TAHOE FOREST
HOSPITAL DISTRICT

2026-11-04 Board Finance Committee Meeting (OPEN SESSION)

TAHOE FOREST HOSPITAL – ASPEN CONFERENCE ROOM

WEDNESDAY, NOVEMBER 04, 2026, AT 2:30 PM

10800 DONNER PASS RD, SUITE 200, TRUCKEE, CA 96161

Meeting Book - 2026-11-04 Board Finance Committee Meeting (OPEN SESSION)

Finance Committeee

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  discussion only, no attachments

7. CLOSED SESSION

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12. ADJOURN

TAHOE FOREST
HOSPITAL DISTRICT

FINANCE COMMITTEE
AGENDA

TO BE HELD ON

WEDNESDAY, NOVEMBER 04, 2026, AT 2:30 PM

TAHOE FOREST HOSPITAL – ASPEN CONFERENCE ROOM

10800 DONNER PASS RD, SUITE 200, TRUCKEE, CA 96161

1. **CALL TO ORDER**
2. **ROLL CALL**
3. **DELETIONS/CORRECTIONS TO THE POSTED AGENDA**
4. **INPUT – AUDIENCE**

   This is an opportunity for members of the public to address the Board on items which are not on the agenda. Please state your name for the record. Comments are limited to three minutes. Written comments should be submitted to the Clerk of the Board 24 hours prior to the meeting to allow for distribution. Under Government Code Section 54954.2 – Brown Act, the Board cannot act on any item not on the agenda. The Board Chair may choose to acknowledge the comment or, where appropriate, briefly answer a question, refer the matter to staff, or set the item for discussion at a future meeting.
5. **APPROVAL OF OPEN SESSION MINUTES** ◈

   5.1. 08/25/2026 Open Session Board Finance Committee Minutes◈ ..... ATTACHMENT

   5.2. 09/24/2026 Open Session Board Finance Committee Minutes ◈ ..... ATTACHMENT
6. **ITEMS FOR COMMITTEE DISCUSSION AND/OR RECOMMENDATION**◈

   6.1. Investment Portfolio Update..... ATTACHMENT

   Finance Committee will review the Chandler Asset Management investment portfolio update.

   6.2. Policy Review◈

   Finance Committee will review the following board policies and consider a recommendation to the Board of Directors:

   6.2.1. Investment Policy, ABD-15..... ATTACHMENT

   6.3. 2026 Audited Financial Statements ◈ ..... ATTACHMENT

   Finance Committee will review an update and consider a recommendation to the Board of Directors regarding the District's annual audit.

   6.4. Financial Reports

   Finance Committee will review the following financial reports:

   6.4.1. Quarterly Review – Payor Mix ..... ATTACHMENT

◈ Denotes Action Item

6.5. Accounts Receivable Update ..... ATTACHMENT
Finance Committee will receive an update on the status of accounts receivable.

6.6. Federal and State Financial Impact Discussion
Finance Committee will receive an update on the financial impact on state programs due to proposed federal funding changes.

7. CLOSED SESSION

7.1. Approval of Closed Session Minutes◈

7.1.1. 08/25/2026 Closed Session Board Finance Committee Minutes

7.2. Report Involving Trade Secrets (Health & Safety Code § 32106)

Discussion will concern: Existing and potential new programs, services, and strategic initiatives.

Estimated date of disclosure: December 2026

8. OPEN SESSION – CALL TO ORDER

9. REPORT OF ACTIONS TAKEN IN CLOSED SESSION

10. AGENDA INPUT FOR NEXT FINANCE COMMITTEE MEETING

11. NEXT MEETING DATE

12. ADJOURN

AMR:smj

*Denotes material (or a portion thereof) may be distributed later.

Note: It is the policy of Tahoe Forest Hospital District to not discriminate in admissions, provisions of services, hiring, training and employment practices on the basis of color, national origin, sex, religion, age or disability including AIDS and related conditions. Equal Opportunity Employer. The telephonic meeting location is accessible to people with disabilities. Every reasonable effort will be made to accommodate participation of the disabled in all of the District's public meetings. If particular accommodations for the disabled are needed or a reasonable modification of the teleconference procedures are necessary (i.e., disability-related aids or other services), please contact the Clerk of the Board at (530) 582-3583 at least 24 hours in advance of the meeting.

◈ Denotes Action Item

TAHOE FOREST
HOSPITAL DISTRICT

FINANCE COMMITTEE
DRAFT MINUTES

Tuesday, August 25, 2026 at 2:30 p.m.
Aspen Conference Room – Tahoe Forest Hospital
10800 Donner Pass Rd, Suite 200, Truckee, CA 96161

1. CALL TO ORDER
Meeting was called to order at 2:30 p.m.

2. ROLL CALL
Board: Mary Brown, Chair; Michael McGarry, Board Member

Staff in Attendance: Anna Roth, President & CEO; Kim McCarl, CSO; Crystal Felix, Chief Financial Officer; Louis Ward, COO; Dylan Crosby, Chief of Clinical Operations and Facilities; Jaye Chasseur, Controller; Forhad Islam, Director of Business Intelligence; Sarah Jackson, Clerk of the Board

Other: Alayne Sampson of Chandler Asset Management (via zoom)

3. CLEAR THE AGENDA/ITEMS NOT ON THE POSTED AGENDA
Item 6.2 was moved to the Closed Session agenda, item 7.6.

4. INPUT – AUDIENCE
No public comment was received.

5. APPROVAL OF MINUTES OF: 04/29/2026
Director McGarry moved to approve the Board Finance Committee minutes of April 29, 2026 with minor spelling corrections, seconded by Director Brown.

6. ITEMS FOR COMMITTEE DISCUSSION AND/OR RECOMMENDATION
6.1. Investment Portfolio Update

Alayne Sampson of Chandler Asset Management provided an abbreviated update as of June 30, 2026 due to agenda length and the upcoming update at the Regular Board Meeting.

Noted was that with the market volatility the portfolio is working as intended.

Energy Markets were reviewed. Labor Markets were reviewed. The Federal Open Market committee held federal funds at 3.50% to 3.75%. Inflation and leading indicators of economic activity were reviewed.

Bond Yields were reviewed and the Portfolio Summary was reviewed. Account Summary End Values as of 06/30/2026 were. The portfolio ledger summary was reviewed. Tariff impact was reviewed.

Alayne Sampson of Chandler Asset Management (via zoom) departed the meeting at 2:37 pm

6.2. Moody's Bond Rating Surveillance of TFHD's General Obligation Bond

Item moved to the Closed Session agenda, item 7.6. Trade Secrets, Strategic Initiatives.

CLOSED SESSION convened at: 2:28 pm

7. CLOSED SESSION

7.1 Approval Of Closed Session Minutes

7.1.1 04/20/2026 Closed Session Board Finance Committee

Discussion was held on a confidential item.

7.2. Report Involving Trade Secrets (Health & Safety Code § 32106)

Discussion will concern: Existing and potential new programs, services, and strategic initiatives.
Estimated date of disclosure: December 2026

Discussion was held on a confidential item.

7.3. Report Involving Trade Secrets (Health & Safety Code § 32106)

Discussion will concern: Existing and potential new programs, services, and strategic initiatives.
Estimated date of disclosure: December 2027

Discussion was held on a confidential item.

7.4. Report Involving Trade Secrets (Health & Safety Code § 32106)

Discussion will concern: Existing and potential new programs, services, and strategic initiatives.
Estimated date of disclosure: December 2027

Discussion was held on a confidential item.

7.5. Report Involving Trade Secrets (Health & Safety Code § 32106)

Discussion will concern: Existing and potential new programs, services, and strategic initiatives.
Estimated date of disclosure: November 2026

Discussion was held on a confidential item.

7.6. Report Involving Trade Secrets (Health & Safety Code § 32106)

Discussion will concern: Proposed strategic initiatives related to existing district services and associated financing considerations.
Estimated date of disclosure: November 2026

Discussion was held on a confidential item.

CLOSED SESSION recessed at: 4:06 pm

8. OPEN SESSION – CALL TO ORDER

9. REPORT OF ACTIONS TAKEN IN CLOSED SESSION

Item 7.1 Closed Session Minutes were recommended for approval. No Reportable Actions for actions for 7.2., 7.3., 7.4., 7.5., or 7.6.

10. ITEMS FOR COMMITTEE DISCUSSION AND/OR RECOMMENDATION continued

10.1. Accounts Receivable Update

Crystal Felix, CFO reviewed the Accounts Receivable update. Extensive discussion was held surrounding Business Office staffing plans.

10.2. Financial Reports

Finance Committee will review the following financial reports:

10.2.1. Preliminary FY 2026 Financial Report – Updated

Crystal Felix, CFO reviewed the preliminary FY 2026 Financial Report.

10.2.2. FY 2026 Payor Mix – Updated

No discussion was held.

10.2.3. Preliminary July 2026 Financial Report

No discussion was held.

10.3. Federal and State Medicaid Financial Impact Discussion

An update was provided on the California Rural Health Transformation program. TFHD is eligible for two grant programs. The appropriate applications will be submitted.

11. AGENDA INPUT FOR NEXT FINANCE COMMITTEE MEETING

Community Advisors to Finance Committee.

12. NEXT MEETING DATE

The next Finance Committee will be scheduled for 9/24/26, 3:00 pm, at Everline prior to the Board Meeting.

13. ADJOURN

Meeting adjourned at 4:40 p.m.

TAHOE FOREST
HOSPITAL DISTRICT

FINANCE COMMITTEE
DRAFT MINUTES

THURSDAY, SEPTEMBER 24, 2026, AT 3:00 PM
Everline Resort & Spa Lake Tahoe - Granite Chief Event Room
400 Resort Road, Olympic Valley, CA 96146

1. CALL TO ORDER

Meeting was called to order at 3:01 p.m.

2. ROLL CALL

Board: Mary Brown, Chair; Michael McGarry, Board Member

Staff in Attendance: Anna Roth, President & CEO; Kim McCarl, CSO; Crystal Felix, Chief Financial Officer; Sarah Jackson, Clerk of the Board

Other: Larry Gage, Alston & Bird (via zoom)

3. CLEAR THE AGENDA/ITEMS NOT ON THE POSTED AGENDA

4. INPUT – AUDIENCE

No public comment was received.

5. ITEMS FOR COMMITTEE DISCUSSION AND/OR RECOMMENDATION ◈

5.1. Community Advisor Appointment / Implementation

Finance Committee will review the recommended draft process for Community Advisor appointment and implementation.

The Finance Committee reviewed the committee advisor appointment and implementation process that had been reviewed and recommended for approval by the Governance Committee.

No action was taken.

5.2. Finance Committee Community Advisor◈

Finance Committee will review candidate and may recommend appointment of a Community Advisor to the committee.

The Finance Committee reviewed the candidate profile including relevant experience, governance experience, understanding of the advisor role, and ability to contribute to the committee. Extensive discussion was held.

No reservations were brought forward.

Director McGarry moved to approve the appointment of Michael Blaszyk as the Finance Committee Community advisor, seconded by Director Brown. Recommendation approved.

Ratification will be agendized on the 10/22/2026 Board agenda. Onboarding and education will take place over the end of October and early November.

6. AGENDA INPUT FOR NEXT FINANCE COMMITTEE MEETING

7. NEXT MEETING DATE

The next Finance Committee will be scheduled for 11/04/2026, 2:30 pm, at the Aspen Conference Room.

8. ADJOURN

Meeting adjourned at 4:40 p.m.

CHANDLER ASSET MANAGEMENT

INVESTMENT REPORT

Tahoe Forest Hospital District | Board Report | As of September 30, 2026

CHANDLER ASSET MANAGEMENT | chandlerasset.com

Chandler Team:

For questions about your account, please call (800) 317-4747,
or contact clientservice@chandlerasset.com

Information contained herein is confidential. We urge you to compare this statement to the one you receive from your qualified custodian. Please see Important Disclosures at the end of the statement.

Labor Markets

Hiring slowed in September, with nonfarm payrolls rising by just 29,000, according to the Bureau of Labor Statistics. Revisions subtracted a combined 60,000 jobs from the prior two months: July was revised from a gain of 21,000 to a loss of 10,000, while August was lowered from 162,000 to 133,000, for a 3-month average of 51,000 new jobs.

Health care and social assistance added 23,000 jobs in September, while construction added 11,000. Those gains were partly offset by declines in government, information, and temporary-help services. Although job growth has slowed considerably, low layoffs and a stable unemployment rate suggest that the labor market is cooling gradually rather than deteriorating sharply.

The unemployment rate edged up to 4.2% from 4.1%, while the underemployment rate fell for the second consecutive month to 7.6% in September.

Inflation

The Consumer Price Index (CPI) rose 0.6% for the month, following a 0.4% increase in August, lifting the annual rate to 3.7% from 3.4%. Core CPI, which excludes food and energy, advanced 0.3% for a second consecutive month, while the year-over-year rate moved up to 2.6% from 2.4%.

The Personal Consumption Expenditures (PCE) Price Index gained 0.3% in August and 3.4% from a year earlier, while core PCE rose 0.2% for the month and 3.0% year-over-year.

With inflation running above the Federal Reserve's 2% target and core measures firming, the Fed faces the risk that persistently higher energy costs are feeding into broader price pressure.

Federal Reserve

The Federal Reserve's Federal Open Market Committee raised the target range for the federal funds rate a quarter point to 3.75% to 4.00% at its September 15 to 16 meeting, in a unanimous decision, marking the first increase since 2023.

Chair Kevin Warsh, sworn in as the Federal Reserve's chair in May, said the move positions the Committee for a timelier return to its 2% objective and left the door open to further, asymmetric tightening should upward price pressure prove persistent.

The Summary of Economic Projections showed a median fed funds rate projection of 4.1% for year-end 2026 and 2027, before declining toward a longer-run level of 3.2%. The Committee reaffirmed its policy of maintaining ample reserves amid ambient uncertainty tied to the Middle East conflict.

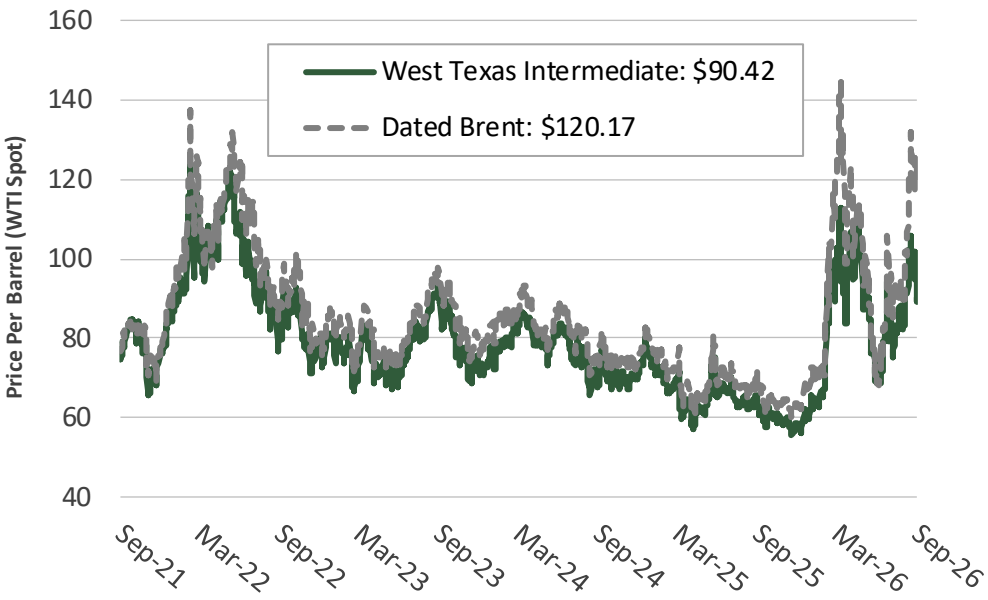
Gross Domestic Product (GDP)

The Bureau of Economic Analysis’s final estimate of second-quarter gross domestic product reported real growth at an annualized 2.2%, edging up +0.7% from the prior 1.5% estimate.

Consumer spending and private investment—via AI related infrastructure capital expenditures—were the leading components, while government spending and rising imports subtracted from the total.

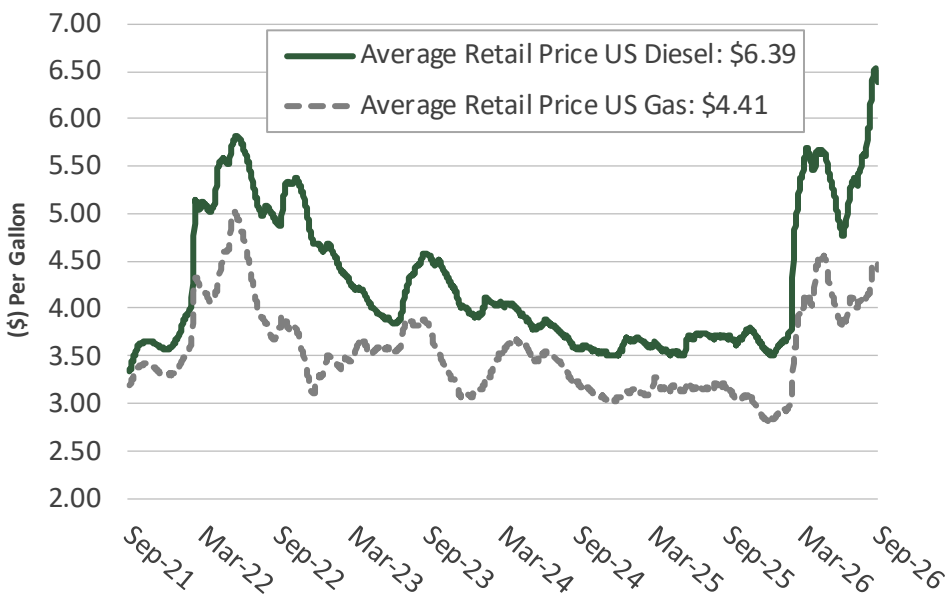
CHANDLER ASSET MANAGEMENT

Oil Prices



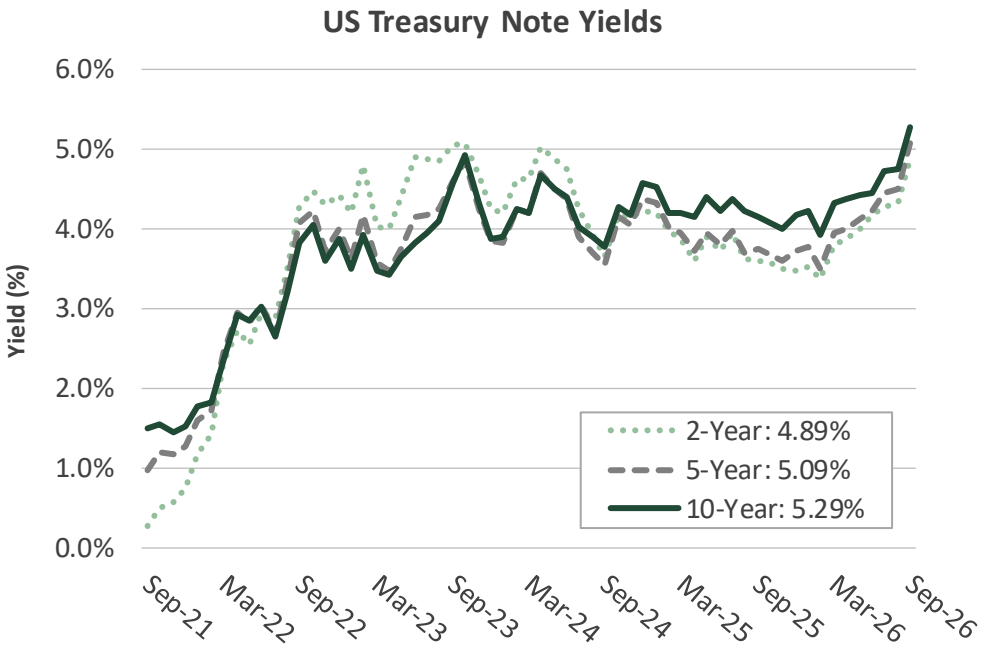
Source: Bloomberg Indices

US Fuel Prices

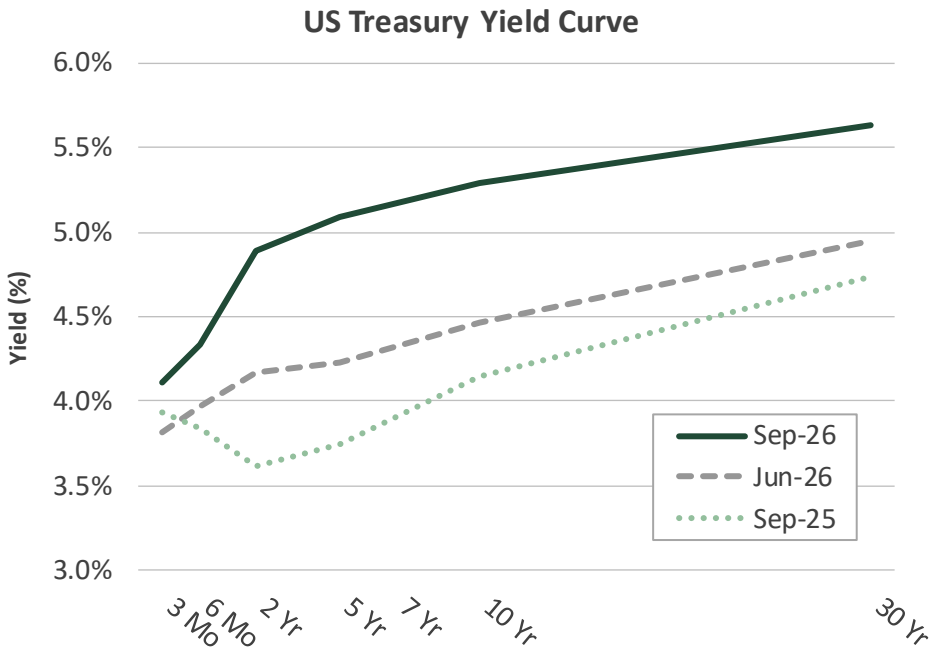


Source: Bloomberg Indices

- U.S. West Texas Intermediate (WTI) crude settled at $90.42 per barrel on September 30. As tensions between U.S. allies and Iran have intensified, Brent settled at $120.17 at September month-end.
- AAA's national average prices for regular gasoline and diesel ended September near their monthly highs, at $4.41 and $6.39 per gallon, respectively. Diesel reached an all-time high of $6.53 per gallon on September 22, 2026.
- The trajectory of prices will be subject to the progress of diplomatic efforts to restore secure shipping lanes.



