



**Sequoia  
Healthcare  
District**

525 Veterans Blvd.  
Redwood City, CA 94063

650-421-2155 Phone  
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www.sequoiahealthcaredistrict.com

**A G E N D A  
SEQUOIA HEALTHCARE DISTRICT  
BOARD OF DIRECTORS MEETING  
4:30, Wednesday, October 10, 2012, Conference Room  
525 Veterans Boulevard  
Redwood City, CA 94063**

1. Call To Order And Roll Call
2. Public Comment On Non-Agenda Items\*
- ACTION 3. Consent Calendar - President Griffin
  - a. Approve August 1, 2012 Regular Meeting Minutes
  - b. Approve August 29, 2012 Special Meeting Minutes
  - c. Accept July and August 2012 Financial Statements
4. CEO & Staff Reports - Mr. Michelson
  - Healthy Schools - Ms. Kurtzman & Ms. Gabet
  - HeartSafe - Mr. Nielsen
- ACTION 5. New Business
  - a. Accept Findings of Vavrinek Trine & Day Additional Accounting Services Report: Mr. Gharaibeh & Mr. Christian
  - ACTION b. Accept The District's Annual Audit For The Period Ending June 30, 2012 As Prepared By The CPA Firm Vavrinek, Trine, Day - Mr. Gharaibeh & Mr. Christian
  - ACTION c. Request For Grant of \$15,000 From Samaritan House For Additional Imaging Services - Ms. Lopez
  - d. Update On Funding Status of SFSU/Cañada College Nursing Program - President Griffin & Mr. Michelson
- ACTION 6. Adjourn to Closed Session For The Purpose Of
  - a. Under Government Code Sections 54957 and 54957.6 for the following purposes:  
PUBLIC EMPLOYEE PERFORMANCE EVALUATION (54957)  
Title: Chief Executive Officer of Sequoia Healthcare District  
CONFERENCE WITH LABOR NEGOTIATOR (54957.6)  
Agency Designated Representative: Kimberly Griffin, Board President & Kathleen Kane, Secretary/Treasurer  
Unrepresented Employee: Chief Executive Officer of Sequoia Healthcare District
- ACTION 7. Reconvene To Open Session: Announce Any Reportable Actions Taken In Closed Session
8. Adjourn. The Next Regular Meeting Of The Board Of Directors Of Sequoia Healthcare District Is Scheduled For 4:30 PM, Wednesday, December 5, 2012, District Conference Room, 525 Veterans Blvd., Redwood City, CA 94063

\*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 to arrange an appointment.

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

Kim Griffin, Board President

<b>MINUTES OF REGULAR MEETING BOARD OF DIRECTORS SEQUOIA HEALTHCARE DISTRICT August 1, 2012 Conference Room, 525 Veterans Boulevard Redwood City, CA 94063</b>		
<b><u>Directors Present</u></b> Director Faro Director Griffin Director Hickey Director Kane Director Shefren* * By teleconference	<b><u>Directors Excused</u></b>	<b><u>Also Present</u></b> Mr. Michelson, CEO Mr. Hudak, Legal Counsel Ms. Johnson, Recorder
<b><u>1. Call to Order</u></b>  By: President Griffin Time: 4:30pm		
<b><u>2. Public Comment/Non-Agenda Items</u></b>  Emile Picchi of Woodside Fire department thanked the Board for purchasing Lucas Devices for each engine within District boundaries. The devices have been instrumental in saving lives and Officer Picchi shared a video, filmed by Woodside firemen, of one such survivor.  Director Hickey said the public has a right to know why the regular October meeting date was changed from the 3 <sup>rd</sup> to the 10 <sup>th</sup> . President Griffin responded that she and another board member would not be available and the 3 <sup>rd</sup> .		
<b><u>3.a. - 3.c. Consent Calendar</u></b>  Motion: To approve the Consent Calendar. By: Director Kane Seconded by: Director Griffin Roll Call Vote: 5-0-0 Motion Passed		
<b><u>4. CEO/Staff Reports</u></b>  In addition to Mr. Michelson's written report, he announced that Directors Kane and Faro are replacing Directors Griffin and Shefren on the Grants Committee. Also, another community member is being sought to fill the vacancy of Karen Howe who has served on the committee for several years.  District auditors from Vavrinek Trine & Day have completed their first quarterly review and will present their findings to the Board at the October meeting.  Healthy Schools Initiative: Ms. Kurtzman reported that an all-day planning retreat was held in June with the Wellness Coordinators. The final touches are being applied to the PE Plus program. Website launch has been delayed due to technical issues.  HeartSafe: Recipients of District purchased AEDs have been contacted regarding servicing the units and paying for batteries and pads whenever possible.		

#### 5. a. Community Grants Report

Mr. Michelson summarized a snapshot report on the District's community grants over the last two years. Total grants funded averaged \$1.5 million per year, individual grants ranged \$10,000-\$90,000 to 28 nonprofit organizations. Focus has largely been on health prevention.

#### 5. b. Budget Report

Mr. Michelson provided a written report summarizing 2011-12 actual to budgeted income and expenditures. The District is fiscally sound, will continue to closely manage administrative costs and remains committed to spending every dollar of property tax income for the health of all District residents.

#### 5. c. Consider Proposals to Provide Custodial Services

Mr. Michelson informed the Board that Bank of New York Mellon has instituted a minimum annual fee of \$50,000 to provide custodial services which, in the past, have cost the District \$1,500 per quarter. In researching other firms for this service, Wells Fargo initially indicated their fee would be approximately \$5,000 per year. However, upon receipt of their final proposal, he learned the annual fee will be \$15,000. Therefore, Mr. Michelson is changing his recommendation and asking the Board to approve moving forward with an agreement with Fiduciary Trust, who will provide custodial services as part of their current fee for investment advisory services.

**Motion:** To authorize Mr. Michelson to establish a custodial account with Fiduciary Trust International of California.

**By:** Director Griffin

**Seconded by:** Director Kane

**Roll Call Vote:** 5-0-0

**Motion Passed**

Fiduciary Trust is to provide proof of insurance of District assets above the amounts covered by the FDIC and meet other criteria as required by a public agency.

#### 6. Adjourn to Closed Session

**Motion:** Adjourn to Closed Session.

**By:** Director Griffin

**Seconded by:** Director Kane

**Roll Call Vote:** 5-0-0

**Motion Passed**

Director Hickey asked why a Closed Session is necessary to discuss a public employee's performance evaluation. Mr. Hudak responded that this is standard procedure and an employee would have to specifically request an open meeting discussion.

**7. Reconvene to Open Session**

Reconvene to Open Session.

President Griffin announced that no action was taken and this agenda item is being deferred to the next meeting to allow for additional research.

**8. Adjourn**

**Motion:** At 5:45 PM adjourn meeting.

**By:** Director Kane

**Seconded by:** Director Faro

**Roll Call Vote:** 5-0-0

**Motion Passed**

The next regular meeting of the Board of Directors of Sequoia Healthcare District is scheduled for 4:30 PM, Wednesday, October 10, 2011, District Conference Room, 525 Veterans Blvd., Redwood City, CA.

Respectfully Submitted,

Kathleen Kane  
Secretary

<b>MINUTES OF SPECIAL MEETING BOARD OF DIRECTORS SEQUOIA HEALTHCARE DISTRICT August 29, 2012 Conference Room, 525 Veterans Boulevard Redwood City, CA 94063</b>		
<b><u>Directors Present</u></b> Director Griffin Director Hickey Director Kane Director Shefren	<b><u>Directors Excused</u></b> Director Faro	<b><u>Also Present</u></b> Mr. Michelson, CEO Mr. Hudak, Legal Counsel Ms. Johnson, Recorder
<b><u>1. Call to Order</u></b>  By: President Griffin Time: 4:30pm		
<b><u>2. Public Comment/Non-Agenda Items</u></b>  There was no public comment.		
<b><u>3.a Resolution 12-2 for Establishment of Depository Account and Execution of Account Documents</u></b>  At the August 1 <sup>st</sup> meeting, Mr. Michelson was authorized to move forward with an agreement with Fiduciary Trust to provide custodial services as part of their current fee for investment advisory. However, after reviewing Fiduciary's agreement, counsel found it to be written more for an individual as it did not meet government code requirements for public agencies nor discuss providing additional security for District's excess reserves. Having recently reviewed Wells Fargo's agreement, Mr. Hudak stated Wells does comply with the numerous government requirements.  Mr. Michelson noted the proposed fee from Wells Fargo for custodial services will be \$15,000.  <b>Motion:</b> To adopt resolution 12-2 authorizing Mr. Michelson to establish a custodial account with Wells Fargo Bank and Trust. <b>By:</b> Director Shefren <b>Seconded by:</b> Director Kane <b>Vote:</b> 4-0 <b>Motion Passed</b>		
<b><u>4. Adjourn</u></b>  <b>Motion:</b> At 4:50 PM adjourn meeting. <b>By:</b> Director Kane <b>Seconded by:</b> Director Faro <b>Vote:</b> 4-0 <b>Motion Passed</b>  The next regular meeting of the Board of Directors of Sequoia Healthcare District is scheduled for 4:30 PM, Wednesday, October 10, 2011, District Conference Room, 525 Veterans Blvd., Redwood City, CA.  Respectfully Submitted,  Kathleen Kane, Secretary		

[illegible]

**SEQUOIA HEALTHCARE DISTRICT**  
**Income Statements**

Agenda Item No.3.c  
Board of Directors Meeting  
10/10/12

	July	August	September	October	November	December	January	February	March	April	May	June	Year to Date	Budget 12-13
<b>INCOME</b>														
Rental Income	3,291.29	3,424.94											6,716.23	41,076.00
Tax Revenue	4,053.03	3,761.96											7,814.99	8,600,000.00
Investment Income	49,932.00	11,884.00											61,816.00	400,000.00
ROI-Sequoia Hospital EBIDA	0.00	0.00											0.00	2,100,000.00
Interest Income	1,016.75	669.60											1,686.35	7,600.00
Pension Income	0.00	0.00											0.00	2,600,000.00
<b>Total Income</b>	<b>58,293.07</b>	<b>19,740.50</b>											<b>78,033.57</b>	<b>13,748,676.00</b>
<b>EXPENSES</b>														
<b>Administrative Expenses</b>														
Admin. Expense	245.38	2,052.95											2,298.33	8,500.00
Admin. Payroll	11,487.66	24,501.77											35,989.43	221,500.00
Board Health Insurance	2,907.04	5,865.78											8,772.82	60,000.00
Employee Health Insurance	2,760.21	4,988.13											7,748.34	26,000.00
Employee Retirement Benefit	742.27	1,549.16											2,291.43	17,000.00
Investment Fees	0.00	12,500.00											12,500.00	55,000.00
Office Supplies/Equip Maint	0.00	917.18											917.18	7,500.00
Purchase Services	0.00	0.00											0.00	1,000.00
Accounting fees	0.00	0.00											0.00	27,000.00
Board Expense	0.00	0.00											0.00	10,000.00
Associations/Membership	0.00	10,000.00											10,000.00	15,000.00
Communications	500.00	680.78											1,180.78	25,000.00
Public Relations	4,200.00	4,200.00											8,400.00	50,000.00
Web Site/IT	365.00	365.00											730.00	22,000.00
Pension Plan	0.00	0.00											0.00	2,600,000.00
Insurance/DEO	26,587.04	1,325.06											27,912.10	21,000.00
Election Fees	0.00	0.00											0.00	160,000.00
LAFCO fees	0.00	0.00											0.00	7,000.00
Legal Fees	0.00	2,226.15											2,226.15	25,000.00
Bank Fees	0.00	0.00											0.00	100.00
<b>Total Admin. Expenses</b>	<b>49,794.60</b>	<b>71,171.96</b>											<b>120,966.56</b>	<b>3,358,600.00</b>
<b>Property Expenses</b>														
Maintenance	125.00	1,475.00											1,600.00	25,000.00
Utilities	494.60	2,174.58											2,669.18	20,000.00
Property Insurance	1,662.00	0.00											1,662.00	2,000.00
Depreciation	7,454.00	7,454.00											14,908.00	100,000.00
<b>Total Property Expenses</b>	<b>9,735.60</b>	<b>11,103.58</b>											<b>20,839.18</b>	<b>147,000.00</b>

