

Audited Financial Statements

**MARK TWAIN
HEALTH CARE DISTRICT**

June 30, 2013

**TCA Partners, LLP
Certified Public Accountants**

Audited Financial Statements

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June 30, 2013

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Management's Discussion and Analysis

MARK TWAIN HEALTH CARE DISTRICT

June 30, 2013

The management of the Mark Twain Health Care District (the District) has prepared this annual discussion and analysis in order to provide an overview of the District's performance for the fiscal year ended June 30, 2013 in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements; Management's Discussion and Analysis for State and Local Governments*. The intent of this document is to provide additional information on the District's financial performance as a whole in addition to providing a prospective look at revenue growth, operating expenses, and capital development plans. This discussion should be reviewed in conjunction with the audited financial statements for the fiscal year ended June 30, 2013 and accompanying notes to the financial statements to enhance one's understanding of the District's financial performance.

Financial Highlights

The District's financial statements consist of three statements: balance sheet; statement of revenues, expenses, and changes in net assets; and statement of cash flows. These financial statements and related notes provide information about the activities of the District, including resources held by the District but restricted for specific purposes by contributors, grantors, or enabling legislation.

The balance sheet includes all of the District's assets and liabilities, using the accrual basis of accounting, as well as an indication about which assets can be used for general purposes and which are designated for a specific purpose.

Highlights within the balance sheet for the year are: (1) total assets increased by approximately \$1.7 million due to the \$1.7 million increase in the District's interest in Mark Twain Medical Center; and (2) other receivables decreased by approximately \$349,000 due mainly to property taxes being paid this year before year end on a timely basis, unlike in the prior year.

The statement of revenues, expenses and changes in net position reports all of the revenues earned and expenses incurred during the time period indicated. Net position (the difference between total assets and total liabilities) is one way to measure the financial health of the District.

Highlights within the statement of revenues, expenses and changes in net assets for the year are: (1) a slight decrease in revenues over expenses of approximately \$19,000 as compare to the prior year increase of \$69,000; and (2) a \$1.7 million 2013 gain in the interest in Mark Twain Medical Center due to the Hospital experiencing a better financial year than in 2012 when the interest loss of approximately \$2.1.

The statement of cash flows reports the cash provided by and used by the District's operating activities, as well as other cash sources such as investment income and cash payments for capital additions and improvements. This statement provides meaningful information on how the District's cash was generated and how it was used during the fiscal year.

Management's Discussion and Analysis (continued)

MARK TWAIN HEALTH CARE DISTRICT

Cash and Investments

For the fiscal year ended June 30, 2013, the District's operating cash and investments totaled \$2.3 million as compared to \$1.9 million in fiscal year 2012. At June 30, 2013, days cash on hand were 732 as compared to June 30, 2012 when days cash on hand were 632. The District maintains sufficient cash and cash equivalent balances to pay all short-term liabilities.

Current Assets and Liabilities

Current assets increased by \$57,016 due to an increase in cash and cash equivalents of \$395,703 and a decrease in other receivables of \$349,044 for reasons previously described. Accounts payable of the District decreased by \$3,770, only a slight difference. These changes produced a current ratio of 9.24 for June 30, 2013 as compared to 7.99 for June 30, 2012.

Capital Assets

There were slight increases in property and equipment coupled with \$139,860 in depreciation expense for the year for a net decrease in capital assets of \$129,930. There were no construction in progress projects as of June 30, 2013 or June 30, 2012.

District Revenues

The District receives approximately 65% of its operating support from property taxes. These funds are used to support operations of the District. They are classified as operating revenue as the revenue is directly linked to the operations of the District. Property taxes are levied by the County on the District's behalf during the year, and are intended to help finance the District's activities during the same year. Amounts are levied on the basis of the most current property values on record with the County. Property taxes decreased slightly for the year.

The District also rents and/or leases hospital facilities, private office for physicians and land to various entities and individuals for purposes of supplying healthcare to the residents in the surrounding area. Rental income for the year was approximately the same.

Management's Discussion and Analysis (continued)

MARK TWAIN HEALTH CARE DISTRICT

Operating Expenses

Total operating expenses were \$1,304,000 for fiscal year 2013 compared to \$1,261,000 for the prior fiscal year. The 3.4% increase is mainly due primarily to:

A \$114,000 increase in professional fees due added interim CEO for 2013 and added legal fees in 2013 as the District is continuing to restructure certain agreements with Mark Twain Medical Center.

A \$115,000 decrease in utilities due mainly to better efficiencies and negotiations with Mark Twain Medical Center as to costs covered.

A \$35,000 increase in program and event expenses as more functions took place during the year.

Economic Factors and Next Fiscal Year's Budget

The District's board approved the fiscal year ending June 30, 2014 budget at a recent 2013 Board meeting. For fiscal year 2014, the District is budget has the following assumptions:

Property taxes were budgeted at the same levels of 2013 while rents increased slightly.

Utilities were budgeted to increase by 5%.

Professional fees and other operating expenses are expected to remain fairly consistent for the year as compared to 2013.

