

# MARIN HEALTHCARE DISTRICT

100-B Drake's Landing Road, Suite 250, Greenbrae, CA 94904

Telephone: 415-464-2090

Fax: 415-464-2094

Website: [www.marinhealthcare.org](http://www.marinhealthcare.org)

Email: [info@marinhealthcare.org](mailto:info@marinhealthcare.org)

## BOARD OF DIRECTORS FINANCE & AUDIT COMMITTEE WEDNESDAY, JUNE 19, 2024 @ 5:30 P.M.

### Committee:

**Chair:** Brian Su, MD

**Members:** Ann Sparkman, RN/BSN, JD

**Staff:** David Klein, MD, CEO

Eric Brettner, CFO

Liz Lasnier, Controller

**Support:** Tricia Lee, EA

### Location:

Marin Healthcare District Office

100b Drakes Landing Road Suite 250

Greenbrae, CA 94904

### AGENDA

- |   |                     | <u>TAB</u> |
|---|---------------------|------------|
| 1. Call to Order / Approval of the Agenda (action)  | Su                  |            |
| 2. Approval of the Minutes of the MHD Finance & Audit Committee Meeting of April 29, 2024 (action)  | Su                  | #1         |
| 3. Public Comment<br><i>Any member of the audience may make statements regarding any item NOT on the agenda. Statements are limited to a maximum of three (3) minutes. Please state and spell your name if you wish it to be recorded in the minutes.</i> | Su                  |            |
| 4. Marin Healthcare District: 2023 Report of Independent Auditors   | Brettner/Moss Adams |            |
| A. Audit Results Presentation   |                     | #2         |
| B. Report of Independent Auditors and Financial Statements (action)   |                     | #3         |
| C. Communication with The Board of Directors  |                     | #4         |
| 5. District Financial Reports<br>April 2024   | Brettner            | #5         |
| 6. Adjournment  | Su                  |            |

A copy of the agenda for the Meeting will be posted and distributed at least seventy-two (72) hours prior to the meeting.

In compliance with the Americans with Disabilities Act, if you require accommodations to participate in a District meeting please contact the District office at 415-464-2090 at least 48 hours prior to the meeting.

**Tab 1**

# MARIN HEALTHCARE DISTRICT

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## Board of Directors Finance and Audit Committee Monday, April 29, 2024 @ 4:00 pm District Office Conference Room

### MINUTES

#### 1. Call to Order

Chair Su called the meeting to order at 4:00 pm.

#### 2. Roll Call / Approval of Agenda / Approval of Minutes

*Committee members present:* Brian Su, MD (Chair); Ann Sparkman (Board Member)

*Staff members present:* David Klein, MD (CEO); Eric Brettner (CFO);

Liz Lasnier (Controller); Tricia Lee (EA)

*Guests present:* Jason Levey; Debashis Chowdhury (Canterbury Consulting)

*Approval of the Agenda:* It was moved, seconded and carried to approve the agenda as presented.

*Approval of the Minutes:* It was moved, seconded and carried to approve the minutes of the meeting of the committee on January 30, 2024.

#### 3. Public Comment

There was no public comment.

#### 4. District Financial Reports

Mr. Brettner reviewed the financial report for February 2024. Rental Revenues were in line with budget. The month of February saw negative investment results however recovered in March. In the month of February, the interest expense for the bond payment paid.

Expenses relating to community education, logo redesign and for the community eating healthy event, were largely in line with the budget. However, the board also expressed concerns about unexpected expenses, emphasizing the need for better budget planning and improved communication with clear disclosure of event costs.

#### 5. MHD District Corporate Investment Portfolio

Mr. Chowdhury provided a brief macroeconomic overview. Reviewed the recent performance of various asset classes over the past the past year and noted that the portfolio was previously 100% fixed income. Also noted that the fixed income had a modest negative return of the quarter and the year.

Mr. Chowdhury also reviewed the recent shift towards equity exposure reflecting the longer-term nature of assets in the portfolio.

Mr. Chowdhury noted the current allocation to equities is modest. The S&P 500 was up 10.5% in the first three months of the year, followed by a modest decline of 3%. The equity portion of the portfolio has significantly impacted overall performance.

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**Board of Directors  
Finance and Audit Committee  
Monday, April 29, 2024 @ 4:00 pm  
District Office Conference Room**

## MINUTES

Mr. Levey reported that the equity increased by 8% since December of 2023. YTD growth is approximately 3%, leading to an overall 4.3% return with an 80/20 equity/bond split.

**6. Adjournment**

Dr. Su adjourned the meeting at 4:40 pm.

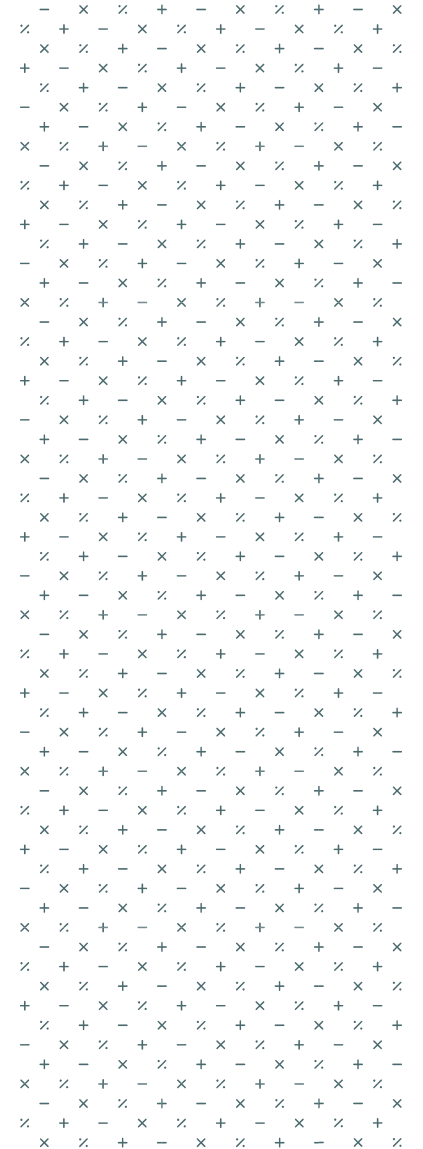
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## Tab 2



# 2023 Audit Results: Marin Healthcare District

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# Finance & Audit Committee and Board of Directors

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Marin Healthcare District



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Dear Finance & Audit Committee Members & Board of Directors:

Thank you for your continued engagement of Moss Adams LLP. We are pleased to have the opportunity to meet with you to discuss the results of our audit of the financial statements of Marin Healthcare District (the “District”) for the year ended December 31, 2023.

The accompanying report, which is intended solely for the use of the Finance & Audit Committee, Board of Directors, and management, presents important information regarding the District’s financial statements and our audit that we believe will be of interest to you. It is not intended and should not be used by anyone other than these specified parties.

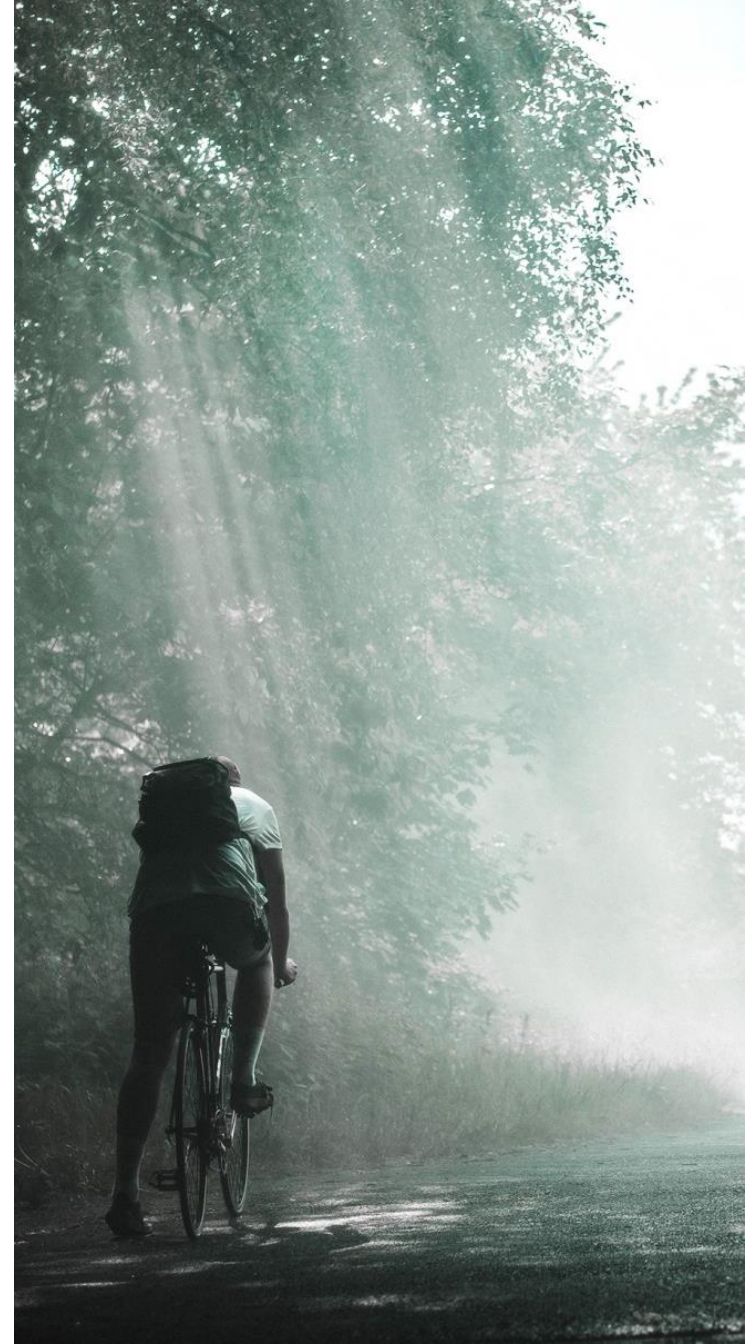
We conducted our audit with the objectivity and independence that you expect. We receive the full support and assistance of the District’s personnel. We are pleased to serve and be associated with the District as its independent public accountants and look forward to our continued relationship.

We look forward to discussing our report or any other matters of interest with you during this meeting.

# Agenda

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- Auditor Opinion and Report
- Areas of Significant Risk
- Financial Ratios and Metrics
- Communication with Those Charged with Governance
- Accounting Update
- Industry Focus

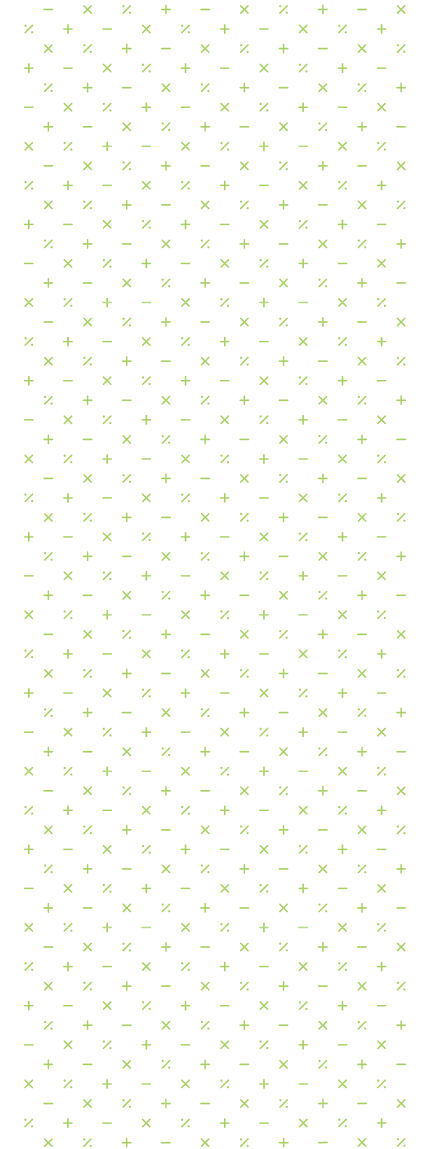






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# Auditor Opinion & Report



# Scope of Services

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We have performed the following services for the District:

- Annual financial statement audit as of and for the year ended December 31, 2023.

