



*Report of Independent Auditors and
Financial Statements*

Marin Healthcare District

December 31, 2019 and 2018

Table of Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS	1
REPORT OF INDEPENDENT AUDITORS	7
FINANCIAL STATEMENTS	
Statements of Net Position.....	10
Statements of Revenues, Expenses, and Changes in Net Position.....	11
Statements of Cash Flows	12
Notes to Financial Statements	14

Management's Discussion and Analysis

Marin Healthcare District Management's Discussion and Analysis For the Years Ended December 31, 2019 and 2018

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, 2019 and 2018. 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 is 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 Flow

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
For the Years Ended December 31, 2019 and 2018

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,		
	2019	2018	2017
Current and other assets	\$ 62,444,589	\$ 189,772,393	\$ 286,030,967
Capital assets, net of accumulated depreciation	441,531,179	313,704,244	191,722,405
Total assets	\$ 503,975,768	\$ 503,476,637	\$ 477,753,372
Current portion of bond payable	\$ 190,000	\$ 6,645,000	\$ 6,050,000
Other current liabilities	53,687,121	55,846,433	34,393,091
Bond payable, net of current portion	391,391,492	392,557,917	400,179,342
Long-term debt and other long-term liabilities	-	9,333	39,635
Total liabilities	445,268,613	455,058,683	440,662,068
Net position			
Net investment in capital assets	56,305,759	45,371,757	32,754,311
Unrestricted	2,401,396	3,046,197	4,336,993
Total net position	58,707,155	48,417,954	37,091,304
Total liabilities and net position	\$ 503,975,768	\$ 503,476,637	\$ 477,753,372

Total assets increased by 0.1% or \$441,673 as of December 31, 2019, compared to December 31, 2018, primarily due to capital asset additions. Total assets increased by 5% or \$25,723,265 as of December 31, 2018, compared to December 31, 2017, primarily as a result of expenditures for construction costs related to the hospital facility.

Liabilities decreased by 2% or \$9,847,528 as of December 31, 2019, compared to December 31, 2018, as a result of \$6,645,000 in bond payments and the absorption of notes payables by Marin Health Medical Center (MHMC) from the healthcare Clinics (Clinics) transfer of operations. Liabilities increased by 3% or \$14,396,615 as of December 31, 2018, compared to December 31, 2017, as a result of the payment on the bonds and construction costs related to the hospital facility.

The overall changes to net position is an increase of \$10,289,201, resulting in a December 31, 2019, balance of \$58,707,155. An unrestricted net position of \$2,401,396 exists for the year ended December 31, 2019, as a result of resources in excess of net investments in capital assets.

**Marin Healthcare District
Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018**

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues	\$ 531,124	\$ 25,521,423	\$ 23,073,923
Operating expenses	<u>1,764,623</u>	<u>42,188,820</u>	<u>35,648,816</u>
Operating loss	<u>(1,233,499)</u>	<u>(16,667,397)</u>	<u>(12,574,893)</u>
Support from MHMC	-	15,412,259	11,401,720
Bond issuance costs	-	(1,884)	(583,641)
Tax revenue	11,647,284	12,574,707	13,012,474
Interest expense	-	(339)	(652)
Other revenue	<u>160,244</u>	<u>9,304</u>	<u>68,877</u>
Total nonoperating revenues, net	<u>11,807,528</u>	<u>27,994,047</u>	<u>23,898,778</u>
Gain on sale of Clinics assets	770,096	-	-
Transfer of payment for sale of Clinics assets to MHMC	<u>(1,054,924)</u>	<u>-</u>	<u>-</u>
Total special and extraordinary items	<u>(284,828)</u>	<u>-</u>	<u>-</u>
Increase in net position	<u>\$ 10,289,201</u>	<u>\$ 11,326,650</u>	<u>\$ 11,323,885</u>

Operating Revenues and Expenses

For the year ending December 31, 2019, the operating loss is primarily due to the depreciation and amortization incurred by the District. For years ending December 31, 2018 and 2017, operating losses were primarily due to the losses incurred from the 1206(b) clinics. The 1206(b) clinic operating deficits were funded by MHMC.

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. For years ending December 31, 2018 and 2017, under terms of an agreement with the District, MHMC provided support to the District equal to the losses incurred by the 1206(b) Clinics.

**Marin Healthcare District
Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018**

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The Hospital Facilities Seismic Upgrade Act (SB 1953)

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

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.

