

**SEQUOIA HEALTHCARE DISTRICT**

Audited Financial Statements and  
Compliance Report

June 30, 2023

SEQUOIA HEALTHCARE DISTRICT  
AUDITED FINANCIAL STATEMENTS AND  
COMPLIANCE REPORTS

June 30, 2023

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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, 2023 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, 2023 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.

#### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a

To the Board of Directors  
Sequoia Healthcare District

going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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Sequoia Healthcare District

standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 26, 2024 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 26, 2024

**SEQUOIA HEALTHCARE DISTRICT**  
Management's Discussion and Analysis  
June 30, 2023

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, 2023. 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 10-37), required supplementary information (pages 38-41), supplementary information (pages 42-43) and compliance report (pages 44-45). 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 Change 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

**SEQUOIA HEALTHCARE DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2023**

fund balances; they exclude capital assets, long-term debt and other long-term amounts. Major funds account for 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 \$52,141,296 at the close of the most recent fiscal year, which is a 15% increase from 2022. The District's unrestricted net position increased due to revenues exceeding expenses by \$6,617,232. Changes in business-type activities were related to property maintenance, insurance, utilities, and 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,				June 30,			
	2023	2022	Change	%	2023	2022	Change	%
<b>ASSETS</b>								
Current and other assets	\$ 77,922,952	\$ 71,789,781	\$ 6,133,171	9%	\$ 6,196		\$ 6,196	N/A
Capital assets, net					242,121	\$ 295,302	(53,181)	-18%
Total assets	<u>77,922,952</u>	<u>71,789,781</u>	<u>6,133,171</u>	<u>9%</u>	<u>248,317</u>	<u>295,302</u>	<u>(46,985)</u>	<u>-16%</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>								
	<u>3,030,763</u>	<u>3,550,905</u>	<u>(520,142)</u>	<u>-15%</u>				
<b>LIABILITIES</b>								
Long-term liabilities	26,486,769	27,547,816	(1,061,047)	-4%				
Other liabilities	2,325,650	2,268,806	56,844	3%	3,565	3,565		0%
Total liabilities	<u>28,812,419</u>	<u>29,816,622</u>	<u>(1,004,203)</u>	<u>-3%</u>	<u>3,565</u>	<u>3,565</u>		<u>0%</u>
<b>NET POSITION</b>								
Net investment in capital assets					244,752	291,737	(46,985)	-16%
Unrestricted	<u>52,141,296</u>	<u>45,524,064</u>	<u>6,617,232</u>	<u>15%</u>				
Total net position	<u>\$ 52,141,296</u>	<u>\$ 45,524,064</u>	<u>\$ 6,617,232</u>	<u>15%</u>	<u>\$ 244,752</u>	<u>\$ 291,737</u>	<u>\$ (46,985)</u>	<u>-16%</u>

**SEQUOIA HEALTHCARE DISTRICT**  
Management's Discussion and Analysis  
June 30, 2023

**Governmental Activities**

The current and other assets of governmental activities increased \$6,133,171 or 9% in 2023. The increase includes an increase in cash and investments of \$5,495,159, accounts receivable of \$188,585 which includes previous grant proceeds not used by a recipient, and an increase in due from other governments of \$1,294,536 for fiscal 2022/23 property taxes collected after year end. These increases were offset by decreases in interest receivable of \$18,009, a decrease of \$269,010 from the settlement agreement with Dignity Health as described in Note 7 to the financial statements, and a decrease in the pension reimbursement from Dignity Health of \$559,085.

The long-term liabilities, consisting of a net pension liability of \$26,445,937 and long-term compensated absences of \$40,832 decreased \$1,061,047 or 4% from 2022 to 2023. This decrease was primarily due to a decrease in the net pension liability of \$1,079,227.

Other liabilities, consisting of accounts payable, grants payable, unearned revenue, and the current portion of compensated absences increased \$56,844 in 2022. Accounts and grants payable decreased \$324,240 from the prior year, but the District did receive \$403,063 in tax receipts that were for the subsequent fiscal year. These amounts are recorded as unearned revenue at June 30, 2023. There were no unearned revenues at June 30, 2022.

As discussed above, governmental activity unrestricted net position increased \$6,617,232 or 15% due to the changes described above.

**Business-type Activities**

Capital assets decreased \$53,181 or 18% during 2023 due to depreciation expense on capital assets. The investment in capital assets decreased \$46,985 or 16% during 2023. This was a result of the \$99,968 operating loss from the leasing fund, offset by internal transfers from the general fund of \$52,983.