Source: Bloomberg



Source: Bloomberg

- The U.S. Treasury curve underwent a butterfly shift in September. The front end repriced for a higher-for-longer neutral-rate path, while longer-dated yields rose on fiscal concerns, global spillovers, and inflation expectations. The five-year sector underperformed both the short and long ends, reflecting supply pressure and expanding term premiums.
- The 2-year Treasury yield rose +55 basis points to 4.89%, the 5-year yield increased +59 basis points to 5.09%, and the 10-year yield rose +54 basis points to 5.29%, respectively, from the prior month.
- The 2-year to 10-year spread ended September at +40 basis points, compared with +41 basis points in August, and +54 basis points one year earlier.

PORTFOLIO SUMMARY

Tahoe Forest Hospital District | Account #10841 | As of September 30, 2026

Portfolio Characteristics

Average Modified Duration	2.46
Average Coupon	3.83%
Average Purchase YTM	4.21%
Average Market YTM	5.07%
Average Credit Quality*	AA
Average Final Maturity	2.86
Average Life	2.74

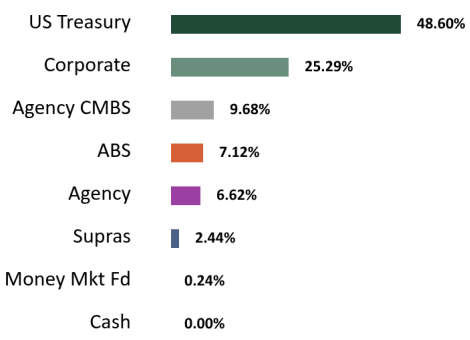
Account Summary

	End Values as of 06/30/2026	End Values as of 09/30/2026
Market Value	102,553,175.79	101,670,198.05
Accrued Interest	821,278.87	786,993.50
Total Market Value	**103,374,454.66**	**102,457,191.55**
Income Earned	1,037,496.04	1,075,957.10
Cont/WD	251,385.29	0.00
Par	104,093,891.21	105,111,840.55
Book Value	102,978,855.15	104,051,744.34
Cost Value	102,458,982.31	103,468,447.05

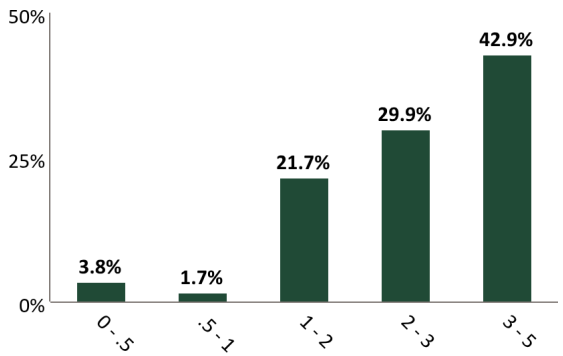
Top Issuers

United States	48.60%
Federal Home Loan Mortgage Corp	9.68%
Federal Home Loan Banks	5.17%
Bank of America Corporation	1.46%
Farm Credit System	1.45%
JPMorgan Chase & Co.	1.45%
National Rural Utilities Cooperative	1.43%
Toyota Motor Corporation	1.30%

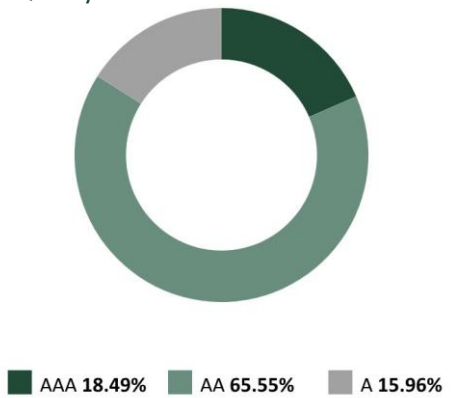
Sector Allocation



Maturity Distribution



Credit Quality*



Performance Review

Total Rate of Return**	1M	3M	YTD	1YR	2YRS	3YRS	5YRS	10YRS	Since Inception (11/01/21)
Tahoe Forest Hospital District	(1.00%)	(0.87%)	(0.28%)	0.87%	2.46%	4.23%	--	--	1.90%
Benchmark Return	(0.97%)	(0.82%)	(0.39%)	0.72%	2.24%	3.94%	--	--	1.47%

*The average credit quality is a weighted average calculation of the highest of S&P, Moody's and Fitch.
**Periods over 1 year are annualized.
Benchmark: ICE BofA 1-5 Year Unsubordinated US Treasury & Agency Index

TRANSACTION LEDGER

Tahoe Forest Hospital District | Account #10841|07/01/2026 Through 09/30/2026|

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/ Sold	Total Amount	Gain/Loss
ACQUISITIONS										
Purchase	07/09/2026	023135EC6	1,140,000.00	AMAZON.COM INC 4.8 07/09/2031	99.873	4.83%	(1,138,552.20)	0.00	(1,138,552.20)	0.00
Purchase	07/16/2026	14041NGJ4	1,050,000.00	COMET 2026-1 A 4.48 07/16/2029	99.977	4.53%	(1,049,755.98)	0.00	(1,049,755.98)	0.00
Purchase	08/17/2026	63743HGH9	730,000.00	NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP 5.0 08/15/2031	99.861	5.03%	(728,985.30)	0.00	(728,985.30)	0.00
Purchase	09/11/2026	91282CRK9	1,000,000.00	UNITED STATES TREASURY 4.375 08/31/2031	98.426	4.73%	(984,257.81)	(1,329.42)	(985,587.23)	0.00
Purchase	09/22/2026	02582JKX7	855,000.00	AMXCA 261 A 4.99 09/17/2029	99.979	5.05%	(854,819.94)	0.00	(854,819.94)	0.00
Purchase	09/30/2026	91282CRK9	500,000.00	UNITED STATES TREASURY 4.375 08/31/2031	96.973	5.08%	(484,863.28)	(1,812.85)	(486,676.13)	0.00
Total Purchase			**5,275,000.00**				**(5,241,234.51)**	**(3,142.27)**	**(5,244,376.78)**	**0.00**
TOTAL ACQUISITIONS			**5,275,000.00**				**(5,241,234.51)**	**(3,142.27)**	**(5,244,376.78)**	**0.00**
DISPOSITIONS										
Sale	07/09/2026	023135CF1	(1,000,000.00)	AMAZON.COM INC 3.3 04/13/2027	99.303	3.34%	993,030.00	7,883.33	1,000,913.33	(6,704.58)
Sale	07/13/2026	91282CCZ2	(1,500,000.00)	UNITED STATES TREASURY 0.875 09/30/2026	99.383	1.15%	1,490,742.19	3,729.51	1,494,471.70	(8,395.74)
Sale	09/11/2026	91282CDG3	(525,000.00)	UNITED STATES TREASURY 1.125 10/31/2026	99.621	1.27%	523,010.74	2,150.65	525,161.39	(1,890.07)
Total Sale			**(3,025,000.00)**				**3,006,782.93**	**13,763.49**	**3,020,546.42**	**(16,990.39)**
TOTAL DISPOSITIONS			**(3,025,000.00)**				**3,006,782.93**	**13,763.49**	**3,020,546.42**	**(16,990.39)**

IMPORTANT DISCLOSURES

2026 Chandler Asset Management, Inc, An Independent Registered Investment Adviser.

Information contained herein is confidential. Prices are provided by ICE Data Services Inc ("IDS"), an independent pricing source. In the event IDS does not provide a price or if the price provided is not reflective of fair market value, Chandler will obtain pricing from an alternative approved third party pricing source in accordance with our written valuation policy and procedures. Our valuation procedures are also disclosed in Item 5 of our Form ADV Part 2A.

Performance results are presented gross-of-advisory fees and represent the client's Total Return. The deduction of advisory fees lowers performance results. These results include the reinvestment of dividends and other earnings. Past performance may not be indicative of future results. Therefore, clients should not assume that future performance of any specific investment or investment strategy will be profitable or equal to past performance levels. All investment strategies have the potential for profit or loss. Economic factors, market conditions or changes in investment strategies, contributions or withdrawals may materially alter the performance and results of your portfolio.

Index returns assume reinvestment of all distributions. Historical performance results for investment indexes generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results. It is not possible to invest directly in an index.

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Fixed income investments are subject to interest, credit and market risk. Interest rate risk: the value of fixed income investments will decline as interest rates rise. Credit risk: the possibility that the borrower may not be able to repay interest and principal. Low rated bonds generally have to pay higher interest rates to attract investors willing to take on greater risk. Market risk: the bond market in general could decline due to economic conditions, especially during periods of rising interest rates.

Ratings information have been provided by Moody's, S&P and Fitch through data feeds we believe to be reliable as of the date of this statement, however we cannot guarantee its accuracy.

Security level ratings for U.S. Agency issued mortgage-backed securities ("MBS") reflect the issuer rating because the securities themselves are not rated. The issuing U.S. Agency guarantees the full and timely payment of both principal and interest.

LGIP Yields: Reported yields for local government investment pools may be presented as either the 30-day yield or the monthly distribution yield, as applicable. For certain funds, the 30-day yield is calculated using reported daily yield data. Yield calculations are subject to change and may not be directly comparable across funds.

LAIF Yields: Additional Disclosure for CA Clients - As a result of a reporting lag from the Local Agency Investment Fund (LAIF), reported LAIF yields represent the most recently available Daily Effective Yield and may reflect data from approximately 7–10 days prior to month-end.

BENCHMARK DISCLOSURES

Benchmark	Disclosure
ICE BofA 1-5 Yr Unsubordinated US Treasury & Agency Index	The ICE BofA 1-5 Year Unsubordinated US Treasury & Agency Index tracks the performance of US dollar denominated US Treasury and nonsubordinated US agency debt issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch). Qualifying securities must have at least one year remaining term to final maturity and less than five years remaining term to final maturity, at least 18 months to maturity at time of issuance, a fixed coupon schedule, and a minimum amount outstanding of $1 billion for sovereigns and $250 million for agencies.

INVESTMENT REPORT

Tahoe Forest Hospital District | As of September 30, 2026

CHANDLER ASSET MANAGEMENT | chandlerasset.com

Chandler Team:

For questions about your account, please call (800) 317-4747,
or contact clientservice@chandlerasset.com

Information contained herein is confidential. We urge you to compare this statement to the one you receive from your qualified custodian. Please see Important Disclosures at the end of the statement.

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ECONOMIC UPDATE

- Energy costs linked to the ongoing war with Iran remain the dominant force shaping the U.S. economic outlook. Gasoline prices reached a recent high in September, while continued attacks on shipping near the Strait of Hormuz have kept crude-oil markets on edge. Inflation pressures remain elevated amid deteriorating consumer sentiment, though consumer spending and manufacturing activity have remained resilient.

- Second-quarter U.S. GDP growth was revised higher, yet payroll gains have decelerated and prior months were marked down. The Federal Reserve responded to above-target inflation with a quarter point rate hike, and Treasury yields moved higher across the curve.

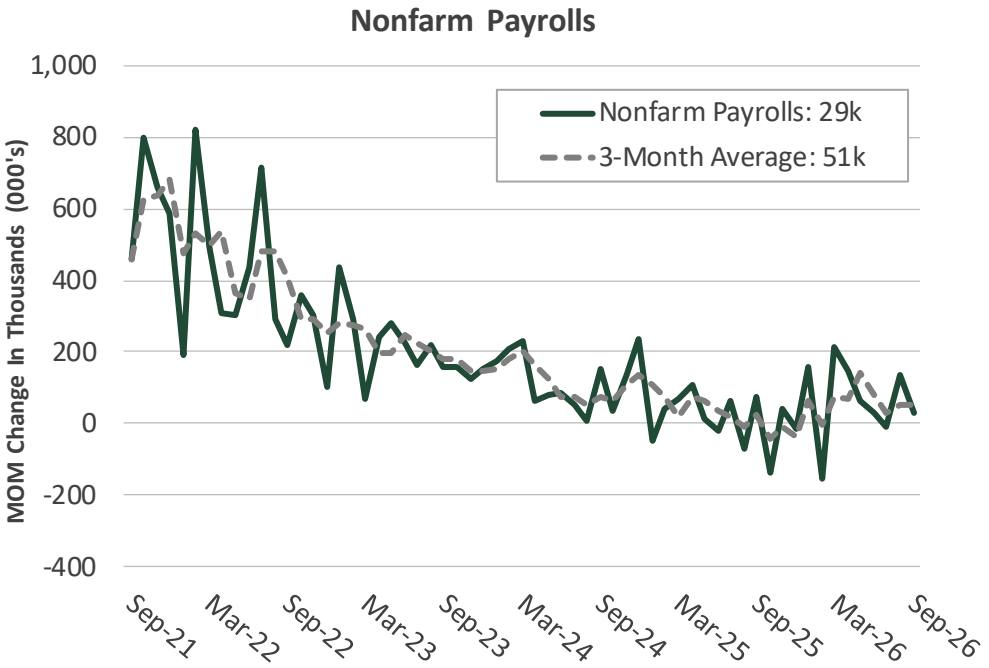
- The Federal Reserve's Federal Open Market Committee raised the target range for the federal funds rate by 25 basis points to 3.75%–4.00% at its September meeting. The unanimous decision marked the Committee's first rate increase since 2023. Chair Kevin Warsh said the move would help return inflation to the 2% objective more promptly, while his post-meeting remarks struck a hawkish tone that may signal additional tightening ahead.

- The Chandler team expects the Federal Reserve to focus monetary policy on price stability, with at least one more 25 basis-point rate hike likely before year end.

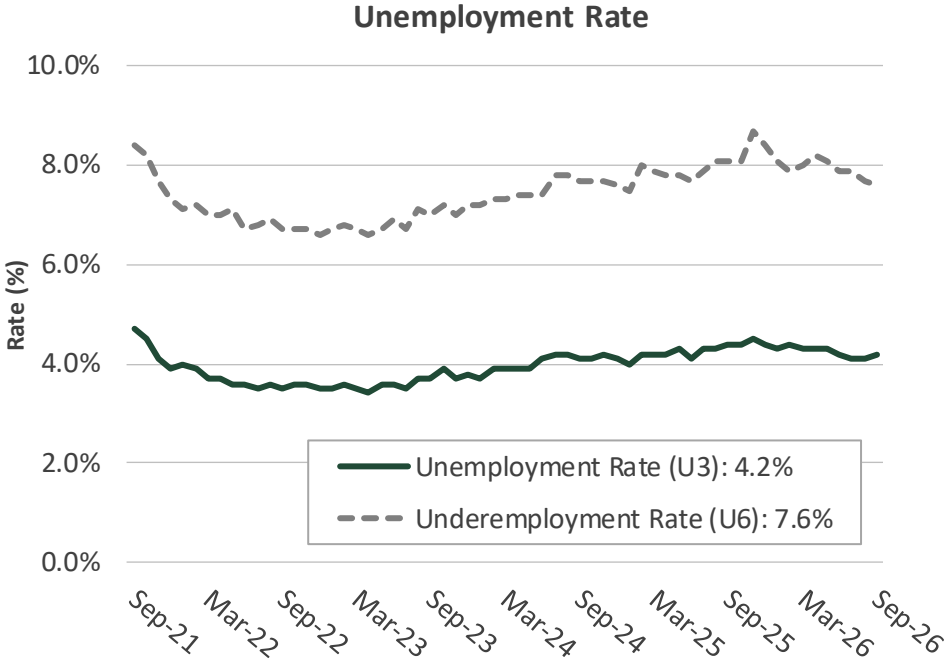
- The U.S. Treasury curve exhibited a butterfly shift in September, as the front end repriced for a higher-for-longer neutral rate path, longer-dated yields rose on fiscal concerns, global spillovers, and inflation expectations, while the 5-year sector increased more than the short and long end amid supply pressure and expanding term premiums.

- The 2-year rose +55 basis points to 4.89%, the 10-year rose +54 basis points to 5.29%, while the 5-year gained +59 basis points to 5.09%. The spread between the 2-year and 10-year Treasury yields was at +40 basis points at September month-end. One year ago, the 2s/10s spread stood at +54 basis points.

- The 3-month to 10-year spread widened to +117 basis points from +92 in August, as long maturities absorbed the repricing of inflation risk while bill yields remained anchored near the policy rate.

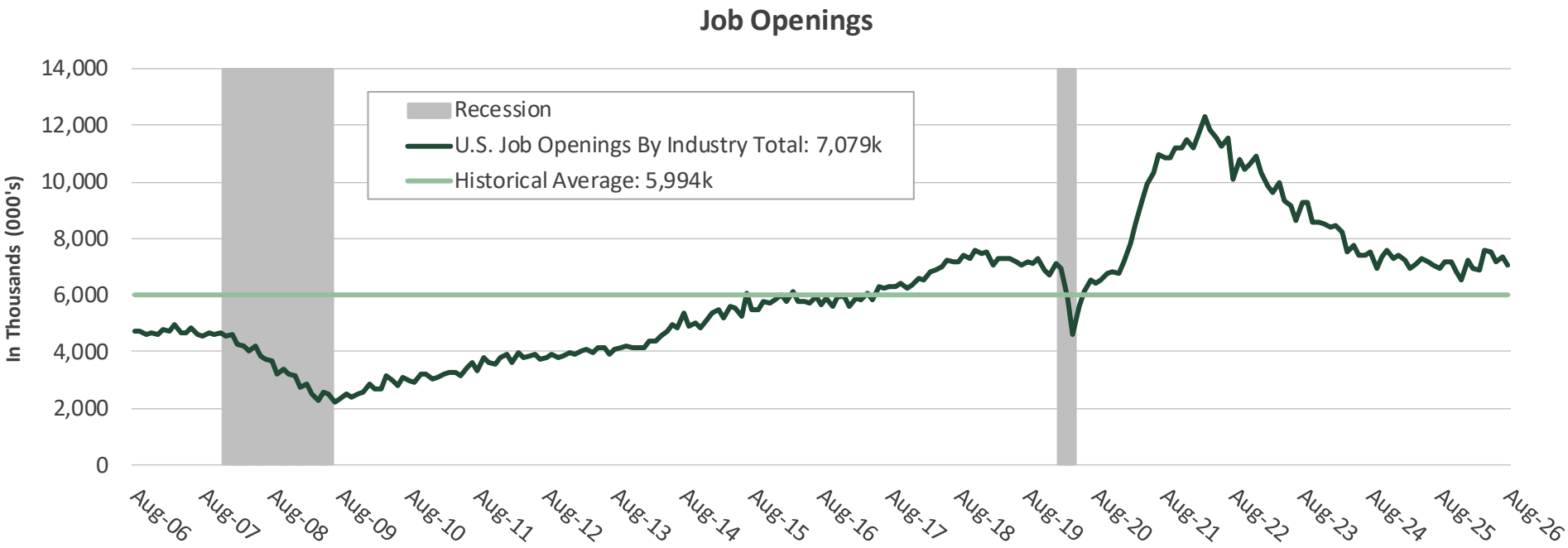


Source: U.S. Department of Labor



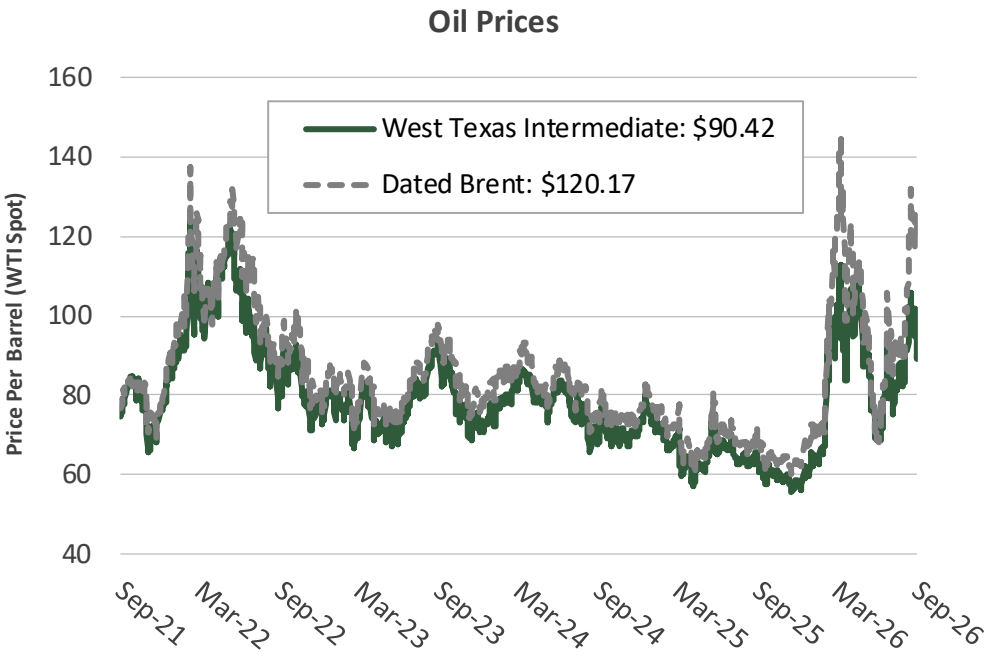
Source: U.S. Department of Labor

- Hiring slowed in September, with nonfarm payrolls rising by just 29,000, according to the Bureau of Labor Statistics. Revisions subtracted a combined 60,000 jobs from the prior two months: July was revised from a gain of 21,000 to a loss of 10,000, while August was lowered from 162,000 to 133,000, for a 3-month average of 51,000 new jobs.
- Health care and social assistance added 23,000 jobs in September, while construction added 11,000. Those gains were partly offset by declines in government, information, and temporary-help services. Although job growth has slowed considerably, low layoffs and a stable unemployment rate suggest that the labor market is cooling gradually rather than deteriorating sharply.
- The unemployment rate edged up to 4.2% from 4.1%, while the underemployment rate fell for the second consecutive month to 7.6% in September.