We have also performed the following nonattest services:

- Assisted in the drafting the financial statements of the District
- Assisted in the preparation of the Special Districts Transaction Reports

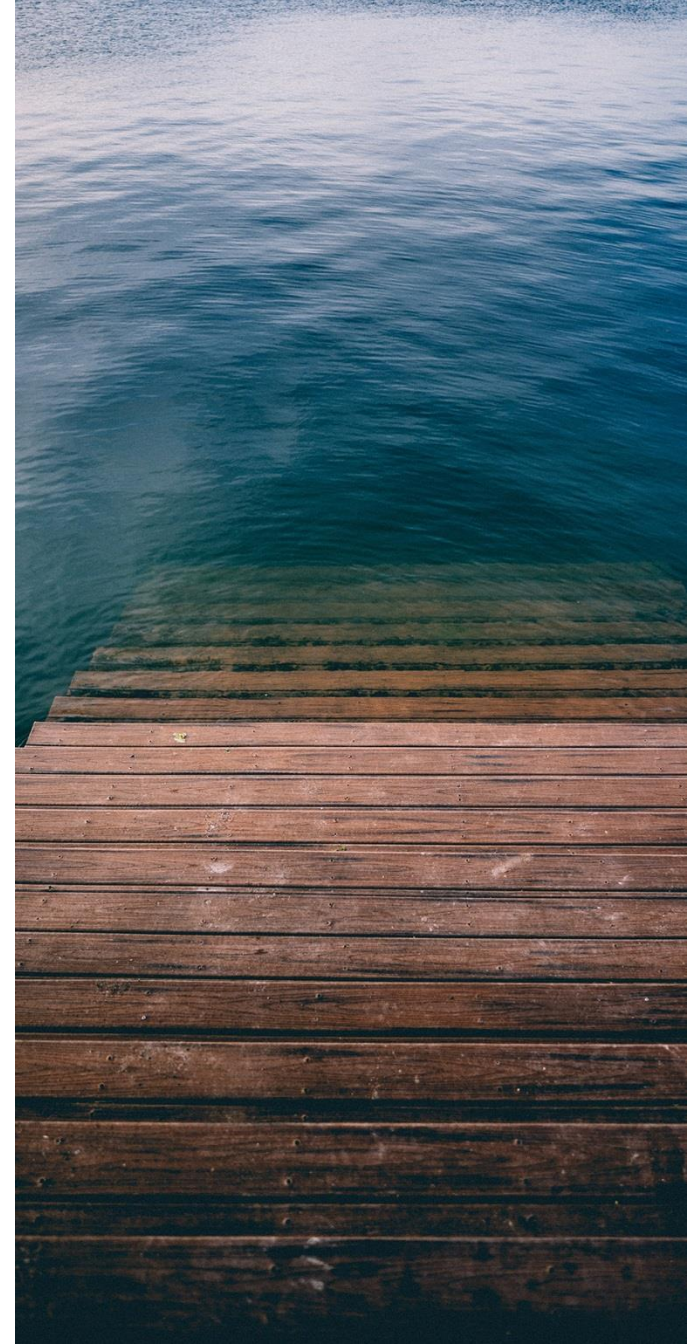


# Auditor Report on the Financial Statements

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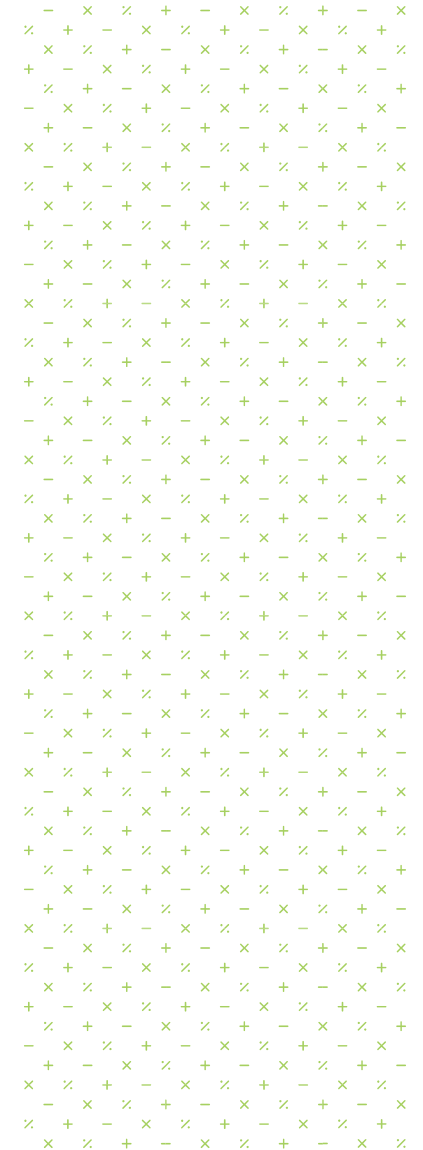
## Unmodified Opinion

- Financial statements are presented fairly and in accordance with US GAAP



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# Areas of Significant Risk



# Areas of Significant Risk

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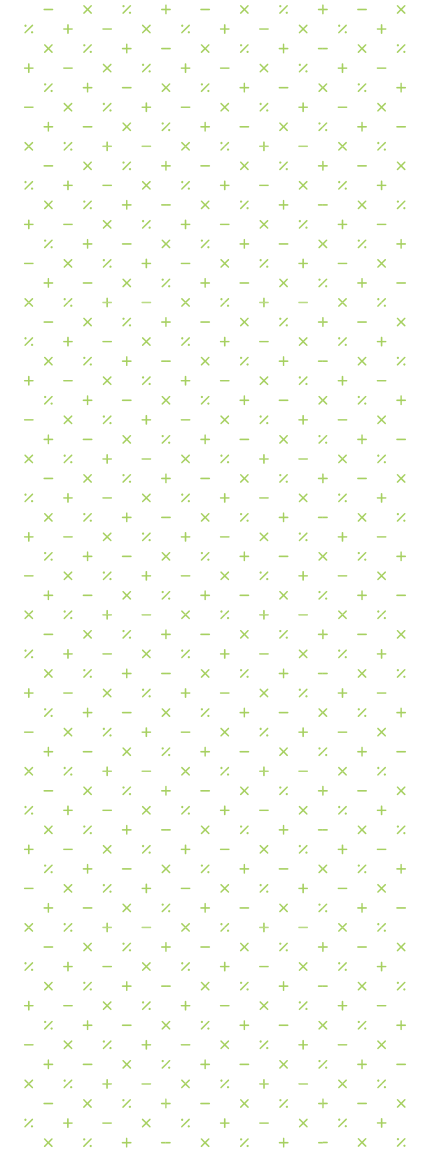
- Tax Assessment Receivables and Revenues - Cutoff
- Management Override of Control via Manual Journal Entries





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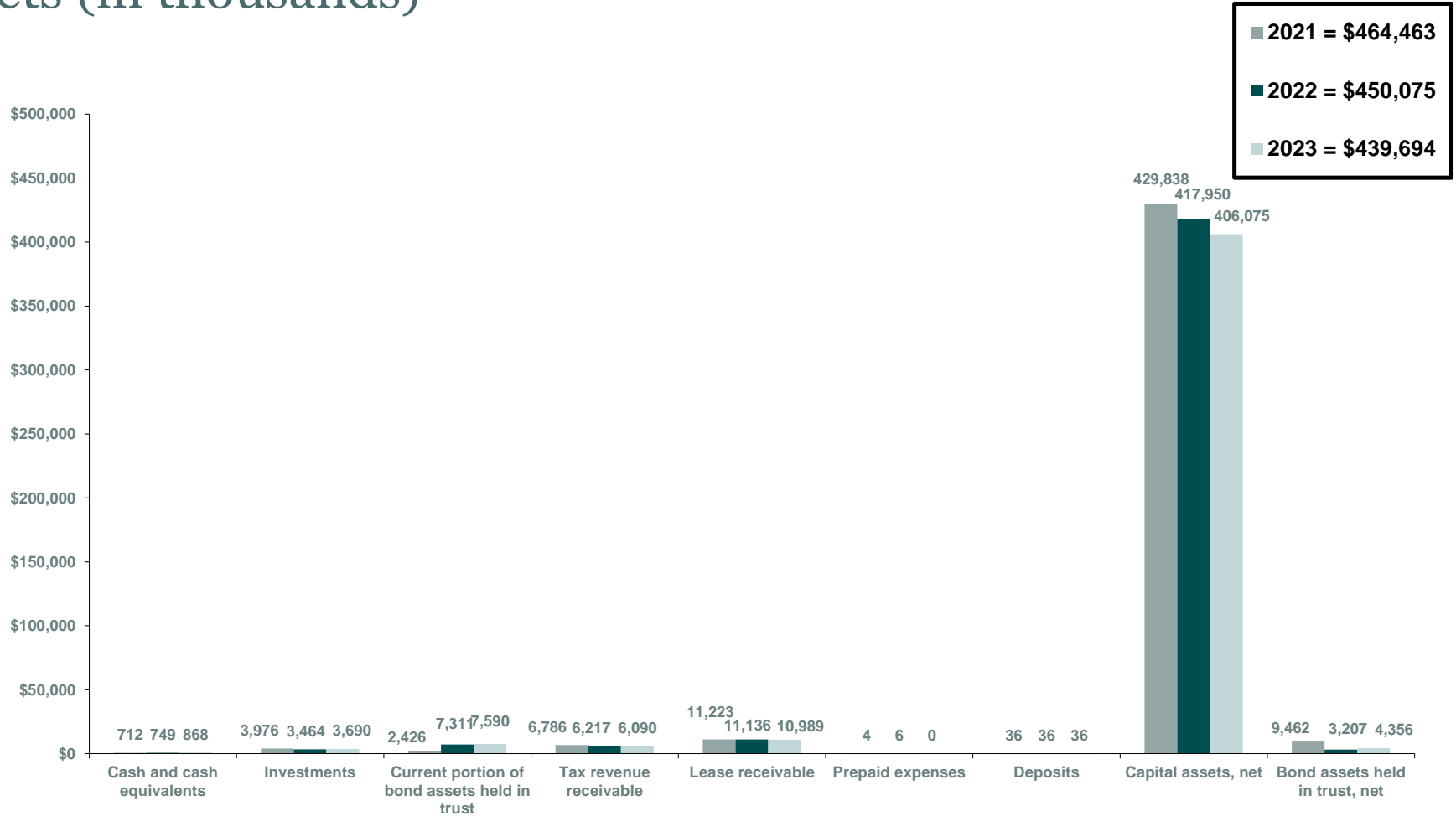
# Financial Ratios and Metrics



