partial termination shall fully vest and become nonforfeitable.

NOTE 4 – NET PENSION LIABILITY OF THE DISTRICT

The components of the net pension liability of the District as of June 30, 2019 and 2018 are as follows (in \$000's):

	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 279,067	\$ 270,819
Plan fiduciary net position	<u>247,822</u>	<u>229,921</u>
District's net pension liability	<u>\$ 31,245</u>	<u>\$ 40,898</u>
Plan fiduciary net position as a percentage of total pension liability	88.8%	84.9%

**Kaweah Delta Health Care District
Employees' Retirement Plan
Notes to Financial Statements**

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar over 15 years
Remaining amortization period	Rolling 15 years
Asset valuation method	Fair market value of assets
Actuarial assumptions:	
Investment rate of return	7.75%, net of pension plan expenses
Projected annual salary increases	N/A (due to benefit accrual freeze)
Cost-of-living adjustments	2%
Life expectancy of participants	The base table RP-2014 adjusted backward to 2006 with MP-2014 and projected forward using Scale MP-2018.
Age when 100% of participants retire	Age 65

The long-term expected rate of return on Plan investments was determined using an asset allocation study of the major asset classes to help determine a suitable strategic mix, given investment objectives and goals, risk tolerance and the investment time horizon. The underlying capital market and asset class assumptions are long-term assumptions used for comparative purposes. The following table includes the targeted approximate percentages determined as a part of the Plan's long-term asset allocation strategy, and the estimated long-term expected rates of return for each class:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1%	2.5%
Investment Grade Taxable Bonds	14%	3.2%
High Yield Taxable Bonds	3%	6.8%
US Large Cap	29%	8.9%
US Mid Cap	5%	9.8%
US Small Cap	10%	10.3%
International Developed Equity	8%	8.9%
International Emerging Market Equity	8%	11.5%
Global Public REITS	5%	8.7%
Commodities	2%	5.5%
Relative Value	3%	5.3%
Managed Futures	12%	5.1%
	<u>100%</u>	

**Kaweah Delta Health Care District
Employees' Retirement Plan
Notes to Financial Statements**

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at amounts equal to the annual actuarially-determined contributions, except that fiscal years 2020 through 2026 reflect planned expected contributions of \$11.4 million each year. Based on this assumption, the Plan's fiduciary net position was projected to be available to make substantially all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate at June 30, 2019: The following presents the District's net pension liability calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1- percentage-point higher (8.75%) than the current rate (in \$000's).

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's net pension liability	\$63,109	\$31,245	\$4,621

NOTE 5 – FUNDING POLICY

The actuarially determined contribution is intended to provide a systematic method for prefunding the liabilities for retirement benefits payable under the plan. The Kaweah Delta Health Care District Employees' Retirement Plan funding policy is to contribute an annual amount based upon the amount needed to amortize any unfunded net pension liability over 15 years, based on the actuarial valuation as of the beginning of the year. The net pension liability is determined using a discount rate based on the long-term expected return on the plan's assets. The expected return is consistent with Kaweah Delta Health Care District Employees' Retirement Plan investment policy. Kaweah will also annually assess the need to increase or decrease the contribution amount based on the plan and District's current and projected financial outlook. As a part of the District's annual budget process, the District's Board of Directors authorizes all contributions to the Plan.

The District contributed \$11.4 million in the years ended June 30, 2019 and 2018, respectively.

NOTE 6 – INVESTMENTS

The Plan follows GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which requires the Plan to disclose its deposit and investment policies related to investments with credit risk or deposits with custodial credit risk, the credit ratings and maturities of its investments (other than U.S. government obligations or obligations guaranteed by the U.S. government), and additional disclosures related to uninsured deposits.

**Kaweah Delta Health Care District
Employees' Retirement Plan
Notes to Financial Statements**

A summary of investments by investment type, with scheduled maturities at June 30, 2019, follows (in \$000's):

	Fair Value	Investment Maturities (in years)		
		Less than 1	1 - 5	More than 5
Fixed income investments:				
U.S. Treasury obligations	\$ 14,143	\$ 2,260	\$ 9,725	\$ 2,158
Federal agency obligations	980	70	765	145
Corporate obligations	17,268	1,226	13,114	2,928
Municipal obligations	65	65	-	-
Fixed income mutual funds	13,529	13,529	-	-
Fixed income investments	45,985	\$ 17,150	\$ 23,604	\$ 5,231
Cash and cash equivalents:				
Money market mutual fund	6,382			
Alternative investments	35,301			
Equity investments	159,078			
	\$ 246,746			

Investment activities of the Plan are governed by sections of the California Government Code, which allow any type of prudent investment. The Plan's investment policy is intended to assist the Retirement Committee (the "Committee") in prudently evaluating investment options and establishing an allocation strategy for the assets of the Plan. The objective of the Committee is to ensure the security of all accrued benefits. The Committee's asset allocation strategy is predicated on meeting its objective with a desire to effectively manage funded status volatility and mitigate undue risk exposure, taking into consideration performance expectations, risk tolerance and volatility, liquidity, and the Plan's time horizon. An analysis of Plan liabilities, projected liquidity needs and assets is used to determine the Plan's long-term investment strategy. The Committee intends to utilize a range of investment alternatives to achieve the return and risk objectives of the Plan. Asset classes utilized include, but are not limited to, those outlined in Note 4.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. Rebalancing reviews take place periodically, or at a frequency deemed appropriate by the Retirement Committee.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Substantially all of the Plan's investments in corporate obligations were rated investment grade as of June 30, 2019.

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment denominated in a foreign currency. The Plan's foreign currency risk exposure resides within the alternative investment holdings. The Plan does not hold any direct investments or instruments denominated in a foreign currency.

Kaweah Delta Health Care District

Employees' Retirement Plan

Notes to Financial Statements

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. As of June 30, 2019, there were no investments held with a single corporate or government agency issuer that exceeded 5% of the Plan's total investments (excluding investments issued by the U.S. government that are exempt from reporting).

There were no other concentrations of investments at or exceeding 5% of the Plan's fiduciary net position.

For the year ended June 30, 2019, the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was 8.7%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 7 – FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value within the fair value hierarchy are:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

**Kaweah Delta Health Care District
Employees' Retirement Plan
Notes to Financial Statements**

The following tables present the fair value measurements of assets recognized in the accompanying statements of fiduciary net position reported at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall (in \$000's):

Description	June 30, 2019			Balance
	Level 1	Level 2	Level 3	
Investments by fair value level				
Cash and cash equivalents	\$ 6,382	\$ -	\$ -	\$ 6,382
Fixed income investments				
Fixed Income mutual fund	13,529	-	-	13,529
U.S. Treasury obligations	-	14,143	-	14,143
Federal agency obligations	-	980	-	980
Corporate obligations	-	17,268	-	17,268
Municipal obligations	-	65	-	65
Total fixed income investments	<u>13,529</u>	<u>32,456</u>	<u>-</u>	<u>45,985</u>
Equity securities				
Domestic	132,916	-	-	132,916
International	25,162	-	-	25,162
Realty	1,000	-	-	1,000
Total equity securities	<u>159,078</u>	<u>-</u>	<u>-</u>	<u>159,078</u>
Total investments by fair value level	<u>\$ 178,989</u>	<u>\$ 32,456</u>	<u>\$ -</u>	211,445
Investments measured at net asset value (NAV)				
Alternative investments				<u>35,301</u>
Total investments measured at fair value				<u>\$ 246,746</u>

**Kaweah Delta Health Care District
Employees' Retirement Plan
Notes to Financial Statements**

Description	June 30, 2018			Balance
	Level 1	Level 2	Level 3	
Investments by fair value level				
Cash and cash equivalents	\$ 16,255	\$ -	\$ -	\$ 16,255
Fixed income investments				
Fixed Income mutual fund	142	-	-	142
U.S. Treasury obligations	-	6,435	-	6,435
Federal agency obligations	-	1,130	-	1,130
Corporate obligations	-	14,186	-	14,186
Municipal obligations	-	315	-	315
Total fixed income investments	142	22,066	-	22,208
Equity securities				
Domestic	129,137	-	-	129,137
International	49,130	-	-	49,130
Realty	823	-	-	823
Total equity securities	179,090	-	-	179,090
Total investments by fair value level	\$ 195,487	\$ 22,066	\$ -	217,553
Investments measured at net asset value (NAV)				
Alternative investments				11,783
Total investments measured at fair value				\$ 229,336

Description of classification and methods of valuation – Fixed income investments and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical securities. Fixed income investments classified in Level 2 of the fair value hierarchy are valued using other significant observable inputs such as quoted prices of similar securities, interest rates, prepayment spends, and credit risk among others.

