



**A G E N D A**

**SEQUOIA HEALTHCARE DISTRICT  
REGULAR BOARD OF DIRECTORS MEETING  
4:30 PM, Wednesday, August 7, 2024  
Conference Room, 525 Veterans Boulevard  
Redwood City, CA 94063**

This meeting will be held in person at 525 Veteran’s Boulevard in Redwood City with access available via Zoom teleconference. To join the meeting from your cellphone dial [\(669\) 900-9128](tel:6699009128) and enter meeting ID: [837 5452 9528](https://us02web.zoom.us/j/83754529528) or join from a computer to <https://us02web.zoom.us/j/83754529528>. Additional information regarding the meeting can be located at our website: [www.seqhd.org](http://www.seqhd.org)

- |        |  |           |
|--------|--|-----------|
|        | 1. Call To Order And Roll Call   | 4:30-4:40 |
|        | 2. Public Comment On Non-Agenda Items*   |           |
| ACTION | 3. Consent Calendar - President Nayfack  |           |
|        | a. Approve June 5, 2024 Regular Meeting Minutes  |           |
|        | b. Accept May And June 2024 Financial Statements   |           |
|        | 4. CEO/Staff Reports:  |           |
|        | a. Kurtzman, Bratton, Wasson   | 4:40-4:55 |
|        | 5. New Business  |           |
|        | a. Status Update On County Office Of Education United For Youth: Blueprint For School And Transition-Age Youth- Dr. Nancy McGee  | 4:55-5:15 |
| ACTION | b. Approve Final Audit Report 2023-24 Conducted By Richardson And Company, LLP - Brian Nash  | 5:15-5:30 |
|        | c. Review And Discuss Recent Civil Grand Jury Report- Ms. Kurtzman   | 5:30-5:40 |
|        | d. Status Update On Dental Access Learning Collaborative- Ms. Kurtzman   | 5:40-5:50 |
|        | e. Status Update On Dignity Health/ Sequoia Hospital Collaborative Investments. Ms. Kurtzman   | 5:50-6:00 |
|        | f. 2023-24 Caring Community Grants Year-End Review- Ms. Bratton  | 6:00-6:15 |
|        | g. Review And Discuss Draft Annual Report- Ms. Garcia  | 6:15-6:30 |
| ACTION | h. Review And Approve Biannual Conflict of Interest Code- Mr. Hudak  | 6:30-6:40 |
| ACTION | i. Review And Approve Annual Expense Reimbursement Report- Mr. Hudak   | 6:40-6:50 |
|        | j. Discussion Of General Policies Relating To Elections And Candidates - Mr. Hudak and Dr. Nayfack   | 6:50-7:00 |
| ACTION | k. Director Requests For Future Agenda Items Per Board Policy 8.3 - President Nayfack  | 7:00-7:05 |
| ACTION | 6. Adjourn   |           |
|        | The Next Regular Meeting Of The Board Of Directors Of Sequoia Healthcare District is Scheduled For 4:30 PM, Wednesday, October 2, 2024, District Conference Room, 525 Veterans Blvd., Redwood City, CA 94063 |           |

Aaron Nayfack, MD - Board President

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

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

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

**MINUTES OF REGULAR MEETING  
BOARD OF DIRECTORS  
SEQUOIA HEALTHCARE DISTRICT  
June 5, 2024  
Conference Room, 525 Veterans Boulevard  
Redwood City, CA 94063**

<u>Directors Present</u>	<u>Directors Excused</u>	<u>Also Present</u>
Director Fong Director Griffin Director Martinez Director Nayfack Director Shefren		Pamela Kurtzman, CEO Mr. Hudak, Legal Counsel Ms. Stamper, Recorder
<b><u>1. Call to Order and Roll Call</u></b>		
President Nayfack called the meeting to order at 4:30PM. Roll call attendance was taken. A quorum was present.		
<b><u>2. Public Comment/Non-Agenda Items</u></b>		
President Nayfack asked if there was any public comment on non-agenda items. Director Martinez mentioned that there was a fire in his District on Monday and asked everyone to be supportive to the people effected.		
<b><u>3. Consent Calendar</u></b>		
President Nayfack asked if there was public comment on this agenda item. There was none.		
<b>Motion:</b> to approve the consent calendar. <b>By:</b> Director Shefren <b>Seconded by:</b> Director Griffin		
Director Fong would like to abstain from voting on the April 24 minutes as he was absent from that meeting.		
<b>Vote:</b> Ayes - Fong, Griffin, Martinez, Nayfack, Shefren Nos -- Abstain -- Absent --		
<b>Motion Passed: 5-0</b>		
<b><u>4. CEO/Staff Reports</u></b>		
Ms. Kurtzman reported that our \$10M investment in Schwab in July 2023 has increased in value by \$536K.		
ACHD's 2024 annual meeting is September 25-27 in Sacramento.		
Ms. Bratton reported that DocuSign has been tested and is ready to be implemented for the new agreements. She attended the Benevity conference and SHD was a finalist for the Community Hero award. She pointed out the table of contents for EIC grants under consideration in her report and mentioned that the District received the Golden Condom award from Health Connected.		

Ms. Garcia could not attend tonight. Her report is included in the packet.

**5.a. Approve Resolution 2024-2 Calling for Board Election: Zones B And D**

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

Mr. Hudak presented Resolution 2024-2, determining the date and adopting provisions for the 2024 Sequoia Healthcare District general election as November 5, 2024 for Zones B and D, and reminded the Directors that the Board authorized the District to cover the costs related to candidate statements.

Ms. Kurtzman will create a calendar of deadlines that will be emailed out to Board members.

**Motion:** To approve Resolution 2024-2.

**By:** Director Shefren

**Seconded by:** Director Nayfack

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

Nos --

Abstain --

Absent --

**Motion Passed: 5-0**

**5.b. Consider Approval Of Community Grants Recommendations  
For FY 2024-25 For \$5,223,000**

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

The grants committee recommended awarding 73 Caring Community grants equaling \$5.223 Million for FY 2024-25.

28 two-year grants were approved last year and will be on their second year of funding for FY25 totaling \$2,256,000. 27 grants are new FY25/FY26 two-year grants totaling \$2,037,000. 18 are one-year grants totaling \$930,000. Of the 18 one-year grants 7 are new grantees, 9 are returning previously funded grantees, 2 are off-cycle grantees.

A grants reception will be held on September 19<sup>th</sup>. Location will be confirmed at a later date.

**Motion:** To approve all grants as proposed for FY25-26.

**By:** Director Shefren

**Seconded by:** Director Martinez

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

Nos --

Abstain --

Absent --

**Motion Passed: 5-0**

**5.c. Consider Approval Of School Health Budget For 2024-2025 For Up To \$5,738,986**

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

Ms. Wasson presented the Healthy Schools Initiative budget for FY2024-25. She noted that the Sequoia High School Career Academy piloted Narcan training with students recently, and the teacher wellness programs have been impactful and appreciated. This year's goals include:

- providing leadership and relevant training opportunities for the HSI team leads

- assessing WSCC component practices align with current school climate and wellness needs
- facilitating update of School District Wellness policies
- standardizing the purpose and function of the School Wellness Advisory Councils
- strengthening MTSS Tier 1 and 2 programmatic strategies
- expanding student-facing ATOD, narcan and suicide prevention trainings
- streamlining the HSI grant application process
- fully executing the Employee Wellness Programs to further support school personnel
- strengthening the District and HSI brand awareness
- initiating an evaluation of HSI.

The overall HSI Budget request for FY2024-25 is \$5,738,986, which is a 16% increase from the current year. Ms. Wasson's request includes funding for 32 grants to nonprofits that provide services to families in our District, and \$3,280,072 in direct funding to 8 school Districts.

Directors would like Ms. Wasson to meet with school superintendents to stress the need for recognizing the tax payer contribution to their schools.

**Motion:** To approve the FY2024-25 School Health Budget For Up To \$5,738,986.

**By:** Director Nayfack

**Seconded by:** Director Shefren

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

Nos --

Abstain --

Absent --

**Motion Passed: 5-0**

#### **5.d. Consider Adoption Of District Proposed Budget FY 2024-25**

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

CEO Kurtzman presented and discussed the draft budget for FY 2024-2025. The new balanced budget is a 25% increase over last year with a total proposed expenditure of \$22,820,400. Director Shefren stated that the Finance Committee rigorously reviewed and approved the draft budget.

**Motion:** To adopt the proposed FY2024-2025 Budget.

**By:** Director Shefren

**Seconded by:** Director Fong

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

Nos --

Abstain -

Absent --

**Motion Passed: 5-0**

#### **5.e. Presentation On Local Agency Formation Commission (LAFCO)**

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

Mr. Hudak gave a presentation on Local Agency Formation Commission, which is made up of 2 members from the county Board of Supervisors, 2 members from City councils, 2 members from Special Districts, 1 community member at large and alternate members. LAFCO's mission is to:

- prevent urban sprawl and preserve agricultural land and open spaces

- encourage efficient public services through the municipal services review process (which includes comprehensive reviews of a District's finances, services, population growth, sustainability, and governance structure.)
- process boundary changes among local agencies.

Mr. Hudak explained LAFCO's role in and process for expanding the District's boundaries, and the challenges to that would be faced for approval of any service area expansion.

**5.f. Authorize CEO To Issue Nonbinding Letters Of Intent  
With Approval Of Property Search Committee**

Mr. Hudak reviewed the timeline for the District purchasing a property including building improvements, which will be longer than the time we have remaining in our building before Ravenswood is expected to begin construction. The market for commercial buildings is not good, with few properties available, and a better strategy may be to lease a property and wait to purchase.

Mr. Hudak spoke with Trask Leonard, and suggests the Board authorize the CEO to send non-binding offer letters to many vacant and under tenanted buildings to see if it can spark interest in pursuing a deal. Mr. Hudak requested the creation of a property search committee and to authorize the CEO to issue nonbinding Letters of Intent with the approval of the property search committee.

**Motion:** To authorize the CEO to issue nonbinding Letters of Intent with the approval of the property search committee.

**By:** Director Shefren

**Seconded by:** Director Nayfack

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

Nos --

Abstain --

Absent --

**Motion Passed: 5-0**

**5.g. Discussion Regarding Time Of Day Of Board Meetings**

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

Director Shefren discussed changing the time of board meetings to earlier in the day or later at night to not coincide with dinner. Some Board members have flexible schedules and some have busy careers. Mr. Hudak attends many board meetings for various entities and states 6pm, 6:30pm and 7pm are not uncommon and work well. No consensus was reached.

**5.h. Director Requests for Future Agenda Items per Board Policy 8.3**

President Nayfack asked Directors for any requests for future agenda items.

Director Shefren would like an administrative cost breakdown and the recategorization of all payroll to Administrative Payroll.

Director Griffin would like information on the effect of Prop 1 on county programs and how that may impact our funding to them.

Directors are interested in information on how the Healthcare worker minimum wage law will impact grantees that have mental health interns.

Director Martinez would like a timeline for when analyses of the nonprofit administrative needs survey will be available.

**6. Adjourn to Closed Session**

Adjourn to Closed Session For The Purpose Of:

a. **Pursuant to Government Code Section 54956.8 - Conference with Real Property**

**Negotiators:**

Property: 1016 Laurel Street, San Carlos, California  
Agency Negotiator(s): CEO Pamela Kurtzman legal counsel Mark Hudak  
Negotiating parties: Barnard/Shirriff Family Trust  
Under Negotiation: Terms and conditions of purchase including price

**7. Reconvene To Open Session:**

There was no reportable action taken in closed session.

**8. Adjourn**

**Motion:** To adjourn the meeting at 8:05PM.

**By:** Director Martinez

**Seconded by:** Director Nayfack

**All in favor**

**Motion Passed**

The next regular meeting of the Board of Directors of Sequoia Healthcare District is scheduled for 4:30 PM, Wednesday, August 7, 2024, District Conference Room, 525 Veterans Blvd., Redwood City, CA.

Respectfully Submitted,

Kim Griffin, R.N.

Secretary







# MAY-JUNE 2024 BUDGET NARRATIVE

Heidi Stamper -- Administrative Executive

July 31, 2024

Explanation of Income discrepancy listed in **BLUE** on the Month-to-Month Budget vs. Actuals report.

Account	10 month Budget	Income Recorded	Variance	Explanation
2021 Dignity Settlement Agrmt	\$ 510,000	\$ 232,247	\$ 277,753	We received \$510K from Dignity Health in December. However, Governmental Accounting standards require that the payment be recorded as "principal" and "interest". This is the interest portion which is recognized on the Profit & Loss Sheet. The principal portion is recorded on the Balance sheet under "10551-0 Dignity Settlement" (note the change on that sheet in value from November to December).

Per Directors request, all over budget line items are listed in **RED** on the Month-to-Month Budget vs. Actuals report. The following is an explanation of over-budget items for the fiscal year 2023-24 Month to Month Budget vs. Actuals report included in the packet.

Account	12 month Budget	Actual Expenses	Variance	Explanation
Administrative Expense	\$ 45,500	\$ 51,999	\$ 6,499	Increase in bi-weekly payroll processing fees due to upgrade to Paychex PRO, retirement services setup fees for 401K, and service termination fees for old TPA
Employee Health Insurance	\$ 120,000	\$ 136,810	\$ 16,810	Board approved increase in employee benefit cap that was not originally budgeted.
Investment Fees	\$ 45,000	\$ 64,199	\$ 19,199	Additional funds invested have increased the costs of management fees.
Legal Fees	\$ 50,000	\$ 51,525	\$ 1,525	
Bank fees	\$ 100	\$ 262	\$ 162	Additional wire transfer costs, bank fees
Maintenance	\$ 27,000	\$ 27,314	\$ 314	Repair overages carried forward from October

Continued:

Account	12 month Budget	Actual Expenses	Variance	Explanation
Utilities	\$ 27,000	\$ 27,600	\$ 600	
Property Insurance	\$ 6,000	\$ 6,196	\$ 196	Price increase
Depreciation	\$ 47,000	\$ 47,480	\$ 480	Monthly depreciation trued up to depreciation schedule for FY24 total of \$47,478.80 – budgeted \$47,000
Grant Administration Expense	\$ 2,000	\$ 5,292	\$ 3,292	Additional conference registrations (ACHD, Benevity, etc.) and associated travel expenses.
Grant Administration Payroll	\$ 238,000	\$ 255,599	\$ 17,599	Actuals include GA pay, taxes, 401K matching and earned pay increases that totaled above what was budgeted
LifeMoves LVN	\$ 136,500	\$ 157,813	\$ 21,313	Board approved grant December 2023 at higher rate than budgeted in June 2023
Covid-19 Emergency Funds	\$ 0	\$ (12,500)	\$ (12,500)	Covid loan re-payment

