

North Sonoma County HealthCare District
August 25, 2022
Regular Meeting of the Board of Directors

CALL TO ORDER

- a. The Board of Directors of the North Sonoma County Healthcare District met via Zoom on August 25, 2022. Chair David Anderson, MD called the meeting to order at 4:35 p.m.

California Governor Gavin Newsom issued Executive Order N-25-20 on March 12, 2020 relating to the convening of public meetings in light of the COVID-19 pandemic. Pursuant to the Governor's Executive Order, Board members will attend the meeting via Zoom.

- b. Board Clerk called the roll. The following Board members were present via Zoom constituting a quorum:

David Anderson, MD, Chair (Left at 5:15 PM)
Sue Campbell, Treasurer
Erin Gore, Director (Arrived at 4:38 PM)
Jim Nantell, Secretary

Absent: Danielle Streb, RN, Vice-Chair

Also present via Zoom: **Staff**
Tucker Pinochi, Board Clerk
Bill Arnone, Esq., District Counsel

Guests
Daniela Dominguez, M.S., PhD., CEO of On The Margins
Kimberly Bender, Exec. Director, Healthcare Foundation NSC
Ryan Weber, Office Managing Partner, RSM

Chair Anderson called for conflicts on the agenda items listed below. There were none.

Chair Anderson opened the floor for members of the public to comment on open session, non-agendized items. There were no members of the public present.

REGULAR BUSINESS

1. Consent Calendar

- August 25, 2022 Regular Meeting Agenda
- June 30, 2022 Regular Meeting Minutes
- June 30, 2022 District Financial Statements
- July 31, 2022 District Financial Statements
- NSCHD Res. #7-22 Authorizing Teleconference Meetings

A Motion was made by Director Nantell and seconded by Director Campbell to approve the Consent Calendar.

Vote: Anderson: Y Campbell: Y Gore: Nantell: Y Streb: The motion was approved 4-0, with two Directors not voting.

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Director Campbell requested that the Board move Mr. Weber's presentation of the audit report to take place following Dr. Dominguez's. Per the notice on the bottom of the agenda, District Counsel advised that this was permissible.

2. Presentation / Discussion: Nuestra Comunidad Sana (Cloverdale Wellness Center Update)

Director Anderson introduced Dr. Daniela Dominguez, CEO of On The Margins and Assistant Professor of Psychology at the University of San Francisco. She joined the Board to provide an update on the Cloverdale Wellness Center supported by the District, which once underway took the name "Nuestra Comunidad Sana." She noted that the project sought to meet communities in the field and hear from people directly using multiple means of collecting data.

The facilitators for the project are part of On The Margins, and consist mostly of health clinicians who do research in the community. She said that there are also artists engaged to facilitate these sessions, noting the use of colors, paint, and other media to. This allows the community to engage all parts of the brain in their conversations, which according to Dr. Dominguez is a vital step in trauma-responsive community engagement. She also discussed their efforts to engage the community in culturally responsive ways, noting the high proportion of mono-lingual Spanish speakers and immigrants among the project's target population.

She then moved to discuss the strategic planning process undertaken in concert with the project's partners: Nuestra Comunidad, La Familia Sana, and the Healthcare Foundation of North Sonoma County. The objective of the project, "a safe, vibrant, green, community space of belonging in Cloverdale," was shared with community members in a focus group setting. Their feedback was that opportunities for Spanish speakers to participate in community projects such as this one were limited due to a lack of linguistic access. Nuestra Comunidad Sana also engaged in focus group research to determine the best location for the eventual community space. Multiple locations were suggested as possible settings for the community wellness center. All members of the community identified the same ideal location: next to the Citrus Fair Grounds.

She continued with her description of the process undertaken to date, emphasizing their commitment to engaging community members of all ages through research models that are less "sterile" than commonly perceived by laypeople. This is also called participatory research. She showed the Board a picture of children making their own personalized stress balls as an example.

Dr. Dominguez then outlined what the expected timeline was for execution of the project. First, the team developed their community-based research design. Then, they began collecting data, which will be followed by data analysis beginning in 2023. Their strategies for data collection include focus groups, community meetings, participatory mapping, individual interviews, surveys, and canvassing. Finally, at the end of the two-year process they will report the results and share them in the community as widely as possible.

Director Campbell returned to the location of the eventual Community Wellness Center, and asked whether members of the community had suggested any locations that were not presented by Nuestra Comunidad Sana. Dr. Dominguez replied that while some were suggested that were farther outside Cloverdale, they wanted to hone in on the people who were most likely to use the Wellness Center – those who live within a certain distance from town.

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Dr. Dominguez returned to her report on the project's activities, including wellness events that took care to draw families with children – one was held at St. Peter's Catholic Church, a focal point for the target audience. The goal was in part to collect information about what kind of Wellness Center the community would feel comfortable bringing their children to.

In conclusion Dr. Dominguez listed the staff and resources engaged so far in the process, a calendar of completed and upcoming events that make up the data collection phase, and the list of questions they ask when they are canvassing in the community. Then she thanked the Directors and opened the floor for questions.

Director Anderson asked Dr. Dominguez if the project was making efforts to reach out to older members of the community. Dr. Dominguez replied affirmatively, and cited the work done by Kim Bender to convene a focus group at the Senior apartments in Cloverdale. Additionally, Alexander Valley Healthcare is collecting question cards from every patient that fills out an intake form, including elderly community members. Kim Bender noted that they had collected over 100 cards, and Dr. Dominguez noted that their goal was to have 500 by the end of the year.

Director Anderson made a point to note that seniors in Cloverdale, like seniors elsewhere, were greatly effected by the lack of socialization resulting from COVID-19 precautions. Dr. Dominguez acknowledged the need, and stated that they recognized they need more responses from seniors for a well-rounded data set.

Director Gore raised the possibility of engaging with mothers in Cloverdale given what has taken place in local schools recently. "Cloverdale Moms" constitute an active community online, and they will likely have valuable input for the process. Dr. Dominguez said that they have done limited engagement with regard to safety in schools, and offered her contact information to Director Gore in case she had specific groups in mind to share with Nuestra Comunidad Sana.

Director Campbell asked for suggestions for Director Streb's participation, since she is a Cloverdale resident and is highly invested in the process. Dr. Dominguez replied that she had already met Director Streb at focus group events and community meetings, and that Director Streb was able to see the project in a larger group setting as well as a more intimate one. Director Campbell also asked if the data collected during this project was carrying over to Dr. Dominguez's academic work. Dr. Dominguez replied that she had actually found that this project has shown her she is better suited to work in the community than in the research lab. However, she said that she would take with her the observations of what happens when you allow people to speak on behalf of their own needs and wants ("pass the mic").

Director Gore asked the Board whether the District had yet shared with Cloverdale City Council that they are supporting this project. Her thinking is that it may be best to begin discussing it with them now rather than after the process is final, to help them better understand the entire arc of the project. Ms. Bender replied that it has not been brought to the City Council's attention yet. Director Gore said that she would take the lead on this and reach out to Cloverdale City Council to get a report on the District's support for Nuestra Comunidad Sana onto the next council agenda.

Director Anderson asked Ms. Bender if she had anything to add. She said that yes, she had good news to share with the Board on this matter. She had previously approached Providence to talk about replicating this project in Windsor and Healdsburg, and has secured \$200,000 of funding for the Windsor iteration of

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the Wellness Center Project. There was not funding secured for a project in Healdsburg, and that it would have to wait until next year since Providence's budget was maxed out.

Director Gore reminded the Board of their prior conversations regarding the desired purpose of the District as it relates to community health. She emphasized that this project was exemplary of the strategic niche the District could fill in the space. The support provided by the District allowed the project to get off the ground, demonstrating to other funders that the project was viable and worth funding in jurisdictions beyond Cloverdale.

Ms. Bender and Director Campbell suggested that there was an opportunity to spread the word via local news outlets. Director Campbell also praised the Board for having chosen a hospital operator who would step up to provide funding at that level to expand a project first supported by the District.

Mr. Weissberg asked Dr. Dominguez about the differences she observed between the communities in Cloverdale and those in Sonoma Valley, with reference to the updated Portrait of Sonoma released in 2021. She replied that based on her observations in the field, she was surprised to see Cloverdale's Human Development Index score as high as it was in the 2021 Portrait of Sonoma.

To Dr. Dominguez, this demonstrates the importance of on-the-ground engagement efforts such as those undertaken by Nuestra Comunidad Sana. She pointed out that the geography of Cloverdale and Sonoma Valley led to very different outcomes. Cloverdale's remote location relative to the rest of the county, especially Santa Rosa means that accessing services is more difficult than it is in Sonoma Valley.

This leads to greater reliance on the police when, for example, a community member experiences a mental health crisis. Since many communities of color do not feel safe interacting with the police, this serves as a barrier to access. She said there are also more reports of ethnic and racial discrimination in Cloverdale, perhaps due to the relative density of its population.

Director Anderson asked the Board if there were any more questions, and there were none. Dr. Dominguez thanked the Board for the opportunity to present her report, and the Board thanked her and Ms. Bender in return for their hard work on behalf of community wellness.

Dr. Dominguez and Ms. Bender left the meeting at 5:15 PM.

Director Anderson also left the meeting at 5:15 PM.

3. Discussion / Action: Approving Draft Board Policies #5, 6

- **NSCHD Board Policy #5: Guiding Principles for District Business Ventures**
- **NSCHD Board Policy #6: Conflict of Interest Code Policy**

Director Nantell briefly reviewed the process he began during the last meeting of the Board of Directors before presenting the draft policies above and his accompanying recommendation. He noted that he saw no need for draft policy #5 as written, and that District Counsel agreed. Draft policy #5 was sourced from the Petaluma Health Care District's Board policies, and their financial situation offers opportunities for business development that this District's does not. Director Nantell recommended therefore that the Board not move to adopt draft policy #5.

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Moving to draft policy #6, Director Nantell reported that District Counsel was able to find an extant Conflict of Interest Code Policy that made adopting a new one unnecessary for the time being. Director Nantell therefore also recommended that the Board not move to adopt draft policy #6. District Counsel's recommended that the Chair direct staff to submit notice to the County Registrar of Voters that there were no changes to the District's Conflict of Interest Code Policy at this time. The Chair so directed, and no further action was taken.

4. Open Public Hearing on NSCHD Res. #8-22: Setting and Adopting an Appropriations Limit for Fiscal Year 2022-2023

Director Campbell opened the public hearing on NSCHD Res. #8-22: Setting and Adopting an Appropriations Limit for Fiscal Year 2022-2023.

Director Campbell explained the purpose of the resolution and invited discussion from the Board and the public. There were no comments from the Board, and no members of the public present to comment.

5. Close Public Hearing on NSCHD Res. #8-22: Setting and Adopting an Appropriations Limit for Fiscal Year 2022-2023

Director Campbell closed the public hearing on NSCHD Res. #8-22: Setting and Adopting an Appropriations Limit for Fiscal Year 2022-2023.

6. Consider Adoption of NSCHD Res. #8-22: Setting and Adopting an Appropriations Limit for Fiscal Year 2022-2023

A Motion was made by Director Nantell and seconded by Director Gore to adopt Res. #8-22.

Vote: Anderson: __ Campbell: Y Gore: Y Nantell: Y Streb: __ The motion was approved 3-0, with two Directors not voting.

7. Open Public Hearing on NSCHD Res. #9-22: Setting the Tax Rate for the Fiscal Year 2022-2023

Director Campbell opened the Public Hearing on NSCHD Res. #9-22: Setting the Tax Rate for the Fiscal Year 2022-2023.

She explained the purpose of the resolution and invited discussion from the Board and the public. There were no comments from the Board, and no members of the public present to comment.

8. Close Public Hearing on NSCHD Res. #9-22: Setting the Tax Rate for the Fiscal Year 2022-2023

Director Campbell closed the Public hearing on NSCHD Res. #9-22: Setting the Tax Rate for the Fiscal Year 2022-2023.

9. Consider Adoption of NSCHD Res. #9-22: Setting the Tax Rate for the Fiscal Year 2022-2023

A Motion was made by Director Gore and seconded by Director Nantell to adopt Res. #9-22.

Vote: Anderson: __ Campbell: Y Gore: Y Nantell: Y Streb: __ The motion was approved 3-0, with two Directors not voting.

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10. Regarding District Finances

- **Audit Report**

This item was addressed out of order, prior to agenda item #4, to better accommodate the time difference where Mr. Weber is located. Ryan Weber, Office Managing Partner at RSM, presented his report on the District's annual audit, beginning with what was presented to the Board's audit committee. That report is available as an attachment to these minutes, as well as on the District's website at the following link: (<https://nschd.com/finance-and-budget-committee/>).

Director Gore thanked Mr. Weber, Director Campbell, and the other members of the audit committee for their work. She reported that the audit committee's formal recommendation was that the Board approve the audit as presented.

A Motion was made by Director Gore and seconded by Director Campbell to approve the 2021 Audit of District Finances as presented.

Vote: Anderson: __ Campbell: Y Gore: Y Nantell: Y Streb: __ The motion was approved 3-0, with two Directors not voting.

11. Regarding New District Housekeeping

This item was addressed after agenda item #12.

Director Campbell referenced Director Gore's prior request to schedule the meeting at a different time. She and Director Streb both have children in school who need to be picked up at around the time the Board meeting has been scheduled to start. The Board directed staff to poll the Directors, Mr. Weissberg, and District Counsel to determine a suitable time for future Board meetings.

