



A G E N D A

**SEQUOIA HEALTHCARE DISTRICT
REGULAR BOARD OF DIRECTORS MEETING
4:30 PM, Wednesday, August 9, 2023
Conference Room, 525 Veterans Boulevard
Redwood City, CA 94063**

This meeting will be held in person at 525 Veteran's Boulevard in Redwood City with access available via Zoom teleconference. To join the meeting from your cellphone dial [\(669\) 900-9128](tel:6699009128) and enter meeting ID: [814 9615 0203](tel:81496150203) or join from a computer to <https://us02web.zoom.us/j/81496150203>. Additional information regarding the meeting can be located at our website: www.seqhd.org

1. Call To Order And Roll Call
2. Public Comment On Non-Agenda Items*
- ACTION 3. Consent Calendar - President Nayfack
 - a. Approve June 7, 2023 Regular Meeting Minutes
 - b. Accept May And June 2023 Financial Statements
- ACTION 4. New Business
 - a. Approve Final Audit Report 2022-23 conducted by Richardson and Company, LLP - Ms. Kurtzman 4:40-4:50
 - b. 2022-23 Caring Community Grants Year-End Review- Ms. Bratton 4:50-5:05
 - c. Update By Signature Investment Advisors (SIA) On Investment Performance, Services, And Fees- Andrew Lin 5:05-5:20
 - d. Presentation of Draft Annual Report For Discussion And Board Feedback 5:20-5:40
- ACTION L. Director Requests For Future Agenda Items Per Board Policy 8.3 - President Nayfack
5. CEO/Staff Reports:
 - a. CEO And Staff Reports- Kurtzman, Bratton, Garcia, Wasson 5:45-6:10
- ACTION 6. Adjourn To Closed Session
 - a. CONFERENCE WITH REAL PROPERTY NEGOTIATORS (Government Code Section 54956.8)
Property: 525 Veterans Blvd., Redwood City
Agency Negotiator: Pamela Kurtzman, CEO, and Mark Hudak, Legal Counsel
Negotiating Parties: Ravenswood
Under negotiation: Terms of lease including tenant improvement allowance, rent, length of term, and services to be provided.
 - b. Pursuant to Health and Safety Code Section 32106: Discussion involving trade secrets relative to facilities and services with Pamela Kurtzman, CEO, and Mark Hudak, Legal Counsel.
- ACTION 7. Reconvene To Open Session: Announce Any Reportable Action Taken In Closed Session.
- ACTION 8. Adjourn
The Next Regular Meeting Of The Board Of Directors Of Sequoia Healthcare District is Scheduled For 4:30 PM, Wednesday, October 4, 2023, District Conference Room, 525 Veterans Blvd., Redwood City, CA 94063

Aaron Nayfack, MD
Board President

*Public comment will be taken for each agenda item prior to the board's consideration on that item.

Any writings or documents provided to a majority of the Board of Directors regarding any item on this agenda will be made available for public inspection at the District office, 525 Veterans Blvd., Redwood City, CA, during normal business hours. Please telephone 650-421-2155 ext 201 to arrange an appointment.

If you are an individual with a disability and need an accommodation to participate in this meeting, please contact Sequoia Healthcare District at least 48-hours in advance at 650-421-2155 ext 201.

**MINUTES OF REGULAR MEETING
BOARD OF DIRECTORS
SEQUOIA HEALTHCARE DISTRICT
June 7, 2023
Conference Room, 525 Veterans Boulevard
Redwood City, CA 94063**

<u>Directors Present</u>	<u>Directors Excused</u>	<u>Also Present</u>
Director Fong via Zoom, not voting Director Griffin Director Martinez via Zoom Director Nayfack Director Shefren		Pamela Kurtzman, CEO Mr. Hudak, Legal Counsel Ms. Stamper, Recorder

1. Call to Order

President Nayfack called the meeting to order at 4:35PM. Roll call attendance was taken. Two Directors were attending via Zoom. A quorum was present.

2. Public Comment/Non-Agenda Items

President Nayfack asked if there was any public comment on non-agenda items. There was none.

3. Consent Calendar

Motion: to approve the consent calendar.

By: Director Griffin

Seconded by: Director Shefren

Vote: Ayes - Griffin, Martinez, Nayfack, Shefren

Nos --

Abstain -- Fong

Absent --

Motion Passed: 5-0-1-0

4.a. Presentation Of Draft Audit 2022-23

President Nayfack asked if there was public comment on this agenda item. There was none.

Brian Nash of Richardson and Company, LLP presented a draft of the 2022 Annual Financial report. The report is incomplete at this time as the Pension Plan still needs to be tested. The report will be finalized and presented at the next Board meeting. They did not identify any deficiencies or instances of noncompliance under government accounting standards.

**4.b. Consider Grant Request From Peninsula Volunteers Of Up To \$60,000
For Transportation Program (7/1/2023-6/30/2024)**

President Nayfack asked if there was public comment on this agenda item. There was none.

Kamilah Najieb-Wachob gave a report on Peninsula Volunteers new funding sources for the transportation program. They are now receiving funding from City of Menlo Park, AARP and 2 grants from San Mateo County. Seniors are returning to Adult Centers and the program is seeing an increase in new riders. They are getting requests to expand their services to include trips to supermarkets and pharmacies. They are requesting funding for FY 2023-2024 of \$30,000 for rides and \$30,000 for administrative costs for a total request of \$60,000.

DRAFT

Motion: To approve a grant for Peninsula Volunteers of Up to \$60,000 for the transportation program (7/1/2-23 - 6/30/2024).

By: Director Shefren

Seconded by: Director Nayfack

Vote: Ayes -- Griffin, Martinez, Nayfack, Shefren

Nos --

Abstain -- Fong

Absent --

Motion Passed: 5-0-1-0

4.c. Consider Grant Request Of \$200,000 From SMC Health Foundation For New 3D Mammography Technology

President Nayfack asked if there was public comment on this agenda item. There was none.

San Mateo County Health Foundation is requesting funding to upgrade their 2 mammography machines from 2D to 3D technology. The estimated cost is \$700,000. Any extra funds raised will be utilized to purchase a mobile mammography van to reach patients at SMMC clinics. The County’s funding is limited to funding the daily operations, seismic retrofit, system upgrade to EPIC, and CT and MRI replacement projects. There is no funding in the current budget for upgrading the mammography machines. The Foundation is seeking grant funds from other organizations in addition to the County and Medical Center.

Motion: To approve a grant for SMC Health Foundation for the upgrade to 3D Mammography Technology.

By: Director Griffin

Seconded by: Director Nayfack

Vote: Ayes -- Griffin, Martinez, Nayfack

Nos -- Shefren

Abstain -- Fong

Absent --

Motion Passed: 3-1-1-0

4.d. Report On Healthy Schools Initiative Year-End Outcomes

President Nayfack asked if there was public comment on this agenda item. There was none.

Ms. Wasson spoke about the outcomes and challenges for the Healthy Schools Initiative program during FY22-23 and introduced some school partners who spoke about the programs they have instituted at their Districts as part of their wellness programs. Ilana Yakubovich of San Carlos School District highlighted her District’s creation of a new SEL curriculum for a middle schoolers. Patrinia Reed of Redwood City School District highlighted the creation of a Well Being Center for students. Chris Arrington of Menlo Park City School District introduced his dog Duke who is part of a new program called PAWZitivity. PAWZitivity is a therapy dog program that has placed 8 therapy dogs in schools to help students and staff with their mental health.

4.f. Consider Grant Committee Recommendations For 2023-2024 Community Grants Totaling \$4,146,000

Due to a scheduling conflict, item 4f was moved up on the agenda.

Ms. Bratton presented the Community Grants Committee recommendations for grants totaling \$4,146,000. The committee recommended funding 60 grants of which 9 are new grants. Ms. Bratton reviewed the criteria used by committee members to evaluate the requests, discussed

details of some of the new programs to be funded, and thanked the committee members for their diligence.

Motion: To approve all Community Grants recommended for 2023-2024 totaling \$4,146,000, with the exception of the two Redwood City Police Activities League grants and the Whole Health for Youth grant.

By: Director Nayfack

Seconded by: Director Griffin

Vote: Ayes -- Griffin, Martinez, Nayfack, Shefren

Nos --

Abstain -- Fong

Absent --

Motion Passed: 4-0-1-0

Director Martinez recused himself and left the Zoom during the vote on RWC PAL and Whole Health For Youth.

Motion: To approve the two Redwood City Police Activities League grants and the Whole Health for Youth grant.

By: Director Nayfack

Seconded by: Director Shefren

Vote: Ayes -- Griffin, Nayfack, Shefren

Nos --

Abstain -- Fong

Absent -- Martinez

Motion Passed: 3-0-1-1

Director Martinez rejoined the meeting via Zoom.

Ms. Bratton discussed funding reimbursement grants for PJCC's Pink Power of up to \$18,000 and Pink Ribbon Good of up to \$25,000 which are in addition to the CC Grants that were approved.

Motion: To approve the funding requests for PJCC's Pink Power and Pink Ribbon Good.

By: Director Nayfack

Seconded by: Director Griffin

Vote: Ayes -- Griffin, Martinez, Nayfack, Shefren

Nos --

Abstain -- Fong

Absent --

Motion Passed: 4-0-1-0

* * * 10-Minute Break * * *

4.g. Consider Faro Food Grant Request Of Up To \$50,000
(Matched By Dignity Health)

Last year Dignity Health Sequoia Hospital and the District each provided \$50,000 in funding to community nonprofits that feed food insecure clients during the holiday season, which typically sees a surge in need. Dignity Health Sequoia Hospital has already approved matching the District \$50,000. Ms. Bratton would like the District to make the food program an annual grant, and name it after retired SHD Director Art Faro, who was the former CEO of Sequoia Hospital. She would like to release the applications early so that organizations have time to plan and implement food purchase and distribution leading up to the holidays.

DRAFT

Motion: To approve the Art Faro Food Grant request for \$50,000 to feed food insecure clients during the holiday season.

By: Director Griffin

Seconded by: Director Nayfack

Vote: Ayes -- Griffin, Martinez, Nayfack, Shefren

Nos --

Abstain -- Fong

Absent --

Motion Passed: 4-0-1-0

4.e. Consider Approval Of School Health Budget For 2023-2024 For Up To \$4,922,515

President Nayfack asked if there was public comment on this agenda item. There was none.

Ms. Wasson presented the Healthy Schools Initiative budget for FY2023-24. This year's goals include continued investment in leadership and training for Wellness Coordinators and School Nurses, a review of the WCCC Model and wellness policies, collaboration with the SMC office of Education, SMC Health and SMC Behavioral Health to align with state educational requirements, prioritizing Tier One and Tier Two supports with an equity lens as well as delving into new pilots and offerings. Youth mental health continues to be a top priority, in addition to school staff and family health and wellness. Additional details may be found in the board packet materials.

Motion: To approve the FY2023-24 School Health Budget For Up To \$4,922,515.

By: Director Shefren

Seconded by: Director Nayfack

Vote: Ayes - Griffin, Martinez, Nayfack, Shefren

Nos --

Abstain -- Fong

Absent --

Motion Passed: 4-0-1-0

**4.h. Consider Funding Request Of Up To \$410,000
For Oral Health Access Learning Collaborative Pilot Program**

President Nayfack asked if there was public comment on this agenda item. There was none.

The District and Health Plan of San Mateo County would like to launch a pilot learning collaborative that would bring public, private and professional entities in SMC together to learn how best to accelerate access to high quality care for adult and pediatric patients that are currently waitlisted at Ravenswood, Sonrisas, Samaritan House Clinic RWC, and SMMC Dental Clinic at North Fair Oaks. The San Mateo County Dental Society will contract with HPSM to recruit the dentists. The Health Plan will reimburse the dentists and the District will provide an incentive payment upon care completion. An additional \$410,000 will be matched using the funds from the Dignity shared investment funds for a total of \$920,000 toward this effort.

Motion: To approve a grant of up to \$410,000 to fund the Oral Health Access Learning Collaborative Pilot program.

By: Director Shefren

Seconded by: Director Nayfack

Vote: Ayes - Griffin, Martinez, Nayfack, Shefren

Nos --

Abstain -- Fong

Absent --

Motion Passed: 4-0-1-0

4.i. Consider Adoption Of District Proposed Budget FY2023-2024

President Nayfack asked if there was public comment on this agenda item. There was none.

CEO Kurtzman presented and briefly discussed the draft budget for FY 2023-2024.

Motion: To adopt the proposed FY2023-2024 Budget.

By: Director Shefren

Seconded by: Director Nayfack

Vote: Ayes - Griffin, Martinez, Nayfack, Shefren

Nos --

Abstain -- Fong

Absent --

Motion Passed: 4-0-1-0

4.j. Approve Resolution 23-01 Authorizing Periodic Transfer Of Checking Account Funds To Schwab Investment Accounts With Finance Committee Oversight

President Nayfack asked if there was public comment on this agenda item. There was none.

CEO Kurtzman and Director Shefren discussed the need for the committee to make fund transfers to optimize earning interest and meeting expenditure needs.

Motion: To approve Resolution 23-10 authorizing the periodic transfer of checking account funds to the Schwab Investment Accounts with Finance Committee oversight.

By: Director Griffin

Seconded by: Director Nayfack

Vote: Ayes - Griffin, Martinez, Nayfack, Shefren

Nos --

Abstain -- Fong

Absent --

Motion Passed: 4-0-1-0

4.k. Discussion Regarding Non-Profit Service Partners Needing Office Space

Director Martinez discussed site visits that he attended to local non-profits and the growing need for office space for non-profit service partners in our area. As the District is in the process of looking for new office space, he would like the Board to consider purchasing a larger office space/building so that the District may offer discounted rental space to non-profit partners. Director Martinez will provide more information about the non-profits that are seeking space to determine the types of services they provide, average number of District residents served annually, size of space needed, parking requirements, and the selection process for equitable opportunity to this space.

4.l. Director Requests for Future Agenda Items per Board Policy 8.3

President Nayfack asked Board members for their requests for future agenda items.

Director Griffin would like to know how/if the District should respond to the trafficking of immigrants shipped from other states to California.

CEO Kurtzman would like to explore expanding district boundaries into the Half Moon Bay and East Menlo Park areas. She would like to discuss the topic at the retreat and discuss practicalities.

5. CEO/Staff Reports

The pension plan is dramatically down from 90% funded to 55% funded due to the market downturn.

We have contracted with a governmental accounting CPA to support the Administrative Executive.

ACHD opened registration for the Annual Meeting taking place September 13-15 in Olympic Valley. Wednesday will be Governance Day.

Mark Hudak will be developing a draft LOA for entering an agreement with Ravenswood to convert our building at 525 Veterans into a dental clinic that serves economically-disadvantaged community members. Ms. Kurtzman will be reviewing the structure of what a lease would look like, tenant improvement allowance, dental equipment, terms, options, etc. She expects this to be an agenda item at a future Board meeting.

Ms. Kurtzman provided a report from Ms. Bratton on the success of the San Carlos Adult Community Center pilot to fund 3 exercise classes. Our contribution resulted in a 30% increase in attendance, encouraged participation in fitness, and engaged seniors to socialize.

ACHD is watching 3 bills that impact health, safety and wellness: AB4, AB33 and AB583.

Ms. Garcia is planning for the Health and Harmony Festival on Courthouse Square with PAL on July 29th. She will be tabling at the SMC Fair tomorrow.

Our newly-designed website is up and running.

Luz will be working with Board members to schedule presentations to City Councils during their meeting times.

Directors Nayfack and Shefren commented that they have a scheduling conflict with attending the next board meeting on August 2nd. Board members confirmed that they can attend the following Wednesday.

6. Adjourn

Motion: To adjourn the meeting at 9:10PM.

By: Director Griffin

Seconded by: Director Shefren

All in favor

Motion Passed

The next regular meeting of the Board of Directors of Sequoia Healthcare District will be scheduled for 4:30 PM, Wednesday, August 9, 2023, District Conference Room, 525 Veterans Blvd., Redwood City, CA.