**SEQUOIA HEALTHCARE DISTRICT**  
**Income Statements**

Agenda Item No.3.c  
Board of Directors Meeting  
10/10/12

	July	August	September	October	November	December	January	February	March	April	May	June	Year to Date	Budget 12-13
<b>Grant Expenses</b>														
Grant Admin Expenses	0.00	45.97											45.97	11,100.00
Grant Admin Payroll	3,020.47	6,038.42											9,058.89	58,900.00
Children's Health Initiative	350,000.00	0.00											350,000.00	1,350,000.00
SFSU Nursing Program	500,000.00	0.00											500,000.00	1,000,000.00
Samaritan House Grant	153,174.00	0.00											153,174.00	612,000.00
Other Grants	0.00	2,328.98											2,328.98	20,000.00
Sequoia Hospital Foundation	0.00	0.00											0.00	630,166.00
San Mateo Medical Ctr.	0.00	0.00											0.00	2,000,000.00
Ravenswood-Belle Haven Clinic	0.00	0.00											0.00	500,000.00
Community Grants Program	0.00	0.00											0.00	1,340,000.00
Chronic Disease Management	652.52	1,339.59											1,992.11	20,000.00
SMART Program Grant	0.00	0.00											0.00	60,000.00
<b>Total Grant Expenses</b>	<b>1,006,846.99</b>	<b>9,752.96</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,016,599.95</b>	<b>7,602,166.00</b>
<b>Program Expenses</b>														
HeartSafe Program	15,000.00	1,855.79											16,855.79	134,300.00
HeartSafe Payroll	3,198.45	4,830.97											8,029.42	65,700.00
School Health Initiative	218,844.89	394,222.61											613,067.50	2,755,000.00
School Health Payroll	7,553.48	15,312.61											22,866.09	145,000.00
<b>Total Program Expenses</b>	<b>244,596.82</b>	<b>416,221.98</b>											<b>660,818.80</b>	<b>3,100,000.00</b>
<b>Total Expenses</b>	<b>1,310,974.01</b>	<b>508,250.48</b>											<b>1,819,224.49</b>	<b>14,207,766.00</b>
<b>Net Surplus/Loss</b>	<b>(1,252,680.94)</b>	<b>(488,509.98)</b>											<b>(1,741,190.92)</b>	<b>(459,090.00)</b>



## **CEO Report: October 2012**

### **Program**

1. We have recently completed another six week chronic conditions management workshop at San Carlos Senior Center. Three more are scheduled: Menlo Park in October, Foster City in January and Belmont in February.
2. The Grants Review Committee has begun meeting and revising procedures for the next grant cycle. We have an eight member committee with Don Horsley, Tom Mohr, Ruth West-Gorin and Marie Violet returning and new members: Art Faro, Katie Kane, Don Gibson and Peter Burchyns.
3. Two meetings have been held with Sequoia Hospital staff and community leaders to discuss the development of a new hospital to home program. I have attended both of them and Dr. Shefren attended one by phone and the other in-person. This group will meet monthly through at least February.
4. The District has become active supporters of the Fall Prevention Network and recently distributed more than 2,000 informational cards to senior serving organizations.
5. I recently attended meetings to plan the 10<sup>th</sup> Anniversary of Healthy Kids. The ceremony will be held in February 2013 and the District will be honored for our support.

### **Administration**

1. Janeene Johnson and I worked with our auditors to develop an internal fiscal management document. This manual describes current day-to-day financial procedures. A copy of the manual is attached to this Board packet.
2. The next pension committee meeting will be held in October.
3. We have completed the transfer of custodial funds from Bank of New York to Wells Fargo.

### **Communications**

1. I will be the featured speaker at the October Commission on Aging meeting. I will present on our grants that impact our elder population.
2. The next annual report is being written and designed with expected mailing later this month.

### **Community Involvement**

1. The District is being honored by the Sherriff's Activities League at their dinner in October.
2. Art Faro, Katie Kane and I will attend the Shelter Network Breakfast in October.
3. I am again serving on Sequoia Hospital's Grants Committee.
4. Meals on Wheels will be holding a fundraiser on October 16.
5. We will be hosting the Special Districts Association meeting again in October.

### **Other**

1. Pamela Kurtzman and I met with the El Camino Healthcare District staff to discuss school health projects.
2. I will be attending the ACHD Education Committee meeting in October.



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**SEQUOIA HEALTHCARE DISTRICT  
ADMINISTRATIVE MANUAL**

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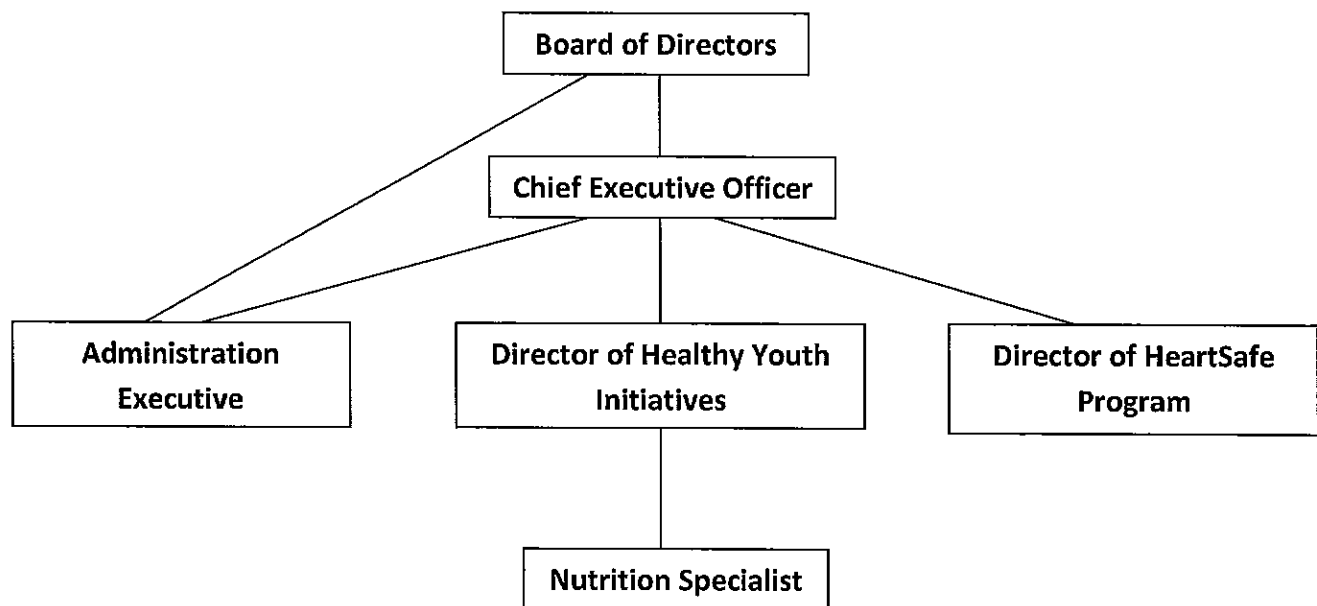
## **ORGANIZATION**

The Sequoia Healthcare District is a political subdivision of the State of California, organized pursuant to California Health and Safety Code and governed by a five member Board of Directors. The procedures governing procurements of the District derive from the District's enabling legislation, the California Public Contract Code and Rules of the Board of Directors.

### *Organizational Structure*

The Chief Executive Officer (CEO) of the District has oversight responsibility for the District operations. The CEO may award and execute agreements, including grant agreements and leases for equipment, supplies, materials, services or construction when the amount to be paid by the District does not exceed certain thresholds. All agreements above the threshold must be approved by the Board of Directors.

### *Organizational Chart*



## **PROCUREMENT**

## *II. Purchasing Procedures*

- a. Vendor purchases and payment of invoices
  - 1 Budgeted Program purchases up to \$5,000 can be authorized by the Program Manager. Program purchases in excess of \$5,000 must be authorized by the CEO. All Non-program purchases and non-budgeted Program purchases must be authorized by CEO.
  - 2 All building related expenses will be paid on a monthly basis. Only the CEO or his/her assigned representative may arrange for building related services. This includes expenses incurred by tenants. Employees should report building needs and concerns to CEO.
  - 3 For all checks under \$25,000 either the CEO or a member of the Board of Directors authorized on the bank card as a signer may sign a check for payment. All checks of \$25,000 or more requires two signatures, with one being a board member listed as a signer on bank card.
  - 4 All checks to be disbursed must be submitted to the CEO for approval with invoices attached as an additional backup before being signed by the CEO. All vendor invoices must be signed by authorized staff.
- b. Check requests
  - 1 When no invoice is present a Check Request form must be completed, signed and any appropriate documentation attached.
  - 2 Electronic Mails (emails) requesting payment will not be processed. The District's check request form should be completed and submitted to Administration Executive for it to be disbursed. Appropriate backup is to be included with request form.
- c. Employee travel and expense reimbursements
  - 1 Employee reimbursed expenses must be submitted with all receipts attached, including cell phone and Healthy Employee gym benefit.
  - 2 A valid business purpose must be described on the request for reimbursement.
  - 3 Reimbursement checks should be deposited or cashed promptly by employee.
  - 4 The supervisor must approve all out of town travel for meetings and conferences prior to registration. Conference attendance costing more than \$2,500 must also be approved by the CEO. While traveling for business, expense policy regarding meals, rental cars etc. must be followed by the employee. Any expenditure beyond the stated limits must be paid by the employee. Generally, it is acceptable to have spouses and other family members travel with employee as long as the employee pays for their expenses.
- d. Credit card use and payment
  - 1 All employees may use a District credit card. The maximum credit limit on each card cannot exceed \$5,000.
  - 2 All charges must have a receipt or documentation of expense.



- 3 The credit card must be paid in full each month so that no interest expenses are incurred. The Administrative Executive is responsible for managing the credit card program with oversight by the CEO.
  - 4 District employees should not use District credit cards for personal expenses.
- e. Grant disbursements
- 1 All grants must either be preapproved by the Board of Directors, paid out of the CEO's discretionary fund which is budgeted for by the Board and must be under \$5,000, or paid from budgeted amounts within the Healthy Schools or HeartSafe Programs (under \$5,000).
  - 2 The District requires that all grantees spend funds as outlined in the signed grant agreement. The District CEO or assigned staff will review all grantee financial reports to assure that funds were spent appropriately. Failure to spend funds as stated may lead to a request to return all or a portion of the funds and may impact future approval of grants.
- f. Election expenses
- 1 The District will budget for Board elections every two years. Current District policy does not provide for the payment of candidate statements.
- g. Check signing
- 1 For all checks under \$25,000 either the CEO or a member of the Board of Directors authorized on the bank card as a signer may sign a check for payment. All checks of \$25,000 or more requires two signatures with at least one board member signing on the checks.

## **PAYROLL AND BENEFITS**

### *III. Payroll and Benefits procedures*

The District will follow the following procedures for the administration, preparation and payment of payroll and benefits to the employees and Board members of the District.

#### *a. Payments and costs*

- 1 The District pays employees every two weeks or 26 pay periods per year. The District contracts with the payroll processing agency to manage this function. The Administrative Executive is responsible for coordination and communication with the payroll processing agency including reporting PTO hours used. Employees are expected to fill out a time sheet every two weeks and have those timesheets approved by their supervisor. Timesheets are to be submitted on the Monday immediately following the end of the pay period.
- 2 The District will pay no advances.
- 3 All employees are encouraged to use automatic deposits to a designated checking account for the receipt of their payroll.
- 4 The cost of the payroll, including payroll taxes and service fees are debited directly to the District's bank account. The amount charged to the District is reconciled monthly from the payroll processing agency reports to bank statements.

#### *b. Hiring and termination policy*

- 1 The position of CEO and any other officers of the District must be approved and hired by the District Board of directors. The salary level of officers must be approved by the Board of Directors. Any officer termination also requires Board approval.
- 2 The hiring of non-officer District employees must be approved by the CEO. Wage levels are set by the CEO but must be within amounts in the Board approved budget. The first ninety days of employment are considered an "introductory period" during which benefits will not be entitled. The CEO has the right to extend the introductory period or to terminate employees at will.

#### *c. Employee file maintenance*

- 1 The District will maintain separate files for each employee. The files will contain documentation regarding the hiring process for that employee, all employee reviews and correspondence, pay level and benefit changes, and termination records.
- 2 The employee files will be held by the Administration Executive in a secured location.

#### *d. Changes*

- 1 Any payroll changes must be documented on a Payroll change form. Changes for all employees other than the CEO must be signed by the CEO. Changes for the CEO must be signed by the Board President.