Director Campbell reported that the Board Clerk will be the point of contact for any questions associated with the Parcel Tax or Parcel Tax exemptions.

She also raised the question of the funds allocated to cover 2021 audit costs during the sale of the hospital. She stated that the District's obligation was to return the remainder of the \$1 million dollars allocated 14 days after the completion of the 2021 audit. However, Mr. Weber told Director Campbell that the 2021 audit the Board just approved is now subject to potential audit by the Federal government for three years. She asked District Counsel whether he recommended holding on to the remainder of the allocated \$1 million until the end of those three years, or whether to return that sum now in spite of the potential for a Federal audit of the District's 2021 financial reports. District Counsel's recommendation is that the District keep those funds until all potential uses for them are exhausted.

12. Legal Report

This item was addressed after agenda item #9. District Counsel reported on the ongoing process to transfer shares of Providence stock back to Providence following the sale of Healdsburg Hospital. He recommended to Director Campbell and the Board that the District involve itself as little as necessary in that transaction. He also noted that the resolution required from the District to complete the transaction was passed in December of 2021.

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The Board discussed the logistics of meeting the District's obligation associated with this piece of the transaction with Providence, including the location of the bank and how to get the Board-designated Directors there at the same time to make the withdrawal.

District Counsel also announced to the Board that his plan was to fully retire by the end of this calendar year. He stated he would assist in facilitating a smooth transition, and shared recommendations for his replacement for the Board's consideration. There was brief discussion of the Board's options, and the Board said that the matter would return to the Board for discussion.

13. Hospital Matters

- **Community Board Meetings and Possible Appointments**

Director Campbell reported to the Board that she had unfortunately missed the previous meeting of the Hospital Community Board. She also said that Georgina Calderon, the District's prospective appointee, received an invite from the District to come and introduce herself to the Board during this meeting. However, Director Campbell learned later that there was an extensive vetting process for prospective Community Board members, equivalent to a staff background check.

14. Consideration of Materials Disseminated by Board Members

Director Nantell reported on his brief discussion with Sue McQuiddy, lead volunteer at Windsor Wellness/Windsor Health Action. He said that she had reached out to the Board Clerk on the initiative of Petaluma Health Care District CEO Ramona Faith. In spite of his initial skepticism, Director Nantell told the Board that the work of Windsor Wellness was well aligned with the District's mission and strategic plan.

He therefore requested that the Board Clerk invite her to the October Board meeting so she can discuss opportunities for collaboration between the District and Windsor Wellness. He also suggested that, as a Windsor resident, he could participate in Windsor Wellness's regular meetings. Further, he mentioned the Health Action chapter in Healdsburg, operating as Corazón Healdsburg, which does not participate in the County-wide Health Action discussions but may be a valuable partner for the District all the same.

Director Campbell reported that both she and Director Streb had filed for reelection. She asked the Board Clerk whether anyone else had filed as a candidate. The Board Clerk answered no, and that since the number of candidates (2) equaled the number of seats available on the Board (2), there would be no election and Directors Campbell and Streb had been confirmed as appointees to their next four-year term.

15. Adjournment

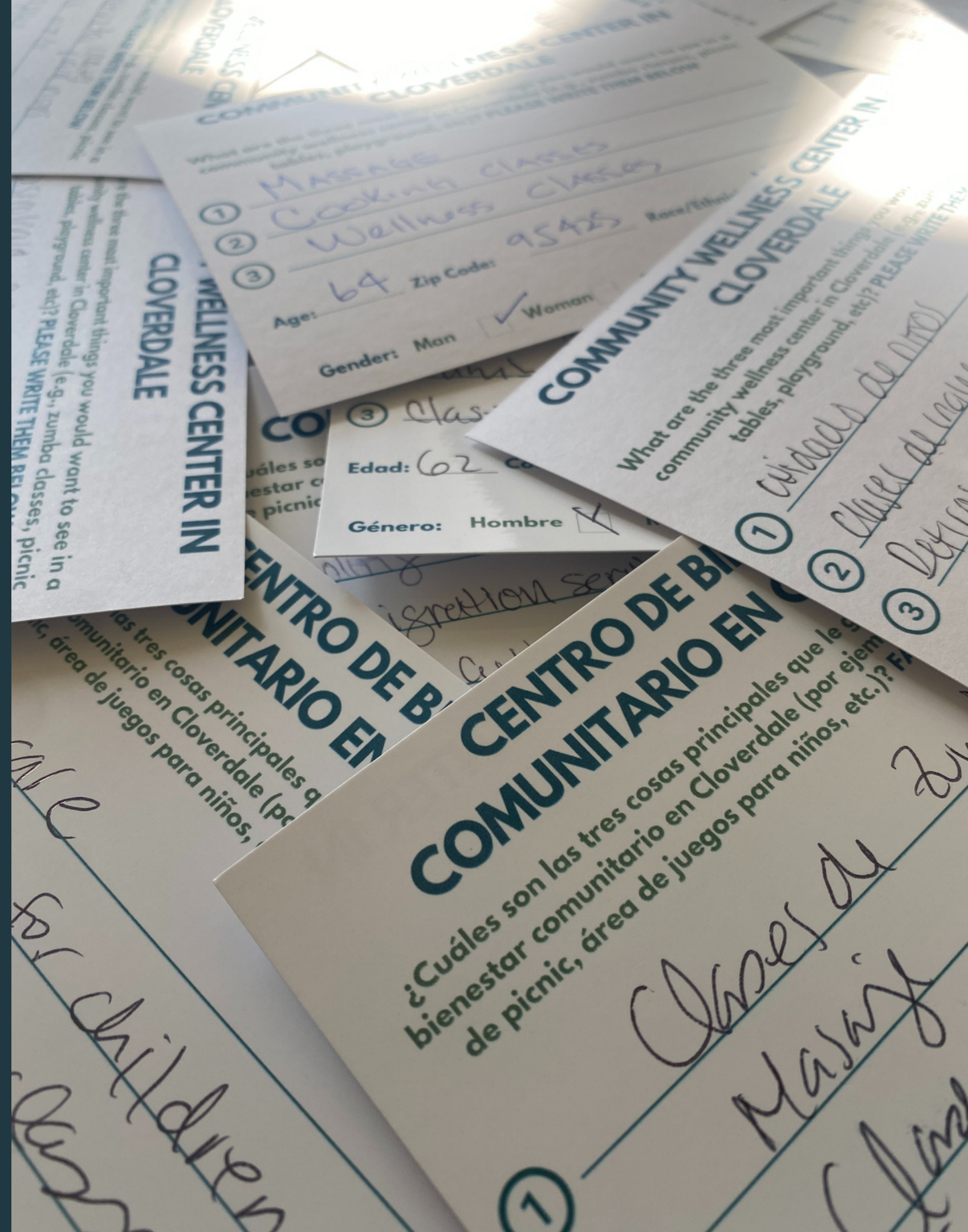
Director Campbell adjourned the meeting at 6:05 PM.

Submitted & Recorded by Tucker Pinochi, Board Clerk
Contact info@nschd.com for more information





Nuestra Comunidad Sana





Facilitators/**Facilitadores** (On the Margins)



A person wearing a blue cap and a white shirt is painting a mural on a dark wall. The mural features large, light blue, abstract shapes that resemble leaves or petals. The person is holding a paintbrush and is in the process of applying paint to the wall.

Strategy Map

- Objective
- Execution Plan

Mapa estratégico

- Objetivo
- Plan Ejecutivo

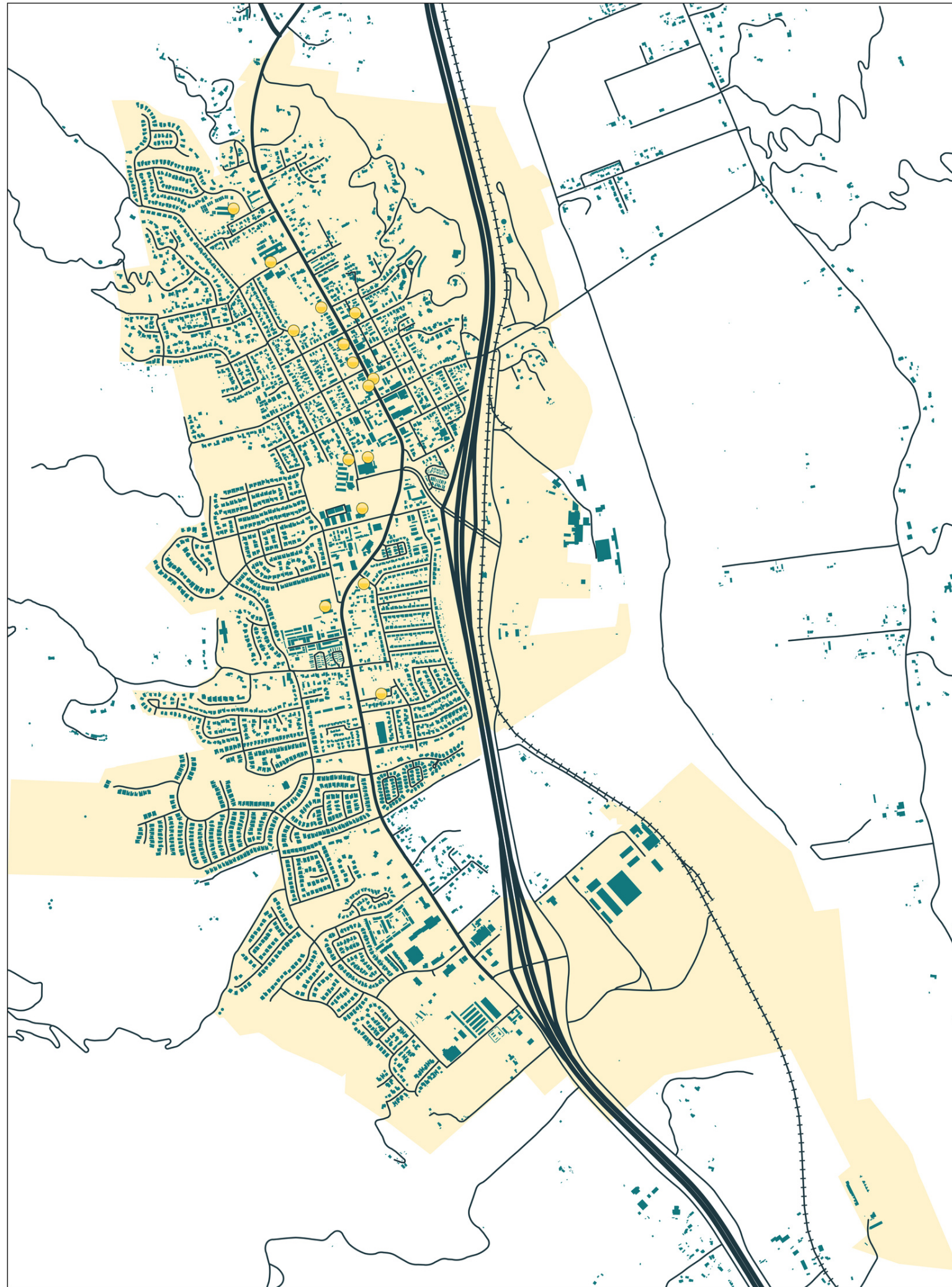


The Objective

The objective of "Nuestra Comunidad Sana" is to envision a safe, vibrant, green, community space of belonging in Cloverdale.

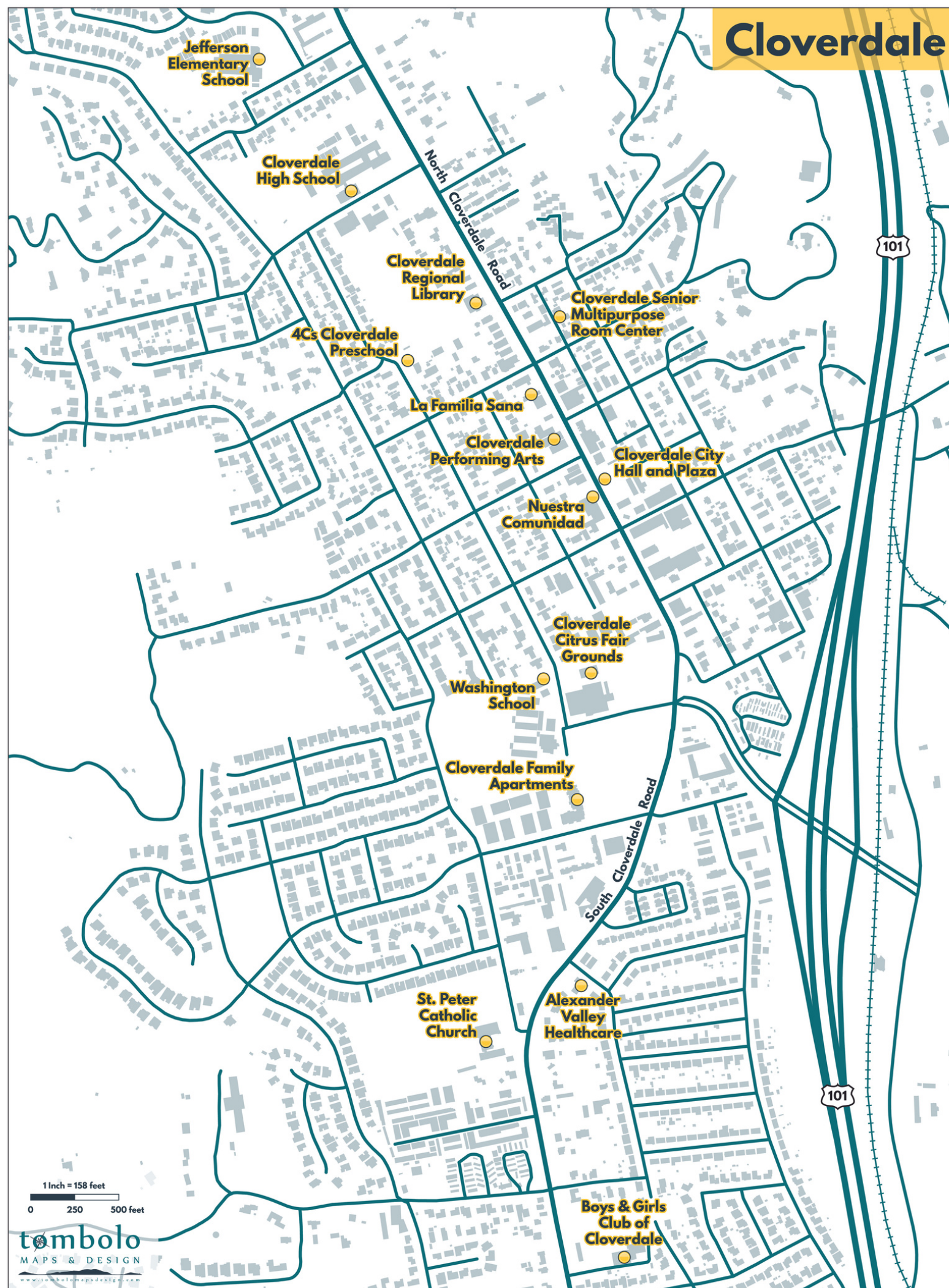
El Objetivo

El objetivo de "Nuestra Comunidad Sana" es visualizar un espacio comunitario, seguro, vibrante, verde, y de pertenencia en Cloverdale.