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



**SEQUOIA HEALTHCARE DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2023**

CONDENSED STATEMENTS OF ACTIVITIES

	Governmental Activities				Business-type Activities			
	June 30,				June 30,			
	2023	2022	Change	%	2023	2022	Change	%
<b>REVENUES</b>								
Program revenues:								
Charges for services					\$ 9,600	\$ 20,900	\$ (11,300)	-54%
Operating grants and contributions	\$ 2,200,000	\$ 1,500,000	\$ 700,000	47%				
General revenues:								
Property taxes	18,703,027	15,922,391	2,780,636	17%				
Investment earnings (loss)	649,899	(512,526)	1,162,425	-227%				
Intergovernmental revenue		678,202	(678,202)	-100%				
Settlement agreement revenue		9,415,067	(9,415,067)	-100%				
Other revenues	206,567	1,221,604	(1,015,037)	-83%				
Total revenues	<u>21,759,493</u>	<u>28,224,738</u>	<u>(6,465,245)</u>	<u>-23%</u>	<u>9,600</u>	<u>20,900</u>	<u>(11,300)</u>	<u>-54%</u>
<b>EXPENSES</b>								
Grants to community								
non-profit organizations	11,894,973	12,152,281	(257,308)	-2%				
Grant administration	663,611	437,053	226,558	52%				
Grant administration, compensated								
absences	(3,799)	62,075	(65,874)	-106%				
Insurance	163,340	146,341	16,999	12%				
Investment and banking fees	45,229	30,160	15,069	50%				
Legal	17,546	168,085	(150,539)	-90%				
Office supplies and maintenance	6,743	3,953	2,790	71%				
Pension expense	2,200,000	1,500,000	700,000	47%				
Public relations	101,635	104,040	(2,405)	-2%				
Property					109,568	182,602	(73,034)	-40%
Total expenses	<u>15,089,278</u>	<u>14,603,988</u>	<u>485,290</u>	<u>3%</u>	<u>109,568</u>	<u>182,602</u>	<u>(73,034)</u>	<u>-40%</u>
Change in net position before transfers	6,670,215	13,620,750	(6,950,535)	-51%	(99,968)	(161,702)	61,734	-38%
Internal transfers	(52,983)	(93,493)	40,510	-43%	52,983	93,493	(40,510)	-43%
Change in net position	6,617,232	13,527,257	(6,910,025)	-51%	(46,985)	(68,209)	21,224	-31%
Net position, beginning of year	45,524,064	28,746,807	16,777,257	58%	291,737	359,946	(68,209)	-19%
Restatement		3,250,000	(3,250,000)	-100%				
Net position, beginning of year - as restated	<u>45,524,064</u>	<u>31,996,807</u>	<u>13,527,257</u>	<u>42%</u>	<u>291,737</u>	<u>359,946</u>	<u>(68,209)</u>	<u>-19%</u>
Net position, end of year	<u>\$ 52,141,296</u>	<u>\$ 45,524,064</u>	<u>\$ 6,617,232</u>	<u>15%</u>	<u>\$ 244,752</u>	<u>\$ 291,737</u>	<u>\$ (46,985)</u>	<u>-16%</u>

**Governmental Activities:**

Revenues of governmental activities decreased \$6,465,245 or 23% in 2023. The primary reason for the decrease is because of the one-time settlement revenue from Dignity Health during 2022 of \$9,415,067. Other revenues also decreased \$1,015,037 or 83% from 2022. Other revenues represent grants returned by recipients. Finally, the District received a COVID-19 grant of \$678,202 during 2022 recorded as intergovernmental revenue, and no similar amounts were received in 2023. Offsetting these decreases were a \$700,000 increase in operating grants, a \$2,780,636 increase in property tax revenue and a \$1,162,425 increase in investment earnings.

Expenses of governmental activities increased by \$485,290 or 3% in 2023. This includes an increase in pension expense of \$700,000 or 47%, and an increase of \$226,588 or 52% in grant administration. Smaller increases in insurance and investment and banking fees also occurred. These increases were offset by a \$257,308 or 2% decline in grants made, a decrease of \$150,539 in legal fees, and a \$65,874 decrease in compensated absences expense.

The change in net position decreased \$6,910,025 or 51% due to the changes described above.

# SEQUOIA HEALTHCARE DISTRICT

## Management's Discussion and Analysis

June 30, 2023

### **Business-type Activities:**

Charges for services of business-type activities, which represents rental income, declined \$11,300 or 54% due to a reduction in rental income.

### **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 \$23,415,174 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, grants payable and unearned revenue. 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 \$43,668,954 in 2023, an increase of \$5,638,459 or 15% from 2022. The General Fund revenues increased \$116,420 or .6%; tax revenues increased \$1,532,547, investment and interest income increased \$1,067,112, and the pension reimbursement increased \$700,000. These increases were offset by a \$1,490,000 decrease in settlement agreement revenue and a \$1,015,037 decrease in other revenues which represents revenues from cancelled grants. Also last year the District received \$678,202 as a COVID-19 grant; there was not a similar grant during 2023. The expenditures of the General Fund are identical to the expenses of the governmental activities described above with the exception of the \$3,799 decrease 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 38 of the financial statements, the 2023 budgeted revenues and expenditures were \$16,790,800 and \$16,699,500, respectively. There were no changes between the originally adopted budget and final budget. Actual revenues were \$20,785,514 or \$3,994,714 higher than the budgeted amounts. This was mainly due to property taxes coming in \$3,454,938 higher than budget, a \$326,590 positive variance in investment income, and \$206,567 in unbudgeted other revenues which represents amounts returned from previous grant recipients as unused or cancelled grants. Actual expenditures were \$15,093,077 or \$1,606,423 lower than the budget due to administration services, grants and program expenses being under budget by \$286,346, \$173,944 and \$1,146,133, respectively.