- 2 The payroll processing agency is only authorized to receive payroll changes from the Administrative Executive or the CEO. Changes for the Administrative Executive must be submitted by the CEO and changes for the CEO must be submitted by the Administrative Executive.
- e. Employee Benefits
- 1 The District offers a health insurance plan for all employees who work 20 hours a week or more. The plan is currently capped at \$1,200 per month. Employees may choose to forego this insurance benefit and receive in lieu payments of \$400 per month. This payment is fully taxable as income.
  - 2 Those wishing to receive health insurance should work with the Administrative Executive to enroll in a plan. If the cost of the insurance is more than \$1,200 a month the employee must reimburse the District of the difference each month within the month the expense is incurred by District.
  - 3 Personal Time Off and Extended Sick Leave will be accumulated according to the Employee handbook sections 5.01 and 5.03.
  - 4 The Administrative Executive will track all vacation and sick leave and update the payroll processing agency with the accrual amounts and the amounts that should be deducted on a bi-weekly basis.
- f. Board members
- 1 The Board members will not be compensated for attendance at meetings. They are however entitled to health insurance benefits of up to \$1,200 per month and reimbursement for approved business expenses as stipulated in the Board Policy.
- g. Pension
- 1 The District has a pension liability for the period of time prior to 1996 when the District owned and managed Sequoia Hospital. Annual payments to pension fund are made by the District and reimbursed by Dignity Health. The District CEO serves on the pension plan management committee with two representatives from Sequoia Hospital, the hospital CEO and CFO.
- h. Directors and Officers insurance
- 1 The District will purchase directors and officers liability insurance on an annual basis.

## **BUDGETING**

#### *IV. Budgeting Procedures*

- a. The District Board must formally approve a recommended budget for the fiscal year.
- b. Income and expenses to-date against budgeted amounts are reported to the Board at each Board meeting by the CEO.
- c. All employees who manage a program are responsible for managing the budget for that program. All invoices from related vendors should be reviewed for accuracy by the manager and CEO. If the invoice is in excess of \$5,000 it should be given to the CEO for review and approval. Invoices for less than \$5,000 can be submitted to Administrative Executive directly after initial review.
- d. The Administrative Executive tracks all income and expenses on a monthly basis against all line items within the budget.
- e. The current budget is to be published on the District website. If a Manager feels the need to make an adjustment to a line item in excess of \$20,000 it should be discussed with and approved by the CEO.

## **DISTRICT ASSETS**

## *V. District assets/funds*

The following procedures are adopted to direct the District in proper custodianship of District cash, investments, and funds received from Sequoia Hospital operating profit.

### *a. Bank accounts*

- 1 The District will maintain at least one checking account and if it deems appropriate a savings account with a major bank that will assure the safety of all deposits. The District will maintain sufficient funds in these accounts to pay for current expenses. Income received by District will be deposited in these accounts on a timely basis or ideally by electronic transfer directly into accounts. The District may choose to deposit income into investment accounts as an alternative to bank accounts.
- 2 Only the District CEO and designated Board members may sign on the bank accounts; however, the Administration Executive may prepare deposits. If other employees receive checks for any reasons such as partial payments for AED's they should turn in those checks to the CEO. All checks (including incoming mail) will be given to the CEO who will make copies of them and give originals to the Administrative Executive. The Administrative Executive will prepare deposit and take to the bank. Upon return from the bank, the CEO will be given the deposit receipt so that it can be reconciled to his copies of the checks.
- 3 Proper care will be taken to code receipts to the appropriate categories to insure fair reporting of District assets.
- 4 Bank statements will be reconciled, on a monthly basis, to amounts recorded in the District general ledger. The reconciliation will be performed by the Administration Executive and will be reviewed and approved by the CEO.
- 5 In the bank reconciliation process, the Administration Executive will examine outstanding checks and determine if any are over six months old. For any such checks the payee will be contacted, a stop payment order will be placed on the outstanding check, and a new check will be issued.

### *b. Investment accounts*

- 1 The District Board may authorize the CEO to contract with an investment company to investment funds not needed for current needs. The Board must approve any agreements made between the CEO and the investment company. It is the Board's responsibility to set invests policies. All efforts will be made to assure that investments are in low risk funds. The investment advisor will report at least annually to the Board. The investment company may charge a fee for services rendered

### *c. Petty cash*

- 1 The District will not keep a petty cash account.

### *d. Capitalized assets*

- 1 Assets purchased by the District that exceed the capitalization thresholds will be labeled and identified appropriately on the District's Capitalized Asset ledger.



- 2 There will be a periodic review of items on the Capital Asset ledger to determine if any assets are no longer in use by the District. Appropriate adjustments will be made in the District general ledger for such assets.
- e. EBIDA funds
- 1 In the years that the District receives an EBIDA share from Sequoia Hospital that income is viewed as unrestricted to be used to meet budget obligations. If the amount received is more than what is needed to meet budget obligations, the Board may choose to spend additional funds on new projects or add to reserves. The EBIDA payment is due to District in October of each year.

## **REPORTING AND RECORDKEEPING**

## *VI. Reporting and recordkeeping*

The District sets procedures for storage and availability of District records and external audit of financial reporting.

### **a. Financial records**

- 1 All records are stored in the Administration Executive's office and are available to the CEO at all times. Staff members who wish to see financial records must request this information from the CEO or Administration Executive. Board members must make their request through the Board President. All requests from others including the press must be in writing.

### **b. Cash Disbursement report**

- 1 The Administration Executive will email to the Board a cash disbursement report on a monthly basis. Copies of invoices are available to the Board members at their request.

### **c. Audit**

- 1 The District will hire an outside auditor to review all income and expenses, bank transactions and payroll issues. The auditors will present their findings to the Board at the December Board meeting. A copy of the current audit will be listed on District website. In addition, the auditing firm will conduct quarterly reviews on an as needed basis.



## Healthy Schools Initiative

### Activity Summary for August- September 2012

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#### **Pamela**

**Strategic Planning-** Created personal work plan draft for 2012-13 aligned with overall strategic goals for SHD. Continue work with ASR and Wellness Coordinators to complete the development of their strategic work plans for the 2012/2013 school. Special areas of attention are being given to marketing HSI within schools, leveraging resources, and developing collaborations with District Education Foundations and Parent-Teacher Organizations. Jennifer's areas of focus is on nutrition education for parents, integrating consistent and clear nutrition education messages into physical education and science curriculums and through school garden lessons.

**Gardner Center-** JGC researchers will be sharing their interim findings in October with the HSI staff and then with our school partners in November 2012. A final report and briefing is expected to be provided to SHCD Board at the December meeting.



The PE+ Program is off and running (and jumping and throwing and shooting, and...)! A total of 40 coaches with PCC and Parks and Rec have been teaching the PE and nutrition curriculum 2 days per week to all k-5 graders at 9 schools in the Redwood City School District. Coaches meet weekly with their own sites to review the week's activities, discuss successes and challenges, insights, perspectives, and share great stories. Plans for quarterly meetings with coaches from both PCC and Parks and Rec are underway.

- Curriculum: Jennifer is editing and refining writing nutrition curriculum for the lessons.
- Program Evaluation: Pamela is completing the assessment tools to evaluate progress and measure quality and impact of the PE+ Program.
- Glenn Nielsen arranged for free CPR training for the head PE +coaches on August 8. 12 Coaches were trained and certified by AHA.
- Lee and I visited PE+ at Taft School where all K-5 graders are experiencing the PE+ curriculum taught by PCC coaches. We were very pleased with the quality of the program and of the coaches. The kids seemed to really enjoy the class! We then went to Selby Lane School to view PE+ taught by Parks and Rec. We were equally impressed with the quality of the programming there.

#### **Website Update:**

Please visit our newly designed HSI web pages! Find it by visiting [www.sequoiahealthcaredistrict.com](http://www.sequoiahealthcaredistrict.com). Visit it often. Jennifer and I will be adding and updating content regularly.

**Meetings and Committees:**

- San Mateo County School Health Alliance (Meets quarterly)
- San Mateo County Get Healthy Initiative (formerly Get Healthy Tasks Force). (Meets bi-annually last meeting Sept. 17)
- San Mateo County Get Healthy Advisory Council (meets 2<sup>nd</sup> Thursday each month)
- Redwood City/ San Mateo County Chamber Education Committee (meets 1<sup>st</sup> Wednesday of each month)
- Peninsula Partnership Leadership Council (PPLC) workgroup ( Meets 2-3 times monthly days vary)
- Redwood City School District Wellness Committee (Meets 2<sup>nd</sup> Tuesday each month)
- Sequoia Union High School District Wellness Advisory Committee (WAC) (meets 3<sup>rd</sup> Monday each month)
- Belmont- Redwood Shores Wellness Committee (meets 3<sup>rd</sup> Thursday each month)
- Caring Community Grants Program of SHD Committee Member (last meeting Oct 1)

**Professional Development:**

- Toastmasters International Leadership Team. Became VP of Public Relations July 2012 (meets 2<sup>nd</sup>, 4<sup>th</sup> Wednesday each month).
- Will attend the American School Health Association conference Oct 8- 12, 2012 in San Antonio, Texas
- Participated in School Health Policy Webinar presented by Alliance for a Healthier Generation on Sept 18.

***Jennifer Gabet*****Program Development:**

- Created work plan for 2012-13 and aligned with Strategic Plan goals.
- Worked with 1-2-3 Let's Grow! partners on development of "Grow Note" and implementation of projects.
- Continued development of PE+ Nutrition program with Victor Hernandez and worked with partnering nutrition organizations, U.C. Cooperative Extension and Dairy Council, to bring in nutrition program support for PE+.
- Worked with all Wellness Coordinators to develop a plan for technical support to the school districts particularly around Rethink Your Drink/Drink Water campaign and staff nutrition training.

**Written Materials:**

- PE+ Nutrition curriculum modules 1-3 pilot version completed.

**Grantee Site Visit & Observation:**

- PE+ observation of 2 simultaneous classes at Hoover Elementary School (9/21/12), with emphasis on the nutrition element of PE program. Assessed status of nutrition implementation and areas for improvement. One 3<sup>rd</sup> grade teacher stated, "It's good they're talking about nutrition. Some of the girls don't eat lunch. I don't know why, the school lunch is good."

**Presentations/Trainings:**

- PE+ Nutrition training for coaches (8/7/12).

**Facilitated Meetings:**

- Food, Garden, and Nutrition Partner Meeting for Redwood City School District and Sequoia Union High School District (9/6/12). Facilitated a meeting with the wellness coordinators and outside partners to meet each other, share projects for the school year, determine the depth and breadth of services offered, and improve coordination and collaboration. Twenty-two people attended the meeting, representing sixteen organizations.

**Other Meetings and Committees:**

- Community Advisory Board for San Mateo Healthy Beverages in Child Care Study (8/21/12).
- Redwood City School District Wellness Committee (9/11/12).
- Sequoia Union High School District Food Advisory Council Executive (9/4/12).
- Bay Area Nutrition and Physical Activity Collaborative (BANPAC) (9/12/12).
- San Mateo County Food System Alliance, Farm to Institution subcommittee (9/27/12).

**School District Reports (abridged)**

CSH Component Areas:	School Districts	Major accomplishment- August- Sept 2012
Nutrition Services	Redwood City	<ol style="list-style-type: none"><li>1. Coordinated with CNS to promote drinking water and refilling water bottles for PE with school water dispensers</li><li>2. Leading county and school collaborative project at Hoover focused on educating families about eating fresh food, having regular meals, drinking water first, limiting TV and getting more physical activity. Wellness promoters will discuss these messages with families waiting in line for Second Harvest produce. Launched Sept 29.</li><li>3. Created flyer for non-food rewards and celebrations with wellness committee member and Sequoia Healthcare District nutrition manager.</li></ol>
	Belmont-Redwood Shores	<ol style="list-style-type: none"><li>1. Selected Kid Chow as Hot Lunch vendor that is a single vendor for district. Kid Chow offers fresh, healthy, organic food choices.</li><li>2. NSLP reimbursement accomplished</li></ol>
	San Carlos	<ol style="list-style-type: none"><li>1. Second year of implementation of new food service vendor.</li></ol>