**Month to Month Budget  
May - June 2024**

	May Budget	May Actual	June Budget	June Actual	12 Month (July - June) Total Budget	12 Month (July - June) Total Actual
<b>Income</b>						
Rental Income	800.00	800.00	800.00	800.00	9,600.00	9,600.00
Tax Revenue	1,900,000.00	1,555,250.64	70,000.00	323,432.14	15,500,000.00	17,442,415.98
Investment Income	5,000.00	371,519.00	5,000.00	235,578.00	80,000.00	1,769,648.00
Interest Income	60.00	49.35	60.00	57.10	800.00	980.12
2021 Dignity Settlement Agrmt	0.00	0.00	0.00	0.00	510,000.00	232,247.00
Pension Income	0.00	0.00	0.00	0.00	2,200,000.00	2,200,000.00
<b>Total Income</b>	<b>1,905,860.00</b>	<b>1,927,618.99</b>	<b>75,860.00</b>	<b>559,867.24</b>	<b>18,300,400.00</b>	<b>21,654,891.10</b>
<b>Expenses</b>						
Admin. Expense	2,500.00	6,674.42	1,000.00	9,335.77	45,500.00	51,999.02
Admin. Payroll	35,900.00	34,056.81	35,900.00	60,291.05	460,000.00	453,365.48
Board Health Insurance	1,300.00	1,339.70	1,300.00	937.79	15,600.00	13,772.22
Employee Health Insurance	10,000.00	13,909.36	5,000.00	5,257.35	120,000.00	136,810.05
Employee Retirement Benefit	2,557.00	2,678.73	2,500.00	2,476.76	30,457.00	29,633.21
Investment Fees	0.00	0.00	6,000.00	17,043.39	45,000.00	64,198.83
Office Supplies/Equip Maint	600.00	99.65	600.00	155.88	9,000.00	6,223.62
Purchased Services	5,000.00	0.00	5,000.00	0.00	75,000.00	50,550.00
Accounting fees	0.00	0.00	0.00	23,225.00	48,000.00	31,363.86
Board Expense	800.00	63.27	800.00	379.89	15,000.00	5,741.94
Associations/Membership	0.00	0.00	0.00	0.00	38,000.00	37,973.00
Communications	0.00	461.39	0.00	5,348.64	57,500.00	49,822.26
Public Relations	0.00	0.00	0.00	0.00	2,500.00	0.00
Web Site/IT	4,000.00	3,372.53	4,000.00	3,372.53	52,000.00	46,789.77
Pension Plan Expense	0.00	0.00	0.00	0.00	2,200,000.00	2,200,000.00
Insurance/D&O/Liability/WC	0.00	0.00	0.00	0.00	43,000.00	40,693.00
LAFCO fees	0.00	0.00	0.00	0.00	15,450.00	11,278.00
Legal Fees	4,100.00	0.00	4,100.00	13,005.00	50,000.00	51,525.00
Bank Fees	0.00	0.00	0.00	0.00	100.00	261.50
Maintenance	2,500.00	1,814.10	2,000.00	2,519.00	27,000.00	27,314.08
Utilities	2,000.00	1,476.24	2,000.00	2,840.74	27,000.00	27,600.35
Property Insurance	0.00	0.00	0.00	0.00	6,000.00	6,196.02
Depreciation	3,874.83	3,956.65	3,874.83	3,956.65	47,000.00	47,479.85
Grant Admin Expenses	100.00	1,343.64	0.00	174.12	2,000.00	5,292.43
Grant Admin Payroll	21,000.00	26,021.87	21,000.00	33,663.42	238,000.00	255,598.99
Samaritan House Grant	0.00	0.00	338,412.25	338,412.25	1,353,649.00	1,353,649.00
Other Grants	1,000.00	0.00	1,000.00	5,000.00	25,000.00	24,818.48
San Mateo Medical Ctr. Dental Cli	0.00	0.00	0.00	0.00	160,000.00	160,000.00
Ravenswood Family Health Ctr	0.00	0.00	0.00	0.00	1,000,000.00	1,000,000.00
LifeMoves LVN	0.00	0.00	0.00	0.00	136,500.00	157,812.50
Pen Volunteers LYFT program	2,500.00	0.00	2,500.00	0.00	60,000.00	60,000.00
BGCP Psychotherapist	0.00	46,687.50	0.00	0.00	99,700.00	93,272.50
Sonrisas	0.00	133,626.00	146,582.50	122,360.00	586,330.00	578,481.00
First 5 SMC	0.00	0.00	0.00	170,696.53	595,700.00	337,675.05
Future Impact Funds	17,899.00	113,371.30	0.00	22,843.58	1,327,899.00	1,140,050.76
Covid-19 Emergency Funds	0.00	0.00	0.00	0.00	0.00	(12,500.00)
Community Grants Program	0.00	0.00	21,500.00	24,003.37	4,189,000.00	4,162,875.49
Sequoia Smart	2,000.00	0.00	2,000.00	0.00	50,000.00	18,779.03
Sequoia Safe (+HeartSafe)	3,000.00	0.00	3,000.00	0.00	75,000.00	72,593.31
Sequoia Strong Program	4,000.00	0.00	4,000.00	0.00	50,000.00	0.00
School Health Program	1,130,777.00	627,526.95	1,334,792.00	1,418,487.47	4,922,515.00	4,385,111.84
<b>Total Expenses</b>	<b>1,257,407.83</b>	<b>1,018,480.11</b>	<b>1,948,861.58</b>	<b>2,285,786.18</b>	<b>18,300,400.00</b>	<b>17,184,101.44</b>
<b>Net</b>	<b>648,452.17</b>	<b>909,138.88</b>	<b>(1,873,001.58)</b>	<b>(1,725,918.94)</b>	<b>0.00</b>	<b>4,470,789.66</b>

## Sequoia Healthcare District

### CEO Report August 2024

Pamela Kurtzman

#### BUSINESS AND FINANCIAL UPDATE:

##### Financial Summary

- **Tax income-** The year-end actuals were just over \$17.4M, which exceeded our projections for the year by \$1.9M. We do not expect any substantial income in the new Fiscal Year until September-October.
- **Investment income:** After a \$1M transfer we requested from Andrew on July 29 to cover upcoming expenses, we will have \$3M in our money market account. We also have about \$3.35M in bonds maturing for the remainder of the year totaling about \$6.35M in cash and money market funds. Heidi and I are talking with Andrew now to determine what portion to reinvest into bonds/investments beyond the end of the year, which depends on how much we think the ballpark amount and timing of withdrawals might be the next 6-12 months.

##### Going into 2025 Q1 and Q2:

- \$2.95M maturing in Q1
- \$3.85MM maturing in Q2
- 2025 Q1 and Q2 (through end of June 2025) will have \$6.8M maturing.

FY 24-25 will have \$14.15M maturing with the principal being returned to the District. Given the needs over the next year, Andrew will move the proceeds of the maturing bonds to ultra short-term investments such as money markets and T-bills that have extremely high levels of liquidity so that we can fund anything we need while still generating 5%+ for the foreseeable future.

- If we take out the \$11M from the bonds that are maturing and reinvest, and keep the remaining portfolio as is, the projected annual income over 12 months can be conservatively estimated to be \$1.2M (this figure was used to project revenue in 2024-25).
  - According to Andrew, the overall economy remains resilient. Since inception for Sequoia, the benchmark is up 0.14% while the portfolio is up 1.73% annualized. Not super exciting numbers, but it is outperforming the index incredibly well.
- **Interest Income-** We've earned about \$980 in interest income at June's end. Our total budget for the year is \$800. At this time last year, we had earned \$7,419, however we have kept the checking account balance small in favor of investing those dollars in Schwab which has a greater earnings potential.

- **Expenses-** At year end, our total expenses were just over \$17.2M with the vast majority directly benefiting our residents through grants and programs. Heidi's spreadsheet shows that we have funded over \$13.3M in community investments so far and this does not include our anticipated investment in community dental with Ravenswood. For an explanation of expenses that are over/under budget, please refer to Heidi's budget narrative alongside the financial statements in the board packet.
- **Dignity Funds-** I will provide a detailed update at our August meeting
- **Pension Program-** The transition of the plan administration and data transfer is complete and Milliman is now fully servicing the plan. Since Vanguard informed us that they will no longer provide pension payroll service (though they will continue with custodial services) we have engaged Trucker Huss to help us identify a new provider. Mark is finalizing the MOU that clearly documents the roles and responsibilities of each party, mitigating the potential for disagreement down the road. I will provide a full update on the state of the pension program at our October Board meeting.
- **Audit-** Our audit has been completed and will be presented by Richardson at our August Board meeting.

#### **Other Financial Matters:**

- **Finance Committee-** Our last meeting was held on July 20 where I provided updates on the hospital pension program, the joint checking account issues, building purchase, Dental Clinic, our new Paychex contract, and our investment portfolio. Director Shefren made some suggestions for our next fiscal year budget that we'll explore further with the Board and/or incorporate when the time comes to draft the new budget.
- **Check Fraud:** About half a dozen checks that were dropped off at the post office around April 1st never reached their intended destination. When Heidi received notice from CalPers that our payment was late, she checked the bank statements to see that the \$14k check had cleared the bank. She noticed that the recipient assigned to the check number was not CalPers. It was made out to another name. Apparently, the Payee name was changed but all else on the check remained the same. Wells Fargo has since reimbursed us fully for the loss. None of the other missing checks were cashed and we be implementing a new fraud filter with payee validation provided by Wells Fargo that will mitigate this in the future.
- **Wells Fargo-** I've been attempting to open a joint account for the Dignity Collaborative Funds since early April with no results. It seemed they were moving along with it, but now Wells Fargo doesn't even respond to my emails. It's time to change banks and the finance committee agrees. Director Griffin recommended a bank that her medical practice has been satisfied with and we reached out to Andrew to see if Schwab offers a checking account with reasonable fees. We would hold two accounts at the new banking institution; a checking and the joint account with Dignity/Sequoia Hospital.

- **Paychex Payroll Bundle-** We have entered into a new contract with Paychex that in addition to payroll processing, now includes HR services that can provide the step-up schedule recommended by the auditors (should the Board choose), review compensation schedules, provide guidance on pay scales, review our employee handbook and help us keep up on employment laws. In the past we've retained outside consultants to help with some of these needs. In addition, Paychex is now handling our retirement funds as the TPA.
- **Tenant update:** Redwood City Together moved into our office space in mid-June. The office environment is livelier, and our team members are working remotely. Rafael will move over to the other side on the 15th of September after One Life moves out, at which time our team members will return to the office. Redwood City Together will be paying the same monthly rental rate as One Life is currently paying (\$800/month), however while sharing our space, will be paying \$300/month to contribute toward cleaning and utilities.
- **Building Search:** We placed a non-binding offer on the building in San Carlos and are waiting for a response from the property owners. We need to confirm the actual rentable square footage to be sure the price aligns with our offer, which allows for an adjustment of the price following a precise measurement of the space. In the event we cannot reach agreement with the property owners in San Carlos, we are continuing our search and will be viewing two other buildings this week; one in Redwood City on Arch Ave and one in Belmont that fits our criteria.

## PROGRAM UPDATES AND ACTIVITIES

### Sequoia Safe:

- AED Replacement Update-
  - Michael G. has been very productive with helping us move this project forward and so far we have replaced 17 AED's for nonprofits, churches and schools for which the district has received an invoice. Additional units are waiting to be shipped until schools have someone there to receive them. We also ordered two SafeStation Towers to replace the broken units at Sequoia and Woodside High schools which will be installed this summer. Michael confirmed that Redwood City, Atherton and Belmont police departments can provide the code necessary to open the outdoor cabinets that will be installed at Sequoia, MA, Woodside, and Carlmont high schools. All the cabinets will have the same code so many school staff can access the AED without calling for a code. Luz designed custom decals branding SHD that will be placed on each of the AED cabinets.
- CPR and Basic First Aid
  - Michael contacted both the American Red Cross and Safety Training Seminars for pricing, scheduling, and course content. Both could provide CPR/AED training at a site we select. AMC= \$90 per person, minimum of 8 people plus \$275 fixed charge for materials, travel. Class is 2 hours, 15 minutes.

- Safety Training Seminars: \$50 per person, minimum of 20 people plus fixed charge of \$50. Class is 2 hours and they provide paper certificate. Teaches infant, child and adult.
- Thrive COAD
  - Michael met with Thrive's CEO to follow-up on a partnership with them around the Coalition of Community Organizations Active in Disaster (COAD) for San Mateo County project. I don't yet have an update on that meeting.

#### **Sequoia Smart:**

- We are working with Charlene Margot's Parent Venture to develop the Fall schedule of forum offerings. Some of the topics we'll be potentially presenting include:
  - Suicide prevention education for parents/caregivers in September (Suicide Prevention Month)
  - Mindfulness, wisdom, and purpose (with experts from Wisdom 2.0)
  - What parents of neurodiverse kids need to know (Hoping to get our own Developmental Pediatrician Aaron Nayfack to lead this discussion)
  - The Art and Science of Connection (with author Kasley Killam)
  - Clearlife- an exploration of what it means to "live clear" or without dimmers that can interfere with an intentional, present, and embodied life.

**Staff Development and Goal Setting-** On August 5<sup>th</sup> and 6<sup>th</sup>, our team will be in an all-day retreat with Clear Horizons, LLC for two days of strategy development and increasing team cohesiveness and trust. Key areas we'll explore include:

- Are we functioning as a cohesive team now?
- What is the cost to the organization if we are not functioning appropriately in our roles?
- How do we optimize our various skills, knowledge, and interests within the team to maximize performance and support each others' goals?
- How do we hold each other accountable?

#### **Oral Health: Dental Pilot And Clinic Progress**

- OHAPAA Dental Learning Collaborative- We are making headway on this bold and unique project on which I'll provide an update at our August Board meeting.
- Ravenswood- Dental equipment has been ordered (9-12 month expected delivery) and building engineers have been surveying the building. We still anticipate construction beginning January 2025 and project completion and occupancy expected in November 2025.

#### **Partner Organizations Major grants:**

- **Samaritan House-** Ongoing efforts to refine clinic structures, enhance staffing, and streamline clinic operations are making a difference, and this year they are focusing on enhanced professionalism and organizational efficiency to better serve their patients. Along with the exceptional leadership of Christan Roldan, their new clinic manager currently overseeing both clinics, they are actively supporting the

reorganization efforts, working toward smoother operations and consistent service delivery.

Q4 Data-

## REDWOOD CITY CLINIC

### VISITS

	2024												TTL
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Medical Clinic Visits	202	208	203	214	201	221							1,249
Dental Clinic Visits	66	65	81	71	95	45							423
Mental Health Visits	97	90	90	109	102	64							552
Women's health visits	20	26	17	38	31	21							153
Eye Care Visits	16	7	23	20	20	10							96
Staff PA/NP visits (included in Clinic Visits count)	94	97	82	54	30	44							401
Volunteer hours	193	103	126	82	179	121							804
Staff paid hours	929	1135	1027	1247	1779	1152							7,269
Physician paid hours	104	104	104	104	104	104							624
Food Pharm Bags Given	1707	1384	1455	1556	1896	1498							9,496

- **Sonrisas Q4-** During this quarter, 525 unique SHD residents across all payer types were served with 776 total visits at a Sonrisas clinic. Of these, 671 visits served 440 low-income patients, accounting for 86% of all SHD resident visits. Children 0-18 were seen for 33% of the visits. After accounting for reimbursements, the total cost of uncompensated care provided to SDH residents is \$118,722.

### ACHD

- Reminder that the 2024 ACHD Annual Conference will be held September Sept. 25 - 27th at the Embassy Suites in Sacramento.
- Help ACHD advocate on important legislation. Please visit ACHD's Call to Action webpage here <https://www.achd.org/take-action/> for more information on bills and template letters or reach out to Jenny or Director Fong who both participate on the advocacy committee.
- For recordings of educational webinars you may have missed, here's a link those recordings: <https://www.achd.org/previous-webinar-recordings>

### COMMUNITY INVOLVEMENT

- **Redwood City Together-** Attended Executive committee meeting April 11. RWC Together develops and implements many important initiatives that align with our goals and impact our residents, particularly their efforts to uplift, protect, and increase opportunities for our most underprivileged, and amazing members of our community, such as the youth we heard from at our October Board meeting who participate in the P.A.C.E program.
- Member of the **County Shared Prosperity Coordination Council** (*formerly Covid Recovery Council*) The goal of this committee is to develop an equity-focused and data-driven action plan that will advance economic mobility across San Mateo County.



This project utilizes the Urban Institute's *Upward Mobility from Poverty Framework* as an organizing framework. My participation will help ensure that the District is informed and aligned with these larger efforts to collaborate and leverage our resources.

UPCOMING PARTNER EVENTS:

- Sonrisas 10th annual Cooking for a Cause event- Saturday, September 21 at 5:30 pm- Domenico Winery in San Carlos. Tickets will go live on August 15th
- One Life Counseling Night of Inspiration Sept 20<sup>th</sup>, 6-10p, One Life has set aside a table for 10 (n/c) for District Board and staff who want to attend
- NCEFT Gala September 21- We have 6 tickets available to this event
- Jasper Ridge Sept 7<sup>th</sup> 1-3p- attendance is free

\*\*Mark your calendars for our SHD grants reception Sept 19<sup>th</sup>!!