Respectfully Submitted,

Kim Griffin, R.N.
Secretary

3:24 PM

08/02/23

Accrual Basis

Sequoia Healthcare District
Balance Sheet - by Month

As of June 30, 2023

	Jul 31, 22	Aug 31, 22	Sep 30, 22	Oct 31, 22	Nov 30, 22	Dec 31, 22	Jan 31, 23	Feb 28, 23	Mar 31, 23	Apr 30, 23	May 31, 23	Jun 30, 23
ASSETS												
Current Assets												
Checking/Savings												
10150-0 · Cash (WF-MMA)	4,560,254.26	3,760,286.41	2,960,312.50	2,960,337.64	2,960,449.57	2,960,701.01	2,960,952.48	2,961,179.63	2,961,431.14	2,961,674.55	2,961,926.10	157.36
10200-0 · Cash (WF)	10,594,492.76	602,719.55	837,230.53	709,206.50	1,853,608.86	9,227,442.42	7,582,899.49	7,256,394.01	7,653,972.40	10,855,181.48	11,434,605.51	14,199,599.51
10250-0 · Cash from Investments	314,916.70	314,916.70	314,916.70	314,916.70	314,916.70	314,916.70	314,916.70	314,916.70	314,916.70	314,916.70	314,916.70	314,916.70
10300-5 · Cash Equivalents	10,845,529.78	10,720,290.78	10,528,442.78	10,519,989.78	10,624,308.78	10,622,046.78	10,741,534.78	10,660,563.78	10,822,489.78	10,855,248.78	10,832,745.78	10,815,520.78
10350-0 · Schwab Operating Funds Acct#739	10,196,614.01	20,065,809.01	19,882,772.01	19,891,471.01	20,077,973.01	20,076,890.01	20,304,578.01	20,152,101.01	20,423,960.01	20,465,935.01	20,471,457.01	20,420,898.01
10490 · HFSA funding & deductions												
10490-1 · HSA Savings Fund	0.00	0.00	0.00	0.00	0.00	0.00	467.79	2,029.41	4,447.26	5,012.50	5,280.50	5,384.41
10490-2 · HFSA Pretax Deduction	0.00	0.00	0.00	0.00	0.00	0.00	-534.60	-1,069.20	-1,871.10	-2,405.70	-2,940.30	-3,881.56
Total 10490 · HFSA funding & deductions	0.00	0.00	0.00	0.00	0.00	0.00	-66.81	960.21	2,576.16	2,606.80	2,340.20	1,502.85
Total Checking/Savings	36,511,807.51	35,464,022.45	34,523,674.52	34,395,921.63	35,831,256.92	43,201,996.92	41,904,814.65	41,346,115.34	42,179,346.19	45,455,563.32	46,017,991.30	45,752,595.21
Other Current Assets												
10400-0 · Pension Assets-Vanguard	72,994,801.00	72,994,801.00	72,994,801.00	72,994,801.00	72,994,801.00	72,994,801.00	72,994,801.00	72,994,801.00	72,994,801.00	72,994,801.00	72,994,801.00	72,994,801.00
10500-9 · Pension Contribution Rcvble	23,914,772.00	23,914,772.00	23,914,772.00	23,914,772.00	23,914,772.00	23,914,772.00	23,914,772.00	23,914,772.00	23,914,772.00	23,914,772.00	23,914,772.00	23,914,772.00
10501-0 · Prepaid Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,191.49
10502-0 · Prepaid Grants	500,000.00	500,000.00	500,000.00	500,000.00	500,000.00	500,000.00	500,000.00	500,000.00	500,000.00	500,000.00	500,000.00	500,000.00
Total Other Current Assets	97,409,573.00	97,409,573.00	97,409,573.00	97,409,573.00	97,409,573.00	97,409,573.00	97,409,573.00	97,409,573.00	97,409,573.00	97,409,573.00	97,409,573.00	97,416,764.49
Total Current Assets	133,921,380.51	132,873,595.45	131,933,247.52	131,805,494.63	133,240,829.92	140,611,569.92	139,314,387.65	138,755,688.34	139,588,919.19	142,865,136.32	143,427,564.30	143,169,359.70
Fixed Assets												
12100-6 · Land	138,927.00	138,927.00	138,927.00	138,927.00	138,927.00	138,927.00	138,927.00	138,927.00	138,927.00	138,927.00	138,927.00	138,927.00
12200-6 · Land Improvements	144,158.05	144,158.05	144,158.05	144,158.05	144,158.05	144,158.05	144,158.05	144,158.05	144,158.05	144,158.05	144,158.05	144,158.05
12300-1 · Improvements-Classroom	83,410.44	83,410.44	83,410.44	83,410.44	83,410.44	83,410.44	83,410.44	83,410.44	83,410.44	83,410.44	83,410.44	83,410.44
12300-6 · Buildings	1,249,382.30	1,249,382.30	1,249,382.30	1,249,382.30	1,249,382.30	1,249,382.30	1,249,382.30	1,249,382.30	1,249,382.30	1,249,382.30	1,249,382.30	1,249,382.30
12300-8 · Building Improvements	547,329.57	547,329.57	547,329.57	547,329.57	547,329.57	547,329.57	547,329.57	547,329.57	547,329.57	547,329.57	547,329.57	547,329.57
12300-9 · Tenant Improvements	215,113.29	215,113.29	215,113.29	215,113.29	215,113.29	215,113.29	215,113.29	215,113.29	215,113.29	215,113.29	215,113.29	215,113.29
12400-6 · Equipment	76,222.26	76,222.26	76,222.26	76,222.26	76,222.26	76,222.26	76,222.26	76,222.26	76,222.26	76,222.26	76,222.26	76,222.26
12400-7 · Furniture	28,259.91	28,259.91	28,259.91	28,259.91	28,259.91	28,259.91	28,259.91	28,259.91	28,259.91	28,259.91	28,259.91	28,259.91
12500-6 · Accumulated Depreciation	-2,169,663.47	-2,173,538.30	-2,177,413.13	-2,181,287.96	-2,185,162.79	-2,189,037.62	-2,192,912.45	-2,196,787.28	-2,200,662.11	-2,204,536.94	-2,208,411.77	-2,212,286.60
Total Fixed Assets	313,139.35	309,264.52	305,389.69	301,514.86	297,640.03	293,765.20	289,890.37	286,015.54	282,140.71	278,265.88	274,391.05	270,516.22
TOTAL ASSETS	134,234,519.86	133,182,859.97	132,238,637.21	132,107,009.49	133,538,469.95	140,905,335.12	139,604,278.02	139,041,703.88	139,871,059.90	143,143,402.20	143,701,955.35	143,439,875.92
LIABILITIES & EQUITY												
Liabilities												
Current Liabilities												
Accounts Payable												
20000 · Accounts Payable	19,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	876,415.25
Total Accounts Payable	19,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	876,415.25
Other Current Liabilities												
20001-0 · Deposit Payable	3,565.00	3,565.00	3,565.00	3,565.00	3,565.00	3,565.00	3,565.00	3,565.00	3,565.00	3,565.00	3,565.00	3,565.00
20100-0 · Grants Payable	2,034,000.00	2,034,000.00	2,034,000.00	2,034,000.00	2,034,000.00	2,034,000.00	68,000.00	68,000.00	18,000.00	18,000.00	18,000.00	18,000.00
20200-0 · HSI Grants Payable	1,281,330.11	603,479.05	206,566.71	206,566.71	206,566.71	206,566.71	206,566.71	206,566.71	206,566.71	206,566.71	206,566.71	206,566.71
Total Other Current Liabilities	3,318,895.11	2,641,044.05	2,244,131.71	2,244,131.71	2,244,131.71	2,244,131.71	278,131.71	278,131.71	228,131.71	228,131.71	228,131.71	228,131.71
Total Current Liabilities	3,337,895.11	2,641,044.05	2,244,131.71	2,244,131.71	2,244,131.71	2,244,131.71	278,131.71	278,131.71	228,131.71	228,131.71	228,131.71	1,104,546.96
Long Term Liabilities												
22000-1 · Pension Contribution Payable	11,885,736.00	11,885,736.00	11,885,736.00	11,885,736.00	11,885,736.00	11,885,736.00	11,885,736.00	11,885,736.00	11,885,736.00	11,885,736.00	11,885,736.00	11,885,736.00
25000-0 · Deferred inflows from pension	12,029,036.00	12,029,036.00	12,029,036.00	12,029,036.00	12,029,036.00	12,029,036.00	12,029,036.00	12,029,036.00	12,029,036.00	12,029,036.00	12,029,036.00	12,029,036.00
Total Long Term Liabilities	23,914,772.00	23,914,772.00	23,914,772.00	23,914,772.00	23,914,772.00	23,914,772.00	23,914,772.00	23,914,772.00	23,914,772.00	23,914,772.00	23,914,772.00	23,914,772.00
Total Liabilities	27,252,667.11	26,555,816.05	26,158,903.71	26,158,903.71	26,158,903.71	26,158,903.71	24,192,903.71	24,192,903.71	24,142,903.71	24,142,903.71	24,142,903.71	25,019,318.96
Equity												
32000 · Retained Earnings	45,009,244.77	45,009,244.77	45,009,244.77	45,009,244.77	45,009,244.77	45,009,244.77	45,009,244.77	45,009,244.77	45,009,244.77	45,009,244.77	45,009,244.77	45,009,244.77
39004-1 · Invested in Capital Assets	406,444.00	406,444.00	406,444.00	406,444.00	406,444.00	406,444.00	406,444.00	406,444.00	406,444.00	406,444.00	406,444.00	406,444.00
39004-3 · Fiduciary Fund Balance	62,291,104.00	62,291,104.00	62,291,104.00	62,291,104.00	62,291,104.00	62,291,104.00	62,291,104.00	62,291,104.00	62,291,104.00	62,291,104.00	62,291,104.00	62,291,104.00
Net Income	-724,940.02	-1,079,748.85	-1,627,059.27	-1,758,686.99	-327,226.53	7,039,638.64	7,704,581.54	7,142,007.40	8,021,363.42	11,293,705.72	11,852,258.87	10,713,764.19
Total Equity	106,981,852.75	106,627,043.92	106,079,733.50	105,948,105.78	107,379,566.24	114,746,431.41	115,411,374.31	114,848,800.17	115,728,156.19	119,000,498.49	119,559,051.64	118,420,556.96
TOTAL LIABILITIES & EQUITY	134,234,519.86	133,182,859.97	132,238,637.21	132,107,009.49	133,538,469.95	140,905,335.12	139,604,278.02	139,041,703.88	139,871,059.90	143,143,402.20	143,701,955.35	143,439,875.92

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Accrual Basis

**Sequoia Healthcare District
Profit & Loss - by Month
July 2022 through June 2023**

	Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23	Apr 23	May 23	Jun 23	TOTAL
Ordinary Income/Expense													
Income													
40300 · Rental Income	800.00	800.00	800.00	800.00	800.00	800.00	800.00	800.00	800.00	800.00	800.00	800.00	9,600.00
40400 · Tax Revenue	96,281.24	0.00	55,638.49	525,131.10	790,120.17	7,632,307.59	1,432,069.05	45,496.28	845,056.23	4,223,333.32	1,902,491.41	359,910.32	17,907,835.20
40500 · Investment Income	206,982.00	-256,044.00	-374,885.00	246.00	290,821.00	-3,345.00	347,176.00	-233,448.00	433,785.00	74,734.00	-16,981.00	-67,784.00	401,257.00
40600 · Interest Income	155.23	55.10	37.89	33.99	196.25	658.40	1,102.82	876.62	875.82	1,025.69	1,174.52	1,226.92	7,419.25
40800 · 2021 Dignity Settlement Agrmt	0.00	0.00	0.00	0.00	510,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	510,000.00
40900-0 · Pension Income	0.00	0.00	0.00	0.00	0.00	0.00	2,200,000.00	0.00	0.00	0.00	0.00	0.00	2,200,000.00
Total Income	304,218.47	-255,188.90	-318,408.62	526,211.09	1,591,937.42	7,630,420.99	3,981,147.87	-186,275.10	1,280,517.05	4,299,893.01	1,887,484.93	294,153.24	21,036,111.45
Gross Profit	304,218.47	-255,188.90	-318,408.62	526,211.09	1,591,937.42	7,630,420.99	3,981,147.87	-186,275.10	1,280,517.05	4,299,893.01	1,887,484.93	294,153.24	21,036,111.45
Expense													
60100-1 · Admin. Expense	4,233.15	1,898.25	6,592.54	3,032.28	539.85	7,498.93	3,611.19	8,939.68	2,809.43	1,931.94	2,622.17	6,374.62	50,084.03
60101-1 · Administration Payroll	7,157.83	23,859.32	35,788.98	24,643.24	24,307.27	24,307.26	26,365.07	26,612.92	39,900.62	25,518.75	27,682.18	26,600.47	312,743.91
60300-1 · Board Health Insurance	2,114.02	-2,114.02	0.00	0.00	0.00	0.00	0.00	2,421.42	1,210.71	847.50	1,210.71	847.50	6,537.84
60300-2 · Employee Health Insurance	7,770.05	8,671.69	8,069.00	6,988.59	8,138.04	3,434.52	8,112.37	8,396.48	6,940.43	7,688.50	9,104.46	7,968.22	91,282.35
60350 · Employee Retirement Benefit	1,302.37	2,273.10	3,409.65	1,804.70	1,792.20	1,792.20	1,831.55	1,844.68	2,767.04	922.34	2,775.00	1,856.96	24,371.79
60400-1 · Investment Fees	0.00	0.00	0.00	9,607.16	0.00	0.00	10,714.76	0.00	0.00	10,869.60	1,527.09	12,480.36	45,198.97
60500-1 · Office Supplies/Equip Maint	634.12	906.68	1,025.82	425.25	0.00	1,797.91	182.42	212.35	271.21	406.14	130.46	750.14	6,742.50
60600-1 · Purchase Services	1,350.00	0.00	0.00	2,500.00	0.00	600.00	0.00	0.00	0.00	700.00	0.00	0.00	5,150.00
60610-1 · Accounting fees	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,200.00	0.00	0.00	30,600.00	0.00	31,800.00
60700-1 · Board Expense	0.00	2,350.00	1,729.33	0.00	0.00	489.41	0.00	0.00	0.00	155.57	0.00	0.00	4,724.31
60700-2 · Association/Membership Dues	0.00	8,111.00	225.00	0.00	0.00	0.00	0.00	0.00	27,615.00	0.00	0.00	0.00	35,951.00
60725-1 · Communications	0.00	-5,000.00	0.00	0.00	0.00	56,327.22	0.00	0.00	1,514.13	0.00	0.00	0.00	52,841.35
60750-1 · Public Relations	3,853.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,853.00
60750-2 · Web Site/IT	2,705.53	6,436.53	3,745.16	2,905.53	2,992.96	3,903.53	5,105.53	2,905.53	3,505.53	2,905.53	4,324.28	3,505.53	44,941.17
60775-1 · Pension Plan	0.00	0.00	0.00	0.00	0.00	0.00	2,200,000.00	0.00	0.00	0.00	0.00	0.00	2,200,000.00
60800-1 · Insurance	39,413.41	0.00	1,543.00	-600.50	0.00	0.00	0.00	0.00	0.00	-600.50	0.00	0.00	39,755.41
60805-1 · Election Fees	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	186,215.65	186,215.65
60806-1 · LAFCO fees	12,215.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12,215.00
60810-1 · Legal Fees	0.00	810.00	630.00	-4,841.75	1,305.00	3,347.50	2,250.00	0.00	2,660.00	1,125.00	0.00	10,260.00	17,545.75
60815-1 · Bank Fees	0.00	0.00	0.00	0.00	0.00	0.00	30.00	0.00	0.00	0.00	0.00	0.00	30.00
65200-1 · Maintenance	2,319.30	1,388.98	1,190.00	3,239.53	815.00	1,867.00	4,405.00	1,685.00	1,755.91	2,090.00	2,498.00	2,268.34	25,522.06
65400-1 · Utilities	2,423.49	1,968.02	2,506.70	1,881.21	1,186.87	3,099.85	2,277.48	1,582.59	2,605.23	744.22	2,333.26	2,598.96	25,207.88
65450-1 · Property Insurance	5,656.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,656.58
65500-1 · Depreciation Expense	3,874.83	3,874.83	3,874.83	3,874.83	3,874.83	3,874.83	3,874.83	3,874.83	3,874.83	3,874.83	3,874.83	3,874.83	46,497.96
70200-1 · Grant Admin Expenses	11.50	0.00	0.00	0.00	31,460.00	119.88	0.00	1,323.19	268.43	651.84	189.00	245.06	34,268.90
70201-1 · Grant Admin Payroll	4,597.71	15,045.14	22,567.70	15,045.15	15,045.16	20,009.65	15,728.37	15,573.79	23,360.57	14,840.91	16,306.50	15,573.74	193,694.39
70350-1 · Samaritan House	0.00	0.00	0.00	325,900.00	0.00	0.00	325,900.00	0.00	0.00	325,900.00	0.00	325,900.00	1,303,600.00
70400-1 · Other Grants	0.00	300.00	5,000.00	0.00	0.00	0.00	3,300.00	0.00	500.00	0.00	0.00	0.00	9,100.00
70550-1 · San Mateo Medical Center-Dental	0.00	0.00	0.00	160,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	160,000.00
70560-1 · Ravenswood Family Health Center	500,000.00	0.00	0.00	0.00	0.00	0.00	500,000.00	0.00	0.00	0.00	0.00	0.00	1,000,000.00
70565-1 · LifeMoves LVN (Maple S shelter)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	127,500.00	0.00	0.00	0.00	0.00	127,500.00
70566-1 · Pen Volunteers LYFT program	0.00	1,947.28	1,809.63	1,834.27	15,026.81	920.24	2,717.45	16,616.37	2,089.47	2,888.47	2,909.94	8,908.26	57,668.19
70567-1 · BGCP Psychotherapist	46,585.00	0.00	0.00	0.00	0.00	0.00	0.00	46,585.00	0.00	0.00	0.00	0.00	93,170.00
70568-1 · Sonrisas	0.00	0.00	0.00	82,756.00	0.00	0.00	0.00	97,526.00	0.00	0.00	0.00	176,818.00	357,100.00
70569-1 · First 5 SMC	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	156,982.31	0.00	172,800.64	329,782.95
70594-0 · Future Impact Funds	0.00	0.00	0.00	0.00	45,000.00	0.00	0.00	2,500.00	6,250.00	0.00	87,500.00	0.00	141,250.00
70595-0 · Covid-19 Emergency Funds	-5,000.00	0.00	0.00	0.00	0.00	-5,000.00	0.00	0.00	-5,000.00	0.00	0.00	0.00	-15,000.00
70603-1 · Community Grants	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,000.00	9,000.00
70705-1 · Sequoia Smart	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,500.00	830.50	5,330.50
70706-1 · Sequoia Safe (+HeartSafe)	39,130.00	1,750.03	810.49	-48.84	0.00	0.00	0.00	0.00	0.00	11,275.14	78.20	427.55	53,422.57
70707-1 · Sequoia Strong	0.00	711.86	2,404.63	1.03	0.00	4,784.95	7,732.03	36.19	0.00	0.00	550.00	131.04	16,351.73
70707-2 · Sequoia Strong Payroll	1,982.41	6,608.04	9,912.07	6,608.05	6,608.04	6,608.06	6,712.41	6,621.10	9,912.11	6,423.93	7,006.75	6,938.45	81,941.42
70800-1 · School Health Expense	75.00	0.00	186.46	0.00	0.00	4.90	944.25	0.00	26.12	272.32	45.40	761.19	2,315.64
70801-1 · School Health Payroll	4,754.19	15,777.20	23,665.80	10,283.08	2,384.93	3,626.07	2,364.26	2,341.92	3,512.88	5,296.25	16,371.57	15,808.44	106,186.59
70802-1 · School Health Grants	340,000.00	2,046.00	92,215.01	0.00	0.00	120,141.91	182,046.00	0.00	262,811.38	443,840.12	1,104,791.98	432,903.47	2,980,795.87
Total Expense	1,029,158.49	99,619.93	228,901.80	657,838.81	160,476.96	263,555.82	3,316,204.97	376,299.04	401,161.03	1,027,550.71	1,328,931.78	1,432,647.92	10,322,347.26