**SEQUOIA HEALTHCARE DISTRICT**  
Management's Discussion and Analysis  
June 30, 2023

**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, 2042. 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 \$17.5 million a year in community support in the year ahead without having to significantly reduce current reserves.

District reserves still remain higher than management and the Board would like, however reserve funds have been committed to build a new brick-and-mortar dental clinic in the District Building on Veterans in Redwood City operated by Ravenswood Family Health Network. This investment of nearly \$6 million dollars will make a substantial impact on dental access for low-income individuals and families. The District would then purchase a new building within District boundaries to house the District office. Approximately \$4.5 million is allocated to this. We have also increased our Caring Community grants and school health program grants by nearly a million dollars each and District staff are developing two new initiatives to help support local nonprofit operational capacity and a health workforce development program to address the significant shortage of healthcare workforce in the area.

**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, 2023

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 14,374,884		\$ 14,374,884
Investments	31,178,295		31,178,295
Accounts receivable	188,585		188,585
Interest receivable	188,949		188,949
Prepays	995	\$ 6,196	7,191
Interest receivable - Dignity Health settlement	135,477		135,477
Due from other governments	1,294,536		1,294,536
Dignity Health settlement receivable	7,146,057		7,146,057
Dignity Health pension reimbursement	23,415,174		23,415,174
Capital assets - non depreciable		138,927	138,927
Capital assets - depreciable, net		103,194	103,194
<b>TOTAL ASSETS</b>	<b>77,922,952</b>	<b>248,317</b>	<b>78,171,269</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension plan	3,030,763		3,030,763
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>3,030,763</b>		<b>3,030,763</b>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	67,196		67,196
Grants payable	1,837,947		1,837,947
Unearned revenue	403,063		403,063
Compensated absences - due within one year	17,444		17,444
Noncurrent liabilities:			
Deposits payable		3,565	3,565
Compensated absences - due in more than one year	40,832		40,832
Net pension liability	26,445,937		26,445,937
<b>TOTAL LIABILITIES</b>	<b>28,812,419</b>	<b>3,565</b>	<b>28,815,984</b>
<b>NET POSITION</b>			
Investment in capital assets		244,752	244,752
Unrestricted	52,141,296		52,141,296
<b>TOTAL NET POSITION</b>	<b>\$ 52,141,296</b>	<b>\$ 244,752</b>	<b>\$ 52,386,048</b>

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

SEQUOIA HEALTHCARE DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023

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
<b>Governmental Activities:</b>						
Community Healthcare Services:						
Grants to community non-profit organizations	\$ 11,894,973			\$ (11,894,973)		\$ (11,894,973)
Grant administration	663,611			(663,611)		(663,611)
Grant administration, compensated absences	(3,799)			3,799		3,799
Insurance	163,340			(163,340)		(163,340)
Investment and banking fees	45,229			(45,229)		(45,229)
Legal	17,546			(17,546)		(17,546)
Office supplies and maintenance	6,743			(6,743)		(6,743)
Pension expense	2,200,000		\$ 2,200,000			
Public relations	101,635			(101,635)		(101,635)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>15,089,278</b>		<b>2,200,000</b>	<b>(12,889,278)</b>		<b>(12,889,278)</b>
<b>Business-Type Activities:</b>						
Leasing	109,568	\$ 9,600			\$ (99,968)	(99,968)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>109,568</b>	<b>9,600</b>			<b>(99,968)</b>	<b>(99,968)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 15,198,846</b>	<b>\$ 9,600</b>	<b>\$ 2,200,000</b>	<b>(12,889,278)</b>	<b>(99,968)</b>	<b>(12,989,246)</b>
<b>General Revenues:</b>						
Property taxes				18,703,027		18,703,027
Interest and investment earnings				649,899		649,899
Other revenues				206,567		206,567
Internal transfers				(52,983)	52,983	
<b>SUBTOTAL GENERAL REVENUE</b>				<b>19,506,510</b>	<b>52,983</b>	<b>19,559,493</b>
<b>CHANGE IN NET POSITION</b>				<b>6,617,232</b>	<b>(46,985)</b>	<b>6,570,247</b>
Net position at beginning of year				45,524,064	291,737	45,815,801
<b>NET POSITION AT END OF YEAR</b>				<b>\$ 52,141,296</b>	<b>\$ 244,752</b>	<b>\$ 52,386,048</b>

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

SEQUOIA HEALTHCARE DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2023

	General Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 14,374,884
Investments	31,178,295
Accounts receivable	188,585
Interest receivable	188,949
Prepaid items	995
Interest receivable - Dignity Health settlement	135,477
Due from other governments	1,294,536
Dignity Health settlement receivable	7,146,057
<b>TOTAL ASSETS</b>	<b>\$ 54,507,778</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 67,196
Grants payable	1,837,947
Unearned revenue	403,063
<b>TOTAL LIABILITIES</b>	<b>2,308,206</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue	8,529,623
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>8,529,623</b>
<b>FUND BALANCE</b>	
Nonspendable	995
Unassigned	43,668,954
<b>TOTAL FUND BALANCE</b>	<b>43,669,949</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 54,507,778</b>

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position:

Amounts reported for governmental activities in the statement of net position:

