

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

Email: info@marinhealthcare.org

BOARD OF DIRECTORS FINANCE & AUDIT COMMITTEE TUESDAY, MAY 31, 2022 @ 5:00 P.M.

Committee:

Chair: Edward Alfrey, MD

Members: Larry Bedard, MD

Leslie Lava

Staff: David Klein, MD, CEO

Eric Brettner, CFO

Support: Louis Weiner, EA

Location:

Via Zoom:

<https://mymarinhealth.zoom.us/join>

Meeting ID: 963 2103 0956

Passcode: 570950

Or via Zoom telephone: 1-669-900-9128

AGENDA

- | | | <u>TAB</u> |
|----|--|---------------------|
| 1. | Call to Order / Approval of the Agenda (action) | Alfrey |
| 2. | Approval of the Minutes of the MHD Finance & Audit Committee Meeting of March 22, 2022 (action) | Alfrey #1 |
| 3. | Public Comment
<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> | Alfrey |
| 4. | Marin Healthcare District: 2021 Report of Independent Auditors | Brettner/Moss Adams |
| | A. Audit Results Presentation | #2 |
| | B. Report of Independent Auditors and Financial Statements (action) | #3 |
| | C. Communications with Those Charged with Governance | #4 |
| 5. | Discussion of MHD Corporate Investment Portfolio | Brettner/Canterbury |
| | A. Investment Portfolio Reallocation Strategy | #5 |
| | B. Statement of Investment Policy (action) | #6 |
| 6. | District Financial Reports | Brettner |
| | A. March 2022 | #7 |
| | B. April 2022 | #8 |
| 7. | Next Meeting Date and Agenda | Alfrey/Brettner |
| 8. | Adjournment | Alfrey |

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

100-B Drakes Landing Road, Suite 250, Greenbrae, CA 94904

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Board of Directors Finance and Audit Committee Tuesday, March 22, 2022 @ 5:00 pm Via Zoom

MINUTES

1. Call to Order

Chair Alfrey called the meeting to order at 5:01 pm.

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

Committee members present: Edward Alfrey, MD (Chair); Larry Bedard, MD

Staff members present: David Klein, MD (CEO); Eric Brettner (CFO); Liz Lasnier (Controller);
Louis Weiner (EA)

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 February 22, 2022.

3. Public Comment

There was no public comment.

4. District Financial Report, February 2022

Mr. Brettner reported on the February 2022 financials (Tab #2).

February's operating loss was driven by lower than expected investment earnings and higher than budgeted expenses. Expenses included \$58,000 consulting fees for the redistricting project, \$28,777 legal fees related to hospital construction public records request, and \$12,416 charitable contributions to County Office of Education for the COVID Task Force work. All COVID-related applications to FEMA have been submitted and reimbursement status remains pending.

The balance sheet shows \$60,304 in investment losses, and \$1.4M accrued tax receivables. The final GO Bond payment to McCarthy was \$2,417,923. The GO Bonds are completely paid out and final settlement with McCarthy has been made.

5. Discussion of MHD Corporate Investment Portfolio

Mr. Brettner welcomed Mr. Debashis Chowdhury and Mr. Jason Levey of Canterbury Consulting, investment advisors to MarinHealth and MHD, who led discussion (Tab #3) of the components of the investment policy statement (IPS) and of the asset allocation framework.

Most important in the IPS is that it reflects the organization's mission, identifies key individuals and management structure, and states and sets investment objectives.

MHD corporate portfolio has been 100% fixed income bonds (high quality and intermediate duration), and the current market demands may warrant a change in portfolio structure while holding to the long-term objective. Two options for consideration include 25% or 50% in equities, while staying within liquidity, risk and time preferences. A portfolio that includes equities may present lower risk than remaining with 100% bonds. Ultimately, the portfolio's

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Board of Directors Finance and Audit Committee Tuesday, March 22, 2022 @ 5:00 pm Via Zoom

MINUTES

allocation should align with expected needs on the portfolio, keeping funds needed in the near term in fixed income or cash.

The MHD corporate portfolio of 100% bond holdings has appreciated about 3% per year since inception 6 years ago.

Dr. Klein noted that the MHD Board would have final approval of reallocation changes in the MHD corporate portfolio, and that the MHD Board is ultimately responsible for the disposition of the District's funds. The MGH Board Investment Committee works closely with Canterbury on investment strategies and actions, and would offer guidance to the MHD Board as the MHD Board articulates their needs to them.

Mr. Levey presented the draft MHD Statement of Investment Policy (Tab #4). This will be presented for approval at a later date.

The MHD corporate investment portfolio, and reallocation consideration, will be discussed by the full Board at the next regular Board meeting.

6. Next Meeting Date and Agenda

Dr. Klein said that he will ask Ms. Leslie Lava to join this committee as a community member, and Dr. Alfrey agreed. Ms. Lava was Chair of the Citizens' Bond Oversight Committee, and has withdrawn as community member of the Lease & Building Committee.

7. Adjournment

Chair Alfrey adjourned the meeting at 5:41 pm.

Tab 2

Finance & Audit Committee and Board of Directors

Marin Healthcare District



2

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, 2021.

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.

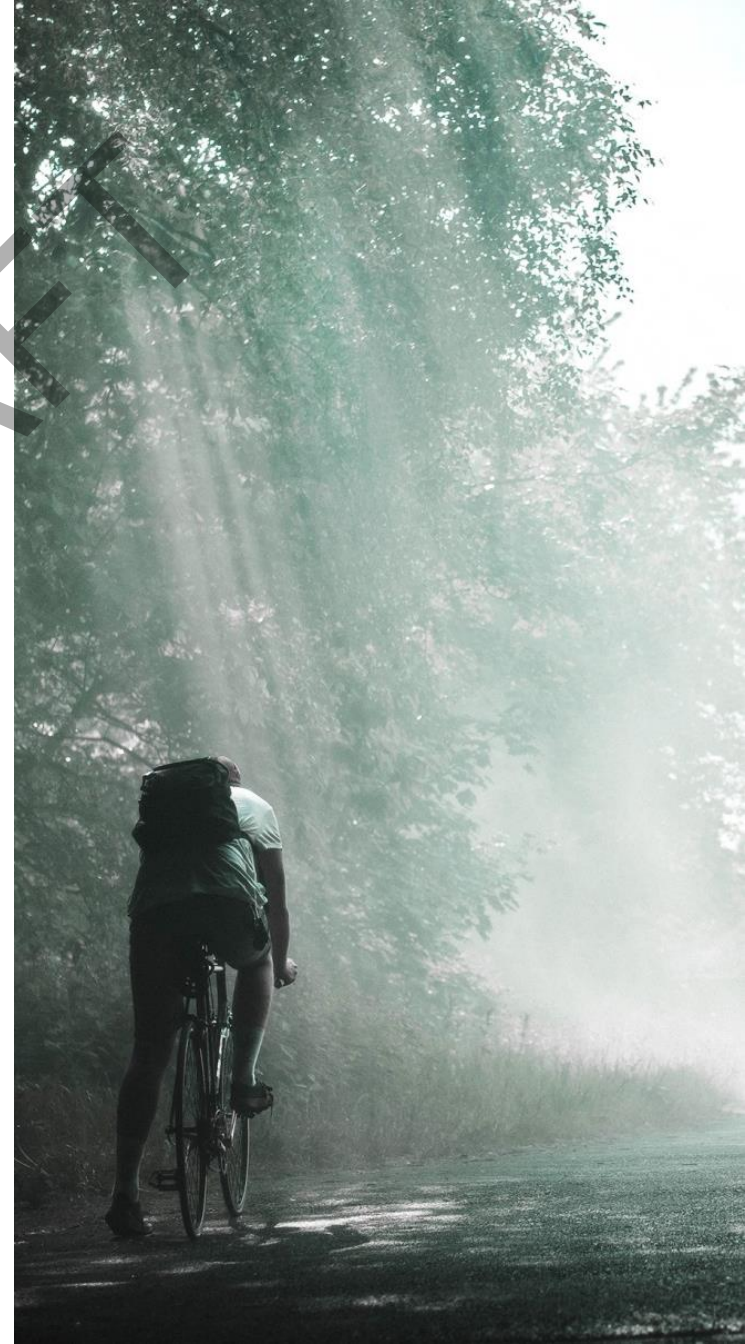
We look forward to discussing our report or any other matters of interest with you during this meeting.

Agenda

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

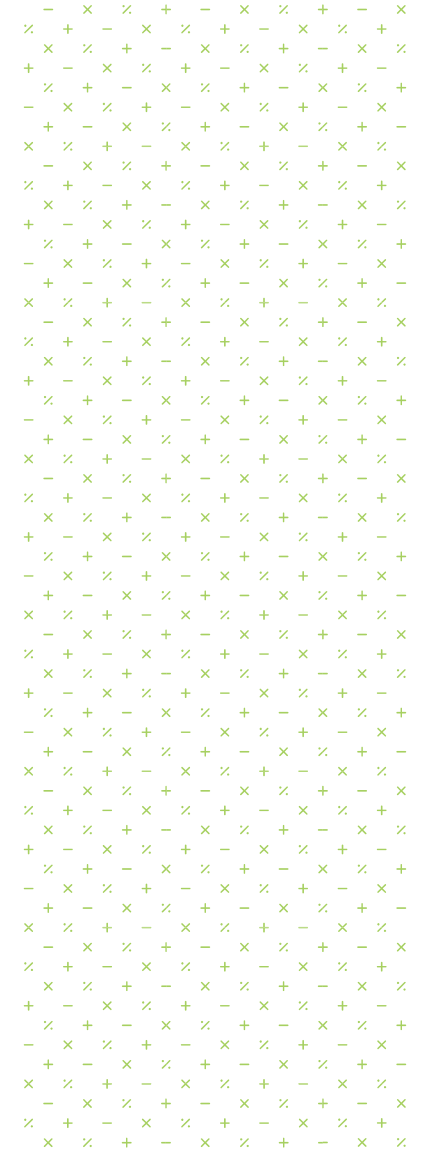


FINAL DRAFT



Auditor Opinion & Report

FINAL DRAFT



Scope of Services

We have performed the following services for the District:

- Annual financial statement audit as of and for the year ended December 31, 2021.