Sequoia Healthcare District
Profit & Loss - by Month
July 2022 through June 2023

	<u>Jul 22</u>	<u>Aug 22</u>	<u>Sep 22</u>	<u>Oct 22</u>	<u>Nov 22</u>	<u>Dec 22</u>	<u>Jan 23</u>	<u>Feb 23</u>	<u>Mar 23</u>	<u>Apr 23</u>	<u>May 23</u>	<u>Jun 23</u>	<u>TOTAL</u>
Net Ordinary Income	-724,940.02	-354,808.83	-547,310.42	-131,627.72	1,431,460.46	7,366,865.17	664,942.90	-562,574.14	879,356.02	3,272,342.30	558,553.15	-1,138,494.68	10,713,764.19
Net Income	<u>-724,940.02</u>	<u>-354,808.83</u>	<u>-547,310.42</u>	<u>-131,627.72</u>	<u>1,431,460.46</u>	<u>7,366,865.17</u>	<u>664,942.90</u>	<u>-562,574.14</u>	<u>879,356.02</u>	<u>3,272,342.30</u>	<u>558,553.15</u>	<u>-1,138,494.68</u>	<u>10,713,764.19</u>

FY2022-23 BUDGET NARRATIVE

Heidi Stamper – Administrative Executive

August 2, 2023

Regarding the Month-to-Month Budget vs. Actuals report:

Due to process changes required by the auditors, approved grants for Caring Community Grants are no longer recorded in a lump sum in June of the prior fiscal year in Grants Payable. Instead, those expenses are now to be recorded in the fiscal year and month that they are incurred. Since this is the transition year and adjustments still need to be made to align to the new policy, the line item for Community Grants does not reflect that in FY 22-23 the District expensed \$4,041,000 in community grants.

Additionally, school districts are allowed until mid-September to turn in invoices for reimbursement on their approved MOU expenses for the prior fiscal year. Usually, a journal entry is created to expense the remaining grant funds from the School Health Grants expense account and place/reserve those funds in the HSI Grants Payable account. Heidi has been requested to hold off on that adjustment until all audit adjustments are recorded. Currently, there is still approximately \$1 Million in outstanding funds available for 5 school districts.

Therefore, the Net listed at the end of the report of \$10.7M is false and the actual number should be closer to \$5.6M (\$10.7 minus \$4.04M in CC Grants and \$1M in HSI Grants equals \$5.6M). This is the Net to the best of my knowledge but further adjustments from the Auditors may impact that number.

Due to a software glitch and remote connectivity issues on my end, I have not been able to connect with our new CPA Robert Merritt. I am working closely with our IT people to remedy the issue and get the adjustments incorporated as soon as possible.

Recommendation: To forgo approval of the financials until the audit adjustments have been incorporated. Ms. Stamper will present the finalized reports at the next board meeting, in addition to the current fiscal year financials.

FY2022-23 BUDGET NARRATIVE

Heidi Stamper -- Administrative Executive

August 2, 2023

Directors requested that all over budget line items be listed in **RED** on the *Month-to-Month Budget vs. Actuals* report. Following is an explanation of over budget items for the fiscal year 2022-23 Month to Month Budget vs. Actuals report included in the packet.

Account	Approved Budget	Actual Expenses	Variance	Explanation
Administrative Expense	\$ 46,000	\$ 50,084	\$ (4,084)	Increase to cost of services (this is part of the combined approved budget "Admin exp and salary" which together are within budget)
Investment Fees	\$ 30,400	\$ 45,199	\$ (14,799)	Additional funds invested which increased the costs of management fees
Communications	\$ 45,700	\$ 52,841	\$ (7,141)	Increased postage and printing costs for annual report
Maintenance	\$ 25,000	\$ 25,522	\$ (522)	Increase to regular maintenance costs and upgraded fire alarm system to cellular service this year
Utilities	\$ 25,000	\$ 25,208	\$ (208)	Price increase for cost of utilities
Property Insurance	\$ 3,900	\$ 5,657	\$ (1,757)	Price increase
Grant Admin Expenses	\$ 30,000	\$ 34,269	\$ (4,269)	Increase to cost of services
Grant Admin Payroll	\$ 190,000	\$ 193,694	\$ (3,694)	Staff PTO Cashout
Samaritan House	\$ 1,267,550	\$ 1,303,600	\$ (36,050)	approved for a greater grant amount than originally budgeted

**Month to Month Budget
May - June 2023**

	May Budget	May Actual	June Budget	June Actual	12 Month (July - June) Total Budget	12 Month (July - June) Total Actual
Income						
Rental Income	800.00	800.00	800.00	800.00	9,600.00	9,600.00
Tax Revenue	1,200,000.00	1,902,491.41	450,000.00	359,910.32	14,000,000.00	17,907,835.20
Investment Income	7,000.00	(16,981.00)	3,000.00	(67,784.00)	80,000.00	401,257.00
Interest Income	55.00	1,174.52	55.00	1,226.92	800.00	7,419.25
2021 Dignity Settlement Agrmt	0.00	0.00	0.00	0.00	510,000.00	510,000.00
Pension Income	0.00	0.00	0.00	0.00	2,200,000.00	2,200,000.00
Total Income	1,207,855.00	1,887,484.93	453,855.00	294,153.24	16,800,400.00	21,036,111.45
Expenses						
Admin. Expense	2,000.00	2,622.17	2,000.00	6,374.62	46,000.00	50,084.03
Admin. Payroll	35,000.00	27,682.18	30,000.00	26,600.47	372,500.00	312,743.91
Board Health Insurance	1,700.00	1,210.71	1,700.00	847.50	20,000.00	6,537.84
Employee Health Insurance	11,000.00	9,104.46	9,000.00	7,968.22	120,000.00	91,282.35
Employee Retirement Benefit	2,400.00	2,775.00	2,054.00	1,856.96	28,000.00	24,371.79
Investment Fees	0.00	1,527.09	7,500.00	12,480.36	30,400.00	45,198.97
Office Supplies/Equip Maint	750.00	130.46	750.00	750.14	9,000.00	6,742.50
Purchased Services	0.00	0.00	0.00	0.00	100,000.00	5,150.00
Accounting fees	5,000.00	30,600.00	0.00	0.00	48,000.00	31,800.00
Board Expense	1,000.00	0.00	1,000.00	0.00	15,000.00	4,724.31
Associations/Membership	0.00	0.00	0.00	0.00	38,000.00	35,951.00
Communications	0.00	0.00	0.00	0.00	45,700.00	52,841.35
Public Relations	0.00	0.00	0.00	0.00	4,300.00	3,853.00
Web Site/IT	4,000.00	4,324.28	4,000.00	3,505.53	52,000.00	44,941.17
Pension Plan Expense	0.00	0.00	0.00	0.00	2,200,000.00	2,200,000.00
Insurance/D&O/Liability/WC	0.00	0.00	0.00	0.00	40,000.00	39,755.41
Election fees	0.00	0.00	0.00	186,215.65	250,000.00	186,215.65
LAFCO fees	0.00	0.00	0.00	0.00	15,450.00	12,215.00
Legal Fees	4,000.00	0.00	4,000.00	10,260.00	50,000.00	17,545.75
Bank Fees	0.00	0.00	0.00	0.00	100.00	30.00
Maintenance	2,000.00	2,498.00	2,000.00	2,268.34	25,000.00	25,522.06
Utilities	2,000.00	2,333.26	2,000.00	2,598.96	25,000.00	25,207.88
Property Insurance	0.00	0.00	0.00	0.00	3,900.00	5,656.58
Depreciation	3,916.00	3,874.83	3,916.00	3,874.83	47,000.00	46,497.96
Grant Admin Expenses	100.00	189.00	100.00	245.06	30,000.00	34,268.90
Grant Admin Payroll	16,000.00	16,306.50	16,000.00	15,573.74	190,000.00	193,694.39
Samaritan House Grant	0.00	0.00	316,887.50	325,900.00	1,267,550.00	1,303,600.00
Other Grants	1,000.00	0.00	500.00	0.00	10,000.00	9,100.00
San Mateo Medical Ctr. Dental Cli	0.00	0.00	0.00	0.00	160,000.00	160,000.00
Ravenswood Family Health Ctr	0.00	0.00	0.00	0.00	1,000,000.00	1,000,000.00
LifeMoves LVN	0.00	0.00	0.00	0.00	127,500.00	127,500.00
Pen Volunteers LYFT program	5,000.00	2,909.94	5,000.00	8,908.26	60,000.00	57,668.19
BGCP Psychotherapist	0.00	0.00	0.00	0.00	93,170.00	93,170.00
Sonrisas	0.00	0.00	89,275.00	176,818.00	357,100.00	357,100.00
First 5 SMC	0.00	0.00	198,415.00	172,800.64	396,830.00	329,782.95
Future Impact Funds	0.00	87,500.00	0.00	0.00	277,900.00	141,250.00
Covid-19 Emergency Funds	0.00	0.00	0.00	0.00	0.00	(15,000.00)
Community Grants Program	0.00	0.00	4,050,000.00	9,000.00	4,050,000.00	9,000.00
Sequoia Smart	4,100.00	4,500.00	4,100.00	830.50	50,000.00	5,330.50
Sequoia Safe (+HeartSafe)	12,500.00	78.20	12,500.00	427.55	150,000.00	53,422.57
Sequoia Strong Program	11,100.00	7,556.75	11,100.00	7,069.49	145,000.00	98,293.15
School Health Program	66,925.00	1,121,208.95	2,016,925.00	449,473.10	4,850,000.00	3,089,298.10
Total Expenses	191,491.00	1,328,931.78	6,790,722.50	1,432,647.92	16,800,400.00	10,322,347.26
Net	1,016,364.00	558,553.15	(6,336,867.50)	(1,138,494.68)	0.00	10,713,764.19



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GOVERNANCE LETTER

To the Board of Directors and Management
Sequoia Healthcare District
Redwood City, California

We have audited the financial statements of the governmental activities, the business-type activities, the major funds, and the aggregate remaining fund information of Sequoia Healthcare District (the District) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 21, 2022 and to a member of the Board of Directors during the audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 21, 2022, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to management's discussion and analysis, budgetary comparison schedules for the General fund, schedules of the proportionate share of the net pension liability, and schedule of contributions to the pension plan, which supplement the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient appropriate evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

Planned Scope, Timing of the Audit, Significant Risks, and Other

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involves judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the District or to acts by management or employees acting on behalf of

the District. We generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties were encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We also communicate any internal control related matters that are required to be communicated under professional standards.

We have identified the following significant risks of material misstatement as part of our audit planning: revenue recognition and management override of controls.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. The District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. The implementation of GASB Statement No. 87 did not result in a significant change to the District's financial statements due to the District not having any leases payable and the leases receivable were less than one year in length, which are not in the scope of the Statement. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were the interest rate used to discount the settlement receivable with Dignity Health, lives used to depreciate capital assets, payables accrued and the computation of the pension liability and related deferred inflows and outflows of resources. The net pension liability was computed by a licensed actuary. We evaluated the key factors and assumptions used to develop the estimates in determining they were reasonable in relation to the financial statements as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosure of the net pension liability in Note 6, the settlement with Dignity Health in Note 7 and the restatements in note 10 to the financial statements.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We posted 18 adjustments and closing entries during the audit, including entries to separate the fund balance in each fund so each fund rolled forward, to accrue payroll payable, record depreciation expense, record activity in the pension plan, separate investment types for reporting in the pension trust fund, reclassify accrued interest and deposits from investment balances, record compensated absences,

record restatements to eliminate a prepaid grant that should have been expended in fiscal year 2021, eliminate grants payable and expenditures for fiscal year 2023 grants, accrue the Dignity Health settlement receivable, accrue property taxes receivable, and other reclassifications for reporting purposes.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 19, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to management's discussion and analysis, budgetary comparison schedules for the General fund, schedule of changes in the net pension liability and related ratios and schedule of contributions to the pension plan, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the Leasing Fund budgetary comparison schedule or the all funds budgetary comparison schedule, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

* * * *

To the Board of Directors
Sequoia Healthcare District
Page 4

Restriction on Use

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

Richardson & Company, LLP

June 19, 2023

SEQUOIA HEALTHCARE DISTRICT

Audited Financial Statements and
Compliance Report

June 30, 2022

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SEQUOIA HEALTHCARE DISTRICT
AUDITED FINANCIAL STATEMENTS AND
COMPLIANCE REPORTS

June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sequoia Healthcare District
Redwood City, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Sequoia Healthcare District (the District) as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2022 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 10 to the financial statements, the June 30, 2022 financial statements have been restated to correct certain misstatements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair

To the Board of Directors
Sequoia Healthcare District

presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance - budget and

To the Board of Directors
Sequoia Healthcare District

actual – General Fund, the schedule of proportionate share of the net pension liability, schedule of contributions to the pension plan, as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The schedule of revenues, expenses and changes in fund net position – budget and actual – proprietary fund and schedule of revenues, expenses, and changes in net position – budget and actual – all funds, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financials statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2023 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

Richardson & Company, LLP

June 19, 2023

SEQUOIA HEALTHCARE DISTRICT
Management's Discussion and Analysis
June 30, 2022

This section of the Sequoia Healthcare District's (the District) basic financial statements presents management's overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

Organization and Business

The District is a governmental entity legally constituted as a special district under California law, and is located in Redwood City, California. The District identifies local healthcare needs through existing health data and works collaboratively with local agencies to address the needs. District tax revenues are used for programs and activities designed to achieve health, wellness and disease prevention in southern San Mateo County. Communities in the District include Redwood City, San Carlos, Belmont, Woodside, Atherton, Portola Valley and parts of Menlo Park, San Mateo and Foster City.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's audited financial statements, which are comprised of the basic financial statements (pages 10-36), required supplementary information (pages 37-40), supplementary information (pages 41-42) and compliance report (pages 43-44). This annual report is prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for States and Local Governments*.