Total fund balance - governmental funds	\$ 43,669,949
Deferred outflows of resources on the pension plan are not reported in governmental funds.	3,030,763
Reimbursement receivable from Dignity Health for the pension plan.	23,415,174
Compensated absences, which do not use current financial resources, are not reported in the General Fund.	(58,276)
Long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental fund.	8,529,623
Net pension liability related to the pension plan is not reported in governmental funds.	(26,445,937)
<b>Total net position - Governmental Activities</b>	<b>\$ 52,141,296</b>

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, 2023

	<u>General Fund</u>
REVENUES	
Tax revenue	\$ 17,454,938
Investment income	406,590
Interest income	7,419
Pension reimbursement	2,200,000
Settlement agreement revenue	510,000
Other revenue	206,567
TOTAL REVENUES	<u>20,785,514</u>
EXPENDITURES	
Community Healthcare Services	
Administrative services	663,611
Grant expenses	7,836,106
Other grants	4,058,867
Insurance	163,340
Investment and banking fees	45,229
Legal	17,546
Office supplies and maintenance	6,743
Pension contribution	2,200,000
Public relations	101,635
TOTAL EXPENDITURES	<u>15,093,077</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,692,437
OTHER FINANCING SOURCES (USES)	
Transfers out	(52,983)
NET CHANGE IN FUND BALANCE	5,639,454
Fund balance at beginning of year	38,030,495
FUND BALANCE AT END OF YEAR	<u>\$ 43,669,949</u>
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities:	
Total net change in fund balance - Governmental Funds	\$ 5,639,454
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental fund. This amount is the change in unavailable revenue.	973,979
Compensated absences expense is not recognized in the governmental funds, but is recognized in the government-wide statements	3,799
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 6,617,232</u>

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

SEQUOIA HEALTHCARE DISTRICT  
STATEMENT OF NET POSITION - PROPRIETARY FUND

June 30, 2023

	<u>Business-Type Activities - Leasing Fund</u>
<b>ASSETS</b>	
Current assets:	
Prepays	<u>\$ 6,196</u>
Noncurrent assets:	
Capital assets - non depreciable	138,927
Capital assets - depreciable - net	<u>103,194</u>
TOTAL ASSETS	<u><u>248,317</u></u>
 <b>LIABILITIES</b>	
Noncurrent liabilities:	
Deposits payable	<u>3,565</u>
 <b>NET POSITION</b>	
Investment in capital assets	<u>244,752</u>
TOTAL NET POSITION	<u><u>\$ 244,752</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, 2023

	<u>Business-Type Activities - Leasing Fund</u>
OPERATING REVENUES	
Rental income	<u>\$ 9,600</u>
OPERATING EXPENSES	
Depreciation	53,181
Insurance	5,657
Maintenance and supplies	25,522
Utilities	25,208
TOTAL OPERATING EXPENSES	<u>109,568</u>
OPERATING LOSS BEFORE TRANSFER	(99,968)
Transfers in	<u>52,983</u>
CHANGE IN NET POSITION	(46,985)
Net position at beginning of year	<u>291,737</u>
NET POSITION AT END OF YEAR	<u><u>\$ 244,752</u></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, 2023

	<u>Business-Type Activities - Leasing Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from tenants as rent	\$ 9,600
Cash paid to suppliers	(62,583)
<b>NET CASH USED FOR OPERATING ACTIVITIES</b>	<u>(52,983)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from the General Fund	52,983
<b>NET CASH PROVIDED FROM NONCAPITAL FINANCING ACTIVITIES</b>	<u>52,983</u>
Net change in cash and cash equivalents	
Cash and cash equivalents at beginning of year	<u>          </u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ -</u></u>
Reconciliation of net income (loss) from operations to net cash used for operating activities:	
Operating loss	\$ (99,968)
Depreciation	53,181
(Increase) decrease in assets:	
Prepays	(6,196)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><u>\$ (52,983)</u></u>

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

SEQUOIA HEALTHCARE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUND

June 30, 2023

	<u>Pension Trust Fund</u>
ASSETS	
Money market fund	\$ 84,374
Mutual funds	50,127,940
Investment in insurance company separate account	<u>3,448,081</u>
	<u>53,660,395</u>
TOTAL ASSETS	<u>53,660,395</u>
NET POSITION	
Restricted for pensions	<u>53,660,395</u>
	<u>53,660,395</u>
TOTAL NET POSITION	<u><u>\$ 53,660,395</u></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, 2023

	<u>Pension Trust Fund</u>
Additions	
Contributions - employer	\$ 2,200,000
Investment earnings	3,516,468
TOTAL ADDITIONS	<u>5,716,468</u>
Deductions	
Benefit payments	7,439,686
Administrative expenses	108,680
TOTAL DEDUCTIONS	<u>7,548,366</u>
CHANGE IN NET POSITION	(1,831,898)
Net position at beginning of year	<u>55,492,293</u>
NET POSITION AT END OF YEAR	<u><u>\$ 53,660,395</u></u>

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

SEQUOIA HEALTHCARE DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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. Generally, interfund activity has been eliminated 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. 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.