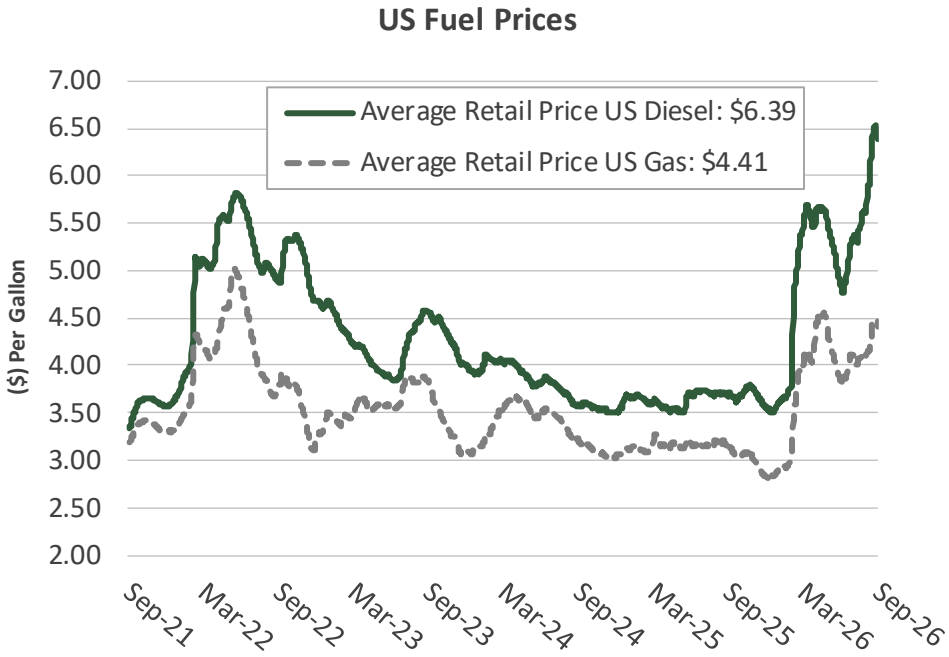


Source: U.S. Department of Labor

- Labor demand cooled in August, as the Job Openings and Labor Turnover Survey (JOLTS) showed openings declining by 256,000 to 7.079 million. July was revised up by 64,000 to 7.335 million from the initially reported 7.27 million.
- The ratio of openings to unemployed workers eased to 1.01 from 1.06 in July, leaving roughly one vacancy per job seeker.
- Professional and business services and education and health services recorded the largest declines in openings, while leisure and hospitality and information posted gains. Subdued layoffs help anchor a labor market that is moderating rather than deteriorating.

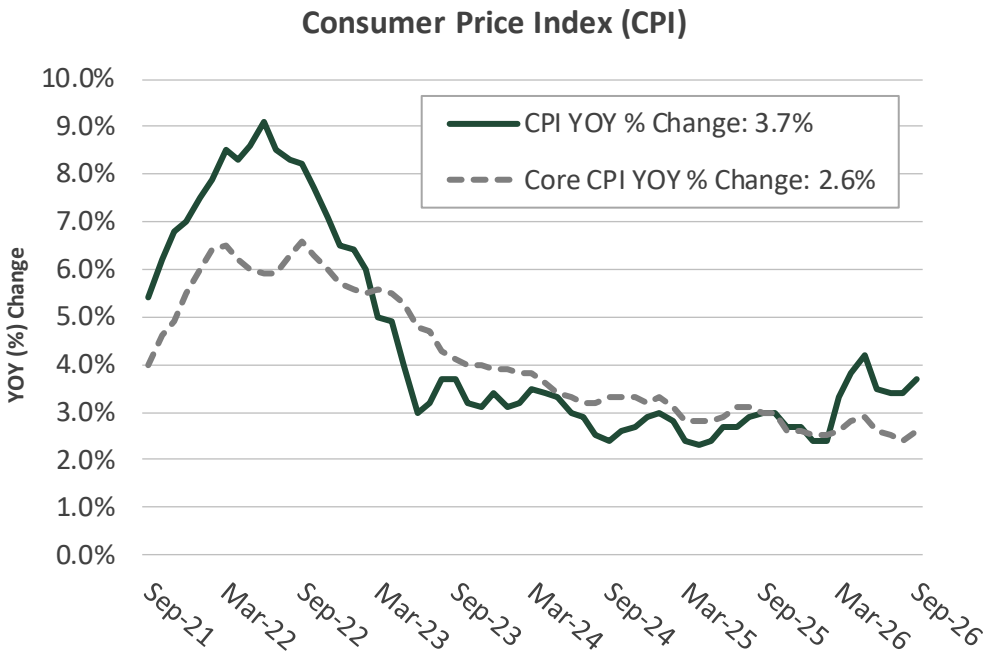


Source: Bloomberg Indices

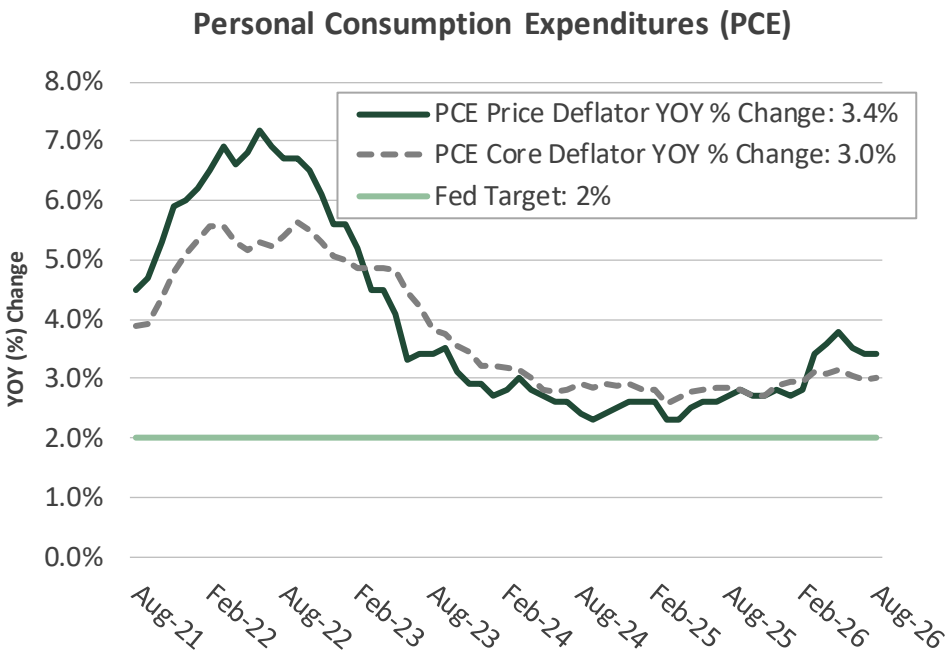


Source: Bloomberg Indices

- U.S. West Texas Intermediate (WTI) crude settled at $90.42 per barrel on September 30. As tensions between U.S. allies and Iran have intensified, Brent settled at $120.17 at September month-end.
- AAA's national average prices for regular gasoline and diesel ended September near their monthly highs, at $4.41 and $6.39 per gallon, respectively. Diesel reached an all-time high of $6.53 per gallon on September 22, 2026.
- The trajectory of prices will be subject to the progress of diplomatic efforts to restore secure shipping lanes.

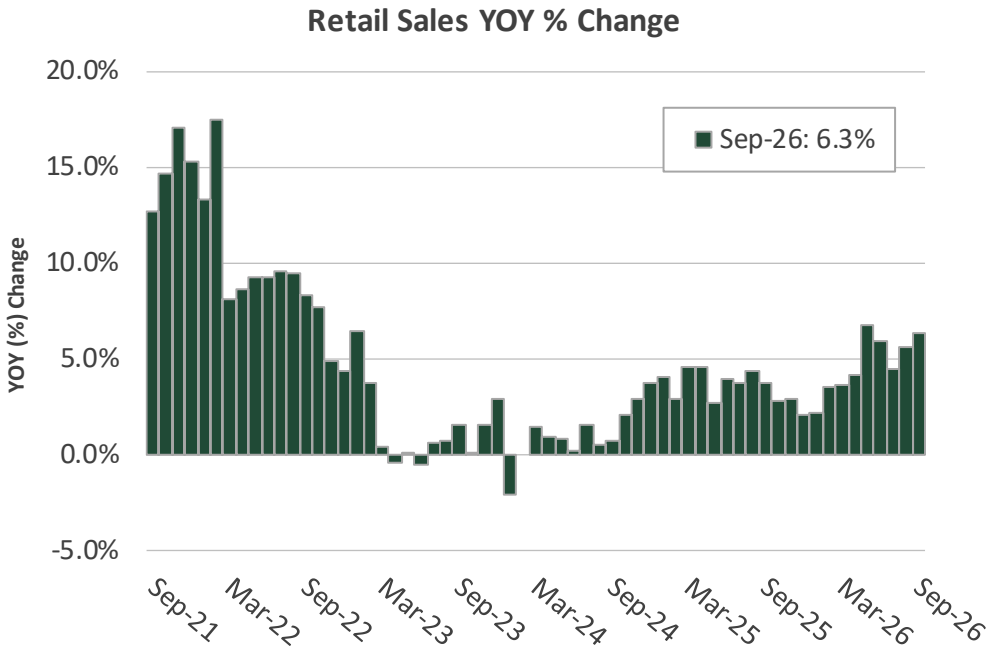


Source: U.S. Department of Labor

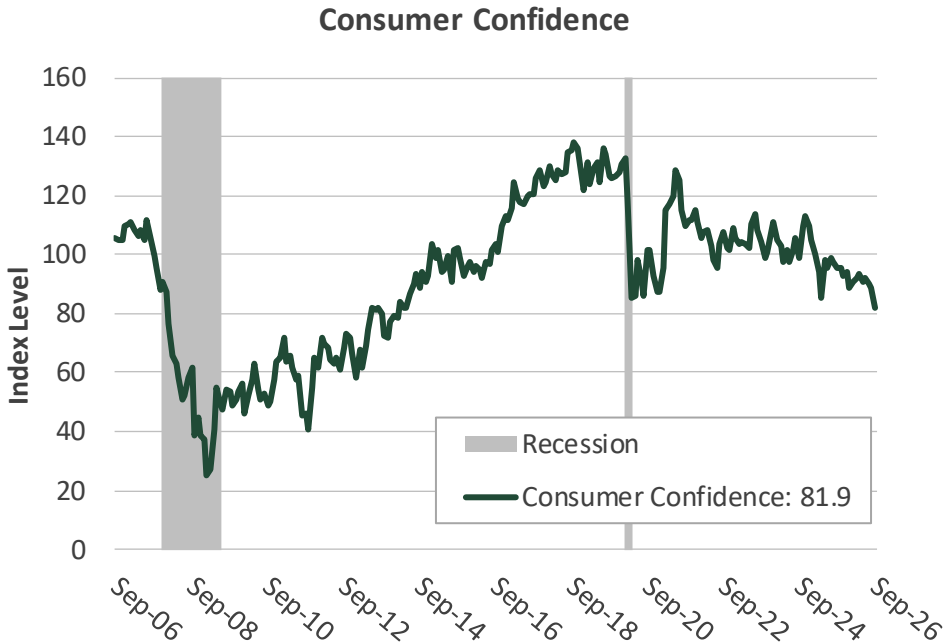


Source: U.S. Department of Commerce

- The Consumer Price Index (CPI) rose 0.6% for the month, following a 0.4% increase in August, lifting the annual rate to 3.7% from 3.4%. Core CPI, which excludes food and energy, advanced 0.3% for a second consecutive month, while the year-over-year rate moved up to 2.6% from 2.4%.
- The Personal Consumption Expenditures (PCE) Price Index gained 0.3% in August and 3.4% from a year earlier, while core PCE rose 0.2% for the month and 3.0% year-over-year.
- With inflation running above the Federal Reserve's 2% target and core measures firming, the Fed faces the risk that persistently higher energy costs are feeding into broader price pressure.

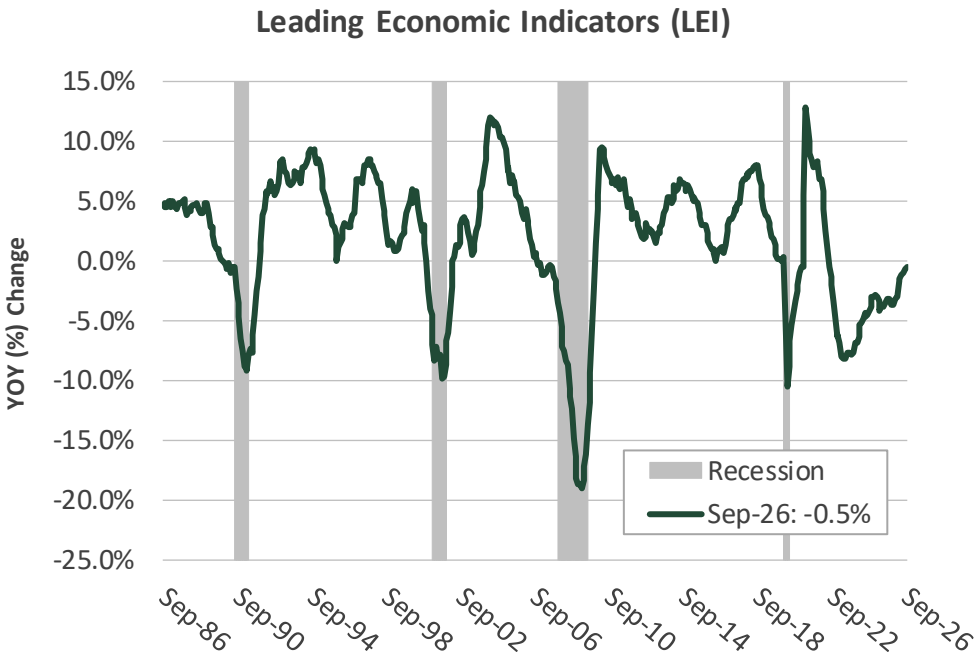


Source: U.S. Department of Commerce

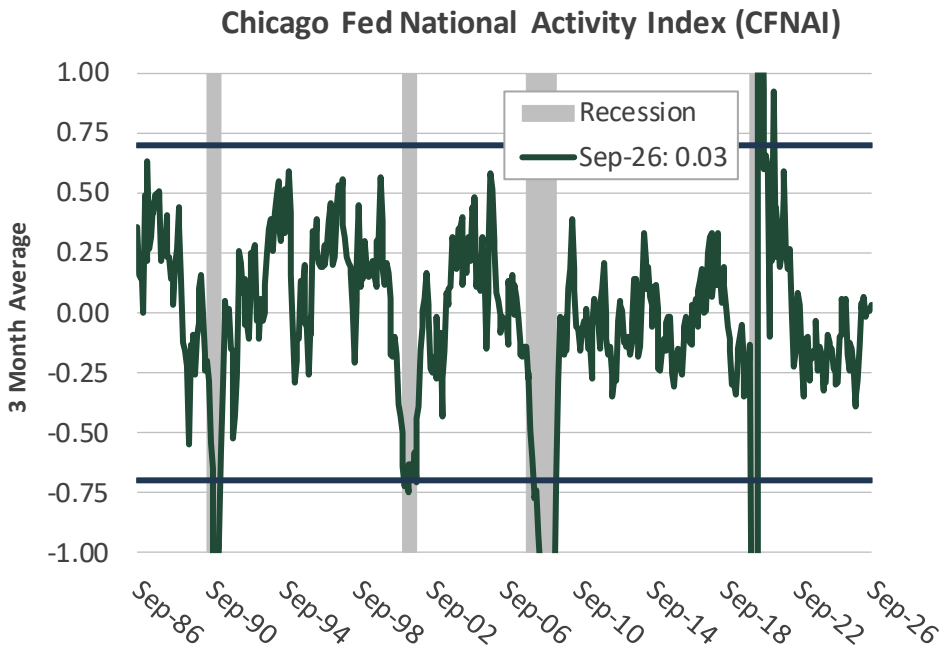


Source: The Conference Board
All time high is 144.70 (1/31/00); All time low is 25.30 (2/28/09)

- Retail sales rose 0.8% in September after an upwardly revised 1.3% gain in August, leaving sales 6.3% year over year. Sales excluding autos and gasoline grew only 0.2%, while the control group—which feeds directly into GDP calculations—edged up just 0.1%.
- The Conference Board's Consumer Confidence Index fell to 81.9 in September from a downwardly revised 88.6 in August, as respondents increasingly cited high fuel costs and broader price pressures as key concerns.
- Consumers appear to be absorbing energy costs, although sustained weakness in confidence could eventually restrain discretionary spending into the holiday season.



Source: The Conference Board

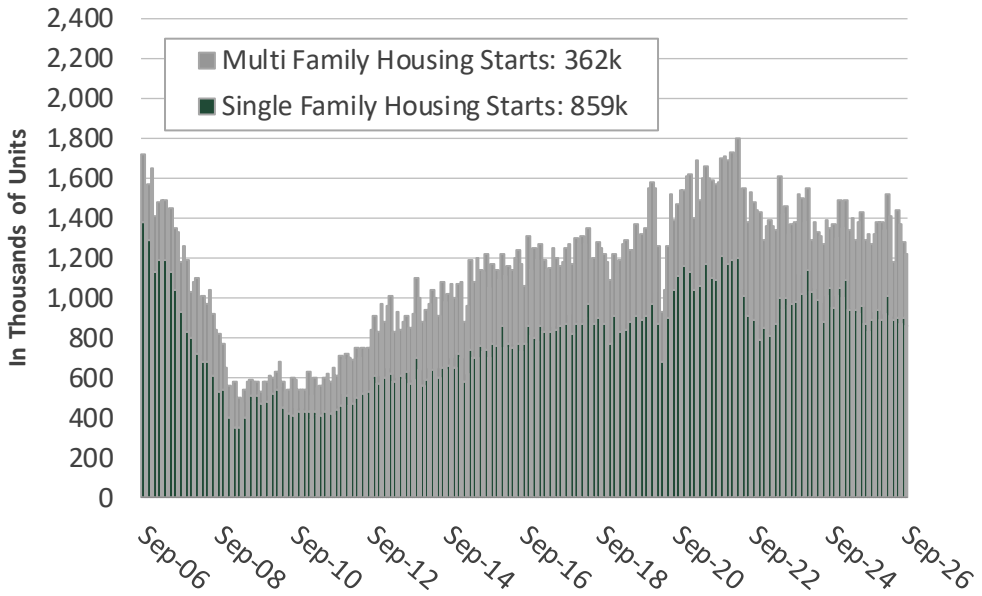


Source: Federal Reserve Bank of Chicago

- The Conference Board's Leading Economic Index (LEI) was unchanged in September at 99.6 after a 0.1% decline in August, and it rose 0.6% over the past six months, reversing a 1.1% contraction in the prior six-month span. Year-over-year LEI is down -0.5%. Business investment is increasingly offsetting softer consumer expectations, which remained the largest drag on the index.
- The Chicago Fed National Activity Index increased to +0.07 in September from -0.08 in August, as the production as well as sales, order and inventories indicators made positive contributions to CFNAI. The 3-month moving average increased to +0.03 in September from +0.01 in August.