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

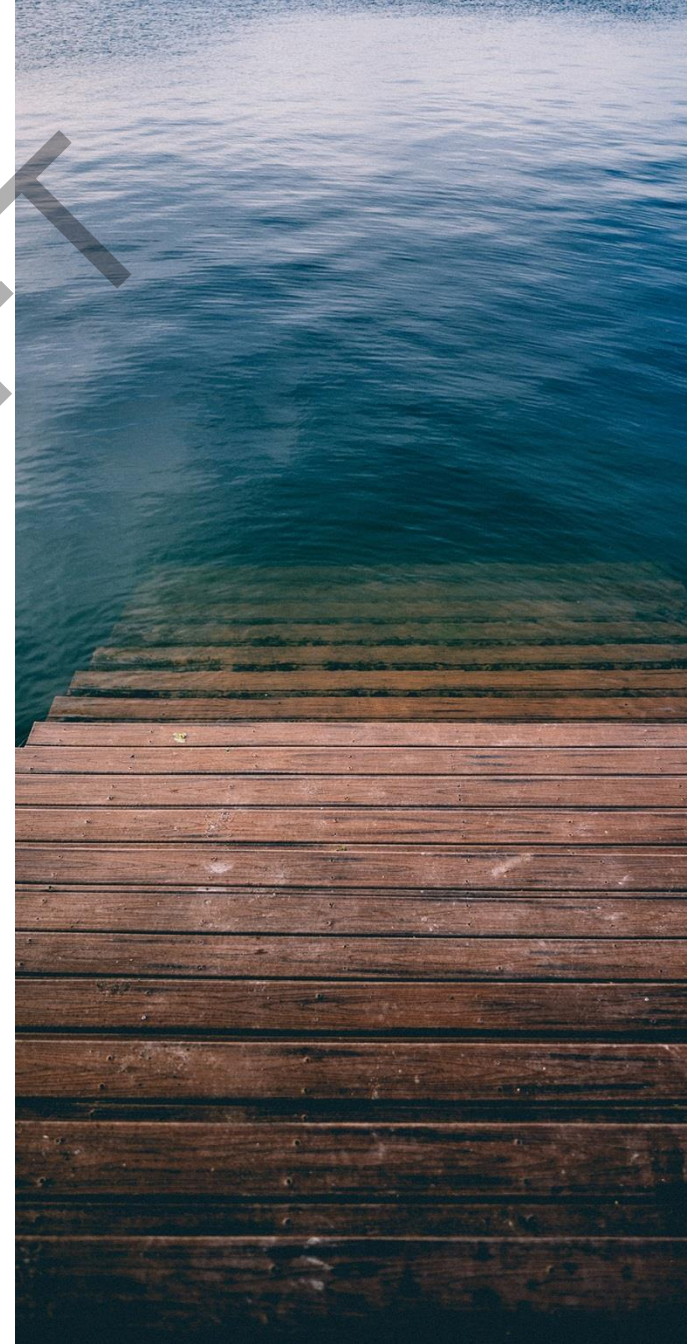
Auditor Report on the Financial Statements

Unmodified Opinion

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

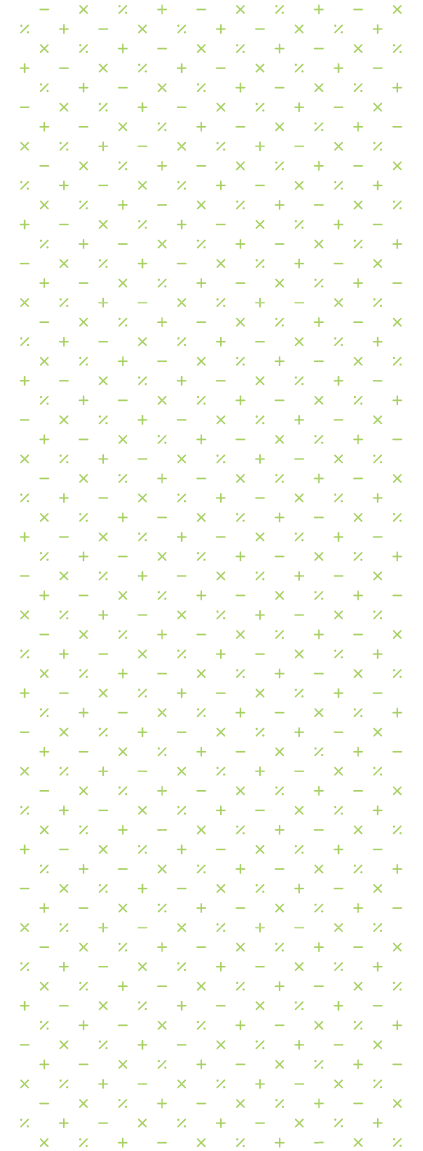


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Audit Objectives and Areas of Significant Risk

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Areas of Significant Risk

- Tax Assessment Receivables and Revenues - Cutoff
- Capital Assets
- Commitments and Contingencies
- Management Override of Control via Manual Journal Entries

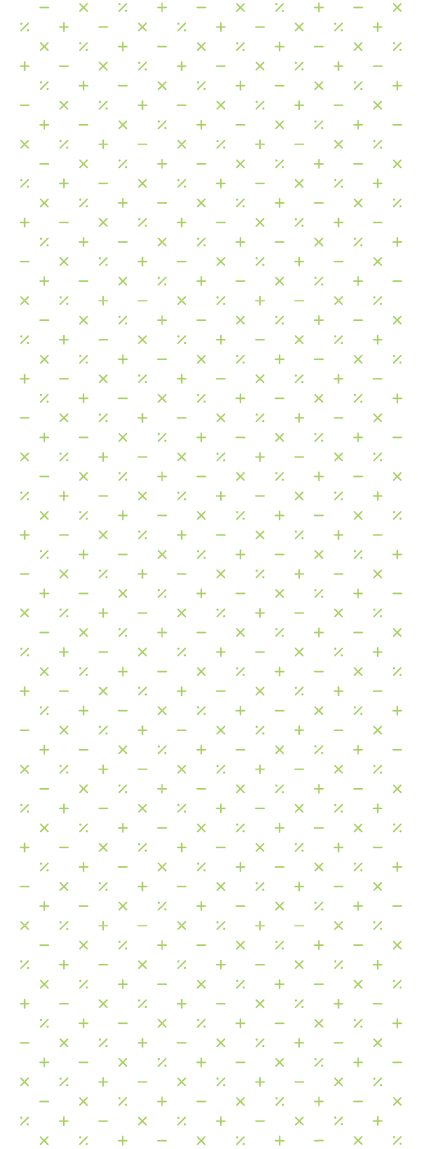


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Financial Ratios and Metrics

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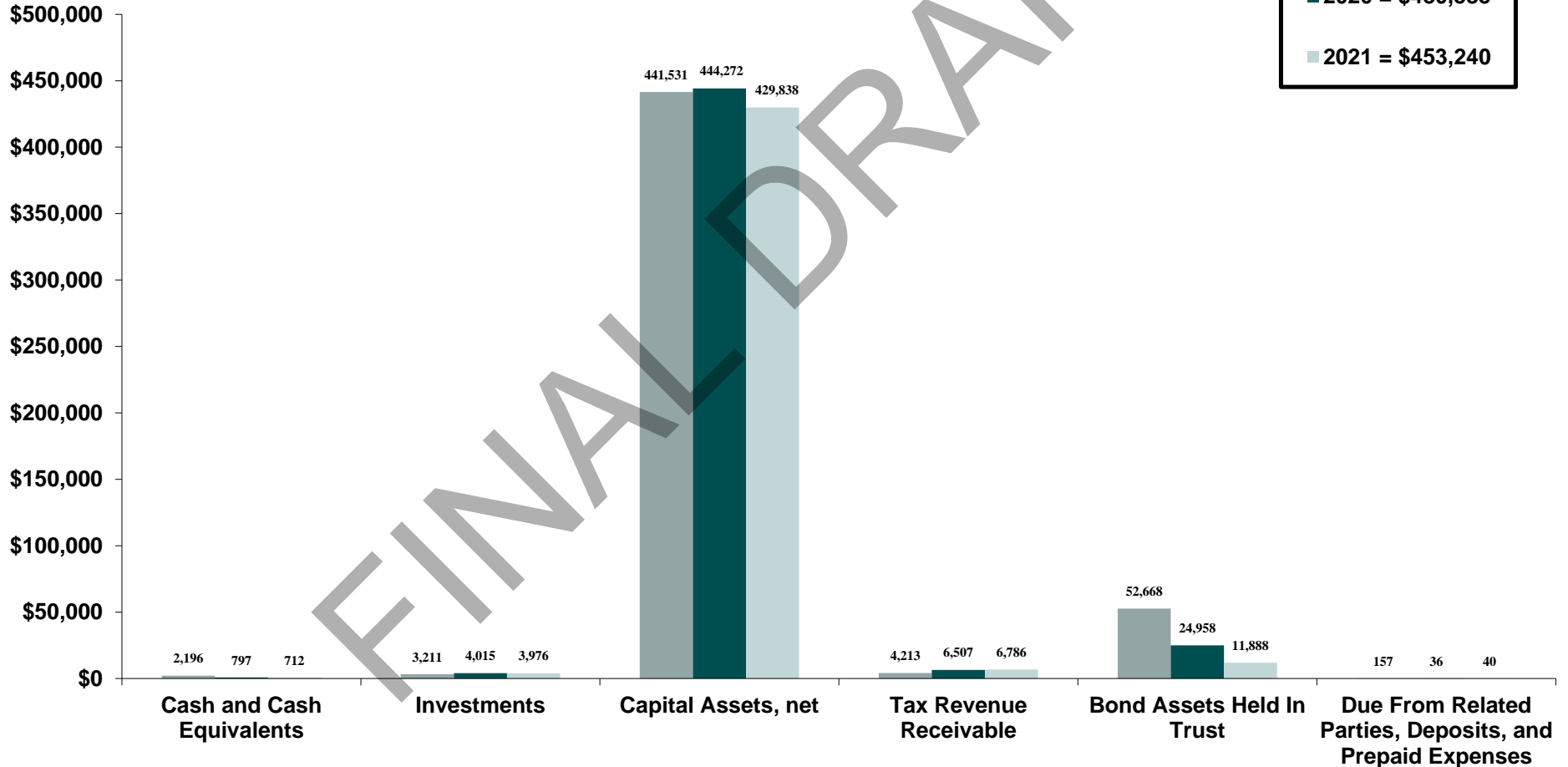


Assets (in thousands)