## Jenny Bratton Staff Report August 9, 2024

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### *Activity Summary*

#### *I. Communications*

- Provided Luz with content for FY2024 Annual Report; will start on Mandarin translation upon approval of final draft

#### *II. Community Grants*

- Coordinated and compiled scoring for 2023-24 Caring Community final reports; Ongoing updates to the Final Report scoring module (presentation to Board on End Year Reports)
- Reserved SMC County Museum (RWC Courthouse) for grants reception on September 19<sup>th</sup> from 5-7 pm; invitations to go out early August
- Engaged in 2024 Art Faro Food grants application discussions with our partners at Dignity Health Sequoia Hospital and decided on a shortlist of community organizations to invite to apply
- Coordinated payment of FY25 EIC and CC grants with Heidi

#### *II. Organizational Needs Assessment*

In June, we invited our non-profits to fill out the Organizational Needs Survey. The survey was developed with the following goals in mind:

- To produce and deliver a comprehensive organizational needs assessment
- To use the data for future strategic planning for community programs, and as a guide for policy and advocacy efforts; and
- To promote partnerships in the community and develop collaborative projects based on the data

We received responses from roughly 2 dozen of our non-profits. They range in size, type of service, long-time grantees to newer ones and represented a broad cross-

section of our grantees. There were 3 main topics covered by the survey: Facilities, Work Force Development, and Advocacy.

While there was a consensus that local non-profits are challenged in areas due to resources in all three, there was also a wide disparity in the responses by the individual non-profits:

- 1) In terms of facilities, the majority of respondents are faced with increasing rents as only a slim minority own their own buildings. However, these rents currently represent a small percentage of their overall organizational budget.
- 2) As for workforce development, many non-profits reported difficulty in hiring at the wages and salaries they offer which are often non-competitive with the private and governmental sectors, especially in fields that require licensure and/or additional language and cultural competencies. This puts them at a clear disadvantage in terms of staff retention as well.
- 3) Finally, while advocacy is a strong area of interest to local non-profits where it directly affects them (for example, Prop 1), many of the respondents rely on either their national bodies or affiliations to work with legislation at the state or national level and are not currently involved in any advocacy issues locally at this time.

The full preliminary summary of the reports can be viewed here:

[https://www.canva.com/design/DAGJXlv9EVM/s7Sm7CZXGldWdF791U0W4Q/edit?utm\\_content=DAGJXlv9EVM&utm\\_campaign=designshare&utm\\_medium=link2&utm\\_source=sharebutton](https://www.canva.com/design/DAGJXlv9EVM/s7Sm7CZXGldWdF791U0W4Q/edit?utm_content=DAGJXlv9EVM&utm_campaign=designshare&utm_medium=link2&utm_source=sharebutton)

The next step is to make another attempt at soliciting survey responses from the remaining 30+ non-profits. I will engage in those efforts either through direct emails or phone calls to each of the organizations this month.

#### **IV. ACHD**

- Renewed membership on Advocacy Committee and Education Committee
- Signed up to attend ACHD's annual meeting in September



**BOARD of DIRECTORS**  
Director of School Health  
June – July 2024  
Report

---

**Ann Evanilla-Wasson, MS**  
**Healthy Schools Initiative Update**

[HSI Wellness Team](#)

Wrapped up the 2023-24 school year in June with a year-end luncheon to celebrate the commitment and passion each Wellness Coordinator (WC) continues to bring to their school communities.

Meetings with each individual WC continued, with the following achievements:

- Reviewed and discussed 2023-24 HSI year-end grant reports. The process highlighted the need to replace 3 service providers at SUHSD due to excessive price increases and/or less-than optimal program delivery.
- Once all the reports were read and co-approved by the WCs and myself, generated the 2024-25 grant agreements. The process assures program services were actually provided at the sites and in the specific manner written in the HSI grant application.
- Completed school district invoices ahead of schedule so that HSI fiscal year can be closed.
- Developed 2023-24 HSI overview and highlights for SHD Annual Report.
- Executed all 8 school district HSI 2024-25 MOUs; excited to have Woodside rejoin HSI.

[Healthy Schools Initiative – Emerging Partnerships](#)

Actively engaged in two new efforts:

- School Mental Health ECHO (Extension for Community Healthcare Outcomes) is a collaboration between Stanford and organizations focused on engaging school mental health providers. ECHO aims to build a community network of support and cross-system collaboration to improve mental health services for youth in school-based settings and beyond. As a member of the Leadership Council, I attend monthly strategy sessions and work with the ECHO Coordinator to identify and select speakers for monthly mental health/counselor training sessions.
- Safety First – developed by Stanford’s Helpern-Felsher REACH Lab (Research and Education to Empower Adolescents and Young Adults to Choose Health) is an evidenced-based primary prevention education curriculum. In the interest of expanding our ATOD prevention and Narcan training efforts, I facilitated a meeting with Dr. Helpern-Felsher and SUHSD’s Stephen Emmi and Andrez Guevara to learn more about this harm-reduction curriculum for drug prevention. Meeting outcomes: pilot Safety First curriculum with potential for full adoption in 2025-26 and considering a campaign around 3<sup>rd</sup> hand smoke.

[On the horizon](#)

The following are front and center changes that will substantially influence mental health literacy and the provision of counseling services in schools.

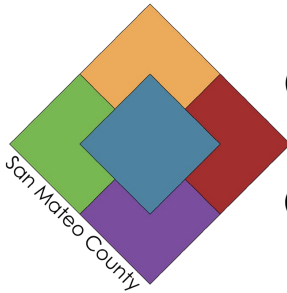
- Mandated Mental Health Education - Senate Bill (SB) 224 was signed into law October 2021. Beginning January 2024, Education Code 51925 specifies that each school district, county office of education, state special school, and charter school must offer one or more courses in health curriculum for middle and high school students to include: themes and core principles of mental health; signs and symptoms of common mental health challenges (prevalence, how to seek help); evidenced based supports; promoting positive wellness and protective factors; and destigmatization.
- California Youth Behavioral Health Initiative - implementation of an electronic record system for reimbursing school-linked counseling services

# United for Youth Vision 2030

## Blueprint for School and Transitional-Age Youth Well-Being



**SAN MATEO  
COUNTY HEALTH**  
All together better.



**Coalition for  
Safe Schools &  
Communities**



**SAN MATEO  
COUNTY  
OFFICE OF  
EDUCATION**

Excellence and Equity in Education

# Presentation to Sequoia Health Care District

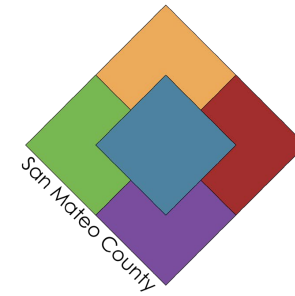
August 7, 2024

# AGENDA

- Project overview
- Process and progress to date
- Themes and special populations
- Guiding principles
- Next steps
- Plan of action
- Next steps
- Discussion/Q&A

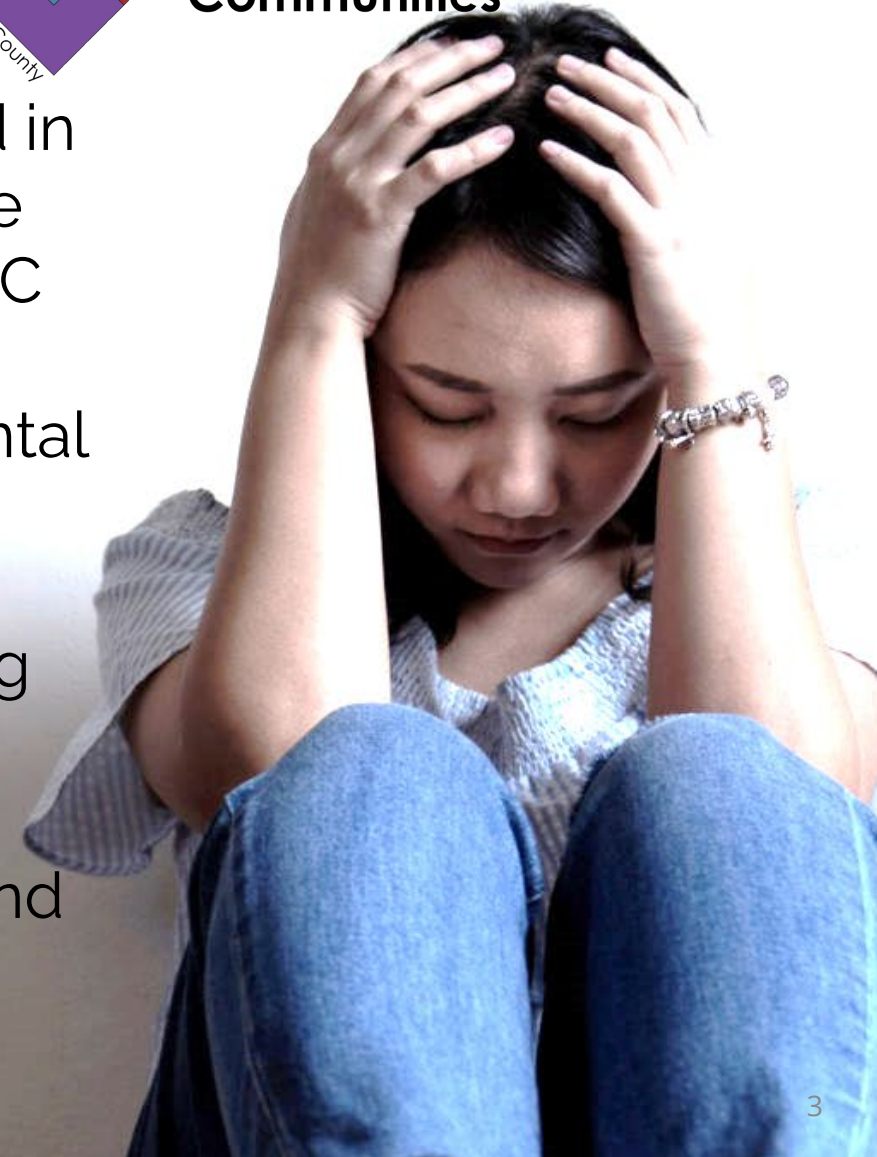


# Project History & Context



**Coalition for  
Safe Schools &  
Communities**

- Coalition for Safe Schools and Communities formed in 2013 after the Sandy Hook tragedy, helping produce safety and mental health responses for youth in SMC
- Recent state and national concern about youth mental health and well-being
- Multiple State initiatives to address youth well-being
- United for Youth conceived by the Coalition and agency leaders as an inclusive process to understand the landscape and assess ways to address gaps by leveraging existing and new opportunities.



# Project Goal

To update our shared understanding of the behavioral health needs of children and youth in San Mateo County through a holistic process that aligns strategies, prioritizes collaboration, and embraces accountability to achieve equity with the goal of adopting an action plan to improve youth behavioral health and well-being.





# Project Leadership

## Steering Committee

- Co-chaired by Nancy Magee, Superintendent of Schools, and Jei Africa, BHRS Director
- 21 other representatives from elected officials, County agencies, health care, and community organizations

TK +  
Elementary  
Work Group

Middle School  
Work Group

High School  
Work Group

Transitional  
Age Youth WG

# Work Group Participants

TK +  
Elementary

Middle School

High School

Transitional  
Age Youth

- 15-20 participants per work group
- Co-chairs from community
- Broad inclusion and representation from:
  - County departments
  - School districts
  - CBOs (e.g., Puente, Jewish Family Services, Fred Finch, Star Vista)
  - Commissioners

## What the Data Show

8

Although San Mateo is generally very healthy, many children and youth are impacted by the mental health crisis

Most risks are higher for youth who are low-income, BIPOC, LGBTQ+, unhoused, and/or system-involved, and those in certain zip codes

# Themes & Special Populations

9

Many children and youth are impacted by the mental health crisis

- Risks are higher for low-income, BIPOC youth and those in certain zip codes
- Although population is small, Native American/Alaska Native youth face many higher risks

System-involved youth suffer more:

- Nationally, 70% of youth in juvenile justice system are diagnosed with a mental health disorder
- Foster youth have very high rates of trauma and adversity
- Most health, BH and education risks are higher for foster youth, youth in juvenile justice, and unhoused youth

LGBTQ+ youth face far higher risk for: ACEs, depression, suicidality, substance abuse

- consistent across all surveys
- 77% of LGBTQ+ youth in one survey considered harming themselves in the past 12 months
- High concerns about safety and harassment in a variety of settings

## Some of the Plan's Guiding Principles

- Priorities are relevant countywide with a focus on populations and geographies experiencing behavioral health services inequities.
- Behavioral health services will be delivered in a culturally and linguistically relevant manner.
- Resources allocated across the behavioral health care continuum including prevention, early intervention, treatment, and crisis.
- Address the full continuum of social/emotional needs, mental health disorders, substance use disorders, and intersecting challenges.
- The behavioral health workforce will be equipped to meet the needs of children and youth on a timeline that matches the urgency and intensity of the need.
- Efforts will utilize technology to expand access to behavioral health services for youth.
- Strategies and activities will help reduce behavioral health stigma and encourage culturally-relevant help-seeking.

# Plan of Action Structure

Five priorities

20 Related strategies

Many recommended activities

Key partners

Possible funding options

## Five Priorities of the Plan

1. Expand prevention and education efforts that promote social-emotional well-being
2. Improve early identification of youth behavioral health needs and facilitate access to services to address these needs
3. Facilitate greater access to a full range of youth centered behavioral health treatment services
4. Invest in the existing and emerging behavioral health workforce and promote diversity and sustainability
5. Leverage available public and private funding and other resources, including technology

# Recent and Next Steps

County of San Mateo and County Office of Education committed resources to implementation

Preparing documents, connecting with partners

Official launch at Coalition for Safe Schools and Communities in late September

Implementation will be shared across many partners

Funding needed to implement the many strategies and activities



# Questions/Discussion



A person with long brown hair, wearing a red top, is holding a white rectangular sign with both hands. The sign has the words "Thank you!" written in a dark, handwritten font. The background is dark and out of focus, with some green bokeh lights. A solid teal vertical bar is on the left side of the image.

Thank  
you!



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## GOVERNANCE LETTER

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

We have audited the financial statements of the governmental activities, the business-type activities, the major funds, and the aggregate remaining fund information of Sequoia Healthcare District (the District) for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 4, 2024. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted that had an effect on the District's financial statements and the application of existing policies was not changed during 2023. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We posted 9 closing entries during the audit, including entries to separate the fund balance in each fund so each fund rolled forward, record activity in the pension plan, true-up unavailable revenue in the government-wide fund, add employer payroll taxes and 401k liabilities to compensated absences, reclassify prepaid expense to the correct fund, and other reclassifications for reporting purposes. The attached schedule summarizes uncorrected audit differences in the financial statements. Management has determined their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 26, 2024.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

### Other Matters

We applied certain limited procedures to management's discussion and analysis, budgetary comparison schedules for the General fund, schedule of changes in the net pension liability and related ratios and schedule of contributions to the pension plan, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we

obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the budgetary comparison schedule for the Leasing Fund and the budgetary comparison schedule for all funds, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or the financial statements themselves.