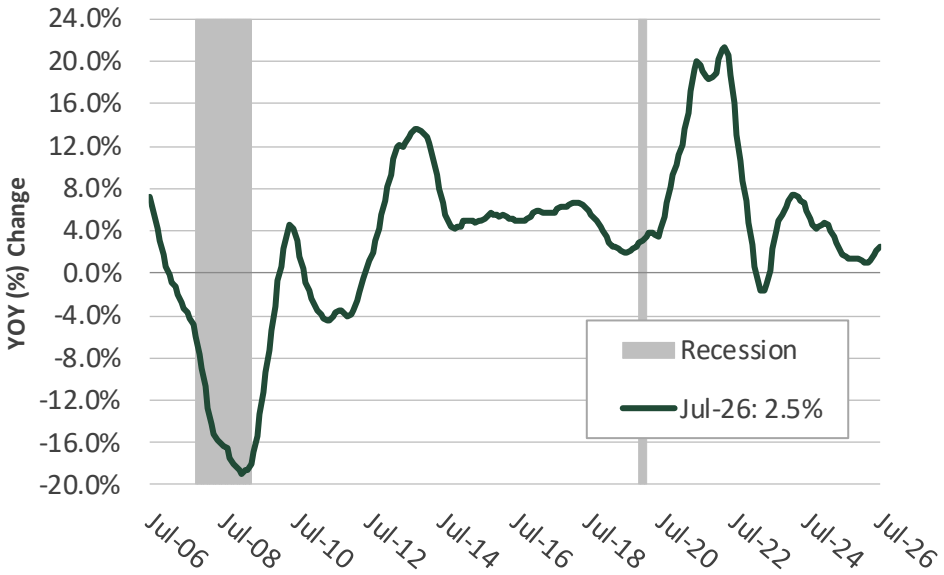
CHANDLER ASSET MANAGEMENT

Annualized Housing Starts



Source: U.S. Department of Commerce

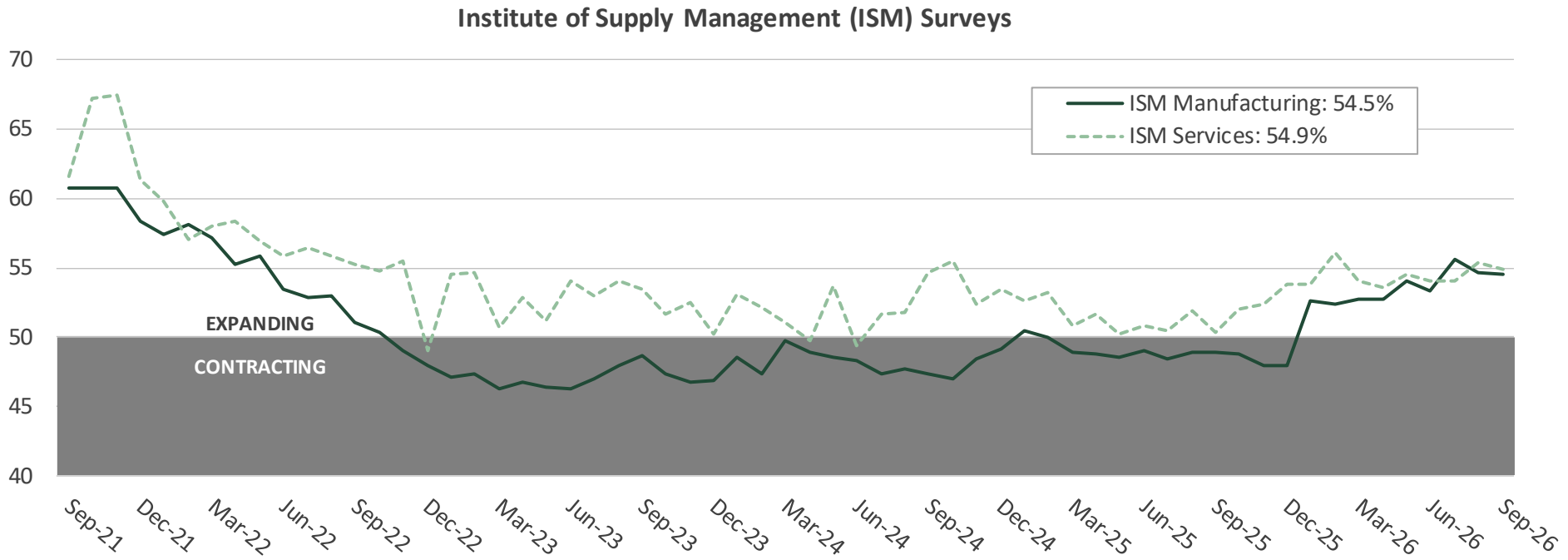
S&P/Case-Shiller 20 City Composite Home Price Index



Source: S&P

- Residential construction lost momentum in September, as housing starts fell 5.2% to an annualized pace of 1.221 million units, comprising 859,000 single-family starts and total multifamily in buildings with five or more units was 362,000. Building permits were little changed at 1.400 million.
- The S&P Cotality Case-Shiller 20-City Composite Home Price Index rose 2.5% year-over-year in July on a non-seasonally adjusted basis, accelerating from a 2.2% gain in June. Yet, home prices declined in real terms for the 14th consecutive month, as inflation continued to outpace nominal home-price appreciation.
- The Freddie Mac 30-year fixed mortgage rate rose to 7.28%, as of October 1, posing a headwind for affordability heading into the fall.

PURCHASING MANAGERS INDEX (PMI)



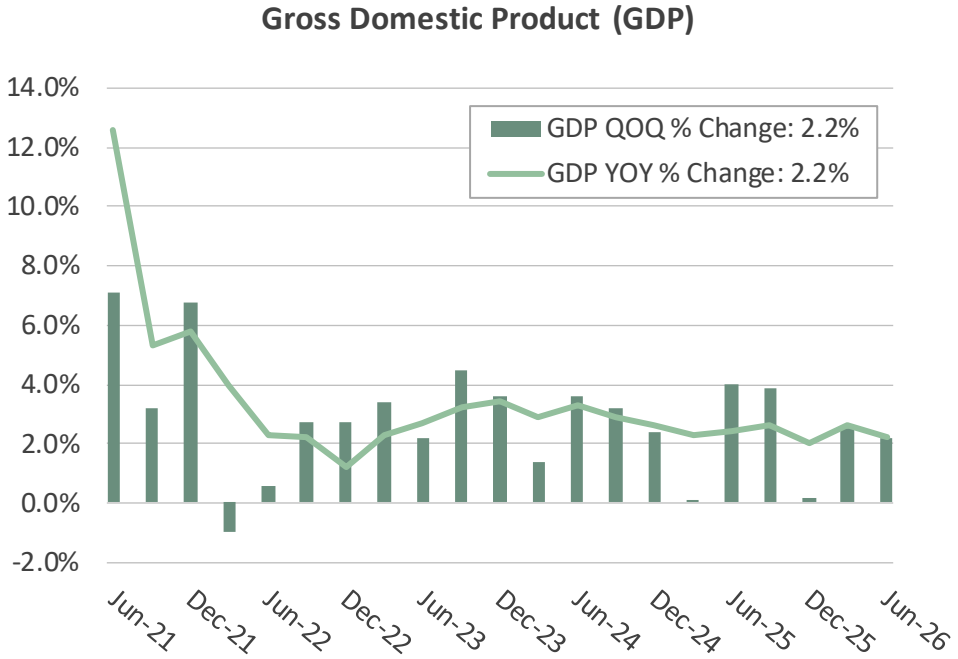
Source: Institute of Supply Management

- Purchasing managers surveys continue to signal economic expansion, though elevated prices-paid readings point to intense cost pressures.
- The Institute for Supply Management (ISM) Manufacturing Index edged down to 54.5 in September from 54.6 in August, marking its ninth consecutive month of expansion, while the prices-paid component jumped to 77.9 from 71.1.
- The ISM Services Index slipped to 54.9 in September from 55.4 in August, marking its 27th consecutive month of expansion. The prices-paid component in services rose to 74.0.
- ISM surveys above 50% signal expansion, while readings below 50% signal contraction.

GROSS DOMESTIC PRODUCT (GDP)

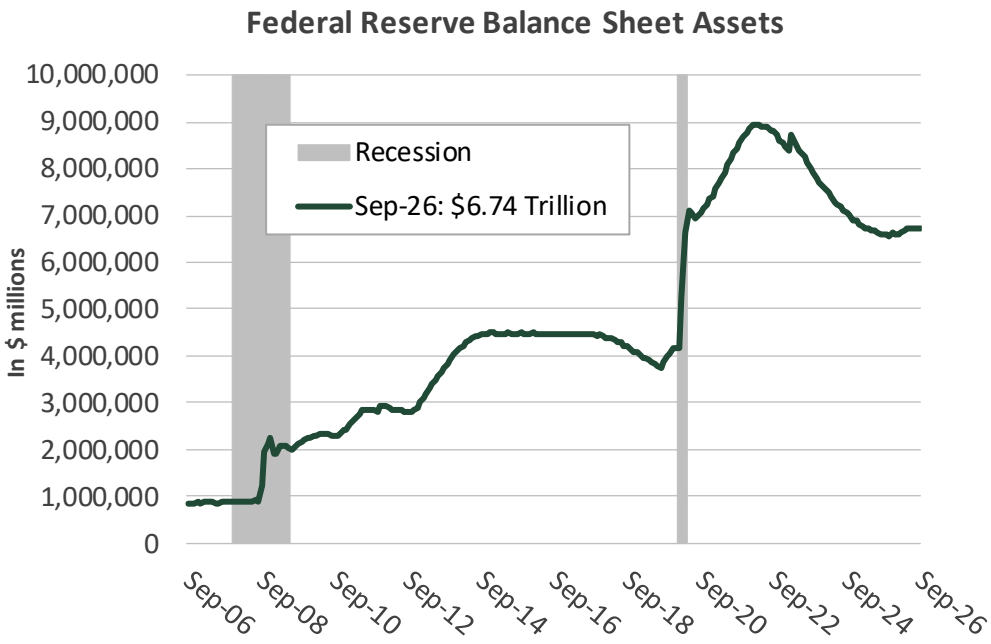
Components of GDP	Q3 2025	Q4 2025	Q1 2026	Q2 2026
Personal Consumption Expenditures	2.5%	1.3%	0.5%	2.5%
Gross Private Domestic Investment	0.2%	0.2%	1.3%	0.8%
Net Exports and Imports	1.0%	-0.3%	0.0%	-1.1%
Federal Government Expenditures	0.0%	-1.1%	0.6%	-0.2%
State and Local (Consumption and Gross Investment)	0.2%	0.1%	0.2%	0.1%
Total	**3.9%**	**0.2%**	**2.5%**	**2.2%**

Source: U.S. Department of Commerce

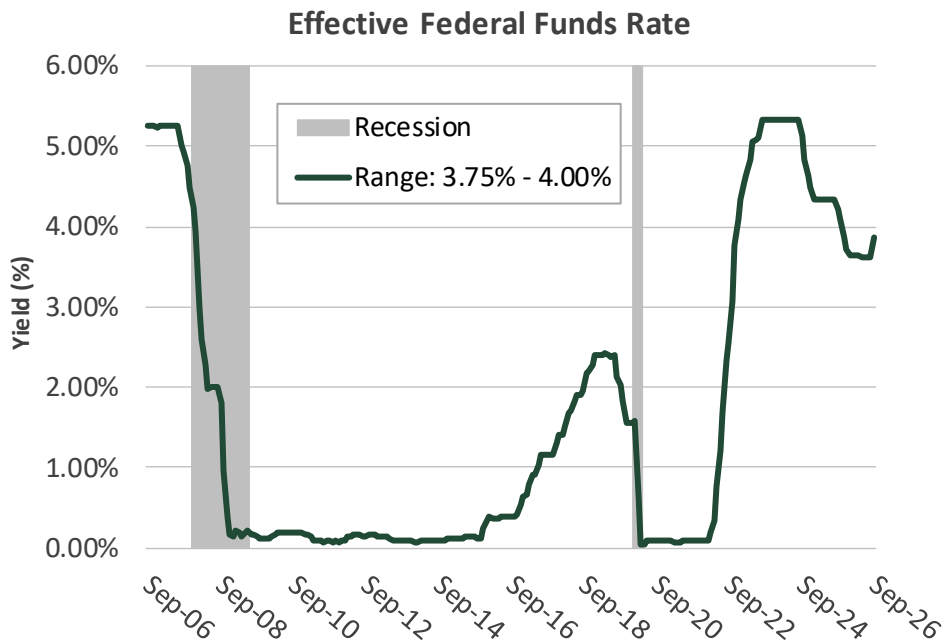


Source: U.S. Department of Commerce

- The Bureau of Economic Analysis's final estimate of second-quarter gross domestic product reported real growth at an annualized 2.2%, edging up +0.7% from the prior 1.5% estimate.
- Consumer spending and private investment—via AI related infrastructure capital expenditures—were the leading components, while government spending and rising imports subtracted from the total.

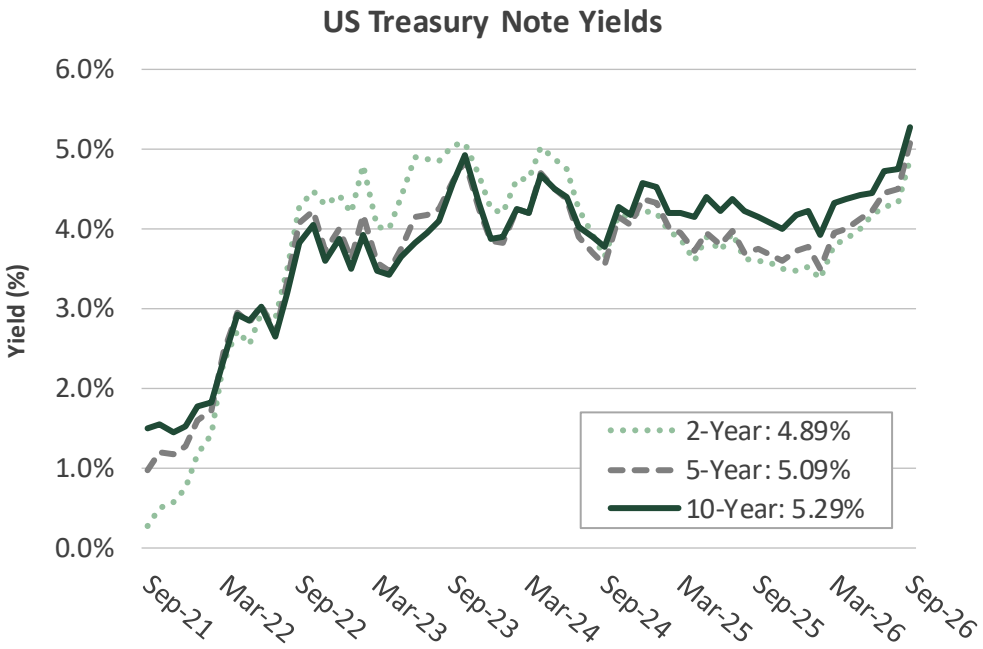


Source: Federal Reserve

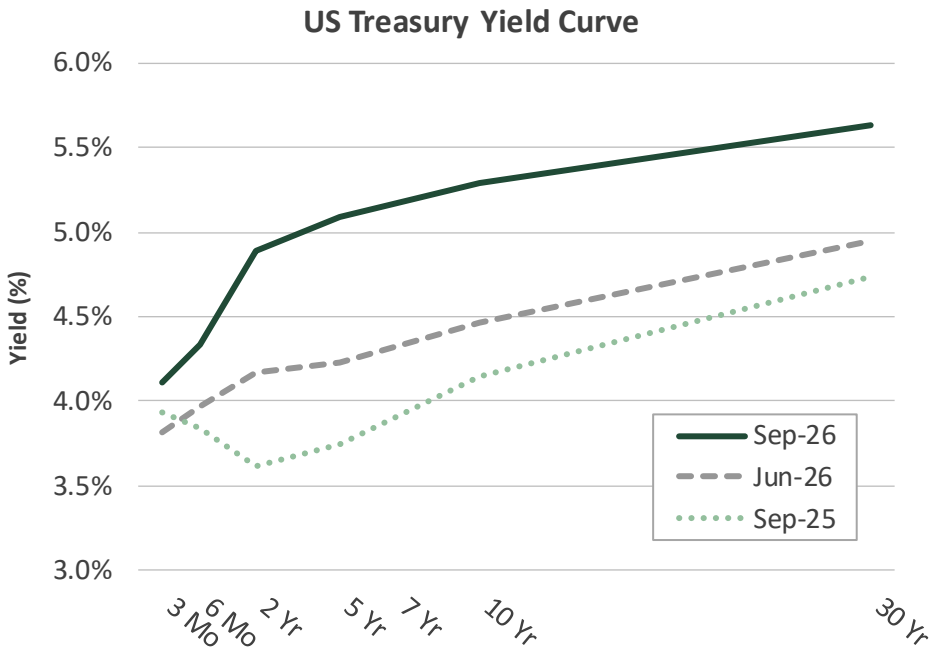


Source: Bloomberg

- The Federal Reserve's Federal Open Market Committee raised the target range for the federal funds rate a quarter point to 3.75% to 4.00% at its September 15 to 16 meeting, in a unanimous decision, marking the first increase since 2023.
- Chair Kevin Warsh, sworn in as the Federal Reserve's chair in May, said the move positions the Committee for a timelier return to its 2% objective and left the door open to further, asymmetric tightening should upward price pressure prove persistent.
- The Summary of Economic Projections showed a median fed funds rate projection of 4.1% for year-end 2026 and 2027, before declining toward a longer-run level of 3.2%. The Committee reaffirmed its policy of maintaining ample reserves amid ambient uncertainty tied to the Middle East conflict.



Source: Bloomberg



Source: Bloomberg

- The U.S. Treasury curve underwent a butterfly shift in September. The front end repriced for a higher-for-longer neutral-rate path, while longer-dated yields rose on fiscal concerns, global spillovers, and inflation expectations. The five-year sector underperformed both the short and long ends, reflecting supply pressure and expanding term premiums.
- The 2-year Treasury yield rose +55 basis points to 4.89%, the 5-year yield increased +59 basis points to 5.09%, and the 10-year yield rose +54 basis points to 5.29%, respectively, from the prior month.
- The 2-year to 10-year spread ended September at +40 basis points, compared with +41 basis points in August, and +54 basis points one year earlier.

CHANDLER ASSET MANAGEMENT

ACCOUNT PROFILE

Investment Objectives

Safety of principal is the foremost objective of the investment program. The investment portfolio shall remain sufficiently liquid to meet all requirements that may be reasonably anticipated. The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs.

Chandler Asset Management Performance Objective

The performance objective for the District is to achieve an annual rate of return on its portfolio that exceeds the return on a market index selected by District management.

Strategy

In order to achieve this objective, the portfolio invests in high-quality fixed income securities that comply with the investment policy and all regulations governing the funds.

STATEMENT OF COMPLIANCE

Tahoe Forest Hospital District | Account #10841 | As of September 30, 2026

Rules Name	Limit	Actual	Compliance Status	Notes
AGENCY MORTGAGE SECURITIES				
Max % (MV; ABS, CMO & MBS)	20.0	16.7	Compliant	
Max Maturity (SD; Years)	5.0	4.3	Compliant	
ASSET-BACKED SECURITIES (ABS)				
Max % (MV; ABS, CMO & MBS)	20.0	16.7	Compliant	
Max % Issuer (MV)	5.0	1.2	Compliant	
Max Maturity (SD; Years)	5	4	Compliant	
Min Rating (AA- by 1)	0.0	0.0	Compliant	
BANKERS' ACCEPTANCES				
Max % (MV)	40.0	0.0	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (SD; Days)	180	0.0	Compliant	
COMMERCIAL PAPER				
Max % (MV)	25.0	0.0	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (SD; Days)	270	0.0	Compliant	
Min Rating (A-1/P-1 or A- Issuer by S&P or Moody's)	0.0	0.0	Compliant	
CORPORATE MEDIUM TERM NOTES				
Max % (MV)	30.0	25.4	Compliant	
Max % Issuer (MV)	5.0	1.5	Compliant	
Max Maturity (SD; Years)	5	4	Compliant	
Min Rating (A- by 1)	0.0	0.0	Compliant	
FEDERAL AGENCIES				
Max % (MV)	100.0	6.6	Compliant	
Max % Issuer (MV)	30.0	5.2	Compliant	
Max Callables (MV)	20.0	0.0	Compliant	
Max Maturity (SD; Years)	5	2	Compliant	
LOCAL AGENCY INVESTMENT FUND (LAIF)				

The Statement of Compliance reflects Chandler's assessment of compliance with the applicable investment policy for the assets Chandler directly manages. The report may also present assets reported to Chandler by clients, custodians, or other third parties. Chandler includes those assets in the assessment but has no discretionary authority over them, does not independently verify the information provided, and assumes no responsibility for the accuracy or completeness of that information. Questions regarding this report should be directed to the designated investment professional.