■ 2019 = \$503,976
■ 2020 = \$480,585
■ 2021 = \$453,240

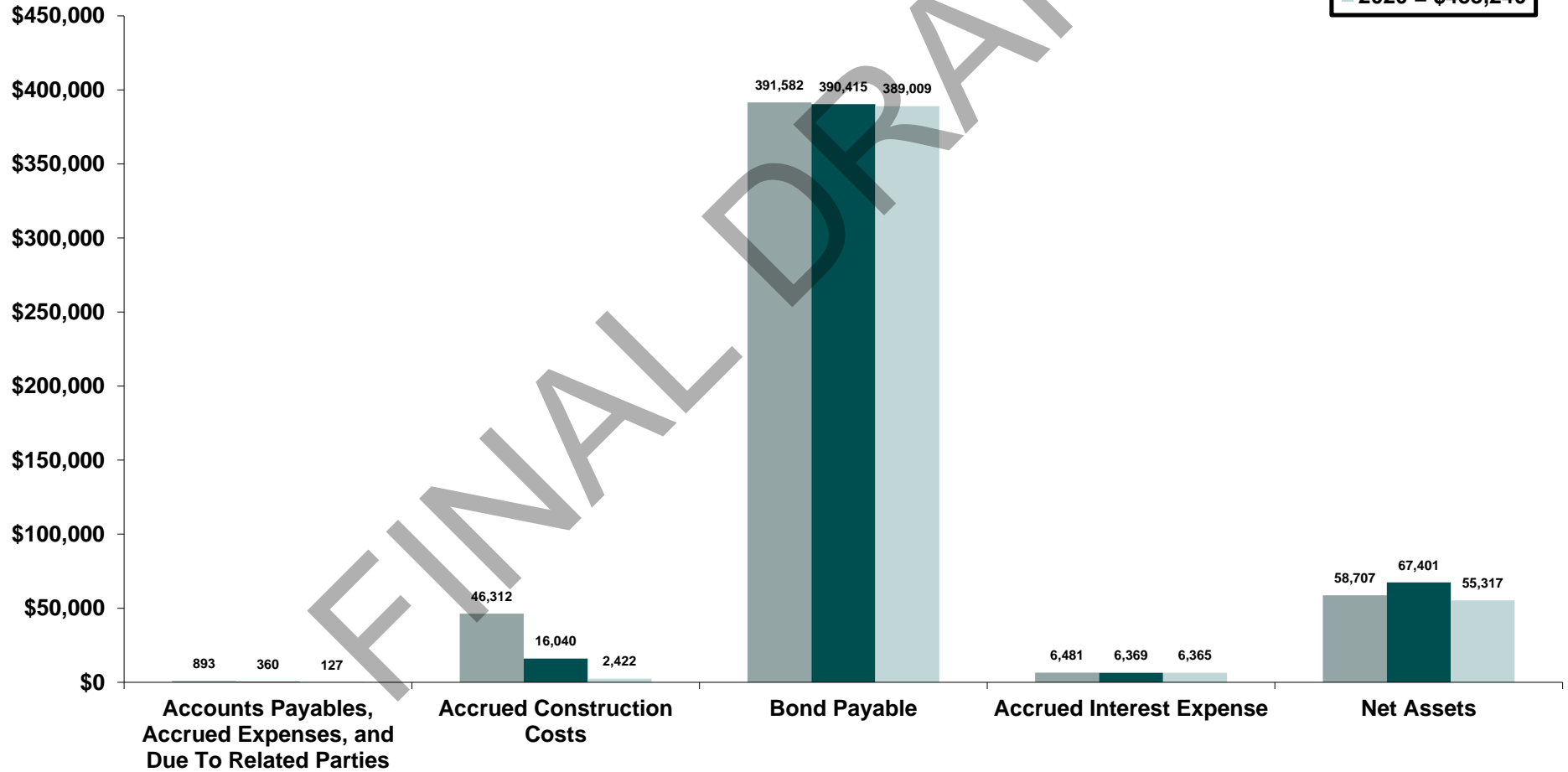


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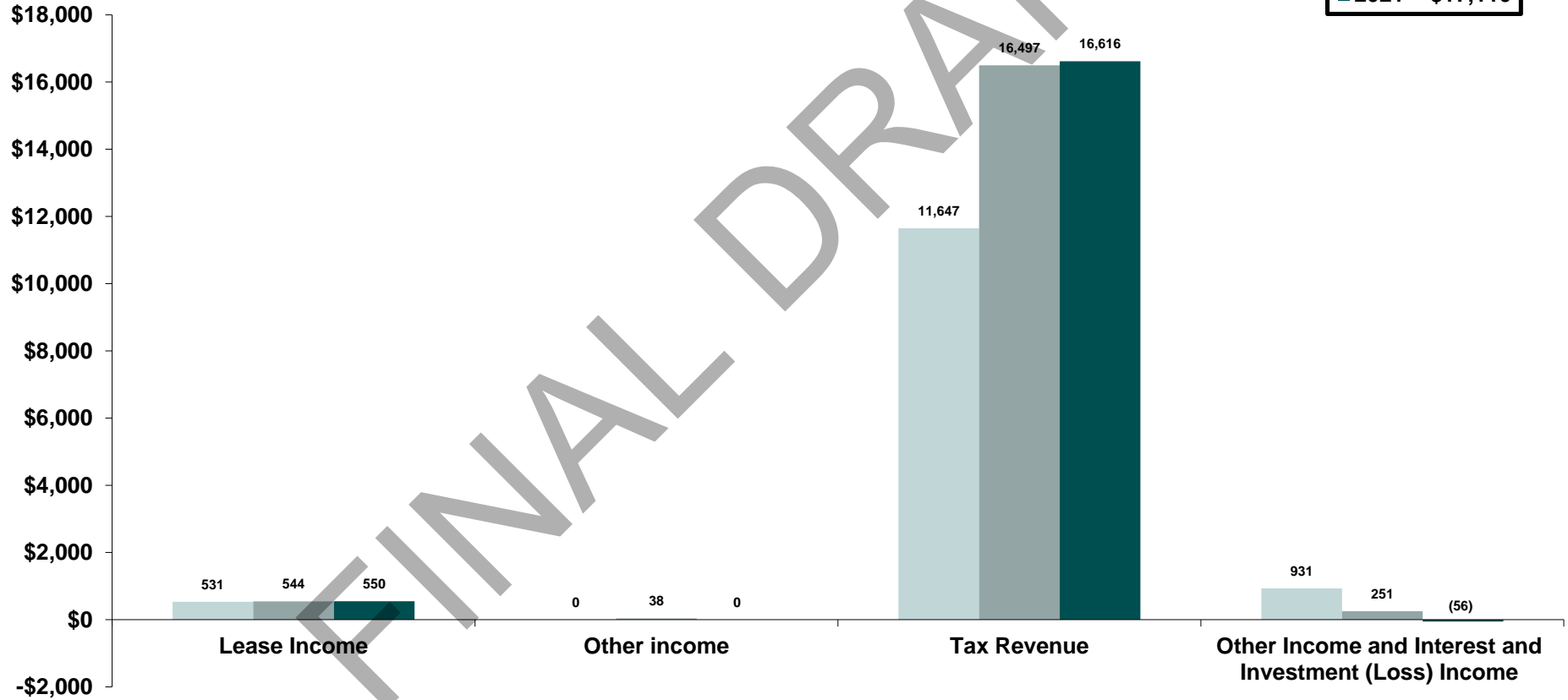
Liabilities and Net Assets (in thousands)

■ 2019 = \$503,976
■ 2020 = \$480,585
■ 2020 = \$453,240



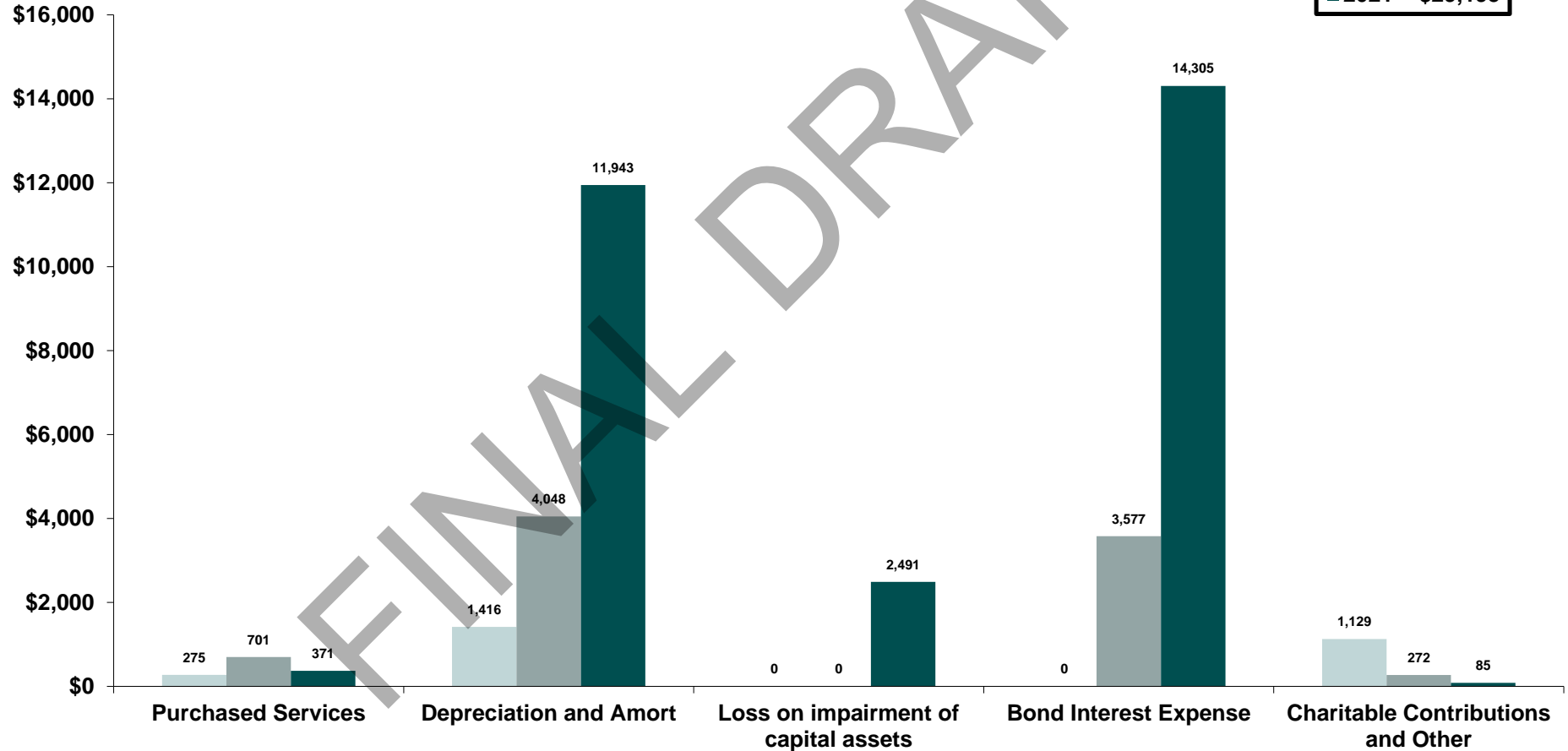
Revenues (in thousands)

2019 = \$13,109
2020 = \$17,330
2021 = \$17,110



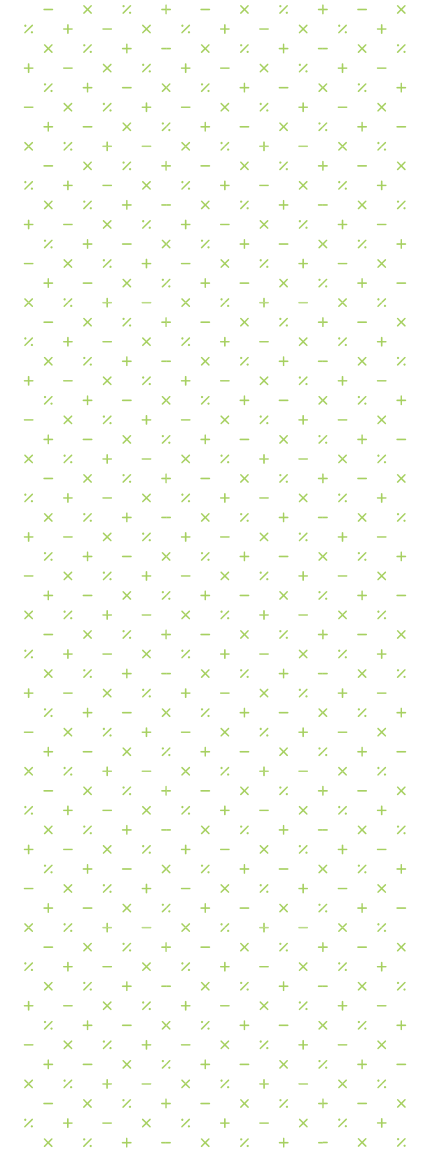
Expenses (in thousands)

2019 = \$2,820
2020 = \$8,598
2021 = \$29,195



Communication with Those Charged with Governance

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Communication with Those Charged with Governance

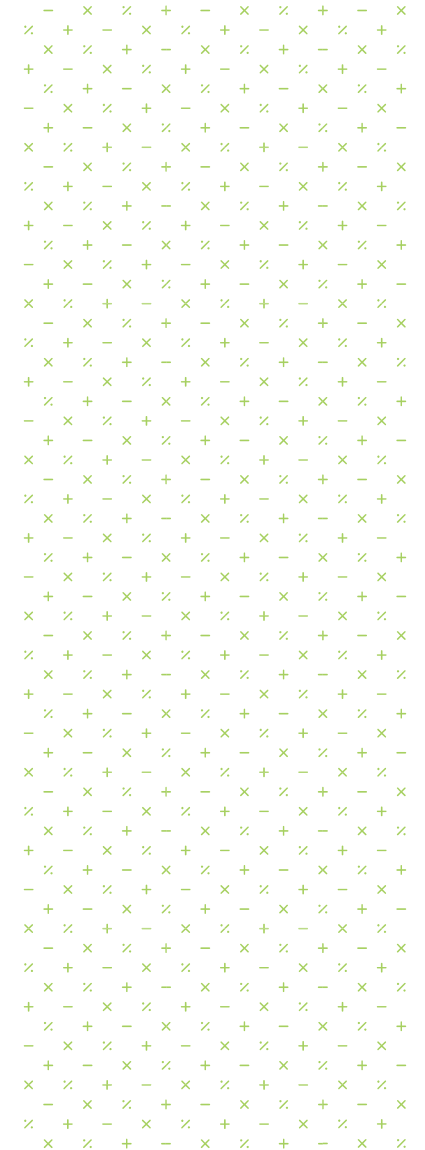


- Planned scope and timing of audit
- Significant accounting policies
- Accounting estimates are reasonable
- No material corrected adjustments
- No uncorrected audit adjustments
- No issues discussed prior to our retention as auditors
- No disagreements with management
- No material weaknesses identified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

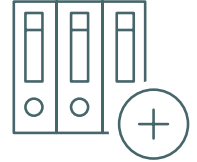


Accounting Update

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Accounting Standards Updates