**Marin Healthcare District
Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018**

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, 2019 is presented below.

	DECEMBER 31, 2019	
	Actual	Budget
Operating revenues	\$ 531,124	\$ 532,167
Operating expenses	<u>1,764,623</u>	<u>1,875,153</u>
Operating loss	<u>(1,233,499)</u>	<u>(1,342,986)</u>
Tax revenue	11,647,284	13,155,000
Gain on sale of Clinics assets	770,096	-
Transfer of payment for sale of Clinic assets to MHMC	(1,054,924)	-
Other revenue	<u>160,244</u>	<u>3,000</u>
Nonoperating revenues	<u>11,522,700</u>	<u>13,158,000</u>
Change in net position	<u>\$ 10,289,201</u>	<u>\$ 11,815,014</u>

The budget above is a combination of the budget for the operations of the 1206(b) clinics and the budget for the operations of the District, which includes bond-related revenue and expenses.

Operating revenues – Effective January 1, 2019, operating revenues are solely comprised of rental revenue earned from MHMC and were in deficit of budget by \$1,043.

Operating expenses –The District conducts programs such as community healthcare education and support for hospital programs. The District's operating expenses were \$110,530 under budget.

Other revenue – The District earned interest income from the accounts in which the investments are held, and notes receivable.

CAPITAL ASSETS

As of December 31, 2019, the District had \$441,531,179 invested in a variety of capital assets, as reflected in the following schedule, which represent a net increase (additions less depreciation) of \$127,826,935 from December 31, 2018. The increases in year ended December 31, 2019, is the result of the construction of the new hospital facility.

**Marin Healthcare District
Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018**

	Balance at	
	December 31, 2019	December 31, 2018
Land and improvements	\$ 865,701	\$ 2,498,287
Construction in progress	412,438,343	284,914,222
Building	54,948,220	51,695,531
Equipment	18,784,416	21,138,561
Less accumulated depreciation	(45,505,501)	(46,542,357)
Capital assets, net of accumulated depreciation	\$ 441,531,179	\$ 313,704,244

Construction in progress – Expenditures continue to be made from the bond proceeds for the construction of the new hospital facility.

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

To the Board of Directors
Marin Healthcare District

Report on Financial Statements

We have audited the accompanying financial statements of Marin Healthcare District (the District), which comprise the statements of net position as of December 31, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the California Code of Regulations, Title 2, Section 1131.2, State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marin Healthcare District as of December 31, 2019, and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the District entered into an agreement on January 1, 2019, with MarinHealth Medical Network (MHMN), and University of California, San Francisco (UCSF), whereby the healthcare clinic's (Clinics) physicians rendered their services and professional service agreements under the UCSF academic license 1206(g). As part of the agreement MHMN gained control and operation of the Clinics.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 1 through 6 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, which 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.

Moss Adams LLP

Sacramento, California
May 15, 2020

Financial Statements

Marin Healthcare District
Statements of Net Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,196,243	\$ 2,080,937
Investments	3,210,664	1,058,745
Current portion of bond assets held in trust	10,164,146	19,482,872
Patient accounts receivable, net of allowance for doubtful accounts of \$0 and \$150,397 as of December 31, 2019 and 2018, respectively	-	4,426,206
Tax revenue receivable	4,212,709	5,184,260
Other receivables	-	256,894
Due from related parties	120,788	823,665
Prepaid expenses	-	253,792
Inventory	-	15,692
	<u>19,904,550</u>	<u>33,583,063</u>
Deposits	36,000	69,633
Capital assets, net of accumulated depreciation	441,531,179	313,704,244
Bond assets held in trust, net of current portion	42,504,039	155,661,870
Intangible assets, net of accumulated amortization	-	457,827
	<u>\$ 503,975,768</u>	<u>\$ 503,476,637</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 496	\$ -
Accrued expenses	28,416	3,217,913
Accrued construction costs	46,312,113	44,274,312
Accrued interest expense	6,481,604	6,481,604
Due to related parties	864,492	842,302
Current portion of notes payable	-	1,030,302
Current portion of bonds payable	190,000	6,645,000
	<u>53,877,121</u>	<u>62,491,433</u>
Notes payable, net of current portion	-	9,333
Bonds payable, net of current portion	391,391,492	392,557,917
	<u>445,268,613</u>	<u>455,058,683</u>
NET POSITION		
Net investment in capital assets	56,305,759	45,371,757
Unrestricted	2,401,396	3,046,197
	<u>58,707,155</u>	<u>48,417,954</u>
Total liabilities and net position	<u>\$ 503,975,768</u>	<u>\$ 503,476,637</u>