The required financial statements include the Government-wide and Fund Financial Statements, including the government-wide Statement of Net Position and Statement of Activities; Balance Sheet – Governmental Fund and Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund; Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund, Statement of Cash Flows – Proprietary Fund; and the Statement of Fiduciary Net Position – Fiduciary Fund and Statement of Changes in Fiduciary Net Position – Fiduciary Fund.

These statements are supported by notes to the financial statements. All sections must be considered together to obtain a complete understanding of the financial picture of the District.

The Basic Financial Statements

The Basic Financial Statements comprise the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the District's financial activities and financial position.

The Government-wide Financial Statements provide a longer-term view of the District's activities as a whole and are comprised of the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the District as a whole, including all of its capital assets, deferred inflows and outflows of resources and long-term liabilities on the full accrual basis of governmental activities and business-type activities, similar to that used by private companies. The Statement of Activities provides information about all of the District's revenues and all of its expenses, also on the full accrual basis, with an emphasis on measuring net revenues or expenses of the District's programs. The Statement of Activities explains in detail the change in net position for the year.

The Governmental Fund Financial Statements report the District's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of the District's General Fund. The Governmental Fund Financial Statements measure only current revenues, expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts. Major funds account for

SEQUOIA HEALTHCARE DISTRICT
Management's Discussion and Analysis
June 30, 2022

the major financial activities of the District and are presented individually. Major funds are explained below. Comparisons of budget and actual financial information are presented for the General Fund as required supplementary information along with required supplementary information related to the District's pension plan.

The Proprietary Fund Financial Statements report the operations of the District's Leasing Enterprise Fund. It is reported using the economic resources measurement focus and accrual basis of accounting similar to the government-wide statements. It includes the District's capital assets used for leasing operations.

The Fiduciary Fund Statements provide financial information about the activities of the Pension Trust Fund for which the District acts solely in a fiduciary capacity. The Fiduciary Fund Statements provide information about the assets and liabilities related to the District's pension plan for employees hired by Dignity Health when Sequoia Hospital transferred Sequoia Hospital to Dignity Health under the Development Agreement described in Note 7. The District holds the assets reported in the Pension Trust Fund in trust for the benefit of the plan participants. These statements are separate from, and their balances are excluded from, the District's financial activities.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, governmental activities unrestricted net position was \$45,524,064 at the close of the most recent fiscal year, which is a 58% increase from 2021. The District's unrestricted net position increased due to revenues exceeding expenses by \$13,527,257, including the accrual of a settlement related to a dispute with Dignity Health of \$9,415,067 as described in Note 7, and a restatement to reverse \$3,750,000 of fiscal year 2022 grant expenses accrued in fiscal year 2021. Changes in business-type activities were related to depreciation.

The following table summarizes the changes in the District's Condensed Statements of Net Position:

	CONDENSED STATEMENTS OF NET POSITION							
	Governmental Activities				Business-type Activities			
	June 30,		Change	%	June 30,		Change	%
2022	2021	2022			2021			
ASSETS								
Current and other assets	\$ 71,789,781	\$ 59,083,233	\$ 12,706,548	22%				
Capital assets, net					\$ 295,302	\$ 363,511	\$ (68,209)	-19%
Total assets	<u>71,789,781</u>	<u>59,083,233</u>	<u>12,706,548</u>	<u>22%</u>	<u>295,302</u>	<u>363,511</u>	<u>(68,209)</u>	<u>-19%</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>3,550,905</u>		<u>3,550,905</u>	<u>100%</u>				
LIABILITIES								
Long-term liabilities	27,547,816	11,885,736	15,662,080	132%				
Other liabilities	<u>2,268,806</u>	<u>6,421,654</u>	<u>(4,152,848)</u>	<u>-65%</u>	<u>3,565</u>	<u>3,565</u>		<u>0%</u>
Total liabilities	<u>29,816,622</u>	<u>18,307,390</u>	<u>11,509,232</u>	<u>63%</u>	<u>3,565</u>	<u>3,565</u>		<u>0%</u>
DEFERRED INFLOWS OF RESOURCES		<u>12,029,036</u>	<u>(12,029,036)</u>	<u>-100%</u>				<u>100%</u>
NET POSITION								
Net investment in capital assets					291,737	359,946	(68,209)	-19%
Unrestricted	<u>45,524,064</u>	<u>28,746,807</u>	<u>16,777,257</u>	<u>58%</u>				
Total net position	<u>\$ 45,524,064</u>	<u>\$ 28,746,807</u>	<u>\$ 16,777,257</u>	<u>58%</u>	<u>\$ 291,737</u>	<u>\$ 359,946</u>	<u>\$ (68,209)</u>	<u>-19%</u>

SEQUOIA HEALTHCARE DISTRICT
Management's Discussion and Analysis
June 30, 2022

Governmental Activities

The current and other assets of governmental activities increased \$12,706,548 or 22% in 2022. The increase includes an increase in cash and investments of \$6,327,602 and a settlement agreement with Dignity Health described in Note 7 to the financial statements that includes interest receivable of \$140,577 and a long-term receivable of \$7,425,067, offset by a reduction in the fair value of investments of \$836,225 due to changes in market rates. The increase in cash was from net income that included \$2,000,000 of the Dignity Health Settlement received in cash, tax revenue exceeding the budgeted amount by \$1,922,391, grants returned by the recipients of \$1,221,204 and expenses coming in under budget by \$1,012,237.

The long-term liabilities, consisting of a net pension liability of \$27,525,164 and long-term compensated absences of \$22,652, increased \$15,662,080 or 132% from 2021 to 2022. This increase was primarily due to an increase in the net pension liability of \$15,639,428 due to changes in market rates causing a decline in the fair value of the pension plan's investments. The unrealized loss will not be realized if the investments are held to maturity. The change in the value of investments also resulted in the deferred items related to the pension plan changing from deferred inflows of resources to deferred outflows of resources as the change will be taken into pension expense over the next four years.

Other liabilities, consisting of accounts payable, grants payable and the current portion of compensated absences, decreased \$4,152,848 in 2022. This is mainly due to grants payable declining from \$5,624,547 to \$2,141,435, including grants of \$3,750,000 for fiscal year 2022 that were inadvertently accrued at June 30, 2021, and accounts payable declining from \$797,107 to \$87,948. This decline was due to payables outstanding at June 30, 2021 that were related to grants that were reclassified to grants payable in 2022.

As discussed above, governmental activity unrestricted net position increased \$16,777,257 or 58% due to the changes described above.

Business-type Activities

Capital assets and the investment in capital assets both decreased \$68,209 during 2022 due to depreciation taken on capital assets.

The following table summarizes the changes in the District's Condensed Statement of Activities:

SEQUOIA HEALTHCARE DISTRICT
Management's Discussion and Analysis
June 30, 2022

CONDENSED STATEMENTS OF ACTIVITIES

	Governmental Activities				Buisness-type Activities			
	June 30,		Change	%	June 30,		Change	%
	2022	2021			2022	2021		
REVENUES								
Program revenues:								
Charges for services					\$ 20,900	\$ 35,800	\$ (14,900)	-42%
Operating grants and contributions	\$ 1,500,000	\$ 1,500,000		0%				
General revenues:								
Property taxes	15,922,391	15,279,586	\$ 642,805	4%				
Investment earnings (loss)	(512,526)	195,422	(707,948)	-362%				
Intergovernmental revenue	678,202		678,202	100%				
Settlement agreement revenue	9,415,067		9,415,067	100%				
Other revenues	1,221,604		1,221,604	100%				
Total revenues	<u>28,224,738</u>	<u>16,975,008</u>	<u>11,249,730</u>	<u>66%</u>	<u>20,900</u>	<u>35,800</u>	<u>(14,900)</u>	<u>-42%</u>
EXPENSES								
Grants to community								
non-profit organizations	12,152,281	12,341,735	(189,454)	-2%				
Grant administration	437,053	329,587	107,466	33%				
Grant administration, compensated absences	62,075		62,075	100%				
Insurance	146,341	125,129	21,212	17%				
Investment and banking fees	30,160	23,683	6,477	27%				
Legal	168,085	319,954	(151,869)	-47%				
Office supplies and maintenance	3,953	2,817	1,136	40%				
Pension expense	1,500,000	1,500,000	-	0%				
Public relations	104,040	87,505	16,535	19%				
Property					182,602	115,037	67,565	59%
Total expenses	<u>14,603,988</u>	<u>14,730,410</u>	<u>(126,422)</u>	<u>-1%</u>	<u>182,602</u>	<u>115,037</u>	<u>67,565</u>	<u>59%</u>
Change in net position before transfers	13,620,750	2,244,598	11,376,152	507%	(161,702)	(79,237)	(82,465)	104%
Internal transfers	(93,493)	(32,739)	(60,754)	186%	93,493	32,739	60,754	186%
Change in net position	<u>13,527,257</u>	<u>2,211,859</u>	<u>11,315,398</u>	<u>512%</u>	<u>(68,209)</u>	<u>(46,498)</u>	<u>(21,711)</u>	<u>47%</u>
Net position, beginning of year	28,746,807	26,534,948	2,211,859	8%	359,946	406,444	(46,498)	-11%
Restatement	3,250,000		3,250,000	100%				
Net position, beginning of year - as restated	<u>31,996,807</u>	<u>26,534,948</u>	<u>5,461,859</u>	<u>21%</u>	<u>359,946</u>	<u>406,444</u>	<u>(46,498)</u>	<u>-11%</u>
Net position, end of year	<u>\$ 45,524,064</u>	<u>\$ 28,746,807</u>	<u>\$ 16,777,257</u>	<u>58%</u>	<u>\$ 291,737</u>	<u>\$ 359,946</u>	<u>\$ (68,209)</u>	<u>-19%</u>

Governmental Activities:

Revenues of governmental activities increased \$11,249,730 or 66% in 2022. This includes an increase in property tax revenue of \$642,805 or 4%, an increase in intergovernmental revenue of \$678,202 due to a COVID-19 grant received from the state, settlement revenue from Dignity health of \$9,415,067, and grants returned by recipients of \$1,221,604 reported as other revenue. However, a decline in investment earnings of \$707,948 or 362% occurred due to the unrealized loss from market rate changes.

Expenses of governmental activities decreased by \$126,422 or 1% in 2022. This includes a \$189,454 or 2% decline in grants made, an increase in grant administration of \$107,466 or 33% due to board approved salary increases and a \$28,300 payment to a consultant, a \$62,075 increase in compensated absences expense that was accrued for the first time in 2022, a decline in legal fees due to less activity on the dispute with Dignity health, and smaller increases in insurance, banking fees and public relations expenses.

The change in net position increased \$11,315,398 or 512% due to the changes described above.

SEQUOIA HEALTHCARE DISTRICT
Management's Discussion and Analysis
June 30, 2022

Business-type Activities:

Charges for services of business-type activities, which represents rental income, declined \$14,900 or 100% due to the loss of a tenant during the year.

Expenses of business-type activities increased \$67,565 or 59%, mainly due to a \$5,390 increase in property insurance due to a credit received in 2021, a \$21,711 or 47% increase in depreciation due to a correction of accumulated depreciation on certain assets, a \$19,865 or 65% increase in maintenance due to a roof repair, and a \$16,147 or 92% increase in utilities due to the service provider having billing issues during 2021 and catching up billings during 2022.

Analyses of Major Funds

Governmental Fund

The District's governmental fund, the General Fund, has assets that consist of the same assets as governmental activities, with the exception of the Dignity Health pension reimbursement asset of \$23,974,259 that does not represent current financial resources and is not reported in the General Fund. The changes in the General Fund's assets are described in the governmental activities section above.

The General Fund's liabilities consist of accounts payable and grants payable. Changes in these liabilities are described in the governmental activities section above.

The long-term settlement receivable and interest receivable on the Dignity Health Settlement were not received in the District's 60 day availability period so they were offset with deferred inflows of resources for unavailable revenue and recognized in the governmental activities statements.

The unassigned fund balance in the District's General Fund amounted to \$38,030,495 in 2022, an increase of \$9,283,688 or 32% from 2021. The General Fund revenues are identical to the revenues of the governmental activities described above with the exception of the \$7,555,644 Dignity Health settlement and interest on the settlement that were not received in the District's availability period that were reported as deferred outflows and not recognized as revenue. The expenditures of the General Fund are identical to the expenses of the governmental activities described above with the exception of the \$62,075 increase in the compensated absences liability that is not paid from current financial resources and, therefore, not reported as expenditures in the General Fund. A reconciliation of the net position and changes in net position between the governmental fund and governmental activities statements can be found on the bottom of pages 12 and 13 of the financial statements.

Proprietary Fund

The proprietary fund consists of the District's Leasing Enterprise Fund. The balances in this fund are identical to the balances described in the business-type activities section above.

General Fund Budget

The District annually adopts a budget for the General Fund. The draft budget is prepared by the Chief Executive Officer and is submitted to and approved by the Board of Directors by June 30.

As shown on page 36 of the financial statements, the 2022 budgeted revenues and expenditures were \$15,683,000 and \$15,554,150, respectively. There were no changes between the originally adopted budget and final budget. Actual revenues were \$20,669,094 or \$4,986,094 higher than the budgeted amount. This was mainly due to property taxes coming in \$1,922,391 higher than budget, an unbudgeted \$678,202

SEQUOIA HEALTHCARE DISTRICT

Management's Discussion and Analysis

June 30, 2022

COVID-19 grant being received from the state, \$2,000,000 of the Dignity Health settlement being received in the District's availability period and recognized in the General Fund and \$1,221,604 of unused grants being returned by recipients. Actual expenditures were \$14,541,913 or \$1,012,237 lower than the budget due to administration services, grants and program expenses being under budget by \$39,568, \$697,232 and \$275,437, respectively. The grants were under budget due to COVID-19 grant requests declining faster than expected.

Capital Assets

GASB Statement No. 34 requires the District to record all its capital assets. The District's capital assets consist of land, building improvements, tenant improvements, equipment and furniture. The only change in capital assets was depreciation. Details on capital assets can be found in Note 4.

Debt Administration

The District does not utilize long-term debt to fund operations.

Economic Outlook and Future Plans

The District will continue to collect revenues from property taxes, which have steadily increased over the years, often coming in higher than budgeted, and will receive settlement revenue from Dignity Health in the amount of \$510,000 per year through December 1, 2047. An additional \$510,000 per year will be deposited into a joint account by Dignity Health through December 1, 2047 under the settlement agreement that will be managed by a joint committee established between the District and Sequoia Hospital that may be used for District programs. As a result, we anticipate a steady stream of income that will allow us to provide a minimum of \$15 million a year in community support in the year ahead without having to significantly reduce current reserves.

District reserves are currently higher than management and the Board would like. This is due primarily to the steady increase of unexpected revenues discussed above, combined with reduced opportunities for significant short and long-term investments caused by the uncertainty of the pandemic. The District management and staff have gathered local health data to determine the most pressing health care needs facing District residents. A profound need for increasing access to oral health care for indigent community members has been identified, and the District is looking to invest an additional \$3-5 million to address this unmet need over the next two years. A Letter of Intent is in the process of being drafted, that would initiate a partnership with Ravenswood Family Health Center to operate a new brick-and-mortar dental clinic in the District Building on Veterans in Redwood City. The District would then purchase a new building within District boundaries to house the District office, and possibly several non-profit health services providers if plans for the dental clinic move forward.