**Kaweah Delta Health Care District
Employees' Retirement Plan
Notes to Financial Statements**

The Plan has investments in five alternative investment funds. The fair values of these investments have been determined using the net asset value (NAV) per share or its equivalent. Each fund invests all of its assets through a master-feeder structure into master funds that have the same objectives as the feeder funds. The master funds invest with funds of hedge funds and other experienced portfolio managers or otherwise utilize the services of investment advisors or other investment managers employing a variety of trading styles or strategies. The objectives of the alternative investments are to generate consistent long-term capital appreciation with low volatility and little correlation with the equity and bond markets and to provide a partial inflation hedge with an attractive risk/return profile as compared to other products using a commodity index and investments in numerous futures markets.

<u>Investments measured at NAV</u>	Fair Value (in \$000's) <u>June 30, 2019</u>	Unfunded Commitments	Redemption Frequency	Redemption Notice
Multi-strategy hedge fund	\$ 6,149	\$ -	Quarterly	95 days
Diversified multi-portfolio fund	6,127	-	Quarterly	35 days
Merger arbitrage fund	9,803	-	Quarterly	95 days
Focused technology fund	7,510	-	Quarterly	65 days
Diversified futures hedge fund	5,712	-	Monthly	35 days
	<u>\$ 35,301</u>	<u>\$ -</u>		

NOTE 8 – TAX STATUS

The District has received a favorable tax determination letter dated August 25, 2014, from the Internal Revenue Service that indicates that the Plan qualifies under Internal Revenue Code Section 401(a) and the related trust is exempt from federal income taxes. Although the Plan has been amended since receiving the determination letter, the Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Internal Revenue Code.

NOTE 9 – RELATED PARTY TRANSACTIONS

The Plan investments are managed by independent fund managers. First State Trust Company (the "Trustee") is the trustee as defined by the Plan and, therefore, qualifies as a related party.

Fees paid to the Trustee by the Plan and included in administrative expense on the statement of changes in fiduciary net position were \$91,000 and \$88,000 for the years ended June 30, 2019 and 2018, respectively.

The Trustee retains the float on certain contributions to be invested or uncashed benefit payments as part of the Trustee's compensation for services.

Required Supplementary Information

**Kaweah Delta Health Care District
Employees' Retirement Plan**

Schedule of Changes in Net Pension Liability and Related Ratios – in \$000's (Schedule 1)

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total pension liability						
Interest	\$ 20,386	\$ 19,997	\$ 19,275	\$ 17,721	\$ 17,147	\$ 16,843
Service cost-change in benefit terms in 2014	-	-	90	90	90	90
Changes of assumptions	(1,167)	5,445	(2,958)	11,818	347	332
Difference between expected and actual experience	2,304	842	5,563	-	677	264
Benefit payments	<u>(13,275)</u>	<u>(12,707)</u>	<u>(11,333)</u>	<u>(10,577)</u>	<u>(10,426)</u>	<u>(8,662)</u>
Net change in total pension liability	8,248	13,577	10,637	19,052	7,835	8,867
Total pension liability - beginning	<u>270,819</u>	<u>257,242</u>	<u>246,605</u>	<u>227,553</u>	<u>219,718</u>	<u>210,851</u>
Total pension liability - ending (a)	<u><u>\$ 279,067</u></u>	<u><u>\$ 270,819</u></u>	<u><u>\$ 257,242</u></u>	<u><u>\$ 246,605</u></u>	<u><u>\$ 227,553</u></u>	<u><u>\$ 219,718</u></u>
Plan fiduciary net position						
Contributions - employer	\$ 11,400	\$ 11,400	\$ 9,000	\$ 5,000	\$ 3,720	\$ 4,058
Net investment income (loss)	20,001	25,925	24,285	(1,142)	8,407	29,928
Benefit payments	(13,275)	(12,707)	(11,333)	(10,577)	(10,426)	(8,662)
Administrative expenses	<u>(225)</u>	<u>(189)</u>	<u>(242)</u>	<u>(284)</u>	<u>(320)</u>	<u>(267)</u>
Net change in plan fiduciary net position	17,901	24,429	21,710	(7,003)	1,381	25,057
Plan fiduciary net position-beginning	<u>229,921</u>	<u>205,492</u>	<u>183,782</u>	<u>190,785</u>	<u>189,404</u>	<u>164,347</u>
Plan fiduciary net position-ending (b)	<u><u>\$ 247,822</u></u>	<u><u>\$ 229,921</u></u>	<u><u>\$ 205,492</u></u>	<u><u>\$ 183,782</u></u>	<u><u>\$ 190,785</u></u>	<u><u>\$ 189,404</u></u>
District's net pension liability (a) - (b)	<u><u>\$ 31,245</u></u>	<u><u>\$ 40,898</u></u>	<u><u>\$ 51,750</u></u>	<u><u>\$ 62,823</u></u>	<u><u>\$ 36,768</u></u>	<u><u>\$ 30,314</u></u>
Plan fiduciary net position as a percentage of the total pension liability	88.8%	84.9%	79.9%	74.5%	83.8%	86.2%
Covered employee payroll and percentage	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

Changes in assumptions: In 2019, the decrement timing assumption was updated from beginning-of-year to middle-of-year and the mortality assumption was updated from MP-2017 to MP-2018. In 2018, the discount rate changed to 7.75% from 8% used in all prior years presented and the mortality assumption was updated to RP-2014 (adjusted backward to 2006 with MP-2014 and projected generationally using Scale MP-2017). In 2017, the mortality assumption was updated to RP-2014 (adjusted backward to 2006 with MP-2014 and projected generationally using Scale MP-2016). In 2016, the mortality assumption was updated to RP-2014 (adjusted backward to 2006 with MP-2014 and projected generationally using Scale BB-2D). In 2015, the mortality assumption was updated to the PPA Static 2015 tables from the PPA Static 2014 tables used in 2014.

Covered payroll: The Plan was amended to freeze benefits effective June 30, 2011 and covered payroll no longer applies.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Plan will present information for those years for which information is available.