\* \* \* \*

Restriction on Use

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

*Richardson & Company, LLP*

June 26, 2024

SEQUOIA HEALTHCARE DISTRICT  
SUMMARY OF UNADJUSTED AUDIT DIFFERENCES - GOVERNMENT-WIDE STATEMENTS  
YEAR ENDED JUNE 30, 2023

Description	Financial Statement Effect - Amount of Overstatement (Understatement) of:			
	Total Assets	Total Liabilities	Total Net Position	Total Change in Net Position
To accrue a community grant liability	\$ -	\$ (13,333)	\$ 13,333	\$ 13,333
To increase pension liability and receivable from Dignity Health to make investments in valuation agree to investment statements.	63,808	(63,808)		
Net Unadjusted Audit Differences - This Year	63,808	(77,141)	13,333	13,333
Financial Statement Caption Totals-Governmental Activities	\$ 77,922,952	\$ 28,812,419	\$ 52,141,296	\$ 6,617,232
Net Audit Differences as % of F/S Captions	0.08%	(0.27%)	0.03%	0.20%

SEQUOIA HEALTHCARE DISTRICT  
SUMMARY OF UNADJUSTED AUDIT DIFFERENCES - GENERAL FUND  
YEAR ENDED JUNE 30, 2023

Description	Financial Statement Effect - Amount of Overstatement (Understatement) of:			
	Total Assets	Total Liabilities	Total Fund Balance	Total Change in Fund Balance
To accrue a community grant liability	\$ -	\$ (13,333)	\$ 13,333	\$ 13,333
Net Unadjusted Audit Differences - This Year	-	(13,333)	13,333	13,333
Financial Statement Caption Totals-General Fund	\$ 54,507,778	\$ 2,308,206	\$ 43,669,949	\$ 5,639,454
Net Audit Differences as % of F/S Captions	0.00%	(0.58%)	0.03%	0.24%



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## MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the major funds, and the aggregate remaining fund information of the Sequoia Healthcare District (the District) as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the District's system of 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

During our audit, we became aware of the following matters that have been provided for your consideration:

### Employee Salaries

We noted that the Board does not approve pay rates beyond the CEO's salary. All other pay rates only require CEO approval. We recommend that the Board approve a pay-step schedule for all other positions or at least review and approve the salary changes per the annual compensation market comparison studies to provide appropriate guidance for management to use on employee salaries.

\* \* \* \*

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

*Richardson & Company, LLP*

June 26, 2024



**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

To the Board of Directors  
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	<u>2,325,650</u>	<u>2,268,806</u>	<u>56,844</u>	<u>3%</u>	<u>3,565</u>	<u>3,565</u>		<u>0%</u>
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	
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<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>\$ (52,983)</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>
	TOTAL ASSETS <u>53,660,395</u>
NET POSITION	
Restricted for pensions	<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 judgements, 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
		99,213,574
	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>	<u>\$ 84,838,690</u>	<u>\$ 61,708,078</u>	<u>\$ 11,876,777</u>	<u>\$ 7,805,754</u>	<u>\$ 3,448,081</u>

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

	Lower of Moody's or S&P Rating as of Year End							Total	
	Aaa/AAA	Aa1/AA+	Aa2/AA Aa3/AA-	A1/A+	A2/A	A3/A-	Baa1/BBB+		Baa2/BBB
U.S. treasuries			\$ 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		
OPERATING REVENUES				
Rental income	\$ 9,600	\$ 9,600	\$ 9,600	
OPERATING EXPENSES				
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

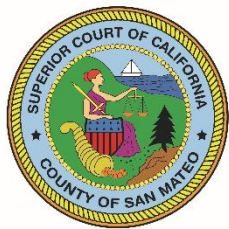
contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests 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



## **Assessing and Reporting Internal Controls in San Mateo County Agencies and School Districts**

**“FAILURE OF ANY CONTRIBUTES TO PUBLIC DISTRUST OF ALL”**

### **ISSUE**

San Mateo County, Cities, Special Districts, Joint Power Authorities, or Schools are not assessing internal controls and are not reporting the results of assessments to governing boards and the public.

### **SUMMARY**

Our government faces risks, including fraud and waste.

Internal controls are put in place by an entity's oversight body, management, and other personnel to provide reasonable assurance that the entity will achieve its objectives. Internal controls in our government are key to ensuring that goals are met without fraud and waste and are critical to the public trust. An example of an internal control is having separate people approve a transaction before paying the bill for that transaction.

Internal controls hit the public eye back in the 1990s, after the scandals at Enron, WorldCom and other organizations, all of which served as examples of fraud and waste. The United States Congress reacted in 2002 by enacting the laws known as Sarbanes–Oxley that impact publicly-traded companies. In 2015, the State of California issued “Internal Control Guidelines - California Local Agencies” covering the need for internal controls in government entities.

Given the enormity of the challenge of reviewing individual controls at any one agency, the Civil Grand Jury looked into the way government entities in San Mateo County assess their internal controls and how the results of those assessments are reported to governing boards and to the public. Assessments and reporting should follow the State of California guidelines and the underlying referenced guidelines from the Green Book and the Committee of Sponsoring Corporations. Management’s assessment of internal controls and communication, both internally within an entity and externally to the entity’s constituents, are key principles of internal controls.

Too many examples of lack of or failed internal controls exist, including recent news stories about taxpayer money used for constructing personal residences in train stations in Burlingame and San Mateo that are referenced in the attached Appendix.

The Civil Grand Jury learned from survey respondents that all of them do have established internal controls and publish external audit reports. Most of them, however, do not assess internal controls and do not communicate with governing boards or the public regarding management of internal controls. Of the few entities that do assess internal controls, they do not report those results.

The Civil Grand Jury recommends timely and documented assessments of internal controls with clear, appropriate reports from management to governing-boards and to the public to reduce the risk of failed internal controls, to enhance public confidence in our government and to improve the efficiency of external audits.

By rule of the Civil Grand Jury, the recommendations included in this report can only be sent to entities that participated in interviews with the Civil Grand Jury. While the Civil Grand Jury could not efficiently interview all entities that participated in surveys, common sense suggests that these recommendations are applicable to all entities within San Mateo County. The current Civil Grand Jury encourages future civil grand juries to investigate the recommendations in this report as appropriate, to help optimize trust in the integrity of internal controls in San Mateo County government.

## **GLOSSARY**

### **Assessment and Evaluation**

Assessment for the purpose of this report is defined in the Green Book as follows: “To determine if an internal control system is effective, management assesses the design, implementation, and operating effectiveness of the five components and 17 principles.” Examples in an internal control assessment include to confirm and document that all requisitions are properly approved and that payments for goods or services are made by authorized individuals. This process helps management and stakeholders have confidence in the reliability of financial reporting, compliance with laws and regulations, and the overall integrity of the organization's operations. In general, Assessment and evaluation can be used interchangeably.

### **Committee of Sponsoring Organizations of the Treadway Commission (COSO)**

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is an organization that develops guidelines for businesses to evaluate internal controls, risk management, and fraud deterrence.

### **Enterprise Risk Management (ERM)**

Enterprise risk management is an entity-wide strategy to identify and prepare for hazards with the entity's finances, operations, and objectives.

**Entity**

An Entity for this report is San Mateo County, Cities, Special Districts, Joint Power Authorities, or Schools.

**External Auditor**

An external auditor is a public accountant who conducts audits, reviews, and other work for its clients. An external auditor is independent, and so is in a good position to make an impartial evaluation of the financial statements and systems of internal controls of those clients.

**Green Book**

Standards for internal control in the Federal Government issued by the General Accounting Office of the U.S. Government.

**Internal Auditor**

An internal auditor is responsible for reviewing a company's processes, identifying anomalies, and reporting any issues found to management. An internal auditor is an employee of a company, so is not independent of the company.

**Internal Controls**

A process effected by those charged with governance, management, and other personnel that is designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use or disposition may include controls relating to financial reporting and operations objectives.

**Management**

Management consists of those individuals directly responsible for all activities of an entity, including design, implementation and operation of an internal control system.

**Oversight Body**

The oversight body is the group responsible for overseeing the strategic direction of the entity and obligations related to the accountability of the entity, including management's design, implementation and operation of an internal control system. The oversight body may include elected or appointed officials and employees of the Entity.

**BACKGROUND**

Internal controls help an entity's management achieve its objectives. Also, internal controls help an entity run its operations efficiently and effectively, report reliable information about its operations and comply with applicable laws and regulations.

The need for internal controls applies to all entities, regardless of size. Large complex entities have different risk profiles than small, less-complex entities. All entities seek to control risk appropriate for its operations, designing and implementing internal controls for its own particular risk profile. Even small, less-complex entities face risks that demand related internal controls.

Whether an internal control is followed or not is not a matter of materiality. A failure in what might seem to someone to be a trivial control is the same as a failure in what everyone might consider to be a very important control. There are no big or small controls, just controls. Failure in any contributes to public distrust of all.

The Green Book, which sets the standards for an effective internal control system for federal agencies, identifies five components of an internal control system:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

Each of these components applies to different levels of an organizational structure, such as a Parks and Recreation Department within a City Government.

The Green Book summarizes 17 Principles of Internal Control for these five components as:

#### Control Environment

1. The oversight body and management should demonstrate a commitment to integrity and ethical values.
2. The oversight body should oversee the entity's internal control system.
3. Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.
4. Management should demonstrate a commitment to recruit, develop, and retain competent individuals.
5. Management should evaluate performance and hold individuals accountable for their internal control responsibilities.

#### Risk Assessment

6. Management should define objectives clearly to enable the identification of risks and define risk tolerances.
7. Management should identify, analyze, and respond to risks related to achieving the defined objectives.
8. Management should consider the potential for fraud when identifying, analyzing, and responding to risks.
9. Management should identify, analyze, and respond to significant changes that could impact the internal control system.

Source: GAO. | GAO-14-704G

#### Control Activities

10. Management should design control activities to achieve objectives and respond to risks.
11. Management should design the entity's information system and related control activities to achieve objectives and respond to risks.
12. Management should implement control activities through policies.

#### Information and Communication

13. Management should use quality information to achieve the entity's objectives.
14. Management should internally communicate the necessary quality information to achieve the entity's objectives.
15. Management should externally communicate the necessary quality information to achieve the entity's objectives.

#### Monitoring

16. Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.
17. Management should remediate identified internal control deficiencies on a timely basis.

Each entity's oversight body is specifically responsible for oversight of internal control. Each entity's management is responsible for the design, implementation and maintenance of internal controls.

Each entity's internal controls are its own – no one would expect all entities to have the same internal controls, because all entities are different.

The Civil Grand Jury found examples of fraud and waste in government listed in the appendix. Each of these examples likely reflects a failure of internal controls to prevent or detect fraud and waste. In other words, you ordinarily can't have a problem with fraud and waste without a failure in internal controls.

### **Focus on the Control Environment, Information and Communication and Monitoring principles**

The Civil Grand Jury focused on the control environment, information and communication and monitoring principles of internal control, seeking information about:

- *Control Environment Principle* - how governing boards oversee internal controls, such as a review of management's report on its assessment of internal controls.
- *Information and Communication Principle* - how management reports to the governing board regarding its assessment of internal control and how management's assessment of internal controls is communicated to the public, such as through an agenda item in a public meeting of the governing board.
- *Monitoring Principle* - information about how management monitors its internal control systems, such as management's assessment of internal controls.

It is of note that this investigation did not evaluate the quality of any entity's internal control or the effectiveness of an entity's internal controls.

The Civil Grand Jury sent a survey, received responses and confirmed survey responses via interviews with the 28 entities from whom it requests responses. However, common sense suggests each of the recommendations included in this report apply to all entities in the County.

The Civil Grand Jury recognizes that for a variety of reasons, management may not want to publicly report its controls and results of investigations. For example, an internal report might include details of needs for improving controls that might be considered a roadmap for fraud until the improvements are in place. Management reports available to the public through public release or materials for a public meeting could exclude such details, while the report available to the public could include an appropriate summary of information from an assessment.

## **METHODOLOGY**

### **Preliminary Research**

The Civil Grand Jury reviewed the websites of San Mateo County public entities and public media related to fraud and waste in government.

### **Preliminary Interview**

To better understand, as a baseline, how the County Controller's Office oversees its internal controls, the Civil Grand Jury interviewed the Controller's Office of the County of San Mateo.

## **Survey and Survey Response Analysis**

The Civil Grand Jury designed a survey focused on an entity's assessment of its internal controls, reporting, training and risk evaluation. See Appendix A for the survey. The Civil Grand Jury sent the survey to 75 entities.

The Civil Grand Jury reviewed and analyzed the responses.

## **Interviews with Entities**

By rule, the Civil Grand Jury must interview an entity to use that entity's responses to a survey as a matter of fact. The Civil Grand Jury interviewed 28 entities, mostly focusing on entities that did not conduct an assessment of its internal controls in the last 18 months.

The Civil Grand Jury also interviewed a Certified Public Accountant with experience serving as external auditor of entities within San Mateo County.

## **DISCUSSION**

### **Regulatory History**

In 2013, our California Assembly approved Bill No. 1248, to require the state controller to establish internal controls for California local agencies. Bill No. 1248 applies to the County of San Mateo and the cities, special districts and other local government entities, except school districts. Bill No.1248 appears in the California Government Code section 12422.5.

In 2014, The General Accounting Office (GAO) of the U.S. Government issued the Green Book. The U.S. Comptroller General prescribes internal control standards in the Green Book for the federal government. The Green Book says that state, local and quasi-governmental agencies and not-for-profit organizations may adopt the Green Book as a framework for an internal control system.

In 2015, the California State Controller's Office issued "Internal Control Guidelines - California Local Agencies" to comply with California Government Code section 12422.5. The State Guidelines refer to the Green Book, among other resources.

The State Guidelines refer to the same structure of internal controls in the Green Book as well as the Committee of Sponsoring Organizations of the Treadway Commission (COSO) publications, both of which refer to the Governing Board's responsibility to ensure completion of periodic risk assessments and to oversee internal controls.

Schools in San Mateo County are governed by the California Education Code (EDC). The county superintendent of schools may review or audit internal controls of any school district in its county per the California Education Code section 1241.5. The guidance in the Green Book and the State Guidelines naturally apply.



## Tone at the Top

The oversight body and management set the tone at the top and throughout the organization by its example. Tone at the top is fundamental to effective internal controls. The tone at the top helps ensure:

- the entity's risk identification is complete
- risk responses are appropriate
- control activities are appropriately designed or implemented
- information and communication are effective
- results of monitoring are understood and acted upon.

## Accountability for Performance

The State Guidelines include a section on Accountability for Performance, including:

- establishing mechanisms for holding individuals accountable for internal control responsibilities, which naturally include the oversight body and management
- establishing performance measures for all levels of the organization
- performing timely evaluations and aligning incentives with the fulfillment of internal control responsibilities.

All governing bodies and its management have basic responsibilities regarding internal controls, even if the State Guidelines do not specifically refer to those basic responsibilities. Those responsibilities naturally include:

- Oversight boards must demonstrate its oversight of management's internal controls, such as clear and timely reporting on its review of internal controls
- Management's reports on internal controls should be clearly and readily available to the public
- Management must be evaluated for its assessments of internal controls and its external reporting.

## Role of the External Auditor

External auditors are not considered a part of an entity's internal controls. While management may look into and use recommendations by external auditors, management owns the entity's internal controls. Management may communicate with and get quality information from its external auditors as it monitors and maintains internal controls.

Management may hire an external service provider to conduct assessments of internal controls. Data from these assessments can aid management ensuring that the entity's internal controls are appropriate for that entity. In conducting an audit, external auditors may rely on these assessments, which could result in a more efficient and less expensive external audit.

The Civil Grand Jury found through its research **that audits uncover only about 4% of fraud.**

Several entities we interviewed stated that they rely on or interact with its external auditors as part of its internal controls. Comments from respondents included:

- We have been using the external auditors and have been reviewing the internal controls with them annually.
- This is done with the regular annual audit. We do not have reasons to justify an additional assessment.
- Annually, the internal controls are updated as part of our external audit, not separately from the external audit process.

The reports from external auditors include limitations on the results of its review of internal controls they conduct in connection with an audit. These limitations include statements like “we did not identify any deficiencies in internal control that we consider to be material weaknesses” and “material weaknesses may exist that have not been identified.” The external auditor reports are clear that they do not express an opinion on the effectiveness of internal controls.