Basis of Presentation - Fund Financial Statements: Fund financial statements report detailed information about the District's funds, which are a self-balancing set of accounts. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. 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 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.

## SEQUOIA HEALTHCARE DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 for former employees now employed by Dignity Health under the Development Agreement.

#### Measurement Focus and Basis of Accounting

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 and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. The accounting objectives of the economic resources measurement focus are the determination of net income, financial position, and cash flows. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recorded in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. All assets and liabilities, including current and noncurrent, as well as deferred outflows and inflows of resources, associated with their activities are reported. Fund equity is classified as net position, which serves as an indicator of financial position.

Governmental Funds: All governmental funds are accounted for using the 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 financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting, when applicable.

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. 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. Debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, claims and judgments, postemployment benefits are recognized later based on

SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

specific accounting rules applicable to each, generally when due. General capital asset acquisitions, including leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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 assets. 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: Highly liquid money market investments with maturities of one year or less at the time of purchase are stated at amortized cost. All other investments are stated at fair value in accordance with GASB Statement No. 31. Market value is used as fair value for those securities for which market quotations are readily available. .

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 items of governmental funds are offset by a nonspendable portion of fund balance to indicate they do not represent resources available for future appropriation.

Due From Other Governments: Due from other governments represented property taxes receivable from the County of San Mateo at year-end.

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 \$23,415,174 at June 30, 2023.

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.

SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and are recognized in the year for which the District’s time requirements are met. 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 90<sup>th</sup> 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 hours are not accrued as part of the compensated absences liability. The General fund is used to liquidate compensated absences.

Leases and Subscription-Based Information Technology Arrangements: The District has a policy to recognize lease assets and liabilities for leases as well as subscription-based assets and liabilities 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 or subscription-based information technology arrangements 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.



SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 unavailable revenue in its General Fund.

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

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.

SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transfers: Resources reallocated between funds by reporting them as interfund transfers. The General Fund provides resources to the Leasing Enterprise fund to fund operating expenses. For the purposes of the statement of activities in the government-wide financial statements, all interfund transfers within individual governmental and proprietary funds have been eliminated.

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 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 and was determined to have no effect on the District’s financial statements.

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 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

SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes a primary government, or reporting unit that reports a liability for revenue debt, vulnerable to the risk of a substantial impact and to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to occur within 12 months of the date the financial statements are issued. If the criteria in the Statement have been met for a concentration or constraint, the government should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The provisions of this Statement are effective for years beginning after June 15, 2024.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability, including 1) certain topics and disclosures in Management's Discussion and Analysis; 2) requiring the display of inflows and outflows of unusual and infrequent items to be reported separately as the last presented flow(s) of resources prior to the net change in resources flows in the government-wide, governmental fund, and proprietary fund statement of resources flows; 3) changing the definition of proprietary fund nonoperating revenues and expenses to include subsidies received and provided, contributions to permanent and term endowments, revenues and expenses related to financing, resources from the disposal of capital assets and inventory and investment income and expenses and defines operating revenues and expenses as revenue and expenses other than nonoperating revenue and expenses; 4) requires major component units to be presented separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements; and 5) requires budgetary comparison schedules to be reported as Required Supplementary Information (RSI), requires the presentation of variances between original and final budget amounts and final budget and actual amounts in the RSI and requires the explanation of significant variances to be reported in notes to the RSI. The provisions of this Statement are effective for years beginning after June 15, 2025.

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

SEQUOIA HEALTHCARE DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2023 were as follows:

Governmental Activities		\$ 45,553,179
Fiduciary Fund		53,660,395
	Total	\$ 99,213,574
Cash in banks		\$ 14,374,884
Investments:		
Money market funds		84,374
Mutual funds		51,871,243
Investment in insurance company separate account		3,448,081
Certificates of deposit		375,091
U.S. treasuries		20,734,201
U.S. agencies		2,609,614
Corporate bonds		5,716,086
	Total investments	84,838,690
	Total bank deposits and investments	\$ 99,213,574

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, 2023, the District's deposits with financial institutions totaled \$14,511,553, of which \$425,094 was covered by FDIC Insurance and \$14,086,459 was collateralized as described above.

SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investment Policy: Limitations as they relate to interest rate risk and concentrations 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

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.

SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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	
<b>Governmental Activities:</b>					
Mutual funds	\$ 1,743,303	\$ 1,743,303			
Certificates of deposit	375,091		\$ 375,091		
U.S. treasuries	20,734,201	8,358,484	7,374,419	\$ 5,001,298	
U.S. agencies	2,609,614		1,532,647	1,076,967	
Corporate bonds	5,716,086	1,393,977	2,594,620	1,727,489	
	<u>31,178,295</u>	<u>11,495,764</u>	<u>11,876,777</u>	<u>7,805,754</u>	
<b>Pension Trust Fund:</b>					
Money market fund	84,374	84,374			
Mutual funds	50,127,940	50,127,940			
Insurance separate account	3,448,081				\$ 3,448,081
	<u>53,660,395</u>	<u>50,212,314</u>			<u>3,448,081</u>
<b>Total</b>	<b>\$ 84,838,690</b>	<b>\$ 61,708,078</b>	<b>\$ 11,876,777</b>	<b>\$ 7,805,754</b>	<b>\$ 3,448,081</b>