	Sequoia Union	<ol style="list-style-type: none"> <li>1. Providing support to the Food Advisory Committee (FAC), including forming Food Culture Clubs at each site, supporting the ReThink Your Drink efforts in the district, and instituting changes in the “Lines and Signs” concerns brought up last year.</li> <li>2. Meeting with Jennifer Gabet to strategize for the school year.</li> <li>3. Toured the garden at Redwood High—helping to promote the Master Gardeners program there.</li> </ol>
Physical Education/Activity	Redwood City	<ol style="list-style-type: none"> <li>1. Serving as RCEF school liaison to increase participation in 2<sup>nd</sup> annual fundraising event on Oct 13. Coordinating scholarships for students with Jo-Ann Sokolov; marketing the event to schools with promotional materials, emails and in-person school visits; attending committee meetings.</li> <li>2. PE Plus program - partnership btw Serve the Peninsula, &amp; Parks and Rec - program launched!</li> <li>3. Follow up PE+ meeting and school visits planned.</li> </ol>
	Belmont-Redwood Shores	<ol style="list-style-type: none"> <li>1. Coaches hired and begin 9.10.12</li> <li>2. Classroom support begins 9.17.12 <ul style="list-style-type: none"> <li>• Equipment</li> <li>• Training</li> <li>• Curriculum Dev.</li> </ul> </li> </ol>
	San Carlos	<ol style="list-style-type: none"> <li>1. Heather School piloting new model of physical fitness instructional delivery for K-4 schools Legarza Basketball Camp staff now serving as PE staff for all grades. This allows for more flexibility in scheduling PE for K-4 students.</li> </ol>
	Sequoia Union	<ol style="list-style-type: none"> <li>1. Met with the PE SAC to discuss asthma ed, nutrition ed, and CPR training for all 9<sup>th</sup> grade students in the district.</li> <li>2. Working with all the local fire depts. to achieve our CPR goals</li> </ol>
Health Education	Redwood City	<ol style="list-style-type: none"> <li>1. Dental Programs - promote county dental education program by coordinating with district K-2 teachers</li> <li>2. Coordinating CPR training for district staff with Redwood City Fire Dept</li> <li>3. Lice Protocol - developing district-wide recommendations and informational program intended to reduce school absences related to chronic lice infestations.</li> <li>4. Launching Drink Water First campaign during Walk to School Day at Hoover - coordinating with school principal, Safe Routes to School, Jennifer Gabet and Nutrition Services by providing water bottles to all students and distributing a</li> </ol>

		<p>flyer that promotes drinking water for thirst. Principal, Family Center director and teachers spread message to students and parents by distributing flyer and promoting ways to refill water bottles at school for PE, etc...</p> <p>5. Harvest of the Month implemented for entire school at Henry Ford Elementary = 18 classrooms</p>
	Belmont-Redwood Shores	<p>1. Purchase, distribute and train GBS</p> <p>2. Great Body Shop Pre-test</p> <p>3. Teen Talk</p> <p>4. Stoplight Nutrition- Grades K-5</p>
	San Carlos	<p>1. Health Frameworks purchased for all middle school PE staff.</p> <p>2. PE staff to begin process of highlighting areas in Health Framework that can be added to their curriculum.</p>
	Sequoia Union	<p>1. Coordinated a collaboration between the LifeSkills program and Center For Youth (CFY) at Sequoia HS and M-A to provide additional support and training re: mental health issues, drug/alcohol education, relationship ed, and digital citizenship ed (through Common Sense Media)</p> <p>2. Stanford's "Teen Diabetes Coaching" study has been implemented at Sequoia High through the Health Careers Academy classes.</p> <p>3. Coordinating efforts to bring Kaiser's "Secrets" presentation to each site (HIV and STI education), in addition to a district-wide parent ed presentation.</p> <p>4. Working with the TUPE advisors on bringing tobacco education to the students.</p>
<b>Nursing/ Health Services</b>	Redwood City	<p>1. Lead district-wide Tdap vaccination program for 7<sup>th</sup> grade students in 2012-13 school year, including coordinating vaccine clinics, setting timelines and developing communications for schools, families and partners to achieve 100% compliance by state deadline</p> <p>2. Big Smiles Dental program - MOU signed July 2012</p> <p>3. Coordinating outreach for Big Smiles dental program across district Developing district-wide lice protocol, including information to all schools, letters to parents and recommendations for district policy</p>
	Belmont-Redwood Shores	<p>1. Screenings(hearing, vision, scoliosis)</p> <p>2. Training (Epi-pen, CPR, other?)</p>



		<ul style="list-style-type: none"> <li>3. Handwashing</li> <li>4. Vaccination support</li> </ul>
	San Carlos	<ul style="list-style-type: none"> <li>1. School Nurse working with all school secretaries to ensure that immunization records are current</li> </ul>
	Sequoia Union	<ul style="list-style-type: none"> <li>1. Exploring concussion protocols in the district, working with the Sequoia Health and Wellness Center, and researching potential sponsors.</li> <li>2. The district nurse and I assigned the Health Aides at each site to be part of our "Wellness Champions" team.</li> </ul>
<b>Health Promotion for Staff</b>	Redwood City	Not repted
	Belmont-Redwood Shores	<ul style="list-style-type: none"> <li>1. Implemented Staff Survey of needs</li> </ul>
	San Carlos	<ul style="list-style-type: none"> <li>1. Continue to offer free boot camp to SCSD employees (3 days pe</li> <li>2. Met with PAMF regarding employee wellness programs. Not cost effective to run full program offered. Working with principals to determine staff interest in other programs.</li> </ul>
	Sequoia Union	<ul style="list-style-type: none"> <li>1. Got official district approval for a Staff Wellness Fair on 8/21/12, and beginning planning of that event.</li> <li>2. Working with David Reilly and the Sequoia Health and Wellness Center regarding on-site worksite wellness support for staff: (e.g. health coaching, blood pressure screenings, etc), as well as CPR training.</li> <li>3. Recruited several district office staff to serve as members of our staff wellness committee</li> <li>4. Met with the San Mateo Union HS District in Feb. to discuss their experience with Staff Wellness Fairs.</li> </ul>
<b>Counseling, psychological and social services</b>	Redwood City	<ul style="list-style-type: none"> <li>1. Continuing work with Sandra Portasio to develop coordinated approach to mental health services and continuity of care for high risk students.</li> </ul>
	Belmont-Redwood Shores	<ul style="list-style-type: none"> <li>1. StarVista to provide additional counseling services at 3 schools</li> </ul>
	San Carlos	<ul style="list-style-type: none"> <li>1. School counselors meeting regularly to plan curriculum for Life-Skills Program. Also participating in district wide training for tiered behavior intervention program.</li> </ul>

	Sequoia Union	<ol style="list-style-type: none"> <li>1. Hosted an all day Drug Recognition workshop for district staff on June 14<sup>th</sup>. (a parent ed companion presentation took place that night).</li> <li>2. Formed a Mini-MAC group of 7 key staff from each site, which will serve as the planning committee for MAC.</li> <li>3. MAC will focus on topics such as: AOD, bullying, stress, homelessness, and suicide prevention.</li> <li>4. Will meet regularly with the site AVPs to better understand their concerns.</li> <li>5. Attended a workshop hosted by Challenge Success at Stanford, 9/28/12, with plans to follow up with our sites regarding student stress.</li> <li>6. Working on the "Bully" project, and Respect 24/7 projects with the SMCOE.</li> </ol>
Safe and Healthy School Environment	Redwood City	<ol style="list-style-type: none"> <li>1. Linked International Walk to School Day event to campaign focused on reducing sugary beverage consumption by drinking water first - see Health Education.</li> <li>2. Attend media event at Hoover Elementary school on Oct 3 for Walk to School Day - Safe Routes to School</li> <li>3. Attended Respect 24/7! Bully meetings; communicate Oct 25 screening district administrators</li> </ol>
	Belmont-Redwood Shores	<ol style="list-style-type: none"> <li>1. Ralston anti-bullying team</li> <li>2. Consensus Day @ Ralston</li> <li>3. Cleo Eulau - Resiliency coaching</li> <li>4. Conflict Manager Training</li> <li>5. New Teacher Training</li> <li>6. Citizenship class support</li> </ol>
	San Carlos	<ol style="list-style-type: none"> <li>1. Participating in events around Respect 24/7. Met with MS admins to determine feasibility of sending students to Bully. Working with counselors on Respect Day to be held on each campus in October.</li> </ol>
	Sequoia Union	<ol style="list-style-type: none"> <li>1. Had Enrique Navas present an ICS update to our Wellness Advisory Committee (WAC), 9/25/12.</li> <li>2. Planning to have a district-wide drill in Spring, 2013</li> <li>3. Will work with a district staff member to review and refine our disaster prep protocols at each site.</li> </ol>

<b>Family/Community Engagement</b>	Redwood City	<ol style="list-style-type: none"> <li>1. Prepared talking points and coordinated SF Giant player visit at Kennedy Middle School as part of Dignity Health community outreach - Giants player discussed teamwork and perseverance as themes that have guided his career during two 30-minute outdoor assemblies.</li> <li>2. Director Principals - Josh Griffith and Lynne Griffiths; teachers; community school coordinator and school counselor.</li> </ol>
	Belmont-Redwood Shores	<ol style="list-style-type: none"> <li>1. Parent Education- "Raising Resilient Kids"</li> <li>2. Health Fairs</li> <li>3. Ralston Jog-a-thon</li> </ol>
	San Carlos	<ol style="list-style-type: none"> <li>1. Working with Education Foundation Grant Writing Team to submit grant to further wellness efforts.</li> <li>2. Meeting with PTA CC Parent Ed. Coordinator to discuss possible parent education topics for 2012-13.</li> </ol>
	Sequoia Union	<ol style="list-style-type: none"> <li>1. Improving district-wide communication regarding wellness events/workshops.</li> <li>2. Hosted a Compass parent ed event: Drug Recognition and Education, 6/14/12, 6:30pm-8:00pm</li> <li>3. Working with Carmina Chavez and Charlene Margot to expand parent ed in the district. Working on coordination, efficiency, and communication.</li> <li>4. Working with Dr. Zamora at Carlmont to improve communication with the other sites in the district, as it relates to parent ed.</li> <li>5. Went with Carmina and Charlene to see 1050 Myrtle Street, the district's outreach site in EPA.</li> <li>6. Attended a 1 EPA meeting, led by Dr. Faye McNair. Community education and support is essential.</li> <li>7. Meeting with founders of Live in Peace, a music outreach program in EPA.</li> </ol>
<b>Marketing and Communications</b>	Redwood City	<ol style="list-style-type: none"> <li>1. Began developing communications plan for Wellness Activities within District</li> </ol>
	Belmont-Redwood Shores	<ol style="list-style-type: none"> <li>1. Completed a Newsletter last spring.</li> <li>2. Website and brochure</li> <li>3. Logo approval</li> </ol>

	San Carlos	Continue to develop District Wellness website. Additions during this reporting period include: seasonal flu updates and information, district allergy policy.
	Sequoia Union	<ol style="list-style-type: none"> <li>1. Formulating strategies to increase the visibility of the Sequoia Healthcare District within the SUHSD.</li> <li>2. Established a new Wellness website: <a href="http://wellness.seq.org">wellness.seq.org</a>.</li> </ol>

# HeartSafe Program

Activity Summary for August and September 2012

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## HeartSafe Region Task Force Meetings

Attend and participate in regional planning and support

American Heart Association / “hands-only” regional public training sessions

## Maintenance of Existing Units (new batteries, electrodes, etc.)

Roy Cloud School	Hoover School	Peninsula Sinai
Henry Ford School	Garfield School	Kennedy Middle School
John Gill School	Roosevelt School	St. Matthias
Selby Lane School	Fairoaks School	
Britton Acres School	Arundel School	
Tierra Linda School	Belmont Library	
White Oaks School	Heather School	
Footstep Rams	Cipriani School	
Footsteps at Shores	Menlo Atherton High School	

## New AED Placements

- 1) Salvation Army
- 2) The Bohannon Group \*

## AED Placements In-Progress (application stage, site visits, etc.)

- 1) The Church of the Epiphany
- 2) Immaculate Heart
- 3) The Bohannon Group \* (new locations)

## AED / CPR In-Service Trainings

- 1) Bohannon Industries
- 2) Woodland School
- 3) Redwood City Parks and Recreation Department – PE coaches
- 4) County of San Mateo Controllers Office

\* AED(s) and accessories purchased by client

## **Scheduled Trainings**

- 1) Redwood City School District
- 2) St. Francis Center
- 3) Lions Club
- 4) Siena Center
- 5) Salvation Army
- 6) Sequoia Union High School District – Freshman students and staff

## **Foster City Police Department**

I am happy to report that a Foster City Police Officer used one of our AEDs in September to successfully save the life of a victim of sudden cardiac arrest. The officer was dispatched to a home on a 9-1-1 call of a medical emergency. He found an unresponsive male on the floor of his bathroom. The officer applied the AED's pads and delivered a shock to the victim who subsequently started breathing on his own prior to the arrival of the paramedics! I am happy to report that the victim is recovering from this event.

## **Regional CPR Training**

In cooperation with the American Heart Association and other partners, The SHCD's HeartSafe Program participated in the planning and implementation of Mass Citizen "Hands-Only" CPR training. The program successfully trained 1,079 rescuers!



Redwood City Mayor Alicia Aguirre Learns Hands-Only CPR after welcoming a large group of trainees at our Redwood City event.