The Civil Grand Jury interviewed a Certified Public Accountant who audits local governments and agencies and confirmed that management should assess its internal controls independently of the external auditor’s work, noting management can separately refer to the independent auditor’s work in its report to its governing board regarding internal controls.

Furthermore, the Certified Public Accountant and interviewees generally agreed that if management performed its own assessment of its internal controls, the results of that assessment can be shared with the external auditor and the auditor may use those results in designing audit work, increasing efficiency. Increases in efficiency in external audits likely at least partially offset any incremental staff work in conducting management’s assessment.

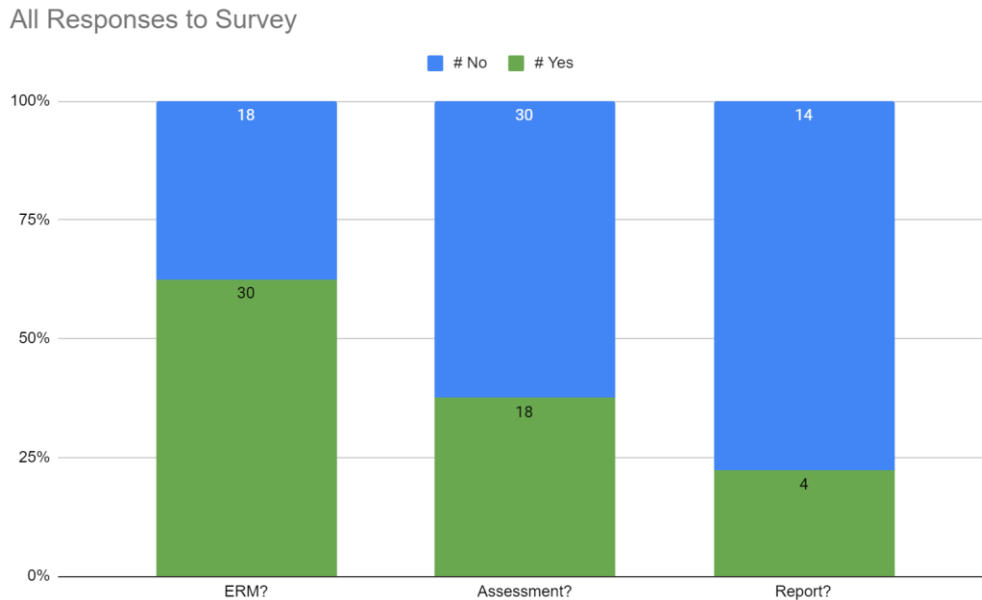
### **Survey Responses**

Survey requests were sent to 75 entities, including municipalities, school districts, independent special districts and joint power authorities. Responses were received from 54 entities.

Given the enormity of the challenge of reviewing individual controls at any one agency, the Civil Grand Jury looked into the way government entities in San Mateo County assess its internal controls and how the results of those assessments are reported to governing boards and to the public. This assessment and reporting should follow the State of California guidelines and the underlying referenced guidelines from the Green Book and the Committee of Sponsoring Corporations. Management’s assessment of its internal controls and communication, both internally within an entity and externally to the entity’s constituents, are key principles of internal controls.

The Civil Grand Jury focused on responses to three questions from the survey:

1. Do you have an established process in place to identify organizational risks (also known as Enterprise Risk Management, or ERM)? The tables below refer to this question as ‘ERM?’.
2. Other than outside audits of your organization's financial statements, have you or your organization performed an assessment of your organization's "internal controls" within the last 18 months? The tables below refer to this as ‘Assessment?’.
3. Was a written report of the assessment produced? The tables below refer to this as ‘Report?’.



Identifying risks to an entity is a critical part of effective internal controls. See Principle 7 in the Green Book Principles of Internal Controls Table above.

Eighteen entities responded that they had performed an assessment of internal controls in the prior 18 months. Each entity must assess its internal controls. State guidelines require established mechanisms to hold management responsible for internal control responsibilities and to align incentives with the fulfillment of internal control responsibilities.

Four entities responded that they prepared a report regarding assessments of internal controls. Each governing board must oversee its entity’s internal controls. State guidelines require established mechanisms to hold management responsible for internal control responsibilities and to align incentives with goals and objectives. Management should both internally and externally communicate the results of its assessments of internal controls. If management does not communicate the results of its assessments of internal controls, others may see this as an opportunity to commit fraud or waste government assets. Management should communicate the results of its assessments of internal controls in writing to its governing board.

These data led the Civil Grand Jury to conduct interviews with selected entities that responded to the survey.

### Interviews with Selected Entities

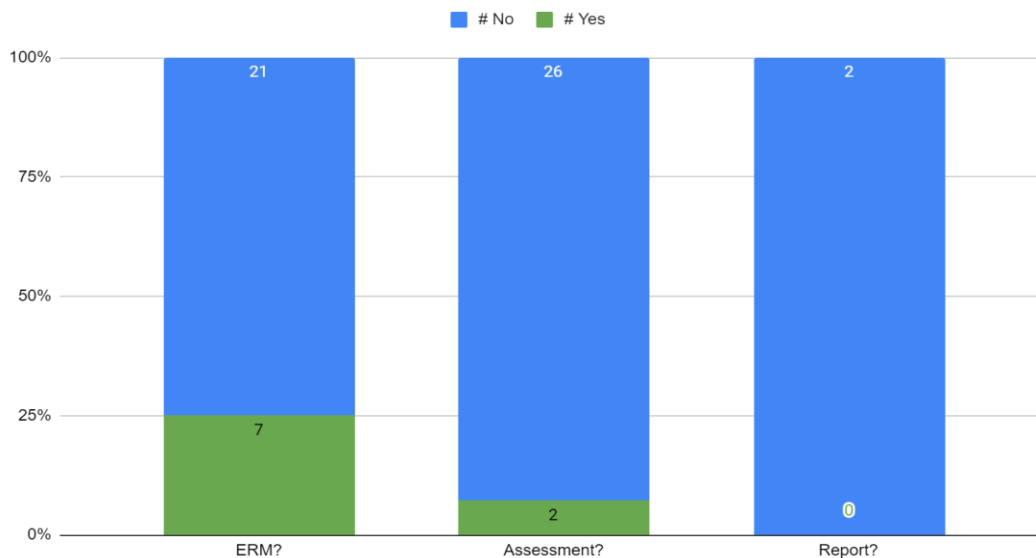
By rule of the Civil Grand Jury, the findings and recommendations included in this report can only be sent to entities that responded to the survey and participated in interviews with the Civil Grand Jury. In other words, the survey responses do not suffice to be considered a matter of fact and be used to come to a conclusion or make a recommendation.

The 28 Entities we interviewed are listed below in the section titled “Request for Responses.”

Of the Entities interviewed to confirm survey responses:

- Seven Entities reported that they did not have an established process in place to identify organizational risks.
- Twenty-six entities reported that, other than outside audits, its organization had not performed an assessment of its internal controls in the last 18 months.
- Two entities that did perform an assessment of its internal controls did not produce a written report of its assessment.

Survey Responses Confirmed by Interview



### Identifying risks

Identifying risks in an organization is a critical part of effective internal controls - see Principle 7 in the Green Book Principles of Internal Controls (Table above).

When an entity does not have a process to identify organizational risks, the entity does not demonstrate how its internal controls address identified risks, and the likelihood of a failure in internal controls that results in fraud or waste increases.

### *Assessing Internal Controls*

Entities must assess its internal controls. State guidelines require established mechanisms to hold management responsible for internal control responsibilities and to align incentives with the fulfillment of internal control responsibilities.

When an entity does not periodically assess its internal controls, the entity cannot demonstrate that they are monitoring its internal controls, and the likelihood of a failure in internal controls that results in fraud or waste increases.

### *Reporting Results of Assessments*

Each governing board must oversee its entity's internal controls. State guidelines require established mechanisms to hold management responsible for internal control responsibilities and to align incentives with goals and objectives.

Management should both internally and externally communicate the results of its assessments of internal controls. If management does not communicate the results of its assessments of internal controls, others may see this as an opportunity to commit fraud or waste government assets.

Management should communicate the results of its assessments of internal controls in writing to its governing board.

When management does not report the results of its assessments of internal controls to its governing board and the entity has not communicated externally, the likelihood that others may see this as an opportunity to commit fraud or avoid waste increases.

## **FINDINGS**

- F1. When an entity does not have a process to identify organizational risks, and the entity does not demonstrate how its internal controls address identified risks, the likelihood of a failure in internal controls that results in fraud or waste increases.
- F2. When an entity does not periodically assess its internal controls and the entity cannot demonstrate that it is monitoring its internal controls, the likelihood of a failure in internal controls that results in fraud or waste increases.
- F3. When management does not report the results of its assessments of internal controls to its governing board and the entity has not communicated externally, the likelihood that others see this as an opportunity to commit fraud or waste increases.

## RECOMMENDATIONS

- R1. Beginning by no later than December 31, 2024 and at least annually thereafter, each entity will document its organizational risks and address those risks in its annual Assessment of Internal Controls.
- R2. Beginning by no later than March 31, 2025 and at least annually thereafter, each governing board will require its management to complete its annual assessments of internal controls.
- R3. Beginning by no later than June 30, 2025 and annually thereafter, each governing board will require management to report the results of its annual assessment of the entity’s internal controls.

## REQUEST FOR RESPONSES

The following responses from governing bodies are required pursuant to Penal Code sections 933 and 933.05:

<u>Entity</u>	<u>Findings</u>	<u>Recommendations</u>
Belmont-Redwood Shores SD	F1, F2, F3	R1, R2, R3
Brisbane School District	F1, F2, F3	R1, R2, R3
City of Burlingame	F1, F2, F3	R1, R2, R3
City of East Palo Alto	F1, F2	R1, R2
City of Half Moon Bay	F1, F2, F3	R1, R2, R3
City of Menlo Park	F1, F2, F3	R1, R2, R3
City of Redwood City	F2, F3	R2, R3
Coastside Fire Protection District	F1, F2, F3	R1, R2, R3
Colma Fire Protection District	F1, F2, F3	R1, R2, R3
Jefferson Union High School District	F1, F2, F3	R1, R2, R3
La Honda-Pescadero USD	F1, F2, F3	R1, R2, R3
Menlo Park City School District	F2, F3	R2, R3
Menlo Park Fire Protection District	F1, F2, F3	R1, R2, R3
Mid-Peninsula Water District	F2, F3	R2, R3
North Coast County Water District	F1, F2, F3	R1, R2, R3
Pacifica School District	F1, F2, F3	R1, R2, R3
Portola Valley School District	F1, F2, F3	R1, R2, R3
Ravenswood City School District	F1, F2, F3	R1, R2, R3
Redwood City School District	F1, F2, F3	R1, R2, R3

San Mateo County Libraries	F1, F2, F3	R1, R2, R3
San Mateo Foster City School District	F1, F2, F3	R1, R2, R3
San Mateo Union High School District	F1, F2, F3	R1, R2, R3
Sequoia Healthcare District	F2	R2
Silicon Valley Clean Water	F2, F3	R2, R3
South Bayside Waste Management Authority	F1, F2, F3	R1, R2, R3
Town of Atherton	F2, F3	R2, R3
West Bay Sanitary District	F1, F2, F3	R1, R2, R3
Woodside School District	F1, F2, F3	R1, R2, R3

## RESPONSE REQUIREMENTS

California Penal Code Section 933.05 provides: For purposes of subdivision of Section 933, as to each Civil Grand Jury finding, the responding person or entity shall report one of the following:

- (1) The respondent agrees with the finding.
- (2) The respondent disagrees wholly or partially with the finding; in which case the response shall specify the portion of the disputed finding and shall include an explanation of the reasons.

For purposes of subdivision of Section 933, as to each Civil Grand Jury recommendation, the responding person or entity shall report one of the following actions:

- (1) The recommendation has been implemented, with a summary regarding the implemented action.
- (2) The recommendation has yet to be implemented but will be implemented in the future, with a timeframe for implementation.
- (3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study and a timeframe for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This time frame shall be at most six months from the Civil Grand Jury report's publication date.
- (4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore.

## **APPENDIXES**

Appendix A - Form of Survey

Appendix B - Examples of Fraud and Waste



**Form of Survey**

1. Please list your name, title and organization
2. Other than outside audits of your organization's financial statements, have you or your organization performed an assessment of your organization's "internal controls" within the last 18 months? (Yes/No)
3. If your organization has not performed an assessment of its internal controls or has not completed one in the last 18 months, why?
4. What was the date of your internal controls assessment?
5. What type of tool was used to assess your internal controls? If "Other", please provide a brief description of the tool. (Checklist/Guided questions/Other)
6. Was a written report of the assessment produced? (Yes/No)
7. Was this assessment report shared with your governing board? (Shared/Not shared/Written assessment report was not produced)
8. Does your governing board require or suggest that your organization periodically review its internal controls?
9. Have the personnel in your organization received training specific to building effective internal controls?
10. If your organization has received training in building effective internal controls, who provided the training?
11. Do you have an established process in place to identify organizational risks (also known as Enterprise Risk Management or "ERM")?
12. When substantial risks are identified, does your process require changes or improvements to the applicable internal controls?
13. Have you shared the organizational risk assessment findings with your governing board?
14. Internal controls assessment tool:
15. Internal controls assessment report:
16. Risk assessment report:
17. Other links, please describe and include link(s):

### Examples of Alleged Fraud and Waste

#### Broadmoor Police Protection District Fraud

<https://www.chronline.com/stories/outrageous-pension-double-dipping-triggers-criminal-investigation-into-california-cops,281359>

#### San Mateo County Pay to Play Prosecution

<https://www.almanacnews.com/news/2023/02/10/community-college-district-lawsuit-alleges-pay-to-play-in-construction-projects-under-former-chancellor/>

#### Reporting of Personal Residences paid for with government funds.

<https://www.nbcbayarea.com/news/local/former-caltrain-manager-secret-apartments-bay-area-train-stations/3496068/>

Release Date: June 27, 2024  
2023-2024 San Mateo County Civil Grand Jury



525 Veterans Blvd.  
Redwood City, CA 94063

650-421-2155 Phone

[www.seqhd.org](http://www.seqhd.org)

August 8, 2024

Superior Court of California, County of San Mateo  
Attn: Hon. Amarra A. Lee  
400 County Center  
Redwood City, CA 94063

Re: 2023-2024 Grand Jury Report

Dear Judge Lee:

The Board of Directors of Sequoia Healthcare District reviewed the recent report of the Civil Grand Jury entitled "Assessing and Reporting Internal Controls in San Mateo County Agencies and School Districts." We appreciate the careful analysis of the Grand Jury and its concern for the financial performance of our local agencies.

The report states that our District is subject to Finding F2. Our Board agrees with Finding F2.

The District Board and staff are well aware of the importance of maintaining and reviewing internal financial controls in order to avoid fraud and mismanagement. Each year as part of the District's annual audit, our staff (including the Chief Executive Officer) reviews our system of internal financial controls with our outside auditor. The results of that review are report as part of the audit and any recommended changes are adopted.

In order to keep the Board informed about financial matters and maintain communications with staff about financial matters, the Board recently created a Finance Committee consisting of two Board members. The Committee meets regularly and as needed with the Chief Executive Officer. In addition, the Board has authorized funding for a comprehensive review of the District's internal controls and financial policies, to be conducted by the outside accountants. Further, the District has retained an outside accountant to assist staff with bookkeeping and compliance with government accounting standards. These actions demonstrate the District's commitment to maintaining financial accountability.

The report states that the District adopt Recommendation R2. The Board agrees with the recommendation and intends to implement it by March 2025. In particular, the Board will require that staff review the District's internal controls on an annual basis and report the results of the review at the Board's organizational meeting each February.

This response was reviewed and approved at the regular meeting of the Board of Directors of Sequoia Healthcare District on August 8, 2024.

Please contact me if there are any questions regarding this response.