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			\$ 20,734,201						\$ 20,734,201
U.S. agencies		\$ 2,609,614							2,609,614
Corporate bonds	\$ 429,083		475,046	\$ 662,565	\$ 2,020,970	\$ 743,816	\$ 731,160	\$ 653,446	5,716,086
<b>Total</b>	<u>\$ 429,083</u>	<u>\$ 2,609,614</u>	<u>\$ 21,209,247</u>	<u>\$ 662,565</u>	<u>\$ 2,020,970</u>	<u>\$ 743,816</u>	<u>\$ 731,160</u>	<u>\$ 653,446</u>	29,059,901
<b>Not rated:</b>									
Money market funds									84,374
Mutual funds									51,871,243
Insurance company separate account									3,448,081
Certificates of deposit									375,091
<b>Total investments</b>									<u>\$ 84,838,690</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.

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:

SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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	\$ 84,374		\$ 84,374	
Mutual funds	51,871,243		51,871,243	
Certificates of deposit	375,091		375,091	
U.S. treasuries	20,734,201		20,734,201	
U.S. agencies	2,609,614		2,609,614	
Corporate bonds	5,716,086		5,716,086	
Total investments by fair value level	81,390,609	\$ -	\$ 81,390,609	\$ -
Measured at net asset value:				
Insurance company separate account	3,448,081			
Total	\$ 84,838,690			

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, 2023

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	50,000
BETA Healthcare Group	Guaranteed Cost - Occurrence	2,000,000	None
BETA Healthcare Group	Auto and Physical Damage	1,000,000	1,000
Alliant Insurance Services, Inc.	Property	100,000,000	1,000-50,000

NOTE 4 – CAPITAL ASSETS

Activity in capital assets for the year ended June 30, 2023 was as follows:

	Balance at June 30, 2022	Additions	Retirements	Reclassifications	Balance at June 30, 2023
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	(157,832)	\$ (15,171)			(173,003)
Buildings and improvements	(1,712,735)	(36,489)			(1,749,224)
Tenant improvements	(215,113)				(215,113)
Equipment	(73,560)	(1,521)			(75,081)
Furniture	(28,260)				(28,260)
Total accumulated depreciation	(2,187,500)	(53,181)			(2,240,681)
Total capital assets being depreciated, net	156,375	(53,181)			103,194
Capital assets, net	\$ 295,302	\$ (53,181)	\$ -	\$ -	\$ 242,121

NOTE 5 – LONG-TERM LIABILITIES

The following is a summary of long-term liability activity for the year ended June 30, 2023:

	Balance June 30, 2022	Additions	Repayments	Balance June 30, 2023	Due Within One Year	Due in More Than One Year
Compensated absences	\$ 62,075	\$ -	\$ (3,799)	\$ 58,276	\$ 17,444	\$ 40,832



## SEQUOIA HEALTHCARE DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

#### 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 \$56,288 and \$25,515, respectively, during the year ended June 30, 2023.

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, 2023.

#### 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, 2023

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, 2023, 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, 2023, contributions recognized as part of pension expense were \$2,200,000.

**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, 2023, using an annual actuarial valuation as of January 1, 2022 rolled forward to June 30, 2023 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, 2023
Actuarial cost method	Projected Unit Credit (all plan benefits frozen)
Actuarial assumptions:	
Discount rate	5.75%
Investment rate of return	5.75%
Inflation	2.50%
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 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.

SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

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

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 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, 2022	\$ 83,048,432	\$ 55,523,268	\$ 27,525,164
Changes in the year:			
Interest on the total pension liability	4,561,394		4,561,394
Contributions - employer		2,200,000	(2,200,000)
Net investment income		3,549,301	(3,549,301)
Administrative expenses		(108,680)	108,680
Benefit payments	(7,439,686)	(7,439,686)	
Net changes	(2,878,292)	(1,799,065)	(1,079,227)
Balance at June 30, 2023	\$ 80,170,140	\$ 53,724,203	\$ 26,445,937

SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

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

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:

	1% Decrease 4.75%	Current Discount Rate 5.75%	1% Increase 6.75%
Net Pension Liability	\$ 32,712,599	\$ 26,445,937	\$ 20,986,258

Pension Expense and Deferred Inflows and Outflows of Resources: For the year ended June 30, 2023, the pension expense of \$1,640,915 was reported by Dignity Health. The District reported no pension expense other than the contribution to the plan due to the responsibility for the pension expense being assumed by Dignity Health in the Development Agreement. At June 30, 2023, 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	\$ 3,030,763	
Total	\$ 3,030,763	\$ -

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

Year Ended June 30	
2024	\$ (129,998)
2025	347,014
2026	2,915,842
2027	(102,095)
	<u>\$ 3,030,763</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.

SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE 7 – SETTLEMENT AGREEMENT WITH DIGNITY HEALTH (Continued)

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
2024	\$ 277,753	\$ 232,247	\$ 510,000
2025	286,780	223,220	510,000
2026	296,101	213,899	510,000
2027	305,724	204,276	510,000
2028	315,660	194,340	510,000
2029-2033	1,739,016	810,984	2,550,000
2034-2038	2,040,581	509,419	2,550,000
2039-2042	1,884,442	155,558	2,040,000
	<u>\$ 7,146,057</u>	<u>\$ 2,543,943</u>	<u>\$ 9,690,000</u>

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.