STATEMENT OF COMPLIANCE

Tahoe Forest Hospital District | Account #10841 | As of September 30, 2026

Rules Name	Limit	Actual	Compliance Status	Notes
Max % (MV)	100.0	0.0	Compliant	
MONEY MARKET MUTUAL FUNDS				
Max % (MV)	20.0	0.2	Compliant	
Max % Issuer (MV)	20.0	0.2	Compliant	
Min Rating (AAA by 2)	0.0	0.0	Compliant	
MORTGAGE-BACKED SECURITIES (NON-AGENCY)				
Max % (MV; ABS, CMO & MBS)	20.0	16.7	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (SD; Years)	5.0	0.0	Compliant	
Min Rating (AA- by 1)	0.0	0.0	Compliant	
MUNICIPAL SECURITIES (CA, LOCAL AGENCY)				
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (SD; Years)	5	0.0	Compliant	
MUTUAL FUNDS				
Max % (MV)	20.0	0.0	Compliant	
Max % Issuer (MV)	10.0	0.0	Compliant	
Min Rating (AAA by 2)	0.0	0.0	Compliant	
NEGOTIABLE CERTIFICATES OF DEPOSIT (NCD)				
Max % (MV)	30.0	0.0	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (SD; Years)	5	0.0	Compliant	
REPURCHASE AGREEMENTS				
Max Maturity (SD; Years)	1.0	0.0	Compliant	
REVERSE REPURCHASE AGREEMENTS				
Max % (MV)	20.0	0.0	Compliant	
Max Maturity (SD; Days)	92.0	0.0	Compliant	
SUPRANATIONAL OBLIGATIONS				
Max % (MV)	30.0	2.4	Compliant	

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STATEMENT OF COMPLIANCE

Tahoe Forest Hospital District | Account #10841 | As of September 30, 2026

Rules Name	Limit	Actual	Compliance Status	Notes
Max % Issuer (MV)	10.0	1.0	Compliant	
Max Maturity (SD; Years)	5	2	Compliant	
Min Rating (AA- by 1)	0.0	0.0	Compliant	
U.S. TREASURIES				
Max % (MV)	100.0	48.6	Compliant	
Max Maturity (SD; Years)	5	4	Compliant	

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PORTFOLIO CHARACTERISTICS

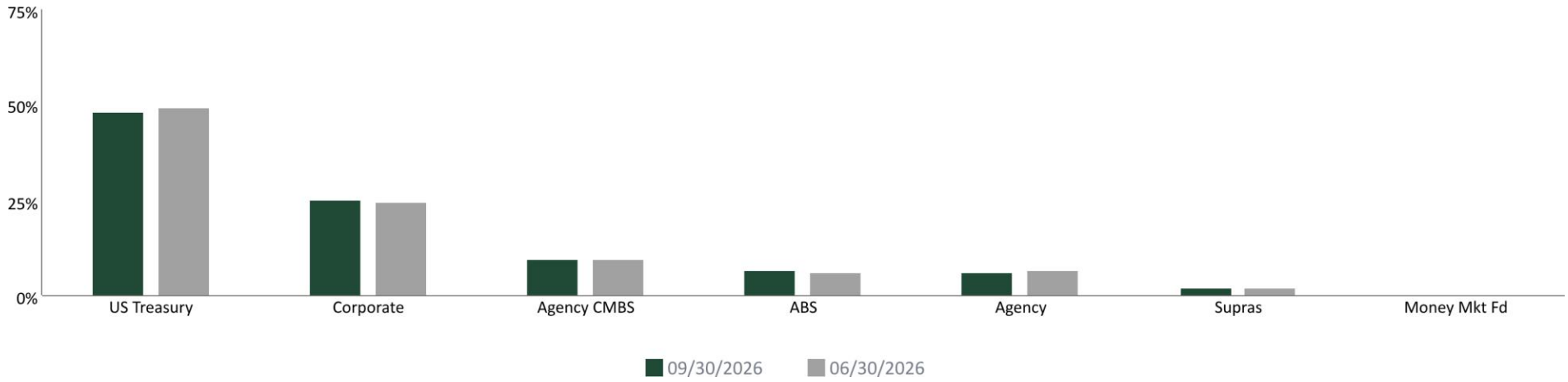
Tahoe Forest Hospital District | Account #10841 | As of September 30, 2026

	Benchmark*	9/30/2026 Portfolio	6/30/2026 Portfolio
Average Maturity (yrs)	2.63	2.86	2.97
Average Modified Duration	2.43	2.46	2.55
Average Purchase Yield		4.21%	4.12%
Average Market Yield	4.90%	5.07%	4.30%
Average Quality**	AA+	AA	AA
Total Market Value		102,457,192	103,374,455

*Benchmark: ICE BofA 1-5 Year Unsubordinated US Treasury & Agency Index
**The credit quality is a weighted average calculation of the highest of S&P, Moody's and Fitch.

SECTOR DISTRIBUTION

Tahoe Forest Hospital District | Account #10841 | As of September 30, 2026



Sector as a Percentage of Market Value

Sector	09/30/2026	06/30/2026
US Treasury	48.60%	49.64%
Corporate	25.29%	24.73%
Agency CMBS	9.68%	9.81%
ABS	7.12%	6.37%
Agency	6.62%	6.65%
Supras	2.44%	2.45%
Money Mkt Fd	0.24%	0.34%
Total	100.00%	100.00%

ISSUERS

Tahoe Forest Hospital District | Account #10841 | As of September 30, 2026

Issuer	Investment Type	% Portfolio
United States	US Treasury	48.60%
Federal Home Loan Mortgage Corp	Agency CMBS	9.68%
Federal Home Loan Banks	Agency	5.17%
Bank of America Corporation	Corporate	1.46%
Farm Credit System	Agency	1.45%
JPMorgan Chase & Co.	Corporate	1.45%
National Rural Utilities Cooperative	Corporate	1.43%
Toyota Motor Corporation	Corporate	1.30%
Salesforce, Inc.	Corporate	1.20%
U.S. Bancorp	Corporate	1.19%
BNY Mellon Corp	Corporate	1.19%
PACCAR Inc	Corporate	1.18%
Morgan Stanley	Corporate	1.18%
Hyundai Auto Receivables Trust	ABS	1.16%
State Street Corporation	Corporate	1.16%
Deere & Company	Corporate	1.13%
Realty Income Corporation	Corporate	1.12%
Public Service Enterprise Group	Corporate	1.11%
UnitedHealth Group Incorporated	Corporate	1.11%
Amazon.com, Inc.	Corporate	1.08%
Prologis, Inc.	Corporate	1.05%
Wells Fargo & Company	Corporate	1.04%
Cap One Multi-Asset Execution Trust	ABS	1.01%
Berkshire Hathaway Inc.	Corporate	0.97%
Inter-American Development Bank	Supras	0.96%
Toyota Auto Receivables Owner Trust	ABS	0.96%
International Bank for Recon and Dev	Supras	0.96%
Marsh & McLennan Companies, Inc.	Corporate	0.96%
Duke Energy Corporation	Corporate	0.95%
American Express Credit Master Trust	ABS	0.84%

ISSUERS

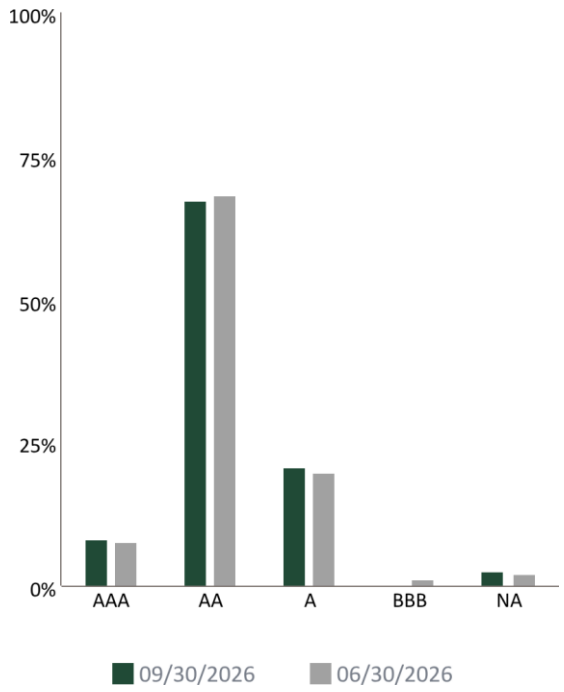
Tahoe Forest Hospital District | Account #10841 | As of September 30, 2026

Issuer	Investment Type	% Portfolio
John Deere Owner Trust	ABS	0.83%
Honda Auto Receivables Owner Trust	ABS	0.74%
Mercedes-Benz Auto Receivables Trust	ABS	0.72%
Mastercard Incorporated	Corporate	0.57%
Ford Credit Auto Owner Trust	ABS	0.53%
International Finance Corporation	Supras	0.51%
NVIDIA Corporation	Corporate	0.49%
Dominion Energy, Inc.	Corporate	0.49%
Caterpillar Inc.	Corporate	0.49%
GM Financial Auto Leasing Trust	ABS	0.33%
First American Govt Oblig Fund	Money Mkt Fd	0.24%
BMW Vehicle Owner Trust	ABS	0.01%
Cash	Cash	0.00%
TOTAL		**100.00%**

QUALITY DISTRIBUTION

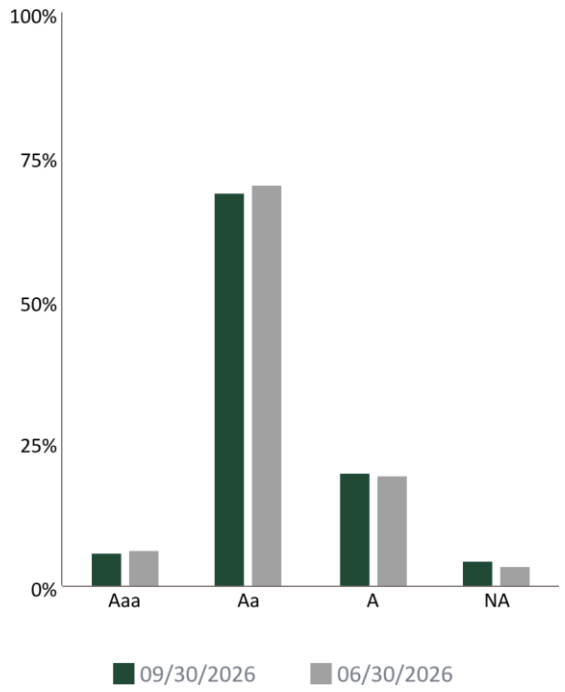
Tahoe Forest Hospital District | Account #10841 | As of September 30, 2026

S&P Rating



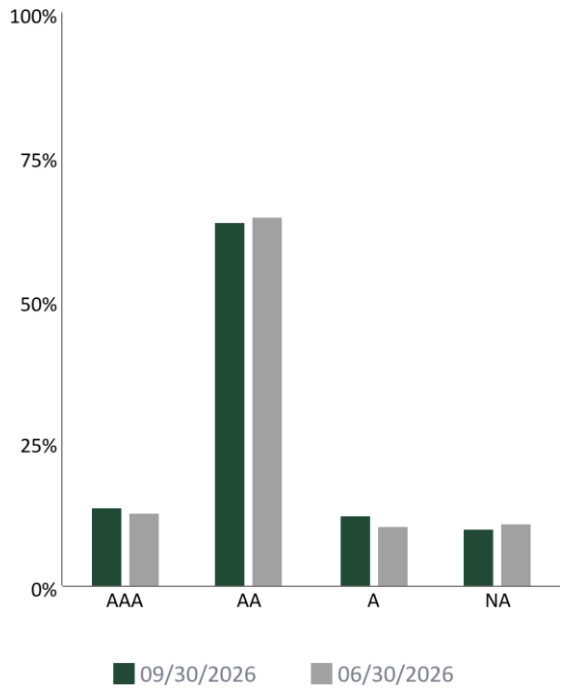
Rating	09/30/2026	06/30/2026
AAA	8.41%	7.73%
AA	67.40%	68.46%
A	20.93%	20.09%
BBB	0.49%	1.55%
NA	2.78%	2.18%

Moody's Rating



Rating	09/30/2026	06/30/2026
Aaa	6.25%	6.48%
Aa	69.06%	70.27%
A	20.05%	19.44%
NA	4.64%	3.81%

Fitch Rating

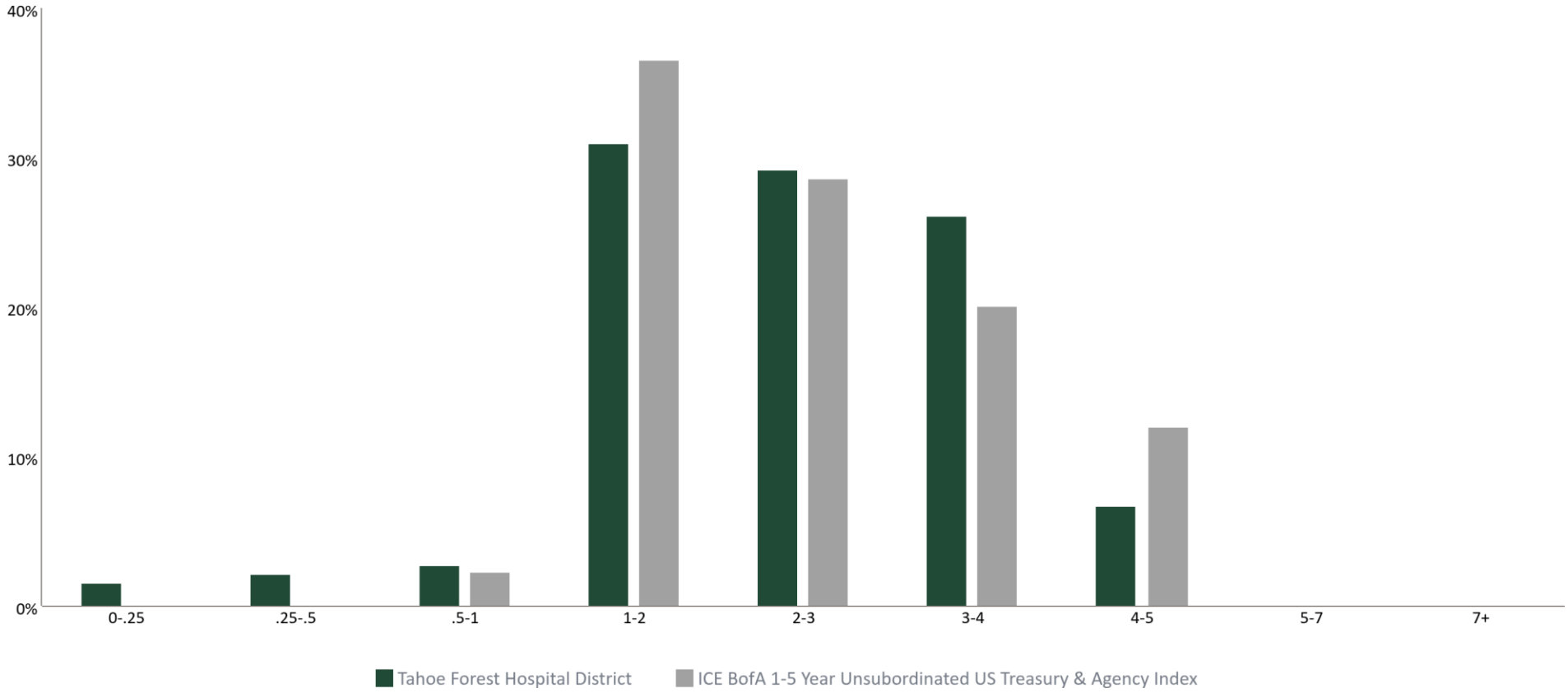


Rating	09/30/2026	06/30/2026
AAA	13.73%	13.19%
AA	63.71%	64.70%
A	12.45%	10.73%
NA	10.11%	11.39%

DURATION DISTRIBUTION

Tahoe Forest Hospital District | Account #10841 | As of September 30, 2026

Portfolio Compared to the Benchmark

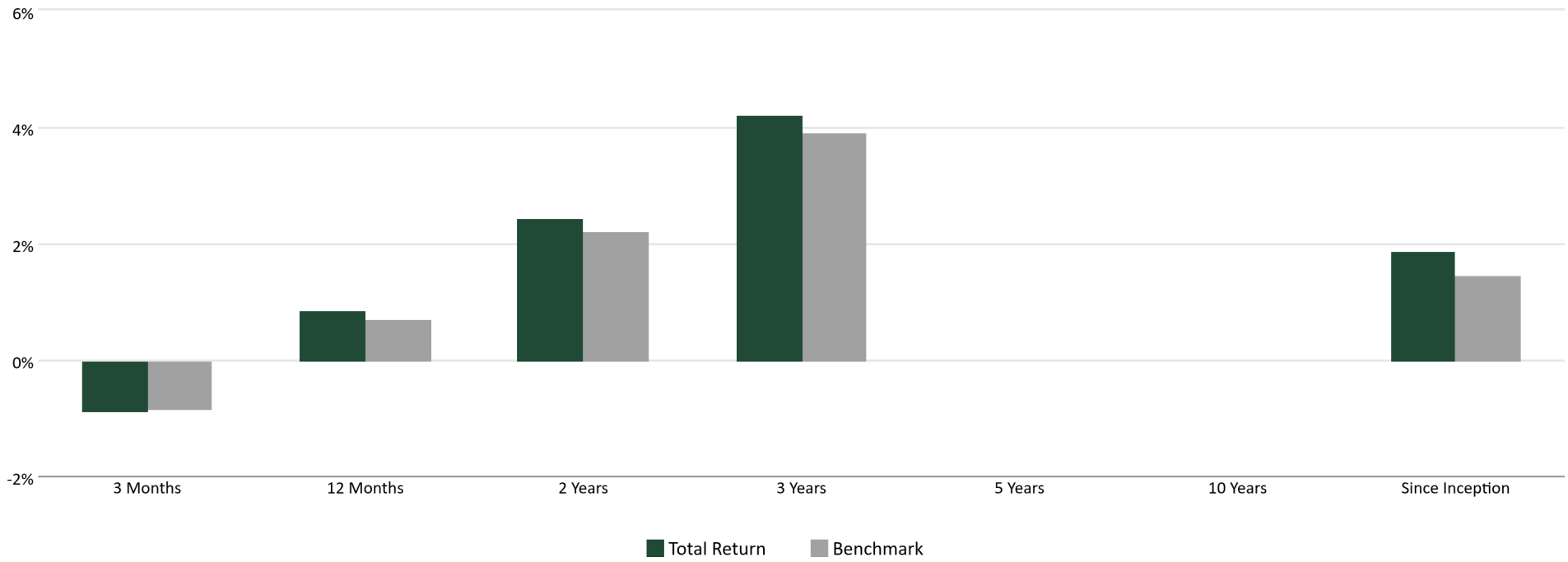


	0-.25	.25-.5	.5-1	1-2	2-3	3-4	4-5	5-7	7+
Portfolio	1.6%	2.2%	2.8%	31.1%	29.2%	26.2%	6.8%	0.0%	0.0%
ICE BofA 1-5 Year Unsubordinated US Treasury & Agency Index	0.0%	0.0%	2.4%	36.6%	28.7%	20.2%	12.1%	0.0%	0.0%

INVESTMENT PERFORMANCE

Tahoe Forest Hospital District | Account #10841 | As of September 30, 2026

Total Rate of Return: Inception | 11/01/2021



TOTAL RATE OF RETURN*	3 Months	12 Months	2 Years	3 Years	5 Years	10 Years	Since Inception
Tahoe Forest Hospital District	(0.87%)	0.87%	2.46%	4.23%			1.90%
Benchmark	*(0.82%)*	*0.72%*	*2.24%*	*3.94%*			*1.47%*

*Periods over 1 year are annualized.
Total rate of return: A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending market value; it includes interest earnings, realized and unrealized gains and losses in the portfolio.
Benchmark: ICE BofA 1-5 Year Unsubordinated US Treasury & Agency Index

CHANDLER ASSET MANAGEMENT

PORTFOLIO HOLDINGS

CUSIP	Security Description	Par Value/ Units	Purchase Date Purchase Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody's/ S&P/ Fitch	Maturity Duration
ABS									
47800CAC0	JDOT 2023 A3 5.01 11/15/2027	26,005.63	02/22/2023 3.39%	26,000.89 26,004.50	100.04 4.59%	26,015.05 57.91	0.03% 10.54	Aaa/NA AAA	1.13 0.04
05592XAD2	BMWOT 2023-A A3 5.47 02/25/2028	13,380.09	07/11/2023 5.47%	13,377.72 13,379.37	100.17 4.08%	13,403.49 12.20	0.01% 24.12	NA/AAA AAA	1.41 0.12
36275AAD1	GMALT 2026-2 A3 4.3 03/20/2029	335,000.00	05/05/2026 4.40%	334,963.75 334,968.62	99.08 5.03%	331,926.04 440.15	0.33% (3,042.58)	NA/AAA AAA	2.47 1.33
34535VAD6	FORDO 2024-D A3 4.61 08/15/2029	540,771.54	11/19/2024 4.66%	540,754.18 540,760.99	99.90 4.80%	540,249.69 1,107.98	0.53% (511.30)	Aaa/NA AAA	2.87 0.68
47800DAD6	JDOT 2025 A3 4.23 09/17/2029	480,000.00	03/04/2025 5.09%	479,969.81 479,980.21	99.21 5.00%	476,208.48 902.40	0.47% (3,771.73)	Aaa/NA AAA	2.96 1.08
44935CAD3	HART 2025-A A3 4.32 10/15/2029	605,000.00	03/04/2025 4.84%	604,910.76 604,940.97	99.70 4.76%	603,161.41 1,161.60	0.59% (1,779.56)	NA/AAA AAA	3.04 0.76
89231GAD0	TAOT 2025-D A3 3.84 06/17/2030	620,000.00	10/15/2025 4.27%	619,928.70 619,943.10	98.44 5.03%	610,324.90 1,058.13	0.60% (9,618.20)	NA/AAA AAA	3.71 1.35
47787DAD3	JDOT 2026 A3 3.87 08/15/2030	345,000.00	03/10/2026 4.49%	344,938.87 344,946.35	97.63 5.25%	336,810.74 593.40	0.33% (8,135.61)	Aaa/NA AAA	3.87 1.77
58769MAD2	MBART 261 A3 4.36 10/15/2030	740,000.00	05/12/2026 4.41%	739,838.83 739,852.25	98.78 5.15%	731,006.78 1,433.96	0.72% (8,845.47)	NA/AAA AAA	4.04 1.63
43814YAD3	HAROT 2026-2 A3 4.3 11/15/2030	760,000.00	05/05/2026 4.34%	759,978.04 759,979.92	98.48 5.20%	748,442.68 1,452.44	0.74% (11,537.24)	Aaa/AAA NA	4.13 1.77
89240QAD7	TAOT 2026-B A3 4.13 12/16/2030	375,000.00	04/14/2026 4.27%	374,920.91 374,928.49	98.27 5.15%	368,520.75 688.33	0.36% (6,407.74)	Aaa/AAA NA	4.21 1.76
44935KAD5	HART 2026-B A3 4.51 02/18/2031	580,000.00	06/09/2026 4.86%	579,929.99 579,934.34	98.77 5.16%	572,856.72 1,162.58	0.56% (7,077.62)	NA/AAA AAA	4.39 2.04
14041NGJ4	COMET 2026-1 A 4.48 07/16/2029	1,050,000.00	07/09/2026 4.53%	1,049,755.98 1,049,773.12	98.23 5.22%	1,031,413.95 2,090.67	1.01% (18,359.17)	NA/AAA AAA	2.79 2.55
02582JKX7	AMXCA 261 A 4.99 09/17/2029	855,000.00	09/15/2026 5.05%	854,819.94 854,821.43	99.51 5.23%	850,800.24 1,066.61	0.84% (4,021.19)	NA/AAA AAA	2.96 2.68
Total ABS		**7,325,157.26**	**4.61%**	**7,324,088.37** **7,324,213.67**	**98.86** **5.09%**	**7,241,140.91** **13,228.36**	**7.12%** **(83,072.76)**		**3.42** **1.72**
AGENCY									