# Assets (in thousands)

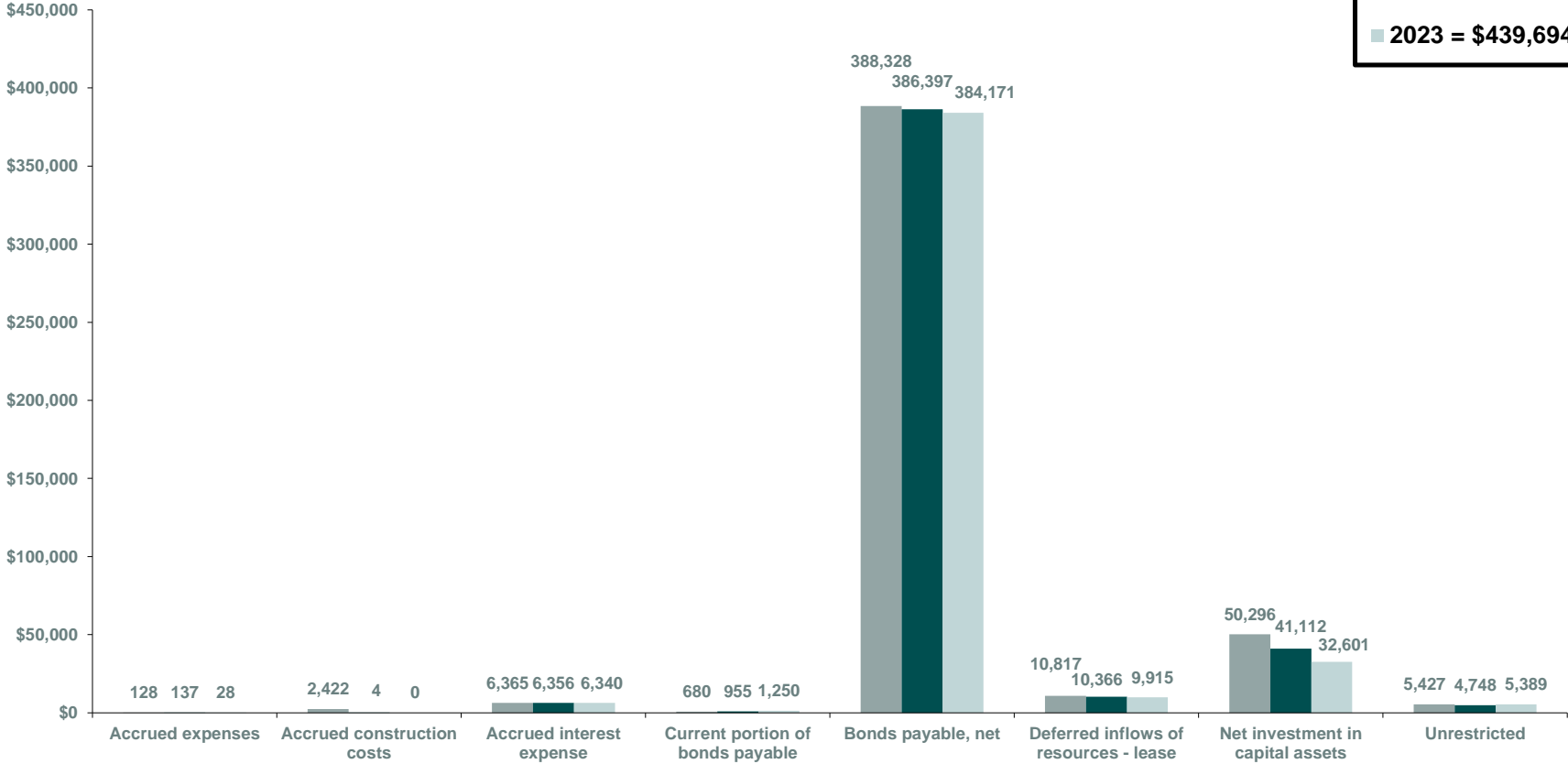


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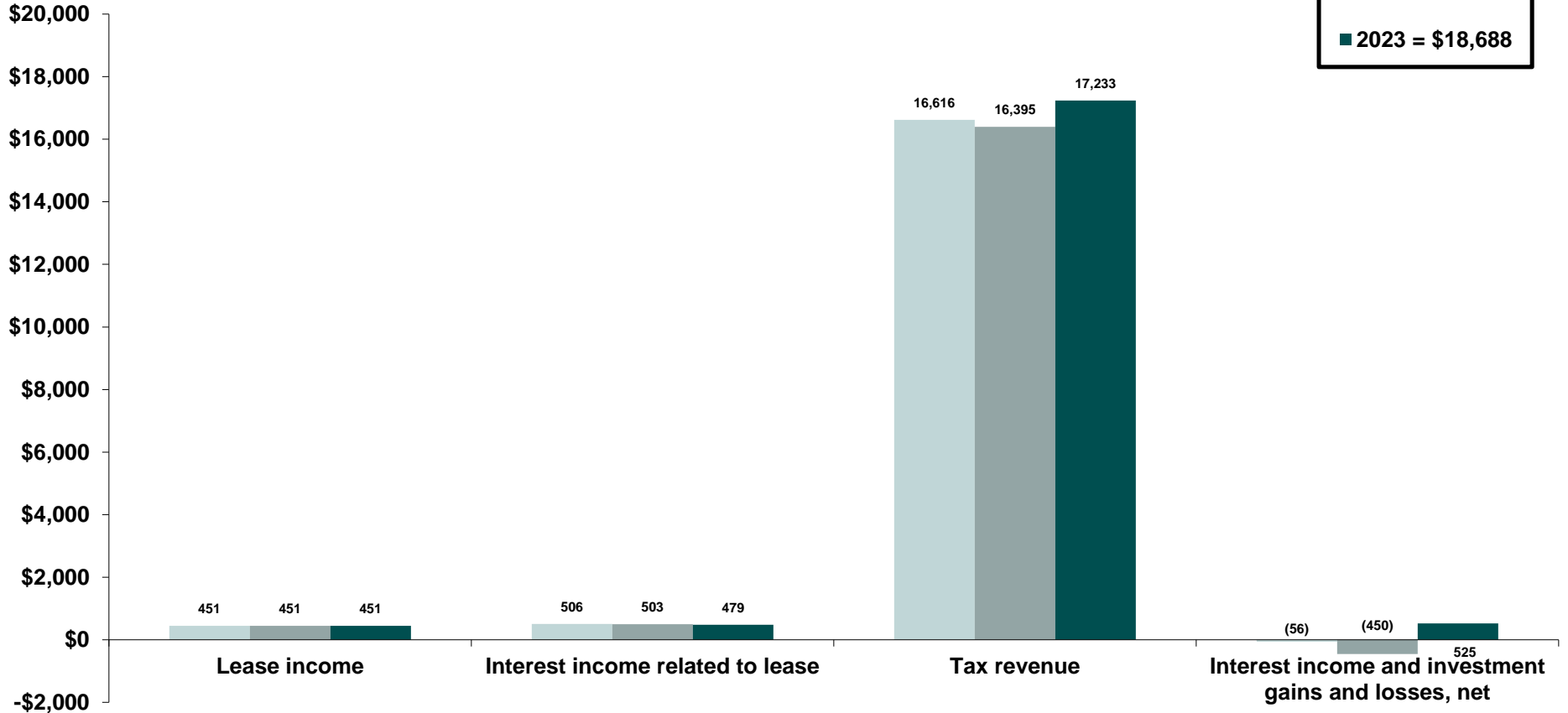
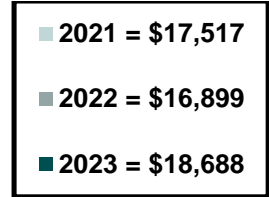
# Liabilities and Net Assets (in thousands)