**Kaweah Delta Health Care District
 Employees' Retirement Plan
 Schedule of Employer Contributions-in \$000's (Schedule 2)**

Year Ended June 30,	Actuarial Determined Contribution	Actual Contribution	Contribution Excess
2019	\$ 4,533	\$ 11,400	\$ 6,867
2018	5,818	11,400	5,582
2017	6,879	9,000	2,121
2016	3,224	5,000	1,776
2015	2,673	3,720	1,047
2014	3,972	4,058	86
2013	4,093	4,095	2
2012	2,233	2,235	2
2011	11,324	11,326	2
2010	12,910	12,911	1

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal. Prior to 2014, Projected unit credit method.
Amortization method	Level dollar
Remaining amortization period	Rolling 15 years. Prior to 2017, Rolling 30 years
Asset valuation method	Fair value
Salary increases	N/A since 2011 - due to benefit accrual freeze. 2010 to 2011 from 3% to 4%
Investment rate of return, net of expenses	7.75% for 2019 and 2018 contributions. 8% for 2017 and prior contributions.
Retirement age	Participants are assumed to retire at rates varying by age from 55 to 65.
Mortality	The 2019 contribution assumed mortality under the RP-2014 table projected using Scale MP-2017. The 2018 contribution assumed mortality under the RP-2014 table projected using Scale MP-2016. The 2017 contribution assumed mortality under the RP-2014 base table projected using Scale BB-2D. The 2016 contribution assumed mortality under the 2015 Static Annuitant and Non-Annuitant Mortality tables for males and females as shown in IRS Notice 2008-85. Updates to mortality tables were made in various prior years.
Cost of living adjustment	2%

Other information:

Covered employee payroll and contributions as a % are not presented since the Plan was frozen to benefit accruals since 2011.

**Kaweah Delta Health Care District
Employees' Retirement Plan
Schedule of Investment Returns (Schedule 3)**

<u>Years</u>	<u>Annual money-weighted rate of return, net of Plan expenses</u>
2019	8.7%
2018	12.7%
2017	13.2%
2016	-0.8%
2015	4.4%
2014	18.3%
2013	10.1%
2012	-1.4%
2011	25.4%
2010	11.2%



Communications with Those Charged with Governance

**Kaweah Delta Health Care District
Employees' Retirement Plan**

June 30, 2019

Communications with Those Charged with Governance

To the Audit Committee
Kaweah Delta Health Care District Employees' Retirement Plan

We have audited the financial statements and supplementary information of Kaweah Delta Health Care District Employees' Retirement Plan (the Plan) as of and for the year ended June 30, 2019, and have issued our report thereon dated December 20, 2019. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated October 31, 2019, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit in accordance with auditing standards generally accepted in the United States of America and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. We considered the Plan's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

You should understand that our audit is not specifically designed for and should not be relied upon to disclose matters affecting plan qualifications or compliance with the California government code and Internal Revenue Code requirements.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in the Public Retirement Systems Financial Transactions Report does not extend beyond the financial information identified in our report. We do not have an obligation to perform any procedures to corroborate other information contained in this report. However, we have read the information contained in the report and nothing came to our attention that caused us to believe that such information or its manner of presentation is materially inconsistent with the information or manner of its presentation appearing in the financial statements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in the engagement letter and planning discussions.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Plan are described in Note 2 to the financial statements.

No new accounting policies were adopted and there were no changes in the application of existing accounting policies during the year. We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transactions occurred.

Significant Accounting Estimates

Accounting estimates may be an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates may be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

Management used a single discount rate of 7.75% in the total pension liability calculation at June 30, 2019. The calculation assumes the District will make expected planned contributions of \$11.4 million each year from 2020 through 2026, and thereafter annually make the actuarially-determined contributions.

The calculation is also dependent upon the District's estimate that the pension plan assets will be invested using a strategy to achieve the assumed returns and cover expenses. A change in this discount rate would have a significant impact on the pension liability. We evaluated the key factors and assumptions used in determining that the projection supported using this rate and the rates were reasonable in relation to the financial statements taken as a whole.

Management updated the estimated mortality assumption to the scale recommended by the actuary for generational projection. The mortality assumption has a significant impact on the pension liability. We evaluated the assumption as reasonable.

Management estimated that the census data as of June 30, 2018 was reasonable for the actuary to use in projecting the pension liability to the measurement date of June 30, 2019. We evaluated the estimate as reasonable.

Management's estimate of the fair value of the alternative investments was based on the Net Asset Value (NAV) of the funds. The Plan invests in five alternative investments, which are valued by an independent administrator of the alternative investment funds using the monthly capital (NAV) statements from the master funds in which each alternative investments fund invests in. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.

Management estimated that all Active Transfer participants (those electing out of the Plan in 2003) were fully vested for the actuarial liability valuation. We evaluated this assumption in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

The disclosures in the financial statements are consistent, clear, and understandable. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

The most sensitive disclosures affecting the financial statements were:

- Disclosure in Note 1 of the frozen future benefit accruals.
- Disclosure in Note 4 of the net pension liability, rates of return and sensitivity of the net pension liability to changes in the discount rate.
- Disclosure in Note 6 of investment credit risk. Management disclosed that substantially all Plan investments in corporate obligations were rated investment grade.
- Disclosure in Note 6 of the money-weighted rate of return.
- Disclosure in Note 4 and in Note 6 of the plan investment strategy and asset allocation.

Significant Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all factual and judgmental misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

We did not note any material corrected or uncorrected misstatements in the course of the engagement.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 20, 2019.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Plan's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Plan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This communication is intended solely for the information and use of management, the Audit Committee, Retirement Committee, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

We were pleased to serve and be associated with the Plan as the independent auditors for 2019. We provide the above information to assist you in performing your oversight responsibilities.

Moss Adams LLP

Stockton, California
December 20, 2019



*Communications with
Those Charged with Governance*

**Kaweah Delta Health Care District Employees'
Salary Deferral Plan**

December 31, 2018

Communications with Those Charged with Governance

To the Audit Committee
Kaweah Delta Health Care District Employees' Salary Deferral Plan

We have audited the financial statements and supplementary information of Kaweah Delta Health Care District Employees' Salary Deferral Plan [(the Plan) as of and for the year ended December 31, 2018 and have issued our report thereon dated April 8, 2020. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit in accordance with auditing standards generally accepted in the United States of America and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. We considered the Plan's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

You should understand that our audit is not specifically designed for and should not be relied upon to disclose matters affecting plan qualifications or compliance with the Internal Revenue Code requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in the engagement letter and planning discussions with the Audit Committee.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Plan are described in Note 1 to the financial statements.

No new accounting policies were adopted and there were no changes in the application of existing accounting policies during the year. We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transactions occurred.

Significant Accounting Estimates

Accounting estimates may be an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates may be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Significant accounting estimates are not commonly inherent in a defined contribution plan for investments that are readily marketable.

The most sensitive estimate affecting the financial statements was:

Management assessed that the group fixed annuity contract was substantially nonparticipating, and thus it was valued at contract value as a cost-based measurement.

Financial Statement Disclosures

The disclosures in the financial statements are consistent, clear, and understandable. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

The most sensitive disclosures affecting the financial statements were:

Disclosure of the terms of the group fixed annuity contract in Note 5 to the financial statements, including the description of contract value and the terms for discontinuance or termination.

Disclosure of subsequent events, consisting of amendments to the Plan and the coronavirus outbreak and its effect on investments.

Significant Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all factual and judgmental misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Corrected Misstatements: None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

We did not note any material uncorrected misstatements in the course of the engagement.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 8, 2020.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Plan's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Plan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This communication is intended solely for the information and use of management, the audit committee, others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties



Stockton, California
April 8, 2020



MOSSADAMS



*Report of Independent Auditors and
Financial Statements with
Supplementary Information*

**Kaweah Delta Health Care District
Employees' Salary Deferral Plan**

December 31, 2018 and 2017



MOSSADAMS

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Report of Independent Auditors

To the Plan Administrator of
Kaweah Delta Health Care District Employees' Salary Deferral Plan

Report on the Financial Statements

We have audited the accompanying financial statements of Kaweah Delta Health Care District Employees' Salary Deferral Plan (the Plan), which comprise the statements of fiduciary net position as of December 31, 2018 and 2017, and the related statement of changes in fiduciary net position for the year ended December 31, 2018, and the related notes to the financial statements.