CUSIP	Security Description	Par Value/ Units	Purchase Date Purchase Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody's/ S&P/ Fitch	Maturity Duration
3130ATS57	FEDERAL HOME LOAN BANKS 4.5 03/10/2028	2,300,000.00	-- 3.81%	2,371,668.00 2,320,746.24	99.55 4.82%	2,289,725.90 6,037.50	2.25% (31,020.34)	Aa1/AA+ AA+	1.44 1.38
3130AWC24	FEDERAL HOME LOAN BANKS 4.0 06/09/2028	1,500,000.00	06/28/2023 4.09%	1,494,150.00 1,498,002.52	98.66 4.83%	1,479,901.50 18,666.67	1.46% (18,101.02)	Aa1/AA+ AA+	1.69 1.59
3130AWTR1	FEDERAL HOME LOAN BANKS 4.375 09/08/2028	1,500,000.00	09/12/2023 4.51%	1,491,165.00 1,496,566.86	99.03 4.90%	1,485,459.00 4,192.71	1.46% (11,107.86)	Aa1/AA+ AA+	1.94 1.83
3133EPN50	FEDERAL FARM CREDIT BANKS FUNDING CORP 4.25 12/15/2028	1,500,000.00	12/28/2023 3.88%	1,525,080.00 1,511,149.74	98.59 4.93%	1,478,878.50 18,770.83	1.45% (32,271.24)	Aa1/AA+ AA+	2.21 2.05
Total Agency		**6,800,000.00**	**4.04%**	**6,882,063.00 6,826,465.36**	**99.03 4.87%**	**6,733,964.90 47,667.71**	**6.62% (92,500.46)**		**1.78 1.67**
AGENCY CMBS									
3137FG6X8	FHMS K-077 A2 3.85 05/25/2028	1,850,000.00	05/24/2023 4.65%	1,816,035.16 1,839,081.38	98.12 4.99%	1,815,149.70 5,935.42	1.79% (23,931.68)	Aa1/AA+ AAA	1.65 1.48
3137FKZZ2	FHMS K-088 A2 3.69 01/25/2029	1,200,000.00	12/11/2025 3.80%	1,194,421.88 1,195,871.59	96.71 5.19%	1,160,532.00 3,690.00	1.14% (35,339.59)	Aaa/AA+ AA+	2.32 2.09
3137FQ3Z4	FHMS K-101 A2 2.524 10/25/2029	1,100,000.00	12/23/2025 3.88%	1,047,277.34 1,057,883.36	92.33 5.29%	1,015,601.40 2,313.67	1.00% (42,281.96)	Aa1/AA+ AA+	3.07 2.81
3137FX3Q9	FHMS K-117 A2 1.406 08/25/2030	1,250,000.00	06/03/2026 4.46%	1,107,275.39 1,118,109.27	86.49 5.34%	1,081,148.75 1,464.58	1.06% (36,960.52)	Aa1/AA+ AAA	3.90 3.63
3137F83Q4	FHMS K-121 A2 1.547 10/25/2030	1,250,000.00	01/07/2026 3.97%	1,119,091.80 1,138,997.75	86.26 5.36%	1,078,195.00 1,611.46	1.06% (60,802.75)	Aa1/AA+ AAA	4.07 3.81
3137F8ZV8	FHMS K-123 A2 1.621 12/25/2030	1,250,000.00	04/22/2026 4.13%	1,120,263.67 1,132,395.06	86.26 5.36%	1,078,286.25 1,688.54	1.06% (54,108.81)	Aa1/AA+ AAA	4.24 3.88
3137F9Z79	FHMS K-125 A2 1.846 01/25/2031	1,750,000.00	-- 4.05%	1,579,023.44 1,601,896.87	86.71 5.37%	1,517,484.50 2,692.08	1.49% (84,412.37)	Aa1/AA+ AAA	4.32 3.98
3137FXZ35	FHMS K-127 A2 2.108 01/25/2031	1,250,000.00	02/03/2026 4.11%	1,138,671.88 1,153,411.97	87.80 5.32%	1,097,503.75 2,195.83	1.08% (55,908.22)	Aa1/AA+ AAA	4.32 3.98
Total Agency CMBS		**10,900,000.00**	**4.17%**	**10,122,060.56 10,237,647.25**	**90.57 5.26%**	**9,843,901.35 21,591.58**	**9.68% (393,745.90)**		**3.38 3.11**
CASH									

HOLDINGS REPORT

Tahoe Forest Hospital District | Account #10841 | As of September 30, 2026

CUSIP	Security Description	Par Value/ Units	Purchase Date Purchase Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody's/ S&P/ Fitch	Maturity Duration
CCYUSD	Receivable	2,007.99	--	2,007.99 2,007.99	1.00	2,007.99 0.00	0.00% 0.00	Aaa/AAA AAA	0.00 0.00
Total Cash		**2,007.99**		**2,007.99** **2,007.99**	**1.00**	**2,007.99** **0.00**	**0.00%** **0.00**		**0.00** **0.00**
CORPORATE									
084664CZ2	BERKSHIRE HATHAWAY FINANCE CORP 2.3 03/15/2027	1,000,000.00	03/08/2022 2.54%	988,750.00 998,983.43	99.06 4.39%	990,646.00 1,022.22	0.97% (8,337.43)	Aa2/AA A+	0.45 0.45
927804GH1	VIRGINIA ELECTRIC AND POWER CO 3.75 05/15/2027	500,000.00	-- 3.71%	500,865.35 500,085.39	99.43 4.68%	497,146.50 7,083.33	0.49% (2,938.89)	A3/BBB+ A	0.62 0.60
91324PEP3	UNITEDHEALTH GROUP INC 5.25 02/15/2028	1,120,000.00	03/08/2023 5.08%	1,128,041.60 1,122,137.47	100.32 5.00%	1,123,600.80 7,513.33	1.11% 1,463.33	A2/A+ A	1.38 1.22
57636QAW4	MASTERCARD INC 4.875 03/09/2028	585,000.00	03/06/2023 4.90%	584,432.55 584,836.94	99.85 4.98%	584,140.05 1,742.81	0.57% (696.89)	Aa3/A+ NA	1.44 1.37
79466LAF1	SALESFORCE, INC. 3.7 04/11/2028	1,250,000.00	08/23/2023 4.84%	1,191,400.00 1,230,663.04	97.87 5.17%	1,223,360.00 21,840.28	1.20% (7,303.04)	A2/A+ NA	1.53 1.44
74456QBU9	PUBLIC SERVICE ELECTRIC AND GAS CO 3.7 05/01/2028	1,150,000.00	09/06/2023 5.10%	1,084,208.50 1,127,591.35	97.88 5.11%	1,125,600.45 17,729.17	1.11% (1,990.90)	A1/A NA	1.59 1.49
06051GMK2	BANK OF AMERICA CORPORATION 4.979 01/24/2029	650,000.00	01/28/2025 4.92%	651,014.00 650,446.53	99.67 5.03%	647,829.00 6,023.21	0.64% (2,617.53)	A1/A- AA-	2.32 1.25
69371RS80	PACCAR FINANCIAL CORP 4.6 01/31/2029	1,220,000.00	01/24/2024 4.64%	1,218,011.40 1,219,071.55	98.69 5.20%	1,204,033.86 9,509.22	1.18% (15,037.69)	A1/A+ NA	2.34 2.16
14913UAJ9	CATERPILLAR FINANCIAL SERVICES CORP 4.85 02/27/2029	500,000.00	05/21/2024 4.84%	500,215.00 500,108.67	99.02 5.29%	495,096.00 2,290.28	0.49% (5,012.67)	A1/A A+	2.41 2.23
61747YFD2	MORGAN STANLEY 5.164 04/20/2029	1,200,000.00	05/30/2024 5.44%	1,188,336.00 1,195,342.61	99.62 5.45%	1,195,472.40 27,713.47	1.18% 129.79	A1/A- A+	2.55 1.44
06406RBD8	BANK OF NEW YORK MELLON CORP 3.85 04/26/2029	1,250,000.00	09/10/2024 3.95%	1,244,612.50 1,247,006.24	96.59 5.29%	1,207,313.75 20,720.49	1.19% (39,692.49)	Aa3/A AA-	2.57 2.37
91159HJM3	US BANCORP 5.775 06/12/2029	1,200,000.00	06/20/2024 5.26%	1,221,720.00 1,209,274.38	100.75 5.53%	1,208,940.00 20,982.50	1.19% (334.38)	A3/A A	2.70 1.57
06051GHM4	BANK OF AMERICA CORPORATION 4.271 07/23/2029	850,000.00	-- 4.90%	830,918.00 841,255.71	98.04 5.51%	833,346.80 6,857.33	0.82% (7,908.91)	A1/A- AA-	2.81 1.70

CUSIP	Security Description	Par Value/ Units	Purchase Date Purchase Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody's/ S&P/ Fitch	Maturity Duration
46647PAV8	JPMORGAN CHASE & CO 4.203 07/23/2029	850,000.00	-- 4.89%	829,384.00 840,547.09	98.02 5.45%	833,144.50 6,748.15	0.82% (7,402.59)	A1/A AA-	2.81 1.70
89236TMK8	TOYOTA MOTOR CREDIT CORP 4.55 08/09/2029	600,000.00	09/19/2024 4.14%	610,782.00 606,303.60	97.93 5.34%	587,553.60 3,943.33	0.58% (18,750.00)	A1/A+ A+	2.86 2.62
26442CAY0	DUKE ENERGY CAROLINAS LLC 2.45 08/15/2029	1,046,000.00	12/18/2024 4.72%	947,749.22 985,373.49	92.39 5.34%	966,352.33 3,274.56	0.95% (19,021.16)	Aa3/A NA	2.87 2.71
46647PAX4	JPMORGAN CHASE & CO 4.452 12/05/2029	650,000.00	12/09/2024 4.72%	643,734.00 646,574.36	97.94 5.54%	636,621.05 9,324.47	0.63% (9,953.31)	A1/A AA-	3.18 2.01
63743HFX5	NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP 4.95 02/07/2030	760,000.00	02/04/2025 4.98%	758,837.20 759,219.92	98.11 5.57%	745,655.00 5,643.00	0.73% (13,564.92)	A2/NA A	3.36 3.02
571748CA8	MARSH & MCLENNAN COMPANIES INC 4.65 03/15/2030	1,000,000.00	03/17/2025 4.74%	996,040.00 997,260.80	97.21 5.55%	972,065.00 2,066.67	0.96% (25,195.80)	A3/A- A-	3.45 3.13
857477DB6	STATE STREET CORPORATION 4.834 04/24/2030	1,200,000.00	09/29/2025 4.15%	1,233,168.00 1,225,747.78	97.98 5.47%	1,175,714.40 25,297.93	1.16% (50,033.38)	Aa3/A AA-	3.56 3.16
24422EYF0	JOHN DEERE CAPITAL CORP 4.375 10/15/2030	1,200,000.00	11/04/2025 4.22%	1,208,304.00 1,206,785.82	96.14 5.45%	1,153,648.80 24,208.33	1.13% (53,137.02)	A1/A A+	4.04 3.57
74340XCQ2	PROLOGIS LP 4.75 01/15/2031	1,100,000.00	03/23/2026 4.50%	1,111,418.00 1,110,155.21	97.05 5.53%	1,067,598.40 11,030.56	1.05% (42,556.81)	A2/A NA	4.29 3.78
756109AX2	REALTY INCOME CORPORATION 3.25 01/15/2031	1,250,000.00	05/05/2026 4.67%	1,175,825.00 1,182,226.11	90.92 5.66%	1,136,542.50 8,576.39	1.12% (45,683.61)	A3/A- A	4.29 3.88
95000U2L6	WELLS FARGO & CO 4.478 04/04/2031	1,100,000.00	06/09/2026 5.38%	1,086,393.00 1,087,267.13	95.95 6.26%	1,055,488.50 24,218.52	1.04% (31,778.63)	A1/A- A+	4.51 3.12
89236TQB4	TOYOTA MOTOR CREDIT CORP 4.55 05/14/2031	765,000.00	05/11/2026 4.60%	763,447.05 763,566.12	95.72 5.61%	732,232.76 13,246.19	0.72% (31,333.36)	A1/A+ A+	4.62 4.02
67066GAR5	NVIDIA CORP 4.5 06/15/2031	525,000.00	06/15/2026 4.54%	524,002.50 524,059.95	95.63 5.57%	502,036.50 6,759.38	0.49% (22,023.45)	Aa1/AA NA	4.71 4.11
023135EC6	AMAZON.COM INC 4.8 07/09/2031	1,140,000.00	07/07/2026 4.83%	1,138,552.20 1,138,618.80	96.74 5.59%	1,102,830.30 12,464.00	1.08% (35,788.50)	A1/AA AA-	4.77 4.15
63743HGH9	NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP 5.0 08/15/2031	730,000.00	08/10/2026 5.03%	728,985.30 729,010.33	96.92 5.73%	707,491.18 4,461.11	0.70% (21,519.15)	A2/NA A	4.87 4.23
Total Corporate		**26,391,000.00**	**4.67%**	**26,089,146.37** **26,229,519.81**	**97.48** **5.38%**	**25,711,500.43** **312,290.21**	**25.29%** **(518,019.39)**		**2.97** **2.45**

HOLDINGS REPORT

Tahoe Forest Hospital District | Account #10841 | As of September 30, 2026

CUSIP	Security Description	Par Value/ Units	Purchase Date Purchase Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody's/ S&P/ Fitch	Maturity Duration
MONEY MARKET FUND									
31846V203	FIRST AMER:GVT OBLG Y	243,675.30	-- 3.46%	243,675.30 243,675.30	1.00 3.46%	243,675.30 0.00	0.24% 0.00	Aaa/AAAm AAA	0.00 0.00
Total Money Market Fund		**243,675.30**	**3.46%**	**243,675.30** **243,675.30**	**1.00** **3.46%**	**243,675.30** **0.00**	**0.24%** **0.00**		**0.00** **0.00**
SUPRANATIONAL									
459058KT9	INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPM 3.5 07/12/2028	1,000,000.00	11/28/2023 4.55%	956,800.00 983,345.20	97.65 4.89%	976,456.00 7,680.56	0.96% (6,889.20)	Aaa/AAA NA	1.78 1.69
45950KDD9	INTERNATIONAL FINANCE CORP 4.5 07/13/2028	525,000.00	07/06/2023 4.53%	524,417.25 524,792.35	99.34 4.89%	521,549.70 5,118.75	0.51% (3,242.65)	Aaa/AAA NA	1.79 1.68
4581X0EN4	INTER-AMERICAN DEVELOPMENT BANK 4.125 02/15/2029	1,000,000.00	02/15/2024 4.31%	991,780.00 996,084.00	98.07 4.99%	980,722.00 5,270.83	0.96% (15,362.00)	Aaa/AAA NA	2.38 2.22
Total Supranational		**2,525,000.00**	**4.45%**	**2,472,997.25** **2,504,221.54**	**98.17** **4.93%**	**2,478,727.70** **18,070.14**	**2.44%** **(25,493.84)**		**2.02** **1.89**
US TREASURY									
91282CDG3	UNITED STATES TREASURY 1.125 10/31/2026	1,400,000.00	11/16/2021 1.27%	1,390,429.69 1,399,841.29	99.75 4.20%	1,396,481.80 6,591.03	1.37% (3,359.49)	Aa1/AA+ AA+	0.08 0.08
912828Z78	UNITED STATES TREASURY 1.5 01/31/2027	1,250,000.00	-- 2.59%	1,188,476.56 1,245,719.96	99.09 4.27%	1,238,622.50 3,158.97	1.22% (7,097.46)	Aa1/AA+ AA+	0.34 0.33
91282CEW7	UNITED STATES TREASURY 3.25 06/30/2027	1,250,000.00	08/03/2022 2.94%	1,267,578.13 1,252,669.60	99.11 4.47%	1,238,877.50 10,266.64	1.22% (13,792.10)	Aa1/AA+ AA+	0.75 0.72
91282CGC9	UNITED STATES TREASURY 3.875 12/31/2027	1,025,000.00	01/26/2023 3.62%	1,036,771.48 1,027,983.77	98.99 4.72%	1,014,630.08 10,037.62	1.00% (13,353.69)	Aa1/AA+ AA+	1.25 1.19
91282CBP5	UNITED STATES TREASURY 1.125 02/29/2028	1,300,000.00	04/12/2023 3.50%	1,162,789.06 1,260,291.17	95.07 4.77%	1,235,863.20 1,252.42	1.22% (24,427.97)	Aa1/AA+ AA+	1.42 1.37
91282CGT2	UNITED STATES TREASURY 3.625 03/31/2028	1,400,000.00	04/24/2023 3.60%	1,401,804.69 1,400,547.82	98.32 4.80%	1,376,538.80 139.42	1.35% (24,009.02)	Aa1/AA+ AA+	1.50 1.44

CUSIP	Security Description	Par Value/ Units	Purchase Date Purchase Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody's/ S&P/ Fitch	Maturity Duration
91282CHK0	UNITED STATES TREASURY 4.0 06/30/2028	1,500,000.00	07/26/2023 4.16%	1,489,218.75 1,496,178.65	98.61 4.83%	1,479,199.50 15,163.04	1.45% (16,979.15)	Aa1/AA+ AA+	1.75 1.65
91282CHQ7	UNITED STATES TREASURY 4.125 07/31/2028	1,500,000.00	09/25/2023 4.62%	1,468,242.19 1,487,996.62	98.75 4.84%	1,481,250.00 10,424.59	1.46% (6,746.62)	Aa1/AA+ AA+	1.84 1.73
91282CCV1	UNITED STATES TREASURY 1.125 08/31/2028	1,400,000.00	09/21/2023 4.66%	1,183,710.94 1,316,120.59	93.25 4.86%	1,305,445.40 1,348.76	1.28% (10,675.19)	Aa1/AA+ AA+	1.92 1.85
91282CJA0	UNITED STATES TREASURY 4.625 09/30/2028	1,500,000.00	10/19/2023 4.97%	1,477,617.19 1,490,957.69	99.52 4.88%	1,492,792.50 190.59	1.47% 1,834.81	Aa1/AA+ AA+	2.00 1.88
91282CJF9	UNITED STATES TREASURY 4.875 10/31/2028	1,250,000.00	04/23/2024 4.66%	1,260,937.50 1,255,041.45	99.97 4.89%	1,249,610.00 25,501.02	1.23% (5,431.45)	Aa1/AA+ AA+	2.08 1.92
91282CJW2	UNITED STATES TREASURY 4.0 01/31/2029	1,500,000.00	02/26/2024 4.31%	1,479,199.22 1,490,142.74	97.96 4.93%	1,469,472.00 10,108.70	1.45% (20,670.74)	Aa1/AA+ AA+	2.34 2.18
91282CKD2	UNITED STATES TREASURY 4.25 02/28/2029	1,250,000.00	03/14/2024 4.28%	1,248,339.84 1,249,192.38	98.46 4.93%	1,230,810.00 4,549.38	1.21% (18,382.38)	Aa1/AA+ AA+	2.41 2.26
91282CKG5	UNITED STATES TREASURY 4.125 03/31/2029	1,950,000.00	-- 4.62%	1,907,566.41 1,928,620.62	98.09 4.95%	1,912,751.10 220.98	1.88% (15,869.52)	Aa1/AA+ AA+	2.50 2.34
91282CKP5	UNITED STATES TREASURY 4.625 04/30/2029	1,250,000.00	06/26/2024 4.35%	1,264,892.58 1,257,934.85	99.23 4.95%	1,240,332.50 24,193.27	1.22% (17,602.35)	Aa1/AA+ AA+	2.58 2.36
91282CKT7	UNITED STATES TREASURY 4.5 05/31/2029	1,500,000.00	05/30/2024 4.58%	1,494,902.34 1,497,283.67	98.86 4.96%	1,482,891.00 22,684.43	1.46% (14,392.67)	Aa1/AA+ AA+	2.67 2.44
91282CKX8	UNITED STATES TREASURY 4.25 06/30/2029	1,250,000.00	08/22/2024 3.73%	1,278,759.77 1,266,278.81	98.18 4.97%	1,227,197.50 13,425.61	1.21% (39,081.31)	Aa1/AA+ AA+	2.75 2.53
91282CLC3	UNITED STATES TREASURY 4.0 07/31/2029	1,800,000.00	-- 4.03%	1,797,523.44 1,798,618.49	97.45 4.98%	1,754,015.40 12,130.43	1.73% (44,603.09)	Aa1/AA+ AA+	2.83 2.62
91282CFJ5	UNITED STATES TREASURY 3.125 08/31/2029	1,500,000.00	09/27/2024 3.55%	1,471,464.84 1,483,079.10	95.02 4.98%	1,425,234.00 4,014.16	1.40% (57,845.10)	Aa1/AA+ AA+	2.92 2.73
91282CLN9	UNITED STATES TREASURY 3.5 09/30/2029	1,450,000.00	-- 4.02%	1,417,105.47 1,429,713.44	95.91 4.99%	1,390,641.35 139.42	1.37% (39,072.09)	Aa1/AA+ AA+	3.00 2.80
91282CLR0	UNITED STATES TREASURY 4.125 10/31/2029	1,250,000.00	11/19/2024 4.24%	1,243,896.48 1,246,194.59	97.54 4.99%	1,219,287.50 21,577.79	1.20% (26,907.09)	Aa1/AA+ AA+	3.08 2.80
91282CMA6	UNITED STATES TREASURY 4.125 11/30/2029	1,750,000.00	-- 4.23%	1,741,552.73 1,744,596.47	97.46 5.00%	1,705,565.75 24,259.73	1.68% (39,030.72)	Aa1/AA+ AA+	3.17 2.88
91282CMD0	UNITED STATES TREASURY 4.375 12/31/2029	1,500,000.00	-- 4.38%	1,499,550.78 1,499,708.90	98.13 5.00%	1,471,992.00 16,584.58	1.45% (27,716.90)	Aa1/AA+ AA+	3.25 2.95