In order to increase the public awareness of health care expenditures, the District is continuing to restructure major agreements which will change the emphasis of District expenditures as they relate to the operations of the Mark Twain Medical Center.

TCA Partners, LLP

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Report of Independent Auditors

The Board of Directors
Mark Twain Health Care District
San Andreas, California

We have audited the accompanying financial statements of the Mark Twain Health Care District, (the District) which comprise the balance sheets as of June 30, 2013 and 2012, 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 judgement, 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 we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, except for the matters discussed above, the financial statements referred to above present fairly, in all material respects, the financial position of the District at June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Supplementary Information

Management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

TCA Partners, LLP

Fresno, California
November 30, 2013

Balance Sheets

MARK TWAIN HEALTH CARE DISTRICT

	June 30	
	<u>2013</u>	<u>2012</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,333,290	\$ 1,937,587
Other receivables	146,073	495,117
Prepaid expenses and deposits	<u>16,803</u>	<u>6,446</u>
Total current assets	2,496,166	2,439,150
Property and equipment:		
Land	743,108	734,306
Land improvements	150,308	150,308
Buildings and improvements	4,478,938	4,478,938
Equipment	<u>698,156</u>	<u>698,156</u>
	6,070,510	6,061,708
Less accumulated depreciation	<u>(4,977,883)</u>	<u>(4,839,151)</u>
	1,092,627	1,222,557
Interest in Mark Twain Medical Center	19,104,121	17,351,523
Other assets	<u>27,176</u>	<u>8,819</u>
Total assets	<u>\$ 22,720,090</u>	<u>\$ 21,022,049</u>
Liabilities and Net Position		
Current liabilities:		
Accounts payable and accrued expenses	\$ 64,389	\$ 68,159
Due to Mark Twain Medical Center	<u>205,652</u>	<u>237,291</u>
Total current liabilities	270,041	305,450
Unrestricted net position	<u>22,450,049</u>	<u>20,716,599</u>
Total liabilities and net position	<u>\$ 22,720,090</u>	<u>\$ 21,022,049</u>

See accompanying notes

Statements of Revenues, Expenses and Changes in Net Position

MARK TWAIN HEALTH CARE DISTRICT

	Year Ended June 30	
	<u>2013</u>	<u>2012</u>
Revenues:		
District taxes	\$ 815,095	\$ 844,885
Rental income	459,419	462,600
Interest and other income	<u>10,092</u>	<u>22,416</u>
Total revenues, gains and losses	1,284,606	1,329,901
Expenses:		
Administrative benefits	21,330	21,330
Professional fees	190,875	76,543
Programs and events	89,592	54,763
Tenant services	42,000	42,000
Medical office building rent	198,615	193,542
Utilities and phone	549,095	664,923
Insurance	12,893	12,896
Repairs and maintenance	3,680	564
Depreciation and amortization	139,860	140,079
Other operating expenses	<u>55,810</u>	<u>54,738</u>
Total expenses	<u>1,303,750</u>	<u>1,261,378</u>
Excess of revenues over expenses	(19,144)	68,523
Nonoperating revenues (expenses):		
Gain (loss) in interest in Mark Twain Medical Center	<u>1,752,594</u>	<u>(1,369,450)</u>
Increase (decrease) in net position	1,733,450	(1,300,927)
Net position at the beginning of the year	<u>20,716,599</u>	<u>22,017,526</u>
Net position at the end of the year	<u>\$ 22,450,049</u>	<u>\$ 20,716,599</u>

See accompanying notes

Statements of Cash Flows

MARK TWAIN HEALTH CARE DISTRICT

	Year Ended June 30	
	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from district taxes	\$ 1,150,004	\$ 505,992
Cash received from rental & other activities	410,007	398,866
Cash paid for employees and benefits	(21,330)	(21,330)
Cash paid for suppliers and outside vendors	<u>(1,114,687)</u>	<u>(1,045,469)</u>
Net cash used in operating activities	423,994	(161,941)
Cash flows from financing and investing activities:		
Purchases of property and equipment	(8,803)	(3,801)
Change in other assets	(19,488)	
Interest income and other		<u>22,416</u>
Net cash provided by (used in) financing activities	<u>(28,291)</u>	<u>18,615</u>
Net increase (decrease) in cash and cash equivalents	395,703	(165,742)
Cash and cash equivalents at beginning of year	<u>1,937,587</u>	<u>2,103,329</u>
Cash and cash equivalents at end of year	<u>\$ 2,333,290</u>	<u>\$ 1,937,587</u>
 Reconciliation of changes in net assets to net cash provided by operating activities		
Excess of revenues over expenses	\$ (19,144)	\$ 68,523
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	139,860	140,079
Changes in operating assets and liabilities:		
District tax and other receivables	349,044	(351,756)
Prepaid expenses	(10,357)	3
Accounts payable and accrued expenses	(3,770)	12,497
Due to Mark Twain Medical Center	<u>(31,639)</u>	<u>(31,287)</u>
Net cash provided by operating activities	<u>\$ 423,994</u>	<u>\$ (161,941)</u>

See accompanying notes