■ 2021 = \$464,463  
■ 2022 = \$450,075  
■ 2023 = \$439,694

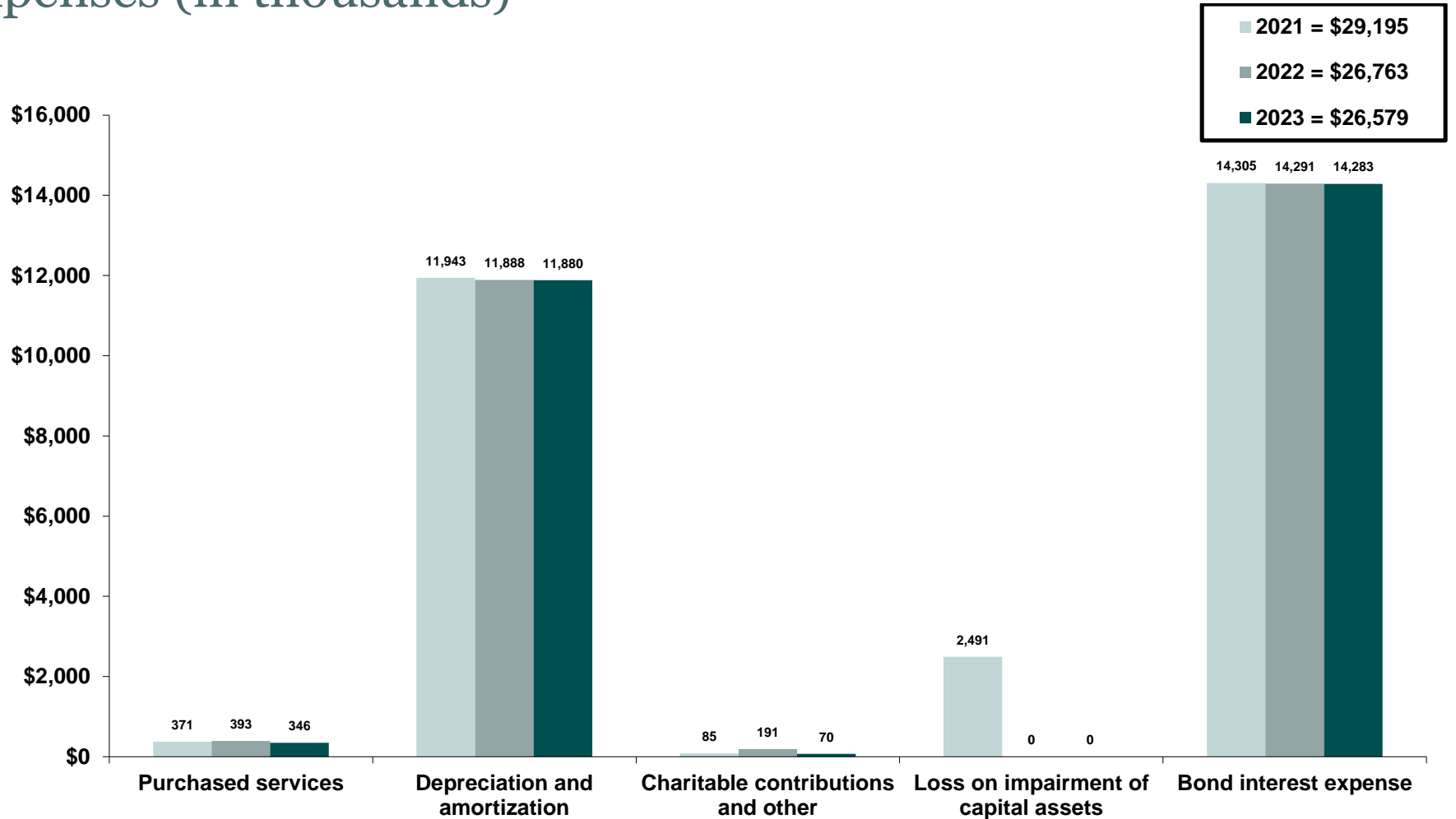




# Revenues (in thousands)



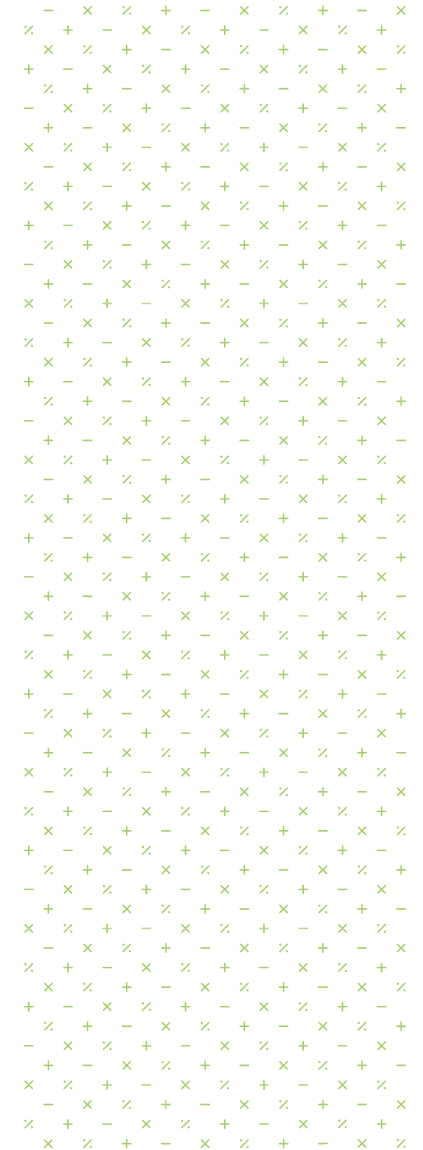
# Expenses (in thousands)





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# Communication with Those Charged with Governance



# Communication with Those Charged with Governance

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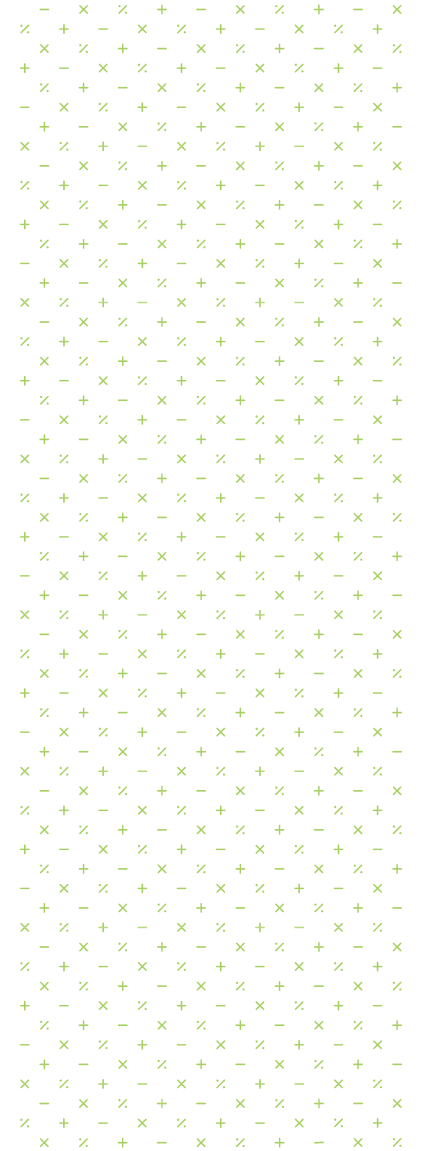


- Planned scope and timing of audit
- Significant accounting policies
- Accounting estimates are reasonable
- No material corrected adjustments
- No uncorrected audit adjustments
- No issues discussed prior to our retention as auditors
- No disagreements with management
- No material weaknesses identified
- No consultation with other accountants
- No awareness of instances of fraud or noncompliance with laws and regulations
- Other matters



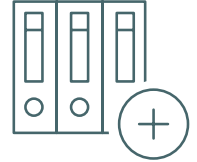
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# Accounting Update



# Accounting Standards Updates

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## GASB Standards

In May 2020, the GASB issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements ("GASB 96"), which provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITAs") for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. There was no impact of adopting the provisions of GASB 96 on the financial statements.

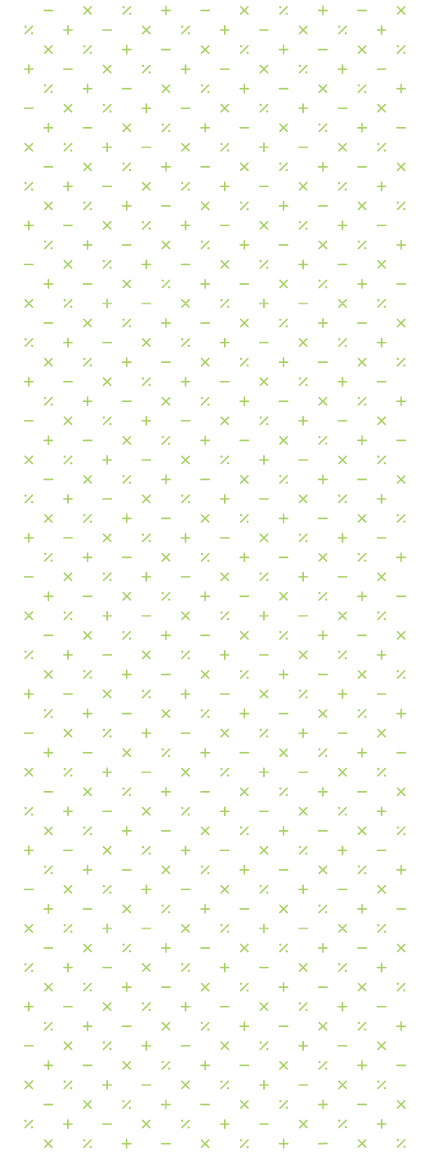
In April 2022, the GASB issued GASB Statement No. 99, Omnibus 2022 ("GASB 99"), which enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. There was no impact of adopting the provisions of GASB 99 on the financial statements.





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# Industry Focus



# District and Health Systems

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Moss Adams serves more than 200 Districts and health systems, ranging in size from 15 to over 1,000 beds. We offer tailored solutions and health care consulting services to our for-profit, government, and not-for-profit entities. Our clients include:

- Integrated health systems
- University-based Districts
- Tertiary-care teaching Districts
- Community and sole community Districts
- District Districts
- Critical access Districts
- Pediatric Districts





# Additional Services

Audit and tax are vital. But you have complex needs that go beyond these core functions. Our dedicated health care consulting team provides a range of services to address all your needs—both now and in the future.



Health Care Consulting		
<b>COST REIMBURSEMENT</b>	<b>GOVERNMENT COMPLIANCE</b>	<b>OPERATIONAL IMPROVEMENT</b>
Medicare & Medicaid	Regulatory Compliance	Revenue Cycle Enhancement
Provider-based Licensure & Certification	Coding Validation	Claims Recovery
Medical Education	Coding Department Redesign	Litigation Support
Uncompensated Care	EHR Internal Controls	Employer Health Benefits
	Corporate Compliance	Lean Consulting
<b>STRATEGY &amp; INTEGRATION</b>	<b>INFORMATION TECHNOLOGY</b>	
Provider Risk Analysis, Contracting & Operational Design	HIPAA Security and Privacy	
M&A Support	Network Security & Penetration Testing	
Feasibility Studies	HITRUST Assessment & Certification	
Market Intelligence & Benchmarking	SOC Pre-Audit Gap Analysis & Readiness	
Service Line Enhancement	SOC Audits	
Strategic Planning & Implementation		

# Connect With Us

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In today's fast-paced world, we know how precious your time is. We also know that knowledge is key. These resources offer what you need to know, when you need to know it, and are presented in the format that fits your life.



LinkedIn: [www.linkedin.com/company/moss-adams-llp](http://www.linkedin.com/company/moss-adams-llp)



Twitter: [@Moss\\_Adams](https://twitter.com/Moss_Adams)



Subscribe to our emails: [www.mossadams.com/subscribe](http://www.mossadams.com/subscribe)



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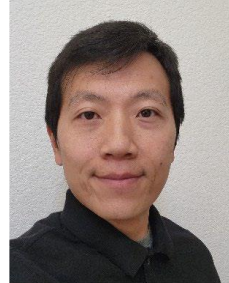


YouTube: <http://www.youtube.com/mossadamsllp>



# Your Service Team

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+ Brian Conner, *Partner*

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THANK  
YOU

## **Tab 3**

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Report of Independent Auditors and  
Financial Statements

**Marin Healthcare District**

December 31, 2023 and 2022

# Table of Contents

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## **Management's Discussion and Analysis**



# Marin Healthcare District Management's Discussion and Analysis Years Ended December 31, 2023 and 2022

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This section of Marin Healthcare District's (the "District") financial statements presents management's discussion and analysis of the financial activities of the District for fiscal years ended December 31, 2023 and 2022. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

## **Introduction to the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the District's audited financial statements. This annual report is prepared in accordance with the Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

The required financial statements include the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows. The notes to financial statements, and this summary, provide support to these statements. All information must be considered together to obtain a complete understanding of the financial picture of the District.

### *Statement of Net Position*

This statement includes all assets and liabilities using the accrual basis of accounting as of the statement date. The difference between the two classifications is represented as "net position." This section of the statement identifies major categories of restrictions on these assets and reflects the overall financial position of the District as a whole.

### *Statement of Revenues, Expenses, and Changes in Net Position*

This statement presents the revenues earned and the expenses incurred during the year using the accrual basis of accounting. Under the accrual basis, all increases or decreases in net position are reported as soon as the underlying event occurs, regardless of the timing of the cash flow. Consequently, revenues and/or expenditures reported during this fiscal year may result in changes to cash flows in a future period.

### *Statement of Cash Flows*

This statement reflects inflows and outflows of cash, summarized by operating, capital and noncapital and related financing, and investing activities. The direct method was used to prepare this information, which means gross rather than net amounts were presented for the year's activities.

### *Notes to Financial Statements*

This additional information is essential to a full understanding of the data reported in the financial statements. The District is a political subdivision of the State of California. It is the sole member of Marin General Hospital, dba MarinHealth Medical Center ("MHMC") and is governed by a publicly elected Board of Directors.

**Marin Healthcare District  
Management's Discussion and Analysis  
Years Ended December 31, 2023 and 2022**

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**ANALYTICAL REVIEW**

The statement of net position and statement of revenues, expenses, and changes in net position present a summary of the District's activities.

Condensed Statements of Net Position

	December 31,		
	2023	2022	2021
<b>Assets</b>			
Current and other assets	\$ 33,619,276	\$ 32,125,493	\$ 34,624,822
Capital assets, net of accumulated depreciation	406,075,171	417,949,830	429,837,712
<b>Total assets</b>	<b>\$ 439,694,447</b>	<b>\$ 450,075,323</b>	<b>\$ 464,462,534</b>
<b>Liabilities</b>			
Current portion of bond payable	\$ 1,250,000	\$ 955,000	\$ 680,000
Other current liabilities	6,368,597	6,497,001	8,913,990
Bond payable, net of current portion	384,170,790	386,397,216	388,328,642
<b>Total liabilities</b>	<b>391,789,387</b>	<b>393,849,217</b>	<b>397,922,632</b>
<b>Deferred inflows of resources</b>			
Deferred inflows related to leases	9,915,340	10,366,037	10,816,734
<b>Net position</b>			
Net investment in capital assets	32,601,045	41,112,409	50,295,762
Unrestricted	5,388,675	4,747,660	5,427,406
<b>Total net position</b>	<b>37,989,720</b>	<b>45,860,069</b>	<b>55,723,168</b>
<b>Total liabilities, deferred inflows         of resources, and net position</b>	<b>\$ 439,694,447</b>	<b>\$ 450,075,323</b>	<b>\$ 464,462,534</b>

Total assets decreased by 2% or \$10,380,876 as of December 31, 2023, compared to December 31, 2022, primarily due to a decrease in capital assets as a result of depreciation expense. Total assets decreased by 3% or \$14,387,211 as of December 31, 2022, compared to December 31, 2021, primarily due to a decrease in capital assets.