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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Plan'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 Plan's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of December 31, 2018 and 2017, and the changes in fiduciary net position for the year ended December 31, 2018, in accordance with accounting principles generally accepted in the United States of America.

Other Matter - Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of assets as of December 31, 2018, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Matter – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 7 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 or provide any assurance.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Stockton, California
April 8, 2020

Management Discussion and Analysis

Kaweah Delta Health Care District Employees' Salary Deferral Plan Management Discussion and Analysis

Kaweah Delta Health Care District's (the District) discussion and analysis of the financial activities of the Kaweah Delta Health Care District Employees' Salary Deferral Plan (the Plan) is designed to assist the reader in focusing on significant financial issues, provide an overview of the Plan's financial activity, and identify changes in the Plan's financial position for the years ended December 31, 2018 and 2017. Please read it in conjunction with the audited financial statements and supplementary information in this report.

Financial Highlights

- Fiduciary net position totaled \$212.9 million at December 31, 2018, an increase of \$10.4 million, or 5.1%, from December 31, 2017. Fiduciary net position increased by \$36.3 million, or 21.8%, to \$202.5 million at December 31, 2017 from December 31, 2016.
- The increase to the Plan's 2018 net assets of \$10.4 million consists of total Plan additions of \$19.5 million, offset by total Plan deductions of \$9.1 million. The increase in the Plan's 2017 net assets of \$36.3 million consists of total Plan additions of \$45.0 million, as offset by total Plan deductions of \$8.7 million. Total plan additions include employee and employer contributions, interest and dividends, appreciation or depreciation in the fair value of investments and investment expenses. Total Plan deductions include benefits paid to participants and administrative expenses. Total Plan additions decreased in 2018 from 2017 due mainly to the investment performance of the Plan assets in 2018.
- Benefits paid to participants, which include amounts directly paid to participants and/or beneficiaries (including direct rollovers), certain deemed distributions of participant loans and other distributions, totaled \$8.9 million at December 31, 2018, for an increase of \$164,000, or 1.9%, from December 31, 2017. The increase in benefits paid to participants was partially attributable to the number of distributions made to long-term participant retirees.

The Plan continues to retain an investment consultant to identify opportunities to improve investment returns. The consultant performs plan design review, investment research, investment performance evaluation, and other related services.

Overview of the Financial Statements – The following Management's Discussion and Analysis is intended to serve as an introduction to the Plan's financial statements. The basic financial statements are:

- Statements of fiduciary net position
- Statement of changes in fiduciary net position
- Notes to financial statements

This report also contains supplemental information to the basic financial statements which provides a schedule of assets held at year end.

The basic financial statements contained in this report are described below:

- Statements of fiduciary net position is a point in time snapshot of account balances at year-end. It reports the assets available for future payments to participants, and any current liabilities that are owed as of the statement date. The resulting net position value [assets less liabilities equals the net assets] represents the value of net assets held in trust for pension benefits.

Kaweah Delta Health Care District Employees' Salary Deferral Plan Management Discussion and Analysis

- Statement of changes in fiduciary net position displays the effect of Plan fund transactions that occurred during the Plan year [additions less deductions equals the net increase (decrease) in fiduciary net position]. This net increase (decrease) in fiduciary net position reflects the change in the net assets value of Plan net position from the prior year to the current year. Both statements are in compliance with Governmental Accounting Standards Board (GASB) pronouncements.
- Notes to financial statements are an integral part of the financial statements and provide additional information that is essential for a comprehensive understanding of the data provided in the financial statements. These notes describe the accounting and administrative policies under which the Plan operates, and provide additional levels of detail for selected financial statement items.

Financial Analysis

The condensed Plan statements of fiduciary net position as compared to prior years are as follows (in thousands):

	Year Ended December 31,		
	2018	2017	2016
ASSETS			
Investments	\$ 199,453	\$ 191,348	\$ 155,742
Receivables	13,473	11,170	10,485
NET POSITION AVAILABLE FOR BENEFITS	<u><u>\$ 212,926</u></u>	<u><u>\$ 202,518</u></u>	<u><u>\$ 166,227</u></u>

Kaweah Delta Health Care District Employees' Salary Deferral Plan Management Discussion and Analysis

The condensed statements of changes in the Plan's fiduciary net position as compared to prior year are as follows (in thousands):

	December 31,	
	2018	2017
ADDITIONS TO NET POSITION ATTRIBUTED TO		
Investment (loss) income	\$ (5,686)	\$ 23,227
Interest income on notes receivable from participants	271	258
Contributions		
Participant	14,946	12,512
Employer	8,654	6,993
Rollovers	1,314	2,037
	<u>24,914</u>	<u>21,542</u>
Total additions	<u>19,499</u>	<u>45,027</u>
DEDUCTIONS FROM NET POSITION ATTRIBUTED TO		
Benefits paid to participants	8,907	8,743
Administrative expenses	184	(7)
	<u>9,091</u>	<u>8,736</u>
Total deductions	<u>9,091</u>	<u>8,736</u>
CHANGE IN NET POSITION	10,408	36,291
NET POSITION AVAILABLE FOR BENEFITS		
Beginning of year	<u>202,518</u>	<u>166,227</u>
End of year	<u>\$ 212,926</u>	<u>\$ 202,518</u>

Fiduciary Net Position increased \$10.4 million, or 5.1%, in 2018. This increase is attributable to contributions net of benefits paid, offset by negative market conditions generating an overall investment loss. Net position available for benefits increased \$36.3 million, or 21.8%, in 2017. This increase is attributable to contributions net of benefits paid, with overall investment income from positive market conditions in the investment market.

Investment (loss) income The Plan had an investment loss of \$5.7 million in 2018 compared to investment income of \$23.2 million in 2017. The stock market is the principal investment forum utilized by the Plan for participant-directed investments and market performance has a considerable impact on investment returns. The 2018 investment losses reflected the significant decline in equity markets in late 2018, while the 2017 market returns were moderate to strong. With the help of the Plan's investment consultant, investment performance continues to be carefully monitored and fund replacements are made, when appropriate.

Participant Contributions continued to follow an upward trend with an increase in employee deferrals of \$2.4 million, or 19.5%, in 2018 from 2017 levels. The increase is attributable to an increase in participation rate of 1%, to 60% in 2018 from 59% in 2017, as well as an increase in average deferral percent of 7.1% in 2018 as compared to 6.8% in 2017.

Kaweah Delta Health Care District Employees' Salary Deferral Plan Management Discussion and Analysis

Employer Contributions increased \$1.7 million, or 23.8%, in 2018 from 2017 levels. The increase is primarily attributable to a 34.1% increase in participants with an excess of 11 years of service in 2018 as compared to 2017, which is matched at the higher rates allowed under the Plan.

Benefits Paid to Participants and Beneficiaries increased slightly in 2018 over 2017, continuing an upward trend due, in part, to long-term participant retirees.