In Cloverdale
(Where?)

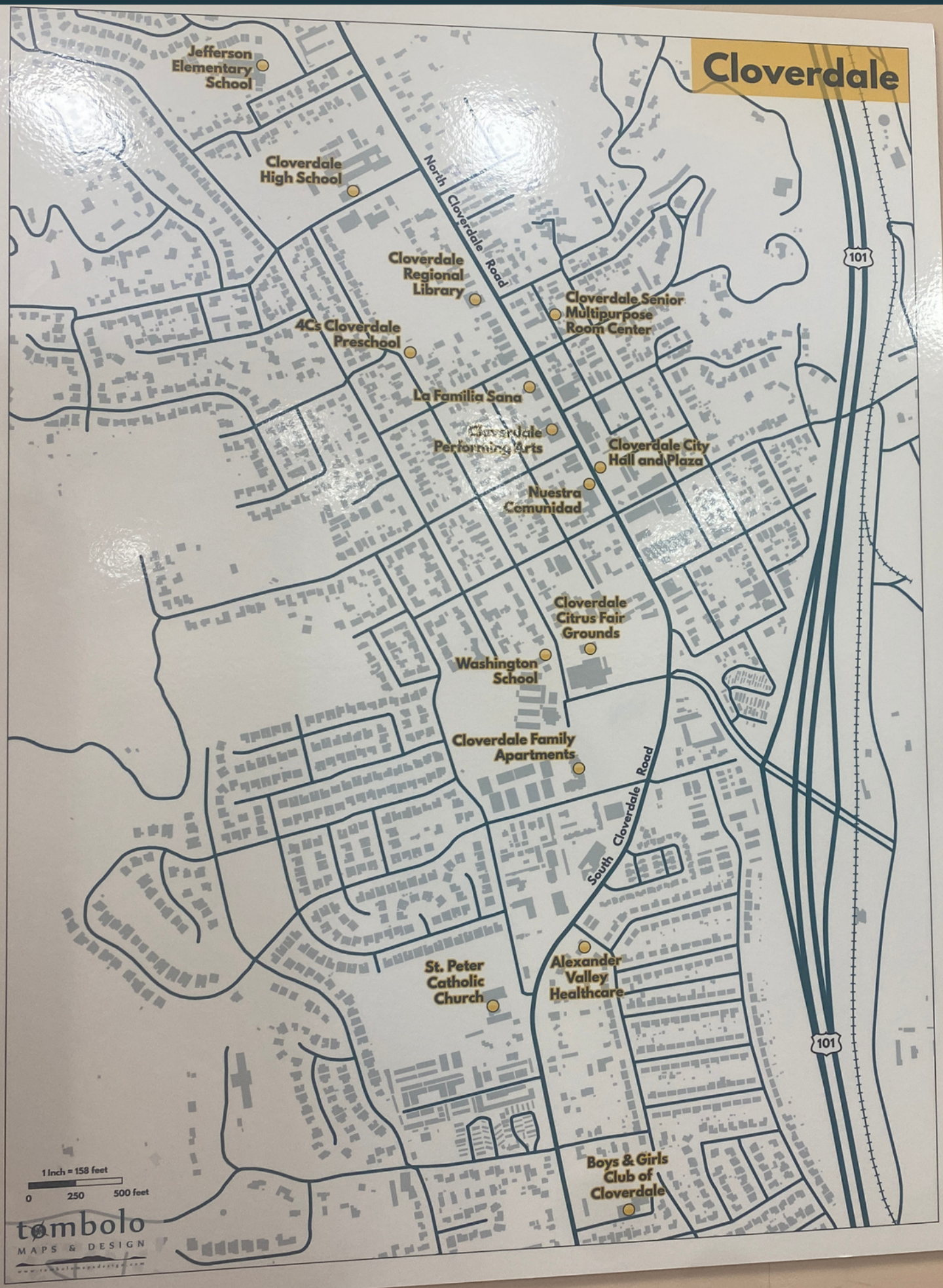
En Cloverdale
(¿Donde?)



Focus (Where?)

Enfoque (¿Dónde?)

Cloverdale



Execution Plan

The What

Plan Ejecutivo

El Qué

- Develop a community-based design
Desarrollar un diseño basado en la comunidad
- Engage in data collection
Participar en la recopilación de datos
- Perform data analysis
Realizar análisis de datos
- Report back and dissemination
Informe y difusión



Nuestra Comunidad Sana

(The Who/ El Quién)



La Familia Sana



Nuestra Comunidad



**Alexander Valley
Healthcare**



Timeline/Cronología

(The When)/ El Cuando



2022

**Develop rapport between the collective (i.e.,
Nuestra Comunidad Sana)**

**Desarrollar una relación entre el colectivo (es
decir, nuestra comunidad de curación)**

Develop the community research design

**Desarrollar el diseño de investigación
comunitaria.**

Begin data collection

Comenzar la recopilación de datos

2023

Continue data collection

Comenzar la recopilación de datos

Conduct data analysis

Realizar análisis de datos

Share out

Compartir

Write a report

Escribe un reporte

DESIGN

1

**MARCH 31,
2022**

Community
Wellness Center
Kick-off meeting
Freedom
Dreaming
Session

2

**APRIL 28,
2022**

Nuestra
Comunidad Sana
Strategy
Mapping

3

**MAY 2022
&
JUNE 2022**

Research Design

4

**JULY,
AUGUST,
SEPTEMBER,
OCTOBER**

Data collection

5

**NOVEMBER
&
DECEMBER**

Begin planning
new focus group
dates

6

**2023
LARGER
FORUMS**

Data Collection Strategies

Estrategias de recopilación de datos



Focus Groups, Community Meetings, and Participatory Mapping

Grupos Focales, Reuniones Comunitarias y Mapeo Participativo



Individual Interviews

Entrevistas Individuales



Surveys and Canvassing

Encuestas y Escrutinio

Wellness Events

Eventos de Bienestar





Content & Materials

Contenido y materiales

- **Researchers**
- **Artists**
- **Cartographer**
- **Participants**
- **Protocol Questions**
- **Community Maps**
- **Transcriptions**
- **Records**

- **Investigadores**
- **Artistas**
- **Cartógrafo**
- **Participantes**
- **Preguntas de protocolo**
- **Mapas comunitarios**
- **Transcripciones**
- **Registros**

CANVASSING

COMMUNITY WELLNESS CENTER IN CLOVERDALE

What are the three most important things you would want to see in a community wellness center in Cloverdale (e.g., zumba classes, picnic tables, playground, etc)? **PLEASE WRITE THEM BELOW**

- ① _____
- ② _____
- ③ _____

Age: _____ Zip Code: _____ Race/Ethnicity: _____

Gender: Man ☐ Woman ☐ Trans ☐ Other: _____

CENTRO DE BIENESTAR COMUNITARIO EN CLOVERDALE

¿Cuáles son las tres cosas principales que le gustaría ver en un centro de bienestar comunitario en Cloverdale (por ejemplo, clases de zumba, mesas de picnic, área de juegos para niños, etc.)? **FAVOR DE ESCRIBIR ABAJO**

- ① _____
- ② _____
- ③ _____

Edad: _____ Código Postal: _____ Es Latino/a/X? SI ☐ NO ☐

Género: Hombre ☐ Mujer ☐ Trans ☐ Otro: _____

Data collection session coordinators



Focus Group Sessions & Community Meetings

Nuestra Comunidad



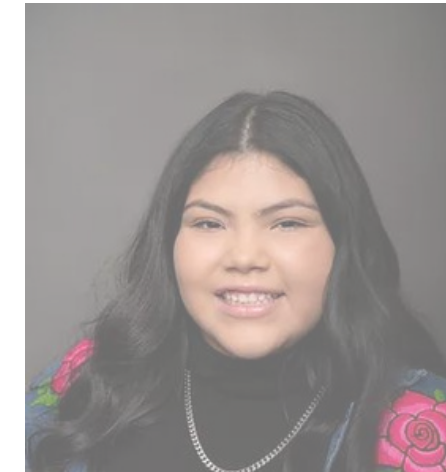
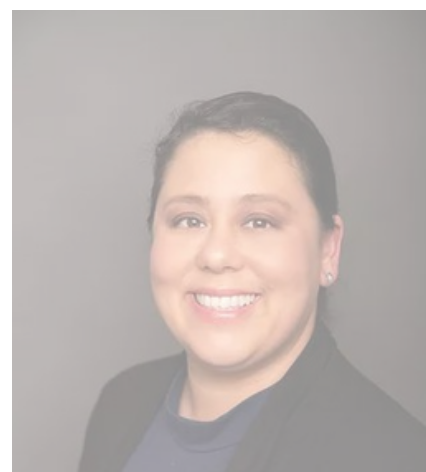
Individual Interviews

La Familia Sana



Surveys

Alexander Valley Clinic



2022 Schedule

Calendario 2022





JULY 22

July 12/Julio 12
(1pm-3pm)

Nuestra Comunidad

Focus Group
Grupo de enfoque

JULY 22

July 17/ Julio 17 (1pm-
3pm)

St. Peter Catholic
Church

Community Event
Evento comunitario
"Dia de La Familia y
Salud"

AUGUST 22

August 6/ Agosto 6

La Familia Sana

Community Event
Evento comunitario
"Fruits of Labor"

AUGUST 22

August 10/ Agosto 10
(1pm-3pm)

Nuestra Comunidad

Focus Group
Grupo de enfoque

SEPTEMBER 22

September 14/ Septiembre 14
(5pm-7pm)

Nuestra Comunidad

Focus Group
Grupo de enfoque

SEPTEMBER 22

September (TBD)

La Familia Sana

No community event

OCTOBER 22

October 6/ Octubre 6
(5pm-7pm)

Nuestra Comunidad

Focus Group
Grupo de enfoque

OCTOBER 22

October (TBD)

Nuestra Comunidad
Sana

Community Event
Dia de Los Muertos

NOVEMBER 22

November (TBD)

La Familia Sana

Community Event
Evento comunitario

NOVEMBER 22

November 2 (10am-12pm)

Nuestra Comunidad

Focus Group
Grupo de enfoque

DECEMBER 22

December 7 (1pm-3pm)

Nuestra Comunidad

Focus Group
Grupo de enfoque

DECEMBER 22

December 9

Nuestra Comunidad

Focus Groups
Grupo de enfoque





1

Results

Resultados

July Agenda

1

**Drop off brief surveys at
Alexander Valley Healthcare, NC,
and LFS**

2

**August 6/ Agosto 6
La Familia Sana**

**Community Event
Evento comunitario
"Fruits of Labor"**

3

**August 10/ Agosto 10
(1pm-3pm)**

Nuestra Comunidad

**Focus Group
Grupo de enfoque**

August Agenda

1

Review

2 focus groups
2 community events
2 board presentations
103 individual interviews

2 grupos de enfoque
2 eventos comunitarios
2 presentaciones a las mesas
directivas
103 entrevistas individuales

2

Feedback?

How are we doing on index
cards?

¿Retroalimentación?
¿Cómo vamos con las fichas?

3

Coming up

October 5, 2022
Focus group

Monday, October 31st (4pm to
8pm).
Dia de los Muertos

5 de octubre de 2022
Grupo de enfoque

Lunes 31 de octubre (16:00 a
20:00 horas).
Día de los Muertos

September Agenda

1

Review

7 Nuestra Comunidad Sana Meetings
3 focus groups
2 community events
2 board presentations
120 individual interviews

7 Juntas de Nuestra Comunidad Sana

2 grupos de enfoque
2 eventos comunitarios
2 presentaciones a mesas directivas
120 entrevistas individuales

2

Feedback/Reactions

When can we pick up index cards?