Marin Healthcare District
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2019 and 2018

	2019	2018
OPERATING REVENUE		
Net patient service revenue	\$ -	\$ 25,000,202
Lease income	531,124	521,221
Total operating revenues	531,124	25,521,423
OPERATING EXPENSES		
Salaries and benefits	-	31,743,335
Rent	-	3,009,900
Purchased services	275,203	3,016,434
Depreciation and amortization	1,415,652	1,569,723
Supplies	-	1,462,553
Insurance	-	158,806
Other	73,768	1,228,069
Total operating expenses	1,764,623	42,188,820
OPERATING LOSS	(1,233,499)	(16,667,397)
NONOPERATING REVENUES (EXPENSES)		
Support from MarinHealth Medical Center (MHMC)	-	15,412,259
Bond issuance costs	-	(1,884)
Tax revenue	11,647,284	12,574,707
Interest expense	-	(339)
Interest income	160,244	9,304
Total nonoperating revenues, net	11,807,528	27,994,047
SPECIAL AND EXTRAORDINARY ITEMS		
Gain on sale of healthcare clinics (Clinics) assets	770,096	-
Transfer of payment for sale of Clinics assets to MHMC	(1,054,924)	-
Total special and extraordinary items	(284,828)	-
INCREASE IN NET POSITION	10,289,201	11,326,650
NET POSITION, beginning of year	48,417,954	37,091,304
NET POSITION, end of year	\$ 58,707,155	\$ 48,417,954

Marin Healthcare District
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tenants	\$ 531,124	\$ 521,221
Receipts from patients	4,426,206	23,853,760
Payments to employees and physicians	-	(31,575,833)
Payments to suppliers and others	<u>(2,770,530)</u>	<u>(8,217,438)</u>
Net cash provided by (used in) operating activities	<u>2,186,800</u>	<u>(15,418,290)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
(Payments) proceeds from MHMC for operations	<u>(75,562)</u>	<u>14,954,811</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds on sale of Clinics assets	1,054,924	-
Purchases of capital assets	(115,595,295)	(93,991,484)
Principal payments on bonds payable	(6,645,000)	(6,050,000)
Tax revenue related to general obligation bonds	12,618,835	12,686,659
Bond issuance costs	-	(1,884)
Payment of notes payable to physicians	(4,302)	(8,361)
Transfer of payment for sale of Clinics assets to MHMC	(1,054,924)	-
Interest payments on bonds payable	(15,555,850)	(14,327,616)
Interest payments on notes payable	<u>-</u>	<u>(339)</u>
Net cash used in capital and related financing activities	<u>(125,181,612)</u>	<u>(101,693,025)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,095,601)	-
Purchase of bond assets held in trust	(19,267,009)	(529,951,527)
held in trust	144,444,363	631,523,043
Investment income, net of amounts capitalized	<u>103,927</u>	<u>14,410</u>
Net cash provided by investing activities	<u>123,185,680</u>	<u>101,585,926</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	115,306	(570,578)
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,080,937</u>	<u>2,651,515</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 2,196,243</u></u>	<u><u>\$ 2,080,937</u></u>

Marin Healthcare District
Statements of Cash Flows (Continued)
Years Ended December 31, 2019 and 2018

	2019	2018
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES		
Operating loss	\$ (1,233,499)	\$ (16,667,397)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	1,415,652	1,569,723
Provision for bad debts	-	68,159
Changes in certain assets and liabilities:		
Patient accounts receivable	4,426,206	(1,214,601)
Prepaid expenses	253,792	(29,010)
Deposits	33,633	3,000
Intangibles	457,827	-
Accounts payable	22,686	(1,488,983)
Accrued expenses	(3,189,497)	2,340,819
	\$ 2,186,800	\$ (15,418,290)
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION		
Gain on sale of healthcare clinics (Clinics) assets	\$ 770,096	\$ -

Marin Healthcare District

Notes to Financial Statements

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, plant, 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. Refer to Note 12 for additional information.