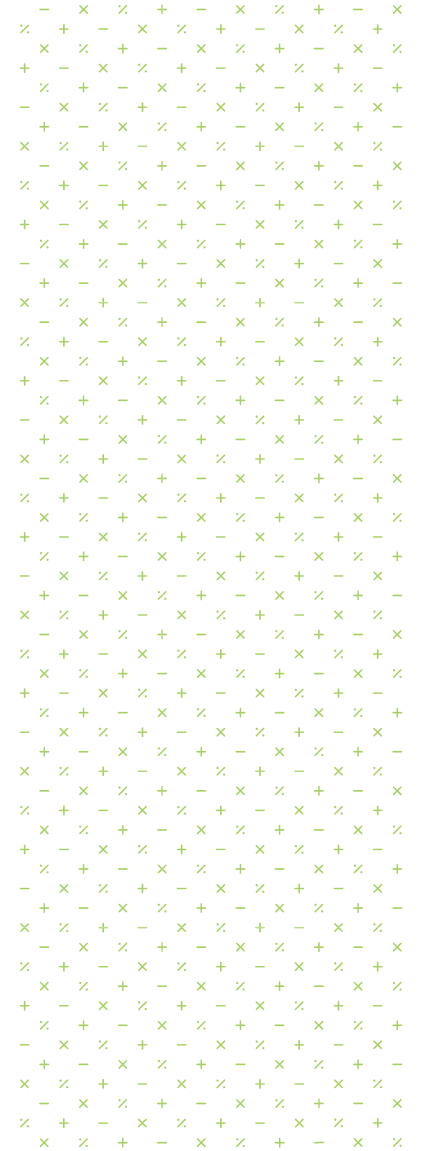
GASB Standard

- In June 2017, the GASB issued Statement No. 87 (GASB 87), *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 is effective for reporting periods beginning after June 15, 2021. The District is currently evaluating the impact of this standard on the financial statements.



Industry Focus

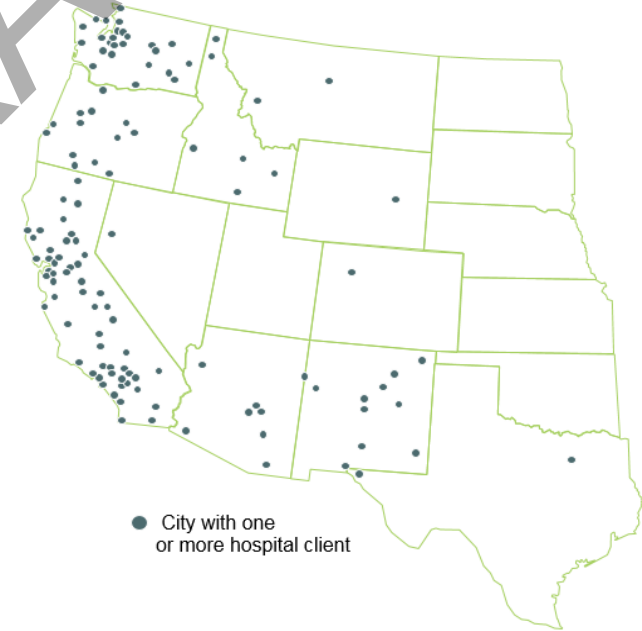
FINAL DRAFT



District and Health Systems

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		
COST REIMBURSEMENT	GOVERNMENT COMPLIANCE	OPERATIONAL IMPROVEMENT
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
STRATEGY & INTEGRATION	INFORMATION TECHNOLOGY	
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

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 is presented in the format that fits your life.



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Assurance, tax, and consulting offered through Moss Adams LLP. Wealth management offered through Moss Adams Wealth Advisors LLC. Investment banking offered through Moss Adams Capital LLC.



Tab 3

FINAL DRAFT

*Report of Independent Auditors and
Financial Statements*

Marin Healthcare District

December 31, 2021 and 2020

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Management's Discussion and Analysis

FINAL DRAFT

Marin Healthcare District Management's Discussion and Analysis For the Years Ended December 31, 2021 and 2020

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, 2021 and 2020. 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, 2021 and 2020

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,		
	2021	2020	2019
Current and other assets	\$ 23,402,220	\$ 36,313,761	\$ 62,444,589
Capital assets, net of accumulated depreciation	429,837,712	444,271,644	441,531,179
Total assets	\$ 453,239,932	\$ 480,585,405	\$ 503,975,768
Current portion of bond payable	\$ 680,000	\$ 430,000	\$ 190,000
Other current liabilities	8,913,990	22,768,542	53,687,121
Bond payable, net of current portion	388,328,642	389,985,067	391,391,492
Total liabilities	397,922,632	413,183,609	445,268,613
Net position			
Net investment in capital assets	50,295,762	62,774,429	56,305,759
Unrestricted	5,021,538	4,627,367	2,401,396
Total net position	55,317,300	67,401,796	58,707,155
Total liabilities and net position	\$ 453,239,932	\$ 480,585,405	\$ 503,975,768

Total assets decreased by 6% or \$27,345,473 as of December 31, 2021, compared to December 31, 2020, primarily due to decrease in assets limited to use – bond funds. Total assets decreased by 5% or \$23,390,363 as of December 31, 2020, compared to December 31, 2019, primarily due to decrease in assets limited to use – bond funds.

Liabilities decreased by 4% or \$15,260,977 as of December 31, 2021, compared to December 31, 2020, primarily due to reduction in accrued construction costs. Liabilities decreased by 7% or \$32,085,004 as of December 31, 2020, compared to December 31, 2019, primarily due to reduction in accrued construction costs.

The overall changes to net position is a decrease of \$12,084,496, resulting in a December 31, 2021, balance of \$55,317,300. An unrestricted net position of \$5,021,538 exists for the year ended December 31, 2021, 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, 2021 and 2020**

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 550,946	\$ 582,339	\$ 531,124
Operating expenses	<u>14,890,290</u>	<u>5,020,327</u>	<u>1,764,623</u>
Operating loss	<u>(14,339,344)</u>	<u>(4,437,988)</u>	<u>(1,233,499)</u>
Tax revenue	16,616,446	16,497,711	11,647,284
Bond interest expense	(14,305,346)	(3,577,456)	-
Interest and investment (loss) income	<u>(56,252)</u>	<u>212,374</u>	<u>160,244</u>
Total nonoperating revenues, net	<u>2,254,848</u>	<u>13,132,629</u>	<u>11,807,528</u>
Gain on sale of Clinics assets	-	-	770,096
Transfer of payment for sale of Clinics assets to MHMC	<u>-</u>	<u>-</u>	<u>(1,054,924)</u>
Total special and extraordinary items	<u>-</u>	<u>-</u>	<u>(284,828)</u>
(Decrease) increase in net position	<u>\$ (12,084,496)</u>	<u>\$ 8,694,641</u>	<u>\$ 10,289,201</u>

Operating Revenues and Expenses

For the years ending December 31, 2021, 2020, and 2019, 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 (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.

**Marin Healthcare District
Management's Discussion and Analysis
For the Years Ended December 31, 2021 and 2020**

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.

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, 2021, is presented below.

	Actual	Budget
Operating revenues	\$ 550,946	\$ 590,615
Operating expenses	14,890,290	12,893,665
Operating loss	(14,339,344)	(12,303,050)
Tax revenue	16,616,446	16,395,037
Bond interest expense	(14,305,346)	(14,290,575)
Interest and investment income	(56,252)	70,541
Nonoperating revenues	2,254,848	2,175,003
Change in net position	\$ (12,084,496)	\$ (10,128,047)

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

**Marin Healthcare District
Management’s Discussion and Analysis
For the Years Ended December 31, 2021 and 2020**

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 under budget by \$39,669.

Operating expenses – The District conducts programs such as community healthcare education and support for hospital programs. The District’s operating expenses were \$1,996,625 in excess of budget, due to loss on impairment of capital assets.

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 – The District earned interest and dividend income from the accounts in which the investments are held.

CAPITAL ASSETS

As of December 31, 2021, the District had \$429,837,712 invested in a variety of capital assets, as reflected in the following schedule, which represent a net decrease of \$14,443,932 from December 31, 2020. The decreases in year ended December 31, 2021, is the result of the construction of the new hospital facility, which was completed and moved to depreciable capital assets on September 30, 2020, as well as the \$2,490,751 related to the impairment of a portion of the hospital building.

	<u>Balance at December 31,</u>	
	<u>2021</u>	<u>2020</u>
Land	\$ 865,701	\$ 865,701
Hospital buildings and leasehold improvements	471,683,811	474,174,562
Equipment	18,784,416	18,784,416
Less accumulated depreciation	<u>(61,496,216)</u>	<u>(49,553,035)</u>
Capital assets, net of accumulated depreciation	<u>\$ 429,837,712</u>	<u>\$ 444,271,644</u>

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

Opinion

Sacramento, California
May 12, 2021

FINAL DRAFT

Financial Statements

FINAL DRAFT

Marin Healthcare District
Statements of Net Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 712,254	\$ 797,054
Investments	3,976,384	4,015,498
Current portion of bond assets held in trust	2,426,274	8,917,852
Tax revenue receivable	6,785,670	6,507,631
Prepaid expenses	3,600	-
Total current assets	<u>13,904,182</u>	<u>20,238,035</u>
Deposits	36,000	36,000
Capital assets, net of accumulated depreciation	429,837,712	444,271,644
Bond assets held in trust, net of current portion	<u>9,462,038</u>	<u>16,039,726</u>
Total assets	<u>\$ 453,239,932</u>	<u>\$ 480,585,405</u>
LIABILITIES		
Current liabilities		
Accrued expenses	127,579	359,545
Accrued construction costs	2,421,620	16,039,726
Accrued interest expense	6,364,791	6,369,271
Current portion of bonds payable	<u>680,000</u>	<u>430,000</u>
Total current liabilities	9,593,990	23,198,542
Bonds payable, net of current portion	<u>388,328,642</u>	<u>389,985,067</u>
Total liabilities	<u>397,922,632</u>	<u>413,183,609</u>
NET POSITION		
Net investment in capital assets	50,295,762	62,774,429
Unrestricted	<u>5,021,538</u>	<u>4,627,367</u>
Total net position	<u>55,317,300</u>	<u>67,401,796</u>
Total liabilities and net position	<u>\$ 453,239,932</u>	<u>\$ 480,585,405</u>

Marin Healthcare District
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Lease income	\$ 550,946	\$ 543,991
Other income	-	38,348
	<u>550,946</u>	<u>582,339</u>
OPERATING EXPENSES		
Purchased services	371,229	700,767
Depreciation and amortization	11,943,181	4,047,534
Charitable contributions	45,821	53,285
Loss on impairment of capital assets	2,490,751	-
Other	39,308	218,741
	<u>14,890,290</u>	<u>5,020,327</u>
OPERATING LOSS	<u>(14,339,344)</u>	<u>(4,437,988)</u>
NONOPERATING REVENUES (EXPENSES)		
Tax revenue	16,616,446	16,497,711
Interest and investment (loss) income	(56,252)	212,374
Bond interest expense	(14,305,346)	(3,577,456)
	<u>2,254,848</u>	<u>13,132,629</u>
(DECREASE) INCREASE IN NET POSITION	(12,084,496)	8,694,641
NET POSITION, beginning of year	<u>67,401,796</u>	<u>58,707,155</u>
NET POSITION, end of year	<u>\$ 55,317,300</u>	<u>\$ 67,401,796</u>

Marin Healthcare District
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tenants	\$ 550,946	\$ 582,339
Payments to suppliers and others	(691,924)	(1,385,864)
Net cash used in operating activities	(140,978)	(803,525)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(13,618,106)	(26,628,843)
Principal payments on bonds payable	(430,000)	(190,000)
Interest payments on bonds payable	(15,286,251)	(15,097,757)
Tax revenue related to general obligation bonds	16,338,407	14,202,789
Net cash used in capital and related financing activities	(12,995,950)	(27,713,811)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(250,000)	(4,206,046)
Proceeds from sales and maturities of investments	250,000	3,591,915
Net proceeds from sales and maturities of bond assets held in trust	13,074,533	27,525,503
(Losses) earnings on investments	(22,405)	206,775
Net cash provided by investing activities	13,052,128	27,118,147
NET CHANGE IN CASH AND CASH EQUIVALENTS	(84,800)	(1,399,189)
CASH AND CASH EQUIVALENTS, beginning of year	797,054	2,196,243
CASH AND CASH EQUIVALENTS, end of year	\$ 712,254	\$ 797,054
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES		
Operating loss	\$ (14,339,344)	\$ (4,437,988)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	11,943,181	4,047,534
Loss on impairment of capital assets	2,490,751	-
Changes in certain assets and liabilities:		
Prepaid expenses	(3,600)	-
Due from related parties	-	120,788
Accounts payable	-	(496)
Accrued expenses	(231,966)	214,994
Due to related parties	-	(748,357)
Net cash used in operating activities	\$ (140,978)	\$ (803,525)

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.