Liabilities decreased by 1% or \$2,059,830 as of December 31, 2023, compared to December 31, 2022, primarily due to a reduction in bonds payable. Liabilities decreased by 1% or \$4,073,415 as of December 31, 2022, compared to December 31, 2021, primarily due to a reduction in accrued construction costs.

The overall changes to net position is a decrease of \$7,870,349, resulting in a December 31, 2023 balance of \$37,989,720. An unrestricted net position of \$5,388,675 exists for the year ended December 31, 2023, as a result of resources in excess of net investments in capital assets.

**Marin Healthcare District  
Management's Discussion and Analysis  
Years Ended December 31, 2023 and 2022**

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Condensed Statement of Revenue, Expenses, and Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 929,596	\$ 953,945	\$ 956,814
Operating expenses	<u>12,295,089</u>	<u>12,471,684</u>	<u>14,890,290</u>
Operating loss	<u>(11,365,493)</u>	<u>(11,517,739)</u>	<u>(13,933,476)</u>
Tax revenue	17,233,224	16,395,037	16,616,446
Interest and investment income (loss)	524,677	(449,822)	(56,252)
Bond interest expense	<u>(14,262,757)</u>	<u>(14,290,575)</u>	<u>(14,305,346)</u>
Total nonoperating revenues, net	<u>3,495,144</u>	<u>1,654,640</u>	<u>2,254,848</u>
(Decrease) increase in net position	<u>\$ (7,870,349)</u>	<u>\$ (9,863,099)</u>	<u>\$ (11,678,628)</u>

*Operating Revenues and Expenses*

For the years ended December 31, 2023, 2022, and 2021, operating losses were primarily due to the depreciation incurred by the District.

*Nonoperating Revenues and Expenses*

Tax revenue represents property tax assessments by Marin County on District property owners, which will be used to make bond interest and principal payments in the future. Property tax assessments are based upon expected debt service for the following year and vary depending on scheduled bond principal and interest payment amounts.

**ECONOMIC OUTLOOK AND MAJOR INITIATIVES**

*The Hospital Facilities Seismic Upgrade Act*

The District has assumed responsibility for compliance with the Hospital Facilities Seismic Upgrade Act ("SB 1953") classification SPC2 and through Hazus 2010. The District has received an extension to 2030.

*Business Segment Disposal*

In January 2019, the District entered into an agreement with Prima Medical Foundation, dba MarinHealth Medical Network ("MHMN") and University of California, San Francisco ("UCSF"), whereby the Clinic's physicians rendered their services and professional service agreements to the UCSF academic license 1206(g). As part of the agreement, MHMN gained control and operation of the Clinics and assumed responsibility of all the District's prepaid assets, intangible assets, property leases, and notes payable related to the Clinics. Furthermore, on January 1, 2019, the District entered into a purchase and sale agreement with MHMN for the purchase of capital assets and inventory.

*Measure F*

**Marin Healthcare District  
Management's Discussion and Analysis  
Years Ended December 31, 2023 and 2022**

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On November 5, 2013, the voters of the District passed Measure F, which authorized the District to issue \$394,000,000 in bonds to improve the MHMC facility and related facilities with new construction, acquisitions, and renovations.

In November 2015, the District issued \$170,000,000 of bonds, at a premium, resulting in total proceeds of \$178,687,120. A portion of those proceeds were used to reimburse MHMC for the construction of a parking structure and for design and site improvements preparatory to the commencement of construction of the new Hospital Facility.

In September 2017, the District issued \$224,000,000 of bonds, at a premium, resulting in total proceeds of \$243,612,033. The proceeds continue to be used for the construction of the new Hospital Facility.

**BUDGET RESULTS**

The Board of Directors approves the operating budget of the District. The budget remains in effect the entire period but is updated as needed for internal management use to reflect changes in activity and approved variances. A budget comparison and analysis for the year ended December 31, 2023, is presented below.

	Actual	Budget
Operating revenues	\$ 929,596	\$ 708,772
Operating expenses	12,295,089	12,462,028
Operating loss	(11,365,493)	(11,753,256)
Tax revenue	17,233,224	15,808,220
Bond interest expense	(14,262,757)	(14,262,758)
Interest and investment income	524,677	-
Nonoperating revenues	3,495,144	1,545,462
Decrease in net position	\$ (7,870,349)	\$ (10,207,794)

The budget above is for the operations of the District, which includes bond-related revenue and expenses.

**Operating revenues** – The majority of the District's operating revenues are comprised of rental revenue earned from MHMC, with a trivial amount of other revenue, and were \$220,824 in excess of budget.

**Operating expenses** – The District conducts programs such as community healthcare education and support for hospital programs. The District's operating expenses were \$166,939 under budget, due to lower support to MHMC programs.

**Tax revenue** – The District earned tax revenue, which represents property tax assessments by Marin County on District property owners, which will be used to make bond interest and principal payments in the future.

**Interest and investment income (loss)** – The District earned interest and dividend income and incurred investment losses from the accounts in which the investment loss is held.

**Marin Healthcare District  
Management's Discussion and Analysis  
Years Ended December 31, 2023 and 2022**

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**CAPITAL ASSETS**

As of December 31, 2023, the District had \$406,075,171 invested in a variety of capital assets, as reflected in the following schedule, which represent a net decrease of \$11,874,659 from December 31, 2022. The decrease as of December 31, 2023, is the result of an increase in accumulated depreciation due to annual depreciation expense.

	Balance at December 31,	
	2023	2022
Land	\$ 865,701	\$ 865,701
Hospital buildings and leasehold improvements	471,688,684	471,683,811
Equipment	18,784,416	18,784,416
Less accumulated depreciation	(85,263,630)	(73,384,098)
Capital assets, net of accumulated depreciation	\$ 406,075,171	\$ 417,949,830

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is intended to provide citizens, taxpayers, and creditors with a general overview of the District's finances. Questions about this report should be directed to Marin Healthcare District to the attention of the chief financial officer or the chair of the finance and audit committee at 415-464-2090.

## **Report of Independent Auditors**

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## **Financial Statements**

**Marin Healthcare District**  
**Statements of Net Position**  
**December 31, 2023 and 2022**

	2023	2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 867,657	\$ 748,672
Investments	3,690,043	3,463,546
Current portion of bond assets held in trust	7,590,375	7,311,292
Tax revenue receivable	6,089,562	6,216,670
Lease receivable	166,698	146,787
Prepaid expenses	-	6,000
Total current assets	18,404,335	17,892,967
<b>NONCURRENT ASSETS</b>		
Deposits	36,000	36,000
Capital assets, net of accumulated depreciation	406,075,171	417,949,830
Bond assets held in trust, net of current portion	4,356,289	3,207,176
Lease receivable, net of current portion	10,822,652	10,989,350
Total noncurrent assets	421,290,112	432,182,356
Total assets	\$ 439,694,447	\$ 450,075,323
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accrued expenses	\$ 28,222	\$ 140,710
Accrued interest expense	6,340,375	6,356,291
Current portion of bonds payable	1,250,000	955,000
Total current liabilities	7,618,597	7,452,001
BONDS PAYABLE, net of current portion	384,170,790	386,397,216
Total liabilities	391,789,387	393,849,217
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources - lease	9,915,340	10,366,037
<b>NET POSITION</b>		
Net investment in capital assets	32,601,045	41,112,409
Unrestricted	5,388,675	4,747,660
Total net position	37,989,720	45,860,069
Total liabilities, deferred inflows of resources, and net position	\$ 439,694,447	\$ 450,075,323

See accompanying notes.



**Marin Healthcare District**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2023 and 2022**

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	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Lease income	\$ 450,697	\$ 450,697
Interest income related to lease	478,899	503,248
Total operating revenues	<u>929,596</u>	<u>953,945</u>
OPERATING EXPENSES		
Purchased services	345,667	392,513
Depreciation and amortization	11,879,532	11,887,882
Charitable contributions	-	48,213
Other	69,890	143,076
Total operating expenses	<u>12,295,089</u>	<u>12,471,684</u>
Operating loss	<u>(11,365,493)</u>	<u>(11,517,739)</u>
NONOPERATING REVENUES (EXPENSES)		
Tax revenue	17,233,224	16,395,037
Interest and investment income (loss)	524,677	(449,822)
Bond interest expense	<u>(14,262,757)</u>	<u>(14,290,575)</u>
Total nonoperating revenues, net	<u>3,495,144</u>	<u>1,654,640</u>
DECREASE IN NET POSITION	(7,870,349)	(9,863,099)
NET POSITION, beginning of year	<u>45,860,069</u>	<u>55,723,168</u>
NET POSITION, end of year	<u><u>\$ 37,989,720</u></u>	<u><u>\$ 45,860,069</u></u>

See accompanying notes.

**Marin Healthcare District**  
**Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tenants	\$ 625,686	\$ 589,713
Payments to suppliers and others	(522,045)	(576,744)
Net cash used in operating activities	103,641	12,969
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(8,546)	(2,417,947)
Principal payments on bonds payable	(955,000)	(680,000)
Interest payments on bonds payable	(15,255,099)	(15,275,501)
Tax revenue related to general obligation bonds	17,360,332	16,964,037
Net cash provided by (used in) capital and related financing activities	1,141,687	(1,409,411)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of bond assets held in trust	(17,360,331)	(19,332,999)
Proceeds from sales and maturities of bond assets held in trust	16,218,644	20,684,326
Earnings on investments	11,671	81,533
Net cash (used in) provided by investing activities	(1,130,016)	1,432,860
NET CHANGES IN CASH AND CASH EQUIVALENTS	115,312	36,418
CASH AND CASH EQUIVALENTS, beginning of year	748,672	712,254
CASH AND CASH EQUIVALENTS, end of year	\$ 863,984	\$ 748,672
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (11,365,493)	\$ (11,517,739)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	11,879,532	11,887,882
Changes in certain assets and liabilities:		
Prepaid expenses	6,000	(2,400)
Lease receivable	146,787	86,465
Accrued expenses	(112,488)	9,458
Deferred inflows of resources - lease	(450,697)	(450,697)
Net cash used in operating activities	\$ 103,641	\$ 12,969

See accompanying notes.

## Marin Healthcare District Notes to Financial Statements

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### **Note 1 – Basis of Presentation and Accounting Policies**

**Reporting entity** – Marin Healthcare District (the “District”) is a political subdivision of the State of California. District directors are elected officials whose sole mission is to promote the health and welfare of the residents of the communities served by the District. The District operated the Marin General Hospital facility (the “Hospital Facility”) until 1985, when it reorganized in compliance with local hospital district law of the State of California.