In August 2017, California Healthcare Medical Billing, Inc. (CHMB), assumed the billing and collection services for the 1206(b) Clinics of the District, which as of January 1, 2019, was assumed by MHMN.

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.

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.

New accounting standards – In April 2018, the GASB issued Statement No. 88 (GASB 88), *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings, and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of GASB 88 are effective for reporting periods beginning after June 15, 2018. There was no material impact on the District's financial statements as a result of adopting this standard.

In January 2017, the GASB issued Statement No. 84 (GASB 84), *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. GASB 84 is effective for reporting periods beginning after December 15, 2018. There was no material impact on the District's financial statements as a result of adopting this standard.

Use of estimates – The financial statements have been prepared in conformity with U.S. generally accepted accounting principles, 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 revenue, expenses, and changes in net position as other revenue. Interest of \$8,325 and \$6,737, realized and unrealized losses of \$0 and \$5,106, and realized and unrealized gains of \$151,919 and \$0 for the years ended December 31, 2019 and 2018, respectively, are included in other revenue on the statement of revenues, expenses and change in net position.

Marin Healthcare District Notes to Financial Statements

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. Realized and unrealized gains of \$2,700,797 and \$4,453,918 offset capitalized interest which is included in capital assets on the statement of net position as of December 31, 2019 and 2018, respectively.

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. No impairment was recorded for the year ended December 31, 2019 and 2018.

Asset impairment – The District also evaluates the carrying value of its long-lived assets other than capital assets for potential impairment. The evaluations address the estimated recoverability of the assets' carrying value. When events or changes in circumstances indicate that the carrying value may not be recoverable, the excess of the carrying value over the fair value is recorded as impairment. No impairment was recorded for the year ended December 31, 2019 and 2018.

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 6).

Net patient service revenue and credit concentrations – The District's patient service revenues are recognized when health care services are provided to patients at the Clinics. Net patient service revenue is reported at the estimated net realizable amount from patients, governmental programs, health maintenance, and preferred provider organizations and insurance contracts under applicable laws, regulations, and program instructions. Net realizable amounts are generally less than the District's established rates.

The District provides estimated losses on patient accounts receivable based on prior bad debt experience. No interest is charged on past due balances. Past due status is based on the date of services provided. Recoveries from previously charged-off accounts are recorded when received. Amounts written off to bad debt expense included in net patient service revenue totaled approximately \$0 and \$68,159 for the years ended December 31, 2019 and 2018, respectively. As indicated in the business segment disposal disclosure (see Note 1 and 12), the District did not operate the Clinics in 2019 or earn revenue from their operations.

Marin Healthcare District Notes to Financial Statements

The mix of gross receivables from patients and third-party payors is as follows:

	2019	2018
Medicare	0%	37%
Medi-Cal	0%	14%
Commercial	0%	30%
Self-pay	0%	10%
Other	0%	9%
	0%	100%

Operating revenues and expenses – The District’s statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from leasing the Hospital Facility to MHMC and providing health care services to patients at the Clinics (as of January 1, 2019, services were transferred to MHMN – see Note 1). 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 and to provide health care services, other than financing costs.

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.

Reclassifications – Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation. These reclassifications had no effect on the reported net position.

Marin Healthcare District

Notes to 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:

	<u>2019</u>	<u>2018</u>
Cash in bank	\$ 1,876,567	\$ 1,768,995
State of California's Local Agency Investment Fund (LAIF)	<u>319,676</u>	<u>311,942</u>
Cash and cash equivalents	<u>2,196,243</u>	<u>2,080,937</u>
Investments		
Mutual funds	<u>3,210,664</u>	<u>1,058,745</u>
Bond assets held in trust		
Money market funds	13,965,766	41,190,510
U.S. Treasury obligations	38,702,419	82,164,696
Government agency securities	<u>-</u>	<u>51,789,536</u>
	<u>52,668,185</u>	<u>175,144,742</u>
Total	<u>\$ 58,075,092</u>	<u>\$ 178,284,424</u>

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.

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, 2019 and 2018, the estimated market value of the pool (including accrued interest) was \$29,214,977 and \$28,502,802, respectively. The District's proportionate share of that value is \$319,676 and \$311,942 as of December 31, 2019 and 2018, respectively.

Mutual funds – the District's mutual funds are primarily invested in government and corporate debt, asset backed securities, and global debt. The objective of these funds is to provide steady cash flow to investors.