CUSIP	Security Description	Par Value/ Units	Purchase Date Purchase Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody's/ S&P/ Fitch	Maturity Duration
91282CMG3	UNITED STATES TREASURY 4.25 01/31/2030	1,000,000.00	03/25/2025 4.08%	1,007,500.00 1,005,155.19	97.68 5.01%	976,797.00 7,160.33	0.96% (28,358.19)	Aa1/AA+ AA+	3.34 3.04
91282CGZ8	UNITED STATES TREASURY 3.5 04/30/2030	1,250,000.00	11/26/2025 3.57%	1,246,630.86 1,247,271.71	95.05 5.03%	1,188,183.75 18,308.42	1.17% (59,087.96)	Aa1/AA+ AA+	3.58 3.26
91282CNG2	UNITED STATES TREASURY 4.0 05/31/2030	1,250,000.00	11/13/2025 3.69%	1,266,210.94 1,263,074.28	96.59 5.03%	1,207,323.75 16,803.28	1.19% (55,750.53)	Aa1/AA+ AA+	3.67 3.31
91282CNK3	UNITED STATES TREASURY 3.875 06/30/2030	1,250,000.00	10/30/2025 3.71%	1,258,691.41 1,256,981.71	96.09 5.03%	1,201,122.50 12,241.00	1.18% (55,859.21)	Aa1/AA+ AA+	3.75 3.40
91282CNN7	UNITED STATES TREASURY 3.875 07/31/2030	1,250,000.00	09/29/2025 3.73%	1,257,666.02 1,256,076.35	95.99 5.04%	1,199,902.50 8,160.67	1.18% (56,173.85)	Aa1/AA+ AA+	3.83 3.48
91282CNX5	UNITED STATES TREASURY 3.625 08/31/2030	1,250,000.00	09/22/2025 3.69%	1,246,582.03 1,247,289.13	95.00 5.05%	1,187,548.75 3,880.35	1.17% (59,740.38)	Aa1/AA+ AA+	3.92 3.58
91282CPA3	UNITED STATES TREASURY 3.625 09/30/2030	1,500,000.00	-- 3.73%	1,492,978.52 1,494,365.08	94.92 5.04%	1,423,770.00 149.38	1.40% (70,595.08)	Aa1/AA+ AA+	4.00 3.66
91282CPD7	UNITED STATES TREASURY 3.625 10/31/2030	1,500,000.00	-- 3.71%	1,493,974.61 1,495,066.52	94.80 5.05%	1,422,012.00 22,754.76	1.40% (73,054.52)	Aa1/AA+ AA+	4.08 3.67
91282CPN5	UNITED STATES TREASURY 3.5 11/30/2030	1,500,000.00	12/08/2025 3.76%	1,482,656.25 1,485,481.65	94.21 5.06%	1,413,163.50 17,643.44	1.39% (72,318.15)	Aa1/AA+ AA+	4.17 3.76
91282CJQ5	UNITED STATES TREASURY 3.75 12/31/2030	1,100,000.00	04/21/2026 3.91%	1,092,308.59 1,093,035.55	95.04 5.06%	1,045,387.20 10,424.59	1.03% (47,648.35)	Aa1/AA+ AA+	4.25 3.82
91282CJX0	UNITED STATES TREASURY 4.0 01/31/2031	1,250,000.00	03/11/2026 3.80%	1,261,230.47 1,259,953.99	95.91 5.06%	1,198,828.75 8,423.91	1.18% (61,125.24)	Aa1/AA+ AA+	4.34 3.89
91282CQD6	UNITED STATES TREASURY 3.5 02/28/2031	1,500,000.00	03/10/2026 3.70%	1,486,289.06 1,487,830.12	93.91 5.05%	1,408,711.50 4,495.86	1.39% (79,118.62)	Aa1/AA+ AA+	4.41 4.00
91282CQG9	UNITED STATES TREASURY 3.875 03/31/2031	1,100,000.00	04/21/2026 3.91%	1,098,238.28 1,098,396.48	95.25 5.07%	1,047,792.90 117.10	1.03% (50,603.58)	Aa1/AA+ AA+	4.50 4.06
91282CRK9	UNITED STATES TREASURY 4.375 08/31/2031	1,500,000.00	-- 4.85%	1,469,121.09 1,469,302.99	97.02 5.07%	1,455,234.00 5,619.82	1.43% (14,068.99)	Aa1/AA+ AA+	4.92 4.34
Total US Treasury		**50,925,000.00**	**3.94%**	**50,332,408.21 50,683,993.42**	**97.07 4.91%**	**49,415,279.48 374,145.50**	**48.60% (1,268,713.94)**		**2.83 2.59**
Total Portfolio		**105,111,840.55**	**4.21%**	**103,468,447.05 104,051,744.34**	**96.60 5.07%**	**101,670,198.05 786,993.50**	**100.00% (2,381,546.29)**		**2.86 2.46**
Total Market Value + Accrued						**102,457,191.55**			

CHANDLER ASSET MANAGEMENT

TRANSACTIONS

TRANSACTION LEDGER

Tahoe Forest Hospital District | Account #10841|07/01/2026 Through 09/30/2026|

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/ Sold	Total Amount	Gain/Loss
ACQUISITIONS										
Purchase	07/09/2026	023135EC6	1,140,000.00	AMAZON.COM INC 4.8 07/09/2031	99.873	4.83%	(1,138,552.20)	0.00	(1,138,552.20)	0.00
Purchase	07/16/2026	14041NGJ4	1,050,000.00	COMET 2026-1 A 4.48 07/16/2029	99.977	4.53%	(1,049,755.98)	0.00	(1,049,755.98)	0.00
Purchase	08/17/2026	63743HGH9	730,000.00	NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORP 5.0 08/15/2031	99.861	5.03%	(728,985.30)	0.00	(728,985.30)	0.00
Purchase	09/11/2026	91282CRK9	1,000,000.00	UNITED STATES TREASURY 4.375 08/31/2031	98.426	4.73%	(984,257.81)	(1,329.42)	(985,587.23)	0.00
Purchase	09/22/2026	02582JKX7	855,000.00	AMXCA 261 A 4.99 09/17/2029	99.979	5.05%	(854,819.94)	0.00	(854,819.94)	0.00
Purchase	09/30/2026	91282CRK9	500,000.00	UNITED STATES TREASURY 4.375 08/31/2031	96.973	5.08%	(484,863.28)	(1,812.85)	(486,676.13)	0.00
Total Purchase			**5,275,000.00**				**(5,241,234.51)**	**(3,142.27)**	**(5,244,376.78)**	**0.00**
TOTAL ACQUISITIONS			**5,275,000.00**				**(5,241,234.51)**	**(3,142.27)**	**(5,244,376.78)**	**0.00**
DISPOSITIONS										
Sale	07/09/2026	023135CF1	(1,000,000.00)	AMAZON.COM INC 3.3 04/13/2027	99.303	3.34%	993,030.00	7,883.33	1,000,913.33	(6,704.58)
Sale	07/13/2026	91282CCZ2	(1,500,000.00)	UNITED STATES TREASURY 0.875 09/30/2026	99.383	1.15%	1,490,742.19	3,729.51	1,494,471.70	(8,395.74)
Sale	09/11/2026	91282CDG3	(525,000.00)	UNITED STATES TREASURY 1.125 10/31/2026	99.621	1.27%	523,010.74	2,150.65	525,161.39	(1,890.07)
Total Sale			**(3,025,000.00)**				**3,006,782.93**	**13,763.49**	**3,020,546.42**	**(16,990.39)**
TOTAL DISPOSITIONS			**(3,025,000.00)**				**3,006,782.93**	**13,763.49**	**3,020,546.42**	**(16,990.39)**

IMPORTANT DISCLOSURES

2026 Chandler Asset Management, Inc, An Independent Registered Investment Adviser.

Information contained herein is confidential. Prices are provided by ICE Data Services Inc ("IDS"), an independent pricing source. In the event IDS does not provide a price or if the price provided is not reflective of fair market value, Chandler will obtain pricing from an alternative approved third party pricing source in accordance with our written valuation policy and procedures. Our valuation procedures are also disclosed in Item 5 of our Form ADV Part 2A.

Performance results are presented gross-of-advisory fees and represent the client's Total Return. The deduction of advisory fees lowers performance results. These results include the reinvestment of dividends and other earnings. Past performance may not be indicative of future results. Therefore, clients should not assume that future performance of any specific investment or investment strategy will be profitable or equal to past performance levels. All investment strategies have the potential for profit or loss. Economic factors, market conditions or changes in investment strategies, contributions or withdrawals may materially alter the performance and results of your portfolio.

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Fixed income investments are subject to interest, credit and market risk. Interest rate risk: the value of fixed income investments will decline as interest rates rise. Credit risk: the possibility that the borrower may not be able to repay interest and principal. Low rated bonds generally have to pay higher interest rates to attract investors willing to take on greater risk. Market risk: the bond market in general could decline due to economic conditions, especially during periods of rising interest rates.

Ratings information have been provided by Moody's, S&P and Fitch through data feeds we believe to be reliable as of the date of this statement, however we cannot guarantee its accuracy.

Security level ratings for U.S. Agency issued mortgage-backed securities ("MBS") reflect the issuer rating because the securities themselves are not rated. The issuing U.S. Agency guarantees the full and timely payment of both principal and interest.

LGIP Yields: Reported yields for local government investment pools may be presented as either the 30-day yield or the monthly distribution yield, as applicable. For certain funds, the 30-day yield is calculated using reported daily yield data. Yield calculations are subject to change and may not be directly comparable across funds.

LAIF Yields: Additional Disclosure for CA Clients - As a result of a reporting lag from the Local Agency Investment Fund (LAIF), reported LAIF yields represent the most recently available Daily Effective Yield and may reflect data from approximately 7–10 days prior to month-end.

BENCHMARK DISCLOSURES

Benchmark	Disclosure
ICE BofA 1-5 Yr Unsubordinated US Treasury & Agency Index	The ICE BofA 1-5 Year Unsubordinated US Treasury & Agency Index tracks the performance of US dollar denominated US Treasury and nonsubordinated US agency debt issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch). Qualifying securities must have at least one year remaining term to final maturity and less than five years remaining term to final maturity, at least 18 months to maturity at time of issuance, a fixed coupon schedule, and a minimum amount outstanding of $1 billion for sovereigns and $250 million for agencies.

AGENDA ITEM COVER SHEET

MEETING DATE: November 4, 2026, Board of Directors Finance Committee	**ITEM:** 6.2.1 Investment Policy, ABD-15
DEPARTMENT: Finance	**TYPE OF AGENDA ITEM:** ☒ Action ☐ Consent ☒ Discussion
RESPONSIBLE PARTY: Crystal Felix, CFO	**SUPPORTIVE DOCUMENT ATTACHED** ☐ Agreement ☐ Presentation ☐ Resolution ☒ Other
BUDGET: ALLOCATED IN THE BUDGET ☐ Yes ☐ No ☒ N/A IS A BUDGET TRANSFER REQUIRED ☐ Yes ☐ No ☒ N/A	**PERSONNEL** ADDITIONAL PERSONNEL REQUIRED ☐ Yes ☐ No ☒ N/A

BACKGROUND:

Our Investment Policy, ABD-15 was last reviewed and updated in January 2024. Due to changes related to SB 1438 and 1439 that become effective on January 1, 2027, the District's investment advisors, Chandler Asset Management, Inc., are recommending changes to the Investment Policy, ABD-15 effective January 1, 2027, to be sure the District's policy remains in compliance to both California Government Code, California Health Code, as well as best practices. The summarized recommended changes and best practices are as follows:

Code Updates

1. **SB 1438,** which will become effective January 1, 2027, includes the following revisions to California Government Code:
    1. Reorganizes and renumbers California Government Code from Section 53601 to 53603
    2. Explicitly authorizes the purchase of commercial paper issued by a federally or state-chartered bank or federally or state-licensed branch of a foreign bank
    3. Removes the sunset dates on provisions allowing public agencies with at least $100 million in investable assets to invest up to 40% of the portfolio in commercial paper and for the purchase of securities issued or guaranteed by the US government with zero or negative-interest accruals during periods of negative interest rates
    4. Adds the Inter-American Investment Corporation (IDB Invest) to the list of eligible supranational securities for California public agencies

- **SB 827 (effective 1/1/2026)**, added biennial fiscal and financial training requirements to "covered individuals"
- **SB 858/595 (effective 1/1/2026)**, Extends the CP maximum maturity to increase from 270 days to 397 days
- **AB 2618 (effective 01/01/2025)**, Extended sunset provision for Placement Service Deposits to 20231.

- **SB 882 (effective 1/1/2024)**, Clarified language for pass through securities (ABS/MBS/CMO) are related to private issuers, not US government issuers.
- **SB 998 (2023) Commercial Paper:** Eliminate the "No more than 10% of the outstanding commercial paper of any single issuer" language as it was replaced by the 10% max CP/corporates language.
- **SB 1489 (2022),** Extended reporting from 30 days to 45 days for quarterly reports. CGC does not expressly state the number of days for monthly reports.

Best Practices

- **Scope.** Clarified retirement plans are out of scope for the policy.
- **Authorized Investments.**
  - Updated "portfolio" to "total portfolio" to reflect compliance is assessed across the entire client relationship [New CDIAC LAIG FAQ 2024]
  - Added Placement Deposit Services, along with corresponding bank information, as an authorized investment given it was previously listed as CDARS in the appendix.
  - Clarification of the three kinds of Local Government Investment Pools available under California Government Code: LAIF, JPAs, and County Investment Pools (listed under other).
- **Glossary:** Added term to glossary that often is an FAQ; removed terms not utilized in the policy.

SUMMARY/OBJECTIVES:
To provide the Board of Directors Finance Committee with a revised Investment Policy, ABD-15, which adheres to California Government Code, California Health Code, as well as best practices, inclusive of requirements from SB 1438 and 1439 that become effective January 1, 2027.

SUGGESTED DISCUSSION POINTS:
Review suggested (redline) changes to Investment Policy, ABD-15, provided by Chandler Asset Management, Inc., along with their whitepaper discussing SB 1438 and 1439.

SUGGESTED MOTION/ALTERNATIVES:
Recommend the revised Investment Policy ABD-15, as presented, be placed on the November or December Board of Directors meeting agenda for review and approval to be compliant with the changes outlined by SB 1438 and 1439 effective January 1, 2027.

LIST OF ATTACHMENTS:
Investment Policy, ABD-15 (redline)
Whitepaper SB 1438 and SB 1439 provided by Chandler Asset Management, Inc.

Status **Pending** PolicyStat ID **21800554**

Origination Date	01/1990
Last Approved	N/A
Effective	Upon Approval
Last Revised	11/2026
Next Review	3 years after approval
Department	Board - ABD
Applicabilities	System

Investment Policy, ABD-15

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RISK:

This policy is to establish Tahoe Forest Hospital District cash investment objectives, authority and responsibility, approval, instrument limitations (Appendix A, California Health & Safety Code Section 32127), concentrations, terms, reporting, judgment and care, and District Treasurer's, Chief Executive Officer and Chief Financial Officer (CFO) liability for all of its funds. The risk associated with not establishing this policy~~,~~ is the District could make inappropriate investments or investments that violate California Health & Safety Code Section 32127.

This investment policy was endorsed and adopted by the District's Board of Directors and is effective as of the ~~24th~~1st day of ~~February~~January, ~~2022~~2027, and replaces any previous versions.

SCOPE:

This policy covers all funds and investment activities under the direct authority of the District, as set forth in the State Government Code, Sections 53600 et seq., with the following exceptions:

- ~~Proceeds of debt issuance shall be invested in accordance with the District's general investment philosophy as set forth in this policy; however, such proceeds are to be invested pursuant to the permitted investment provisions of their specific bond indentures.~~
- ~~Any other funds specifically exempted by the Board.~~

~~POOLING OF FUNDS:~~

A. Proceeds of debt issuance shall be invested in accordance with the District's general investment philosophy as set forth in this policy; however, such proceeds are to be invested pursuant to the permitted investment provisions of their specific bond indentures.

B. CalPERS, OPEB trusts, and the investment of employees' deferred compensation funds invested pursuant to Government Code Section 53602(q).

C. Any other funds specifically exempted by the Board.

POOLING OF FUNDS:

Except for cash in certain restricted and special funds, the District will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

~~FOUNDATION FUNDS:~~

FOUNDATION FUNDS:

This policy covers cash investments of the Tahoe Forest Health System Foundation and the Incline Village Community Hospital Foundation. Longer term investment that are identified by the District's Board of Directors may be exempt from this policy.

POLICY:

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~~1. **OBJECTIVE**~~
~~The District's investment objective is to maximize the return on invested cash while minimizing risk of capital loss, providing sufficiently liquidity to meet all operating requirements that may be reasonably anticipated, and adhering to the investment policy as allowed for herein.~~

~~2. **AUTHORITY AND RESPONSIBILITY**~~
~~The Board of Directors is responsible for the management of the District's funds, including the administration of this investment policy. The District Treasurer shall have the authority and responsibility to purchase and invest prudently. The Chief Executive Officer is delegated the authority and responsibility by the District Treasurer to purchase and invest within the limitations defined below. Pursuant to California Government Code, Section 53600.3, all persons authorized to make investment decisions on behalf of the District are trustees and therefore fiduciaries subject to the Prudent Investor Standard:~~

A. **OBJECTIVE**
The District's investment objective is to maximize the return on invested cash while minimizing risk of capital loss, providing sufficiently liquidity to meet all operating requirements that may be reasonably anticipated, and adhering to the investment policy as allowed for herein.

B. **AUTHORITY AND RESPONSIBILITY**
The Board of Directors is responsible for the management of the District's funds, including the administration of this investment policy. The District Treasurer shall have the authority and responsibility to purchase and invest prudently. The Chief Executive Officer is delegated the authority and responsibility by the District Treasurer to purchase and invest within the limitations defined below. Pursuant to California Government Code, Section 53602 (b), all persons authorized to make investment decisions on behalf of the District are trustees and therefore fiduciaries subject to the Prudent Investor Standard:

"…all governing bodies of local agencies or persons authorized to make investment decisions on behalf

of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

Additionally, the Agency shall, in compliance with California Government Code Section 53238 et seq., ensure covered individuals complete required biennial training within six (6) months of assuming the qualifying responsibilities. Documentation of training completion shall be maintained in accordance with applicable law.

The District may engage the services of one or more external investment advisers, who are registered under the Investment Advisers Act of 1940, to assist in the management of the District's investment portfolio in a manner consistent with the District's objectives. External investment advisers may be granted discretion to purchase and sell investment securities in accordance with this investment policy.

~~LIMITATIONS ON INSTRUMENTS~~

LIMITATIONS ON INSTRUMENTS

The District shall adopt and use California Health & Safety Code Section 32127 as the limitation on instruments of investment. Refer to Appendix A.

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PROCEDURE:

A. **CONCENTRATION OF INVESTMENTS**

1. Unlimited investments in the State Of California Local Agency Investment Fund.
2. Unlimited investment in the U.S. Government guaranteed investments.
3. Sufficient principal funds in any single bank or savings should comply with the regulatory collateralization requirements.
   No more than $250,000 principal in any single bank or savings and loan association with insurance through FDIC or FSLIC, when FDIC or FSLIC is applicable.
4. Banks or savings and loan associations must also have consistently profitable operations, and must have net worth ratios which exceed their regulatory requirements.
5. No more than 5% of the total portfolio may be deposited with or invested in securities issued by any single issuer except US Treasuries, agencies, supranationals, ~~LAIF~~LGIPs, money market mutual funds, mutual funds, or unless otherwise specified in this investment policy.

B. **TERMS OF INVESTMENTS**

1. Limited to the terms specified in Government Code Section ~~53601~~53603 or if not specified:

2. Maximum terms of any investment to 5 years.
3. Board of Directors' approval required for terms in excess of 5 years for Treasuries, Agencies or Municipal Securities.
4. Investments must be redeemable prior to maturity, even if with a penalty, or salable in an established secondary market.

C. **REPORTING**

The District Treasurer or CFO shall report, at a minimum, the following to the Board of Directors of the District:

~~MONTHLY REPORTS~~

MONTHLY REPORTS

Monthly transaction reports will be submitted by the Treasurer to the Board of Directors ~~within 30 days of the end of the reporting period~~ in accordance with California Government Code Section ~~53607~~53602(o).