Commitments: 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

SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

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.

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 \$410,000 from the 2022-23 shared settlement account, as described in Note 7, for a total of up to \$820,000. The funding for the pilot is expected to provide comprehensive restorative dental care for approximately 350 economically disadvantaged District residents over a 18-month period through March 2025 by providing an incentive payment to dentists of up to \$2,500 in addition to their usual Denti-Cal reimbursement rates.

Grants Approved: As of June 30, 2023, the Board of Directors approved grants to other organizations that are payable during the years ended June 30:

	2024	2025	2026	2027	2028
School Health Grants	\$ 4,415,194				
Caring Community Grants	4,123,000	\$ 2,256,000			
Samaritan House Clinic Operations	1,353,649				
Ravenswood Family Health Center	1,000,000	1,000,000			
First 5 San Mateo County	595,700	595,700			
Sonrisas Dental Health	586,330	617,710			
San Mateo County Health Foundation	200,000				
San Mateo Medical Center Dental Clinic	160,000	160,000			
Peninsula Volunteers	60,000				
San Mateo County Health Navigation Center Dental Clinic	50,000	50,000	\$ 50,000	\$ 37,500	\$ 37,500
Faro Food Grant	50,000				
Boys and Girls Psychotherapist	46,585				
Pink Ribbon Good	25,000				
Peninsula Jewish Community Center Pink Power	18,000				
	<u>\$ 12,683,458</u>	<u>\$ 4,679,410</u>	<u>\$ 50,000</u>	<u>\$ 37,500</u>	<u>\$ 37,500</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 \$120,000 grant from the District during the year ended June 30, 2023. 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 – SUBSEQUENT EVENTS

In April 2024, the Board of Directors approved an Automated External Defibrillator (AED) Replacement Project in the amount of \$265,000 for the replacement of AEDs previously placed in schools and community settings within the district boundaries, and to install up to 10 outdoor AED cabinets in high volume community spaces in the District.

SEQUOIA HEALTHCARE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2023

NOTE 10 – SUBSEQUENT EVENTS (Continued)

In April 2024, the Board of Directors authorized the lease of the District’s current office building, 525 Veterans Boulevard, to Ravenswood Family Health Network (Ravenswood), and an improvement allowance of up to \$5,950,000 to Ravenswood to make improvements to the building for use as a dental clinic, furniture and equipment. The lease was entered into in May 2024 and a \$25,000 security deposit was received. The lease will commence at the earlier of the date on which the construction of improvements are substantially complete and Ravenswood has received all approvals necessary to operate a dental clinic or 360 days after Ravenswood has received all planning approvals and permits necessary for the construction of the improvements. The term of the lease is for a 10-year period, with two options to extend the term for five years each, and the monthly rent will be \$12,500 and shall increase by 3% annually. The reimbursement of an amount up to \$5,950,000 shall be increased by a factor of 4% per annum beginning April 24, 2024 and will conclude when substantial completion of the tenant improvements is completed.

Grants Approved: From December 2023 through June 2024, the Board of Directors approved the following grant amounts for the years ended June 30:

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
LifeMoves LVN	\$ 157,813	\$ 157,813		
Center for Wellness and Achievement in Education	138,000			
Boys and Girls Psychotherapist	46,688	93,375	\$ 46,688	
EPiC, Inc.	45,379			
School Health Grants		5,219,151		
Caring Community Grants		2,967,000	2,037,000	
Samaritan House Clinic Operations		1,773,886	1,836,243	\$ 1,934,054
Second Harvest Emergency Food Grant		500,000		
Redwood City Together PACE Program		150,000		
Peninsula Volunteers		80,000	85,000	
	<u>\$ 387,880</u>	<u>\$ 10,941,225</u>	<u>\$ 4,004,931</u>	<u>\$ 1,934,054</u>

REQUIRED SUPPLEMENTARY INFORMATION



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, 2023

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Tax revenue	\$ 14,000,000	\$ 14,000,000	\$ 17,454,938	\$ 3,454,938
Investment income	80,000	80,000	406,590	326,590
Interest income	800	800	7,419	6,619
Pension reimbursement	2,200,000	2,200,000	2,200,000	
Settlement agreement revenue	510,000	510,000	510,000	
Other revenue			206,567	206,567
TOTAL REVENUES	<u>16,790,800</u>	<u>16,790,800</u>	<u>20,785,514</u>	<u>3,994,714</u>
<b>EXPENDITURES</b>				
Administrative services	1,284,450	1,284,450	998,104	286,346
Pension plan expense	2,200,000	2,200,000	2,200,000	
Grants	8,010,050	8,010,050	7,836,106	173,944
Program expenses	5,205,000	5,205,000	4,058,867	1,146,133
TOTAL EXPENDITURES	<u>16,699,500</u>	<u>16,699,500</u>	<u>15,093,077</u>	<u>1,606,423</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	91,300	91,300	5,692,437	5,601,137
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer out			(52,983)	(52,983)
NET CHANGE IN FUND BALANCE	91,300	91,300	5,639,454	5,548,154
Fund balance at beginning of year	<u>38,030,495</u>	<u>38,030,495</u>	<u>38,030,495</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 38,121,795</u>	<u>\$ 38,121,795</u>	<u>\$ 43,669,949</u>	<u>\$ 5,548,154</u>