The District’s principal asset is hospital property and equipment. The Hospital Facility is a general acute-care facility located in Marin County, California, and provides inpatient and outpatient healthcare services. Inpatient facilities consist of medical-surgical, pediatrics, maternity, nursery, intensive care, coronary, psychology, radiology, and laboratory services. The Hospital Facility is leased to Marin General Hospital, dba MarinHealth Medical Center (“MHMC”). The financial information of MHMC is not included in these financial statements.

Effective June 30, 2010, the District became the sole member of MHMC and appointed its initial Board of Directors. The MHMC Board is responsible for oversight of the operations of MHMC and the District has certain ongoing reserve powers and governance oversight responsibilities.

The District is also a forum for discussion of local healthcare issues, promotes healthcare services within the community, and acts on behalf of the public as an advocate of high-quality, reasonably priced healthcare services.

**Business segment disposal** – On January 1, 2019, the District entered into an agreement with Prima Medical Foundation, dba MarinHealth Medical Network (“MHMN”) and University of California, San Francisco (“UCSF”), whereby the Clinic’s physicians rendered their services and professional service agreements to the UCSF academic license 1206(g). As part of the agreement, MHMN gained control and operation of the Clinics and assumed responsibility of all the District’s prepaid assets, intangible assets, property leases, and notes payable related to the Clinics. Furthermore, on January 1, 2019, the District entered into a purchase and sale agreement with MHMN for the purchase of capital assets and inventory.

**Proprietary fund accounting** – The activities of the District are accounted for as an Enterprise Fund. Enterprise Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under the method, revenues are recorded when earned and expenses are recorded at the time obligations are incurred. Tax revenue is recognized in the period in which the property tax is levied. Tax revenue is collected by the County for payment, when due, of the principal and interest on the bonds.

**Accounting standards** – Pursuant to Government Accounting Standards Board (“GASB”) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (“FASB”) and American Institute of Certified Public Accountants (“AICPA”) Pronouncements*, the District’s proprietary fund accounting and financial reporting practices are based on all applicable GASB pronouncements as well as codified pronouncements issued on or before November 30, 1989, and the California Code of Regulations, Title 2, Section 1131.2, State Controller’s Minimum Audit Requirements for California Special Districts and the State Controller’s Office prescribed reporting guidelines.

## Marin Healthcare District Notes to Financial Statements

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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, property tax revenue, and investment earnings, result from nonexchange transactions or ancillary activities.

The District may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net positions may be available to finance program expenditures. The District's policy is to first apply restricted grant resources to such programs, followed by general revenues, if necessary.

**Use of estimates** – The financial statements have been prepared in conformity with accounting principles generally accepted in the United States, and as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

**Net position** – Net position is the excess of all the District's assets over all its liabilities, regardless of fund. Net position is divided into three components. These captions apply only to net position, which is determined only at the government-wide level and are described below:

*Net investment in capital assets* – The portion of the net position that is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

*Restricted* – The portion of net position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions, which the District cannot unilaterally alter. The District has no restricted net positions.

*Unrestricted*: The portion of net position that is not restricted to use.

**Cash and cash equivalents** – Cash and cash equivalents include cash in bank checking, money market funds, and investments in highly liquid debt instruments with a maturity of three months or less when purchased.

**Investments** – Investments consist of mutual funds and are stated at fair value. Realized gains and losses, unrealized gains and losses, and interest are included in the statements of revenues, expenses, and changes in net position as other revenue. Interest of \$159,114 and \$94,670, and realized and unrealized gains/(losses) of \$166,949 and (\$549,065) for the years ended December 31, 2023 and 2022, respectively, are included in interest and investment loss on the statements of revenues, expenses, and changes in net position.

**Bond assets held in trust** – The District reports all investments at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers. Interest of \$286,509 and \$39,433 and realized and unrealized losses of \$0 and (\$57,950) are included in interest and investment loss on the statements of revenues, expenses, and changes in net position for the years ended December 31, 2023 and 2022, respectively.

**Lease receivable** – Lease receivable is recognized at the net present value of the leased assets at a borrowing rate determined by the District, reduced by principal payments received.

## Marin Healthcare District Notes to Financial Statements

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**Capital assets** – Capital assets are recorded at cost. Depreciation is provided for on the straight-line basis over the estimated useful lives of the assets. The capitalization threshold is \$5,000.

Capital assets are considered impaired when their service utility declines significantly and unexpectedly. An impairment loss is recognized for the difference between the carrying value of the asset and its fair value or adjusted depreciated value, depending on the nature of the impairment. There was no impairment recorded for the year ended December 31, 2023.

**Deferred inflows of resources** – In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. Included in deferred inflows of resources of the District are deferred lease resources related to lessor arrangements.

**Risk management** – The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance.

**Lease income** – The District recognizes lease income and reimbursement of operating expenses when earned. The District derives all of its lease income from MHMC (see Note 5).

**Operating revenues and expenses** – The District's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from leasing the Hospital Facility to MHMC. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred in order to lease the Hospital Facility, including loss on impairment of capital assets.

**Grants and contributions** – The District may periodically receive grants and contributions from other governmental entities, individuals, or private organizations; revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

**Amortization of bond premiums** – Premiums arising from the issuance of bonds are capitalized and amortized using the straight-line amortization method, which approximates the effective interest method.

**Reclassification** – Certain amounts reported in the 2022 financial statements have been reclassified to conform to the 2023 presentation. These reclassifications did not affect previously net positions or changes thereto.

## Marin Healthcare District Notes to Financial Statements

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**Recent accounting pronouncements** – In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (“GASB 96”), which provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (“SBITAs”) for government end users (“governments”). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. There was no impact of adopting the provisions of GASB 96 on the financial statements.

In April 2022, the GASB issued GASB Statement No. 99, *Omnibus 2022* (“GASB 99”), which enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. There was no impact of adopting the provisions of GASB 99 on the financial statements.

### Note 2 – Cash, Cash Equivalents, Investments, and Bond Assets Held in Trust

The District’s cash, cash equivalents, investments, and bond assets held in trust as of December 31 were as follows:

	2023	2022
Cash in bank	\$ 528,134	\$ 420,339
State of California’s Local Agency Investment Fund (LAIF)	339,523	328,333
Cash and cash equivalents	867,657	748,672
Investments		
Mutual funds	2,355,390	2,088,587
Money market funds	7,179	10,152
U.S. fixed income commingled funds	1,327,474	1,364,807
	3,690,043	3,463,546
Bond assets held in trust		
Money market funds	11,946,664	10,518,468
Total	\$ 16,504,364	\$ 14,730,686

Cash balances from all funds are combined and invested, to the extent possible, pursuant to the District Board’s approved Investment Policy and Guidelines and Statement Government Code. The District’s investments are carried at fair value.

**Cash in bank** – Cash in the bank represents amounts held in the District’s general operating accounts.

## Marin Healthcare District Notes to Financial Statements

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**LAIF** – The District places certain funds with the LAIF. The District is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The state Treasurer’s office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the District’s investment in this pool is reported in the accompanying financial statements based upon the District’s pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The monies held in the pooled investment funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on the amortized cost basis. Funds are accessible and transferable to the master account with 24 hours’ notice. Financial statements for LAIF can be obtained from the California State Treasurer’s Office, 915 Capitol Mall, Suite 110, Sacramento, California, 95814.

The management of the State of California Pooled Money Investment Account has indicated to the District that as of December 31, 2023 and 2022, the estimated market value of the pool (including accrued interest) was \$30,889,357 and \$30,035,298, respectively. The District’s proportionate share of that value is \$339,523 and \$328,333 as of December 31, 2023 and 2022, respectively.

**Mutual funds and money market funds** – The District’s mutual funds and money market funds are primarily invested in government and corporate debt, asset-backed securities, U.S. Treasury securities, and global debt. The objective of these funds is to provide steady cash flow to investors.

**U.S. fixed income commingled funds** – This class includes investments in commingled funds that invest primarily in domestic equity or debt securities. The objective of these investments is to capture similar market returns in their respective indices. The funds’ underlying positions are all marketable and priced regularly, but the majority of the funds themselves are priced monthly on a net asset value basis. U.S. fixed income commingled funds are accessible for full liquidity on a daily basis.

**Bond assets held in trust** – Investments from proceeds of bond issuances are restricted by applicable California law and the various bond resolutions associated with each issuance, generally, to certain types of investments. These investments include obligations of the United States of America, Federal Housing Administration debentures, obligations of government-sponsored agencies, unsecured certificates of deposits, demand deposits, time deposits and bankers’ acceptances, deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation in banks, commercial paper, money market funds, state obligations, the Marin County Investment Pool, and LAIF.

The District’s investments include amounts held in trust by the paying agent. The District currently invests in money market funds and U.S. Treasury obligations, and management regularly monitors the credit rating of the investment companies issuing the investments as part of monitoring the District’s exposure to credit risk.

**Investment risk factors** – Many factors can affect the value of investments, such as credit risk, custodial credit risk, and concentration of credit risk.



## Marin Healthcare District Notes to Financial Statements

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**Credit risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District’s investment policy requires that when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the Chief Executive Officer and Chief Financial Officer of the District shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the District, to safeguard the principal and maintain the liquidity needs of the District.

**Custodial credit risk** – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

California law requires banks and savings and loan associations 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 value of 150% of the deposit as collateral for these deposits. Under California law, this collateral is held in the District’s name and places the District ahead of general creditors of the institution.

**Concentration of credit risk** – Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the District to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. The securities the District is invested in as of December 31, 2023 and 2022, are subject to the quality, diversification, and other requirements of Rule 2a-7 under the Investment Company Act of 1940, as amended, and other rules of the Securities and Exchange Commission. The District will only purchase securities that present minimal credit risk.

**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.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures—An Amendment of GASB Statement No. 3*, requires the District to disclose the maturities of its investments (other than U.S. government obligations or obligations guaranteed by the U.S. government). A summary of scheduled maturities by investment type as of December 31, follows:

	2023			
	Investment maturities (in years)			
	Fair Value	Less than 1	1 to 5	More than 5
Money market funds	\$ 11,953,843	\$ 11,953,843	\$ -	\$ -
	11,953,843	<u>\$ 11,953,843</u>	<u>\$ -</u>	<u>\$ -</u>
Mutual funds	2,355,390			
U.S. fixed income commingled funds	1,327,474			
	<u>\$ 15,636,707</u>			



## Marin Healthcare District Notes to Financial Statements

2022

	Investment maturities (in years)			
	Fair Value	Less than 1	1 to 5	More than 5
Money market funds	\$ 10,528,620	\$ 10,528,620	\$ -	\$ -
	10,528,620	<u>\$ 10,528,620</u>	<u>\$ -</u>	<u>\$ -</u>
Mutual funds	2,088,587			
U.S. fixed income commingled funds	1,364,807			
	<u>\$ 13,982,014</u>			

### Note 3 – Fair Value of Measurements

GASB 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

**Level 1** – Quoted prices in active markets for identical assets.

**Level 2** – Observable inputs other than Level 1 prices, such as quoted prices in active markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

**Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

The following tables present information about the District's assets measured at fair value on a recurring basis as of December 31:

	2023			
	Fair Value at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market funds	\$ 11,953,843	\$ -	\$ -	\$ 11,953,843
Mutual funds				
Govt/Corp intermediate	741,681	-	-	741,681
Corp/Pref-high yield	1,613,709	-	-	1,613,709
U.S. fixed income commingled funds*	-	1,327,474	-	1,327,474
Total investments	<u>\$ 14,309,233</u>	<u>\$ 1,327,474</u>	<u>\$ -</u>	<u>\$ 15,636,707</u>

## Marin Healthcare District Notes to Financial Statements

2022

	Fair Value at Reporting Date Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Money market funds	\$ 10,528,620	\$ -	\$ -	\$ 10,528,620
U.S. Treasury obligations	-	-	-	-
Mutual funds				
Govt/Corp intermediate	1,287,758	-	-	1,287,758
Corp/Pref-high yield	800,829	-	-	800,829
U.S. fixed income commingled funds*	-	1,364,807	-	1,364,807
Total investments	\$ 12,617,207	\$ 1,364,807	\$ -	\$ 13,982,014

\*The amounts of marketable securities measured at net asset value ("NAV") presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of net position.