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.

Marin Healthcare District Notes to Financial Statements

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 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 \$67,175 and \$4,338, and realized and unrealized (losses) gains of (\$55,544) and \$208,036 for the years ended December 31, 2021 and 2020, respectively, are included in interest and investment income on the statement 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. Realized and unrealized gains of \$4,321 and \$185,103 are included in interest and investment income on the statement of revenues, expenses, and changes in net position.

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. An impairment of \$2,490,751 has been recorded for the year ended December 31, 2021. The impairment is related to a write off of planning costs for a project that was discontinued. No impairment was recorded for the year ended December 31, 2020.

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.

Marin Healthcare District Notes to Financial Statements

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 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. 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.

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:

	2021	2020
Cash in bank	\$ 387,599	\$ 473,401
State of California's Local Agency Investment Fund (LAIF)	324,655	323,653
Cash and cash equivalents	712,254	797,054
Investments		
Mutual funds	2,381,944	2,055,703
Money market funds	10,138	610,110
U.S. fixed income commingled funds	1,584,302	1,349,685
	3,976,384	4,015,498
Bond assets held in trust		
Money market funds	9,519,403	13,887,949
U.S. Treasury obligations	2,368,909	11,069,629
	11,888,312	24,957,578
Total	\$ 16,576,950	\$ 29,770,130

Marin Healthcare District Notes to Financial Statements

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, 2021 and 2020, the estimated market value of the pool (including accrued interest) was \$29,848,346 and \$29,719,484, respectively. The District's proportionate share of that value is \$324,655 and \$323,653 as of December 31, 2021 and 2020, 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.

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, 2021 and 2020, 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.

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.

Marin Healthcare District

Notes to Financial Statements

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

2021				
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	9,529,541	\$ -	\$ -	\$ 9,529,541
U.S. Treasury obligations	2,368,909	-	-	2,368,909
Mutual funds				
Govt/Corp intermediate	1,585,497	-	-	1,585,497
Corp/Pref-high yield	796,447	-	-	796,447
Total mutual funds	2,381,944	-	-	2,381,944
	14,280,394	-	-	14,280,394
U.S. fixed income commingled funds*	-	-	-	1,584,302
Total investments	<u>\$ 14,280,394</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,864,696</u>
2020				
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	\$ 14,498,059	\$ -	\$ -	\$ 14,498,059
U.S. Treasury obligations	11,069,629	-	-	11,069,629
Mutual funds				
Govt/Corp intermediate	1,386,245	-	-	1,386,245
Corp/Pref-high yield	669,458	-	-	669,458
Total mutual funds	2,055,703	-	-	2,055,703
	27,623,391	-	-	27,623,391
U.S. fixed income commingled funds*	-	-	-	1,349,685
Total investments	<u>\$ 27,623,391</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,973,076</u>

*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 2021 and 2020, there was no activity in Level 3 investments.

Marin Healthcare District Notes to Financial Statements

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, 2021.

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)

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, follows:

2021				
Investment maturities (in years)				
	Fair Value	Less than 1	1 to 5	More than 5
Money market funds	\$ 9,529,541	\$ 9,529,541	\$ -	\$ -
U.S. Treasury obligations	2,368,909	2,368,909	-	-
	11,898,450	<u>\$ 11,898,450</u>	<u>\$ -</u>	<u>\$ -</u>
Mutual funds	2,381,944			
U.S. fixed income commingled funds	1,584,302			
	<u>\$ 15,864,696</u>			
2020				
Investment maturities (in years)				
	Fair Value	Less than 1	1 to 5	More than 5
Money market funds	\$ 14,498,059	\$ 14,498,059	\$ -	\$ -
U.S. Treasury obligations	11,069,629	11,069,629	-	-
	25,567,688	<u>\$ 25,567,688</u>	<u>\$ -</u>	<u>\$ -</u>
Mutual funds	2,055,703			
U.S. fixed income commingled funds	1,349,685			
	<u>\$ 28,973,076</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, 2021 and 2020:

	Life (Years)	Balance December 31, 2020	Additions	Deletions	Loss	Balance December 31, 2021
Nondepreciable						
Land	N/A	\$ 865,701	\$ -	\$ -	\$ -	\$ 865,701
Total nondepreciable		865,701	-	-	-	865,701
Depreciable						
Hospital buildings	40	472,796,667	-	-	(2,490,751)	470,305,916
Equipment	3 to 20	18,784,416	-	-	-	18,784,416
Leasehold improvements	40	1,377,895	-	-	-	1,377,895
Total depreciable		492,958,978	-	-	(2,490,751)	490,468,227
Accumulated depreciation						
Hospital buildings	N/A	(29,390,724)	(11,943,181)	-	-	(41,333,905)
Equipment	N/A	(18,784,416)	-	-	-	(18,784,416)
Leasehold improvements	N/A	(1,377,895)	-	-	-	(1,377,895)
Total accumulated depreciation		(49,553,035)	(11,943,181)	-	-	(61,496,216)
Total depreciable, net		443,405,943	(11,943,181)	-	(2,490,751)	428,972,011
Total capital assets, net		\$ 444,271,644	\$ (11,943,181)	\$ -	\$ (2,490,751)	\$ 429,837,712
2020						
	Life (Years)	Balance December 31, 2019	Additions	Deletions	Transfers	Balance December 31, 2020
Nondepreciable						
Land	N/A	\$ 865,701	\$ -	\$ -	\$ -	\$ 865,701
Construction in progress	N/A	412,438,343	11,937,273	(5,149,274)	(419,226,342)	-
Total nondepreciable		413,304,044	11,937,273	(5,149,274)	(419,226,342)	865,701
Depreciable						
Hospital buildings	40	53,570,325	-	-	419,226,342	472,796,667
Equipment	3 to 20	18,784,416	-	-	-	18,784,416
Leasehold improvements	40	1,377,895	-	-	-	1,377,895
Total depreciable		73,732,636	-	-	419,226,342	492,958,978
Accumulated depreciation						
Hospital buildings	N/A	(25,343,190)	(4,047,534)	-	-	(29,390,724)
Equipment	N/A	(18,784,416)	-	-	-	(18,784,416)
Leasehold improvements	N/A	(1,377,895)	-	-	-	(1,377,895)
Total accumulated depreciation		(45,505,501)	(4,047,534)	-	-	(49,553,035)
Total depreciable, net		28,227,135	(4,047,534)	-	419,226,342	443,405,943
Total capital assets, net		\$ 441,531,179	\$ 7,889,739	\$ (5,149,274)	\$ -	\$ 444,271,644

Depreciation expense of capital assets was \$11,943,181 and \$4,047,534 for the years ended December 31, 2021 and 2020, respectively.

Construction and other capital commitments – As of December 31, 2021 and 2020, the District spent \$0 and \$419,226,342, respectively, related to various construction and other capital projects in progress. As of December 31, 2021, the District has outstanding commitments with contractors for approximately \$2,421,620 related to these projects.

NOTE 5 – 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 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. The total rent received for the years ended December 31, 2021 and 2020, was \$550,946 and \$543,991, respectively.

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>	
2022	\$ 500,000
2023	500,000
2024	500,000
2025	500,000
2026	500,000
Thereafter	<u>9,458,333</u>
	<u><u>\$ 11,958,333</u></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

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 District incurred interest costs related to the General Obligation Bonds of \$14,305,346 and \$14,313,625 for the years ended December 31, 2021 and 2020, respectively. In accordance with GASB 62, the District capitalized \$0 and \$10,431,543 in interest for the years ended December 31, 2021 and 2020, respectively, due to the ongoing construction; offset by \$0 and \$185,103 of investment gains for the years ended December 31, 2021 and 2020, 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 year ended December 31, 2021 and 2020, was as follows:

	Outstanding December 31, 2020	Issued	Matured / Redeemed During Year	Outstanding December 31, 2021	Due Within One Year
General obligation bonds					
Series 2015 bonds	\$ 154,550,000	\$ -	\$ (430,000)	\$ 154,120,000	\$ 680,000
Series 2017 bonds	211,305,000	-	-	211,305,000	-
Plus					
Series 2015 premium	7,167,183	-	(296,573)	6,870,610	-
Series 2017 premium	17,392,884	-	(679,852)	16,713,032	-
Total	\$ 390,415,067	\$ -	\$ (1,406,425)	\$ 389,008,642	\$ 680,000

Marin Healthcare District Notes to Financial Statements

	Outstanding December 31, 2019	Issued	Matured / Redeemed During Year	Outstanding December 31, 2020	Due Within One Year
General obligation bonds					
Series 2015 bonds	\$ 154,740,000	\$ -	\$ (190,000)	\$ 154,550,000	\$ 430,000
Series 2017 bonds	211,305,000	-	-	211,305,000	-
Plus					
Series 2015 premium	7,463,756	-	(296,573)	7,167,183	-
Series 2017 premium	18,072,736	-	(679,852)	17,392,884	-
Total	\$ 391,581,492	\$ -	\$ (1,166,425)	\$ 390,415,067	\$ 430,000

A summary of debt service requirements for the next five years and to maturity as of December 31, 2021, is as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2022	680,000	15,275,500
2023	955,000	15,255,100
2024	1,250,000	15,216,900
2025	1,570,000	15,166,900
2026	2,210,000	15,104,100
2027 – 2031	24,240,000	73,274,600
2032 – 2036	53,855,000	64,786,800
2037 – 2041	93,600,000	50,751,700
2042 – 2046	149,130,000	26,489,800
2047	37,935,000	1,517,400
	\$ 365,425,000	\$ 292,838,800

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

Recent Developments – COVID-19 – On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, and on March 13, 2020, the United States declared the pandemic to be a national emergency. Subsequent to the declaration of a pandemic, a variety of federal, state, and local governments have taken actions in response to the pandemic, which have ranged by jurisdiction, but are generally expected to result in a variety of negative economic consequences, the scope of which are not currently known or quantifiable. The duration and intensity of the impact of the COVID-19 and resulting impact to the District is unknown.

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 2021 and 2020, the District did not have a regular tax levy. There is a voter-approved tax levy for service of the general obligation bonds. For 2021 and 2020, the tax levy for bond service was \$16,616,446 and \$16,497,711, 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

FINAL DRAFT

Communications With The Board of Directors

Marin Healthcare District

December 31, 2021

Communications with Those Charged with Governance

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 year ended December 31, 2021 and 2020 and have issued our report thereon dated May 11, 2022. 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 August 13, 2021, we are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

We conducted our audit in accordance with 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 August 13, 2021, and in our planning communication letter dated January 11, 2022.

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 2021. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. 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 are related to:

- 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.

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 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 the auditing standards generally accepted in the United States of America. 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 May 11, 2022.

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.