Very Truly Yours,

Aaron Nayfack, MD  
Board President

cc: All Directors  
Pamela Kurtzman, CEO

# Oral Health Alternative Payment and Access Acceleration (OHAPAA) Learning Collaborative

District Board Update  
August 7, 2024



# Program Updates



**Revised Implementation Timeline and LC meeting schedule**



**6 participating dentists currently preparing to see patients and 4 more completing application process**



**New LC Aim Statement**



**Growing In-house team assigned to project at HPSM**

# Implementation Timeline (revised)

---

## July-December 2023

- Refine LC charter and details and circulate for additional input to stakeholders
- Develop MOUs/ agreements
- Refine operational specifics
- Design data plan

2023

Begin recruiting providers  
Finalize faculty and LC plan  
Develop communication materials

Feb.–May. 2024

HPSM begin process of assigning patients  
Prep for kickoff  
KICKOFF August 5, 2024

June-August. 2024



# LC Meeting Kickoff Meeting August 5, 2024

## Overarching Goals:

- Bring together participating dental providers at the San Mateo County Dental Society Offices in San Carlos to:
- Get to know one another and the history of the learning collaborative.
- Learn about the population of focus: HPSM members.
- Offer perspective on learning collaborative goals and desired outcomes, as well as develop attainable goals for individual practices.
- Discuss the dental incentive process, and other operational questions and more.
- We will be joined by dental providers as well as participants from the Health Plan of San Mateo (HPSM), the San Mateo County Dental Society, the Sequoia Health Care District, Dignity Health, and our collaborative faculty dentists.



# Dental Learning Collaborative | Session Roadmap

## Aim statement:

By the end of the HPSM Oral Health Learning Collaborative, participants will have:

- 100+ members entered into dental care; 50% completed comprehensive treatment – program goals
- understand how to work with HPSM; participated in 1 of first Value based care incentive program; offered feedback on how to apply it to their workflows; how to rely on care coordination & ancillary services (transportation, **language**)
- enterprise value creation for dental office – revenue opportunities; alternative payment models and participation with managed care plan support can bring new operations and efficiencies to way they run their practices
- how healthcare districts have supported resident access to care and exploration of incentive dollars to transform care provision

## Faculty:

- Faculty a/o speakers- Internal: Chris E, Luarnie, Marisa a/o Lisa, Carolyn, Sam, April
- External: Pamela (SHCD), Nakia (SMCDS), Dr Huong Le (SMCDS Leader), Dr Jeremy Keeper, Dr Alyssa Franzen (HPSM consultant)

<b>Session Date &amp; Time</b>	August 5, 2024 6-8:30 PM	September 26, 2024	November - TBD	Jan 15, 2025 6-830 PM	Late Feb/early March- TBD	April 24, 2025 6-830 PM
<b>Location, Total time</b>	SMC Dental Society, San Carlos 90 minutes	Virtual 30 minutes	Virtual 30 minutes	SMC Dental Society, San Carlos 90 minutes	Virtual 30 minutes	SMC Dental Society, San Carlos 90 minutes
<b>Known objectives/ content</b>	Topics- HPSM and SCHD, Medicaid and MA- caring for our patients, Provider/Member experiences Review basics of collab and incentive, and why incent what we are incenting Dentists to prep info on their office, journey, reason for participating?	Faculty on Prevention and Treatment plan completion  Description of incentive bundles	Clinically focused	HPSM Ops, LC Faculty topics	Roundtables	Celebration (no new technical content)
<b>Faculty</b>	Carolyn, Marisa, Sam, Nakia and Pamela, Chris E	Keeper and Le				

# Revised Workflow For Dentist Joining HPSM Under LOA and MOU

Step 1	Each participating dentist will provide: Individual NPI and billing NPI, W-9 for individual provider of 1 per group
Step 2	HPSM verifies active dental license
Step 3	HPSM contracting team creates LOA* w/payment rates and effective dates for a minimum of 12 month- may be extended
Final step	LOA is sent for signatures from both parties (provider/provider group and HPSM). Separate MOU is final step

# Workflow For Patient Care Under LOA

## First Visit

Comprehensive exam

Full set of x-rays

Treatment plan for all medically necessary dental treatment

## Referral

If members need to see a specialty dentist, the general dentist will complete HPSM referral form and HPSM referral coordinators will refer the member accordingly

## Follow Up

General Dentist will send treatment plan to HPSM with estimate on how long it will take for treatment to be completed and phases of treatment visits.

Provider will continue to send progress updates during the length of the treatment.

# Draft Incentive Payment

<b>\$500</b>	<b>First Visit</b>	Comprehensive exam
	<b>And/or</b>	Full set of x-rays
<b>CDT</b>	<b>Prevention #1</b>	Treatment plan for all medically necessary dental treatment
		Cleaning, OHI
<b>\$500</b>	<b>Prevention Appt #2</b>	6 months and 1 day or longer
		CDT codes listed
<b>CDT</b>		Cleaning, periodic exam, nutritional, OHI, tobacco SDF, Curodont Repair, Sealants
<b>\$1500</b>	<b>Treatment Plan</b>	General Dentist or office will "signal"/communicate most tx completed
<b>Dummy or other</b>	<b>Completion</b>	Provider will continue to send progress updates if issues completing

# UPDATE ON JOINT PROJECT FUNDS WITH DIGNITY/ SEQUOIA HOSPITAL

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*Pamela Kurtzman*

*August 7, 2024*

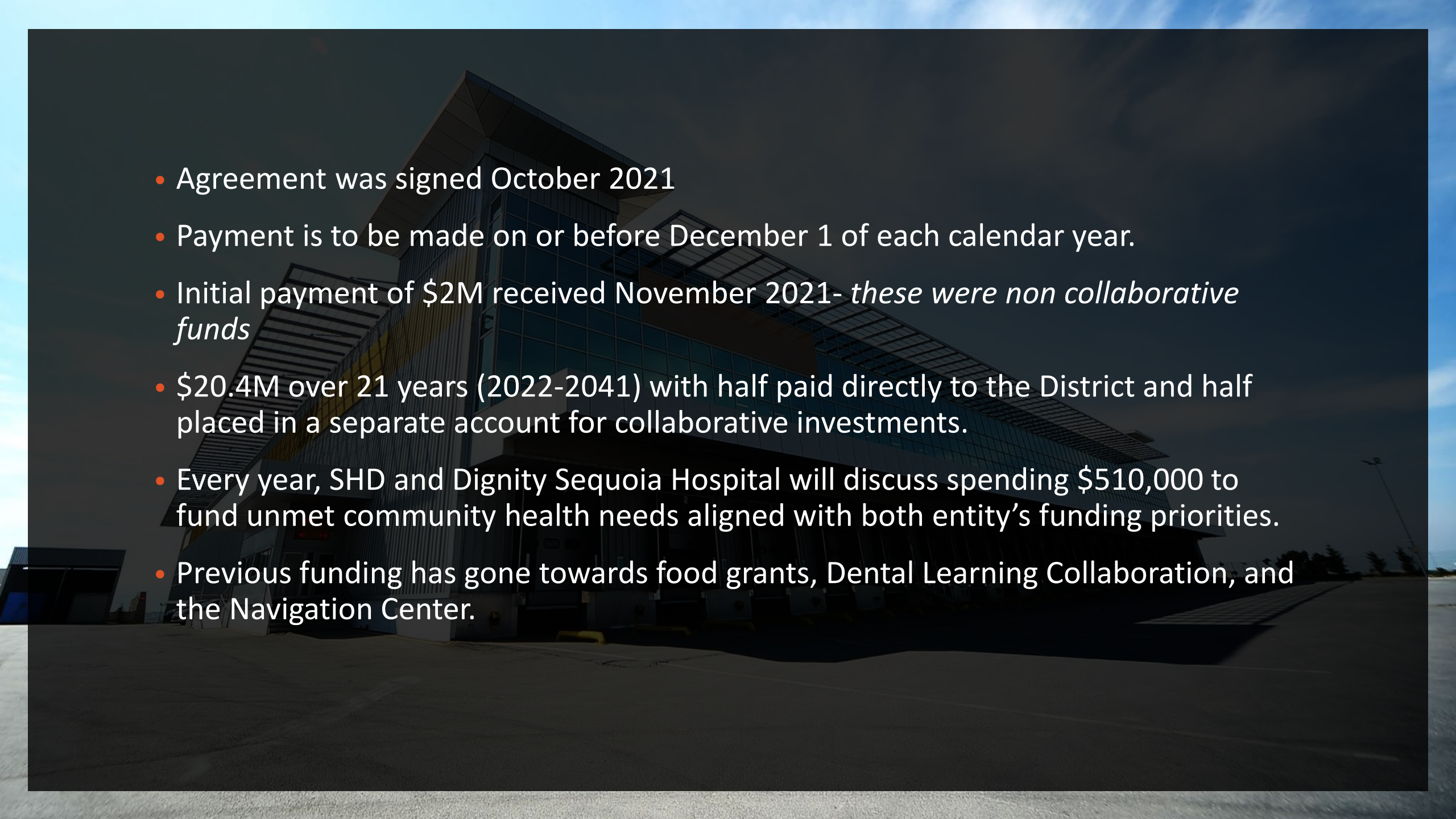
# Presentation Purpose

The purpose of this presentation is to update the Board on the current commitments made using these dollars and describe the priorities, structure, and protocols in place for decision making and distribution of the \$510,000 annual payments.

# Background

- Following a mediation on September 14, 2021, Hospital and District entered into a settlement that provides for annual payments to be made to the District
- Half of the annual payments are to be made directly to District and disbursed solely at District's discretion.
- The other half of the settlement payments (the "Joint Payments") are to be disbursed in accordance with parameters and values set forth in the Settlement Term Sheet between the parties.
- The Settlement Term Sheet does not establish a detailed process for administering the Joint Payments. Therefore, Hospital and District created an MOU in 2024 to provide a process for administering the Joint Payments and evaluating projects to be funded from the Joint Payments which will guide us over the life of the obligation.



- 
- Agreement was signed October 2021
  - Payment is to be made on or before December 1 of each calendar year.
  - Initial payment of \$2M received November 2021- *these were non collaborative funds*
  - \$20.4M over 21 years (2022-2041) with half paid directly to the District and half placed in a separate account for collaborative investments.
  - Every year, SHD and Dignity Sequoia Hospital will discuss spending \$510,000 to fund unmet community health needs aligned with both entity's funding priorities.
  - Previous funding has gone towards food grants, Dental Learning Collaboration, and the Navigation Center.

# Annual Settlement Payment

Sequoia Hospital will make Annual Payment on or before December 1

- District Payment - \$510,000 will be paid to District via wire transfer per instructions from District. Hospital CFO will notify District CEO and Hospital CEO that payment was made. District will confirm receipt of payment.
- Joint Account Payment - \$510,000 will be paid to the Joint Account. Hospital CFO will notify District CEO and Hospital CEO that payment was made.

# Joint Account Intention

- The joint account will be under the District's name with District Board oversight. The account will require two signatures on checks, one from each party.
- District will maintain an accounting of the Joint Account identifying available funds, funds paid, and funds committed but not paid (either due to program development needs or commitments over time).
- Payments from the Joint Account will be supported by documented funding decisions of the Joint Committee as approved by the District Board and require signature by the District CEO and Hospital CEO or CFO.

# Joint Account Challenges

- **New- separate account at Wells Fargo- still in process!**
- District has been in the process since March, 2024 of establishing the Joint Account with no results or follow through by the Wells Fargo team members assigned to the task.
- Given the challenges with creating this account at Wells Fargo, we will take our banking to another financial institution. This will of course delay getting this account set up even further.

# Funding Decisions

- Funding decisions will be used to support unmet health needs or the underserved as identified in Hospital's Community Health Needs Assessment, the Gardner Center report, and/or other similar or succeeding documents as mutually agreed. Per the Settlement Term Sheet, there will be an emphasis on oral health and adolescent mental health.
- If the Joint Committee is unable to agree on a proposed program to present to the District Board, the vote of the District representatives on the Joint Committee shall break any tie.

# Funding Decisions (continued)

- Outcome of the meeting will be documented with minutes and funding decisions documented in the Joint Account Funding Statement.
- District CEO will report the funding decisions and the updated Joint Accounting Funding Statement with District Board for approval at the next scheduled District Board meeting.
- The Joint Committee may defer the funding decision due to the need for more information, to fund capital programs that require more than one year's funding, program development associated with potential funding sources, or similar considerations. Deferment and the reason for deferment will be documented in the Joint Committee meeting minutes, the Joint Accounting Funding Statement, and District Board report.

# Funding Committee

- Committee established in March, 2024. District CEO and Hospital CEO will convene an annual meeting of the Joint Committee within sixty (60) days of payment to review available funds and determine where funds will be allocated in alignment with the Settlement Agreement. The Joint Committee includes:

## SHD Team

- *District CEO Kurtzman*
- *Board Director Aaron Nayfack*
- *Community Grants Director Jenny Bratton*

## Hospital Team

- *CEO Bill Graham*
- *CFO Jeff Daneff*
- *Community Benefits Director Marie Violet*

<b>Dignity Collaborative Funds - an accounting of committed funds</b>						
<i>**Per the settlement agreement, Collaborative Funding is \$510,000 per year.</i>						
<b>Identified Need</b>	<b>Calendar Year</b>	<b>Date Board Approved</b>	<b>Beginning Budget incl. Balance forward</b>	<b>Collaborative Funds Committed</b>	<b>Remaining Budget</b>	<b>Balance Forward</b>
	<b>Calendar Year 2022</b>					
<i>Food Security</i>	<i>Faro Food Grants</i>	<i>9/22/2022</i>	\$510,000	\$50,000	\$460,000	\$460,000
	<b>Calendar Year 2023</b>		\$970,000			\$0
<i>Food Security</i>	<i>Faro Food Grants</i>	<i>6/7/2023</i>		\$50,000	\$920,000	
<i>Oral Health</i>	<i>SMC Navigation Center</i>	<i>4/5/2023</i>		\$50,000	\$870,000	
	<i>Oral Health Learning Collaborative</i>	<i>8/9/2023</i>		\$410,000	\$460,000	
		<i>4/15/2024</i>		\$460,000	\$0	
	<b>Calendar Year 2024 (Due Dec 1)</b>		(\$510,000)			
<i>Food Security</i>	<i>Faro Food Grants</i>	<i>6/4/2024</i>		-\$50,000	\$460,000	
<i>Oral Health</i>	<i>SMC Navigation Center</i>	<i>4/5/2023</i>		-\$50,000	\$410,000	
<b><i>TOTAL Collaborative Funds Committed as of 7/15/2024</i></b>					<b>\$1,120,000</b>	
<b><i>TOTAL funds remaining to Invest in 2024</i></b>					<b>\$410,000</b>	

*\*\*The committee will identify the remaining \$410k to be invested in 2024 within 60 days of deposit in the joint account which will be established by the District with District Board oversight.*



## 2023-24 Caring Community Grants Year-End Review

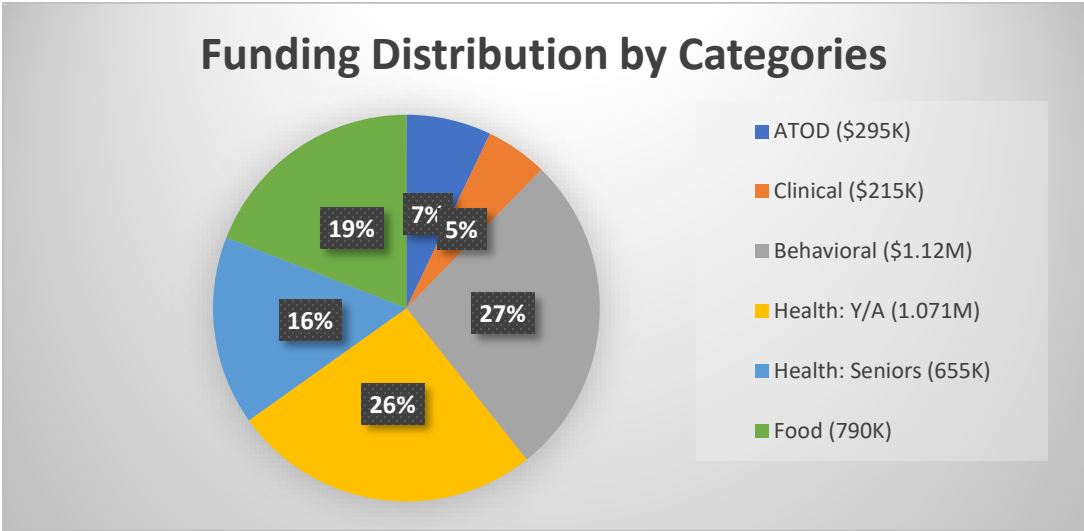
Presented to SHD Board of Directors

August 7, 2024

### I. Introduction:

This report summarizes key outcomes of the 2023-24 Caring Community grants. The Caring Community grants program supported 60 grants totaling \$4.146 million, which was increased from the \$4.05 million granted among 60 in the previous 2022-23 grant cycle. (For additional context, the current 2024-25 cycle, SHD allocated \$5.223 million in funding.)