Contacting the Plan

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Kaweah Delta Health Care District Employees' Retirement Plan
Attn: Dianne Cox, VP of Human Resource
400 W. Mineral King Avenue
Visalia, California 93291

Financial Statements

Kaweah Delta Health Care District Employees' Salary Deferral Plan
Statements of Fiduciary Net Position
December 31, 2018 and 2017 (in thousands)

	<u>2018</u>	<u>2017</u>
ASSETS		
Investments		
Mutual funds	\$ 140,875	\$ 137,989
Self-directed brokerage accounts	971	545
Other	<u>704</u>	<u>772</u>
Investments at fair value	142,550	139,306
Group fixed annuity contract, at contract value	<u>56,903</u>	<u>52,042</u>
Total investments	199,453	191,348
Receivables		
Notes receivable from participants	4,616	3,903
Employer contributions	<u>8,857</u>	<u>7,267</u>
Total receivables	<u>13,473</u>	<u>11,170</u>
TOTAL ASSETS	<u>212,926</u>	<u>202,518</u>
NET POSITION AVAILABLE FOR BENEFITS	<u>\$ 212,926</u>	<u>\$ 202,518</u>

Kaweah Delta Health Care District Employees' Salary Deferral Plan
Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2018 (in thousands)

ADDITIONS TO NET POSITION ATTRIBUTED TO

Investment loss	
Net depreciation in fair value of investments	\$ (15,081)
Interest	1,625
Dividends	7,886
	(5,570)
Less investment expenses	(116)
	(5,686)
Interest income on notes receivable from participants	271
	271
Contributions	
Participant	14,946
Employer	8,654
Rollovers	1,314
	24,914
Total additions	19,499

DEDUCTIONS FROM NET POSITION ATTRIBUTED TO

Benefits paid to participants	8,907
Administrative expenses	184
	9,091
Total deductions	9,091

CHANGE IN FIDUCIARY NET POSITION 10,408

FIDUCIARY NET POSITION

Beginning of year	202,518
	202,518
End of year	\$ 212,926
	212,926

Kaweah Delta Health Care District Employees' Salary Deferral Plan

Notes to Financial Statements

NOTE 1 – DESCRIPTION OF PLAN

The following description of the Kaweah Delta Health Care District Employees' Salary Deferral Plan (the Plan) provides only general information. Participants should refer to the Plan Agreement, as amended, for a more complete description of Plan provisions.

General – The Plan, established July 1, 1984, is a single employer 401(k) salary deferral defined contribution plan covering substantially all employees of Kaweah Delta Health Care District (the District). The District is the Plan's sponsor and serves as plan administrator. The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) as the District is a governmental agency. At December 31, 2018, the Plan covered 2,904 active participants.

Eligibility – There is no minimum age or service requirement for participation in the Plan. If an employee elects to participate in the Plan, the date of entry is the first day of the payroll period. Participants must complete at least 1,000 hours of service during the Plan year, and be employed as of the last day of the Plan year, to be eligible to receive any employer paid match contributions.

Contributions

Participant contributions – Each year, participants may defer any amount of pretax annual compensation, as defined in the Plan, up to regulatory limits. Participants can change or terminate a deferral election on a prospective basis as of each payroll period. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans, as defined in the Plan.

Employer match contributions – The District may elect to make discretionary matching contributions to the Plan. The employer match is based on the Plan year and includes defined compensation earned during the entire plan year even while an individual is not a participant in the Plan. The District matches 100% of employee contributions, up to the percentage of eligible compensation deferred to the Plan based upon years of service as shown in the below table:

Years of Service	Tiered match formula
Less than 1	0%
1-2	100% up to 3% of Plan Compensation
3-5	100% up to 4% of Plan Compensation
6-10	100% up to 5% of Plan Compensation
11 or more	100% up to 6% of Plan Compensation

Participant accounts – Each participant's account is credited with the participant's contributions and District discretionary contributions, if any, and Plan earnings or losses. Plan earnings and losses are allocated based on participant investment choices. Participant accounts are charged with an allocation of administrative expenses that are paid by the Plan, or based on specific participant transactions as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. Participants direct the investment of their account into various investment options offered by the Plan.

Kaweah Delta Health Care District Employees' Salary Deferral Plan

Notes to Financial Statements

Vesting – Participants are vested immediately in their contributions plus actual earnings thereon. Vesting in the District's contribution portion of their accounts is based on years of continuous service. A participant is fully vested after five years of credited service or in the event of death. For participants with a break in service, only vesting service earned after the participant's reemployment commencement date shall be counted when determining the participant's vested percentage. (See Note 9 for subsequent amendment). The District has included prior service with certain predecessor employers.

Notes receivable from participants – Under the terms of the Plan agreement, loans are provided under a separate written loan policy. Loans are initiated through the Lincoln Alliance program only and serviced by Lincoln Retirement Services Company, LLC (LRSC). Participants may borrow a minimum of \$1,000 from their deferral and rollover accounts. The loans are secured by the balance in the participant's account. Participants may have a maximum of two (2) loans with a minimum payment period of thirty-six (36) months. Nonresidential loans have a maximum payment period of five (5) years and residential loans have a maximum payment period of twenty (20) years. Under the terms of the loan policy, a participant with an outstanding loan may suspend loan payments for up to twelve (12) months for any period during which the participant is on an unpaid leave of absence, or on paid leave of absence if the participant's rate of pay during the paid leave of absence is less than the loan repayment amount. The interest rate on plan loans is based on the quarterly prime interest plus one percent (1%). As of December 31, 2018, the rates of interest on outstanding loans ranged from 4.25% - 7.0% with various maturities through August 2038.

Payment of benefits – On termination of service or death, disability, or retirement, a participant may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account, a partial lump-sum, or installments over a specified period not to exceed the life or life expectancy of the participant and a designated beneficiary. A participant who terminates employment with a vested interest in his or her account of \$5,000 or less will receive an involuntary lump-sum distribution; absent an election by the participant, the Plan will make the distribution as an automatic rollover to an individual retirement account. Participants are allowed to receive in-service distributions for financial hardship, attainment of age 59-1/2 or if a qualified reservist, subject to a \$1,000 minimum, as defined in the Plan.

Forfeitures – Forfeitures are the nonvested portion of a participant's account that is lost upon termination of employment. Forfeitures are retained in the Plan and may be used by the District to reduce the matching contribution or pay administrative fees. The amount of unallocated forfeitures as of December 31, 2018 and 2017 amounted to \$112,750 and \$218,321, respectively. For the year ended December 31, 2018, District matching contributions were reduced by \$203,183 from forfeited nonvested accounts and \$30,846 was used for payment of administrative expenses.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units, using the accrual method of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that may affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Kaweah Delta Health Care District Employees' Salary Deferral Plan

Notes to Financial Statements

Investment valuation – Investments of the Plan are reported at fair value, except for the group fixed annuity contract, which is reported at contract value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability (the “exit price”) in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

The group fixed annuity contract is valued at contract value as a cost-based measurement, as the contract is substantially nonparticipating. Contract value is the amount participants normally would receive if they were to initiate permitted transactions under the terms of the Plan. See Note 5.

Income recognition – Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded on the accrual basis. The net appreciation or depreciation in fair value of investments consists of both the realized gains and losses and unrealized appreciation and depreciation of those investments.

Notes receivable from participants – Notes receivable from participants are measured at amortized cost, which represents unpaid principal balance plus accrued but unpaid interest. Delinquent notes receivable from participants are reclassified as distributions. No allowance for credit losses has been recorded as of December 31, 2018 or 2017.

Payment of benefits – Benefits are recorded when paid.

Expenses – Certain expenses of maintaining the Plan are paid directly by the District and are excluded from these financial statements. Fees related to the administration of notes receivable from participants are charged directly to the participant’s account and are included in administrative expenses. Investment related expenses are included in net appreciation or depreciation in fair value of investments.

Revenue sharing – The Plan has a revenue sharing arrangement with its recordkeeper, LRSC, in which certain revenue earned by LRSC from the Plan investments, is used to offset LRSC recordkeeping expenses and the excess revenue is allocated to participants. Total revenue sharing in 2018 was \$7,020 and is netted in administrative expenses on the statement of changes in fiduciary net position.