Is this actually going to happen?

¿Retroalimentación?
¿Cómo vamos con las fichas?

3

Coming up

October 6, 2022
Focus group

Monday, October 31st (4pm to 8pm).
Dia de los Muertos

6 de octubre de 2022
Grupo de enfoque

Lunes 31 de octubre (16:00 a 20:00 horas).
Día de los Muertos

Un Centro de Bienestar en Cloverdale representaría una unión en la comunidad, socializar, aprendizaje, ayuda para todas las personas, unión familiar, felicidad, distracción, oportunidad para crecer como personas, mejoramos la Salud mental, Compartiríamos nuestros conocimientos, y lo más significativo que conviviríamos y nos conoceríamos mejor como comunidad con diversidades.


1


" A wellness center in Cloverdale would represent a union in the community, socializing, learning, help for all people, family union, happiness, distraction, opportunity to grow as people, it would improve mental health, we would share our knowledge, and the most significant thing that We would engage and get to know each other better as a diverse community."

July, Focus Group Participant



Tener un lugar para
aprender cosas nuevas
Como manualidades.
Tambien clases de musica
que me hagan sentir bien.



Este Centro representa - 

Felicidad

Amor


Mamá

Imaginación

Libertad

Invertir

Ambos



[illegible]

Que significaria para nuestros clientes?

- connection
- socializacion/convinio
- Enseñanza
- comunidad
- Actividad
- Felicidad
- Acceso
- familiaridad a propia cultura
- Seguridad/proteccion
- libertad
- bienestar
- salud

12-JULIO-2022.

REPRESENTARA.

Accesabilidad.

Inclusión.

Unión.

Bienestar.

Pertenencia.

(Perder el MIEDO).

#NoDigoMás. Ser Feliz

EFECTIVO

ERICK


Este centro de
bienestar
sería un respiro
y una oportunidad
para disfrutar alegría
Make it happen
please.


Este centro representaría:

- Unión en la comunidad
- Unión familiar
- Amor al prójimo
- Mucha paz mental

Ceria algo maravilloso poder disfrutar de algo tan hermoso.

Para toda la juventud, niños, adultos, personas de la tercera edad.

Mucha paz para las personas que vienen después de un día super largo de trabajo, poder ir a disfrutar una cosa de, zumba, natación, arte etc. 

Mucha paz para las personas
que vienen después de un día super
largo de trabajo, poder ir a
disfrutar una clase de, zumba,
natación, arte etc. 

Contact Information

Información del contacto

390 Market Street, Suite
200 – #6098, San
Francisco, CA, 94102

(415) 212-9064

danny@onthemargins.us



POLICY # 5

Page 1 of 2

TITLE: **Guiding Principles for District Business Ventures**

MANUAL: North Sonoma County Healthcare District Board Governance Policies

Board Approval Date: _____

Written By: J. Nantell

Committee Approval Date: _____

Review Dates: _____

I. PHILOSOPHY

The North Sonoma County Healthcare District (NSCHD) has a fiduciary responsibility to manage and oversee the District's assets in a prudent manner that supports the ongoing sustainability of assets while investing in activities business ventures to fulfill the mission and vision of the District. This fiduciary responsibility requires a decision making process that allows for ample planning, discernment and evaluation based on the complexity of the decision on a case by case basis.

II. PURPOSE / EXPECTED OUTCOME(S)

~~A District's~~ The District's mission is to identify priority healthcare needs of North Sonoma County residents and to provide leadership, partnership, and support to address these needs. ~~strategic goal is to build a firm financial foundation with long-term revenue streams to enable the District to promote and maintain community health programs and services, and necessary health facilities in the community.~~

III. POLICY

A. To assist in the decision making process, the Board of Directors will consider the principles and guidelines listed below and use them in the decision making process when contemplating the utilization of District assets ~~for business ventures~~.

1. The opportunity must be aligned with the mission of the NSCHD.
2. Evaluate the potential for the venture to support furthering the mission and vision of the District

POLICY # 5

3. Only engage in ~~business ventures~~activities that meet the highest ethical standards.
4. Consider the ~~venture's proposal's~~ potential to build positive community relationships, support local economic growth, and sustain District credibility.
5. Determine level of near-term and long-term investment prior to engagement.
6. Assess potential risks and evaluate the overall level of risk. Risks include, but are not limited to, the level of cash investment and the impact on district liquid assets, potential liabilities, the impact on the District's ability to serve its mission, and potential long-term financial risks.
7. Where appropriate, a ~~market analysis and~~ feasibility study should be conducted. The analysis should include a review of currently available services, market needs and trends, as well as future trends and governmental policies that could impact the project or other related businesses. When a ~~market and~~ feasibility study is conducted, a written report will be presented to the board for review and approval.
- ~~8. Where appropriate, input from key stakeholders, the community, and business and community leaders should be obtained. Interactions with these stakeholders will also provide an opportunity to educate, engage and solicit support for the proposed venture.~~
- ~~9.8.~~ Perform due diligence on any prospective partners. Prospective partners must have a proven ability to successfully perform in their area of expertise.
- ~~10.9.~~ Whenever reasonably possible, contract locally.
- ~~11. Contracts involving an expenditure of more than twenty-five thousand dollars (\$25,000) for materials and supplies to be furnished, sold, or leased to the District, or any contract involving an expenditure of more than twenty-five thousand dollars (\$25,000) by the District for work to be done may require competitive bidding pursuant to Health & Safety Code section 32132.~~
- ~~12.10.~~ Minimize initial cash contributions.
- ~~13.11. When possible, contracts should include a buy-out option for the District.~~



BOARD REPORT

Meeting Date: **8-25-22**

Subject: Draft Conflict of Interest Code Policy and Guiding Principles for District Business Activities Policy

From: James Nantell, Board Secretary

RECOMMENDATION

Recommend that the Board review the draft policies and concur with the Board Secretary to approve the Conflict of Interest Policy and agree that Guiding Principles for District Business Activities Policy is not needed at this time.

BACKGROUND

As the Board may recall we have been using the policies of the Petaluma Health Care District to help inform the development of our District policies. I have taken their Policy #5, "Guiding Principles for District Business Venture Policy" and edited it for our possible use; however although I believe it makes sense for Petaluma Health Care District I don't believe it is necessary for our needs. Given the finances for their District, they do enter into business ventures such that the policy makes more sense.

I have consulted with Bill Arnone, our Attorney and his response is shown below:

"Regarding policy number 5 concerning business ventures, the policy as edited looks good to me. However, I agree that the district is unlikely to enter into any ventures that require such a policy. Moreover, while I do not see an immediate conflict, another consideration arguing against adoption of policy #5 is to avoid any ambiguity as to whether the Investment Policy or the Business Venture policy might apply to a particular transaction. The Board can always choose to adopt a Business Venture Policy if the need arises in the future. However, if adoption of a Business Venture Policy is required to obtain a Certification of any sort, then the draft you prepared should work."

For these reasons I am recommending that we not approve "Guiding Principles for District Business Activities Policy" until such time that our activities suggest such a policy is needed. Should the Board agree the Conflict of Interest Policy would become Policy #5.

EXHIBIT A

RESOLUTION NO. 2 -02

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE NORTH SONOMA COUNTY HOSPITAL DISTRICT
ADOPTING A CONFLICT OF INTEREST CODE**

WHEREAS, the North Sonoma County Hospital District ("NSCHD") is required to adopt a Conflict of Interest Code pursuant to Government Code Section 87300; and

WHEREAS, the Fair Political Practices Commission ("FPPC") has adopted a regulation (2 Cal. Code Regs. §18730) which is a model conflict of interest code and requires certain local agency officials, employees, and consultants to file FPPC Form 700, statement of economic interests; and

WHEREAS, NSCHD desires to adopt a Conflict of Interest Code, incorporating the FPPC model code by reference;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the North Sonoma County Hospital District:

1. A Conflict of Interest Code, in the form attached as Exhibit "A," is hereby tentatively adopted and promulgated.

2. The Chief Executive Officer is hereby directed to open a 45-day public comment period to begin on Jan. 17, 2002, by publishing a Notice of Intention to Adopt a Conflict of Interest Code once in a newspaper of general circulation in Sonoma County, concurrently mailing notice to the Clerk of the Sonoma County Board of Supervisors, and posting the notice on the employee bulletin board.

3. The Conflict of Interest Code shall become effective immediately upon:

a. Its final approval by the Board of Directors following close of the public comment period and after a public hearing, if requested, at its meeting on Jan. 17, 2002; and

b. Its approval by the Sonoma County Board of Supervisors as the code-reviewing body.

3. Upon its final approval by the Board of Directors of NSCHD, the Chief Executive Officer is hereby directed and authorized to submit a certified copy thereof to the Sonoma County Board of Supervisors for approval.

A resolution of the Board of Directors of the North Sonoma County Hospital District Adopting a conflict of interest code was

APPROVED AND ADOPTED this 17 day of January 2002.

AYES: 5 Directors:

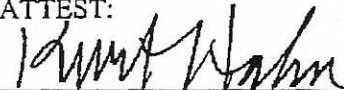
NOES: 0 Directors:

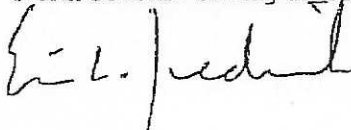
ABSENT: Directors:

ABSTAIN: Directors:

Chair, Board of Directors
North Sonoma County Hospital District

ATTEST:


Secretary of the Board of Directors
North Sonoma County Hospital District



**CONFLICT OF INTEREST CODE OF
NORTH SONOMA COUNTY HOSPITAL DISTRICT**

1. Standard Code of FPPC

The Political Reform Act (Government Code section 81000, *et seq.*) requires state and local government agencies to adopt and promulgate conflict of interest codes. The North Sonoma County Hospital District ("District") is therefore required to adopt such a code.

The Fair Political Practices Commission ("FPPC") has adopted a regulation (2 California Code of Regulations section 18730) which contains the terms of a standard conflict of interest code, which may be incorporated by reference in an agency's code, and which may be amended by the FPPC to conform to amendments in the Political Reform Act following public notice and hearing.

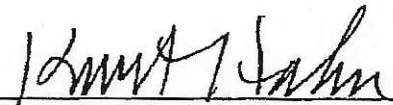
2. Adoption of Standard Code of FPPC

Therefore, the terms of 2 California Code of Regulations section 18730 and any amendments or revisions adopted by the FPPC are hereby incorporated by reference. This regulation and the attached Appendix designating officials and employees and establishing disclosure categories shall constitute the Conflict of Interest Code of the District. This code shall take effect when approved by the Sonoma County Board of Supervisors.

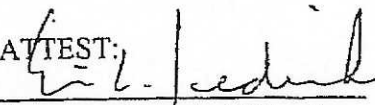
3. Filing of Statements of Economic Interests

Designated employees and public officials who manage public investments shall file statements of economic interests with the District. The agency shall make all statements available for public inspection and reproduction, pursuant to Government Code Section 81008.

APPROVED AND ADOPTED by the North Sonoma County Hospital District on the
17 day of January, 2002.



Chair, Board of Directors
North Sonoma County Hospital District

ATTEST:


Secretary, Board of Directors

APPENDIX TO
CONFLICT OF INTEREST CODE
OF THE
NORTH SONOMA COUNTY HOSPITAL DISTRICT

Preamble

Any person designated in Section I of this Appendix who is unsure of any right or obligation arising under this Code may request a formal opinion or letter of advice from the FPPC or an opinion from the District's General Counsel. (Gov. Code § 83114; 2 CCR § 18730(b)(11).) A person who acts in good faith in reliance on an opinion issued to him or her by the FPPC shall not be subject to criminal or civil penalties for so acting, provided that all material facts are stated in the opinion request. (Gov. Code § 83114(a).)

Opinions rendered by General Counsel do not provide any statutory defense to an alleged violation of conflict of interest statutes or regulations. The prosecuting agency may, but is not required to, consider a requesting party's reliance on General Counsel's opinion as evidence of good faith. In addition, the District may consider whether such reliance should constitute a mitigating factor to any disciplinary action that the District may bring against the requesting party under Government Code section 91003.5.

I.

Designated Employees

<u>Designated Employees</u>	<u>Categories Disclosed</u>
Members of the District Board of Directors	All
Chief Executive Officer	All
Chief Operating Officer	All
Chief Financial Officer	All
General Counsel	All
Consultants ¹	---

¹ With respect to consultants, the CEO may determine in writing that a particular consultant, although a "designated employee," is hired to perform a range of duties that are limited in scope and thus is not required to comply with the written disclosure requirements described in these categories. Such determination shall include a description of the consultant's duties and, based upon that description, a statement of the extent of disclosure requirements. The CEO's determination is a public record and shall be retained for public inspection by the District in the same manner as this Conflict of Interest Code. Nothing herein excuses any such consultant from any other provision of this Conflict of Interest Code.

II.