The funding was distributed among six categories: Alcohol, Tobacco and Other Drug Treatment and Prevention (ATOD); Clinical and Medical Services; Behavioral Health; Health Literacy for Youth and Adults; Health Literacy for Senior; and Food & Nutrition Services. These category names have been shortened for brevity in the legend below:



The two biggest areas of investment are Behavioral Health and Health Literacy for Youth and Adults, followed by Food and Nutrition and Health Literacy for Seniors.

### II. Scoring Process

The scoring criteria have remained essentially the same for the past several grant cycles (barring the addition and subsequent removal of Covid-related criteria).

The 30-point scoring criteria are:

1. The program addressed a current health problem and met a local community health need.
2. The program either served a broad cross-section of the SHD population OR served a targeted vulnerable population not served by others.
3. The program budget expenditure was in line with what was granted.
4. The number of clients served year to date is in line with what was proposed in the application.
5. The program end-year outcomes are specific and measurable, based on qualitative and/or quantitative data.
6. The program was sustainable and demonstrated success in meeting their service goals

A committee of 5 scored 60 reports with each scoring between 20-25 reports each. Any report that scored below a 24 was flagged for further follow-up and conversation. Special attention was given to the 9 'new' 1-year grantees.

### **III. CC Grant Outcomes**

What does the majority of SHD funding pay for? When we say they pay for direct services, what does that really mean? Well, our grant funding supported the salaries and wages of crucial program positions such as: executive directors, clinical directors, site directors, intake coordinators, fitness coaches, therapists, athletic leads, recreation coordinators, education and training, cooks and cooking instructors, community health nurse, administrative staff, dieticians, nutritionists, IT staff, case workers, early learning teachers, medical doctors, registered nurses, practicum student stipends, meal packers and meal delivery drivers, bilingual counselors. These people are the ones who provide direct services to our residents.

In total, our grantees served over 72,000, slightly surpassing the figure of 68,000 last year. This is more than double that of the 27,000 district residents reported in the 2020-21 cycle during the pandemic. These numbers suggest that post-pandemic recovery has not resulted in the numbers of people seeking services to decrease back to pre-pandemic levels. In fact, as in the previous two years, these numbers show the continued demand and increased utilization, of such services.

One key finding is that more district residents are partaking in services in certain zip code areas more than others. The ones that have decreases in participation are in the wealthier zip codes (94025, 94027 and 94028, for example) as shown by this chart that compares number of residents served between FY23 and FY24:

Zip Code (*partial)	SHD FY23	SHD FY 24	Delta
94002 (Belmont)	1900	2165	+14%
94025* (Menlo Park)	7700	6169	-20%
94027 (Atherton)	1400	1110	-20%
94028 (Portola Valley)	700	680	-3%
94061 (Redwood City)	5700	9123	+60%
94062 (Woodside)	4900	6200	+26%
94063 (Redwood City)	34500	45989	+33%
94065 (Redwood Shores)	200	524	+162%
94070 (San Carlos)	2000	2571	+29%
94403* (San Mateo)	3300	2412	-27%
94404* (Foster City)	1100	1124	-2%

The grantees also provided feedback on their impact through client stories (which are highlighted in both the slide presentation and annual report), surveys, and other qualitative evidence. The majority of grantees reported positive or significant outcomes from their client surveys and other measurement tools. Finally, the grantees expressed their gratitude for SHD's continual financial support.

## **VI. Versaic Update**

Moving forward, we will continue to increase efficiency, reduce redundancies, starting with a review of the LOI, Full App, Mid-Year and Final Reports and their respective Scoring Modules. The system glitches the committee encountered with scoring for 2023-24 cycle highlighted some persistent issues with Versaic's scoring module that I will attempt to resolve moving forward. It also highlights a need to revisit some of the scoring criteria moving forward.

As a part of the system audit, we will continue to upgrade the grantee user experience in the 2024-25 cycle, with the possibility of replacing the LOI and Full Application with a Scope of Work Change Form for 2-year applicants to eliminate committee scoring LOIs. (1-year applicants will still fill out LOI/Full App.) This is a response to grantee feedback for wanting to trim down the 2-part application process (LOI/Full App) so it is not as laborious as it has been in the past.

## **V. Special Thanks**

A special thanks to the 2022-24 grant cohort for their continued devotion to the task of scoring these reports: Harvey Kaplan, Tricia Coffey, Ann-Marie Silvestri, Ruth West, and Rafael Avendaño. We are currently enlisting a Board member to serve on the 2023-25 cohort.

# Caring Community Grants

2023-24 End Year Report

August 7, 2024

**Grants**  
Community Giving



# Funding Overview

59 granted in  
2021-22  
\$3.725 M

60 granted in  
2022 -23  
\$4.05 M

60\* granted  
2023-24  
\$4.146 M

# Client Story#1: Samaritan House

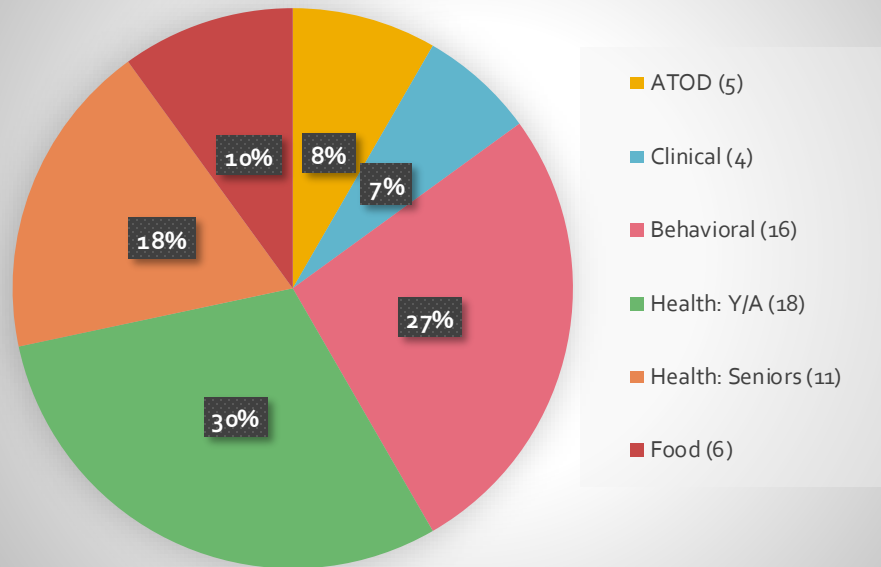
Luis first came to the Samaritan House Free Clinic in Redwood City over nine months ago. For a while, he'd been feeling like something was wrong. "I was seeing changes in my body, my skin, and my eyes. Someone told me about the clinic so that's why I came."

While Luis works a full-time job and is able to make ends meet, medical bills were a challenge he wasn't sure how to meet. Samaritan House's free healthcare meant he was able to finally speak to a doctor about the changes he'd been experiencing. He was diagnosed with diabetes, which meant he'd have to make major changes in his life. A dietician helped him navigate new food choices and his doctor gave him a prescription to the food pharmacy. With access to fresh, nutritious food and medical professionals to help him learn how to change his diet, he was able to make changes to better his health.

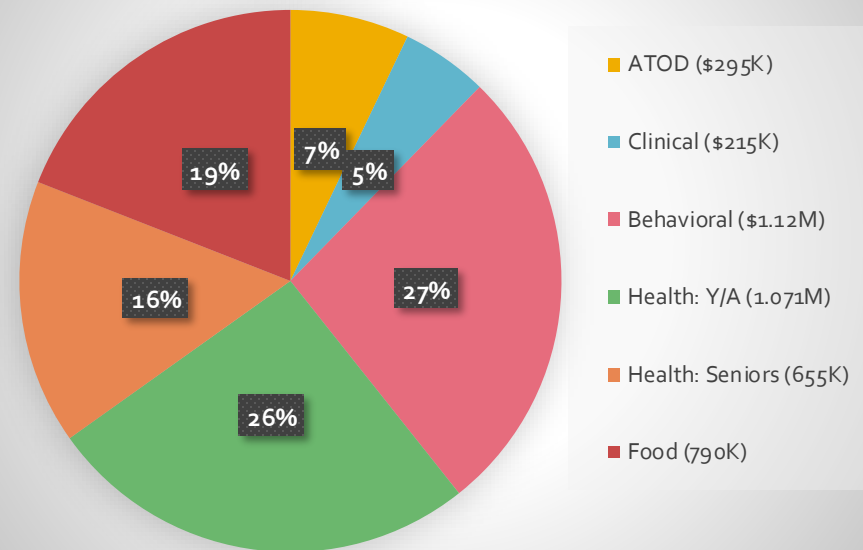


# 2023-24 Funding Overview Cont'd

## Grants by Categories



## Funding Distribution by Categories



### Note:

- Food received a bigger allotment (9%) in proportion to the number of grants awarded in their categories whereas Health: Y/A received less (4%) in proportion.



# Client Story#2: Second Harvest

Gabriel is a devoted father and grandfather from San Mateo. At 58, he shares a two-bedroom apartment with his wife, their children, and grandchildren. After losing his job last November, Gabriel has taken on the role of caregiver for his young daughter and granddaughter while his wife works as a cook.

Despite their struggles, Gabriel is grateful for the support they receive: "I start thinking how much broccoli, fruit, and milk I'm going to get for my girls. I thank God for the people with a kind heart who help others because we are in need of this food. With this economy, we can't afford it."



# Criteria for End-Year Scoring (1-5)

1. The program addressed a current health problem and met a local community health need.
2. The program either served a broad cross-section of the SHD population OR served a targeted vulnerable population not served by others.
3. The program budget expenditure was in line with what was granted.
4. The number of clients served year to date is in line with what was proposed in the application.
5. The program end-year outcomes are specific and measurable, based on qualitative and/or quantitative data.
6. The program was sustainable and demonstrated success in meeting their service goals.

# 9 New Grantees at-a-Glance

PROGRAM/Organization	CATEGORY	AMOUNT	AVG EndYear Score
MEDICAL EQUIPMENT PROGRAM Belmont Redwood Shores Rotary	Health: Seniors	\$25,000	
TRIPLE PLAY Boys and Girls Club of the Peninsula (BGCP)	Health: Youth/Adults	\$60,000	
COMMUNITY CASE MANAGEMENT Catholic Charities	Health: Seniors	\$40,000	
YOUNG ADULT THERAPY Children's Health Council (CHC)	Behavioral	\$25,000	
HEALTH & WELLNESS CASE MANAGEMENT El Concilio of San Mateo County	Health: Youth/Adults	\$35,000	
FAMILY CONNECTIONS Family Connections	Health: Youth/Adults	\$35,000	
PROMOTING HEALTHY FUTURES San Mateo Police Activities League (SMPAL)	Health: Youth/Adults	\$40,000	
HEALTHY SCHOLARS Upward Scholars	Behavioral	\$10,000	
WHY MENTAL HEALTH SERVICES Whole Health for Youth (WHY)	Behavioral	\$55,000	

# Client Story#3: Adaptive PE

**Alma:** In the year 2023 I suffered a stroke, which caused me to lose balance and mobility on my left side (arm and left leg). After I received the approval from my doctor, I joined the gym. My family and I started using the A.P.E. facilities. At the beginning of my rehabilitation, I used the wheelchair to move from one place to another because I could not stand or walk.

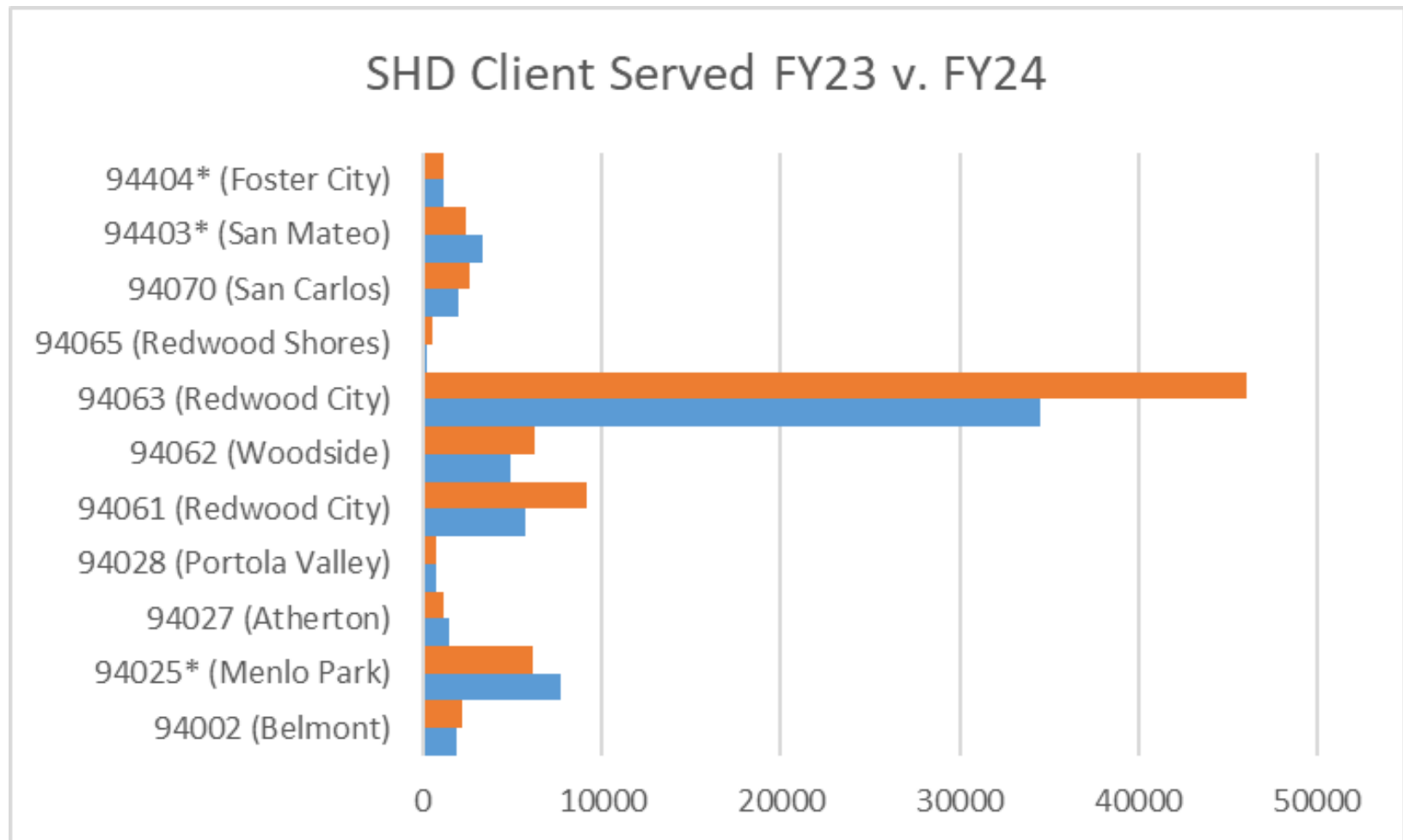
Now, after a few months of coming to the gym and exercising on the machines, I have been able to improve my physical condition, such as having better balance and being able to start walking again on my own. In this gym I have seen and met people who have motivated me to get out of this situation.