Agenda Item No. 5. A

Board of Directors Meeting

Date 10-10-12



Vavrinek, Trine, Day & Co., LLP  
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED UPON PROCEDURES

To the Board of Directors of Sequoia Healthcare District

We have performed the procedures enumerated below, which were agreed to by the management (the specified parties) of Sequoia Healthcare District (the District), solely to assist you with evaluating the suitability of certain internal controls over financial reporting for the quarter ended June 30, 2012. The District's management is responsible for the District's design and implementation of internal controls. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment A either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the design and implementation of internal controls. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

*Vavrinek, Trine, Day & Co. LLP*

Palo Alto, California  
October 1, 2012

## Attachment 1

Below are the procedures we performed and our findings

1. Obtain an understanding of the District's Administrative Manual for purchasing and procurement. Select on a sample basis purchases and verify that these purchases were authorized in accordance with the District's Administrative Manual.

*Finding – In accordance with the District's Administrative Manual, all purchases must have funds available in the budget. Purchases exceeding \$5,000 must have approval by the Chief Executive Officer (CEO). We tested a representative sample of purchases made during the quarter ended June 30, 2012 and noted that purchases exceeding \$5,000 were properly approved by the Chief Executive Officer of the District. For purchases under \$5,000, we noted that these purchases were properly budgeted for.*

2. Obtain an understanding of the District's Administrative Manual for grants. Select on a sample basis grants made to third parties and verify that these grants were authorized in accordance with the District's Administrative Manual.

*Findings – In accordance with the District's Administrative Manual, grants over \$25,000 must be approved by the board. For grants under \$25,000, these grants must be properly budgeted for. We selected a representative sample of grants awarded and noted that these grants were in accordance with the District's Administrative Manual. However, we noted that some grants did not have written evidence documenting a follow by the District on compliance with the granting requirements. We recommend that a more formalized method be developed to document that grantees are using grant funds properly.*

*Management response – Organizations are chosen for grants based on the nature of their operations. The District has relied on direct relations with these organization and presentations by these organizations to the District Board to be assured that the funds are being spent properly. In the future the CEO will document his observations and other materials from grantees to further assurance of proper spending of grant funds.*

3. Obtain an understanding of the District's Administrative Manual for making authorized credit card purchases. Select on a sample basis credit card purchases and verify that these purchases were authorized in accordance with the District's Administrative Manual.

*Finding – In accordance with the District's Administrative Manual, all credit card purchases must have a valid business purpose. All credit card purchases must be approved by the CEO. In addition, all receipts for credit card purchases must be submitted to the Administration Executive who will review and reconcile these purchases. We tested a representative sample of credit card purchases made during the quarter ended June 30, 2012 and noted these purchases were properly approved by the Administration Executive and these purchases had a valid business purpose.*



4. Obtain an understanding of the District's Administrative Manual for disbursing checks. Select on a sample basis checks and verify that these checks were signed in accordance with the District Administrative Manual.

*Finding – In accordance with the District's Administrative Manual, all checks paid must have one signature by someone independent of the accounting functions who maintains the check stock. If the check amount exceeds \$25,000 then two signatures must be present. We tested a representative sample of checks disbursed made during the quarter ended June 30, 2012 and noted these checks were properly signed by the CEO and for checks exceeding \$25,000, two signatures were present by the CEO and an additional board member.*

5. Obtain an understanding of the District's Administrative Manual for the processing of payroll. Select employees on a sample basis and verify that the pay levels documented in the employee files reconciles to amounts actually paid.

*Finding – In accordance with the District's Administrative Manual, every employee must have a separate employment file documenting their employment agreement and pay level history. We tested a representative sample of employees paid during the quarter ended June 30, 2012 and noted these amounts matched the approved pay levels documented in the employees' files.*

6. Obtain an understanding of the District's Administrative Manual for the accrual of Paid Time Off (PTO) and Extended Sick Leave (ESL). Select employees on a sample basis checks and verify that PTO and ESL are being accrued and paid in accordance with the District Administrative Manual.

*Finding – In accordance with the District's Administrative Manual, full time employees will accrue PTO of 168 hours per year for the first four years of employment, 208 hours for years five through nine, and 248 hours for years ten and after. No more than 320 hours of PTO may be accumulated. We tested a representative sample of employees paid during the quarter ended June 30, 2012 and noted that PTO was accruing properly. In addition, we noted that ESL hours of which no more than 120 hours may be accumulated were being properly accrued and paid for. However we noted that in two instances PTO taken as documented on employee timesheets did not match amounts being removed from the employees PTO accrual.*

*Management response – The District will implement a periodic internal review of the accrued PTO hours being tracked by the payroll service.*

7. Obtain an understanding of the District's Administrative Manual for paying health insurance benefits. Select employees on a sample basis and verify that these benefits are being paid in accordance with the District Administrative Manual.

*Finding – In accordance with the District's Administrative Manual, all employees are offered medical insurance coverage of up to \$1,200 per month. Employees may opt out of this coverage and instead receive a monthly "In Lieu" payment of \$400. We tested a representative sample of employees paid during the quarter ended June 30, 2012 and noted the medical insurance benefits were being paid properly according to the Administrative Manual and consistent with their election to be covered or opt out.*

8. Obtain an understanding of the District's Administrative Manual for deductions and District matching of the 401K benefit plan. Select employees' checks on a sample basis and verify that the calculations of 401K deductions and District matching were in accordance with the District Administrative Manual.

*Finding – In accordance with the District's Administrative Manual, the District will match 100% of employees' contributions up to 3%. The District will match 50% of additional employee contributions to a maximum of 4%. We tested a representative sample of employees paid during the quarter ended June 30, 2012 and noted that the District matching was calculated in accordance with the District's Manual. However the calculation of both employee contributions and District matching includes the "In Lieu" benefit payments. This, in effect, increases the "In Lieu" benefits beyond amounts directed in the Administrative Manual.*

*Management response – The inclusion of "In Lieu" benefit payments in the calculation of 401K deductions and matching was because that benefit was being included in employees' gross taxable pay.*

9. Obtain an understanding of the District's Administrative Manual for hiring employees. Select on a sample basis employees and verify that they were hired in accordance with the District Administrative Manual.

*Finding – In accordance with the District's Administrative Manual, all non-officer employees of the District must be hired by the CEO who is responsible for negotiating their starting salaries. We tested a representative sample of employees who were active during the quarter ended June 30, 2012 and noted that per documentation in the employees' employment files they had been hired, and their salary set, by authorization of the CEO.*

10. Obtain an understanding of the District's Administrative Manual for maintaining employee personnel files. Select employees on a sample basis checks and verify that each has a separate personnel file with documentation in accordance with the District Administrative Manual.

*Finding – In accordance with the District's Administrative Manual, the District must maintain in a secure location, for each employee, a personnel file documenting the hiring process for that employee, all employee reviews and correspondence, pay level and benefit changes, and termination records. We tested a representative sample of employees active during the quarter ended June 30, 2012 and noted that there were separate personnel files, for each, containing appropriate documentation and located in a secure location.*

11. Obtain an understanding of the District's Administrative Manual for reconciling bank account balances to the District general ledger. Select bank statements on a sample basis and verify that these statements were reconciled to the District general ledger.

*Finding – In accordance with the District's Administrative Manual, bank statements will be reconciled, on a monthly basis, to amounts recorded in the District general ledger. The reconciliation will be performed by the Administration Executive and will be reviewed and approved by the CEO. We tested a representative sample of bank statements from the quarter ended June 30, 2012 and noted that bank reconciliations had been prepared by the Administration Executive and that the reconciliation documentation had been reviewed and approved by the CEO.*

12. Obtain an understanding of the District's Administrative Manual for outstanding checks. Select on a sample basis bank reconciliations and verify that the age of outstanding checks reported in the reconciliation process are in accordance with the District Administrative Manual.

*Finding – In accordance with the District's Administrative Manual, during the bank reconciliation process, the Administration Executive will examine outstanding checks and determine if any are over six months old. For any such checks the payee will be contacted, a stop payment order will be placed on the outstanding check, and a new check will be issued. We tested a representative sample of reconciliations prepared during the quarter ended June 30, 2012 and noted that there were no outstanding checks exceeding six months of age.*

13. Obtain an understanding of the District's Administrative Manual for depositing receipts. Select on a sample basis receipts and verify that they were deposited in accordance with the District Administrative Manual.

*Finding – In accordance with the District's Administrative Manual, the deposit will be made at the bank by someone other than the employee who prepares the deposit and enters receipt data to the general ledger. We tested a representative sample of checks received during the quarter ended June 30, 2012 and noted that the deposit had been made by the same employee who prepared the deposit documentation and entered the receipt data to the District general ledger.*

*Management response – The Administration Executive will continue to prepare receipts for deposit and enter the data to the District general ledger. The CEO will review all bank deposits being processed.*

14. Obtain an understanding of the District's Administrative Manual for the coding of receipts to the general ledger. Select receipts on a sample basis and verify that they were coded in accordance with the District Administrative Manual.

*Finding – In accordance with the District's Administrative Manual, proper care will be taken to code receipts to the appropriate categories to ensure fair reporting of District assets. We tested a representative sample of checks received during the quarter ended June 30, 2012 and noted that the receipts had been coded to the appropriate general ledger accounts.*

15. Obtain an understanding of the District's Administrative Manual for safeguarding and accounting for Capital Assets. Select capitalized assets on a sample basis and verify that they are properly identified and accounted for in accordance with the District Administrative Manual.

*Finding – In accordance with the District's Administrative Manual, assets purchased by the District that exceed the capitalization thresholds will be labeled and identified appropriately on the District's Capitalized Asset ledger. There will be a periodic review of items on the Capital Asset ledger to determine if any assets are no longer in use by the District. Appropriate adjustments will be made in the District general ledger for such assets. There have been no purchases capitalized in the past two fiscal years. Assets on the District's Capitalized Asset ledger, other than real property, are not identifiable to specific objects used by the District.*

*Management response – Any future asset purchases capitalized by the District will be tagged and appropriately identified on the District's Capital Asset ledger. The ledger will be reviewed annually to determine that all assets listed are still in use by the District.*

Agenda Item No. 5. B.

Board of Directors Meeting

Date 10-10-12

**SEQUOIA HEALTHCARE DISTRICT**

**Annual Financial Statements**

**June 30, 2012**

# SEQUOIA HEALTHCARE DISTRICT

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Vavrinek, Trine, Day & Co., LLP  
Certified Public Accountants

VALUE THE DIFFERENCE

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Sequoia Healthcare District  
Redwood City, California

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Sequoia Healthcare District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position the governmental activities, the business-type activities, and each major fund of Sequoia Healthcare District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the General Fund budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The other supplementary information such as the budgetary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *supplementary information* is fairly stated in all material respects in relation to the financial statements as a whole.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California  
October 2, 2012

# **SEQUOIA HEALTHCARE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012**

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### **INTRODUCTION**

This report presents Management's analysis of Sequoia Healthcare District's (the "District") financial condition and activities as of and for the year ending June 30, 2012. Management's Discussion and Analysis ("MDA") is intended to serve as an introduction to the District's basic financial statements. This document has been prepared based on reporting requirements included in Statement No. 34 of the Governmental Accounting Standards Board (GASB). GASB 34 has made changes to the contents and the format of the financial statements of governmental agencies, which include the Government-wide Financial Statements on a full accrual basis including the cost of the capital assets and related depreciation.

This information should be read in conjunction with the District's audited financial statements.

The information in the MDA includes the following elements:

- Organization and Business
- Overview of Basic Financial Statements
- Financial Analysis
- Capital Assets
- Economic Factors and Future Plans
- Request for Information

### **ORGANIZATION AND BUSINESS**

Sequoia Healthcare District is a governmental entity legally constituted as a special district under California law, and is located in Redwood City, California. Sequoia Healthcare District identifies local healthcare needs and collaboratively develops solutions. 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, Menlo Park, Woodside, Atherton and Portola Valley.

### **OVERVIEW OF BASIC FINANCIAL STATEMENTS**

The District's basic financial statements comprise the Government-Wide Statement of Net Assets and Statement of Activities; the Governmental Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance; and the Proprietary Fund Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, and Statement of Cash Flows; and the Notes to the Financial Statements.

#### ***Government-Wide Financial Statements***

Government-Wide Financial Statements utilize the economic resources measurement focus using the full accrual basis of accounting similar to commercial enterprises. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



## **SEQUOIA HEALTHCARE DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2012**

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For the current year the only difference between the Government-Wide Financial Statements and the Fund Financial Statements is the classifications within the fund balances. Under GASB 34 board assigned reserves of fund balances are considered unrestricted. The Fund Financial Statements reduce the unrestricted portion of the fund balance by the amounts assigned for specific purposes by the District. Therefore, the following discussion and analysis will generally be equally applicable to the Government-Wide and Fund Financial Statements.

#### ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses Government and Proprietary fund accounting to ensure and demonstrate compliance with financial-related legal requirements. As indicated above, the Governmental Fund is used to account for the District's basic services and the Proprietary Fund is used to account for the District's leasing activity.

Governmental fund accounting uses a flow of current resources measurement focus and the modified accrual basis of accounting. Modified accrual accounting recognizes revenues when available for current operations, normally those revenues that will be received within 90 days of year end. For the current year, substantially all revenues receivable at year end were collected within the 90 day period resulting in no difference between modified and full accrual in these financial statements. Proprietary (Enterprise) fund accounting uses the full accrual basis of accounting.

The District's financial statements include:

#### ***Balance Sheet***

The Governmental Fund Balance Sheet presents information on the District's assets and liabilities, with the difference between the two reported as fund balance. Over time, increases or decreases in fund balance may serve as a useful indicator of the financial health of the District. To assess the overall health of the District, achievement of the District's mission needs to be considered as well.

The Governmental Fund Balance Sheet provides detail of assets and liabilities and describes the components of the \$17.5 million fund balance.

#### ***Statement of Revenues, Expenses, and Changes in Fund Balance***

While the balance sheet provides information about the nature and amount of resources and obligations at year-end, the Statement of Revenues, Expenditures, and Changes in Fund Balance presents the results of the District's operations over the course of the fiscal year and information as to how the fund balance changed over the year. This can be used as an indicator of the extent to which the District has successfully recovered its costs through user fees (rental income) or other funds received (tax revenues). All changes in fund balance are reported during the period on the modified accrual method of accounting which had no significant differences from full accrual accounting, in which the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

## **SEQUOIA HEALTHCARE DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2012**

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#### ***Statement of Cash Flows***

The Proprietary Fund Statement of Cash Flows presents changes in cash and cash equivalents resulting from operational, capital, non-capital, and investing activities. This statement summarizes the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligation or receipt and excludes non-cash accounting measures of depreciation or amortization of assets.

#### ***Notes to Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to basic financial statements can be found following the financial statements in the audited financial statements.

#### ***Other Information***

In addition to the basic financial statements and accompanying notes, this report may present certain required supplementary information comparing budget to actual results of operations. The District is not required to adopt an annual budget; however, during fiscal 2012 the District approved and adopted a budget.

### **FINANCIAL ANALYSIS**

#### ***Financial Highlights***

- The government-wide total assets of the District exceed the total liabilities by \$19.8 million (net assets) (Table 1).
- Net Assets decreased by \$432,000 (Table 2).

#### ***Financial Position***

During the year, the District's net assets decreased by \$432,000. The net assets include \$18.1 million in unrestricted funds.

Tables 1 and 2 provide summarized Government-Wide comparative information reported by Fund statement classifications. The functional expenses are detailed on the Statement of Activities and consist of grants to the Sequoia Hospital and Community non-profit organizations and General Administration expenses.

# SEQUOIA HEALTHCARE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

### Net Assets

**Table 1**  
**Comparative Statement of Net Assets:**  
(in thousands)

	<u>2011-2012</u>	<u>2010-2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and Other Assets	\$ 19,874	\$ 20,426	\$ (552)	-2.70%
Capital Assets - Net	855	944	(89)	-9.43%
Total Assets	<u>20,729</u>	<u>21,370</u>	<u>(641)</u>	-3.00%
Current Liabilities	<u>1,744</u>	<u>1,954</u>	<u>(210)</u>	-10.75%
Invested in Capital Assets	851	941	(90)	-9.56%
Unrestricted	18,133	18,475	(342)	-1.85%
Total Net Assets	<u>\$ 18,984</u>	<u>\$ 19,416</u>	<u>\$ (432)</u>	-2.22%

### Results of Operations

The following table shows changes in the District's net assets for the year. The net asset classifications are on the fund basis showing the Board Assignments.

**Table 2**  
**Comparative Statement of Activities**  
(in thousands)

	<u>2011-2012</u>	<u>2010-2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues				
EBIDA	\$ 2,158	\$ 2,479	\$ (321)	-12.95%
Lease Income	39	38	1	2.63%
Tax	8,266	8,008	258	3.22%
Investment	426	466	(40)	-8.58%
Pension	2,500	2,500	-	100.00%
Total Revenues	<u>13,389</u>	<u>13,491</u>	<u>(102)</u>	-0.76%
Expenditures				
Administrative	3,083	3,217	(134)	-4.17%
Property	155	169	(14)	-8.28%
Grant	7,906	8,213	(307)	-3.74%
Program	2,677	1,512	1,165	
Total Expenditures	<u>13,821</u>	<u>13,111</u>	<u>710</u>	5.42%
Change in Net Assets	(432)	380	(812)	
Net Assets beginning of Year	19,416	19,036	380	2.00%
Net Assets End of Year	<u>\$ 18,984</u>	<u>\$ 19,416</u>	<u>\$ (432)</u>	-2.22%

The District's total revenues and support of \$13.4 million for the year and total expenses of \$13.8 million resulted in a loss of \$.4 million.

## SEQUOIA HEALTHCARE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

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The District's revenues and support are currently generated from three main categories: tax income (the District is apportioned a fraction of the 1 percent property Ad Valorem tax collected by the County of San Mateo), interest earned from investments, and a profit sharing arrangement with Sequoia Hospital. Revenues also include pension income of \$2.5 million, which is reimbursed by Catholic Healthcare West for funding of Sequoia Healthcare District's Employee Pension Plan. Note that an expense offset for the same amount is included on the expenses; therefore, pension activity has no bottom line impact.

The increase in operational expenses is due to activity in each of the following expense categories:

- Administrative: The pension expense is offset by pension income, which results in no bottom line impact.
- Grants: Grants comprised the majority of the District's expenses for the year. The District supports various health care programs in the local community. Of all the grants, seven represent the majority of the expense. They include:
  1. Children's Health Initiative (CHI). San Mateo County created CHI for the provision of health insurance for children throughout the County who would otherwise not have access to care. The funds provided by Sequoia Healthcare District as a partner in this program are earmarked for District residents enrolled in the Children's Health Initiative insurance plan.
  2. Samaritan House. The purpose of this grant is to financially support Samaritan House Medical Clinic in Redwood City to provide clinical services for the medically underserved.
  3. Baccalaureate Nursing Program. The Nursing program is a ten-year grant program, in which the District will pay \$25,000 per student up to 40 students per year who attends the Bachelor of Science in Nursing Degree (BSN) program at Cañada College to offset the program's administrative costs in an effort to increase the number of nurses in this area to ensure a ready supply of nurses to serve District residents.
  4. Sequoia Hospital Foundation. This contribution is for Sequoia Hospital Homecoming program and the Sequoia Community Care program.
  5. Community Grants Program. Sequoia Healthcare District allocates funds to support qualified agencies, programs, and services that improve the health status of Sequoia Healthcare District residents. Under the law, Sequoia Healthcare District may provide assistance to health care programs, services, facilities, and activities at any location within or without the District for the benefit of the District and the people served by the District and to nonprofit provider groups and clinics functioning in the community in order to provide for adequate health services to communities served by the District. (California Health & Safety Code Sections 31212(j) and 32126.5).
  6. San Mateo Medical Center's Fair Oaks Medical Clinic for the purpose of covering the unreimbursed costs and related ancillary services (fees related to laboratory, radiology and specialty referrals) for indigent and uninsured patients at San Mateo Medical Center's Fair Oaks Medical Clinic.
  7. Ravenswood Health Center for clinic services for Belle Haven residents.

## **SEQUOIA HEALTHCARE DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2012**

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In addition to providing grants, Sequoia Healthcare District operates two signature programs and employs staff to oversee the management of these programs. The two programs are:

- HeartSafe which provides lifesaving equipment including AEDs, Code Blue Towers and Lucas Devices throughout our District at sites such as schools, parks and libraries as well as arranges for instruction of teachers, government employees and others in CPR.
- Healthy School Initiative which offers a comprehensive school health model to area school districts providing resources related to school nursing, wellness programs, improved nutritional programs, increased physical education and fitness as well as mental health services.

#### **CAPITAL ASSETS**

During fiscal 2012, there were no major capital additions.

#### **ECONOMIC FACTORS AND FUTURE PLANS**

The Sequoia Healthcare District will continue to obtain revenues from property tax as well as a share of income over expenses from Sequoia Hospital. As a result, we anticipate a steady stream of income that will allow us to provide \$10.6 million a year in community support in the years ahead without having to reduce current reserves.

#### **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances and demonstrate the District's accountability for the monies it receives. If you have any questions about this report or need additional information, please contact Sequoia Healthcare District, 525 Veterans Blvd. Redwood City, CA 94063.

# SEQUOIA HEALTHCARE DISTRICT

## STATEMENT OF NET ASSETS JUNE 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 4,152,418	\$ -	\$ 4,152,418
Investments	14,841,675	-	14,841,675
Taxes Receivable	257,319	-	257,319
Due from Other Governments	622,336	-	622,336
Capital Assets - Net	-	855,086	855,086
Total Other Assets	<u>19,873,748</u>	<u>855,086</u>	<u>20,728,834</u>
<b>Liabilities</b>			
Accounts Payable	25,148	-	25,148
Grants Payable	1,716,009	-	1,716,009
Deposit Payable	-	3,165	3,165
Total Current Liabilities	<u>1,741,157</u>	<u>3,165</u>	<u>1,744,322</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	-	851,921	851,921
Unrestricted	18,132,591	-	18,132,591
Total Net Assets	<u>\$ 18,132,591</u>	<u>\$ 851,921</u>	<u>\$ 18,984,512</u>

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

# SEQUOIA HEALTHCARE DISTRICT

## STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business Type Activities	Total
<b>Governmental Activities:</b>						
Grant Expenses						
Grants to Community Non-Profit Organizations	\$ 7,828,347	\$ -	\$ -	\$ (7,828,347)	\$ -	\$ (7,828,347)
Grant Administration	77,950	-	-	(77,950)	-	(77,950)
General Administration:						
Administrative Services	270,280	-	-	(270,280)	-	(270,280)
Insurance	122,108	-	-	(122,108)	-	(122,108)
Investment and Banking Fees	76,104	-	-	(76,104)	-	(76,104)
Legal	23,875	-	-	(23,875)	-	(23,875)
Office Supplies and Maintenance	14,565	-	-	(14,565)	-	(14,565)
Pension Contribution	2,500,000	-	2,500,000	-	-	-
Public Relations	75,850	-	-	(75,850)	-	(75,850)
Other Outgo	2,676,498	-	-	(2,676,498)	-	(2,676,498)
<b>Total Governmental Activities</b>	<b>13,665,577</b>	<b>-</b>	<b>2,500,000</b>	<b>(11,165,577)</b>	<b>-</b>	<b>(11,165,577)</b>
<b>Business Type Activities:</b>						
Leasing	155,233	39,369	-	-	(115,864)	(115,864)
<b>Total Primary Government</b>	<b>\$ 13,820,810</b>	<b>\$ 39,369</b>	<b>\$ 2,500,000</b>	<b>(11,165,577)</b>	<b>(115,864)</b>	<b>(11,281,441)</b>
<b>General Revenues:</b>						
Property Taxes				8,265,543	-	8,265,543
Return on Contributions - EBIDA				2,158,000	-	2,158,000
Interest and Investment Earnings				425,976	-	425,976
Transfers Between Funds				(26,416)	26,416	-
<b>Subtotal - General Revenue</b>				<b>10,823,103</b>	<b>26,416</b>	<b>10,849,519</b>
<b>Change in Net Assets</b>				<b>(342,474)</b>	<b>(89,448)</b>	<b>(431,922)</b>
<b>Net Assets - Beginning of Year</b>				<b>18,475,065</b>	<b>941,369</b>	<b>19,416,434</b>
<b>Net Assets - End of Year</b>				<b>\$ 18,132,591</b>	<b>\$ 851,921</b>	<b>\$ 18,984,512</b>

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

# SEQUOIA HEALTHCARE DISTRICT

## GOVERNMENTAL FUND BALANCE SHEET JUNE 30, 2012

	<u>General Fund</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 4,152,418
Investments	14,841,675
Taxes Receivable	257,319
Due from Other Government	622,336
Total Assets	<u>\$ 19,873,748</u>
<b>Liabilities</b>	
Accounts Payable	25,148
Grants Payable	1,716,009
Deferred Revenue	622,336
Total Liabilities	<u>2,363,493</u>
<b>Fund Balance</b>	
Assigned for Construction, equipment and furniture	4,300,000
Unassigned	13,210,255
Total Fund Balance	<u>17,510,255</u>
Total Liabilities and Fund Balance	<u>\$ 19,873,748</u>

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



## SEQUOIA HEALTHCARE DISTRICT

### RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2012

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Total fund balance reported on the governmental fund balance sheet	\$ 13,210,255
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Amounts reported for Governmental Activities in the Statement of Net Assets  
are different from those reported in the Governmental Funds above because of the following:

Long Term Assets and Liabilities

The assets and liabilities below are not due and payable in the current period and  
therefore are not reported in the fund:

Deferred Revenue	<u>622,336</u>
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Net Assets of Governmental Activities	<u><u>\$ 13,832,591</u></u>
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The accompanying notes are an integral part of these financial statements.