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 cash, money market funds, U.S. Treasury obligations, and government agency securities issued by highly rated investment companies, 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.

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, to be eligible for investment, the investments shall be rated "AAm" or "AAm-G" by S&P or better and the investment pool maintained by the county in which the District is located or other investment pools, in either case, so long as such pool is rated in one of the two highest rating categories by S&P and Moody's. As of December 31, 2019, the investments held are all considered investment grade and are rated equal to or greater than AAm or AAm-G by S&P and Moody's.

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, 2019, 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.

Marin Healthcare District

Notes to Financial Statements

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, 2019 and 2018:

2019	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	\$ 13,965,766	\$ -	\$ -	\$ 13,965,766
U.S. treasury obligations	38,702,419	-	-	38,702,419
Mutual funds				
Asset backed securities	478,021	-	-	478,021
Global debt	963,681	-	-	963,681
Govt/Corp intermediate	1,449,820	-	-	1,449,820
Corp/Pref-high yield	319,142	-	-	319,142
	<u>3,210,664</u>	<u>-</u>	<u>-</u>	<u>3,210,664</u>
Total	<u>\$ 55,878,849</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,878,849</u>

Marin Healthcare District Notes to Financial Statements

2018	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	\$ 41,190,510	\$ -	\$ -	\$ 41,190,510
U.S. treasury obligations	82,164,696	-	-	82,164,696
Mutual funds				
Asset backed securities	159,183	-	-	159,183
Global debt	319,530	-	-	319,530
Govt/Corp intermediate	470,606	-	-	470,606
Other mutual funds	109,426	-	-	109,426
	<u>1,058,745</u>	<u>-</u>	<u>-</u>	<u>1,058,745</u>
Government agency securities				
Sovereign related finance	-	51,789,536	-	51,789,536
Total	<u>\$ 124,413,951</u>	<u>\$ 51,789,536</u>	<u>\$ -</u>	<u>\$ 176,203,487</u>

During 2019 and 2018, there was no activity in Level 3 investments.

GASB Statement No. 40 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, 2019 and 2018, follows:

2019	Investment maturities (in years)			
	Fair Value	Less than 1	1 to 5	More than 5
Money market funds	\$ 13,965,766	\$ 13,965,766	\$ -	\$ -
U.S. treasury obligations	38,702,419	38,702,419	-	-
	<u>\$ 52,668,185</u>	<u>\$ 52,668,185</u>	<u>\$ -</u>	<u>\$ -</u>
Mutual funds	<u>3,210,664</u>			
	<u>\$ 55,878,849</u>			
2018	Investment maturities (in years)			
Fair Value	Less than 1	1 to 5	More than 5	
Money market funds	\$ 41,190,510	\$ 41,190,510	\$ -	\$ -
U.S. treasury obligations	82,164,696	82,164,696	-	-
Government agency securities	51,789,536	51,789,536	-	-
	<u>\$ 175,144,742</u>	<u>\$ 175,144,742</u>	<u>\$ -</u>	<u>\$ -</u>
Mutual funds	<u>1,058,745</u>			
	<u>\$ 176,203,487</u>			

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, 2019 and 2018:

	Life (Years)	Balance December 31, 2018	Additions	Deletions	Transfers	Balance December 31, 2019
Nondepreciable						
Land	N/A	\$ 865,701	\$ -	\$ -	\$ -	\$ 865,701
Construction in progress	N/A	283,039,426	129,511,725	(112,808)	-	412,438,343
Total nondepreciable		283,905,127	129,511,725	(112,808)	-	413,304,044
Depreciable						
Hospital buildings	40	53,570,325	-	-	-	53,570,325
Equipment	3 to 20	18,784,416	-	-	-	18,784,416
Leasehold improvements	40	1,377,895	-	-	-	1,377,895
1206B leasehold improvements	40	35,939	-	(35,939)	-	-
1206B Clinic equipment	3 to 20	2,572,899	-	(2,572,899)	-	-
Total depreciable		76,341,474	-	(2,608,838)	-	73,732,636
Accumulated depreciation						
Hospital buildings	N/A	(23,927,538)	(1,415,652)	-	-	(25,343,190)
Equipment	N/A	(18,784,416)	-	-	-	(18,784,416)
Leasehold improvements	N/A	(1,377,895)	-	-	-	(1,377,895)
1206B leasehold improvements	N/A	(35,941)	-	35,941	-	-
1206B Clinic equipment	N/A	(2,416,567)	-	2,416,567	-	-
Total accumulated depreciation		(46,542,357)	(1,415,652)	2,452,508	-	(45,505,501)
Total depreciable, net		29,799,117	(1,415,652)	(156,330)	-	28,227,135
Total capital assets, net		\$ 313,704,244	\$ 128,096,073	\$ (269,138)	\$ -	\$ 441,531,179