During 2023 and 2022, there was no activity in Level 2 and Level 3 investments.

Commingled funds are reported at fair value as reported by the fund managers based on discounted cash flows, estimated market values, and other unobservable inputs. The commingled funds report fair value using a calculated NAV. There are no redemption limitations, except as noted below, or unfunded commitments at December 31, 2023.

Commingled Fund	Redemption	Redemption Notice Period	Redemption Availability
U.S. fixed income commingled funds	Any business day of each month	2 business days prior to trade date	Within 2 business days after trade date (subject to liquidity limitations)

## Marin Healthcare District Notes to Financial Statements

### Note 4 – Capital Assets

The following is a summary of changes in capital assets during the years ended December 31, 2023 and 2022:

	Life (Years)	Balance January 1, 2023	Additions	Deletions	Transfers	Balance December 31, 2023
<b>Nondepreciable</b>						
Land	N/A	\$ 865,701	\$ -	\$ -	\$ -	\$ 865,701
Total nondepreciable		865,701	-	-	-	865,701
<b>Depreciable</b>						
Hospital buildings	40	470,305,916	4,873	-	-	470,310,789
Equipment	3 to 20	18,784,416	-	-	-	18,784,416
Leasehold improvements	40	1,377,895	-	-	-	1,377,895
Total depreciable		490,468,227	4,873	-	-	490,473,100
<b>Accumulated depreciation</b>						
Hospital buildings	N/A	(53,221,787)	(11,879,532)	-	-	(65,101,319)
Equipment	N/A	(18,784,416)	-	-	-	(18,784,416)
Leasehold improvements	N/A	(1,377,895)	-	-	-	(1,377,895)
Total accumulated depreciation		(73,384,098)	(11,879,532)	-	-	(85,263,630)
Total depreciable, net		417,084,129	(11,874,659)	-	-	405,209,470
Total capital assets, net		\$ 417,949,830	\$ (11,874,659)	\$ -	\$ -	\$ 406,075,171
<b>2022</b>						
	Life (Years)	Balance January 1, 2022	Additions	Deletions	Transfers	Balance December 31, 2022
<b>Nondepreciable</b>						
Land	N/A	\$ 865,701	\$ -	\$ -	\$ -	\$ 865,701
Total nondepreciable		865,701	-	-	-	865,701
<b>Depreciable</b>						
Hospital buildings	40	470,305,916	-	-	-	470,305,916
Equipment	3 to 20	18,784,416	-	-	-	18,784,416
Leasehold improvements	40	1,377,895	-	-	-	1,377,895
Total depreciable		490,468,227	-	-	-	490,468,227
<b>Accumulated depreciation</b>						
Hospital buildings	N/A	(41,333,905)	(11,887,882)	-	-	(53,221,787)
Equipment	N/A	(18,784,416)	-	-	-	(18,784,416)
Leasehold improvements	N/A	(1,377,895)	-	-	-	(1,377,895)
Total accumulated depreciation		(61,496,216)	(11,887,882)	-	-	(73,384,098)
Total depreciable, net		428,972,011	(11,887,882)	-	-	417,084,129
Total capital assets, net		\$ 429,837,712	\$ (11,887,882)	\$ -	\$ -	\$ 417,949,830

Depreciation expense of capital assets was \$11,879,532 and \$11,887,882 for the years ended December 31, 2023 and 2022, respectively.

## Marin Healthcare District Notes to Financial Statements

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### Note 5 – Lease of Marin Healthcare District Facility

The District is a lessor for a noncancellable lease. Effective December 1, 1985, the District leased the Hospital Facility to MHMC for a term of 30 years pursuant to Section 32126 of the Local Hospital District Law. The lease matured on December 1, 2015, and a new lease was executed in August 2014 with an effective date of December 2, 2015, for a term of 30 years. The base rent is \$500,000 annually, plus an annual Consumer Price Index (“CPI”) increase. Additional rent is conditional on MHMC achieving certain financial benchmarks.

**Lease receivable** – The District’s lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the District may receive variable lease payments that are dependent upon changes in CPI. The variable payments are recorded as an inflow of resources in the period the payment is received. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflows of resources are amortized on an effective interest method basis over the term of the lease.

The future principal and interest lease receipts as of December 31, 2023 are as follows:

<u>Years Ending December 31</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2024	\$ 450,697	\$ 491,110	\$ 941,807
2025	450,697	483,178	933,875
2026	450,697	474,270	924,967
2027	450,697	464,332	915,029
2028	450,697	453,302	903,999
Thereafter	<u>7,661,855</u>	<u>4,601,962</u>	<u>12,263,817</u>
	<u>\$ 9,915,340</u>	<u>\$ 6,968,154</u>	<u>\$ 16,883,494</u>

### Note 6 – Bonds Payable

On November 10, 2015, the District issued \$157,385,000 of Marin Healthcare District General Obligation Bonds, Election of 2013, Series 2015A, and \$12,615,000 of Marin Healthcare District General Obligation Bonds, Election of 2013, Series 2015B. The 2015A and 2015B bonds bear interest at rates of 2.00% to 5.00% and 0.40%, respectively. Interest on the bonds will accrue from the date of delivery and is payable semiannually on February 1 and August 1 each year, commencing on February 1, 2016. Principal amounts will be paid on August 1.

On September 7, 2017, the District issued \$224,000,000 of Marin Healthcare District General Obligation Bonds, Election of 2013, Series 2017A. The 2017A bonds bear interest at rates of 2.00% to 5.00%. Interest on the bonds will accrue from the date of delivery and is payable semiannually on February 1 and August 1 each year, commencing on February 1, 2018. Principal amounts will be paid on August 1.

## Marin Healthcare District Notes to Financial Statements

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The bonds were authorized at an election held in the District on November 5, 2013, at which more than two-thirds of the qualified electors voting on the proposition voted to authorize the issuance and sale of up to \$394,000,000 principal amount of general obligation bonds of the District ("Measure F"). The bond proceeds are authorized to be used to make seismic upgrades to MHMC to meet stricter California earthquake standards; to expand and enhance emergency and other medical facilities; to provide the latest lifesaving medical facilities for treatment of heart, stroke, and other diseases; to reduce emergency room wait times; to improve MHMC and related facilities with new construction, acquisitions, and renovations; and to pay all necessary legal, financial, engineering, and contingent costs in connection therewith.

The Series 2015A Bonds maturing on or before August 1, 2025, are not subject to redemption prior to their respective stated maturity dates. The Series 2015A Bonds maturing on or after August 1, 2026, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of funds, in whole or in part, on August 1, 2025, or on any date thereafter at par amount thereof, without premium, together with interest accrued thereon to the date of redemption. The Series 2015A Bonds maturing on August 1, 2040, and on August 1, 2045, shall be subject to redemption prior to maturity, without a redemption premium, in part by lot, from mandatory sinking fund payments, beginning August 1, 2036, and August 1, 2041, respectively. The Series 2015B Bonds are not subject to redemption prior to maturity.

The Series 2017A Bonds maturing on or before August 1, 2027, are not subject to redemption prior to their respective stated maturity dates. The Series 2017A Bonds maturing on or after August 1, 2028, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of funds, in whole or in part, on August 1, 2027, or on any date thereafter at par amount thereof, without premium, together with interest accrued thereon to the date of redemption. The 2017A Bonds maturing on August 1, 2037, August 1, 2041, and August 1, 2047, shall be subject to redemption prior to maturity, without a redemption premium, in part by lot, from mandatory sinking fund payments, beginning August 1, 2035, August 1, 2038, and August 1, 2042, respectively.

The District incurred interest costs related to the General Obligation Bonds of \$14,262,757 and \$14,290,575 for the years ended December 31, 2023 and 2022, respectively.

The general obligation bonds represent the general obligation of the District. The Board of Supervisors of the County has the power and is obligated to cause annual ad valorem taxes to be levied upon all property within the District, subject to taxation by the District, and collected by the County for payment, when due, of the principal and interest on the bonds.

The activity for bonds payable for the years ended December 31, 2023 and 2022, was as follows:

	Outstanding January 1, 2023	Issued	Matured / Redeemed During Year	Outstanding December 31, 2023	Due Within One Year
General obligation bonds					
Series 2015 bonds	\$ 153,440,000	\$ -	\$ (955,000)	\$ 152,485,000	\$ 1,250,000
Series 2017 bonds	211,305,000	-	-	211,305,000	-
Plus					
Series 2015 premium	6,574,036	-	(296,574)	6,277,462	-
Series 2017 premium	16,033,180	-	(679,852)	15,353,328	-
Total	<u>\$ 387,352,216</u>	<u>\$ -</u>	<u>\$ (1,931,426)</u>	<u>\$ 385,420,790</u>	<u>\$ 1,250,000</u>

## Marin Healthcare District Notes to Financial Statements

	Outstanding January 1, 2022	Issued	Matured / Redeemed During Year	Outstanding December 31, 2022	Due Within One Year
General obligation bonds					
Series 2015 bonds	\$ 154,120,000	\$ -	\$ (680,000)	\$ 153,440,000	\$ 955,000
Series 2017 bonds	211,305,000	-	-	211,305,000	-
Plus					
Series 2015 premium	6,870,610	-	(296,574)	6,574,036	-
Series 2017 premium	16,713,032	-	(679,852)	16,033,180	-
Total	<u>\$ 389,008,642</u>	<u>\$ -</u>	<u>\$ (1,656,426)</u>	<u>\$ 387,352,216</u>	<u>\$ 955,000</u>

A summary of debt service requirements for the next five years and to maturity as of December 31, 2023, is as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 1,250,000	\$ 15,216,900
2025	1,570,000	15,166,900
2026	2,210,000	15,104,100
2027	3,005,000	14,999,500
2028	3,855,000	14,870,550
2029–2033	34,750,000	70,720,700
2034–2038	68,295,000	60,025,700
2039–2043	113,965,000	42,164,250
2044–2047	134,890,000	14,039,600
	<u>\$ 363,790,000</u>	<u>\$ 262,308,200</u>

### Note 7 – Commitments and Contingencies

**Compliance with the Hospital Facilities Seismic Upgrade Act** – The District has assumed responsibility for compliance with the Hospital Facilities Seismic Upgrade Act (“SB 1953”) classification SPC2 and through Hazus 2010. The District has received an extension to 2030.

**Regulatory environment** – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations is subject to periodic government review, interpretation, and audits, as well as regulatory actions unknown and unasserted at this time.

**Litigation** – The District is party to various claims and legal actions in the normal course of business. In the opinion of management, the District has substantial meritorious defenses to pending or threatened litigation and, based upon current facts and circumstances, the resolution of these matters is not expected to have a material adverse effect on the District’s financial statements.