It is likely that District resources will continue to be necessary to support oral health services beyond the initial \$3-\$5 million investment. District staff is also exploring opportunities to address a critical unmet need for more mental health services in a substantial way.

Contacting the District's Financial Management

These financial statements are intended to provide citizens, taxpayers, and other stakeholders with a general overview of the District's finances. Questions about this report should be directed to the Sequoia Healthcare District, 525 Veteran's Boulevard, Redwood City, California 94063.

SEQUOIA HEALTHCARE DISTRICT

STATEMENT OF NET POSITION

June 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 19,104,015		\$ 19,104,015
Investments	20,954,005		20,954,005
Interest receivable	105,577		105,577
Interest receivable - Dignity Health settlement	140,577		140,577
Interest receivable - Dignity Health settlement	96,281		96,281
Dignity Health settlement receivable	7,415,067		7,415,067
Dignity Health pension reimbursement	23,974,259		23,974,259
Capital assets - non depreciable		\$ 138,927	138,927
Capital assets - depreciable, net		156,375	156,375
TOTAL ASSETS	<u>71,789,781</u>	<u>295,302</u>	<u>72,085,083</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan	3,550,905		3,550,905
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>3,550,905</u>		<u>3,550,905</u>
LIABILITIES			
Accounts payable and other liabilities	87,948		87,948
Grants payable	2,141,435		2,141,435
Deposits payable		3,565	3,565
Noncurrent liabilities:			
Compensated absences - due within one year	39,423		39,423
Compensated absences - due in more than one year	22,652		22,652
Net pension liability	27,525,164		27,525,164
TOTAL LIABILITIES	<u>29,816,622</u>	<u>3,565</u>	<u>29,820,187</u>
NET POSITION			
Investment in capital assets		291,737	291,737
Unrestricted	45,524,064		45,524,064
TOTAL NET POSITION	<u>\$ 45,524,064</u>	<u>\$ 291,737</u>	<u>\$ 45,815,801</u>

The accompanying notes are an integral part of these financial statements.

SEQUOIA HEALTHCARE DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Community Healthcare Services:						
Grants to community non-profit organizations	\$ 12,152,281			\$ (12,152,281)		\$ (12,152,281)
Grant administration	437,053			(437,053)		(437,053)
Grant administration, compensated absences	62,075			(62,075)		(62,075)
Insurance	146,341			(146,341)		(146,341)
Investment and banking fees	30,160			(30,160)		(30,160)
Legal	168,085			(168,085)		(168,085)
Office supplies and maintenance	3,953		\$ 1,500,000	(3,953)		(3,953)
Pension expense	1,500,000					
Public relations	104,040			(104,040)		(104,040)
TOTAL GOVERNMENTAL ACTIVITIES	14,603,988		1,500,000	(13,103,988)		(13,103,988)
Business-Type Activities:						
Leasing	182,602	\$ 20,900			\$ (161,702)	(161,702)
TOTAL BUSINESS-TYPE ACTIVITIES	182,602	20,900			(161,702)	(161,702)
TOTAL PRIMARY GOVERNMENT	\$ 14,786,590	\$ 20,900	\$ 1,500,000	(13,103,988)	(161,702)	(13,265,690)
General Revenues:						
Property taxes				15,922,391		15,922,391
Interest and investment earnings (loss)				(512,526)		(512,526)
Intergovernmental revenues				678,202		678,202
Settlement agreement revenue				9,415,067		9,415,067
Other revenues				1,221,604		1,221,604
Internal transfers				(93,493)	93,493	
SUBTOTAL GENERAL REVENUE				26,631,245	93,493	26,724,738
CHANGE IN NET POSITION				13,527,257	(68,209)	13,459,048
Net position at beginning of year, as previously reported				28,746,807	359,946	29,106,753
Restatement				3,250,000		3,250,000
Net position at beginning of year, as restated				31,996,807	359,946	32,356,753
NET POSITION AT END OF YEAR				\$ 45,524,064	\$ 291,737	\$ 45,815,801

The accompanying notes are an integral part of these financial statements.

SEQUOIA HEALTHCARE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2022

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 19,104,015
Investments	20,954,005
Interest receivable	105,577
Interest receivable - Dignity Health settlement	140,577
Due from other governments	96,281
Dignity Health settlement receivable	7,415,067
TOTAL ASSETS	\$ 47,815,522
LIABILITIES	
Accounts payable	\$ 87,948
Grants payable	2,141,435
TOTAL LIABILITIES	2,229,383
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	7,555,644
TOTAL DEFERRED INFLOWS OF RESOURCES	7,555,644
FUND BALANCE	
Unassigned	38,030,495
TOTAL FUND BALANCE	38,030,495
TOTAL LIABILITIES AND FUND BALANCE	\$ 47,815,522
Amounts reported for governmental activities in the statement of net position:	
Total fund balance - governmental funds	\$ 38,030,495
Deferred outflows of resources on the pension plan are not reported in governmental funds.	3,550,905
Reimbursement receivable from Dignity Health for the pension plan.	23,974,259
Compensated absences, which are not due and payable in the current period, are not reported in the General Fund.	(62,075)
Long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental fund.	7,555,644
Net pension liability, deferred outflows and deferred inflows of resources related to the pension plan are not reported in governmental funds.	(27,525,164)
Total net position - Governmental Activities	\$ 45,524,064

The accompanying notes are an integral part of these financial statements.

SEQUOIA HEALTHCARE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - GOVERNMENTAL FUND

For the Year Ended June 30, 2022

	<u>General Fund</u>
REVENUES	
Tax revenue	\$ 15,922,391
Investment income (loss)	(654,481)
Intergovernmental revenue	678,202
Interest income	1,378
Pension reimbursement	1,500,000
Settlement agreement revenue	2,000,000
Other revenue	<u>1,221,604</u>
TOTAL REVENUES	<u>20,669,094</u>
EXPENDITURES	
Community Healthcare Services	
Administrative services	437,053
Grant expenses	7,437,363
Other grants	4,714,918
Insurance	146,341
Investment and banking fees	30,160
Legal	168,085
Office supplies and maintenance	3,953
Pension contribution	1,500,000
Public relations	<u>104,040</u>
TOTAL EXPENDITURES	<u>14,541,913</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,127,181
OTHER FINANCING SOURCES (USES)	
Transfers out	<u>(93,493)</u>
NET CHANGE IN FUND BALANCE	6,033,688
Fund balance at beginning of year, as previously reported	28,746,807
Restatement	<u>3,250,000</u>
Fund balance at beginning of year, as restated	<u>31,996,807</u>
FUND BALANCE AT END OF YEAR	<u>\$ 38,030,495</u>
Total net change in fund balance - Governmental Funds	\$ 6,033,688
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental fund. This amount is the change in unavailable revenue.	7,555,644
Compensated absences expense is not recognized in the governmental funds, but is recognized in the government-wide statements	<u>(62,075)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 13,527,257</u>

The accompanying notes are an integral part of these financial statements.

SEQUOIA HEALTHCARE DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND

June 30, 2022

	<u>Business-Type Activities - Leasing Fund</u>
ASSETS	
Noncurrent assets:	
Capital assets - non depreciable	\$ 138,927
Capital assets - depreciable - net	<u>156,375</u>
TOTAL ASSETS	<u>295,302</u>
 LIABILITIES	
Noncurrent liabilities:	
Deposits payable	<u>3,565</u>
 NET POSITION	
Investment in capital assets	<u>291,737</u>
TOTAL NET POSITION	<u><u>\$ 291,737</u></u>

The accompanying notes are an integral part of these financial statements.

SEQUOIA HEALTHCARE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUND

For the Year Ended June 30, 2022

	Business-Type Activities - <u>Leasing Fund</u>
OPERATING REVENUES	
Rental income	<u>\$ 20,900</u>
OPERATING EXPENSES	
Administrative services	26,366
Depreciation	68,209
Insurance	3,827
Maintenance and supplies	50,539
Utilities	33,661
TOTAL OPERATING EXPENSES	<u>182,602</u>
OPERATING LOSS BEFORE TRANSFER	(161,702)
Transfers in	<u>93,493</u>
CHANGE IN NET POSITION	(68,209)
Net position at beginning of year	<u>359,946</u>
NET POSITION AT END OF YEAR	<u>\$ 291,737</u>

The accompanying notes are an integral part of these financial statements.

SEQUOIA HEALTHCARE DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND

For the Year Ended June 30, 2022

	<u>Business-Type Activities - Leasing Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from tenants as rent	\$ 20,900
Cash paid to suppliers	<u>(114,393)</u>
NET CASH USED FOR OPERATING ACTIVITIES	(93,493)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from the General Fund	<u>93,493</u>
NET CASH PROVIDED FROM NONCAPITAL FINANCING ACTIVITIES	<u>93,493</u>
Net increase in cash and cash equivalents	
Cash and cash equivalents at beginning of year	<u> </u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ -</u>
Reconciliation of net income (loss) from operations to net cash used for operating activities	
Net loss from operations	\$ (161,702)
Depreciation	<u>68,209</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (93,493)</u>

The accompanying notes are an integral part of these financial statements.

SEQUOIA HEALTHCARE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUND

June 30, 2022

	<u>Pension Trust Fund</u>
ASSETS	
Money market fund	\$ 146,787
Mutual funds	51,482,973
Investment in insurance company separate account	<u>3,862,533</u>
	TOTAL ASSETS <u>55,492,293</u>
NET POSITION	
Restricted for pensions	<u>55,492,293</u>
	TOTAL NET POSITION <u>\$ 55,492,293</u>

The accompanying notes are an integral part of these financial statements.

SEQUOIA HEALTHCARE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
 FIDUCIARY FUND
 For the Year Ended June 30, 2022

	<u>Pension Trust Fund</u>
Additions	
Contributions - employer	\$ 1,500,000
Investment earnings	(11,075,492)
TOTAL ADDITIONS	<u>(9,575,492)</u>
Deductions	
Benefit payment	7,782,208
Administrative expenses	144,808
TOTAL DEDUCTIONS	<u>7,927,016</u>
CHANGE IN NET POSITION	(17,502,508)
Net position at beginning of year	<u>72,994,801</u>
NET POSITION AT END OF YEAR	<u><u>\$ 55,492,293</u></u>

The accompanying notes are an integral part of these financial statements.

SEQUOIA HEALTHCARE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The financial statements of the Sequoia Healthcare District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies of the District are described below.

Reporting Entity: Sequoia Healthcare District, formerly known as Sequoia Hospital District (the Hospital), was established in 1947 in accordance with the provisions of the Health and Safety Code of the State of California. The District is a governmental entity legally constituted as a special district under California law, and is located in Redwood City, California.

The District's primary mission as adopted by the Board is to improve the quality of life for District residents by enhancing access to healthcare services and by supporting and encouraging programs and activities designed to achieve health, wellness, and disease prevention.

Basis of Presentation - Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall District. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Fiduciary Funds are excluded from the government-wide financial statements.

The Statement of Activities presents a comparison between direct expenses and program revenues for the business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Basis of Presentation - Fund Financial Statements: Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

Governmental Funds: All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund

SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting, when applicable.

Proprietary Funds: Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in total net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds: Fiduciary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Fund Financial Statements: The District's major governmental and proprietary funds are identified and presented separately in the fund financial statements. Major funds are defined as funds that have either assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the combined totals of governmental and proprietary funds. The General Fund is always a major fund. The District may also select other funds it believes should be presented as major funds.

The District reported the following major funds in the accompanying financial statements:

General Fund: The general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Fund: The Leasing Enterprise Fund accounts for the operation, maintenance and capital improvement projects for the building which are funded by rental income.

Fiduciary Fund: The Pension Trust Fund is used to account for the assets held by the District under a trust agreement to make payments for pension benefits.

Government-Wide Financial Statements: The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the District and for each governmental function. The government-wide statements exclude fiduciary activities. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Fund Financial Statements: Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The District has no non-major funds.

Governmental Funds: All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Proprietary Funds: Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds: Fiduciary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Cash and Cash Equivalents: The District's cash and cash equivalents are defined as cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments: Investments held at June 30, 2022 are stated at fair value.

Prepaid Items: Certain payments to vendors and certain grants reflect costs applicable to future accounting periods and are recorded as prepaid costs in both government-wide and fund financial statements. Prepaid costs of governmental funds are offset by a nonspendable portion of fund balance to indicate they do not represent resources available for future appropriation.

SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dignity Health Pension Reimbursement Receivable: As discussed in Note 6, Dignity Health agreed to reimburse the District for all costs related to the retirement plan of former District employees when it purchased a hospital from the District. Consequently, a receivable from Dignity Health was reported for the unfunded liability less deferred outflows of resources of the plan of \$23,974,259 at June 30, 2022.

Capital Assets and Depreciation: The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed as incurred. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. Donated capital assets are recorded at the acquisition value. The valuation basis for capital assets is historical cost, or where historical cost is not available, at estimated historical cost based on replacement cost.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

	<u>Lives of Assets (in years)</u>
Land and Building Improvements	15-20
Equipment and Furniture	3-5
Leasehold Improvements	Life of Lease
Improvements to Common Areas	3-5

Grants Payable: The District's grants program provides funding to local community and school-based programs that promote the District's mission to enhance the lives and health of District residents. The program is organized into community-based and school-based funding categories. Grants are recognized as expenditures in the year all eligibility requirements are met. The community-based grants are generally paid semi-annually and are approved in June for the following fiscal year or years. The portion of the grant for the fiscal year is recognized as an expenditure and grants payable at year-end, regardless of whether spent by the recipient. School-based grants are managed on a cost-reimbursement basis and are recognized after a signed grant agreement is in place and the recipient has incurred qualifying expenditures.

Compensated Absences: The District provides paid time off (PTO) to full-time and part-time employees that is eligible to be used for vacations and up to three consecutive days off for illness, injury or for the employee to receive medical care, treatment or diagnosis. PTO is payable upon termination of employment. PTO accrues beginning the first day of the month following the beginning of employment with the District and is accrued at 6.45 to 9.53 hours per pay period for full-time employees and 3.22 to 4.77 hours per pay period for part-time employees, depending on the length of service, up to a maximum of 320 hours. Employees may request up to 100 hours be cashed out at the approval of the Chief Executive Officer.

The District also offers Extended Sick Leave (ESL) to cover illnesses exceeding three consecutive work days beginning on the 90th day of employment. Employees accrue 2.40 ESL hours per pay period up to a maximum of 120 hours. ESL hours are not payable upon the termination of employees; therefore, ESL

SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

hours are not accrued as part of the compensated absences liability. The General fund is used to liquidate compensated absences.

Leases: The District has a policy to recognize lease assets and liabilities for leases with an initial term of greater than one year and a present value greater than the District's capital asset recognition threshold. The District currently does not have any leases that meet this definition.

Pension Plan: For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's retirement plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the plan's administrators. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then.

In addition to liabilities, the Statement of Net Position (or the Balance Sheet) reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position (or fund balance) that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for its pension activities.

Fund Balance: In the fund financial statements, the governmental fund reports unassigned balances.

Nonspendable Funds: Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The nonspendable fund balance reported is the balance of prepaid items reported on the balance sheet.

Unassigned Funds: Unassigned fund balance is the residual classification of the District's funds and includes all spendable amounts that have not been restricted, committed, or assigned to specific purposes. The District's reserve policy establishes an emergency reserve fund of \$5 million, which is considered a designation of unassigned fund balance under GASB Statement No. 54.

Net Position: The government-wide financial statements report net position. Net position is categorized as the investment in capital assets, restricted, and unrestricted.

Investment in Capital Assets: This category groups all capital assets into one component of net position. The outstanding balance of debt and accounts payable that are attributable to the acquisition, construction, or improvement of the assets reduces the balance in this category. The District had no outstanding debt.

Restricted Net Position: This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The District had no restricted net position.

Unrestricted Net Position: This category represents net position of the District not restricted for any project or other purpose.

SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

Property Tax Revenue: The District has the authority to collect taxes on property within its political subdivision. Taxes are received from the County of San Mateo, which has responsibility for their collection. Secured property taxes attach as an enforceable lien on property as of January 1 and are levied July 1. Taxes are payable in two installments due November 1 (delinquent on December 10) and February 1 (delinquent on April 10). Unsecured property taxes are payable in one installment on or before August 31. The County of San Mateo bills and collects the taxes for the District. Tax revenues are recognized by the District when received within the availability period.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

New Pronouncements: In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the lease guidance, unless specifically excluded in this Statement. The District implemented this statement during the year ended June 30, 2022. There was no effect on beginning fund balance and net position due to the implementation of this Statement because the District has no leases payable and the leases receivable are less than one year in life and did not meet the recognition criteria of this Statement.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. This Statement 1) defines the term SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs to a SBITA; and 4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITA are based on the standards established in Statement No. 87, *Leases*, as amended. This statement is effective for fiscal years beginning after June 15, 2022.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections, an Amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for each type of accounting change, including changes in accounting principles, changes in accounting estimates and changes to or within the financial reporting entity, and error corrections. This Statement requires changes in accounting principles and error corrections to be reported retroactively by restating prior periods; requires changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period; and requires changes in accounting estimates to be reported

SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of new pronouncements in absence of specific transition provisions in the new pronouncement. This Statement also requires the aggregate amount of adjustments to and restatements of beginning net position, fund balance or fund net position, as applicable, to be displayed by reporting unit in the financial statements. Furthermore, this Statement requires information presented in required supplementary information or supplementary information to be restated for error corrections, if practicable, but not for changes in accounting principles. The provisions of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or paid in cash or settled through noncash means and leave that has been used but not paid in cash or settled through noncash means. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in the liability for compensated absences. This Statement requires that a liability for certain types of compensated absences, including parental leave, military leave and jury duty leave, not be recognized until the leave commences. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. Governments are allowed to disclose the net change in the liability if identified as such in the footnotes to the financial statements. The provisions of this Statement are effective for years beginning after December 15, 2023.

The District is currently analyzing the impact of the required implementation of these new statements.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2022 were as follows:

Governmental Activities	\$	40,058,020
Fiduciary Fund		<u>55,492,293</u>
	Total	<u>\$ 95,550,313</u>
Cash in banks	\$	19,104,015
Investments:		
Money market funds		146,787
Mutual funds		53,184,904
Investment in insurance company separate account		3,862,533
Certificates of deposit		380,701
U.S. treasuries		13,927,675
U.S. agencies		196,773
Corporate bonds		<u>4,746,925</u>
	Total investments	<u>76,446,298</u>
	Total bank deposits and investments	<u>\$ 95,550,313</u>

SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

The investment in insurance company separate account is a Pension Trust Fund asset. It is described as an open-end, commingled real estate account available to retirement plans by the sponsor, Principal Life Insurance Company.

Policies and Practices: The District invests in individual investments. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. The District's investments are carried at fair value, as required by generally accepted accounting principles. The District adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

The District is in compliance with the Board approved Investment Policy and California Government Code requirements.

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit.) The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agencies' deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. As of June 30, 2022, the District's deposits with financial institutions that were covered by FDIC insurance totaled \$326,167 and \$19,054,544 were collateralized as described above.

Investment Policy: Limitations as they relate to interest rate risk and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local agency bonds, notes, warrants	5 Years	None	None
Registered state bonds, notes, warrants	5 Years	None	None
U. S. Treasury obligations	5 Years	None	None
U.S. agency securities	5 Years	None	None
Banker's acceptances	180 days	40%	30%
Commercial paper	270 days	15%	10%
Negotiable certificates of deposits	5 Years	30%	None
Repurchase agreements	1 year	None	None
Reverse purchase agreements	92 days	20% of base	None
Medium-term notes	5 years	30%	None
Mutual funds	N/A	20%	10%
Money market mutual funds	N/A	20%	10%
Mortgage pass-through securities	5 years	20%	None
County pooled investment funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$65M
Joint powers authority pools	N/A	None	None

SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Segmented Time Distribution: Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type	Total	Investment Maturities in Months				Not Stated
		12 Months or Less	13-36 Months	37-60 Months	61 Months or More	
Governmental Activities:						
Mutual funds	\$ 1,701,931	\$ 1,701,931				
Certificates of deposit	380,701		\$ 380,701			
U.S. treasuries	13,927,675	1,999,040	7,718,595	\$ 4,210,040		
U.S. agencies	196,773	196,773				
Corporate bonds	4,746,925	648,205	3,222,158	584,779	\$ 291,783	
	<u>20,954,005</u>	<u>4,545,949</u>	<u>11,321,454</u>	<u>4,794,819</u>	<u>291,783</u>	
Pension Trust Fund:						
Money market fund	146,787	146,787				
Mutual funds	51,482,973	51,482,973				
Insurance separate account	3,862,533					\$ 3,862,533
	<u>55,492,293</u>	<u>51,629,760</u>				<u>3,862,533</u>
Total	<u>\$ 76,446,298</u>	<u>\$ 56,175,709</u>	<u>\$ 11,321,454</u>	<u>\$ 4,794,819</u>	<u>\$ 291,783</u>	<u>\$ 3,862,533</u>

Credit Risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the rating as of year-end for each investment type:

	Lower of Moody's or S&P Rating as of Year End							Total	
	Aaa/AAA	Aa1/AA+	Aa2/AA Aa3/AA-	A1/A+	A2/A	A3/A-	Baa1/BBB+		Baa2/BBB
U.S. treasuries			\$ 13,927,675						\$13,927,675
U.S. agencies		\$ 196,773							196,773
Corporate bonds	\$ 293,416		700,447	\$ 291,783	\$ 943,103	\$ 949,814	\$ 935,369	\$ 632,993	4,746,925
Total	<u>\$ 293,416</u>	<u>\$ 196,773</u>	<u>\$14,628,122</u>	<u>\$ 291,783</u>	<u>\$ 943,103</u>	<u>\$ 949,814</u>	<u>\$ 935,369</u>	<u>\$ 632,993</u>	<u>18,871,373</u>
Not rated:									
Money market funds									146,787
Mutual funds									53,184,904
Insurance company separate account									3,862,533
Certificates of deposit									<u>380,701</u>
Total investments									<u>\$ 76,446,298</u>

Concentration of Credit Risk: The investment in the insurance company separate account by the Pension Trust Fund represents a concentration in one issuer greater than 5% of total investments.

SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Fair Value Measurement: The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Money market funds	\$ 146,787		\$ 146,787	
Mutual funds	53,184,904		53,184,904	
Certificates of deposit	380,701		380,701	
U.S. treasuries	13,927,675		13,927,675	
U.S. agencies	196,773		196,773	
Corporate bonds	4,746,925		4,746,925	
Total investments by fair value level	<u>72,583,765</u>	<u>\$ -</u>	<u>\$ 72,583,765</u>	<u>\$ -</u>
Measured at net asset value:				
Insurance company separate account	<u>3,862,533</u>			
Total	<u>\$76,446,298</u>			

NOTE 3 – RISK MANAGEMENT

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruptions; errors and omissions; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. There were no changes in insurance coverage and settled claims have not exceeded this commercial coverage in any of the three preceding years.

SEQUOIA HEALTHCARE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE 3 – RISK MANAGEMENT (Continued)

Coverage is provided as follows:

Company Name	Type of Coverage	Limits	Deductible
BETA Healthcare Group	General Liability	\$ 5,000,000	\$ 10,000
BETA Healthcare Group	D & O Liability	5,000,000	10,000-50000
BETA Healthcare Group	Auto and Physical Damage	5,000,000	1,000
Alliant Insurance Services, Inc.	Property	100,000,000	1,000-50,000
State Compensation Insurance Fund	Workers' Compensation	2,000,000	None

NOTE 4 – CAPITAL ASSETS

Activity in capital assets for the year ended June 30, 2022 was as follows:

	Balance at June 30, 2021	Additions	Retirements	Reclassifications	Balance at June 30, 2022
Capital asset not being depreciated					
Land	\$ 138,927				\$ 138,927
Capital assets, being depreciated					
Land improvements	227,568				227,568
Buildings and improvements	1,796,712				1,796,712
Tenant improvements	215,113				215,113
Equipment	76,222				76,222
Furniture	28,260				28,260
Total capital assets, being depreciated	2,343,875				2,343,875
Less accumulated depreciation					
Land improvements	(96,944)	\$ (36,003)		\$ (24,885)	(157,832)
Buildings and improvements	(1,682,050)	(30,685)			(1,712,735)
Tenant improvements	(229,729)			14,616	(215,113)
Equipment	(82,308)	(1,521)		10,269	(73,560)
Furniture	(28,260)				(28,260)
Total accumulated depreciation	(2,119,291)	(68,209)			(2,187,500)
Total capital assets being depreciated, net	224,584	(68,209)			156,375
Capital assets, net	\$ 363,511	\$ (68,209)	\$ -	\$ -	\$ 295,302

NOTE 5 – LONG-TERM LIABILITIES

The following is a summary of long-term liabilities activity for the year ended June 30, 2022:

	Balance June 30, 2021	Additions	Repayments	Balance June 30, 2022	Due Within One Year	Due in More Than One Year
Compensated absences	\$ -	\$ 62,075	\$ -	\$ 62,075	\$ 39,423	\$ 22,652

SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE 6 – PENSION PLANS AND DEFERRED COMPENSATION PLAN

The District maintains two pension plans and a deferred compensation plan. One pension plan titled the Sequoia Healthcare District Employee Pension Plan is a single-employer defined benefit plan offered to District employees prior to September 30, 1996 when the Development Agreement with Catholic Healthcare West, Inc. was approved as described in the Plan Description section below. A second active pension plan called the Sequoia Healthcare District 401(k) Profit Sharing Plan and Trust (the 401(k) Plan) is a defined contribution plan formed under Internal Revenue Code (IRC) section 401(k). The District also has a suspended IRC Section 457(b) deferred compensation plan (the 457 Plan) titled the Master Deferred Compensation Plan.

Section 401k Plan: The 401(k) plan is a single-employer defined contribution pension plan available to all hourly and salaried employees after 250 hours of service during the first three months of employment. The 401(k) Plan is administered by the District. Benefit terms are established and may be amended by the Board of Directors. Employees are allowed to voluntarily contribute to the plan up to IRC limits. The District is required to make 100% safe harbor matching contributions up to the first three percent of participant contributions and 50% of the next two percent of participant contributions, for a maximum contribution of 4%, for employees with at least 1,000 hours of service during a plan year. The District is also allowed to make discretionary contributions to the 401(k) Plan. Employees vest immediately in their own contributions and safe harbor contributions and are subject to a grading vesting schedule for discretionary contributions of 25% after one year of service, 50% after two years of service and 100% after three years of service. Employer and participant contributions to the plan were \$75,757 and \$26,237, respectively, during the year ended June 30, 2022.

Section 457(b) Plan: The Master Deferred Compensation Plan (the Plan) was a single employer deferred compensation plan available to all employees beginning on the first day of the month following the start of employment with the District until it was suspended on September 30, 1996, when the Development Agreement with Catholic Healthcare West, Inc. was signed. The Plan allowed covered employees to voluntarily contribute a portion of their pre-tax earnings to the plan up to the limits specified in the IRC. The District matched contributions to the Plan up to three and one-half percent of the employee's first five percent of contributions. The contributions are fully vested when made by the participant and the District. No employee or employer contributions were made to the Plan during the year ended June 30, 2022.

The Sequoia Healthcare District Employee Pension Plan

Plan Description: The Sequoia Healthcare District Employee Pension Plan (Plan), adopted on January 1, 1959, as amended is a single-employer defined benefit plan that covered the District's hospital employees. In 1996 the District sold its hospital to Catholic Healthcare West, Inc. (now Dignity Health) and all employees of the District employed by the hospital became employees of Dignity Health and therefore effective October 1, 1996, all benefit accruals under the plan were suspended indefinitely, provided however that vesting services credit will be paid for participants who are vested. Benefits are distributed to participants when they retire in accordance with the terms of the plan. Dignity Health's agreement with the District is to reimburse the District for all costs related to the pension plan. Because the plan is a governmental pension plan it could not be transferred to Dignity Health. The District remains contingently liable for funding of the plan in the event of default by Dignity Health. Benefits are administered by Vanguard Retirement Services. The plan has been closed to new entrants since October 1, 1996. Currently the plan has 938 participants with 694 retirees currently receiving benefits and 244 not receiving benefits.

SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE 6 – PENSION PLANS AND DEFERRED COMPENSATION PLAN (Continued)

Benefits Provided: The plan provides service retirement to plan members who were public employees of the District prior to October 1, 1996. Benefits are based on years of credited service, equal to one year of full-time employment salary. Members with ten years of total service are eligible for benefits in retirement. The normal retirement age is 65; however, members are eligible to retire at age 55 with statutorily reduced benefits.

The Plan provisions and benefits in effect at June 30, 2022, are summarized as follows:

Benefit formula	2% at 65
Benefit vesting schedule	10 Year Service
Benefit payments	Monthly for Life
Retirement age	55-65
Monthly benefits, as a percent of eligible compensation	2.00%
Required employee contribution amount	None
Required employer contribution amount	Actuarially Determined

Contributions: Funding of contributions for the Plan are determined annually on an actuarial basis as of January 1 by an actuary. The actuarially determined amount is the estimated amount necessary to finance the costs of benefits earned by employees during the service years, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the full amount and there are no required employee contributions. For the year ended June 30, 2022, contributions recognized as part of pension expense were \$1,500,000.

Net Pension Liability: The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2022, using an annual actuarial valuation as of January 1, 2022 rolled forward to June 30, 2022 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions: The total pension liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation date		January 1, 2022
Measurement date		June 30, 2022
Actuarial cost method	Projected Unit Credit (all plan benefits frozen)	
Actuarial assumptions:		
Discount rate		5.75%
Investment rate of return		5.75%
Inflation		2.75%
Mortality	Latest CalPERS experience study	
Mortality improvements		Scale MP-2021
Post retirement benefit increase		None

Discount Rate: The discount rate used to measure the total pension liability was changed from 6.75% to 5.75% in the January 1, 2022 valuation. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, the actuary stress tested the plan. Based on the testing, it

SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE 6 – PENSION PLANS AND DEFERRED COMPENSATION PLAN (Continued)

was determined that the Plan would not run out of assets. Therefore, the current 5.75% discount rate is adequate, and the use of a municipal bond rate is not necessary.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, the actuary took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term and the long-term using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Long-Term Asset Allocation	Geometric Rates of Return (a)
Broad US Equity	28.0%	4.29%
Broad International Equities	26.0%	4.67%
Fixed Income	33.0%	0.78%
Real Estate	5.0%	4.06%
TIPS	8.0%	-0.08%
Total	100.00%	

(a) An expected inflation of 2.5% was used.

Changes in Assumptions: The lump sum election for deferred participants was changed from 50% to 30%. The mortality improvement scale was also updated to Scale MP-2021 at June 30, 2022.

SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE 6 – PENSION PLANS AND DEFERRED COMPENSATION PLAN (Continued)

Changes in the Net Pension Liability: The changes in the net pension liability for the Plan were:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2021	\$ 84,911,512	\$ 73,025,776	\$ 11,885,736
Changes in the year:			
Service cost			
Interest on the total pension liability	4,658,674		4,658,674
Differences between actual and expected experience	833,202		833,202
Changes in assumptions	427,252		427,252
Changes in benefit terms			
Contributions - employer		1,500,000	(1,500,000)
Contributions - employee			
Net investment income		(11,075,492)	11,075,492
Administrative expenses		(144,808)	144,808
Benefit payments	(7,782,208)	(7,782,208)	
Net changes	(1,863,080)	(17,502,508)	15,639,428
Balance at June 30, 2022	\$ 83,048,432	\$ 55,523,268	\$ 27,525,164

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the District, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Current Discount		
	1% Decrease	Rate	1% Increase
	4.75%	5.75%	6.75%
Net Pension Liability	\$ 34,264,972	\$ 27,525,164	\$ 21,667,585

Pension Expense and Deferred Inflows and Outflows of Resources: For the year ended June 30, 2022, the District recognized pension expense of \$1,559,487. At June 30, 2022, the District reported deferred outflows and inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on plan investments	\$ 3,550,905	
Total	\$ 3,550,905	\$ -

SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE 6 – PENSION PLANS AND DEFERRED COMPENSATION PLANS (Continued)

The amounts reported as deferred inflows and/or outflows of resources will be recognized as reimbursable pension expense as follows:

Year Ended June 30	
2023	\$ 111,759
2024	(27,902)
2025	449,110
2026	<u>3,017,938</u>
	<u>\$ 3,550,905</u>

Pension Plan’s Fiduciary Net Position: The Plan's Fiduciary Net Position is reported on these financial statements in the pension trust fund of the District.