Marin Healthcare District Notes to Financial Statements

	Life (Years)	Balance December 31, 2017	Additions	Deletions	Transfers	Balance December 31, 2018
Nondepreciable						
Land	N/A	\$ 865,701	\$ -	\$ -	\$ -	\$ 865,701
Construction in progress	N/A	161,419,900	123,494,322	-	(1,874,796)	283,039,426
Total nondepreciable		162,285,601	123,494,322	-	(1,874,796)	283,905,127
Depreciable						
Hospital buildings	40	51,695,529	-	-	1,874,796	53,570,325
Equipment	3 to 20	18,784,416	-	-	-	18,784,416
Leasehold improvements	40	1,377,895	-	-	-	1,377,895
1206B leasehold improvements	40	35,939	-	-	-	35,939
1206B Clinic equipment	3 to 20	2,572,899	-	-	-	2,572,899
Total depreciable		74,466,678	-	-	1,874,796	76,341,474
Accumulated depreciation						
Hospital buildings	N/A	(22,511,886)	(1,415,652)	-	-	(23,927,538)
Equipment	N/A	(18,784,416)	-	-	-	(18,784,416)
Leasehold improvements	N/A	(1,377,895)	-	-	-	(1,377,895)
1206B leasehold improvements	N/A	(35,941)	-	-	-	(35,941)
1206B Clinic equipment	N/A	(2,319,736)	(96,831)	-	-	(2,416,567)
Total accumulated depreciation		(45,029,874)	(1,512,483)	-	-	(46,542,357)
Total depreciable, net		29,436,804	(1,512,483)	-	1,874,796	29,799,117
Total capital assets, net		\$ 191,722,405	\$ 121,981,839	\$ -	\$ -	\$ 313,704,244

Construction and other capital commitments – As of December 31, 2019 and 2018, the District spent \$412,438,343 and \$283,039,426, respectively, related to various construction and other capital projects in progress. The District estimates an additional \$25,568,886 will be required in 2020 for ongoing projects. As of December 31, 2019 and 2018, the District has outstanding commitments with contractors for approximately \$46,312,113 and \$44,274,312 related to these projects, respectively.

NOTE 5 – INTANGIBLE ASSETS

In January 2012, the District and MHMC entered into an affiliation and co-management arrangement (CMAA) with CAMSF. The District has thereupon established 1206(b) Clinics for cardiology and vascular surgery services, in conjunction with MHMC, by entering into professional services agreements (PSA) with CAMSF and Laura K. Pak, M.D., Inc., for physician services to Clinic patients. As a part of that transaction, the District acquired an outpatient diagnostic services business from CAMSF on terms described in an Asset Purchase Agreement dated January 1, 2012. The Asset Purchase Agreement provided for the District to purchase most of CAMSF practice assets (with the exception of accounts receivable) in the amount of \$1,750,000. The District acquired intangible assets as part of the acquisition of assets from CAMSF.

As indicated in the business segment disposal disclosure (see Note 1 and 12), the District did not operate the Clinics in 2019 and the intangible assets were transferred to MHMN in the Clinics sale.

Marin Healthcare District Notes to Financial Statements

The following is a summary of changes in intangible assets during the year ended December 31:

	Life (Years)	Balance December 31, 2018	Additions	Deletions	Balance December 31, 2019
Intangible assets:					
Other intangible assets	15	\$ 675,660	\$ -	\$ (675,660)	\$ -
Medical records – CAM	15	<u>182,844</u>	<u>-</u>	<u>(182,844)</u>	<u>-</u>
Total intangible assets		858,504	-	(858,504)	-
Less accumulated amortization		<u>(400,677)</u>	<u>-</u>	<u>400,677</u>	<u>-</u>
Intangibles, net of accumulated amortization		<u>\$ 457,827</u>	<u>\$ -</u>	<u>\$ (457,827)</u>	<u>\$ -</u>
	Life (Years)	Balance December 31, 2017	Additions	Deletions	Balance December 31, 2018
Intangible assets:					
Other intangible assets	15	\$ 675,660	\$ -	\$ -	\$ 675,660
Medical records – CAM	15	<u>182,844</u>	<u>-</u>	<u>-</u>	<u>182,844</u>
Total intangible assets		858,504	-	-	858,504
Less accumulated amortization		<u>(343,437)</u>	<u>(57,240)</u>	<u>-</u>	<u>(400,677)</u>
Intangibles, net of accumulated amortization		<u>\$ 515,067</u>	<u>\$ (57,240)</u>	<u>\$ -</u>	<u>\$ 457,827</u>