NOTE 3 – INVESTMENTS

Investment securities are exposed to various risks that can affect the value of the Plan investments such as custodial credit risk, foreign currency risk, interest rate risk, credit risk, and concentration risk.

Custodial credit risk – Custodial credit risk is the risk that in the event of a failure by the counterparty, the Plan will not be able to recover the value of its investments that are in the possession of an outside party. The Plan policies do not specifically address custodial credit risk, but all the Plan’s investments are insured or registered, or held by the Plan or its agent in the Plan’s name.

Foreign currency risk – Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment denominated in a foreign currency. The Plan’s foreign currency risk exposure resides within the international mutual fund holdings. The Plan does not hold any direct investments or instruments denominated in a foreign currency.

Kaweah Delta Health Care District Employees' Salary Deferral Plan

Notes to Financial Statements

Interest rate risk and credit risk – The Plan does not hold any direct investments in fixed income securities.

Concentration risk – Investments representing 5% or more of total investments consist of the following as of December 31 (in thousands):

	2018	2017
Mutual funds		
MFS Growth Fund	\$ 24,382	\$ 26,730
Invesco Diversified Dividend Fund	\$ 14,783	\$ 17,218
PGIM Total Return Bond Fund	\$ 15,150	\$ 13,155
American Funds Fundamental Investors	\$ 10,046	\$ 11,240
American Funds EuroPacific Growth Fund	*	\$ 15,151
Group fixed annuity contract		
Lincoln National Life Insurance Co	\$ 56,903	\$ 52,042
Self-directed brokerage accounts	*	*
Other	*	*

* Balance not 5% or more of total investments at year-end.

The Plan has an investment policy statement that provides guidance for selection, monitoring, and evaluation of the investment options for the Plan. The policy is designed to provide flexibility for participants to make prudent investment decisions based on their individual needs, in order to address the various types of investment risk described above.

NOTE 4 – FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a 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) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities the plan has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Kaweah Delta Health Care District Employees' Salary Deferral Plan Notes to Financial Statements

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation techniques used for assets measured at fair value. There have been no changes in the techniques used at December 31, 2018 and 2017.

Mutual funds (registered investment companies) – Valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the Plan are deemed to be actively traded. Mutual funds held by the Plan are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission.

Self-directed brokerage accounts – Accounts primarily consist of mutual funds or common stocks that are valued on the basis of readily determinable market prices.

The valuation methods used by the Plan may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table discloses the fair value hierarchy of the Plan's assets by level as of December 31, 2018 and 2017 (in thousands):

	Fair Value Measurement at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 140,875	\$ -	\$ -	\$ 140,875
Self-directed brokerage accounts - common stocks and mutual funds	971	-	-	971
Other	704	-	-	704
Total assets in the fair value hierarchy	<u>\$ 142,550</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 142,550</u>

	Fair Value Measurement at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 137,989	\$ -	\$ -	\$ 137,989
Self-directed brokerage accounts - common stocks and mutual funds	545	-	-	545
Other	772	-	-	772
Total assets in the fair value hierarchy	<u>\$ 139,306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,306</u>

Kaweah Delta Health Care District Employees' Salary Deferral Plan

Notes to Financial Statements

NOTE 5 – GROUP FIXED ANNUITY CONTRACT WITH INSURANCE COMPANY

In 2003, the Plan entered into an unallocated group fixed annuity contract with Lincoln National Life Insurance Co. (Lincoln). Lincoln maintains the contributions in its general account. The account is credited with earnings on the accumulated balance and charged for participant withdrawals and administrative expenses. The contract issuer is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan. The crediting rate is established by the contract issuer but may not be less than 3%. The crediting rate is declared quarterly; contributions received in any quarter will earn interest at the declared rate for that quarter and the next three quarters. When contributions are beyond the initial four-quarter period, they will earn interest at a portfolio rate each quarter established by the contract issuer.

The contract is reported at contract value by Lincoln. Contract value is the amount received by participants if they were to initiate permitted transactions under the terms of the Plan. Contract value, as reported to the Plan by Lincoln, represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value; there is a 20% restriction on the amount that can be transferred from this investment option in a 12-month period.

The Plan's ability to receive amounts due is dependent on the issuer's ability to meet its financial obligations, which may be affected by future economic and regulatory developments.

The contract does not permit Lincoln to terminate the agreement except if the Plan fails to qualify as exempt under the tax code. Lincoln may prohibit new participants under the contract if Lincoln discontinues offering this type of contract. The Plan can elect to discontinue the contract with a 3 month written notice. Upon contract discontinuance, amounts may be withdrawn subject to a market value adjustment or according to a withdrawal schedule over 5 years with defined adjustments to the interest rate over that period. No events are probable of occurring that might limit the Plan's ability to transact at contract value with the contract issuer and that also would limit the ability of the Plan to transact at contract value with the participants.

NOTE 6 – TAX STATUS

The Plan document is a volume submitter governmental defined contribution plan that received a favorable opinion letter from the Internal Revenue Service on March 31, 2014, which stated that the plan, as then designed, was in accordance with applicable sections of the Internal Revenue Code (IRC). Although the Plan has been amended since the date of the opinion letter, the Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

NOTE 7 – RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market volatility, and credit risks. It is reasonably possible, given the level of risk associated with investment securities, that changes in the values of the investments in the near term could materially affect a participant's account balance and the amounts reported in the statement of fiduciary net position.

Kaweah Delta Health Care District Employees' Salary Deferral Plan

Notes to Financial Statements

NOTE 8 – PLAN TERMINATION

Although it has not expressed any intent to do so, the District, by duly adopted resolution, has the right to terminate the Plan and discontinue its contributions at any time. If the Plan is terminated, amounts allocated to a participant's account become fully vested.

NOTE 9 – SUBSEQUENT EVENTS

The Plan was amended effective January 1, 2019 to modify years of service with respect to breaks in service for vesting. Employees employed on or after January 1, 2019 will be credited with vesting years of service earned from their employment commencement date.

The Plan was amended effective January 1, 2020 to change the definition of eligible compensation for the employer match contribution, to remove the \$1,000 minimum on in-service distributions, and to remove any loan requirements and the six-month suspension of deferrals for hardship withdrawals.

Subsequent to December 31, 2019, the World Health Organization declared the novel coronavirus outbreak a public health emergency. The outbreak has disrupted economic markets and the Plan has experienced a significant decline in the fair value of its investments. The duration and economic impact of the outbreak is uncertain.

Supplementary Information

Kaweah Delta Health Care District Employees' Salary Deferral Plan
Schedule of Assets
December 31, 2018 (in thousands)

Identity of Issue, Borrower, Lessor, or Similar Party	Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	Current Value
Oppenheimer Developing Markets Fund	Mutual fund	\$ 4,292
American Funds EuroPacific Growth Fund	Mutual fund	8,869
American Funds Fundamental Investors	Mutual fund	10,046
Janus Henderson Triton Fund	Mutual fund	4,506
American Funds American Balanced Fund	Mutual fund	2,390
PIMCO StocksPLUS Small Fund	Mutual fund	683
PIMCO Income Fund	Mutual fund	5,924
JPMorgan Small Cap Value Fund	Mutual fund	2,493
MFS Growth Fund	Mutual fund	24,382
Invesco Diversified Dividend Fund	Mutual fund	14,783
PGIM Total Return Bond Fund	Mutual fund	15,150
PIMCO StocksPLUS Absolute Return Fund	Mutual fund	5,270
PIMCO StocksPLUS International Fund (Unhedged)	Mutual fund	2,973
American Century Mid Cap Value Fund	Mutual fund	5,963
Janus Henderson Enterprise Fund	Mutual fund	5,781
Fidelity 500 Index Fund	Mutual fund	7,379
Fidelity Mid Cap Index Fund	Mutual fund	1,882
Fidelity Small Cap Index Fund	Mutual fund	1,265
Fidelity U.S. Bond Index Fund	Mutual fund	4,580
Fidelity Inflation-Protected Bond Index Fund	Mutual fund	4,135
Fidelity International Index Fund	Mutual fund	3,073
Fidelity Real Estate Index Fund	Mutual fund	5,056
Total mutual funds		140,875
TD Ameritrade Brokerage Account	Common stocks and mutual funds	971
Lincoln National Life Insurance Co	Group Fixed Annuity Contract	56,903
Other (Multi-fund accounts)		704
Total investments		199,453
Participant loans	Interest rates range from 4.25% to 7.0%, maturing through August 2038	4,616
Employer contributions receivables		8,857
		<u>\$ 212,926</u>