NOTE 7 – SETTLEMENT AGREEMENT WITH DIGNITY HEALTH

Pursuant to the Development Agreement executed on December 7, 2007 with Catholic Healthcare West (now known as Dignity Health), the District was entitled to an economic return on its contribution which equaled 50% of annual Sequoia Hospital Operating Earnings Before Interest Expense, Depreciation and Amortization (EBIDA) exceeding an aggregate 9.3% annual Operating EBIDA Margin (the Return Formula) through December 7, 2047.

In November 2021, the District and Dignity Health settled a dispute over the Return Formula where, in place of the Return Formula, the District received a one-time payment of \$2,000,000 from Dignity Health and will receive \$510,000 per year on or before December 1 through December 1, 2047. The amount is allowed to be used at the District’s discretion in alignment with the District’s strategic plan to support under-served or unmet healthcare needs in the community served by the District. The long-term receivable was discounted at the Wall Street Journal Prime Rate of 3.25% at the settlement date, resulting in the District recognizing a long-term settlement receivable as follows:

Year Ended June 30	Principal	Interest	Total
2023	\$ 269,010	\$ 240,990	\$ 510,000
2024	277,753	232,247	510,000
2025	286,780	223,220	510,000
2026	296,102	213,898	510,000
2027	305,724	204,276	510,000
2028-2032	1,684,277	865,723	2,550,000
2033-2037	1,976,350	573,650	2,550,000
2038-2042	<u>2,319,071</u>	<u>230,929</u>	<u>2,550,000</u>
	<u>\$ 7,415,067</u>	<u>\$ 2,784,933</u>	<u>\$ 10,200,000</u>

SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE 7 – SETTLEMENT AGREEMENT WITH DIGNITY HEALTH (Continued)

In addition to the amount reported as a long-term receivable, the settlement agreement requires Dignity Health to deposit \$510,000 per year on or before December 1 each year through December 1, 2041 into a joint bank account, referred to as the shared settlement account, to be used in the community through collaborative efforts of a joint committee established between the District and Sequoia Hospital.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Legal Contingency: The District is a party to claims and lawsuits arising in the normal course of business. The District’s management does not believe that the ultimate liability, if any, arising from these claims will have a material adverse impact on the financial position of the District.

Grant Contingency: The District received a grant from the State of California that is subject to compliance audits of the expenditures claimed under the grant agreement. The amount of expenditures, if any, which may be disallowed cannot be determined although the District does not expect such amounts, if any, to be material to the financial statements.

Concentration: The District receives a significant majority of its revenue from property tax revenues. A reduction of property tax revenue available to the District would have a significant impact on its operations.

Grants Approved: In June 2022, the Board of Directors approved the following grant amounts for the year ended June 30, 2023:

School Health Grants	\$ 4,850,000
Community Grants	4,050,000
Sonrisas Dental Health	357,000
Peninsula Volunteers	<u>98,000</u>
	<u>\$ 9,355,000</u>

NOTE 9 – RELATED PARTY TRANSACTION

A Director of the District is the Executive Director of Redwood City Police Activities League (PAL), an organization that received a \$57,000 grant from the District during the year ended June 30, 2022. Due to the economic interest that the Board member has in PAL, Board members who do not have economic interest in PAL approved the grant.

NOTE 10 – RESTATEMENTS

During the year ended June 30, 2022, the District discovered that a grant recorded as a \$500,000 prepaid expense at June 30, 2020 was inadvertently not reversed into expenditures/expenses on June 30, 2021. In addition, the District accrued \$3,750,000 of community grants for the year ended June 30, 2022 as grants payable at June 30, 2021 that should not have been accrued. Due to the correction of these errors, fund balance in the General Fund and net position in the government-wide statement of activities increased by the net amount of \$3,250,000 at July 1, 2021.

SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2022

NOTE 11 – SUBSEQUENT EVENTS

In June 2023, the District’s Board of Directors approved funding for the Oral Health Payment and Access Acceleration (OHAPAA) Learning collaborative with the Health Plan of San Mateo (HPSM) that would accelerate access for adult and pediatric dental care for patients in the Medi-Cal Program using innovative models. Public, private and professional entities (stakeholders) in San Mateo County are coming together to learn how to best accelerate access to high quality dental care through innovative publicly funded medical-dental benefits, alternative payment models, innovative screening technology, and first-time provider enrollment with the HPSM. The stakeholders will share lessons learned and tactical, practical information from one another on planning and implementation of alternative payment models and innovative access to dental care.

Additional Grant Funding: The OHAPAA will be funded by the District, Dignity Health and the HPSM. The District’s funding will be provided through \$410,000 of the 2022-23 Dignity Health settlement funds paid directly to the District and \$510,000 from the 2022-23 shared settlement account, as described in Note 7, for a total of up to \$910,000. The funding for the pilot is expected to provide comprehensive restorative dental care for approximately 350 District residents over a 12-month period from September 2023 through September 2024 by providing an incentive payment to dentists of up to \$2,500 in addition to their usual reimbursement rates.

Election Fees: In June 2023, the District was billed \$186,216 by the County of San Mateo for services provided by the Elections Office for the elections of certain District Board Members in the November 8, 2022 Statewide General Election.

Grants Approved: In June 2023, the Board of Directors approved the following grant amounts for the year ended June 30, 2024:

School Health Grants	\$ 4,922,515
Community Grants	4,146,000
San Mateo County Health Foundation	200,000
Peninsula Volunteers	60,000
Faro Food	<u>50,000</u>
	<u>\$ 9,378,515</u>

REQUIRED SUPPLEMENTARY INFORMATION

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SEQUOIA HEALTHCARE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Tax revenue	\$ 14,000,000	\$ 14,000,000	\$ 15,922,391	\$ 1,922,391
Investment income (loss)	180,000	180,000	(654,481)	(834,481)
Intergovernmental revenue			678,202	678,202
Interest income	3,000	3,000	1,378	(1,622)
Pension income	1,500,000	1,500,000	1,500,000	
Settlement agreement revenue			2,000,000	2,000,000
Other revenue			1,221,604	1,221,604
TOTAL REVENUES	15,683,000	15,683,000	20,669,094	4,986,094
EXPENDITURES				
Administration services	929,200	929,200	889,632	39,568
Pension plan expense	1,500,000	1,500,000	1,500,000	
Grants	8,134,595	8,134,595	7,437,363	697,232
Program expenses	4,990,355	4,990,355	4,714,918	275,437
TOTAL EXPENDITURES	15,554,150	15,554,150	14,541,913	1,012,237
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	128,850	128,850	6,127,181	5,998,331
OTHER FINANCING SOURCES (USES)				
Transfer out			(93,493)	(93,493)
NET CHANGE IN FUND BALANCE	128,850	128,850	6,033,688	5,904,838
Fund balance at beginning of year - as previously reported	28,746,807	28,746,807	28,746,807	
Restatement			3,250,000	
Fund balance at beginning of year - as restated	<u>28,746,807</u>	<u>28,746,807</u>	<u>31,996,807</u>	
FUND BALANCE AT END OF YEAR	\$ 28,875,657	\$ 28,875,657	\$ 38,030,495	\$ 5,904,838

See note to required supplementary information.

SEQUOIA HEALTHCARE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (UNAUDITED)

For the Year Ended June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability:								
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on the total pension liability	4,658,674	5,146,186	5,359,332	5,456,742	5,752,000	5,794,000	5,597,000	5,633,000
Differences between expected and actual experience	833,202		1,022,548		(55,000)		(378,000)	
Changes in assumptions	427,252	4,296,329	1,125,508		(1,016,000)		4,532,000	
Changes in benefit terms			(1,115,722)					
Benefit payments	(7,782,208)	(7,406,165)	(7,013,077)	(6,808,169)	(6,387,000)	(6,414,000)	(6,238,000)	(6,035,000)
Net change in total pension liability	(1,863,080)	2,036,350	(621,411)	(1,351,427)	(1,706,000)	(620,000)	3,513,000	(402,000)
Total pension liability - beginning	84,911,512	82,875,162	83,496,573	84,848,000	86,554,000	87,174,000	83,661,000	84,063,000
Total pension liability - ending (a)	<u>\$ 83,048,432</u>	<u>\$ 84,911,512</u>	<u>\$ 82,875,162</u>	<u>\$ 83,496,573</u>	<u>\$ 84,848,000</u>	<u>\$ 86,554,000</u>	<u>\$ 87,174,000</u>	<u>\$ 83,661,000</u>
Plan fiduciary net position:								
Contributions - employer	\$ 1,500,000	\$ 1,500,000	\$ 2,700,000	\$ 2,700,000	\$ 3,800,000	\$ 3,800,000	\$ 2,600,000	\$ 2,600,000
Net investment income	(11,075,492)	16,694,529	6,285,010	2,773,074	5,789,000	7,188,000	(83,000)	487,000
Administrative expenses	(144,808)	(84,667)	(136,928)	(114,000)	(95,000)	(88,000)	(108,000)	(92,000)
Benefit payments	(7,782,208)	(7,406,165)	(7,013,077)	(6,238,000)	(6,387,000)	(6,414,000)	(6,238,000)	(6,035,000)
Net change in plan fiduciary net position	(17,502,508)	10,703,697	1,835,005	(878,926)	3,107,000	4,486,000	(3,829,000)	(3,040,000)
Plan fiduciary net position - beginning	73,025,776	62,322,079	60,487,074	61,366,000	58,259,000	53,773,000	57,602,000	60,642,000
Plan fiduciary net position - ending (b)	<u>\$ 55,523,268</u>	<u>\$ 73,025,776</u>	<u>\$ 62,322,079</u>	<u>\$ 60,487,074</u>	<u>\$ 61,366,000</u>	<u>\$ 58,259,000</u>	<u>\$ 53,773,000</u>	<u>\$ 57,602,000</u>
Net pension liability - ending (a)-(b)	<u>\$ 27,525,164</u>	<u>\$ 11,885,736</u>	<u>\$ 20,553,083</u>	<u>\$ 23,009,499</u>	<u>\$ 23,482,000</u>	<u>\$ 28,295,000</u>	<u>\$ 33,401,000</u>	<u>\$ 26,059,000</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>66.86%</u>	<u>86.00%</u>	<u>75.20%</u>	<u>72.44%</u>	<u>72.32%</u>	<u>67.31%</u>	<u>61.68%</u>	<u>68.85%</u>
Covered-employee payroll - measurement period	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>
Net pension liability as percentage of covered-employee payroll	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>
Notes to schedule:								
Measurement period - fiscal year ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

Omitted Years: GASB Statement No. 68 was Implemented During the Year Ended June 30, 2015. No information was Available Prior to this Date. Future years will be reported prospectively as they become available.

SEQUOIA HEALTHCARE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2022

SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN (UNAUDITED)
Last 10 Years

	2022	2021	2020	2019	2018	2017	2016	2015
Contactually required contribution (actuarially determined)	\$ 3,000,000	\$ 1,500,000	\$ 2,700,000	\$ 2,700,000	\$ 2,700,000	\$ 3,800,000	\$ 2,600,000	\$ 2,600,000
Contributions in relation to the actuarially determined contributions	(1,500,000)	(1,500,000)	(2,700,000)	(2,700,000)	(2,700,000)	(3,800,000)	(2,600,000)	(2,600,000)
Contribution deficiency (excess)	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll - employer's fiscal year	None	None	None	None	None	None	None	None
Contributions as a percentage of covered payroll	None	None	None	None	None	None	None	None
Notes to schedule:								
Reporting valuation date: January 1	2022	2021	2020	2019	2018	2017	2016	2015
Reporting measurement date: June 30	2022	2021	2020	2019	2018	2017	2016	2015

Change in benefit terms: There were no changes to benefit terms.

Methods and assumptions used to determine contribution rates:

Actuarial method	Projected unit credit (all plan benefits frozen)							
Amortized method	Level dollar amount							
Remaining amortization period	9 years	10 years	11 years	12 years	13 years	14 years	15 years	16 years
Asset valuation method	Market value of assets							
Salary increases	Not applicable (all inactive participants)							
Investment rate of return and discount rate used to compute contribution rates	6.50%	6.50%	6.50%	6.70%	Not available	Not available	Not available	Not available
Mortality	1				GAM94 Basic Tables			

1 - The latest CalPERS experience study was used for mortality beginning in the 2022 valuation.

Omitted Years: GASB Statement No. 68 was Implemented During the Year Ended June 30, 2015. No information was Available Prior to this Date. Future years will be reported prospectively as they become available.

SEQUOIA HEALTHCARE DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2022

Budgetary Accounting

The District Board of Directors establishes budgets for the General Fund. Budgetary control is legally maintained at the fund level for the General Fund. The budget includes appropriations (budgeted expenditures) on a line-item basis and the means of financing them (budgeted revenues).

The District fiscal year is from July 1 through June 30 of the next calendar year and the budget is adopted on a basis consistent with generally accepted accounting principles which is the modified accrual basis of accounting for the General Fund.

SUPPLEMENTARY INFORMATION

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SEQUOIA HEALTHCARE DISTRICT

SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL – PROPRIETARY FUND

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Rental income	\$ 35,800	\$ 35,800	\$ 20,900	\$ (14,900)
OPERATING EXPENSES				
Administration services	28,000	28,000	26,366	1,634
Depreciation	47,000	47,000	68,209	(21,209)
Insurance	2,650	2,650	3,827	(1,177)
Maintenance and supplies	62,000	62,000	50,539	11,461
Utilities	25,000	25,000	33,661	(8,661)
TOTAL EXPENSES	164,650	164,650	182,602	(17,952)
OPERATING LOSS BEFORE TRANSFER	(128,850)	(128,850)	(161,702)	(32,852)
Transfer in			93,493	93,493
CHANGE IN NET POSITION	(128,850)	(128,850)	(68,209)	60,641
Net position at beginning of year	359,946	359,946	359,946	
NET POSITION AT END OF YEAR	\$ 231,096	\$ 231,096	\$ 291,737	\$ 60,641

SEQUOIA HEALTHCARE DISTRICT

SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION -
BUDGET AND ACTUAL – ALL FUNDS

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Rental income	\$ 35,800	\$ 35,800	\$ 20,900	\$ (14,900)
Tax revenue	14,000,000	14,000,000	15,922,391	1,922,391
Investment income (loss)	180,000	180,000	(513,904)	(693,904)
Intergovernmental revenue			678,202	678,202
Interest income	3,000	3,000	1,378	(1,622)
Pension income	1,500,000	1,500,000	1,500,000	
Settlement agreement revenue			9,415,067	9,415,067
Other revenue			1,221,604	1,221,604
TOTAL REVENUES	15,718,800	15,718,800	28,245,638	12,526,838
EXPENSES				
Administrative services	768,200	768,200	827,779	(59,579)
Pension plan expenses	1,500,000	1,500,000	1,500,000	
Grants	8,134,595	8,134,595	7,437,363	697,232
Program expenses	4,990,355	4,990,355	4,714,918	275,437
Depreciation	47,000	47,000	68,209	(21,209)
Insurance	180,650	180,650	150,168	30,482
Maintenance and supplies	73,000	73,000	54,492	18,508
Utilities	25,000	25,000	33,661	(8,661)
TOTAL EXPENSES	15,718,800	15,718,800	14,786,590	932,210
CHANGE IN NET POSITION			13,459,048	13,459,048
Net position at beginning of year				
- as previously reported	29,106,753	29,106,753	29,106,753	
Restatement			3,250,000	
Net position at beginning of year - as restated	<u>29,106,753</u>	<u>29,106,753</u>	<u>32,356,753</u>	
NET POSITION AT END OF YEAR	<u>\$ 29,106,753</u>	<u>\$ 29,106,753</u>	<u>\$ 45,815,801</u>	<u>\$ 13,459,048</u>

COMPLIANCE REPORT

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

To the Board of Directors
Sequoia Healthcare District
Redwood City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sequoia Healthcare District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 19, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

To the Board of Directors
Sequoia Healthcare District

contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Richardson & Company, LLP

June 19, 2023

2021-22 Caring Community Grants Year-End Review

Presented to SHD Board of Directors

August 9, 2023

I. Introduction:

This report summarizes numeric outcomes of the 2022-23 Caring Community grants. The Caring Community grants program supported 60 grants totaling \$4.05 million, which was increased from the \$3.75 million granted among 59 in the previous 2021-22 grant cycle. (For additional context, the current 2023-24 cycle, SHD allocated \$4.146 million in funding.)