# SEQUOIA HEALTHCARE DISTRICT

## GOVERNMENTAL FUND

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2012

	<u>General Fund</u>
<b>Revenues</b>	
Tax Revenue	\$ 8,265,543
Return on Contributions - EBIDA	2,158,000
Investment Income	414,638
Interest Income	11,338
Pension Reimbursement	2,500,000
Total Revenues	<u>13,349,519</u>
<b>Expenditures</b>	
Administrative Services	270,280
Grant Expenses	7,906,297
Insurance	122,108
Investment and Banking Fees	76,104
Legal	23,875
Office Supplies and Maintenance	14,565
Pension Contribution	2,500,000
Other Outgo	2,676,498
Public Relations	75,850
Total Expenditures	<u>13,665,577</u>
Excess of Expenditures Over Revenue	(316,058)
Transfers To Other Funds	<u>(26,416)</u>
Net Change in Fund Balance	(342,474)
Fund Balance - Beginning of Year	<u>17,852,729</u>
Fund Balance - End of Year	<u>\$ 17,510,255</u>

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

# SEQUOIA HEALTHCARE DISTRICT

## STATEMENT OF NET ASSETS PROPRIETARY FUND JUNE 30, 2012

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	<u>Enterprise Leasing Fund</u>
<b>Assets</b>	
Noncurrent Assets:	
Capital Assets	
Building and Improvements	\$ 1,762,512
Land	138,927
Land Improvements	144,158
Tenant Improvements	215,113
Furniture and Equipment	88,429
Less Accumulated Depreciation	<u>(1,494,053)</u>
Capital Assets - Net	<u>855,086</u>
Total Assets	<u>855,086</u>
<b>Liabilities</b>	
Deposits Payable	<u>3,165</u>
<b>Net Assets</b>	
Invested in Capital Assets - Net of Related Debt	851,921
Total Net Assets	<u>\$ 851,921</u>

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

**SEQUOIA HEALTHCARE DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**

**NET ASSETS**

**PROPRIETARY FUND**

**YEAR ENDED JUNE 30, 2012**

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	<b>Enterprise Leasing Fund</b>
<b>Operating Revenues</b>	
Rental Income	\$ 39,369
Total Operating Revenues	<u>39,369</u>
<b>Operating Expenses</b>	
Administrative Services	11,487
Depreciation	89,448
Insurance	1,454
Maintenance and Supplies	29,519
Utilities	23,325
Total Operating Expenses	<u>155,233</u>
Operating Loss Before Transfers	(115,864)
<b>Transfers In</b>	<u>26,416</u>
<b>Change in Net Assets</b>	(89,448)
<b>Net Assets - Beginning</b>	<u>941,369</u>
<b>Net Assets - Ending</b>	<u><u>\$ 851,921</u></u>

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There were no reconciling items between the General Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

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

# SEQUOIA HEALTHCARE DISTRICT

## STATEMENT OF CASH FLOWS PROPRIETARY FUND YEAR ENDED JUNE 30, 2012

	Enterprise Leasing Fund
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Tenants	\$ 39,369
Cash Paid to Suppliers	(65,785)
Net Cash Used for Operating Activities	(26,416)
 <b>Cash Flows from Noncapital Financing Activities</b>	
Transfers from the General Fund	26,416
 <b>Net Increase in Cash and Cash Equivalents</b>	-
 <b>Cash and Cash Equivalents - Beginning of Year</b>	-
 <b>Cash and Cash Equivalents - End of Year</b>	\$ -
 <b>Reconciliation of Net Income to Net Cash Provided by Operating Activities</b>	
Loss from Operations	\$ (115,864)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Depreciation	89,448
Net Cash Provided by Operating Activities	\$ (26,416)

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

# SEQUOIA HEALTHCARE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

Sequoia Healthcare District (the 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 enhancing access to healthcare services and by supporting and encouraging programs and activities designed to achieve health, wellness, and disease prevention.

#### Basis of Presentation

The District's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These Standards require that the financial statements described below be presented.

**Government-wide Statements:** The Statement of Net Assets and the Statement of Activities display information about the primary government (the District). 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.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of 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.

**Fund Financial Statements:** The fund financial statements provide information about the District's funds. Separate statements for each fund category—governmental and proprietary are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

## SEQUOIA HEALTHCARE DISTRICT

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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#### Major Funds

The District's major governmental and proprietary funds are identified and presented separately in the fund financial statements.

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The District may also select other funds it believes should be presented as major funds.

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

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

**Proprietary Fund** - This enterprise fund accounts for the operation, maintenance and capital improvement projects for the building which are funded by rental income.

#### Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

#### Investments

Investments held at June 30, 2012 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end.

#### 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 not capitalized, but 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 assets. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

## SEQUOIA HEALTHCARE DISTRICT

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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</u>
Land and Building Improvements	15-20
Equipment and Furniture	3-5
Leasehold Improvements	Life of Lease
Improvements to Common Areas	3-5

#### 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. The District received approximately 62% in 2012 and 59% in 2011 of its financial support from property taxes. Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments due November 1 and February 1. 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.

#### 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 reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

#### 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. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Coverage is provided as follows:

<u>Company Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
BETA Healthcare Group	Comprehensive Liability	\$ 5,000,000
BETA Healthcare Group	D & O Liability	5,000,000
Driver Alliant Insurance Services, Inc.	Property	1,000,000,000
State Compensation Insurance Fund	Workers' Compensation	1,000,000

#### Proposition IA Borrowing by the State of California



## SEQUOIA HEALTHCARE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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Under the provisions of Proposition 1A and as part of the fiscal year 2009-10 budget package passed by the California State legislature on July 28, 2009, the State of California borrowed 8% of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fees, triple flip in lieu sales taxes, and supplemental property taxes, apportioned to the District. The State is required to repay the \$622,336 it borrowed from the District, plus interest, by June 30, 2013.

This borrowing by the State of California was recognized as a receivable in the accompanying financial statements. Under the modified accrual basis of accounting, the borrowed tax revenues are not permitted to be recognized as revenue in the governmental fund financial statements until the tax revenues are received from the State of California, which is not expected until fiscal year 2012-13. In the government-wide financial statements, the tax revenues were recognized in the fiscal year for which they were levied (fiscal year 2009-10).

#### NOTE 2 – DEPOSITS AND INVESTMENTS

##### Summary of Deposits and Investments

Deposits and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

Governmental Activities	<u>\$ 18,994,093</u>
-------------------------	----------------------

Deposits and investments as of June 30, 2012, consist of the following:

Cash on Hand and in Banks	\$ 4,152,418
Investments	<u>14,841,675</u>
Total Deposits and Investments	<u>\$ 18,994,093</u>

##### Policies and Practices

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the District's name and places the District ahead of general creditors of the institution.

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. In order to increase security, the District employs the Trust Department of a bank as the custodian of certain District managed investments, regardless of their form. 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.

## SEQUOIA HEALTHCARE DISTRICT

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

The District considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents consist principally of money market accounts and short term certificates of deposit.

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

#### General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase 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	None
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 FINANCIAL STATEMENTS

JUNE 30, 2012

#### 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	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months
U.S. Treasuries	\$ 5,515,228	\$ 1,773,304	\$ 2,332,932	\$ 1,408,992
U.S. Agencies	4,680,180	-	1,078,189	3,601,991
Municipal Bonds	112,400	112,400	-	-
Corporate Bonds	4,533,867	757,535	1,334,446	2,441,886
Total	<u>\$ 14,841,675</u>	<u>\$ 2,643,239</u>	<u>\$ 4,745,567</u>	<u>\$ 7,452,869</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 minimum rating required by the California Government Code, the Districts' investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

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Investment Type	AA-	Rating as of Year End		
		A+	A	A-
U.S. Treasuries	\$ -	\$ -	\$ -	\$ -
U.S. Agencies	-	-	-	-
Municipal Bonds	112,400	-	-	-
Corporate Bonds	452,216	683,600	1,330,250	495,186
Total	<u>\$ 564,616</u>	<u>\$ 683,600</u>	<u>\$ 1,330,250</u>	<u>\$ 495,186</u>

## **SEQUOIA HEALTHCARE DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012**

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#### **Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, 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% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2012 the total carrying amount was \$4,152,418 with a corresponding bank balance of \$4,267,058. The District's bank balance of \$3,969,847 was exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

#### **Custodial Credit Risk – Investments**

The custodial risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District manages custodial risk by investing its assets in County and State investment pools. The California government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial risk for investments.

#### **NOTE 3 - COMMITMENTS**

The District has approved conditional grants, not yet paid, for various projects. Conditional grants are only recognized when the conditions on which they depend are substantially met. The following grants have been approved but not yet recognized.

The Ravenswood Family Health Center is to receive a \$500,000 grant annually through fiscal year ending June 30, 2015.

The Samaritan House Free Medical Clinic of Redwood City grant for 2012-2013 was increased to \$612,969. It was \$612,000 in 2011-2012.

The San Mateo County Children's Health Initiative is to receive a maximum of \$1,350,000 annually through fiscal year ending June 30, 2014. The annual payments have been made through the fiscal year 2011-2012.

The Sequoia Hospital Homecoming Program is to receive a maximum of \$261,500 for the period of July through December 2012.

The Sequoia Community Care Program is to receive a maximum of \$368,666 for the period of July through December 2012.

## SEQUOIA HEALTHCARE DISTRICT

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

The District has approved a contract with San Francisco State University to pay a maximum of \$1,000,000 each year based on the enrollment of students in the Sequoia Hospital/SFSU Baccalaureate Nursing Program at Canada College. The District will pay \$25,000 per enrollee for up to forty enrollees per year. The payment shall be made in July of each year for the students admitted for class beginning in August of the same year. The last payment of this commitment shall occur in July 2013.

#### NOTE 4 – CAPITAL ASSETS

Activity in capital assets for the year ended June 30, 2012 was as follows:

	Beginning Balance June 30, 2011	Current Year Additions	Current Year Deletions	Ending Balance June 30, 2012
Land	\$ 138,927	\$ -	\$ -	\$ 138,927
Land Improvements	144,158	-	-	144,158
Buildings & Improvements	1,762,512	-	-	1,762,512
Tenant Improvements	215,113	-	-	215,113
Equipment	60,169	-	-	60,169
Furniture	28,260	-	-	28,260
Total	2,349,139	-	-	2,349,139
Less Accumulated Depreciation	1,404,605	89,448	-	1,494,053
Capital Assets - Net	\$ 944,534	\$ (89,448)	\$ -	\$ 855,086

#### NOTE 5 – LEASES (RENTAL INCOME)

In October, 2009, the District rented out a part of its building to a tenant and entered into a long-term lease. The District received rental income of \$3,165 monthly on the first year lease which increases up to \$4,004 monthly at the seventh year.

Fiscal Year Ended	Rental Income
2013	\$ 40,944
2014	42,581
2015	44,285
2016	46,056
2017	47,898
2018	4,004
Total	\$ 225,768

## **SEQUOIA HEALTHCARE DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

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#### **NOTE 6 – PENSION PLAN**

Prior to October 1, 1996, the District maintained two pension plans, a defined contribution plan and a defined benefit plan. The defined contribution plan was formed under Internal Revenue Service code section 457(b) and is titled the Master Deferred Compensation Plan. The defined benefit plan is titled the Sequoia Healthcare District Employee Pension Plan.

##### **Deferred Compensation Plan**

The Master Deferred Compensation Plan allowed covered employees to contribute a portion of their pre-tax earnings to the plan. These contributions, called deferrals and the earnings on these deferrals remain in the plan, and are not taxable to the participants until they are withdrawn. Deferrals ceased as of September 30, 1996. The assets of the plan are invested in group annuity contracts held by and in the name of a trust established for this purpose and mutual funds, which are subject to stock market risks associated with price changes.