MOSSADAMS



COMPLIANCE PROGRAM ACTIVITY REPORT – Open Meeting
Ben Cripps, Chief Compliance Officer
February 2020 through April 2020

EDUCATION

Live Presentations by Compliance Department –

- Compliance and Patient Privacy – New Hire Orientation
- Compliance and Patient Privacy – Management Orientation
- Compliance and Patient Privacy – Interpreter Services

Written Communications sent from Compliance Department – Bulletin Board / All Staff Communication

- Compliance Matters Article – “Code of Conduct and Ethics”
- District Urgent Email – Use of Social Media and Contact with Media
- District Urgent Email – Patient / Visitor Virtual Visitations – FaceTime and Live Streaming Technologies
- Leadership Team – Work from Home – COVID-19

PREVENTION AND DETECTION

- **California Department of Public Health (CDPH) All Facility Letters (AFL)** – Review and distribute AFL’s to areas potentially affected by regulatory changes; department responses reviewed and tracked to address the regulatory change and identify potential current/future risk
- **Medicare and Medi-Cal Monthly Bulletins** – Review and distribute bulletins to areas potentially affected by the regulatory change; department responses reviewed and tracked to address the regulatory change and identify potential current/future risk
- **Office of Inspector General (OIG) Monthly Audit Plan Updates** – Review and distribute OIG Audit Plan issues to areas potentially affected by audit issue; department responses reviewed and tracked to identify potential current/future risk
- **California State Senate and Assembly Bill Updates** – Review and distribute legislative updates to areas potentially affected by new or changed bill; department responses reviewed and tracked to address regulatory change and identify potential current/future risk
- **Patient Privacy Walkthrough** – Monthly observations of privacy practices throughout Kaweah Delta; issues identified communicated to area Management for follow-up and education
- **User Access Privacy Audits** – Daily monitoring of user access to identify potential privacy violations
- **Office of Inspector General (OIG) Exclusion Attestations** – Quarterly monitoring of department OIG Exclusion List review and attestations
- **Medicare PEPPER Report Analysis** – Quarterly review of Medicare Inpatient Rehabilitation, Hospice, Mental Health, and Acute Inpatient PEPPER statistical reports to identify outlier and/or areas of risk; evaluate with Kaweah Delta leadership quarterly at PEPPER Review meeting

OVERSIGHT, RESEARCH & CONSULTATION

- **Fair Market Value (FMV) Oversight** – Ongoing oversight and administration of physician payment rate setting and contracting activities including Physician Recruitment, Medical Directors, Call Contracts, and Exclusive and Non-Exclusive Provider Contracts
- **Medicare Recovery Audit Contractor (RAC) and Medicare Probe Audit Activity** – Records preparation, tracking, appeal timelines, and reporting
- **Licensing Applications** – Forms preparation and submission of licensing application to the California Department of Public Health (CDPH); ongoing communication and follow-up regarding status of pending applications
- **Federally Qualified Health Center (FQHC)** – Participation in current and future state planning/working sessions; ongoing regulatory counsel and support, evaluating impact and identifying risk mitigation strategies; policy manual review in progress
- **KD Hub Non-Employee User Access** – Oversight and administration of non-employee user onboarding, privacy education, and user profile tracking; evaluate, document, and respond to requests for additional system access; on-going management of approximately 950 non-employee KD Hub users; the annual renewal process with the new Compliance 360 workflow is currently in process
- **Street Medicine Program** – Research and consultation; participation in current and future state planning/working sessions; ongoing regulatory counsel and support, evaluating impact and identifying risk mitigation strategies; recommendations provided for the collection and maintenance of appropriate patient documentation and policy manual
- **Radiation Oncology Supervision** – Research and consultation; support provided to Radiation Oncology Leadership on guidance regarding appropriate direct physician or non-physician practitioner supervision of Radiation Therapy in an Outpatient Hospital Department; review, consultation of CMS regulatory guidelines
- **Employee Health Access Report** – Research and consultation; support provided to Employee Health Services in providing a FairWarning chart audit.
- **Physician Specialty and Consultation** – Research and investigation; review and investigation completed into concerns regarding a Call Coverage Agreement and coverage obligations; analysis completed, meeting held with physicians and Executive Leadership to discuss the findings; call coverage obligations and expectations clarified with the physicians in question
- **Diagnosis Related Group (DRG) Change Progress** – Research and consultation; participation in streamlining the process for DRG changes identified by Clinical Documentation Improvement (CDI); multi-disciplinary team included Compliance, Health Information Management (HIM), CDI, and Patient Accounting; changes resulted in a significant reduction in accounts pending in the HIM coding queue
- **Remote Access Agreement** – Consultation and Oversight; in immediate response to the COVID-19 pandemic, Compliance drafted a Remote Access Agreement outlining guidelines for remote employees (work from home) to prevent inappropriate disclosures of protected health information; signed Agreements were reviewed, approved, and maintained by the Compliance Department
- **Assembly Bill 1000** – Research and consultation; clarification of regulatory guidance concerning Physical Therapy billing at Kaweah Delta Medical Foundation; payer notified of the findings; KDMF will pursue full collection of PT claims
- **Telehealth** – Research and consultation; participated as a member of a multi-disciplinary team to implement Telehealth (virtual) visits; worked directly with ISS and physician leadership to evaluate

and select a Telehealth software application (Doxy.me); provided guidance and recommendations on the implementation and management of the Telehealth billing process

- **Covid-19 Incident Response** – Participation in Command Center activities and documentation; California Department of Public Health (CDPH) liaison for bed/unit changes and level of care; regulatory review and dissemination of Medicare and Medi-Cal policy waivers; drafted the Redwood Springs/Linwood Meadows General Services Agreement Memorandum for staffing assistance; facilitation and drafting of Physician Agreements for surge planning; patient privacy consultations and recommendations concerning outside agencies and media requests

AUDITING AND MONITORING

- **Physician Reappointment and Office of Inspector General (OIG) Exclusion List** – A review of thirty (30) randomly selected physician credentialing reappointments were compared to the OIG List of Excluded Individuals and Entities (LEIE) and the System for Award Management. Compliance confirmed that none of the physicians included in the sampling population were identified on the LEIE; and thus not excluded from participation in the Medicare Program.
- **Physician Non-Monetary Compensation** – A review of calendar year 2019 non-monetary physician gifts noted 100% compliance with Annual Federal Gifting Limits and Kaweah Delta Policy.
- **Outpatient Nuclear Medicine Probe Audit** – Noridian (Medicare Claims Administrator) initiated a pre-payment Targeted Probe and Educate (TPE) review of Nuclear Medicine claims. Kaweah Delta was selected for the review based on data analysis identifying increased utilization compared to the previous utilization period. Phase I of the review, focusing on Tomographic Imaging, commenced August 2019 and was completed March 19, 2020. Noridian identified an 88% payment compliance rate, with three (3) claims resulting in denials; one (1) of which is being appealed. Based on the findings, Noridian has determined that our facility will not proceed to the next round of the TPE process.
- **Outpatient Hydration Services** – Noridian (Medicare Claims Administrator) initiated a pre-payment Targeted Probe and Educate (TPE) review of Hydration Services claims. Kaweah Delta was selected for the review based on data analysis identifying increased utilization compared to the previous utilization period. Kaweah Delta was notified of the review on April 1, 2020. However, all Noridian TPE reviews have been placed on hold until further notice due to the Covid-19 Pandemic.
- **External Outpatient Diagnosis Related Group (DRG) Audit – MRA External Coding Audit** – A review of fifty (50) randomly selected encounters for the period of October – December 2019 were reviewed to evaluate Current Procedure Terminology (CPT) coding compliance for Outpatient Catheterization Lab procedures. MRA identified a 95% coding compliance rate. The error (1) in question did not impact/change reimbursement. Coding Leadership has developed a corrective action plan, and the error has been corrected and claim reprocessed.