# SHD residents served by zip codes

Zip Code (*partial)	SHD FY23	SHD FY 24	Delta
94002 (Belmont)	1900	2165	+14%
94025* (Menlo Park)	7700	6169	-20%
94027 (Atherton)	1400	1110	-20%
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94070 (San Carlos)	2000	2571	+29%
94403* (San Mateo)	3300	2412	-27%
94404* (Foster City)	1100	1124	-2%

# SHD residents served by zip codes



# Client Story#4: Service League

Lesieli enrolled in the Hope House's Residential Substance Use Disorder (SUD) Treatment Program in late 2023 after she relapsed.

Since then, she has had a new outlook on life: "It's amazing to have a safe place to come home to, with accountability. It's given me a new outlook on who I want to be and where I want to go," she said.

She is currently working at a local non-profit and is enrolled in school to complete her Substance Abuse SUD counseling certificate. She would like to help others who are struggling with substances live a healthy and fulfilling life. Lesieli has mended relationships with her family and continues to attend local meetings, including the weekly alumni meeting at Hope House.



# Thank you to Grants Committee

- Ruth West
- Ann-Marie Silvestri
- Rafael Avendano
- Tricia Coffey
- Harvey Kaplan



Agenda Item 5g – Review and Discuss Draft Annual Report

This item will be emailed separately to directors for your review prior to the meeting as we are seeking Board feedback and suggestions.

## MEMORANDUM

TO: Board of Directors  
FROM: Mark D. Hudak  
DATE: August 7, 2024  
SUBJECT: Conflict of Interest Code Review

Per Government Code Section 87306.5, each local agency is required to review and approve its Conflict of Interest Code every two years. The contents of these codes are set out in regulations adopted by the Fair Political Practices Commission, which are included in this draft Code by reference. The Conflict of Interest Code determines which individuals must file a Form 700 or a more limited disclosure.

This draft Code updates the prior Code with additional categories of disclosure.

At present, the District's Code requires Form 700 disclosures only from Board members and the Chief Executive Officer. If a Financial Officer is hired, he/she would also be a designated filer. Volunteer members of committees have not been required to file.

Under the Code, the Board President or the Board as a whole determines whether consultants need to make complete or limited filings. In general, a consultant who is participating in financial decisions should be a designated filer, at least as to the relevant disclosure categories. The District does not currently require disclosures from any consultants.

The Board should review this draft policy and adopt it, with any changes determined by the Board.

cc: Pamela Kurtzman

EXHIBIT 1  
CONFLICT OF INTEREST CODE OF THE SEQUOIA  
HEALTHCARE DISTRICT

County of San Mateo, State of California

Adopted on the 7th day of August, 2024

Approved by the Code Reviewing Body on the \_\_\_day of \_\_\_\_\_, 2024

**Conflict of Interest**

**Purpose:** The Political Reform Act (California code Sections 81000, et seq.) requires state and local government agencies to adopt and promulgate Conflict of Interest Codes. The California Fair Political Commission has adopted a regulation (2 California Code of Regulations Sections 18730, hereinafter “Regulation”) which contains the terms of a standard Conflict of Interest Code which can be incorporated by reference and may be amended by the Fair Political Practices Commission after public notice and hearings to conform to amendments in the Political Reform Act. The Regulation further provides that incorporation of its terms by reference along with the designation of employees and the formulation of disclosure categories in an Appendix shall constitute the adoption and promulgation of a Conflict of Interest Code within the meaning of Government Code Section 87300 or the amendment of a conflict of interest code within the meaning of Government Code section 87307. Therefore, the terms of the Regulation and any amendment to it, duly adopted by the Fair and Political Practices Commission, are hereby incorporated by reference. The Regulation and the attached appendix designating officials and employees and establishing disclosure categories constitute the Conflict of Interest Code of the Sequoia Healthcare District (the “District”).

1A. Designated officials and employees and any person who manages the District’s investments shall file statements of economic interests with the District, which will make the statements available for public inspection and reproduction.  
(California Government Code Section 81008).

1B. Upon receipt of the statements of all designated officials and employees, the District shall make and retain a copy and forward the original of these statements to the County Clerk for the County of San Mateo, who shall be the Filing Officer for such statements.

## Appendix

### DESIGNATED OFFICIALS AND EMPLOYEES\*

Public Official	-	Disclosure Categories
President, Secretary, All Board Members	-	1,2,3,4,5,6,7
Chief Executive Officer*		1,2,3,4,5,6,7
Chief Financial Officer (if/when hired)**		1,2,3,4,5,6,7
Consultants***		1,2,3,4,5,6,7

\*It has been determined that the additional positions listed below manage public investments and will file a statement of economic interests pursuant to Government Code Section 87200

\*\* If any such officer manages public investments, as defined by 2 California Code of Regulations Section 18720, such officer will not be considered a designated employee but shall file a statement of economic interests pursuant to Government code Section 87200. Any person holding more than one of these offices or holding one or more of these offices and also serving as a Director shall be required to file only one disclosure statement.

\*\*\* Consultants shall be included in the list of designated employees and shall disclose pursuant to the broadest disclosure category in the Code.

2A. The Chairperson of the Board of Directors or the Board of Directors shall, before or at the time of engagement of a particular consultant, determine in writing whether or not the consultant is being engaged to perform a range of duties that is limited in scope and this is not required to comply with the disclosure requirements described in this Code, either fully or in part. Such written determination shall include a description of the consultant's duties, and is based upon that description, a statement of the extent of disclosure requirements. If it is determined at or before the time of engagement that a particular consultant's range of duties are such as to not require full or any compliance with the disclosure requirements of this Code, but it later appears that the consultants duties have so expanded or otherwise changed so that full or additional compliance should be required, the Chairperson of the Board of Directors or the Board of Directors shall make such determination in writing within a reasonable time. All such written determinations are public records and shall be retained for the public inspection in the same manner and location as this Conflict of Interest Code.

2B. In making such determination, the Chairperson of the Board of Directors or the Board of Directors, as the case may be, shall be guided by the principle that consultant required to comply with the disclosure requirements shall be those who make governmental decisions as provided in 2 California Code of Regulations Section 18700(a)(2)(A), or who serve in a staff capacity with the District and in that capacity perform substantially all the same duties for the District as would otherwise be performed by a person holding a position specified in this Conflict of Interest Code, as provided in 2 California Code of Regulations Section 18700(a)(2)(B).

### **Disclosure Categories**

The disclosure categories listed below identify the types of economic interests that the designated position must disclose for each disclosure category to which the designated person is assigned.<sup>1</sup> “Investments” means a financial interest in any business entity (including a consulting business or other independent contracting business) and are reportable if they are located in, doing business in, planning to do business in, or have done business during the previous two years within the District’s jurisdiction.

Category 1. All investments and business positions in business entities that do business within the District or own real property within the District and sources of income, including gifts, loans, and travel payments as required by FPPC Form 700, Schedules A-1 and A-2.

Category 2. All interests in real property which is located, in whole or in part within the District or outside the District but within two (2) miles of a District boundary, including any leasehold, beneficial, or ownership interest or option to acquire property.

Category 3. All investments and business positions in business entities, and sources of income, including gifts, loans, and travel payments, that are engaged in land development, construction, or the acquisition or sale of real property within the District’s jurisdiction or that may be materially

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<sup>1</sup> The reporting of gifts from outside the District’s jurisdiction is not required if the source does not have some connection with or bearing upon the functions or duties of the position (Regulation 18730.1).

affected by any decision made or participated in by the designated individual.

- Category 4. All investments and business positions in business entities, and sources of income, including gifts, loans, and travel payments, that provide services, products, machinery, vehicles, or equipment of a type purchased or leased by the District.
- Category 5. All investments and business positions in business entities, and sources of income, including gifts, loans, and travel payments, that provide services, products, machinery, vehicles, or equipment of a type purchased or leased by the designated person's department, unit, or division.
- Category 6. All investments and business positions in business entities, and sources of income, including gifts, loans, and travel payments, subject to the regulatory, permit, or licensing authority of the District or the designated person's department, unit, or division.
- Category 7. All investments and business positions in business entities, and sources of income, including gifts, loans, and travel payments, or income from a nonprofit organization, if the source is of the type to receive grants or other monies from or through the District.

**Approved 8-7-2024**

## MEMORANDUM

TO: Board of Directors  
FROM: Mark D. Hudak  
DATE: August 7, 2024  
SUBJECT: Annual Expense Reimbursement Report

Government Code Section 53065.5 requires that each local agency publish an annual report of expenses reimbursements made to employees and members of the governing body in excess of \$100.00. These reports are to be made available for public inspection.

Reportable items include travel expenses, meals, registration fees for conferences, and similar items.

The Board should review and approve the expense reimbursement report for FY 2023-2024.

cc: Pamela Kurtzman  
Heidi Stamper

**Sequoia Healthcare District  
Employee/Board Member Reimbursement Report  
July 2023 through June 2024**

Per government Code 53065.5, below is a spreadsheet of all employee/board member reimbursements over \$100 for FY 2023-24

	Type	Date	Num	Memo	detail	Clr	Amount
<b>Jenny Bratton</b>							
	Check	12/22/2023	13228	expense report July-December 2023	6 mo. cellphone reimb, 6 mo. Adobe software reimb, office supplies, parking receipt, mileage to ACHD Annual meeting	√	769.83
	Check	03/27/2024	13428	expense report January-March 2024	3 mo. cellphone reimb, office supplies, ACHD lodging and meals, mileage to ACHD Advocasy Day meeting	√	838.72
	Check	06/26/2024	14040	expense report April-June 2024	3 mo. cellphone reimb	√	210.57
Total Jenny Bratton							<b>1,819.12</b>

	Type	Date	Num	Memo	Account	Clr	Amount
<b>Luz Garcia</b>							
Total Luz Garcia							<b>0</b>

	Type	Date	Num	Memo	Account	Clr	Amount
<b>Pamela Kurtzman</b>							
	Check	08/10/2023	13085	expense report July-August 2023	2 mo. cellphone reimb., 2 mo. car allowance, office supplies, Health & Harmony festival expense reimb	√	1,302.47
	Check	01/16/2024	13252	expense report September-December 2023	4 mo. cellphone reimb., 4 mo. car allowance, mileage to ACHD Annual meeting	√	2,274.97
	Check	05/01/2024	13480	expense report January-March 2024	3 mo. cellphone reimb., 3 mo. car allowance, lodging for NCQA Health Equite Forum	√	2,127.26
	Check	06/11/2024	14029	expense report April-June 2024	3 mo. cellphone reimb., 3 mo. car allowance	√	1,473.00
Total Pamela Kurtzman							<b>7,177.70</b>

	Type	Date	Num	Memo	Account	Clr	Amount
<b>Heidi Stamper</b>							
	Check	10/11/2023	13156	expense report July-September 2023	3 mo. Cellphone	√	175.00
	Check	12/22/2023	13227	expense report October-December 2023	3 mo. Cellphone	√	195.00
	Check	05/01/2024	13482	expense report January-March 2024	3 mo. Cellphone, office supplies, Board meeting snacks	√	396.35
	Check	06/17/2024	14026	expense report April-June 2024	3 mo. Cellphone	√	225.00
Total Heidi Stamper							<b>991.35</b>

	Type	Date	Num	Memo	Account	Clr	Amount
<b>Ann Wasson</b>							
	Check	10/11/2023	13155	expense report July-September 2023	3 mo. Cellphone	√	225.00
	Check	01/25/2024	13321	expense report October-December 2023	3 mo. Cellphone	√	225.00
	Check	04/29/2024	13461	expense report January-March 2024	3 mo. Cellphone, HSI meeting snacks	√	258.97
	Check	06/28/2024	14042	expense report April-June 2024	3 mo. Cellphone	√	225.00
Total Ann Wasson							<b>225.00</b>

	Type	Date	Num	Memo	Account	Clr	Amount
<b>William Fong</b>							
	Check	10/04/2023	13147	reimb. for ACHD conference expenses	ACHD Annual Meeting registration, lodging, mileage	√	1,949.20
Total William Fong							<b>1,949.20</b>



**Sequoia Healthcare District**  
**Employee/Board Member Reimbursement Report**  
 July 2023 through June 2024

	Type	Date	Num	Memo	Account	Clr	Amount
Kim Griffin							
Total Kim Griffin							0

	Type	Date	Num	Memo	Account	Clr	Amount
Ivan Martinez							
Total Ivan Martinez							0

	Type	Date	Num	Memo	Account	Clr	Amount
Aaron Nayfack, M.D.							
	Check	08/09/2023	13084	reimb. for ACHD conference registration	ACHD registration	√	1,150.00
	Check	11/01/2023	13178	reimb. for ACHD Annual Meeting expenses	ACHD mileage, lodging	√	820.84
Total Aaron Nayfack, M.D.							1,970.84

	Type	Date	Num	Memo	Account	Clr	Amount
Gerald Shefren, M.D.							
Total Gerald Shefren, M.D.							0



# SEQUOIA HEALTHCARE DISTRICT

## BOARD ELECTION INFORMATION

The board has five members, each of whom stands for election every four years. The number of seats up for election alternates every two years, with three seats at election one year and two seats available two years later.

In December 2017, the Sequoia Healthcare District Board of Directors adopted a resolution to implement zone elections starting with the November 2018 election. The next Board member election is scheduled for November 2024 for two open positions with four year terms.

*Candidates residing in Zones b and D are eligible to run in 2024, and candidates residing in Zones A, C and E are eligible to run in 2026.*

### Board Policy No. 14 Conduct Related to Elections

**14.1** Sequoia Healthcare District has a five-member Board of Directors. Members must run for election and are elected by the residents of the District. Board members are expected to attend six regular Board meetings, occasional special meetings and usually participate on one or more ad hoc committee as assigned by the Board President.

Board members do not receive cash for their service; however, the District does pay health insurance benefits of up to \$1,500 a month for member and family minus 10% to be paid by the member.

**14.2** The term of an elected director is four years and there is no limit to the number of terms. Two positions are elected in November in the years evenly divisible by four and three positions are elected in November of the intervening even-numbered years.

**14.3** Prospective Board members must be at least 18 years of age and must be District residents.

**14.4** The candidate filing period for Statewide General Elections is set by law. All candidates running for office must file a Form 700 Statement of Economic Interest. Candidates must file their Form 700 at the Registration & Elections Division, Office of the Chief Elections Officer & Assessor-County Clerk-Recorder, 40 Tower Road in San Mateo by the deadline for all candidate documents.

**14.5** The cost of the candidate's policy statement is to be paid for by the District.

**14.6** Interested parties can learn more at San Mateo County's website [Shapethefuture.org](http://Shapethefuture.org).

**14.7** By law, the District may not use public funds or resources to advocate for or against any ballot measure or candidate. Using public funds or resources in such a manner would be inherently unjust to the rights of taxpayers with differing views and further would create the possibility of incumbents taking advantage of their position to stay in office.

**14.8** It is permissible, however, to use public funds for the dissemination of impartial educational information, to make a fair presentation of the facts to aid voters in making an informed judgment.

**14.9** It is also permissible for the Board to go on record at a public meeting in favor of or opposed to a particular ballot measure. Any such action shall first be approved by two-thirds of the Directors present.

**14.10** Directors shall not use any District resources, for example, photocopiers or paper supplies, or make any requests of staff to produce or disseminate any partisan campaign material to be used in support of or in opposition to any candidate for public office or any ballot measure.

**14.11** During public meetings of the Board, individual Directors have a fiduciary duty to concentrate their attention on the meeting. They shall not hand out partisan campaign material supporting or opposing any candidate for public office or any ballot measure while the public Board meeting is in progress.