##### **The Sequoia Healthcare District Pension Plan**

The Sequoia Healthcare District Employee Pension Plan, adopted on January 1, 1959, as amended is a defined benefit plan. The plan was last amended on August 19, 1998. The employer made contributions to the plan for the benefit of covered employees, the participants. Effective October 1, 1996 all benefit accruals under the plan were suspended indefinitely, provided however that vesting services credit will continue to accrue for participants who continue to be employed. Benefits are distributed to participants when they retire in accordance with the terms of the plan, based on certain actuarial computations. As stated in Note 1, the liability for this plan was assumed by Sequoia Health Services. The plan cannot be transferred to Sequoia Health Services. The District remains contingently liable for funding of the plan in the event of default by Sequoia Health Services. Based on the advice of the plan actuary, the Pension Plan Committee determined that the plan should be funded in the amount of \$2,500,000 for calendar year 2012. The District has funded the \$2,500,000 additional contribution to the plan and Sequoia Health Services has reimbursed this amount to the District.

#### **NOTE 7 – EMPLOYEE RETIREMENT SYSTEM**

As established by Federal law, all public sector employees who are not members of a retirement system such as the state Public Employee Retirement System must be covered by social security or an alternate plan. The District has elected to use Social Security to cover its five employees. Statutory rates are paid by the employee and the District.

#### **NOTE 8 – ECONOMIC RETURN**

Pursuant to the Development Agreement executed on December 7, 2007 with Catholic Healthcare West (now known as Dignity Health), the District is entitled to an economic return on its contribution which equals 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). The District shall be entitled to an economic return pursuant to the Return Formula through December 7, 2047.

During the fiscal year ended June 30, 2012 the District received \$2,158,000 from Dignity Health representing the Return Formula Payable for fiscal year ended June 30, 2011.

### **Required Supplementary Information**

# SEQUOIA HEALTHCARE CARE DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE JUNE 30, 2012

	Budgetary Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
<b>Revenues</b>				
Tax Revenue	\$ 7,950,000	\$ 7,950,000	\$ 8,265,543	\$ 315,543
Investment Income	600,000	600,000	414,638	(185,362)
Interest Income	7,600	7,600	11,338	3,738
Pension Income	2,500,000	2,500,000	2,500,000	-
Return on Investment - EBIDA	2,600,000	2,600,000	2,158,000	(442,000)
Total Revenues	13,657,600	13,657,600	13,349,519	(308,081)
<b>Expenditures</b>				
Administration Expense	210,000	210,000	207,298	2,702
Board Health Insurance	72,000	72,000	58,494	13,506
Employee Health Insurance	29,000	29,000	25,431	3,569
Employee Retirement Benefit	15,000	15,000	16,695	(1,695)
Investment Fees	60,000	60,000	76,073	(16,073)
Office Supplies/Equipment Maintenance	7,500	7,500	14,565	(7,065)
Purchased Services	2,500	2,500	-	2,500
Accounting Fees	17,500	17,500	17,000	500
Board Expense	10,000	10,000	4,854	5,146
Association/Membership Fees	16,000	16,000	15,300	700
Public Relations	50,000	50,000	50,799	(799)
Communications	20,000	20,000	25,051	(5,051)
Web Site/IT	15,000	15,000	19,840	(4,840)
Pension Plan Expense	2,500,000	2,500,000	2,500,000	-
Insurance/D&O	23,000	23,000	21,488	1,512
LAFCO Fees	8,000	8,000	5,988	2,012
Legal Fees	30,000	30,000	23,875	6,125
Bank Fees	100	100	31	69
Grant Expenses	50,000	50,000	77,950	(27,950)
Children's Health Initiative	1,350,000	1,350,000	1,350,000	-
SFSU Nursing Program	1,000,000	1,000,000	1,000,000	-
Samaritan House Medical Clinic	612,000	612,000	612,696	(696)
Other Grants	50,000	50,000	25,651	24,349
San Mateo Medical Center	2,000,000	2,000,000	2,000,000	-
Ravenswood-Belle Haven Clinic	250,000	250,000	250,000	-
Community Grants Program	1,250,000	1,250,000	1,340,000	(90,000)
Sequoia Hospital Foundation Match	1,250,000	1,250,000	1,250,000	-
HeartSafe Program	200,000	200,000	179,372	20,628
School Health Program	2,380,000	2,380,000	2,497,126	(117,126)
Total Expenditures	13,477,600	13,477,600	13,665,577	(187,977)
<b>Excess of Revenues Over Expenditures</b>	180,000	180,000	(316,058)	(496,058)
<b>Transfer to Proprietary Fund</b>	-	-	(26,416)	(26,416)
<b>Fund Balance - Beginning of Year</b>	17,852,729	17,852,729	17,852,729	-
<b>Fund Balance - End of Year</b>	\$ 18,032,729	\$ 18,032,729	\$ 17,510,255	\$ (522,474)



## **Supplementary Information**

**SEQUOIA HEALTHCARE DISTRICT****PROPRIETARY FUND  
BUDGETARY COMPARISON SCHEDULE  
JUNE 30, 2012**

	Budgetary Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
<b>Revenues</b>				
Rental Income	\$ 39,490	\$ 39,490	\$ 39,369	\$ (121)
<b>Expenditures</b>				
Administration Expense	-	-	11,487	(11,487)
Maintenance-Property	25,000	25,000	29,519	(4,519)
Utilities	20,000	20,000	23,325	(3,325)
Insurance-Properties	2,000	2,000	1,454	546
Depreciation	100,000	100,000	89,448	10,552
Total Expenditures	147,000	147,000	155,233	(8,233)
<b>Excess of Revenues Over Expenditures</b>	(107,510)	(107,510)	(115,864)	(8,354)
<b>Transfer from General Fund</b>	-	-	26,416	26,416
<b>Fund Balance - Beginning of Year</b>	941,369	941,369	941,369	-
<b>Fund Balance - End of Year</b>	\$ 833,859	\$ 833,859	\$ 851,921	\$ 18,062

# SEQUOIA HEALTHCARE DISTRICT

## ALL FUNDS

## BUDGETARY COMPARISON SCHEDULE

JUNE 30, 2012

	Budgetary Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
<b>Revenues</b>				
Rental Income	\$ 39,490	\$ 39,490	\$ 39,369	\$ (121)
Tax Revenue	7,950,000	7,950,000	8,265,543	315,543
Investment Income	600,000	600,000	414,638	(185,362)
Interest Income	7,600	7,600	11,338	3,738
Pension Income	2,500,000	2,500,000	2,500,000	-
Return on Investment - EBIDA	2,600,000	2,600,000	2,158,000	(442,000)
<b>Total Revenues</b>	<b>13,697,090</b>	<b>13,697,090</b>	<b>13,388,888</b>	<b>(308,202)</b>
<b>Expenditures</b>				
Administration Expense	210,000	210,000	218,785	(8,785)
Board Health Insurance	72,000	72,000	58,494	13,506
Employee Health Insurance	29,000	29,000	25,431	3,569
Employee Retirement Benefit	15,000	15,000	16,695	(1,695)
Investment Fees	60,000	60,000	76,073	(16,073)
Office Supplies/Equipment Maintenance	7,500	7,500	14,565	(7,065)
Purchased Services	2,500	2,500	-	2,500
Accounting Fees	17,500	17,500	17,000	500
Board Expense	10,000	10,000	4,854	5,146
Association/Membership Fees	16,000	16,000	15,300	700
Public Relations	50,000	50,000	50,799	(799)
Communications	20,000	20,000	25,051	(5,051)
Web Site/IT	15,000	15,000	19,840	(4,840)
Pension Plan Expense	2,500,000	2,500,000	2,500,000	-
Insurance/D&O	23,000	23,000	21,488	1,512
LAFCO Fees	8,000	8,000	5,988	2,012
Legal Fees	30,000	30,000	23,875	6,125
Bank Fees	100	100	31	69
Grant Expenses	50,000	50,000	77,950	(27,950)
Children's Health Initiative	1,350,000	1,350,000	1,350,000	-
SFSU Nursing Program	1,000,000	1,000,000	1,000,000	-
Samaritan House Medical Clinic	612,000	612,000	612,696	(696)
Other Grants	50,000	50,000	25,651	24,349
San Mateo Medical Center	2,000,000	2,000,000	2,000,000	-
Ravenswood-Belle Haven Clinic	250,000	250,000	250,000	-
Community Grants Program	1,250,000	1,250,000	1,340,000	(90,000)
Sequoia Hospital Foundation Match	1,250,000	1,250,000	1,250,000	-
Maintenance-Property	25,000	25,000	29,519	(4,519)
Utilities	20,000	20,000	23,325	(3,325)
Insurance-Properties	2,000	2,000	1,454	546
Depreciation	100,000	100,000	89,448	10,552
HeartSafe Program	200,000	200,000	179,372	20,628
School Health Program	2,380,000	2,380,000	2,497,126	(117,126)
<b>Total Expenditures</b>	<b>13,624,600</b>	<b>13,624,600</b>	<b>13,820,810</b>	<b>(196,210)</b>
<b>Excess Revenue Over Expenditures</b>	<b>72,490</b>	<b>72,490</b>	<b>(431,922)</b>	<b>(504,412)</b>
<b>Fund Balance - Beginning of Year</b>	<b>18,984,512</b>	<b>18,984,512</b>	<b>18,984,512</b>	<b>-</b>
<b>Fund Balance - End of Year</b>	<b>\$ 19,057,002</b>	<b>\$ 19,057,002</b>	<b>\$ 18,552,590</b>	<b>\$ (504,412)</b>

## **Compliance**



Vavrinek, Trine, Day & Co., LLP  
Certified Public Accountants

VALUE THE DIFFERENCE

**INDEPENDENT AUDITORS' 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***

Board of Directors  
Sequoia Healthcare District  
Redwood City, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sequoia Healthcare District as of and for the year ended June 30, 2012, which collectively comprise Sequoia Healthcare District's basic financial statements and have issued our report thereon dated October 2, 2012. 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.

**Internal Control Over Financial Reporting**

Management of Sequoia Healthcare District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Sequoia Healthcare District's internal control over financial reporting as a basis for designing our auditing procedures 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 Sequoia Healthcare District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sequoia Healthcare District's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Sequoia Healthcare District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

This report is intended solely for the information and use of the governing board, management, the and the State Controller's Office, and is not intended to be and should not be used by anyone other than these specified parties.

*Vavrinck, Trine, Day & Co. LLP*

Palo Alto, California  
October 2, 2012

**SEQUOIA HEALTHCARE DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>No</u>
Noncompliance material to financial statements noted?	<u>No</u>

**SEQUOIA HEALTHCARE DISTRICT**  
**FINANCIAL STATEMENT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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None reported



## SEQUOIA HEALTHCARE DISTRICT

### SUMMARY OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

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#### 2011-1 Criteria or Specific Requirements

General best accounting practices emphasize the importance of good internal controls. Strong internal controls over payroll disbursements are important to ensure employees are paid properly for services performed.

#### Condition

Sequoia Healthcare District

- It was noted that the District reimbursed three employees for amounts underpaid for a period encompassing three fiscal years.
- Examination of the reimbursement calculation revealed that two of the three reimbursements were in excess of any actual underpayment.
- The examination also revealed that one employee's pay raise was miscalculated.

#### Questioned costs

None

#### Effect

Lack of secondary reviews of the payroll charges could cause payroll expenses to be misstated.

#### Cause

Due to changes by the outside payroll service in the gross pay reporting, employees of the District believed, incorrectly, that they were not being paid their "In-Lieu" health insurance benefit. Due to lack of clarity in the District's pay level documentation, the assumption of underpayment was accepted and unnecessary reimbursements were made.

#### Recommendation

We recommend that the District adopts procedures to:

- Document any payroll changes in a manner that clearly indicate current rate of pay, new rate of pay, effective date of the change, and proper authorization.
- Periodically monitor employees pay levels against current documentation.

#### Current Status

Implemented

Nursing Status: October 2, 2012

The District agreed to fund the nursing program for 10 years and a total of \$10 million dollars. We are now in year nine and are committed to paying \$1 million this fiscal year and next fiscal year.

Each nursing cohort is for 2 years and the students that began classes this past August will graduate in May 2014.

The program has been very successful in recruiting outstanding students, providing quality education and graduating students who pass their exams at a very high rate. Overall about half of the students have been District residents.

During the first years of the program, the majority of graduates were hired at Sequoia Hospital and most are still employed there and doing very well according to the Glenna Vaskelis and her nursing executives. In fact they see many of the graduates as future leaders at the Hospital.

Employment has not been as strong the past couple of years and no students were hired from the last graduating class as the Hospital has initiated a hiring freeze.

Last week, Kim Griffin and I met with Glenna and her interim nursing director, to get their thoughts about the future of the program. They commented that the program has been very valuable to the Hospital and the community and promised to take a good look at their current nursing staff and project future hiring needs. We anticipate receiving this information very soon.

Our options are to end our support, modify our support or to continue funding. The leaders of SFSU would like direction by December before they would gear up for recruiting another class. They would of course welcome an opportunity to meet to present their case for continued support.

Lee Michelson