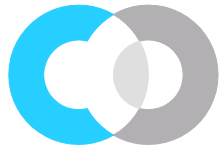
Sign as "Moss Adams LLP"

Rancho Cordova, California

May __, 2022

FINAL DRAFT

Tab 5



Canterbury Consulting

canterburyconsulting.com

Investment Policy Review

Presentation To:

Marin Healthcare District

Presented By:

Debashis Chowdhury, CFA, President

Jason Levey, CAIA, Director

March 2022

The purpose of this meeting is to review the components of the investment policy statement (IPS) and to review the asset allocation framework.

A strong investment policy statement articulates clearly defined objectives and provides the direction necessary for the creation of your detailed plan.

- Reflects your organization's mission
- Identifies key roles and responsibilities
- States investment objectives and trustee's willingness to bear risk
- Defines investment classes
- Establishes how and by whom assets will be managed
- Culminates in an strategic asset allocation plan, stated in writing and included in the Investment Policy Statement
- Provides guidelines for portfolio implementation
- Outlines ESG or other parameters
- Sets parameters for performance measurement, attribution, and appraisal

Goals and Objectives of the Investment Portfolio

	<u>Endowment & Reserves</u>
Long-Term Objective	Assets are to be invested, with due regard to preservation and growth of principal, so as to provide a continuing source of funds, as a supplement to other District's resources, to support the District's operations.

Investment Constraints

	<u>Endowment & Reserves</u>
Liquidity	Funds should remain liquid
Time Horizon	Funds could be needed in the near to mid-term
Tax Concerns	Tax-Exempt; UBTI aware
Spending	None, currently

Asset Allocation Options

Asset Class	Option 1	Option 2	Option 3	Option 4
Equity	5%	10%	25%	50%
Fixed Income	95%	90%	75%	50%
Cash	0%	0%	0%	0%

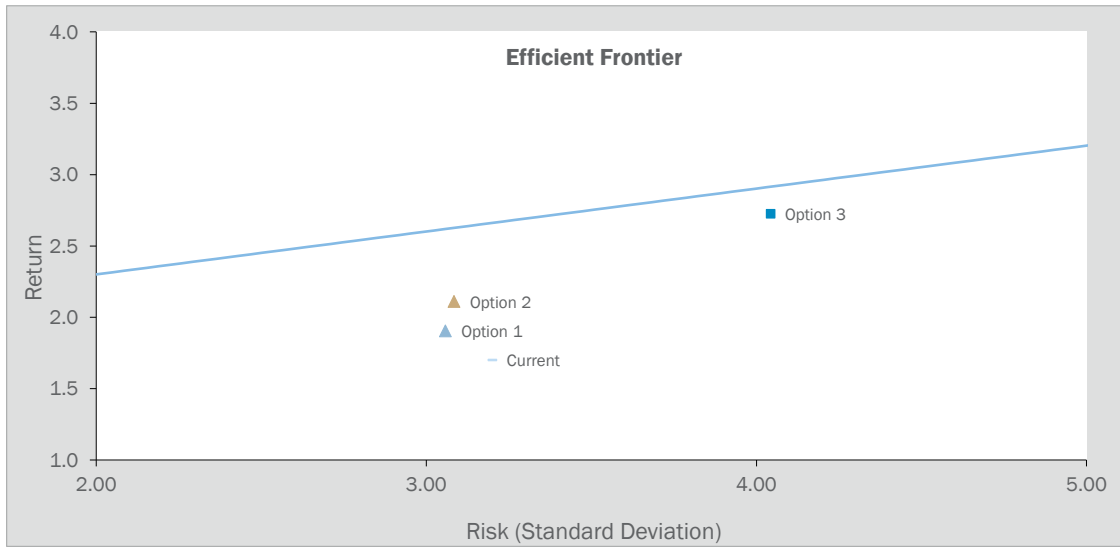
Risk Management

Asset Allocation Options:

Currently, the District Corporate portfolio is invested entirely in fixed income securities, with a focus on higher quality, intermediate duration bonds.

- The current portfolio maintains a duration of ~5.7 years. The outlook for this portfolio could be challenged by a rising or continued low interest rate environment.
- A portfolio including 25% or 50% equities would increase the portfolio's long-term expected return but would increase the volatility of the portfolio and could pose challenges should funds be needed over shorter periods of time.
- Ultimately the portfolio's allocation should align with expected needs on the portfolio, keeping funds needed in the near term in fixed income or cash.

Efficient Frontier



Allocation Recommendations

The portfolios shown are described below:

- The current portfolio is invested **100%** in fixed income.
- Options 1-4 include an allocation to public equities ranging from 5% -50%, resulting in a higher expected return and risk.

Asset Class	Current	Option 1	Option 2	Option 3	Option 4
Growth Assets	0.0	5.0	10.0	25.0	50.0
Public Equity	0.0	5.0	10.0	25.0	50.0
Capital Preservation Assets	100.0	95.0	90.0	75.0	50.0
Fixed Income	100.0	95.0	90.0	75.0	50.0
Expected Return	1.70	1.90	2.11	2.73	3.75
Standard Deviation	3.20	3.06	3.08	4.04	6.99
Return: +1 Standard Deviation*	4.90	4.96	5.19	6.77	10.74
Return: -1 Standard Deviation*	-1.50	-1.15	-0.97	-1.32	-3.24
Sharpe Ratio	0.53	0.62	0.68	0.67	0.54

*Expected returns + or - one standard deviation represents expected range of returns 66% of the time for each option

Tab 6

Marin Healthcare District – Corporate Portfolio

Statement of Investment Policy

Draft: As of ~~February 7, 2018~~~~August, 2021~~ March 2022

Marin Healthcare District

Statement of Investment Policy

Purpose and Scope

This Statement of Investment Policy (the “Policy”) governing the management of the investment assets held as a Corporate Portfolio (the “Corporate Portfolio”) by or for the benefit of Marin Healthcare District (the “District”) is created to ensure a clear understanding of the investment objectives, ~~formulated from time to time by the District’s Board of Directors (the “MHD Board”);~~ allocate responsibility for the management and oversight of the Corporate Portfolio, ~~among the MHD Board, the Finance & Audit Committee of the Board (the “Finance Committee”), the Marin General Hospital Investment Committee (MGH Investment Committee) and any Investment Advisor and Investment Managers retained to assist in the management of the Corporate Portfolio;~~ and provide the policy parameters within which assets are to be managed and against which the success of the investment function is to be evaluated, and ensure compliance with applicable laws and regulations.

It is expected that all those involved in the management and oversight of the Corporate Portfolio will act in such a way as to enable the District, as best as possible, to attain the objectives stated in the Policy.

It is intended that the guidelines set forth in the Policy will be both sufficiently specific to be meaningful and flexible enough to be practical.

Marin Healthcare District

Statement of Investment Policy

Investment Goals & Philosophy

The MHD Board has determined that the assets in the Corporate Portfolio are to be invested, with due regard to preservation and growth of principal, so as to provide a continuing source of funds, as a supplement to other District's resources, to support the District's operations. ~~It is the MHD Board's expectation that this objective will be best met if the Corporate Portfolio is managed as a balanced portfolio consisting of equity and fixed income securities, and cash equivalent securities.~~

Background

The purpose of this Statement is to ensure that surplus funds are invested by the District in accordance with statutory guidelines and a prudent balance between Fund preservation, liquidity, and return on investment. ~~As a Healthcare District, investment options are governed by the state of California as set forth in the Government Code chapters on "Investment of Surplus" (Section 53600, et. seq.) and "Deposit of Funds" (Sections 53630, et. Seq.).~~ Except as provided in subdivision (a) of Section 27000.3, all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee 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 agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

Definition of Duties

Marin Healthcare District (MHD)

The MHD Board of Directors delegates oversight of the District's Bond Corporate funds and their investment to the MGH Investment Committee which will advise the Finance and Audit Committee and the MHD Board on investment options and investment policy. The MGH Investment Committee shall

Marin Healthcare District

Statement of Investment Policy

have such other responsibilities that may be delegated in accordance with the District Bylaws or from time to time assigned by the MHD Board of Directors. The MHD Board of Directors is ultimately responsible for the disposition of the District's funds.

The MHD Board & The Finance and Audit Committee

The MHD Board is responsible for broad fiduciary oversight of the District's investments. In exercising that oversight role, the Board has determined that it is appropriate that the MHD Board delegate to the MGH Investment Committee to assist the MHD Board in formulating appropriate investment policies, in selecting an Investment Advisor and Investment Managers, and in overseeing the investment of the assets held in the Corporate Portfolio. With the assistance of the MGH Investment Committee, the MHD Board and the Finance and Audit -Committee has adopted this Policy as the statement of intent for achieving the District's investment objectives. The MHD Board and the Finance Committee has the responsibility to:

- Review this Policy at least annually and adopt modifications to this Policy as appropriate
- Approve the engagement of an Investment Advisor recommended by the MGH Investment Committee, including the terms of the Investment Advisor's retention and the scope of activities to be delegated to the Investment Advisor.
- Develop criteria to review the Investment Advisor's performance and, with the assistance of the MGH Investment Committee, review that performance annually and as otherwise necessary.
- Consider and approve recommendations developed by the MGH Investment Committee with the assistance of the Investment Advisor regarding asset allocation and other strategic matters related to the Corporate Portfolio, including the management of portions of the Corporate Portfolio by Investment Managers recommended by the Investment Advisor.
- Consider and approve arrangements for the custody of the assets in the Corporate Portfolio, including the retention of one or more Custodians.

In carrying out its responsibilities, the MHD Board may delegate the above duties to the Finance Committee which will make periodic reports to the MHD Board.

The MGH Investment Committee

The MGH Investment Committee is responsible for implementing the investment policies approved by the MHD Board and making recommendations to the MHD Board with respect to possible changes in those policies at such times as the MGH Investment Committee, with the assistance of the Investment Advisor, believes such changes to be appropriate. The MGH Investment Committee will also function as the District's interface with the Investment Advisor and through it with any Investment Managers retained on the advice of the Investment Advisor.

Marin Healthcare District

Statement of Investment Policy

The MGH Investment Committee has the responsibility to:

- Review this Policy at least annually and make recommendations to the MHD Board & Finance Committee with respect to any modifications to this Policy it deems appropriate.
- Recommend to the MHD Board & Finance Committee the engagement of an Investment Advisor, the terms of the Investment Advisor's retention and the scope of activities to be delegated to the Investment Advisor.
- Approve investment manager(s) to manage the Corporate Portfolio in consultation with the Investment Advisor.
- Develop criteria for the review of the Investment Manager's performance, conduct that review annually and as otherwise necessary and report the results of any such review to the MHD Board & Finance and Audit Committee.
- Monitor and evaluate the performance of the Corporate Portfolio including the expenses of managing the Corporate Portfolio at least quarterly and on an ongoing basis.
- Consider and approve arrangements for the custody of the assets in the Corporate Portfolio including the retention of one or more Custodians.
- On matters not delegated to the Investment Advisor, including the investment of assets in the Corporate Portfolio not subject to the Investment Advisor's oversight, consider and approve the arrangements regarding such matters.

The **Chief Financial Officer (CFO)**

The **Chief Financial Officer** in collaboration with the MGH Investment Committee and the investment consultant(s), is responsible for the financial management and enforcement of the investment assets within the context of the investment policy. In addition, they will:

- Assure proper custody of the investments;
- Negotiate contracts related to investments
- Monitor investment expense

The **Investment Advisor**

The Investment Advisor shall provide those consulting services required by the MGH Investment Committee and the MHD Board to assist them in fulfilling their responsibilities for the oversight of the Corporate Portfolio. In exercising its duties, the Investment Advisor will be expected to act in good faith and with the care that an ordinarily prudent person would exercise in managing his or her own assets under similar circumstances.