KAWEAH DELTA INTERNAL AUDIT

SUZY PLUMMER

Commercial Card Audit

KAWEAH DELTA CARDHOLDERS

EXECUTIVE SUMMARY

3/26/2020

AUDIT OBJECTIVES, PURPOSE AND OPINION

The District implemented the commercial card program some years ago to eliminate open accounts throughout the community, to facilitate purchasing of certain items by authorized cardholders to reduce the administrative burden related to these items and to expedite payment to vendors. This audit was included on the approved Annual Audit Plan and was selected as there are inherent risks involved in purchase card programs as they bypass the normal purchasing processes. Some risks include purchase of unapproved items, incorrect coding of transactions in the financial records, use of the card for personal purchases, sharing of purchasing cards, as well as others. Kaweah Delta has defined how these cards are to be used in Administrative Policy 46, Commercial Card Expense Reporting Program. This audit focused on determining whether or not purchases made using issued cards were in compliance with AP.46. It is Internal Audit's opinion that internal controls related to purchasing cards are in need of improvement.

AUDIT PROCEDURES

Testing focused on key areas of compliance with policy including evidence of signed purchase card agreements on file, evidence to support current purchasing limits, review of monthly approval of charges by authorized approvers and review of charges and supporting documentation to ensure compliance with policy. For Kaweah Delta 25 of the 190 cardholders were randomly selected for review of one month's charges and documentation and an additional charges were specifically selected for review based on the type of purchase, the individual making the purchase and/or the vendor.

KEY OBSERVATIONS

We noted the following during testing

Credit Card Monthly Limits Range From: \$250—\$200,000

Office supply purchases on credit cards. All office supply purchases are to go through Office Depot online ordering.

A large number of Amazon purchases by individual cardholders. While not excluded, this also results in individual shipping charges since purchases are not consolidated.

A number of receipts indicating Job Well Done funds, however the documentation was not clear that Human Resources approved prior to the purchase

A number of purchases of various Adobe products. This could represent an opportunity to purchase as an organization instead of having multiple disparate licenses

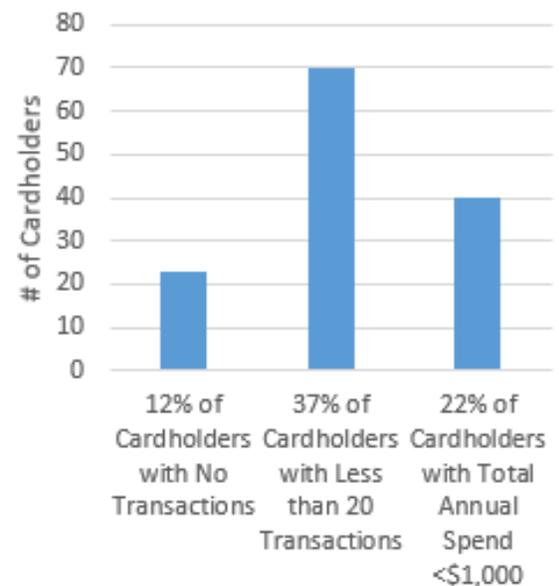
A number of survey monkey registrations in various departments. There might be an opportunity to consolidate licenses.

Inconsistent or lack of descriptions for purchases being made either within Wells Fargo or on the supporting documentation.

Instances where an approver had a lower purchasing authorization than the cardholder whose transactions they were approving.

Lack of approval of monthly packet

Out of 190 Total Card Holders



ACTIONS TO BE TAKEN

The Finance Department is reviewing the current purchase card process and these results have been shared for consideration. Any changes implemented by the Finance Team related to the current Commercial Card Program will be formalized in an updated policy and those impacted will be educated to these changes. Internal Audit will continue annual reviews of the commercial card program.

KAWEAH DELTA INTERNAL AUDIT

SUZY PLUMMER

Commercial Card Audit

KDMF CARDHOLDERS

EXECUTIVE SUMMARY

3/26/2020

AUDIT OBJECTIVES, PURPOSE AND OPINION

The District implemented the commercial card program some years ago to eliminate open accounts throughout the community, to facilitate purchasing of certain items by authorized cardholders to reduce the administrative burden related to these items and to expedite payment to vendors. This audit was included on the approved Annual Audit Plan and was selected as there are inherent risks involved in purchase card programs as they bypass the normal purchasing processes. Some risks include purchase of unapproved items, incorrect coding of transactions in the financial records, use of the card for personal purchases, sharing of purchasing cards, as well as others. Kaweah Delta has defined how these cards are to be used in Administrative Policy 46, Commercial Card Expense Reporting Program. This audit focused on determining whether or not purchases made using issued cards were in compliance with AP.46. It is Internal Audit's opinion that internal controls related to purchasing cards are in need of improvement.

AUDIT PROCEDURES

Testing focused on key areas of compliance with policy including evidence of signed purchase card agreements on file, evidence to support current purchasing limits, review of monthly approval of charges by authorized approvers and review of charges and supporting documentation to ensure compliance with policy. For Kaweah Delta Medical Foundation, all seven (7) cardholders were tested. For each cardholder we completed review of one month's charges and documentation and an additional charges were specifically selected for review based on the type of purchase, the individual making the purchase and/the vendor.

KEY OBSERVATIONS

There were a total of 7 cardholders in calendar year 2019:

28% or 2 cardholders had less than 20 transactions in the year

The credit card monthly limits range from \$5,000—\$25,000

We noted the following during testing:

Office supply purchases on credit cards. All office supply purchases are to go through Office Depot online ordering.

A number of receipts indicating Job Well Done funds, however the documentation was not clear that Human Resources approved prior to the purchase

\$51,000 or twenty one (21%) percent of the total purchases were for restaurants. It appears that catering is provided for a significant number of meetings. We did find invites attached, but at times the amount of food did not correlate to the number invited to the meeting. In addition, we noted \$3,847 spent on beverages for the conference room.

Inconsistent or lack of descriptions for purchases being made either within Wells Fargo or on the supporting documentation. This was particularly apparent with purchases by the maintenance team where often the description provided was maintenance with no additional information indication the work order or project for which the item was purchased.

A large number of Amazon purchases by individual cardholders. While not excluded, this also results in individual shipping charges since purchases are not consolidated.

We could not find a signed agreement scanned for one cardholder and could not find the signature page of the agreement scanned for two of the cardholders.

ACTIONS TO BE TAKEN

The Finance Department is reviewing the current purchase card process and these results have been shared for Consideration. Any changes implemented by the Finance Team related to the current Commercial Card Program will be formalized in an updated policy and those impacted with be educated to these changes. Internal Audit will continue annual reviews of the commercial card program.