(Correction: In the June 7, 2023 Board packet, there was a typo on the last page of Agenda Item No. 4f. Mission Hospice Transitions Program was awarded \$52,000, but the spreadsheet listed \$50,000 as their award.)

II. Scoring Process

The scoring for 2022-23 cycle, in contrast to the previous year, was all online using the Versaic scoring module platform. The implementation of this end-year scoring module was not as smooth as the LOI and Full App scoring module. We encountered several issues that impeded the committee's ability to score using the scoring modules in a seamless way. While most of these issues have been resolved by Versaic, this ultimately delayed the timely scoring of the reports and impeded the compilation of scores which is an integral part of putting together this report. All efforts were made to make sure this report's numbers are 100% accurate.

Similar to past year-end reports and the previous mid-year reports scored in December, the final reports were scored on a 35-point scale. As anticipated, the majority received favorable scores. (Reports of less than 30-point average would be flagged for further conversation; however, none scored below this cut-off.)

III. CC Grant Outcomes

In total, our grantees served over 68,000 SHD residents, which slightly surpasses the figure of 65,000

last year which was already double that of the 27,000 district residents reported in the 2020-21 cycle.

These numbers show the continued demand for and increased utilization of such services.

There are likely duplications between the number of residents, given that residents may be accessing multiple services. Similar to last year's report, there are close to a quarter of a million residents residing within the SHD boundaries, so our community partners are hypothetically serving up to a quarter of district residents.

Last year, many grantees were still contending with the aftereffects and lingering challenges posed by the pandemic and close to half of the grantees fell short of their service outcomes due to continued masking ordinances for the earlier part of the year. However, this year's grantees reported overall figures which met or surpassed last year's service numbers. The grantees also provided feedback on their impact through client stories, surveys, and other qualitative evidence. (More details will be elaborated in the slide presentation.)

Even with the success reported by grantees, there are still lingering challenges posed mainly by the state of the economy and widening economic disparities. These grantees shared that rising costs, in labor, food, and materials have all affected their ability to hire and retain staff as well as keep up with programmatic costs. For these reasons and more, community members expressed their gratitude for SHD's continual financial support.

VI. Versaic Update

With this current 2023-24 grant cycle, we have fully transitioned into the second phase of the 2-year grant cycle, where we have approximately half of our grantees now in the 2022-24 cohort and half in the 2023-25 cohort. A 1-year probationary cycle for all new grantees will continue.

Moving forward, we will continue to increase efficiency, reduce redundancies, and to trouble-shoot all the issues that occurred in this second phase in the system. Jenny and the Versaic team will do a thorough 'audit' of the system this fall.

As a part of the system audit, we will look into upgrading the grantee user experience in the 2023-24 cycle. Ideas include:

- Embedding more smart text and triggers into the key parts of the process so that the system becomes more automated, which reduces human error.
- Replacing the LOI and Full Application with a Scope of Work Change Form for 2-year applicants to eliminate committee scoring LOIs. (1-year applicants will still fill out LOI/Full App.)
- Introducing DocuSign to eliminate the process of downloading and uploading grant agreements by the grantees.

V. Special Thanks

A special thanks to the 2022-23 grant committee for their continued devotion to the task of scoring these reports: William Fong, Harvey Kaplan, Tricia Coffey, Ann-Marie Silvestri, Ruth West, Ivan Martinez, and Rafael Avendaño. Even though they just finished scoring the 2022-23 cycle reports, they will continue to serve on the committee for the remainder of the current 2-year cycle (2023-2025 cohort).

We will be recruiting another 7 new committee members to serve and be responsible for tracking and scoring the upcoming 2-year cycle (2024-26 cohort). In effect, there will be two grant committees working simultaneously to score 2 overlapping cohorts. We are currently accepting any nominations/recommendations for community members who would be willing to serve for 2 years, with a sharpened focus on DEI per our strategic plan.

Update By Signature Investment Advisors (SIA) On Investment Performance, Services, and Fees

There are no documents for this agenda item at this time. Andrew Lin of Signature Investment Advisors will give a presentation and answer questions at the board meeting.

Presentation of Draft Annual Report for Discussion and Board Feedback

There are no documents for this agenda item at this time. Ms. Bratton will provide a draft copy at a later date.

Sequoia Healthcare District

CEO Report August 2023

Pamela Kurtzman

BUSINESS AND FINANCIAL UPDATE:

Financial Summary

- **Tax income:**
 - Actuals at year's end were just under \$18.M. This is significantly higher than the \$14M we budgeted, and nearly \$2.5M more than the \$15.5M we received in the last fiscal year. In my April report, I did note that I expected to exceed our projections for the year by nearly \$2M, given the actuals at that time, and that we normally receive large tax payments in May and June. This certainly validates our increase this current year from \$14M to the \$15.5, though I could have budgeted for even more.
- **Investment income:**
 - We did start to see improvements in our investment yield over the past two quarters and are actually doing much better than this time last year. Though we had large swings in yields, the final year end gains total just over \$400k- \$320k more than the very conservative \$80k we budgeted.
- **Expenses:**
 - Please refer to the 2022-23 Budget Narrative included in the August Board packet for updates related to the year-end financial reports.
- **Finance Committee Update:**
 - Finance committee last met in July and determined the process for transferring all uncommitted funds to a new Schwab checking account that could then be transferred to higher yield investment accounts while we continue to plan how best to invest them in community projects. Heidi created the FY2023-24 Month to Month Budget and shared with Mr. Lin who will assure that excess funds not needed to pay bills for the month, are put into investments that generate a greater yield than the checking account. At this point, we have transferred \$10M into a new Schwab checking account which SAI has placed in a money market account earning 5%. This money is completely liquid within 24 hours should we need it, and with no penalty for early withdraw. Andrew Lin of SIA will attend our board meeting in August to discuss our total portfolio performance, the services he provides, and the investment fees.
 - Heidi has had issues connecting online with Robert Merritt, CPA and will continue to work with Precision Digital Networks to get Robert access to our QuickBooks system. Director Shefren questions whether we can use QB online or if there is a security reason why we cannot. Heidi will learn more about the online version and if cybersecurity threats are a big concern with this online platform.

- Director Shefren reported that President Nayfack would like the Finance Committee to work on staff and CEO salaries and pay scales. They will work with consultants and make recommendations to the Board. This past year, Dr. Shefren worked with Jennifer McKay on a salary survey for the CEO position and worked with her on a salary survey for the staff positions.
- **Audit:**
 - The Audit is complete and will be presented to the Board for approval at the August 9th Board meeting.
 - Director Shefren plans to contact Brian Nash of Richardson & Company to discuss the need for an in-depth future audit.
- **Pension Program:**
 - Heidi now managing the Pension account. We have taken over the bank account for the program and have begun to pay invoices as they come in (using pension account funds).
 - On June 29th, the Pension Committee held a strategy discussion to review the plan's governance structure to assure we remain pro-active and informed on all aspects of the plan from investments to administration of the payments.
 - According to the January 1, 2022 valuation report:
 - The Plan is projected to pay benefits until sometime between 2065-2075;
 - 84% funded compared with 75% funded on January 1, 2020 and projected to be 100% funded by January 1, 2033;
 - target asset allocation is 54% equities (domestic and international), 33% intermediate term bonds, 5% real estate, and 8% TIPS;
 - discount rate is 5.75% compared to 6.5% on January 1, 2020.
 - Notable discussion topic: The recordkeeper is the Retirement Plan Office (RPO). RPO has assured CommonSpirit Health that ample notice will be provided in the event that RPO ceases to provide recordkeeping services.
- **ACHD:**
 - The 2023 ACHD Annual Conference is now a little more than a month away on September Sept. 13-15th at the Palisades at Tahoe. Registration is now open. Here's a link to the schedule and to register: <https://www.achd.org/annual-meeting-event-schedule/>. I hope you will join us!
 - In case you missed it, here's a link to the last two webinars, "Effective Decision-Making and Communications for Alignment, Consistency, and Accountability that took place June 20th: [and](#) "Legislative Highlights from May 18th: <https://www.achd.org/previous-webinar-recordings>
 - Help ACHD advocate on important legislation. Please visit ACHD's Call to Action webpage here <https://www.achd.org/take-action/> for more information on bills and template letters or reach out to Jenny who participates in the advocacy committee.

OTHER UPDATES AND ACTIVITIES

Oral Health:

Dental Pilot And Clinic Progress

- With Board approval of the funds for the OHAPAA, Mark drafted a MOU that's being circulated to partners for feedback and edits. Once the MOU is fully executed, Dental Society will begin recruiting dentist to participate in the program and we can begin the process of referring patients to those dentists for treatment. Simultaneously, the learning collaborative is recruiting faculty and developing it's structure and objectives. Meeting dates and a timeline for implementation have been established with the goal to kick off program on September 1.
- A non-binding draft Letter of Agreement (LOA) has been developed with Ravenswood Family Health Center for operating the potential dental clinic at 525 Veterans. The LOA establishes the structural and relational processes to enable Ravenswood to further their planning and budgeting, and provides both parties the framework necessary to bring forward for discussion among District Board. We will review and discuss the draft agreement at our August 9 meeting.

- **Michelson Pool Update**

- Though a committee has been established and a first meeting was held, there has not been, to my knowledge, any clear movement in getting the pool open. Sutter explained that the cost of the pool repair and ongoing operations still need to be determined. This is the only update I have at this time.

Strategic plan updates:

- We are making great progress on our strategic plan. Staff held the first part of our two-part planning retreat on August 1, with the second part planned for August 7. The purpose of the retreat is to discuss ideas and evaluate the feasibility of potential initiatives, along with establishing timelines and measurables for stated objectives. Below are a few of our activities:
 - **Equity and Inclusion** - We were able to define clear objectives for the current fiscal year including, but not limited to, partnering with BACHCA on their social health equity project and participating in, and supporting the work of the newly formed Coordinating Council for Shared Prosperity (CCSP) led by the SMC Chief Equity Officer.
 - **Innovation** - Among several ideas we're exploring, we assessed the practicality of District participating in the medical debt relief program (RIP), prescription support for economically disadvantaged Residents, a new 16-week integrative wellness pilot program, and a potential partnership with THRIVE to protect the safety, not just the health, of our residents in an emergency.

- **Collaboration** - Park and Rec class offerings pilot, partner on SMC and COE Asset Mapping, SMC and PHD on several mental health initiatives, RWC together on PACE program, and much more
- **Communications**- Much is happening in this area including exploring the idea of a Next-Door targeted communications campaign to bring awareness partner activities and offerings. More to be discussed at our August 7th retreat.
- **Advocacy**- In working with ACHD and their advocacy committee, we have taken action and keep attention on a number of bills that would impact the health, safety, and well-being of our residents. This includes, but not limited to the following bills:
 - **AB 4** Covered California: expansion.
Would expand access to Covered California regardless of immigration status. Status:5/26/2023-In Senate.
 - **AB 33** Fentanyl Addiction and Overdose Prevention Task Force.
Establishes the Fentanyl Addiction and Overdose Prevention Task Force to combat the growing fentanyl crisis. Status: 5/26/2023-In Senate.
 - **AB 583** Birthing Justice for California Families Pilot Project.
Establishes the Birthing Justice for California Families Pilot Project to remove the financial barrier to accessing doula care. Status: May be acted upon Jan 2024)

COMMUNITY INVOLVEMENT

- **Redwood City Together** -Executive meeting and attend both Executive and Leadership committee meetings.
- Will begin participation on the newly purposed **Coordinating Council for Shared Prosperity (CCSP)** (formerly the County Covid Communications and Equity Workgroup. My participation will help ensure that the District is informed and aligned with the larger efforts to assure equitable distribution of resources and to collaborate and leverage our resources. Next meeting is scheduled for Aug 11.
- I continue to participate in discussions hosted by **Stanford Social Innovation** and **Healthy Community Collaborative**

Jenny Bratton Staff Report August 9, 2023

Activity Summary

I. Healthy Schools Initiative Support

- Provided Ann with ongoing HSI grant support

II. Communications

- Ongoing revisions of 2022 Annual Report (will solicit feedback at Board meeting)
- Initiated conversation with Charlene Margot for Concussion speaker; hand-off to Ann

III. Community

- Coordinated and compiled scoring for 2022-23 Caring Community final reports (will provide PowerPoint presentation at Board meeting)
- Ongoing planning meetings with Versaic and scheduled audit of system
- Continued coordination with San Carlos Recreation to sponsor 3 classes in the Fall: Virtual Chair Yoga, Virtual Balance & Brains, and Virtual Flexibility Past 50
- Attended Health & Harmony planning meetings and provided assistance in health fair efforts
- Participated in staff retreat discussions on strategic planning strategies; working on next steps
- Engaging in Art Faro Food grants application discussions with Marie Violet, our partner at Dignity Health Sequoia Hospital

IV. ACHD

- Renewed membership on Advocacy Committee and Governance Committee; next meeting will convene after ACHD's annual meeting in September
- Signed up to attend ACHD's annual meeting in September



BOARD of DIRECTORS
Director of School Health
July - August 2023 Report

Ann Evanilla-Wasson, MS
Healthy Schools Initiative Update

Meta-strategy - An overarching planning method - start with the end goal and list every possible resource and course of action needed to execute the current plan.

HSI - School Districts

- Met with Superintendents and/or Assistant Superintendents and Wellness Leads to review the 2022-23 academic year and discuss Memorandums of Understanding for 2023-24. Two consistent areas of interest/need: in-school mental health services and teacher/administrator wellness support.
- Seven MOUs have been developed and five are fully executed.
- Participated in the Sequoia Union High School District interview panel in May. Stephen Emmi, former Administrative Vice Principal at Menlo-Atherton High School, has been named the new Wellness Programs Coordinator for SUHSD.
- Held five productive HSI Collab meetings April – June. Also held one-on-one sessions with each Wellness Lead to review the 2022-23 school year and the current state of the HSI in each school district.
- Continue to meet with the Wellness Leads working this summer to explore training topics, WSCC model, staff wellness and meeting structure.

HSI Grant

- Reviewed 28 year-end grant reports and will be meeting with seven organizations to further discuss their grant reports and services.
- Thirty-four+ grants will support the 2023-24 Healthy Schools Initiative. Grant Agreements, MOUs or Service Contracts continue to be drafted and executed.

Partners

- Organizing in-service training sessions for PE+ coaches on youth mental health and compassionate, proactive solutions to use on the playground.
- Planning our first community education webinar with Charlene Margot of The Parent Venture: *Concussion and Brain Trauma*.

School Nurses

- Updated script for the School Nurse Credential Scholarship Fund which will be available on our website and circulated to the school nurses via the Wellness Leads.
- California School Nurse Credentialing Programs: Azusa Pacific University, Cal State University Fresno, Cal Sate University Fullerton, Cal State University Sacramento and San Francisco State University.
- Collaborating with Jeanie Kortz BSN RN WHCNP, Nurse on Special Assignment with the San Mateo County Office of Education, to develop an agenda for our school year launch meeting with our Wellness Leads and school nurses.

August Staff Report

Luz Garcia — Communications & Engagement Officer

Health & Harmony Festival

- Finalized graphics – social media toolkit, prints, a-frames, stage backdrop, t-shirts, and ads (social media – > 7500 reach on Instagram, >2500 reach on Facebook)
- Completed vendor communication emails – vendor guide & layout, promotion call to action, thank you (including feedback survey)
- Planned and led event meetings with the core planning team to go over final details

Newsletters

- Increasing engagement through our newsletters (> 60% opens in June and July)
- [June 2023](#)
 - H&H, senior showcase, Peninsula Family Service site visit, and community resources
- [July 2023](#)
 - Health & Harmony Festival, Inclusion Festival, PARCA site visit, and upcoming events

Public Outreach

- *Social Media*
 - Continuing to grow our following and presence across both Instagram and Facebook
- In-Person Tabling Events
 - Senior Showcase – Thursday, June 8th
 - Presented save the dates for the H&H Festival
 - Spoke to hundreds of community members (over 250 attendees) about our programs and partnerships
 - Inclusion Festival – Thursday, July 27th
 - Spoke to hundreds of residents (over 450 attendees) at this event meant to foster and promote the spirit of inclusion within our community.
 - SMC Disaster Preparedness Day – Saturday, August 5th
 - Supporting our commitment to disaster prep in the community
- *Website Updates*
 - Working with the Streamline team to have the most up to date website information
- *Webinars*
 - Effective Decision-Making and Communications for Alignment, Consistency, and Accountability