Marin Healthcare District

Statement of Investment Policy

The Investment Advisor has the responsibility to:

- Provide advice to the MGH Investment Committee regarding the investment of the Corporate Portfolio subject to the Investment Advisor's oversight in a manner designed to achieve the District's investment objectives, including the allocation of those funds among different investment managers.
- Recommend, for retention by the District, the Investment Managers specializing in the management of assets within the asset classes approved by the MGH Investment Committee.
- At least quarterly and more frequently as necessary, provide the MGH Investment Committee and the Finance Committee with performance measurement and evaluation reports for each Investment Manager and for the overall Portfolio, which shall include:
 - The overall performance results in relation to stated objectives and policy guidelines and specifically in relation to the relevant custom policy index designed for the Portfolio as defined under "Investment Guidelines and Performance Criteria" below.
 - For Individual Investment Managers,
 - Performance results in relation to stated objectives and policy guidelines, including both rates of return and an examination of the risk an Investment Manager assumed in order to achieve that return.
 - Comparison of each Investment Manager's performance against their respective benchmarks and peers.
- Recommend, as needed, revisions to this Policy.
- Assist in the selection of one or more trustees, custodians, or administrators if necessary
- Provide appropriate support to the District's internal staff in their work in maintaining and safeguarding the assets in the Portfolio.

The Investment Managers

Each investment Manager will be expected to act in good faith and to invest the District's assets entrusted to it in the manner described in materials defining the investment philosophy of such Investment Manager

Investments held in separate accounts will be held to the investment guidelines for such accounts established by the MGH Investment Committee, with the advice of the Investment Advisor. Investments made through a mutual fund governed by the Investment Advisers Act of 1940 will be considered a liquid investment even if the underlying strategy does not fit into a traditional equity or fixed income strategy. Mutual funds and commingled funds shall be held to the specific guidelines of their respective prospectuses.

The investment performance, net of fees, of the portion of the Portfolio managed by each Investment Manager will be measured quarterly and on an ongoing basis against a market index recommended by the Investment Advisor and approved by the MGH Investment Committee.

Marin Healthcare District

Statement of Investment Policy

The Custodians

The Custodians have possession of securities for safekeeping, for settlement of trades and for the collection of income. In addition, the Custodians process contributions and withdrawals, and provide comprehensive monthly statements for each investment in the Corporate Portfolio subject to their control. Each Custodian will be expected to:

- Provide means and procedures to each Investment Manager for the voting of proxies.
- Meet with the Investment Advisor and the staff of the District, as required, to address custodial issues that may be of concern.

Investment Guidelines and Performance Criteria

General

The MHD Board has determined that the assets in the Corporate Portfolio are to be invested, with due regard to preservation and growth of principal, as a balanced portfolio that may consist of consisting of equity and fixed income securities, alternative investments such as hedge funds and private equity funds, real estate or real estate-linked securities and cash equivalent securities.

Investment performance of the Portfolio is to be measured over rolling three- to five-year periods. The aim is that on an annualized basis the performance of the Portfolio should exceed the Policy Index approved by the Investment Committee as reflected in a resolution adopted at a duly constituted meeting of the Investment Committee and approved by the Board. As of the date of adoption of this Policy, the Policy Index is set forth in Appendix A.

It is the intention of the Investment Committee that the Investment Advisor provide an allocation so as to limit the overall risk of the Portfolio to a level not to exceed of the Policy Index, as measured by the standard deviation over rolling three and five year periods.

Asset Allocation

The allocation of assets held in the Portfolio should be consistent with the objectives of return and risk established by the Investment Committee and the Board from time to time. These policies, which consider the historic relationships of return and risk among asset classes, are designed to provide the

Marin Healthcare District

Statement of Investment Policy

highest probability of meeting or exceeding the Portfolio's return objectives, while limiting risk to the extent practicable.

The table in [Appendix B](#) indicates the allowable ranges for each of the major asset categories. Changes in policy ranges may occur as a result of changing market conditions or anticipated changes in the District's needs. While the policy ranges will be reviewed on a regular basis, the Board believes that the need to deviate from the policy ranges would arise infrequently. Any changes in the policy ranges will be evidenced by resolutions adopted by the Investment Committee and the Board and delivered to the Investment Advisor. See [schedule Appendix B](#).

Rebalancing

In order to maintain the risk and return characteristics of the Portfolio established by the Board, it is understood that there may be a need to rebalance the portfolio towards target allocations when contributions to or distributions from the Portfolio are made or when the asset class allocations have fallen outside the allowable ranges established within these guidelines. The Investment Advisor will make recommendations regarding rebalancing to the Investment Committee or CFO on a quarterly basis and as otherwise necessary.

Liquidity

The Investment Advisor will be expected to maintain adequate cash reserves to accommodate regular operational needs.

Investment Manager Fees; Transaction Costs

In recommending individual Investment Managers, the Investment Advisor will be expected to take into account, among the factors to be considered in evaluating the Investment Manager's suitability, the fees charged by such Investment Manager, including any transaction costs to be borne by the District. It is expected that transaction costs will be minimized to the extent practicable.

Benchmarking:

The Board recognizes that an Investment Manager's performance is best measured over a full market cycle. In general terms, the performance of Investment Managers is expected to deviate from their benchmark during any quarter or annual period, but Investment Managers will be expected to outperform their respective benchmarks over rolling 3- to 5- year periods. The benchmark against which any Investment Manager's performance is to be measured will be determined by the Investment

Marin Healthcare District

Statement of Investment Policy

Committee, with the advice of the Investment Advisor, at the time of retention of the Investment Manager.

Asset Classes

Equities

The purpose of the equity investments, both domestic and international, is to provide capital appreciation, growth of income and current income. This asset class carries the assumption of greater market volatility and increased risk of loss, but also provides a traditional approach to meeting portfolio total return goals. This component includes domestic and international common stocks, American Depository Receipts (ADRs) and other equity securities traded on the world's stock exchanges or over-the-counter markets.

The investment objective for the domestic equity composite is to outperform the Russell 3000 Index over a normal investment cycle.

The investment objective for the international (developed and emerging) markets equities is to outperform the MSCI ACWI ex US Index over a normal investment cycle.

Fixed Income Securities

The purpose of the fixed income segment is to provide a hedge against deflation, provide a stable component of return, and to minimize the overall volatility of the fund.

The fixed income asset class includes the fixed income markets of the US and the world's other economies. It includes, but is not limited to US Treasury and government agency bonds, US and non-US dollar denominated securities, public and private corporate debt, mortgage and asset-backed securities, non-investment grade debt and currencies. Also included are money market instruments such as commercial paper, certificates of deposit, time deposits, bankers' acceptances, repurchase agreements, and US Treasury and agency obligations. Recommending Investment Managers to manage the fixed income portion of the Portfolio, the Investment Advisor shall take into consideration credit quality, sector, duration, and issuer concentrations in selecting an appropriate mix of fixed income securities. It is expected that Investment Managers managing the Portfolio's fixed income assets will manage those assets actively, so as to be able to pursue opportunities presented by changes in interest rates, credit ratings and maturity premiums.

The allocation to investment strategies will be managed to maintain an average intermediate duration at the level of the overall fixed income segment.

The investment objective for the total fixed income segment is to outperform the Barclays Global Aggregate Bond index over a normal investment cycle.

Marin Healthcare District

Statement of Investment Policy

Cash Equivalents

The percentage of total assets allocated to cash equivalents should provide enough liquidity to support general operational expenses.

Cash equivalents may include a selection of high-quality money market instruments such as U.S. Treasury bills, commercial paper, certificates of deposit [as well as bank Short Term Investment Funds (STIFs)].

Derivatives

Derivatives are financial instruments that derive their value from the value of some underlying security or asset. Derivative instruments may be used in lieu of physical securities when the derivatives offer greater liquidity (lower transaction costs) or greater precision for the purpose of managing a portfolio's market or security exposure, duration, yield curve exposure, credit risk or prepayment risk. Derivatives will be used primarily to hedge or reduce risk, but they may also be used to increase exposure to a market factor or portfolio attribute if that desired exposure is not easily obtainable via physical securities.

The Board recognizes that certain of the Investment Managers selected by the Investment Advisor may utilize derivatives as part of their investment strategies. It is the Board's expectation that the Investment Advisor will carefully review the extent to which any Investment Manager employs derivatives, with due regard to appropriate limitations on the extent to which they are used and the care employed by the Investment Manager in determining the characteristics of any particular derivative, including without limitation duration, counterparty credit quality, asset concentration, etc. Any derivatives used must be highly liquid and have an active secondary market. Derivatives may be used when they offer a more efficient means to manage the portfolio, but they are not to be used for the sole purpose of yield enhancement.

Guidelines for acceptable derivatives instruments and limitations on their use are directly applicable for separate accounts. If commingled funds or mutual funds are utilized, it is recognized that the fund's prospectus will govern the management of the fund. These guidelines then become relevant in fund selection.

Marin Healthcare District

Statement of Investment Policy

Appendix A – Benchmarks

Total Fund	Policy Index	Universe
Corporate Portfolio	100% Barclays Global Capital Aggregate Index	N/A

Manager	Benchmarks	Universe
Fixed Income Composite		
MetWest Total Return (CCI Core Bond Fund)	Barclays Aggregate	Intermediate-Term Bond
WAMCO Core Plus	Barclays Aggregate	Intermediate-Term Bond
Payden Limited Maturity	91 Days T-Bills	Ultrashort Bond

Marin Healthcare District

Statement of Investment Policy

Appendix B – Asset Allocation

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Asset Class	Target %	Min%	Max%
Capital Preservation Assets			
Fixed Income	100	0	100
Cash	0	0	10

~~Appendix C – Socially Responsible Investing~~

~~The purpose of the investments of the Corporate Portfolio is to provide for the security of the funds and to optimize return on them. At the same time, we want the investment decisions to support the values of the Corporate Portfolio. Therefore, we wish to minimize investments in companies which:~~

- ~~• Engage in the manufacturing of materials or weapons that would likely destroy human life~~
- ~~• Engage in the manufacturing of tobacco products~~

Marin Healthcare District

Statement of Investment Policy

<u>Asset Class</u>	<u>Target</u>	<u>Minimum %</u>	<u>Maximum %</u>
Equity	0%	0%	25%
Fixed Income	100%	0%	100%
Cash	0%	0%	25%

Marin Healthcare District

Statement of Investment Policy

Acknowledged & Agreed

The Investment Policy Statement has been reviewed and approved by the Trustees of the ~~plan~~ portfolio assets. Should the Trustees believe at any time that changes, additions, or deletions to this statement are advisable, it shall be his/her full responsibility to recommend them to the Investment Manager.

APPROVED by the ~~Trustees~~ FO of Marin ~~Healthcare District~~ Corporate Portfolio-General Hospital

By: _____ Date: _____

Name: ~~Jim McManus~~ Eric Brettner, ~~CF~~ Financial Officer

~~By acknowledging in writing the receipt of this statement, Canterbury Consulting agrees to its terms and conditions. Should the Investment Manager believe at any time that changes, additions, or deletions to this statement are advisable, it shall be his/her full responsibility to recommend them to the Trustees.~~

~~Investment Manager (Canterbury Consulting)~~

By: _____ Date: _____

Name: ~~Debashis Chowdhury, CFA, President~~

By: _____ Date: _____

Name: ~~Jason Levey, CAIA, Managing Director~~

Tab 7



To: MHD Finance and Audit Committee
From: Eric Brettner, CFO *EB*
Re: March 2022 Financial Report
Date: April 21, 2022

I. General Comments

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

II. FY 2022 Income Statement and Budget

The District's net operating loss for the month was \$119,197 which was unfavorable to budget by \$105,919. The unfavorable variance is driven by lower than expected investment earnings and higher than budgeted expenses. Rental revenue from the hospital lease was \$49,369 in March. Investment earnings were comprised of \$6,069 dividend and interest income as well as \$16,790 of realized losses and a \$91,915 decrease in the value of investments. The District incurred total operating expenses of \$65,930 which was favorable to budget by \$2,444. The favorable variance was due to lower than budgeted legal expenses and timing of community education expenses. Depreciation expense was \$990,657 in March. Bond Related Revenues and Expenses included \$1,366,294 of accrued tax revenues less bond fund earnings, and \$1,191,590 of bond interest expense.