Disclosure Categories

Category 1. All-Inclusive Reportable Investments

A designated employee in this category shall report all reportable investments, as defined in Government Code Section 82034, in business entities located in or doing business in the State of California which operate or provide any of the following:

- Accounting or auditing services
- Banks and savings and loans
- Computer hardware or software, or computer services or consultants
- Communications equipment or services
- Educational and medical services and materials
- Entities or persons who have filed claims against the District or have claims pending against the District
- Insurance brokers and agencies
- Insurance adjusting, claims auditing or administration, or underwriting services
- Medical equipment, facilities, and supplies
- Office equipment or supplies
- Personnel and employment companies and services
- Printing or reproduction services, publications, and distribution
- Securities, investment or financial services companies
- Title insurance and escrow

Category 2. Reportable Interests in Real Property

A designated employee in this category shall disclose all interests in real property, as defined in Government Code Sections 82033, 82035, that is

- (a) within or not more than two (2) miles outside the boundaries of the State of California that has situated on it any business entity named in category no. 1 above; or
- (b) within the State of California that is involved in any plan for the expansion of the District's facilities; or
- (c) within one-half (1/2) mile of any facility or real property owned or used by the District,

Category 3. Reportable Income

A designated employee in this category shall disclose all income as defined in Government Code Section 82030 of the designated employee from the below-listed sources located in or doing business in the State of California aggregating \$500 or more (or \$320 or more in the case of gifts) during the reporting period.

- Accounting or auditing services

Banks and savings and loans
Computer hardware or software, or computer services or consultants
Communications equipment or services
Educational and medical services and materials
Entities or persons who have filed claims against the District or have claims pending against the District
Insurance brokers and agencies
Insurance adjusting, claims auditing or administration, or underwriting services
Medical equipment, facilities, and supplies
Office equipment or supplies
Personnel and employment companies and services
Printing or reproduction services, publications, and distribution
Securities, investment or financial services companies
Title insurance and escrow

Category 4. Less-Inclusive Reportable Investments

A designated employee in this category shall disclose only investments as defined in Government Code Section 82034 (worth more than \$2,000) in any business entity, which within the last two years has contracted with or in the future foreseeably may contract with the District to provide personnel, services, supplies, material, machinery or equipment:

(a) to the District, of the type utilized by the District which is located in or doing business in the State of California, and associated with the job assignment or position of the designated employee; or

(b) to any entity which has contracted with the District within the last two years or which in the future foreseeably may contract with the District to provide services, supplies, materials, machinery or equipment associated with the job assignment or position of the designated employee.

Category 5. Less-Inclusive Reportable Income

A designated employee in this category shall disclose only that reportable income as defined in Government Code Section 82030 (\$500 or more during reporting period; \$320 or more in the case of gifts) which is derived from a source which within the last two years has contracted with the District or in the future foreseeably may contract with the District to provide personnel, services, supplies, materials, machinery or equipment:

(a) to the District, of the type utilized by the District which is located in or doing business in the State of California, and associated with the job assignment or position of the designated employee; or

(b) to any entity which has contracted with the District within the last two years or which in the future foreseeably may contract with the District to provide personnel, services, supplies, materials, machinery or equipment associated with the job assignment or position of the designated employee.

Category 6. Business Positions

A designated employee in this category shall disclose by completing form ⁷⁰⁰70, schedule
"C."

**North Sonoma County Healthcare District
Resolution #08-22
August 25, 2022**

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE NORTH SONOMA COUNTY HEALTHCARE DISTRICT, SETTING AND ADOPTING AN APPROPRIATIONS LIMIT FOR THE 2022/2023 FISCAL YEAR.

WHEREAS, Article XIII B of the Constitution of the State of California establishes limits on the appropriations of tax proceeds by government entities; and

WHEREAS, Proposition 111, approved by the voter in June 1990, requires that the appropriations limit for a government entity be adopted each year after application of an annual adjustment factor; and

WHEREAS, Proposition 111 allows a combination of the change in both population and per capita personal income from the preceding year to be used in calculating the annual adjustment factor; and

WHEREAS, a notice was published stating that an appropriations limit was to be adopted and that the information and data concerning the limit and the annual adjustment was available for public inspection;

NOW THEREFORE, BE IT RESOLVED the Board of Directors of the North Sonoma County Healthcare District will and does hereby adopt an appropriations limit for the **2022/2023 fiscal year of \$21,832,195.**

The above and foregoing resolution was introduced by Director: _____ who moved its adoption, seconded by Director: _____, and adopted on roll call by the following vote:

Chair Anderson ____; Vice Chair Streb ____; Secretary Nantell ____; Secretary Campbell and Director Gore ____

AYES ____ NOES ____ ABSENT/NOT VOTING ____

WHEREUPON, the Chair declared the foregoing resolution adopted and SO ORDERED.

Attested:

Signature: _____ Date: August 25, 2022
Chair of the Board

Signature: _____ Date: August 25, 2022
Secretary of the Board

**North Sonoma County Healthcare District
Resolution #09-22
August 25, 2022**

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE NORTH SONOMA COUNTY HEALTHCARE DISTRICT DETERMINING TAX RATE TO BE LEVIED ON PARCELS OF LAND WITHIN THE DISTRICT DURING FISCAL YEAR 2022/2023

WHEREAS, the Board of Directors of the North Sonoma County Healthcare District, at a scheduled Public Hearing held on August 25, 2022 considered the recommendations of its staff regarding the special tax to be levied on parcels of land within the District during fiscal year 2022/2023 in accordance with the provisions of resolution 11-03 adopted by the Board of Directors of the District on November 24, 2003 and approved by the voters in the District on April 13, 2004 (Resolution 11-03); and

WHEREAS, the staff prepared a report showing each parcel of real property subject to said special tax, the owner(s) thereof, and the proposed levy thereon (Exhibit A), and the Board has reviewed the same and determined that the levies are within the maximum rate permitted by Resolution 11-03; and

WHEREAS, after due consideration, it is the opinion of the Board that the taxes reflected in Exhibit A are necessary to assist the District in meeting the costs of providing emergency, acute care, and other medical services, and operation and improving property of the District.

NOW THEREFORE, BE IT RESOLVED that the Board of Directors of the North Sonoma County Healthcare District hereby sets the special tax rate at \$150 per parcel to be assessed as shown on the attached Exhibit A, and directs its staff to notify the Sonoma County Tax Collector of the foregoing, and to request that the same be collected in accordance with Resolution 11-03.

The above and foregoing resolution was introduced by Director: _____ who moved its adoption, seconded by Director: _____, and adopted on roll call by the following vote:

Chair Anderson ____; Vice Chair Streb ____; Secretary Nantell ____; Secretary Campbell and

Director Gore ____

AYES ____ NOES ____ ABSENT/NOT VOTING ____

WHEREUPON, the Chair declared the foregoing resolution adopted and SO ORDERED.

Attested:

Signature: _____ Date: August 25, 2022
Chair of the Board

Signature: _____ Date: August 25, 2022
Secretary of the Board

Attachment 7

EXHIBIT A
2022-2023 PROPOSED PARCEL TAX LEVY

<u>ASSESSMENT</u>	<u>TAX CODE</u>	<u>AMOUNT</u>
206010002000	74800	\$150.00
206010100000	74800	\$150.00
206010101000	74800	\$150.00
206010102000	74800	\$150.00
206010200000	74800	\$150.00
206020002000	74800	\$150.00
206020003000	74800	\$150.00
206020005000	74800	\$150.00
206020100000	74800	\$150.00
206020101000	74800	\$150.00
206020102000	74800	\$150.00
206030001000	74800	\$150.00
206030002000	74800	\$150.00
206030003000	74800	\$150.00
206030004000	74800	\$150.00
206030005000	74800	\$150.00
206030006000	74800	\$150.00
206030007000	74800	\$150.00
206030008000	74800	\$150.00
206030100000	74800	\$150.00
206030101000	74800	\$150.00
206030102000	74800	\$150.00
206030103000	74800	\$150.00
206030200000	74800	\$150.00
206030202000	74800	\$150.00
206050002000	74800	\$150.00
206050100000	74800	\$150.00
206070001000	74800	\$150.00
Taxable Parcels		23,100.00
Tax per Parcel		\$150.00
2022-2023 PROPOSED PARCEL TAX LEVY		<u><u>\$3,465,000.00</u></u>

NOTE: Exhibit A represents the last page of a lengthy document listing all 23,100 parcels to be taxed. The public may request to see the full list by request to the NSCHD Board of Directors. Email info@nschd.com for more information

North Sonoma County Healthcare District

Financial Report
December 31, 2021

PRELIMINARY DRAFT
— Subject to Change —
Not to be Reproduced
for Review and Discussion Purposes Only

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Statement of revenues, expenses and changes in net position	6
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Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	12-13

PRELIMINARY DRAFT
— Subject to Change —
Not to be Reproduced
for Review and Discussion Purposes Only

Independent Auditor's Report

Board of Directors
North Sonoma County Healthcare District

Report of the Audit of the Financial Statements

Opinion

We have audited the financial statements of North Sonoma County Healthcare District (the District), which comprise the statement of net position as of December 31, 2021, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3–4 be presented to supplement the basic financial statements. Such information is the responsibility of management, and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis of Matter

On January 1, 2021 prior to commencing operations for the day, the District sold substantially all assets and transferred operations and substantially all liabilities to a third-party. See Note 5 to the financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated [DATE] on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Davenport, Iowa

[DATE]

North Sonoma County Healthcare District

Management's Discussion and Analysis Year Ended December 31, 2021

Message from the Board of Directors

The North Sonoma County Healthcare District began a new transformation at the start of 2021. Previous to December 31, 2020, the Healthcare District's primary responsibility was to oversee the management of Healdsburg District Hospital (the "Hospital") and collect the parcel tax that was critical in funding the Hospital. Healdsburg Hospital is a critical access hospital serving northern Sonoma County with an emergency room, certified stroke program, and CT and MRI imaging services. Healdsburg Hospital serves residents across the district including Windsor, Healdsburg, Geyserville, Cloverdale, the County, and tourists to the area. The Hospital was not profitable, struggled to stay ahead of unfunded government mandates, and required large capital improvements including a multi-million-dollar seismic retrofit.

To address the long-term sustainability of the Hospital, the District Board embarked on a multi-year journey to find a strategic partner. In 2018 a non-denominational division of Providence St. Joes (Providence) was chosen as the best long-term partner for the District since the two organizations had aligned values, a commitment to quality, and a focus on the improving health access in the district.

In 2020 the District embarked on a series of community meetings and listening sessions where we shared the terms of the negotiated transaction, listened to concerns and addressed questions. The terms of the transaction were that Providence would purchase Healdsburg Hospital including all its assets and liabilities for \$5 million cash and \$10 million in secured future community benefit spend, and in exchange guaranteed to operate the Hospital for a minimum of 30 years without a reduction in services for our community. This agreement guaranteed the capital upgrades required by government mandates and ensured that Healdsburg Hospital would remain available for residents of the district with all services intact. The transaction was announced in summer of 2020 and put on the ballot as Measure BB for the November 4, 2020 election. Measure BB was approved by the voters by 86%. The transaction was closed on January 1, 2021 prior to commencement of operations that day, with some of the closing activities and audit activities occurring in 2021 as per usual for this type of transaction.

The Healthcare District started 2021 with the \$5.0 million proceeds from the sale of the Hospital. The primary source of revenue for the Healthcare District during 2021 was the parcel tax, which brought in \$3.4 million in revenue. After deducting \$1.0 million for bond interest and principal, the remainder was transferred to Providence for the operation of the Hospital. Expenses were kept at a minimum in 2021 by sharing a Board Clerk with the Petaluma Health Care District, holding virtual meetings and avoiding the investment in infrastructure.

The District will continue to operate with three main goals moving forward. The first goal is to collect the parcel tax and then forward the proceeds to Providence for use for the operations of Healdsburg Hospital. One key element of the purchase agreement was that the parcel tax continue to be assessed to the District residents since it is the only way for the Hospital to continue to operate. Without the parcel tax funding, Providence can terminate the relationship with the District and the Hospital will close.

The second goal for the District is to ensure that Providence is maintaining their commitment and responsibilities per the transaction agreements. Providence created a new Community Board that has members of the community across the District represented, along with a District board member. This Community Board provides oversight to Providence with regards to Healdsburg Hospital along with the Community Benefit and Quality Committees of the Community Board. These committees also include District community members as well and board members. The District Board also remains committed and focused on Providence oversight to ensure the transaction details are carried out to their full extent and that quality and services remain intact.

North Sonoma County Healthcare District

Management's Discussion and Analysis Year Ended December 31, 2021

The third goal of the District is to facilitate better health in our community by working with local stakeholders with a focus on mental health and health outcomes. In early 2021 given the nature of the COVID19 pandemic, the District stepped up as a regional funder and facilitated the first grants in our new role to our Federally Qualified Health Clinics for the administration of COVID19 vaccines to hard-to-reach community members. In addition to this grant, the District undertook organizational redesign efforts to re-establish the organization without the resources of the Hospital and completed an additional strategic planning effort to identify focus areas for future grant efforts. This work is still ongoing, and the District would welcome any input from community members.

The North Sonoma County Healthcare District board members would be happy to talk about the specifics of the transaction should any resident have specific questions. In addition, all District meetings and transaction documents are public records and accessible on our website. The District board members are excited to continue to use the role of the district to convene community stakeholders to drive improved health outcomes for all members of our community and ensure health access for generations to come in our local communities.

It is an honor to represent the health needs of our community members across the district.