## Marin Healthcare District Notes to Financial Statements

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### Note 8 – Property Taxes

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Taxes are levied annually on approximately October 1 based upon assessed property values as of January 1 of the preceding year. Assessed values are established by the county assessor at 100% of fair market value. Taxes are due in two equal installments on December 10 and April 10. Collections are distributed as collected to the District by the county treasurer.

The District is permitted by law to levy up to 1% of assessed property values for general district purposes. The District may also levy taxes at a lower rate. Further amounts of tax need to be authorized by the vote of the people.

For 2023 and 2022, the District did not have a regular tax levy. There is a voter-approved tax levy for service of the general obligation bonds. For 2023 and 2022, the tax levy for bond service was \$17,233,224 and \$16,395,037, respectively.

Property taxes are recorded as receivables when levied. Because state law allows for sale of property for failure to pay taxes, no estimate of uncollectible taxes is made.

**Tab 4**





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*Communications with The Board of Directors*

**Marin Healthcare District**

*December 31, 2023 and 2022*

## Communications with The Board of Directors

To the Board of Directors  
Marin Healthcare District

We have audited the financial statements of Marin Healthcare District (the "District") as of and for the years ended December 31, 2023, and have issued our report thereon dated June XX, 2024. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under Auditing Standards Generally Accepted in the United States of America**

As stated in our engagement letter dated January 25, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with United States of America generally accepted accounting principles and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Purpose Districts. Our audit of the financial statements does not relieve you or management of your responsibilities.

We conducted our audit in accordance with *Government Auditing Standards* and auditing standards generally accepted in the United States of America ("U.S. GAAS"). As part of an audit conducted in accordance with U.S. GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we considered the District's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

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

The required supplementary information was subject to 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.

## **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in the engagement letter dated January 25, 2024, and in our planning communication letter dated November 14, 2023.

## **Significant Audit Findings and Issues**

### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and there were no changes in the application of existing policies during 2023. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### ***Significant Accounting Estimates***

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

- Management's estimate of the useful lives of capital assets based on the intended use. We have evaluated the key factors and assumptions used by management and determined that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the fair market value of the investments is based on a valuation report obtained from a third party. We have evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the incremental borrowing rate used to calculate the lease receivable and deferred inflows of resources – lease in determining that it is reasonable in relation to the financial statements taken as a whole.

### ***Financial Statement Disclosures***

The disclosures in the financial statements are consistent, clear, and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Commitments and Contingencies – Information regarding the District's commitments and contingencies are provided in Note 7 to the financial statements.
- Property Taxes – Information regarding the District's property taxes are provided in Note 9 to the financial statements.

- Bonds Payable – Information regarding the District’s issued bonds are provided in Note 6 to the financial statements.

***Significant Unusual Transactions***

We encountered no significant unusual transactions during our audit of the District’s financial statements.

***Significant Difficulties Encountered in Performing the Audit***

Professional standards require us to inform you of any significant difficulties encountered in performing the audit. No significant difficulties were encountered during our audit of the District’s financial statements.

***Disagreements with Management***

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

***Circumstances that Affect the Form and Content of the Auditor’s Report***

There may be circumstances in which we would consider it necessary to include additional information in the auditor’s report in accordance with U.S. GAAS. There were no circumstances that affected the form and content of the auditor’s report.

***Corrected and Uncorrected Misstatements***

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

There were no material corrected misstatements. There were no uncorrected misstatements.

***Management Representations***

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

***Management Consultation with Other Independent Accountants***

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

***Other Significant Audit Findings or Issues***

We are required to communicate to you other findings or issues arising from the audit that are, in our professional judgment, significant and relevant to your oversight of the financial reporting process. There were no such items identified.

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

Rancho Cordova, California

June XX, 2024

**Tab 5**



**To: MHD Finance and Audit Committee**  
**From: Eric Brettner, CFO** *EB*  
**Re: April 2024 Financial Report**  
**Date: May 15, 2024**

**I. General Comments**

These financial statements contain, in summary format, the balance sheet and income statement.

**II. Income Statement and Budget**

The District's net operating loss for the month was \$76,600 which was unfavorable to budget by \$79,599. The unfavorable variance is driven by lower than expected investment earnings. Rental revenue from the hospital lease was \$53,913 in April. Investment earnings were comprised of \$11,719 dividend and interest income as well as \$11,893 of realized loss and a \$90,459 decrease in the value of investments. The District incurred total operating expenses of \$39,880 which was favorable to budget by \$26,913. The favorable variance was due to lower than budgeted legal fees and election expenses. Depreciation expense was \$989,896 in April. Bond Related Revenues and Expenses included \$1,278,728 of accrued tax revenues less bond fund earnings, and \$1,186,706 of bond interest expense.

**III. Balance Sheet**

**Assets**

Cash at April 30, 2024 of \$967,800 increased by \$9,877. The increase was due to rent revenue deposit offset by intercompany payments to related parties for program support. Investment account balances of \$3,626,330 decreased by \$90,672 from the prior month. Tax revenue receivables are \$3,631,250 and represent amounts due from the County of Marin. \$6,591,700 of tax payments were received in April. The payments received from the County are deposited directly into the bond fund accounts.

The tax payments received from the County, together with the balance of the proceeds from the bonds issued in November 2015 and September 2017, net of issuance costs, are reflected in the account "Assets Limited to Use – Interest & Sinking Funds". These funds total \$11,232,456 at April 30, 2024 to be used for bond principal and interest payments.



**Liabilities and Net Assets**

Interest payable of \$3,804,225 increased by \$1,268,075 from the prior month due to the accrual of interest. Accrued expenses of \$37,031 are primarily comprised of accruals for audit fees and legal fees.

Related party payables of \$23,689 include \$25,581 due to the Hospital for community education and \$1,892 due from the Network for bank fees.

Bonds payable are separated into current (principal due within one year) and non-current (due in greater than one year). The current payable amount of \$1,250,000 is due in August 2024. Bond Premium represents payments by bond purchasers greater than the face amount of the bond because the stated interest rate of the bonds was higher than the market rate at the date of issuance. The premium is amortized over the life of the bonds as a reduction to interest expense. The net assets of the District are \$33,418,996.



Marin Healthcare District  
Balance Sheet  
April 30, 2024

Assets	4/30/2024	3/31/2024	Change	12/31/2023
<b>Current Assets</b>				
Cash	967,800	957,923	9,877	867,658
Investment	3,626,330	3,717,002	(90,672)	3,690,043
Tax Revenues Receivable	3,631,250	8,964,508	(5,333,258)	5,369,725
Prepaid Expenses	-	-	-	-
<b>Total Current Assets</b>	<b>8,225,380</b>	<b>13,639,433</b>	<b>(5,414,053)</b>	<b>9,927,426</b>
Property, plant, and equipment, net	383,169,015	384,076,439	(907,424)	386,798,711
Parking Garage, net	18,946,570	19,029,043	(82,473)	19,276,460
Assets Limited To Use - Interest & Sinking Funds	11,232,456	4,620,470	6,611,986	11,946,664
Lease Receivable	11,136,137	11,136,137	-	11,136,137
Deposits & Retainers	36,000	36,000	-	36,000
<b>Total Non-Current Assets</b>	<b>424,520,178</b>	<b>418,898,089</b>	<b>5,622,089</b>	<b>429,193,972</b>
<b>Total Assets</b>	<b>432,745,558</b>	<b>432,537,522</b>	<b>208,036</b>	<b>439,121,398</b>
<b>Liabilities and Net assets</b>				
<b>Current Liabilities</b>				
Accounts Payable	266	17,447	(17,181)	735
Interest Payable	3,804,225	2,536,150	1,268,075	6,340,375
Accrued Expenses	37,031	34,877	2,154	28,175
Deferred Lease Inflows	10,366,037	10,366,037	-	10,366,037
Related Party Payables	23,689	12,858	10,831	(691)
Current Bond Maturities	1,250,000	1,250,000	-	1,250,000
<b>Total Current Liabilities</b>	<b>15,481,248</b>	<b>14,217,369</b>	<b>1,263,879</b>	<b>17,984,631</b>
Bonds Payable	362,540,000	362,540,000	-	362,540,000
Bond Premium	21,305,314	21,386,683	(81,369)	21,630,790
<b>Total Liabilities</b>	<b>399,326,562</b>	<b>398,144,052</b>	<b>1,182,510</b>	<b>402,155,421</b>
<b>Net Assets</b>				
Net Assets	36,965,977	36,965,977	-	46,565,238
Net (Loss)/Income	(3,546,981)	(2,572,507)	(974,474)	(9,599,261)
<b>Total Net Assets</b>	<b>33,418,996</b>	<b>34,393,470</b>	<b>(974,474)</b>	<b>36,965,977</b>
<b>Total Liabilities and Net Assets</b>	<b>432,745,558</b>	<b>432,537,522</b>	<b>208,036</b>	<b>439,121,398</b>

Marin Healthcare District  
Income Statement - Actual vs. Budget  
April 30, 2024

	4/30/2024			Year-to-Date		
	Actual	Budget	Variance	Actual	Budget	Variance
Rental Revenue	53,913	54,817	(904)	215,653	219,269	(3,616)
Investment Earnings	(90,633)	14,975	(105,608)	(59,927)	59,899	(119,826)
<b>Total Income</b>	<b>(36,720)</b>	<b>69,792</b>	<b>(106,512)</b>	<b>155,726</b>	<b>279,168</b>	<b>(123,442)</b>
Legal Fees	992	4,167	3,175	2,175	16,667	14,492
Accounting Fees	2,292	2,292	-	9,167	9,167	-
Board Compensation	630	1,167	537	3,360	4,667	1,307
Board Expenses	-	1,667	1,667	641	6,667	6,026
Consulting Fees	-	-	-	-	-	-
Election Expenses	-	16,667	16,667	-	66,667	66,667
Charitable Contributions	-	1,333	1,333	-	5,333	5,333
Community Education	10,000	12,083	2,083	32,858	48,333	15,475
Dues	966	1,000	34	3,862	4,000	138
Advertising	-	1,417	1,417	-	5,667	5,667
MHMC Program Support	16,667	16,667	-	66,667	66,667	-
MHMN Program Support	8,333	8,333	-	33,333	33,333	-
<b>Total Expense</b>	<b>39,880</b>	<b>66,793</b>	<b>26,913</b>	<b>152,063</b>	<b>267,168</b>	<b>115,105</b>
<b>Net Operating Income (Loss) Before Depreciation, Bond Related Revenue and Expense, and Other Non Operating Expenses</b>	<b>(76,600)</b>	<b>2,999</b>	<b>(79,599)</b>	<b>3,663</b>	<b>12,000</b>	<b>(8,337)</b>
Depreciation Expense	989,896	989,898	2	3,959,586	3,959,591	5
<b>Net Operating Income (Loss) Before Bond Related Revenue and Expense and Other Non Operating Expenses</b>	<b>(1,066,496)</b>	<b>(986,899)</b>	<b>(79,597)</b>	<b>(3,955,923)</b>	<b>(3,947,591)</b>	<b>(8,332)</b>
<b>Bond-Related Revenue(Expense)</b>						
Tax Revenue	1,258,442	1,258,442	-	5,033,769	5,033,769	-
Bond Fund Earnings	20,286	5,521	14,765	121,998	22,086	99,912
Bond Interest Expense	(1,186,706)	(1,184,970)	(1,736)	(4,746,825)	(4,739,881)	(6,944)
<b>Net Income (Loss)</b>	<b>(974,474)</b>	<b>(907,906)</b>	<b>(66,568)</b>	<b>(3,546,981)</b>	<b>(3,631,617)</b>	<b>84,636</b>