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, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability:									
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on the total pension liability	4,561,394	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	(7,439,686)	(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	(2,878,292)	(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	83,048,432	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>\$ 80,170,140</u>	<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	\$ 2,200,000	\$ 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	3,549,301	(11,075,492)	16,694,529	6,285,010	2,773,074	5,789,000	7,188,000	(83,000)	487,000
Administrative expenses	(108,680)	(144,808)	(84,667)	(136,928)	(114,000)	(95,000)	(88,000)	(108,000)	(92,000)
Benefit payments	(7,439,686)	(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	(1,799,065)	(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	55,523,268	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>\$ 53,724,203</u>	<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>\$ 26,445,937</u>	<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>67.01%</u>	<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>	<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>	<u>None</u>
Notes to schedule:									
Measurement period - fiscal year ended	June 30, 2023	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, 2023

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contactually required contribution (actuarially determined)	\$ 2,200,000	\$ 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	<u>(2,200,000)</u>	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>(2,700,000)</u>	<u>(2,700,000)</u>	<u>(2,700,000)</u>	<u>(3,800,000)</u>	<u>(2,600,000)</u>	<u>(2,600,000)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	None
Contributions as a percentage of covered payroll	None	None	None	None	None	None	None	None	None
Notes to schedule:									
Reporting valuation date: January 1	2022	2022	2021	2020	2019	2018	2017	2016	2015
Reporting measurement date: June 30	2023	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:

	Projected unit credit (all plan benefits frozen)								
	Level dollar amount								
	Market value of assets								
	Not applicable (all inactive participants)								
Actuarial method									
Amortized method									
Remaining amortization period	8 years	9 years	10 years	11 years	12 years	13 years	14 years	15 years	16 years
Asset valuation method									
Salary increases									
Investment rate of return and discount rate used to compute contribution rates	5.75%	6.50%	6.50%	6.50%	6.70%	Not available	Not available	Not available	Not available
Mortality	1	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, 2023

**Budgetary Accounting**

The District's 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

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, 2023

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Rental income	\$ 9,600	\$ 9,600	\$ 9,600	
<b>OPERATING EXPENSES</b>				
Depreciation	47,000	47,000	53,181	\$ (6,181)
Insurance	3,900	3,900	5,657	(1,757)
Maintenance and supplies	25,000	25,000	25,522	(522)
Utilities	25,000	25,000	25,208	(208)
TOTAL EXPENSES	<u>100,900</u>	<u>100,900</u>	<u>109,568</u>	<u>(8,668)</u>
OPERATING LOSS BEFORE TRANSFER	(91,300)	(91,300)	(99,968)	(8,668)
Transfer in			52,983	52,983
CHANGE IN NET POSITION	(91,300)	(91,300)	(46,985)	44,315
Net position at beginning of year	<u>291,737</u>	<u>291,737</u>	<u>291,737</u>	
NET POSITION AT END OF YEAR	<u>\$ 200,437</u>	<u>\$ 200,437</u>	<u>\$ 244,752</u>	<u>\$ 44,315</u>

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, 2023

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Rental income	\$ 9,600	\$ 9,600	\$ 9,600	
Tax revenue	14,000,000	14,000,000	18,703,027	\$ 4,703,027
Investment income (loss)	80,000	80,000	406,590	326,590
Interest income	800	800	7,419	6,619
Pension income	2,200,000	2,200,000	2,200,000	
Settlement agreement revenue	510,000	510,000	235,890	(274,110)
Other revenue			206,567	206,567
<b>TOTAL REVENUES</b>	<b>16,800,400</b>	<b>16,800,400</b>	<b>21,769,093</b>	<b>4,968,693</b>
<b>EXPENSES</b>				
Administrative services	1,067,450	1,067,450	824,222	243,228
Pension plan expenses	2,200,000	2,200,000	2,200,000	
Grants	8,010,050	8,010,050	7,836,106	173,944
Program expenses	5,205,000	5,205,000	4,058,867	1,146,133
Depreciation	47,000	47,000	53,181	(6,181)
Insurance	211,900	211,900	168,997	42,903
Maintenance and supplies	34,000	34,000	32,265	1,735
Utilities	25,000	25,000	25,208	(208)
<b>TOTAL EXPENSES</b>	<b>16,800,400</b>	<b>16,800,400</b>	<b>15,198,846</b>	<b>1,601,554</b>
<b>CHANGE IN NET POSITION</b>			<b>6,570,247</b>	<b>6,570,247</b>
Net position at beginning of year	45,815,801	45,815,801	45,815,801	
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 45,815,801</b>	<b>\$ 45,815,801</b>	<b>\$ 52,386,048</b>	<b>\$ 6,570,247</b>

## COMPLIANCE REPORT



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, 2023, 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 26, 2024.

**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 or significant deficiencies 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 26, 2024