III. Balance Sheet

Assets

Cash at March 31, 2022 of \$663,915 decreased by \$69,562. The decrease was due to payment of charitable contributions to the Marin School District for COVID support and program support. Investment account balances of \$3,736,934 decreased by \$102,900 from the prior month due to realized losses of \$16,790 and a \$91,915 decrease in the value of investments. Tax revenue receivables are \$10,554,907 and represent amounts due from the County of Marin. 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 – Bond Funds". These funds total \$2,162,449 at March 31, 2022 and include \$8,382 to be used for construction costs and \$2,154,067 to be used for bond principal and interest payments.



Creating a healthier Marin together.

Liabilities and Net Assets

Interest payable of \$2,545,916 increased by \$1,272,958 from the prior month due to the accrual of interest. Accrued expenses of \$114,949 are primarily comprised of accruals for construction costs, legal fees, and consulting fees.

Related party payables of \$75,386 include of \$9,176 due from the Network for bank fees and clinic receipts, and \$84,562 due to the Hospital for payments relating to asset management of the bond funds and consulting expenses paid on behalf of the District.

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 \$680,000 is due in August 2022. 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 \$52,546,154.

**Marin Healthcare District
Income Statement - Actual vs. Budget
March 31, 2022**

	3/31/2022			Year-to-Date		
	Actual	Budget	Variance	Actual	Budget	Variance
Rental Revenue	49,369	49,218	151	147,654	147,654	-
Investment Earnings	(102,636)	5,878	(108,514)	(239,170)	17,635	(256,805)
Total Income	(53,267)	55,096	(108,363)	(91,516)	165,289	(256,805)
Legal Fees	595	3,750	3,155	36,430	11,250	(25,180)
Accounting Fees	2,457	2,457	-	7,371	7,371	-
Board Compensation	1,890	1,500	(390)	5,250	4,500	(750)
Board Expenses	-	2,083	2,083	-	6,250	6,250
Consulting Fees	(1,500)	1,667	3,167	56,500	5,000	(51,500)
Election Expenses	-	-	-	-	-	-
Charitable Contributions	22,804	500	(22,304)	48,213	1,500	(46,713)
Community Education	-	7,500	7,500	-	22,500	22,500
Dues	600	1,000	400	1,800	3,000	1,200
Advertising	12,000	-	(12,000)	12,000	-	(12,000)
MHMC Program Support	16,667	37,500	20,833	50,000	112,500	62,500
MHMN Program Support	10,417	10,417	-	34,021	31,250	(2,771)
Total Expense	65,930	68,374	2,444	251,585	205,121	(46,464)
Net Operating Income (Loss) Before Depreciation, Bond Related Revenue and Expense, and Other Non Operating Expenses	(119,197)	(13,278)	(105,919)	(343,101)	(39,832)	(303,269)
Depreciation Expense	990,657	995,265	4,608	2,971,971	2,985,795	13,824
Net Operating Income (Loss) Before Bond Related Revenue and Expense and Other Non Operating Expenses	(1,109,854)	(1,008,543)	(101,311)	(3,315,072)	(3,025,627)	(289,445)
Bond-Related Revenue(Expense)						
Tax Revenue	1,366,253	1,366,253	-	4,098,759	4,098,759	-
Bond Fund Earnings	41	-	41	19,931	-	19,931
Bond Interest Expense	(1,191,590)	(1,190,881)	(709)	(3,574,769)	(3,572,643)	(2,126)
Net Income (Loss)	(935,150)	(833,171)	(101,979)	(2,771,151)	(2,499,511)	(271,640)

Marin Healthcare District
Balance Sheet
March 31, 2022

Assets	3/31/2022	2/28/2022	Change	12/31/2021
Current Assets				
Cash	663,915	733,477	(69,562)	712,254
Investment	3,736,934	3,839,834	(102,900)	3,976,384
Tax Revenues Receivable	10,554,907	9,235,048	1,319,859	6,785,671
Prepaid Expenses	28,883	2,400	26,483	3,600
Total Current Assets	14,984,639	13,810,759	1,173,880	11,477,909
Property, plant, and equipment, net	405,857,364	406,765,548	(908,184)	408,416,972
Parking Garage, net	21,008,379	21,090,851	(82,472)	21,420,741
Assets Limited To Use - Building Funds	8,382	8,381	1	2,426,274
Assets Limited To Use - Interest & Sinking Funds	2,154,067	2,107,631	46,436	9,462,038
Deposits & Retainers	36,000	36,000	-	36,000
Total Non-Current Assets	429,064,192	430,008,411	(944,219)	441,762,025
Total Assets	444,048,831	443,819,170	229,661	453,239,934
Liabilities and Net assets				
Current Liabilities				
Accounts Payable	1,890	56,853	(54,963)	1,399
Interest Payable	2,545,916	1,272,958	1,272,958	6,364,791
Accrued Expenses	114,949	178,101	(63,152)	2,547,797
Other Current Liabilities	-	-	-	-
Related Party Payables	75,386	(15,950)	91,336	0
Current Bond Maturities	680,000	680,000	-	680,000
Total Current Liabilities	3,418,141	2,171,962	1,246,179	9,593,987
Bonds Payable	364,745,000	364,745,000	-	364,745,000
Bond Premium	23,339,536	23,420,904	(81,368)	23,583,642
Total Liabilities	391,502,677	390,337,866	1,164,811	397,922,629
Net Assets				
Net Assets	55,317,305	55,317,305	-	68,745,451
Net (Loss)/Income	(2,771,151)	(1,836,001)	(935,150)	(13,428,146)
Total Net Assets	52,546,154	53,481,304	(935,150)	55,317,305
Total Liabilities and Net Assets	444,048,831	443,819,170	229,661	453,239,934

Tab 8



To: MHD Finance and Audit Committee
From: Eric Brettner, CFO
Re: April 2022 Financial Report
Date: May 18, 2022 *EB*

I. General Comments

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

II. FY 2022 Income Statement and Budget

The District's net operating loss for the month was \$118,914 which was unfavorable to budget by \$105,636. The unfavorable variance is driven by lower than expected investment earnings and higher than budgeted expenses. Rental revenue from the hospital lease was \$48,918 in April. Investment earnings were comprised of \$6,425 dividend and interest income as well as \$20,896 of realized losses and a \$121,172 decrease in the value of investments. The District incurred total operating expenses of \$32,189 which was favorable to budget by \$36,185. The favorable variance was due to lower than budgeted legal expenses and COVID-19 support cost, and timing of community education expenses. Depreciation expense was \$990,657 in April. Bond Related Revenues and Expenses included \$1,366,493 of accrued tax revenues less bond fund earnings, and \$1,191,590 of bond interest expense.

III. Balance Sheet

Assets

Cash at April 30, 2022 of \$711,271 increased by \$47,356. The increase was due to deposit of rent revenue. Investment account balances of \$3,601,284 decreased by \$135,650 from the prior month due to realized losses of \$20,896 and a \$121,172 decrease in the value of investments. Tax revenue receivables are \$5,465,933 and represent amounts due from the County of Marin. \$6,455,227 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 – Bond Funds". These funds total \$8,617,914 at April 30, 2022 and include \$8,383 to be used for construction costs and \$8,609,531 to be used for bond principal and interest payments.



Liabilities and Net Assets

Interest payable of \$3,818,875 increased by \$1,272,959 from the prior month due to the accrual of interest. Accrued expenses of \$117,406 are primarily comprised of accruals for legal fees and consulting fees.

Related party payables of \$76,809 include of \$8,656 due from the Network for bank fees and clinic receipts, and \$85,465 due to the Hospital for payments relating to asset management of the bond funds and consulting expenses paid on behalf of the District.

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 \$680,000 is due in August 2022. 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 \$51,611,486.

Marin Healthcare District
Income Statement - Actual vs. Budget
April 30, 2022

	4/30/2022			Year-to-Date		
	Actual	Budget	Variance	Actual	Budget	Variance
Rental Revenue	48,918	49,218	(300)	196,571	196,872	(301)
Investment Earnings	(135,643)	5,878	(141,521)	(374,813)	23,514	(398,327)
Total Income	(86,725)	55,096	(141,821)	(178,242)	220,386	(398,628)
Legal Fees	804	3,750	2,946	37,235	15,000	(22,235)
Accounting Fees	2,457	2,457	-	9,828	9,828	-
Board Compensation	945	1,500	555	6,195	6,000	(195)
Board Expenses	98	2,083	1,985	98	8,333	8,235
Consulting Fees	-	1,667	1,667	56,500	6,667	(49,833)
Election Expenses	-	-	-	-	-	-
Charitable Contributions	-	500	500	48,213	2,000	(46,213)
Community Education	-	7,500	7,500	-	30,000	30,000
Dues	600	1,000	400	2,400	4,000	1,600
Advertising	-	-	-	12,000	-	(12,000)
MHMC Program Support	16,667	37,500	20,833	66,667	150,000	83,333
MHMN Program Support	10,618	10,417	(201)	44,639	41,667	(2,972)
Total Expense	32,189	68,374	36,185	283,775	273,495	(10,280)
Net Operating Income (Loss) Before Depreciation, Bond Related Revenue and Expense, and Other Non Operating Expenses	(118,914)	(13,278)	(105,636)	(462,017)	(53,109)	(408,908)
Depreciation Expense	990,657	995,265	4,608	3,962,627	3,981,060	18,433
Net Operating Income (Loss) Before Bond Related Revenue and Expense and Other Non Operating Expenses	(1,109,571)	(1,008,543)	(101,028)	(4,424,644)	(4,034,169)	(390,475)
Bond-Related Revenue(Expense)						
Tax Revenue	1,366,253	1,366,253	-	5,465,012	5,465,012	-
Bond Fund Earnings	240	-	240	20,171	-	20,171
Bond Interest Expense	(1,191,590)	(1,190,881)	(709)	(4,766,358)	(4,763,524)	(2,834)
Net Income (Loss)	(934,668)	(833,171)	(101,497)	(3,705,819)	(3,332,681)	(373,138)

Marin Healthcare District
Balance Sheet
April 30, 2022

	4/30/2022	3/31/2022	Change	12/31/2021
Assets				
Current Assets				
Cash	711,271	663,915	47,356	712,254
Investment	3,601,284	3,736,934	(135,650)	3,976,384
Tax Revenues Receivable	5,465,933	10,554,907	(5,088,974)	6,785,671
Prepaid Expenses	1,200	28,883	(27,683)	3,600
Total Current Assets	9,779,688	14,984,639	(5,204,951)	11,477,909
Property, plant, and equipment, net	404,949,179	405,857,364	(908,185)	408,416,972
Parking Garage, net	20,925,907	21,008,379	(82,472)	21,420,741
Assets Limited To Use - Building Funds	8,383	8,382	1	2,426,274
Assets Limited To Use - Interest & Sinking Funds	8,609,531	2,154,067	6,455,464	9,462,038
Deposits & Retainers	36,000	36,000	-	36,000
Total Non-Current Assets	434,529,000	429,064,192	5,464,808	441,762,025
Total Assets	444,308,688	444,048,831	259,857	453,239,934
Liabilities and Net assets				
Current Liabilities				
Accounts Payable	945	1,890	(945)	1,399
Interest Payable	3,818,875	2,545,916	1,272,959	6,364,791
Accrued Expenses	117,406	114,949	2,457	2,547,797
Other Current Liabilities	-	-	-	-
Related Party Payables	76,809	75,386	1,423	0
Current Bond Maturities	680,000	680,000	-	680,000
Total Current Liabilities	4,694,035	3,418,141	1,275,894	9,593,987
Bonds Payable	364,745,000	364,745,000	-	364,745,000
Bond Premium	23,258,167	23,339,536	(81,369)	23,583,642
Total Liabilities	392,697,202	391,502,677	1,194,525	397,922,629
Net Assets				
Net Assets	55,317,305	55,317,305	-	68,745,451
Net (Loss)/Income	(3,705,819)	(2,771,151)	(934,668)	(13,428,146)
Total Net Assets	51,611,486	52,546,154	(934,668)	55,317,305
Total Liabilities and Net Assets	444,308,688	444,048,831	259,857	453,239,934