North Sonoma County District Board Members

Dave Anderson
Sue Campbell
Erin Gore
Jim Nantell
Danielle Streb

North Sonoma County Healthcare District

Statement of Net Position
December 31, 2021

Assets

Current assets:

Cash and cash equivalents	\$ 4,641,019
Assets limited as to use	517,462
District tax receivables	1,431,000
Other receivables	758,135
Total current assets	<u>7,347,616</u>

Notes receivable	<u>175,000</u>
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Deferred outflows of resources, deferred outflows related to debt refunding	<u>449,612</u>
--	----------------

Total assets	<u><u>\$ 7,972,228</u></u>
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Liabilities, Deferred Inflows and Net Position

Current liabilities:

Current maturities of long-term debt	\$ 760,000
Accounts payable and other accrued expenses	101,960
Refundable advance	732,197
District tax payable	913,539
Total current liabilities	<u>2,507,696</u>

Long-term debt, net of current maturities	<u>8,789,000</u>
---	------------------

Total liabilities	<u>11,296,696</u>
--------------------------	-------------------

Deferred inflows of resources, deferred inflows related to district tax revenues	<u>517,461</u>
Total liabilities and deferred inflows	<u>11,814,157</u>

Net position, unrestricted	<u>(3,841,929)</u>
-----------------------------------	--------------------

Total liabilities, deferred inflows and net position	<u><u>\$ 7,972,228</u></u>
---	----------------------------

See notes to financial statements.

North Sonoma County Healthcare District

**Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2021**

Operating expenses:	
Professional services	144,217
Administrative	19,616
Board stipends	17,000
Total operating expenses	<u>180,833</u>
Operating loss	<u>(180,833)</u>
Nonoperating revenues (expenses):	
District tax revenues	3,440,144
District tax (expense)	(2,388,303)
Interest income	4,814
Interest (expense)	(332,626)
Loss on sale of Hospital operations	(28,396,345)
Other	8,350
Total nonoperating revenues, net	<u>(27,663,966)</u>
Change in net position	<u>(27,844,799)</u>
Net position:	
Beginning of year	<u>24,002,870</u>
End of year	<u><u>\$ (3,841,929)</u></u>

See notes to financial statements.

North Sonoma County Healthcare District

Statement of Cash Flows Year Ended December 31, 2021

Cash flows from operating activities:	
Payments to suppliers	\$ (171,181)
Advances to local healthcare providers	(175,000)
Increase in loans and other receivables	(256,223)
Net cash provided by operating activities	(602,404)
Cash flows from investing activities:	
Interest received	4,814
Net cash provided by investing activities	4,814
Cash flows from noncapital financing activities:	
District tax proceeds	3,509,144
District tax payments	(2,457,303)
Net cash provided by noncapital financing activities	1,051,841
Cash flows from capital and related financing activities:	
Principal payments on long-term debt	(830,000)
Payment of refundable advance	(267,803)
Interest paid on long-term debt	(206,347)
Receipt of refundable advance	1,000,000
Net cash transferred to buyer upon sale of hospital operations	(1,940,290)
Cash received from other nonoperating revenue	8,350
Net cash used in capital and related financing activities	(2,236,090)
Net decrease in cash and cash equivalents	(1,781,839)
Cash and cash equivalents:	
Beginning of year	6,940,320
End of year (includes \$517,462 of assets limited as to use)	\$ 5,158,481
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (180,833)
Changes in operating assets and liabilities:	
Loans and other receivables	(431,223)
Accounts payable and other accrued expenses	9,652
Net cash used in operating activities	\$ (602,404)
Supplemental disclosure of noncash information, sale of Hospital to NorCal HealthConnect, LLC:	
Total assets (excluding cash)	\$ 35,522,973
Total liabilities	(9,066,918)
Loss on sale of Hospital operations	(28,396,345)
Net cash transferred to buyer upon sale of hospital operations	\$ (1,940,290)

See notes to financial statements.

North Sonoma County Healthcare District

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: North Sonoma County Healthcare District (District) is a special health care district, a political subdivision of the State of California organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California. The District owned and operated Healdsburg District Hospital (Hospital) through December 31, 2020. The District is a political subdivision of the State of California and is generally not subject to federal or state income taxes. The District is governed by a five-member Board of Directors, elected from within the district to specified terms of office.

On January 1, 2021, the operations of the Hospital and substantially all of its assets were sold to a third party who also assumed substantially all liabilities of the Hospital, except for long-term debt (see Note 5).

Significant accounting policies:

Accrual basis of accounting: The accrual basis of accounting is used by the District. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when the liability has been incurred.

Basis of accounting: The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

Deferred inflows of resources: In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so it will not be recognized as an inflow of resources (revenue) until that time. Property taxes are shown as a deferred inflow of resources under the full accrual basis of accounting and will become an inflow in the year for which they are levied and intended for the District's use.

Deferred outflows of resources: In addition to assets, the statement of net position will sometimes report a section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a usage of net position that applies to a future period(s) and so it will not be recognized as an outflow of resources (expense) until that time. The premium paid for refunding of debt is shown as a deferred outflow of resources under the full accrual basis of accounting and will become an outflow as it is amortized over the life of the debt.

Management estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents and investments: For purposes of the statement of cash flows, cash and cash equivalents include deposits on account in banking institutions and certain investments in highly liquid debt instruments, when present, with an original maturity of a short-term nature or subject to withdrawal upon request, excluding cash and cash equivalents included in assets limited as to use.

North Sonoma County Healthcare District

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Other receivables: Other receivables is comprised primarily of reimbursement of amounts paid to the California Department of Health Care Services (DHCS) to fund intergovernmental transfers (IGT).

Notes receivable: Notes receivable are comprised of loans the District has made to two local health care providers to help cover costs for establishing COVID vaccine clinics. Both loans were made at 0% interest and are to be repaid if and when the applicant receives reimbursement for costs incurred to the administer COVID vaccines within the District from other governmental sources. Both loans were forgiven in full in 2022.

Risk management: The District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. These risks are covered by the purchase of commercial insurance. There have been no significant reductions in insurance coverage nor have settled claims from the risk exceeded commercial insurance in any of the past three years.

Net position: Net position for an entity such as the District is classified in three categories. The first category is net investment in capital assets. This category of net position consists of capital assets (both restricted and unrestricted), debt proceeds placed into an escrow restricted for future capital purchases, net of accumulated depreciation and reduced by the outstanding principal balances of any debt borrowings that were attributable to the acquisition, construction or improvement of those capital assets.

The second category is restricted net position. This category consists of externally-designated constraints placed on those net assets by creditors (such as through debt covenants), grantors, contributors, law or regulations of other governments or government agencies, or law or constitutional provisions or enabling legislation.

The third category is unrestricted net position. This category consists of net position that does not meet the definition or criteria of the previous two categories.

District tax revenues: Property taxes are levied by the County on the District's behalf on July 1, and are intended to help finance the District's activities during the year ending the following June 30. The County has established certain dates to levy, lien, mail bills and receive payments from property owners during the year. Amounts levied on behalf of the District are a direct charge of \$150 per parcel. Property taxes are considered delinquent on the day following each payment due date. The District received approximately \$3,440,000 of its financial support from property taxes for the year ended December 31, 2021. These funds are used to support operations and meet required debt service agreements. They are classified as nonoperating revenue, as the revenue is not directly linked to patient care, and recorded by the District when levied and during the period of their intended use. Management determined that levied amounts not yet received and which are intended for the District's future use should be recorded as deferred inflows, which totaled approximately \$517,000 as of December 31, 2021. Parcel tax exemptions (i.e. abatements) totaled approximately \$17,000 for the year ended December 31, 2021.

District tax expenses: Any Parcel Tax proceeds in excess of the semi-annual debt service payments are to be remitted to NorCal HealthConnect in accordance with terms of the asset purchase agreement described in Note 5. This amount remitted to NorCal HealthConnect is recognized as district tax expense on the statement of revenues, expenses, and changes in net position. Any amount owed to NorCal HealthConnect and not yet paid as of the statement of net position date are recorded as district tax payable on the statement of net position.

North Sonoma County Healthcare District

Notes to Financial Statements

Note 2. Deposits and Investments

Custodial credit risk—deposits: At December 31, 2021, the District's cash deposits with financial institutions totaled approximately \$5,159,000. Funds held in deposits are collateralized in accordance with the California Government Code (CGC), except for \$250,000 per account that is federally insured by the Federal Deposit Insurance Corporation. Under the provisions of the CGC, California banks and savings and loan associations are required to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. The pledged securities are held by the pledging financial institution's trust department in the name of the District. As of December 31, 2021, the District held no investments.

Custodial credit risk—investments: Custodial credit risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. Securities held by a third party are registered in the name of the District.

Note 3. Long-Term Debt

As of December 31, 2021, debt borrowings were as follows:

	December 31, 2020	Borrowings	Payments	December 31, 2021	Due Within One Year
North Sonoma County Healthcare District Certificates of Participation:					
2020 Refunding Revenue Bonds	\$ 10,379,000	\$ -	\$ (830,000)	\$ 9,549,000	\$ 760,000
	<u>\$ 10,379,000</u>	<u>\$ -</u>	<u>\$ (830,000)</u>	<u>\$ 9,549,000</u>	<u>\$ 760,000</u>

Scheduled principal and interest repayments on long-term debt are as follows:

Years ending December 31:	Note Payable		Total Debt Service Requirements
	Principal	Interest	
2022	\$ 760,000	\$ 271,426	\$ 1,031,426
2023	782,000	249,212	1,031,212
2024	805,000	226,374	1,031,374
2025	829,000	202,841	1,031,841
2026	853,000	178,626	1,031,626
2027-2031	4,511,000	518,897	5,029,897
2032	1,009,000	21,953	1,030,953
	<u>\$ 9,549,000</u>	<u>\$ 1,669,329</u>	<u>\$ 11,218,329</u>

On December 11, 2020, the District issued Refunding Revenue Bonds, Series 2020 (2020 Bonds), in the original principal amount of \$10,379,000. The 2020 Bonds provided funds to refund the outstanding 2016 COP and pay costs of issuing the 2020 Bonds. The 2020 Bonds were issued in the form of one bond maturing on September 1, 2032 and bearing interest at 2.90%. The bond is subject to redemption at the option of the District, as a whole or in part in any amount, at a redemption price equal to the principal amount thereof, together with accrued interest to date, fixed for redemption, plus a premium of 1.00% through February 28, 2026 and 0% thereafter.

North Sonoma County Healthcare District

Notes to Financial Statements

Note 3. Long-Term Debt (Continued)

The 2020 Bonds are subject to mandatory sinking fund redemption on March 1 and September 1 each year, beginning March 1, 2021 through September 1, 2032, in amounts ranging from \$379,000 to \$505,000. The balance of the debt service reserve fund totaled \$517,462 as of December 31, 2021 and is included in assets limited as to use in the accompanying statement of net position. The District's obligation to pay the principal and interest on the 2020 Bonds is secured by a first and prior lien on the revenues derived by the District from an annual special parcel tax on each taxable parcel of real property within the District.

Given there is a first and prior lien on the Parcel Tax Revenues, parcel tax payments are remitted directly to the Trustee, and the Trustee shall deposit taxes collected into a debt service fund in the amount of principal and interest coming due on the next interest payment date. Any tax revenues remaining after such deposits are made is remitted to the District. "Parcel Tax Revenues" are the annual amounts collected by the County on behalf of the District from the Parcel Tax. If Parcel Tax Revenues are insufficient to pay sinking fund requirements when due, the Parcel Tax Revenues shall be applied on a pro rata basis to the payment of such principal or sinking fund installments. Until such time as all of the 2020 Bonds have been fully paid or prepaid, the District will not issue or incur any obligations payable from Parcel Tax Revenues without consent of the bond holder. Any Parcel Tax proceeds in excess of the semi-annual debt service payments are to be remitted to NorCal HealthConnect.

Note 4. Subsequent Events

Management has evaluated subsequent events and transactions through [DATE], the date these financial statements were available to be issued.

Note 5. Sale of Hospital Operations

On January 1, 2021, the District's hospital operations and substantially all assets were acquired and all liabilities were assumed, other than long-term debt comprised of the 2020 Bonds, by NorCal HealthConnect, LLC under the terms of an asset purchase agreement. In return, the District received \$5,000,000 in cash, which was received prior to December 31, 2020 and recorded as a refundable advance in the statement of net position as of December 31, 2020. Additionally, prior to December 31, 2020, \$13,746,000 of cash was transferred to the purchaser, which was recorded as refundable deposits on the statement of net position as of December 31, 2020. NorCal HealthConnect, LLC also committed to expend or commit to expend \$10,000,000 on investments in, or development or expansion of, the hospital or health care improvements, equipment and/or programs or services supportive of community and population health of the District during the ten-year period beginning January 1, 2021.

In connection with the transaction described above, NorCal HealthConnect, LLC advanced \$1,000,000 to the District on January 1, 2021 to be used to pay for certain audit and cost report services. Any unused portion of this \$1,000,000 is to be refunded to NorCal HealthConnect, LLC. The unused portion as of December 31, 2021 is included in the Statement of Net Position as a refundable advance.

Assets sold to NorCal HealthConnect, LLC	\$ (42,463,263)
Liabilities assumed by NorCal HealthConnect, LLC	9,066,918
Net assets sold	(33,396,345)
Consideration received	5,000,000
Net loss on sale of hospital operations	<u>\$ (28,396,345)</u>

**Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards**

Independent Auditor's Report

Board of Directors
North Sonoma County Healthcare District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of North Sonoma County Healthcare District (the District), which comprise the statement of net position as of December 31, 2021, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated [DATE].