NOTE 6 – LEASE OF MARIN HEALTHCARE DISTRICT FACILITY

Annual rental payments – 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 commenced on December 2, 2015.

In August 2014, the new lease was executed, effective December 2, 2015. The District leased the Hospital facility to MHMC 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. The total rent received for the years ended December 31, 2019 and 2018, was \$531,124 and \$521,221, respectively.

**Marin Healthcare District
Notes to Financial Statements**

The minimum future rental income under the agreement, exclusive of any increases related to the CPI, is as follows:

<u>Years Ending December 31,</u>	
2020	\$ 500,000
2021	500,000
2022	500,000
2023	500,000
2024	500,000
Thereafter	<u>10,458,333</u>
	<u><u>\$ 12,958,333</u></u>

NOTE 7– NOTES PAYABLE AND ACQUISITION

In July 2015, in accordance with the agreement between the District and MHMC, MHMC loaned \$80,000 to cover the District’s payment to a physician who is associated with the Marin Urology Center Clinic. A portion of the loan will be forgiven each month over the five-year term of the contract with the physician. As of January 1, 2019, the balance for the note payable was transferred to MHMN as part of the sale of the Clinics.

In January 2017, in accordance with the agreement between the District and MHMC, MHMC loaned \$30,000 to cover the District’s payment to a physician who is associated with the Marin Endocrinology Group. A portion of the loan will be forgiven each month over the three-year term of the contract with the physician. As of January 1, 2019, the balance for the note payable was transferred to MHMN as part of the sale of the Clinics.

Marin Healthcare District

Notes to Financial Statements

In April 2012, MHMC loaned the District \$500,000 as an advance to fund the monthly outside billing and management services company service fee. The vendor pays the administrative overhead of the Clinics and then bills the District for reimbursement. The advance is meant to ensure that the vendor has adequate cash on hand to meet its obligations. In August 2016, the agreement was amended to increase the amount of the current advance from \$500,000 to \$1,000,000. The agreement for management services terminated in December 2017 and the vendor repaid the outstanding balance of \$1,000,000. This balance remained payable as of December 31, 2018; however, it was paid during 2019 by the District as part of the sale of the Clinics (see Note 12).

	Balance December 31, 2018	Additions	Deletions	Balance December 31, 2019	Due Within One Year
Note payable to MGH	\$ 1,035,333	\$ -	\$ (1,035,333)	\$ -	\$ -
Note payable to Olympus	4,302	-	(4,302)	-	-
	<u>\$ 1,039,635</u>	<u>\$ -</u>	<u>\$ (1,039,635)</u>	<u>\$ -</u>	<u>\$ -</u>

	Balance December 31, 2017	Additions	Deletions	Balance December 31, 2018	Due Within One Year
Note payable to MGH	\$ 1,061,333	\$ -	\$ (26,000)	\$ 1,035,333	\$ 1,026,000
Note payable to Olympus	12,663	-	(8,361)	4,302	4,302
	<u>\$ 1,073,996</u>	<u>\$ -</u>	<u>\$ (34,361)</u>	<u>\$ 1,039,635</u>	<u>\$ 1,030,302</u>

NOTE 8 – 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.

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; 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 District incurred interest costs related to the General Obligation Bonds of \$14,579,425 and \$14,683,536 for the years ended December 31, 2019 and 2018, respectively. In accordance with GASB 62, the District capitalized \$11,878,628 and \$10,229,618 in interest for the years ended December 31, 2019 and 2018, respectively, due to the ongoing construction; offset by \$2,700,797 and \$4,453,918 of investment gains for the years ended December 31, 2019 and 2018, 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.

Marin Healthcare District

Notes to Financial Statements

The activity for bonds payable for the year ended December 31, 2019 and 2018, is as follows:

	Outstanding December 31, 2018	Issued	Matured / Redeemed During Year	Outstanding December 31, 2019	Due Within One Year
General obligation bonds					
Series 2015 bonds	\$ 154,740,000	\$ -	\$ -	\$ 154,740,000	\$ 190,000
Series 2017 bonds	217,950,000	-	(6,645,000)	211,305,000	-
Plus					
Series 2015 premium	7,760,329	-	(296,573)	7,463,756	296,573
Series 2017 premium	18,752,588	-	(679,852)	18,072,736	679,852
Total	\$ 399,202,917	\$ -	\$ (7,621,425)	\$ 391,581,492	\$ 1,166,425

	Outstanding December 31, 2017	Issued	Matured / Redeemed During Year	Outstanding December 31, 2018	Due Within One Year
General obligation bonds					
Series 2015 bonds	\$ 154,740,000	\$ -	\$ -	\$ 154,740,000	\$ -
Series 2017 bonds	224,000,000	-	(6,050,000)	217,950,000	6,645,000
Plus					
Series 2015 premium	8,056,902	-	(296,573)	7,760,329	296,573
Series 2017 premium	19,432,440	-	(679,852)	18,752,588	679,852
Total	\$ 406,229,342	\$ -	\$ (7,026,425)	\$ 399,202,917	\$ 7,621,425

A summary of debt service requirements for the next five years and to maturity as of December 31, 2019 is as follows:

Years Ending December 31,	Principal	Interest
2020	\$ 190,000	\$ 15,290,050
2021	430,000	15,286,250
2022	680,000	15,275,500
2023	955,000	15,255,100
2024	1,250,000	15,216,900
2025 – 2029	15,400,000	60,141,050
2030 – 2034	40,690,000	70,720,700
2035 – 2039	76,160,000	60,025,700
2040 – 2044	125,075,000	42,164,250
2045 – 2047	105,215,000	14,039,600
Total	\$ 366,045,000	\$ 323,415,100

NOTE 9 – 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 health care 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.

NOTE 10 – RELATED-PARTY TRANSACTIONS

The District had payables of \$57,458 and \$0 due to MHMC, as of December 31, 2019 and 2018, respectively, included in the statements of net position. The District had receivables of \$0 and \$823,665 due from MHMC, as of December 31, 2019 and 2018, respectively, included in the statements of net position.

The District had payables of \$807,034 and \$842,302 due to MHMN, as of December 31, 2019 and 2018, respectively, included in the statements of net position. The District had receivables of \$120,788 and \$0 due from MHMN, as of December 31, 2019 and 2018, respectively, included in the statements of net position.

NOTE 11 – 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 2019 and 2018, the District did not have a regular tax levy. There is a voter-approved tax levy for service of the general obligation bonds. For 2019 and 2018, the tax levy for bond service was \$11,647,284 and \$12,574,707, 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.

NOTE 12 – SALE OF CLINICS ASSETS

On January 1, 2019, the District entered into a purchase and sale agreement for \$1,054,924 with MHMN for the purchase of capital assets and inventory. The sale resulted in the District recording a \$770,096 gain based upon the sale of \$269,137 in capital assets, net of accumulated depreciation and inventory of \$15,692. See Note 1 for further information in regards to MHMN assuming control of administrative and operational services of the Clinics.

Marin Healthcare District Notes to Financial Statements

Furthermore, as part of the District's lease and operating agreement of the Clinics with MHMC, the District returned \$1,000,000 in advanced funds used to operate the Clinics to MHMC. In accordance with the purchase and sale agreement proceeds of \$1,054,924 received for the Clinics capital assets and inventory was transferred to MHMC.

NOTE 13 – SUBSEQUENT EVENT

The District has evaluated subsequent events through May 15, 2020, which is the date the financial statements were available to be issued as approved by management.

Subsequent to December 31, 2019, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses and organizations, including ours. It is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on our operations and financial results at this time. The District held various investments at December 31, 2019, that have experienced a significant decline in market value through May 2020 as a result of the market's reaction to the pandemic. The District will continue to monitor the situation closely, but the market volatility and the continuing situation surrounding the pandemic is uncertain. At this time, management believes that the decline in fair value for these investments is temporary. The impact, if any, on future property tax receipts can't be determined at this time.