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Davenport, Iowa

[DATE]

PRELIMINARY DRAFT
— Subject to Change —
for Review and Discussion Purposes Only
Not to be Reproduced

North Sonoma County Healthcare District

Financial Report
December 31, 2021

PRELIMINARY DRAFT
— Subject to Change —
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PRELIMINARY DRAFT
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Independent Auditor's Report

Board of Directors
North Sonoma County Healthcare District

Opinion

We have audited the financial statements of North Sonoma County Healthcare District (the District), which comprise the statement of net position as of December 31, 2021, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly afterwards.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3–4 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis of Matter

On January 1, 2021 prior to commencing operations for the day, the District sold substantially all assets and transferred operations and substantially all liabilities to a third-party. See Note 5 to the financial statements.

Davenport, Iowa

[DATE]

North Sonoma County Healthcare District

Management's Discussion and Analysis Year Ended December 31, 2021

Message from the Board of Directors

The North Sonoma County Healthcare District began a new transformation at the start of 2021. Previous to December 31, 2020, the Healthcare District's primary responsibility was to oversee the management of Healdsburg District Hospital (the "Hospital") and collect the parcel tax that was critical in funding the Hospital. Healdsburg Hospital is a critical access hospital serving northern Sonoma County with an emergency room, certified stroke program, and CT and MRI imaging services. Healdsburg Hospital serves residents across the district including Windsor, Healdsburg, Geyserville, Cloverdale, the County, and tourists to the area. The Hospital was not profitable, struggled to stay ahead of unfunded government mandates, and required large capital improvements including a multi-million-dollar seismic retrofit.

To address the long-term sustainability of the Hospital, the District Board embarked on a multi-year journey to find a strategic partner. In 2018 a non-denominational division of Providence St. Joes (Providence) was chosen as the best long-term partner for the District since the two organizations had aligned values, a commitment to quality, and a focus on the improving health access in the district.

In 2020 the District embarked on a series of community meetings and listening sessions where we shared the terms of the negotiated transaction, listened to concerns and addressed questions. The terms of the transaction were that Providence would purchase Healdsburg Hospital including all its assets and liabilities for \$5 million cash and \$10 million in secured future community benefit spend, and in exchange guaranteed to operate the Hospital for a minimum of 30 years without a reduction in services for our community. This agreement guaranteed the capital upgrades required by government mandates and ensured that Healdsburg Hospital would remain available for residents of the district with all services intact. The transaction was announced in summer of 2020 and put on the ballot as Measure BB for the November 4, 2020 election. Measure BB was approved by the voters by 86%. The transaction was closed on January 1, 2021 prior to commencement of operations that day, with some of the closing activities and audit activities occurring in 2021 as per usual for this type of transaction.

The Healthcare District started 2021 with the \$5.0 million proceeds from the sale of the Hospital. The primary source of revenue for the Healthcare District during 2021 was the parcel tax, which brought in \$3.4 million in revenue. After deducting \$1.0 million for bond interest and principal, the remainder was transferred to Providence for the operation of the Hospital. Expenses were kept at a minimum in 2021 by sharing a Board Clerk with the Petaluma Health Care District, holding virtual meetings and avoiding the investment in infrastructure.

The District will continue to operate with three main goals moving forward. The first goal is to collect the parcel tax and then forward the proceeds to Providence for use for the operations of Healdsburg Hospital. One key element of the purchase agreement was that the parcel tax continue to be assessed to the District residents since it is the only way for the Hospital to continue to operate. Without the parcel tax funding, Providence can terminate the relationship with the District and the Hospital will close.

The second goal for the District is to ensure that Providence is maintaining their commitment and responsibilities per the transaction agreements. Providence created a new Community Board that has members of the community across the District represented, along with a District board member. This Community Board provides oversight to Providence with regards to Healdsburg Hospital along with the Community Benefit and Quality Committees of the Community Board. These committees also include District community members as well and board members. The District Board also remains committed and focused on Providence oversight to ensure the transaction details are carried out to their full extent and that quality and services remain intact.

North Sonoma County Healthcare District

Management's Discussion and Analysis Year Ended December 31, 2021

The third goal of the District is to facilitate better health in our community by working with local stakeholders with a focus on mental health and health outcomes. In early 2021 given the nature of the COVID19 pandemic, the District stepped up as a regional funder and facilitated the first grants in our new role to our Federally Qualified Health Clinics for the administration of COVID19 vaccines to hard-to-reach community members. In addition to this grant, the District undertook organizational redesign efforts to re-establish the organization without the resources of the Hospital and completed an additional strategic planning effort to identify focus areas for future grant efforts. This work is still ongoing, and the District would welcome any input from community members.

The North Sonoma County Healthcare District board members would be happy to talk about the specifics of the transaction should any resident have specific questions. In addition, all District meetings and transaction documents are public records and accessible on our website. The District board members are excited to continue to use the role of the district to convene community stakeholders to drive improved health outcomes for all members of our community and ensure health access for generations to come in our local communities.

It is an honor to represent the health needs of our community members across the district.

North Sonoma County District Board Members

Dave Anderson
Sue Campbell
Erin Gore
Jim Nantell
Danielle Streb

North Sonoma County Healthcare District

Statement of Net Position
December 31, 2021

Assets

Current assets:

Cash and cash equivalents	\$ 4,641,019
Assets limited as to use	517,462
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Total assets	<u><u>\$ 7,972,228</u></u>
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Liabilities, Deferred Inflows and Net Position

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Current maturities of long-term debt	\$ 760,000
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Long-term debt, net of current maturities	<u>8,789,000</u>
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Total liabilities	<u>11,296,696</u>
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Deferred inflows of resources, deferred inflows related to district tax revenues	<u>517,461</u>
Total liabilities and deferred inflows	<u>11,814,157</u>

Net position, unrestricted	<u>(3,841,929)</u>
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Total liabilities, deferred inflows and net position	<u><u>\$ 7,972,228</u></u>
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See notes to financial statements.

North Sonoma County Healthcare District

**Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2021**

Operating expenses:	
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Total nonoperating revenues, net	<u>(27,663,966)</u>
Change in net position	<u>(27,844,799)</u>
Net position:	
Beginning of year	<u>24,002,870</u>
End of year	<u><u>\$ (3,841,929)</u></u>

See notes to financial statements.

North Sonoma County Healthcare District

Statement of Cash Flows Year Ended December 31, 2021

Cash flows from operating activities:	
Payments to suppliers	\$ (171,181)
Advances to local healthcare providers	(175,000)
Increase in loans and other receivables	(256,223)
Net cash provided by operating activities	(602,404)
Cash flows from investing activities:	
Interest received	4,814
Net cash provided by investing activities	4,814
Cash flows from noncapital financing activities:	
District tax proceeds	3,509,144
District tax payments	(2,457,303)
Net cash provided by noncapital financing activities	1,051,841
Cash flows from capital and related financing activities:	
Principal payments on long-term debt	(830,000)
Payment of refundable advance	(267,803)
Interest paid on long-term debt	(206,347)
Receipt of refundable advance	1,000,000
Net cash transferred to buyer upon sale of hospital operations	(1,940,290)
Cash received from other nonoperating revenue	8,350
Net cash used in capital and related financing activities	(2,236,090)
Net decrease in cash and cash equivalents	(1,781,839)
Cash and cash equivalents:	
Beginning of year	6,940,320
End of year (includes \$517,462 of assets limited as to use)	\$ 5,158,481
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (180,833)
Changes in operating assets and liabilities:	
Loans and other receivables	(431,223)
Accounts payable and other accrued expenses	9,652
Net cash used in operating activities	\$ (602,404)
Supplemental disclosure of noncash information, sale of Hospital to NorCal HealthConnect, LLC:	
Total assets (excluding cash)	\$ 35,522,973
Total liabilities	(9,066,918)
Loss on sale of Hospital operations	(28,396,345)
Net cash transferred to buyer upon sale of hospital operations	\$ (1,940,290)

See notes to financial statements.

North Sonoma County Healthcare District

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: North Sonoma County Healthcare District (District) is a special health care district, a political subdivision of the State of California organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California. The District owned and operated Healdsburg District Hospital (Hospital) through December 31, 2020. The District is a political subdivision of the State of California and is generally not subject to federal or state income taxes. The District is governed by a five-member Board of Directors, elected from within the district to specified terms of office.

On January 1, 2021, the operations of the Hospital and substantially all of its assets were sold to a third party who also assumed substantially all liabilities of the Hospital, except for long-term debt (see Note 5).

Significant accounting policies:

Accrual basis of accounting: The accrual basis of accounting is used by the District. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when the liability has been incurred.

Basis of accounting: The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

Deferred inflows of resources: In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so it will not be recognized as an inflow of resources (revenue) until that time. Property taxes are shown as a deferred inflow of resources under the full accrual basis of accounting and will become an inflow in the year for which they are levied and intended for the District's use.

Deferred outflows of resources: In addition to assets, the statement of net position will sometimes report a section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a usage of net position that applies to a future period(s) and so it will not be recognized as an outflow of resources (expense) until that time. The premium paid for refunding of debt is shown as a deferred outflow of resources under the full accrual basis of accounting and will become an outflow as it is amortized over the life of the debt.

Management estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents and investments: For purposes of the statement of cash flows, cash and cash equivalents include deposits on account in banking institutions and certain investments in highly liquid debt instruments, when present, with an original maturity of a short-term nature or subject to withdrawal upon request, excluding cash and cash equivalents included in assets limited as to use.

North Sonoma County Healthcare District

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Other receivables: Other receivables is comprised primarily of reimbursement of amounts paid to the California Department of Health Care Services (DHCS) to fund intergovernmental transfers (IGT).

Notes receivable: Notes receivable are comprised of loans the District has made to two local health care providers to help cover costs for establishing COVID vaccine clinics. Both loans were made at 0% interest and are to be repaid if and when the applicant receives reimbursement for costs incurred to the administer COVID vaccines within the District from other governmental sources. Both loans were forgiven in full in 2022.

Risk management: The District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. These risks are covered by the purchase of commercial insurance. There have been no significant reductions in insurance coverage nor have settled claims from the risk exceeded commercial insurance in any of the past three years.

Net position: Net position for an entity such as the District is classified in three categories. The first category is net investment in capital assets. This category of net position consists of capital assets (both restricted and unrestricted), debt proceeds placed into an escrow restricted for future capital purchases, net of accumulated depreciation and reduced by the outstanding principal balances of any debt borrowings that were attributable to the acquisition, construction or improvement of those capital assets.

The second category is restricted net position. This category consists of externally-designated constraints placed on those net assets by creditors (such as through debt covenants), grantors, contributors, law or regulations of other governments or government agencies, or law or constitutional provisions or enabling legislation.

The third category is unrestricted net position. This category consists of net position that does not meet the definition or criteria of the previous two categories.

District tax revenues: Property taxes are levied by the County on the District's behalf on July 1, and are intended to help finance the District's activities during the year ending the following June 30. The County has established certain dates to levy, lien, mail bills and receive payments from property owners during the year. Amounts levied on behalf of the District are a direct charge of \$150 per parcel. Property taxes are considered delinquent on the day following each payment due date. The District received approximately \$3,440,000 of its financial support from property taxes for the year ended December 31, 2021. These funds are used to support operations and meet required debt service agreements. They are classified as nonoperating revenue, as the revenue is not directly linked to patient care, and recorded by the District when levied and during the period of their intended use. Management determined that levied amounts not yet received and which are intended for the District's future use should be recorded as deferred inflows, which totaled approximately \$517,000 as of December 31, 2021. Parcel tax exemptions (i.e. abatements) totaled approximately \$17,000 for the year ended December 31, 2021.

District tax expenses: Any Parcel Tax proceeds in excess of the semi-annual debt service payments are to be remitted to NorCal HealthConnect in accordance with terms of the asset purchase agreement described in Note 5. This amount remitted to NorCal HealthConnect is recognized as district tax expense on the statement of revenues, expenses, and changes in net position. Any amount owed to NorCal HealthConnect and not yet paid as of the statement of net position date are recorded as district tax payable on the statement of net position.

North Sonoma County Healthcare District

Notes to Financial Statements

Note 2. Deposits and Investments

Custodial credit risk—deposits: At December 31, 2021, the District's cash deposits with financial institutions totaled approximately \$5,159,000. Funds held in deposits are collateralized in accordance with the California Government Code (CGC), except for \$250,000 per account that is federally insured by the Federal Deposit Insurance Corporation. Under the provisions of the CGC, California banks and savings and loan associations are required to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. The pledged securities are held by the pledging financial institution's trust department in the name of the District. As of December 31, 2021, the District held no investments.

Custodial credit risk—investments: Custodial credit risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. Securities held by a third party are registered in the name of the District.

Note 3. Long-Term Debt

As of December 31, 2021, debt borrowings were as follows:

	December 31, 2020	Borrowings	Payments	December 31, 2021	Due Within One Year
North Sonoma County Healthcare District Certificates of Participation:					
2020 Refunding Revenue Bonds	\$ 10,379,000	\$ -	\$ (830,000)	\$ 9,549,000	\$ 760,000
	<u>\$ 10,379,000</u>	<u>\$ -</u>	<u>\$ (830,000)</u>	<u>\$ 9,549,000</u>	<u>\$ 760,000</u>

Scheduled principal and interest repayments on long-term debt are as follows:

Years ending December 31:	Note Payable		Total Debt Service Requirements
	Principal	Interest	
2022	\$ 760,000	\$ 271,426	\$ 1,031,426
2023	782,000	249,212	1,031,212
2024	805,000	226,374	1,031,374
2025	829,000	202,841	1,031,841
2026	853,000	178,626	1,031,626
2027-2031	4,511,000	518,897	5,029,897
2032	1,009,000	21,953	1,030,953
	<u>\$ 9,549,000</u>	<u>\$ 1,669,329</u>	<u>\$ 11,218,329</u>

On December 11, 2020, the District issued Refunding Revenue Bonds, Series 2020 (2020 Bonds), in the original principal amount of \$10,379,000. The 2020 Bonds provided funds to refund the outstanding 2016 COP and pay costs of issuing the 2020 Bonds. The 2020 Bonds were issued in the form of one bond maturing on September 1, 2032 and bearing interest at 2.90%. The bond is subject to redemption at the option of the District, as a whole or in part in any amount, at a redemption price equal to the principal amount thereof, together with accrued interest to date, fixed for redemption, plus a premium of 1.00% through February 28, 2026 and 0% thereafter.

North Sonoma County Healthcare District

Notes to Financial Statements

Note 3. Long-Term Debt (Continued)

The 2020 Bonds are subject to mandatory sinking fund redemption on March 1 and September 1 each year, beginning March 1, 2021 through September 1, 2032, in amounts ranging from \$379,000 to \$505,000. The balance of the debt service reserve fund totaled \$517,462 as of December 31, 2021 and is included in assets limited as to use in the accompanying statement of net position. The District's obligation to pay the principal and interest on the 2020 Bonds is secured by a first and prior lien on the revenues derived by the District from an annual special parcel tax on each taxable parcel of real property within the District.

Given there is a first and prior lien on the Parcel Tax Revenues, parcel tax payments are remitted directly to the Trustee, and the Trustee shall deposit taxes collected into a debt service fund in the amount of principal and interest coming due on the next interest payment date. Any tax revenues remaining after such deposits are made is remitted to the District. "Parcel Tax Revenues" are the annual amounts collected by the County on behalf of the District from the Parcel Tax. If Parcel Tax Revenues are insufficient to pay sinking fund requirements when due, the Parcel Tax Revenues shall be applied on a pro rata basis to the payment of such principal or sinking fund installments. Until such time as all of the 2020 Bonds have been fully paid or prepaid, the District will not issue or incur any obligations payable from Parcel Tax Revenues without consent of the bond holder. Any Parcel Tax proceeds in excess of the semi-annual debt service payments are to be remitted to NorCal HealthConnect.

Note 4. Subsequent Events

Management has evaluated subsequent events and transactions through [DATE], the date these financial statements were available to be issued.

Note 5. Sale of Hospital Operations

On January 1, 2021, the District's hospital operations and substantially all assets were acquired and all liabilities were assumed, other than long-term debt comprised of the 2020 Bonds, by NorCal HealthConnect, LLC under the terms of an asset purchase agreement. In return, the District received \$5,000,000 in cash, which was received prior to December 31, 2020 and recorded as a refundable advance in the statement of net position as of December 31, 2020. Additionally, prior to December 31, 2020, \$13,746,000 of cash was transferred to the purchaser, which was recorded as refundable deposits on the statement of net position as of December 31, 2020. NorCal HealthConnect, LLC also committed to expend or commit to expend \$10,000,000 on investments in, or development or expansion of, the hospital or health care improvements, equipment and/or programs or services supportive of community and population health of the District during the ten-year period beginning January 1, 2021.

In connection with the transaction described above, NorCal HealthConnect, LLC advanced \$1,000,000 to the District on January 1, 2021 to be used to pay for certain audit and cost report services. Any unused portion of this \$1,000,000 is to be refunded to NorCal HealthConnect, LLC. The unused portion as of December 31, 2021 is included in the Statement of Net Position as a refundable advance.

Assets sold to NorCal HealthConnect, LLC	\$ (42,463,263)
Liabilities assumed by NorCal HealthConnect, LLC	9,066,918
Net assets sold	(33,396,345)
Consideration received	5,000,000
Net loss on sale of hospital operations	<u>\$ (28,396,345)</u>

North Sonoma County Healthcare District

Report to the Audit Committee

[DATE]

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[DATE]

Audit Committee
North Sonoma County Healthcare District
Healdsburg, California

We are pleased to present this report related to our audit of the financial statements of North Sonoma County Healthcare District (the District) as of and for the year ended December 31, 2021. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the District's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and the Audit Committee, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the District.

[Firm Signature]

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REQUIRED COMMUNICATIONS

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated March 23, 2022. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated May 2, 2022 regarding the planned scope and timing of our audit and identified significant risks.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. The District did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Unusual Transactions

We did not identify any significant unusual transactions.

Management's Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached summary of Significant Accounting Estimates.

Audit Adjustments and Uncorrected Misstatements

Audit adjustments, other than those that are clearly trivial, provided to us by management are shown in the attached list of Recorded Audit Adjustments.

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Observations About the Audit Process

Disagreements With Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultations With Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed With Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management other than the accounting for refundable advances and the loss on sale of the hospital operations.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Difficult or Contentious Matters That Required Consultation

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

Internal Control Matters

We have separately issued a report on internal control over financial reporting and on compliance with other matters as required by Government Auditing Standards. This report is attached to the consolidated financial report. We have also attached a letter communicating a control deficiency in internal controls in Exhibit A.

Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of the District, including the representation letter provided to us by management, are attached as Exhibit B.

SIGNIFICANT ACCOUNTING ESTIMATE

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following summarizes the significant accounting estimates reflected in the District's December 31, 2021 financial statements.

Significant Accounting Estimate

Parcel Tax Receivable Estimate

Accounting policy	Parcel taxes are levied by the County on the District's behalf on July 1, and are intended to help finance the District's activities during the year ending the following June 30. They are recorded by the District when levied and during the period of their intended use. Amount recorded is at net realizable value.
Management's estimation process	Management determines the parcel tax receivable through the help of their consultant, Nathan Oliver, who will record the receivable estimate based on the levied amount less an estimate of uncollectible amounts determined through looking at historical trends of payments received.
Basis for our conclusion on the reasonableness of the estimate	We tested the parcel tax receivable balance through confirmation with the county and review of management's historical analysis. Based on our procedures, we conclude that management's methodology is reasonable.

RECORDED AUDIT ADJUSTMENTS

Management provided the following audit adjustments after the original trial balance was provided to us.

No.	Description	Debit (Credit) to Record the Adjustments				
		Assets and Deferred Outflows	Liabilities and Deferred Inflows	Net Position	Operating (Income) Expense	Nonoperating (Income) Expense
1	To adjust beginning balances of parcel tax accounts	\$ 22,498	\$ 8,343	\$ -	\$ -	\$ (30,841)
2	To adjust parcel tax accounts based on April 2022 settlement	(88,000)	88,000	-	-	-
3	To record cash balance of Exchange Bank bank account	8,339	-	-	-	(8,339)
4	To record the loss associated with the sale of the hospital	-	-	(28,396,345)	-	28,396,345
5	To adjust refundable advance for estimated amounts unrelated to audit and cost report services		(44,190)		44,190	
	Subtotal income effect	-	-	28,401,355	\$ 44,190	\$ 28,357,165
	Total	\$ (57,163)	\$ 52,153	\$ 5,010		

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EXHIBIT A

Internal Control Matters

[DATE]

Management and the Audit Committee
North Sonoma County Healthcare District
Healdsburg, California

In planning and performing our audit of the financial statements of North Sonoma County Healthcare District (the District) as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Certain deficiencies in internal control that have been previously communicated to you, in writing, by us or by others within your organization are not repeated herein.

Following are descriptions of other identified deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses:

Segregation of Duties

During the audit, we identified an inherent design flaw in the District's segregation of duties due to the limited amount of individuals involved in the process. On the accounts payable side, the Treasurer has access to approve invoices, prepare and sign checks. There are compensating controls in place in that the volunteer bookkeeper reconciles the bank statement monthly and has access to the bank statement where she can see checks clear.

Additionally, the volunteer bookkeeper can see the check images online allowing her to validate if checks were inappropriately being written out. On the receivables side, the Treasurer or Audit Committee Chair could receive and deposit cash payments on their own. There are compensating controls in that the majority of their receivables are predictable and done via wire transfer. There are very few (if any) cash receipts that are not predictable, which allows the Treasurer or volunteer bookkeeper to create an independent expectation of if cash receipts were inappropriately deposited (or not deposited).

Additionally, in the volunteer bookkeeper's general review (bank reconciliations, posting entries, etc.) she would email both the Treasurer and Audit Committee Chair with any questions she has that way they are both aware of any possible situations where segregation of duties has been improperly overridden. We recommend that the District continue performing compensating controls.

Management's Response

Management will continue performing compensating controls within the payable and receivable processes.

Management's response to the internal control deficiencies identified in our audit were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, the Audit Committee, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

[Firm Signature]

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EXHIBIT B

Significant Written Communications Between Management and Our Firm

[DATE]

RSM US LLP
4650 E. 53rd St.
Davenport, IA 52807

This representation letter is provided in connection with your audit of the basic financial statements of North Sonoma County Healthcare District (the District), as of and for the year ended December 31, 2021 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of the date of this letter:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated March 23, 2022, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of controls to prevent and detect fraud.
4. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP, and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. The methods, assumptions and data used to estimate parcel tax receivable are as follows and result in an estimate that is appropriate for financial statement measurement and disclosure purposes and have been consistently selected and applied in making the estimate: Management determines the parcel tax receivable by looking at historical trends and through the help of their consultant, Nathan Oliver. Significant judgments made in making the estimate have taken into account all relevant information of which we are aware. All disclosures related to the estimate, including disclosures describing estimation uncertainty, are complete and reasonable in the context of U.S. GAAP. No subsequent events have occurred that would require adjustment to the estimate and related disclosures included in the financial statements.
6. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as amended.

7. The District is following either its established accounting policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available or is following paragraph 18 of GASB Statement No. 54 to determine the fund balance classifications for financial reporting purposes.
8. There are no fiduciary activities required to be included in the financial statements as prescribed by GASB Statement No. 84, *Fiduciary Activities*, as amended.
9. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
10. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
11. Management has followed applicable laws and regulations in adopting, approving and amending budgets.
12. The government has properly separated information in debt disclosures related to direct borrowings and direct placements of debt from other debt and disclosed any unused lines of credit, collateral pledged to secure debt, terms in the debt agreements related to significant default or termination events with finance-related consequences and significant subjective acceleration clauses in accordance with GASB Statement No. 88.
13. Components of net position (net investment in capital assets, restricted, and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
14. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.
15. We have complied with all aspects of laws, regulations and provisions of contracts and agreements that would have a material effect on the financial statements in the event of noncompliance.
16. We are responsible for, and have reviewed and approved, the adjustments to the trial balance provided to you by us, which are included in the summarized schedule of recorded adjustments. These adjustments are attached as Appendix A. We have reviewed, approved, and are responsible for overseeing the preparation and completion of the basic financial statements and related notes.
17. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

18. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.

- d. Minutes of the meetings of the Audit Committee, or summaries of actions of recent meetings for which minutes have not yet been prepared.
19. All transactions have been recorded in the accounting records and are reflected in the financial statements.
 20. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
 21. It is our responsibility to establish and maintain internal control over financial reporting. One of the components of an entity's system of internal control is risk assessment. We hereby represent that our risk assessment process includes identification and assessment of risks of material misstatement due to fraud. We have shared with you our fraud risk assessment, including a description of the risks, our assessment of the magnitude and likelihood of misstatements arising from those risks, and the controls that we have designed and implemented in response to those risks.
 22. We have no knowledge of allegations of fraud or suspected fraud affecting the District's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
 23. We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements received in communications from employees, former employees, analysts, regulators or others.
 24. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.
 25. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
 26. We have disclosed to you the identity of all of the District's related parties and all the related-party relationships and transactions of which we are aware.
 27. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the District's ability to record, process, summarize and report financial data.
 28. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
 29. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Supplementary Information

30. With respect to Management's Discussion and Analysis presented as required by Governmental Accounting Standard's Board to supplement the financial statements:
- a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.

Compliance Considerations

In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:

31. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
32. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the auditee.
33. Is not aware of any instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements.
34. Is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
35. Acknowledges its responsibility for the design, implementation and maintenance of controls to prevent and detect fraud.
36. Has a process to track the status of audit findings and recommendations.
37. Is not aware of any investigations or legal proceedings that have been initiated with respect to the period under audit.
38. Has provided views on the auditor's reported findings, conclusions and recommendations, as well as management's planned corrective actions, for the report.

39. Acknowledges its responsibilities as it relates to nonaudit services performed by the auditor, including that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

North Sonoma County Healthcare District

Sue Campbell, Board Treasurer

Dave Anderson, Board Chair

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Summarized Schedule of Recorded Audit Adjustments
December 31, 2021

No.	Description	Debit (Credit) to Record the Adjustments				
		Assets and Deferred Outflows	Liabilities and Deferred Inflows	Net Position	Operating (Income) Expense	Nonoperating (Income) Expense
1	To adjust beginning balances of parcel tax accounts	\$ 22,498	\$ 8,343	\$ -	\$ -	\$ (30,841)
2	To adjust parcel tax accounts based on April 2022 settlement	(88,000)	88,000	-	-	-
3	To record cash balance of Exchange Bank bank account	8,339	-	-	-	(8,339)
4	To record the loss associated with the sale of the hospital	-	-	(28,396,345)	-	28,396,345
5	To adjust refundable advance for estimated amounts unrelated to audit and cost report services		(44,190)		44,190	
	Subtotal income effect	-	-	28,401,355	\$ 44,190	\$ 28,357,165
	Total	\$ (57,163)	\$ 52,153	\$ 5,010		

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