~~QUARTERLY REPORTS~~

QUARTERLY REPORTS

The Treasurer will submit a quarterly investment report to the Board of Directors which provides full disclosure of the District's investment activities within 45 days after the end of the quarter. These reports will disclose, at a minimum, the following information about the District's portfolio:

• An asset listing showing par value, cost and independent third-party fair market value of each security as of the date of the report, the source of the valuation, type of investment, issuer, maturity date and interest rate.

• Transactions for the period.

• A description of the funds, investments and programs (including lending programs) managed by contracted parties (i.e. LAIF; ~~investment pools~~LGIPs, outside money managers and securities lending agents)

• A one-page summary report that shows:

- Average maturity of the portfolio and modified duration of the portfolio;
- Maturity distribution of the portfolio;
- Percentage of the portfolio represented by each investment category;
- Average portfolio credit quality; and,
- Time-weighted total rate of return for the portfolio for the prior one month, three months, twelve months and since inception compared to the District's market benchmark returns for the same periods;

• A statement of compliance with investment policy, including a schedule of any transactions or holdings which do not comply with this policy or with the California Government Code, including a justification for their presence in the portfolio and a timetable for resolution.

• A statement that the District has adequate funds to meet its cash flow requirements for the next six months.

~~ANNUAL REPORTS~~

ANNUAL REPORTS

A comprehensive annual report will be presented to the Board of Directors. This report will include comparisons of the District's return to the market benchmark return, suggest policies and improvements that might enhance the investment program, and will include an investment plan for the coming year.

D. **REVIEW OF INVESTMENT POLICY**

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The investment policy will be reviewed and adopted at least annually within 120 days of the end of the fiscal year, to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.
Any recommended modifications or amendments shall be presented by Staff to the Board of Directors for their consideration and adoption.

E. **AUTHORIZED FINANCIAL INSTITUTIONS, DEPOSITORIES, AND BROKER/DEALERS**
To the extent practicable, the Treasurer shall endeavor to complete investment transactions using a competitive bid process whenever possible. The District's Treasurer will determine which financial institutions are authorized to provide investment services to the District. It shall be the District's policy to purchase securities only from authorized institutions and firms. The Treasurer shall maintain procedures for establishing a list of authorized broker/dealers and financial institutions which are approved for investment purposes that are selected through a process of due diligence as determined by the District. Due inquiry shall determine whether such authorized broker/dealers, and the individuals covering the District are reputable and trustworthy, knowledgeable, and experienced in Public Agency investing and able to meet all of their financial obligations. These institutions may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (uniform net capital rule).
In accordance with Section ~~53601.5~~53602(h), institutions eligible to transact investment business with the District include:
• Institutions licensed by the state as a broker-dealer.
• Institutions that are members of a federally regulated securities exchange.
• Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
• Nationally or state-chartered banks.
• Savings association or federal association (as defined in Section 5102 of the Financial Code).
• The Federal Reserve Bank.
• Direct issuers of securities eligible for purchase.
Selection of financial institutions and broker/dealers authorized to engage in transactions will be at the sole discretion of the District, except where the District utilizes an external investment adviser in which case the District may rely on the adviser for selection.
All financial institutions which desire to become qualified bidders for investment transactions (and which are not dealing only with the investment adviser) must supply the Treasurer with audited financials and a statement certifying that the institution has reviewed the California Government Code, Section 53600 et seq. and the District's investment policy. The Treasurer will conduct an annual review of the financial condition and registrations of such qualified bidders.
Public deposits will be made only in qualified public depositories as established by State law. Deposits will be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with State law.
Selection of broker/dealers used by an external investment adviser retained by the District will be at the sole discretion of the adviser. Where possible, transactions with broker/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling

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group offer those securities at the same original issue price

F. **DELIVERY, SAFEKEEPING AND CUSTODY**
DELIVERY-VERSUS-PAYMENT (DVP). All investment transactions shall be conducted on a delivery-versus-payment basis.
SAFEKEEPING AND CUSTODY. To protect against potential losses due to failure of individual securities dealers, and to enhance access to securities, interest payments, and maturity proceeds, all cash and securities in the District's portfolio shall be held in safekeeping in the District's name by a third party custodian, acting as agent for the District under the terms of a custody agreement executed by the bank and the District. All investment transactions will require a safekeeping receipt or acknowledgment generated from the trade. A monthly report will be received by the District from the custodian listing all the securities held in safekeeping with current market data and other information.
The only exception to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit; and (iii) mutual funds and money market mutual funds, since these securities are not deliverable.

G. **DISTRICT TREASURER LIABILITY**
When the District funds are invested in accordance with this Statement Of Investment Policy, the District Treasurer shall not be liable for any loss resulting from the default or insolvency of an authorized depository in the absence of negligence, malfeasance, misfeasance or nonfeasance on the part of the Treasurer.

H. **CFO AND CHIEF EXECUTIVE OFFICER PERFORMANCE**
As experts in the field of finance, healthcare and hospital operations, the CFO and Chief Executive Officer are expected to guide, recommend and provide oversight to the Treasurer, Board Finance Committee and Directorship in all matters related to investment activities. It is incumbent upon these above mentioned employees to ensure that all investments suggested and/or executed are in compliance with all applicable California State law, code, regulation and procedure, all federal laws and District policy. Any and all deviation from law or policy shall be brought to the immediate attention of the Treasurer, the Board Finance Committee and brought through the Board of Directors.

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LIMITATION ON INSTRUMENTS APPENDIX A

A. The District shall adopt and use the following as the limitation on instruments of investment.

B. California Health & Safety Code Section 32127, which outlines the duties of the Treasurer of the District, provides generally that any monies in the treasury of the District may be deposited in accordance with the provisions of the general laws of the State of California governing the deposit of public monies of cities or counties. That provision is supplemented by the provisions of Government Code Section 53600, et seq. which deals with investment of funds by local agencies.

C. Government Code Section ~~53601~~53603 provides that the legislative body of a local agency having money in a sinking fund or surplus money in its treasury not required for immediate necessities of the local agency may invest in the following categories ~~based on Government Code Section 53601.~~:

1. Bonds issued by the District;
2. U.S. Treasury Notes, bonds or certificates of indebtedness;

3. Warrants, treasury notes or bonds issued by the State of California or by any department, board, agency or authority of the state;
4. Bonds, notes, warrants or other evidences of indebtedness of any local agency in California;
5. Obligations, participation or other instruments of, or issued by, a federal agency including Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA). No more than 30% of the total portfolio may be invested in any single Agency/GSE issuer. The maximum percent of agency callable securities in the total portfolio will be 20%.
6. Bankers' acceptances provided that such documents may not exceed 180 days maturity and no more than 30 percent of ~~surplus funds~~total portfolio may be invested in the bankers' acceptances of any one commercial bank and 40 percent of the ~~surplus funds~~ total ~~in such investments~~portfolio;
7. Commercial paper of prime quality or the highest rating category by Moody's or Standard and Poor's, ("A-1" or higher) provided that issuing corporations must have total assets in excess of $500,000,000. Purchases of eligible commercial paper may not exceed ~~270~~397 days maturity ~~or represent more than 10~~, and purchases of commercial paper may not exceed 25 percent ~~of the outstanding paper of any issuing corporation, and purchases of commercial paper may not exceed 25 percent~~ of the agency's ~~surplus money~~total portfolio. ~~Under a provision sunsetting on January 1, 2026, no~~If the Agency has more than ~~40% of the portfolio may be invested in Commercial Paper if the Agency's investment assets under management are greater than~~ $100,000,000 assets under management, then the agency may invest no more than 40% of the total portfolio in eligible commercial paper.
8. Negotiable certificates of deposit issued by nationally or state chartered banks or savings and loan associations or state license branches of a foreign bank, provided that purchases of negotiable certificates of deposit may not exceed 30 percent of the agency's ~~surplus money~~total portfolio (and certificates of deposit may not exceed the shareholder's equity of any depository bank or the total net worth of any depository savings and loan association);
9. Repurchase agreements or reverse repurchase agreements of any securities authorized by Section ~~53601~~53603, provided the term of repurchase agreements shall be one year or less.
10. Medium-term notes with a maximum remaining maturity of five years issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated in a rating category of "A" or its equivalent or better by a nationally recognized statistical rating organization (NRSRO). Purchases of medium-term notes may not exceed 30 percent of the agency's ~~surplus money~~total portfolio which may be invested pursuant to this section.
11. (1) Shares of beneficial interest issued by diversified management companies, investing in the securities and obligations as authorized by subdivisions (a) to (k) inclusive, or subdivision (m) to (q), inclusive, of Government Code section

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~~53601~~53603, and which comply with the investment restriction of Article 1 (commencing with Section 53600) and Article 2 (commencing with Section 53630). (2) Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. To be eligible for investment pursuant to paragraph (1), these companies shall either: (A) Attain the highest ranking or the highest letter and numerical rating provided by not less than two of the three largest NRSROs, or (B) Have an investment advisor registered with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations as authorized by subdivisions (a) to (k), inclusive or subdivisions (m) to (q), inclusive, of Government Code section ~~53601~~53603 and with asset under management in excess of $500,000,000. (4) If investment is in shares issued pursuant to paragraph (2), the company shall have met either of the following criteria: (A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs. (B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of $500,000,000. The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that these companies may charge and shall not exceed 20 percent of the agency's ~~surplus money~~total portfolio which may be invested pursuant to this section. However no more than 10 percent of the ~~surplus funds~~total portfolio may be invested in shares of beneficial interest of any one mutual fund and no more than 20% may be invested in any one money market mutual fund pursuant to this paragraph.

12. Notwithstanding anything to the contrary contained in this section, Section 53635 or any other provision of law, monies held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale or other agreement of a local agency, or certificates of participation in those bonds, indebtedness or lease installment sale, or other agreements may be invested in accordance with statutory provisions governing the issuance of those bonds, indebtedness or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture or agreement of the local agency providing for the issuance.
13. Notes, bonds or other obligations which are at all times secured by a valid first priority security interest in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirement of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.
14. Any mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer

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receivable passthrough certificate or consumer receivable-backed bond~~. Securities eligible for~~ from issuers not defined in sections 3 and 5 of the authorized investment ~~under~~section of this ~~subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and have a maximum remaining maturity of five years or less. Purchase of securities authorized by this subdivision may not exceed 20 percent of the District's surplus money~~policy, provided that ~~may be invested pursuant to this section.~~:

15. Securities eligible for investment under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and have a maximum remaining maturity of five years or less. Purchase of securities authorized by this subdivision may not exceed 20 percent of the District's total portfolio that may be invested pursuant to this section.
16. Supranational issues that are US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, ~~or~~ Inter-American Development Bank, or Inter-American Investment Corporation ("IDB Invest"). The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO. No more than 30% of the total portfolio may be invested in these securities and no more than 10% of the total portfolio may be invested in any single issuer.
17. Placement Service Deposits, provided that the full amount of each deposit along with accrued interest must at all times be insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA). No more than 30% of the total portfolio may be invested in a combination of qualifying placement service deposits. Under a provision sunsetting on January 1, 2031, no more than 50% of the portfolio may be invested in deposits through a placement service, including Certificates of Deposit, if the Agency is a city, district or local agency that does not pool money with other local agencies.
18. Local Government Investment Pools (LGIP)
    a. State of California Local Agency Investment Fund (LAIF), created by California Government Code Section 16429.1, provided that The Agency may invest up to the maximum amount permitted by LAIF.
    b. Shares of Beneficial Interest Issued by a Joint Powers Authority (JPA), provided that the JPA is organized pursuant to California Government Code Section 6509.7 and invests in the securities and obligations authorized in subdivisions (a) to (r), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the JPA. The JPA has retained an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of $500 million, and has at least five years' experience investing in instruments authorized by Section 53603, subdivisions (a) to (q).
    c. Other Local Government Investment Pools (LGIP) permitted by the agency (such as a County Pool as defined by California Government Code Section

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27000.3). No more than 20% of the total portfolio may be invested in LGIPs other than LAIF and JPAs.

19. ~~Prohibited from borrowing short-term and using these funds to invest in long-term securities.~~

    Prohibited from borrowing short-term and using these funds to invest in long-term securities.

20. The District shall not invest in inverse floaters, range notes, interest-only strips that are derived from a pool of mortgages, or any security that could result in zero interest accrual ~~if held to maturity. Under a provision sunsetting on January 1, 2026,~~with the exception of any securities backed by the U.S. Government that could result in a zero- or negative-interest accrual if held to maturity during and for the duration of a period of negative market interest rates are permitted.
21. The District shall not invest any funds in any security that could result in zero interest accrual if held to maturity. However, a local agency may hold prohibited instruments until their maturity dates. The limitation shall not apply to the District investments in shares of beneficial interest issued by diversified management companies registered under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, and following) that are authorized for investment pursuant to subdivision (k) of Section ~~53601~~53603.
22. The District shall not purchase of a security with a forward settlement date exceeding 45 days from the time of the investment.

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GLOSSARY OF INVESTMENT TERMS

AGENCIES. Shorthand market terminology for any obligation issued by a government-sponsored entity (GSE), or a federally related institution. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:

FFCB. The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.

FHLB. The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.

FHLMC. Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called "Freddie Mac" issues discount notes, bonds and mortgage pass-through securities.

FNMA. Like FHLB and Freddie Mac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as "Fannie Mae," issues discount notes, bonds and mortgage pass-through securities.

GNMA. The Government National Mortgage Association, known as "Ginnie Mae," issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.

PEFCO. The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.

TVA. The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.

ASSET BACKED SECURITIES. Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

~~AVERAGE LIFE. In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.~~

BANKER'S ACCEPTANCE. A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which "accepts" the obligation to pay the investor.

BENCHMARK. A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

BID. The indicated price at which a buyer is willing to purchase a security or commodity.

BROKER. A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

CALLABLE. A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline, the issuer will likely call its current securities and reissue them at a lower rate of interest.

CERTIFICATE OF DEPOSIT (CD). A time deposit with a specific maturity evidenced by a certificate.

~~CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SYSTEM (CDARS). A private placement service that allows local agencies to purchase more than $250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than $250,000 each, so that FDIC coverage is maintained.~~

COLLATERAL. Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

COLLATERALIZED BANK DEPOSIT. A bank deposit that is collateralized at least 100% (principal plus interest to maturity). The deposit is collateralized using assets set aside by the issuer such as Treasury securities or other qualified collateral to secure the deposit in excess of the limit covered by the Federal Deposit Insurance Corporation.

COLLATERALIZED MORTGAGE OBLIGATIONS (CMO). Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

COLLATERALIZED TIME DEPOSIT. Time deposits that are collateralized at least 100% (principal plus interest to maturity). These instruments are collateralized using assets set aside by the issuer such as Treasury securities or other qualified collateral to secure the deposit in excess of the limit covered by the

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Federal Deposit Insurance Corporation.

COMMERCIAL PAPER. The short-term unsecured debt of corporations.

COUPON. The rate of return at which interest is paid on a bond.

CREDIT RISK. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

DEALER. A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

~~DEBENTURE. A bond secured only by the general credit of the issuer.~~

DELIVERY VS. PAYMENT (DVP). A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

DERIVATIVE. Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate, or index.

DISCOUNT. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

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DIVERSIFICATION. Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

DURATION. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a security to changes interest rates.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC). The Federal Deposit Insurance Corporation (FDIC) is an independent federal agency insuring deposits in U.S. banks and thrifts in the event of bank failures. The FDIC was created in 1933 to maintain public confidence and encourage stability in the financial system through the promotion of sound banking practices.

FEDERALLY INSURED TIME DEPOSIT. A time deposit is an interest-bearing bank deposit account that has a specified date of maturity, such as a certificate of deposit (CD). These deposits are limited to funds insured in accordance with FDIC insurance deposit limits.

FIDUCIARY. A person or organization that acts on behalf of another person(s) or organization that puts their clients' interest ahead of their own as they are bound both legally and ethically to act in the other's best interests.

JOINT POWERS AUTHORITY (JPA). An entity created by two or more public agencies that share a common goal in order to jointly exercise powers common to all members through a joint powers agreement or contract.

LEVERAGE. Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

LIQUIDITY. The speed and ease with which an asset can be converted to cash.

LOCAL AGENCY INVESTMENT FUND (LAIF). A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

LOCAL GOVERNMENT INVESTMENT POOL. Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

MAKE WHOLE CALL. A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

MARGIN. The difference between the market value of a security and the loan a broker makes using that security as collateral.

MARKET RISK. The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

MARKET VALUE. The price at which a security can be traded.

MATURITY. The final date upon which the principal of a security becomes due and payable. The investment's term or remaining maturity is measured from the settlement date to final maturity.

MEDIUM TERM NOTES. Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MODIFIED DURATION. The percent change in price for a 100-basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

MONEY MARKET. The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

MONEY MARKET MUTUAL FUND. A mutual fund that invests exclusively in short-term securities. Examples of investments in money market funds are certificates of deposit and U.S. Treasury securities. Money market funds attempt to keep their net asset values at $1 per share.

MORTGAGE PASS-THROUGH SECURITIES. A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

MUNICIPAL SECURITIES. Securities issued by state and local agencies to finance capital and operating expenses.

MUTUAL FUND. An entity which pools the funds of investors and invests those funds in a set of

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securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

~~NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO).~~

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO). A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

NEGOTIABLE CERTIFICATE OF DEPOSIT (CD). A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market.

OFFER (ASK). An indicated price at which market participants are willing to sell a security. Also referred to as the “ask price”.

PLACEMENT SERVICE DEPOSITS. A private service that allows local agencies to invest in FDIC-insured deposits with one or more banks, savings and loans, and credit unions located in the United States. IntraFi (formerly known as CDARS) is an example of an entity that provides this service.

PRIMARY DEALER. A financial institution (1) that is a trading counterparty with the Federal Reserve in its execution of market operations to carry out U.S. monetary policy, and (2) that participates for statistical reporting purposes in compiling data on activity in the U.S. Government securities market.

PRUDENT PERSON (PRUDENT INVESTOR) RULE. A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes."

REGIONAL DEALER. A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities and that is not a primary dealer.

REPURCHASE AGREEMENT. Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.

SAFEKEEPING. A service to bank customers whereby securities are held by the bank in the customer's name.

SECURITIES AND EXCHANGE COMMISSION (SEC). The U.S. Securities and Exchange Commission (SEC) is an independent federal government agency responsible for protecting investors, maintaining fair and orderly functioning of securities markets and facilitating capital formation. It was created by Congress in 1934 as the first federal regulator of securities markets. The SEC promotes full public disclosure, protects investors against fraudulent and manipulative practices in the market, and monitors corporate takeover actions in the United States.

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SECURITIES AND EXCHANGE COMMISSION SEC) RULE 15C3-1. An SEC rule setting capital requirements for brokers and dealers. Under Rule 15c3-1, a broker or dealer must have sufficient liquidity in order to cover the most pressing obligations. This is defined as having a certain amount of liquidity as a percentage of the broker/dealer's total obligations. If the percentage falls below a certain point, the broker or dealer may not be allowed to take on new clients and may have restrictions placed on dealings with current client.

~~STRUCTURED NOTE. A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.~~

STRUCTURED NOTE. Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

SUPRANATIONAL. A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

THIRD PARTY CUSTODIAN. An independent, third-party custodial safekeeping provider that has a fiduciary responsibility for safekeeping their client's assets to minimize the risk of a fraudulent transaction.

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TOTAL RATE OF RETURN. A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.

U.S. TREASURY OBLIGATIONS. Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

TREASURY BILLS. All securities issued with initial maturities of one year or less are issued as discounted instruments and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES. All securities issued with initial maturities of two to ten years are called Treasury notes and pay interest semi-annually.

TREASURY BONDS. All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

YIELD TO MATURITY. The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.

All Revision Dates

11/2026, 01/2024, 03/2022, 06/2021, 03/2019, 11/2015, 01/2014, 01/2012, 03/2010

Approval Signatures

Step Description	Approver	Date
	Anna Roth: President & CEO	Pending
	Sarah Jackson: Clerk of the Board	11/2026

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RISK:

This policy is to establish Tahoe Forest Hospital District cash investment objectives, authority and responsibility, approval, instrument limitations (Appendix A, California Health & Safety Code Section 32127), concentrations, terms, reporting, judgment and care, and District Treasurer's, Chief Executive Officer and Chief Financial Officer (CFO) liability for all of its funds. The risk associated with not establishing this policy, is the District could make inappropriate investments or investments that violate California Health & Safety Code Section 32127.

This investment policy was endorsed and adopted by the District's Board of Directors and is effective as of the ~~24th~~ 1st day of January, 2027~~day of February, 2022~~, and replaces any previous versions.

Commented [AS1]: District should make effective January 1, 2027 to align with the CGC changes that become effective that day that have been redlined into this policy.

SCOPE:

This policy covers all funds and investment activities under the direct authority of the District, as set forth in the State Government Code, Sections 53600 et seq., with the following exceptions:

- Proceeds of debt issuance shall be invested in accordance with the District's general investment philosophy as set forth in this policy; however, such proceeds are to be invested pursuant to the permitted investment provisions of their specific bond indentures.
- CalPERS, OPEB trusts, and the investment of employees' deferred compensation funds invested pursuant to Government Code Section 53602(q).
- Any other funds specifically exempted by the Board.

Commented [AS2]: CMTA Best Practice is to exclude pension related funds explicitly in the investment policy.

POOLING OF FUNDS:

Except for cash in certain restricted and special funds, the District will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

FOUNDATION FUNDS:

This policy covers cash investments of the Tahoe Forest Health System Foundation and the Incline Village Community Hospital Foundation. Longer term investment that are identified by the District's Board of Directors may be exempt from this policy.

POLICY:

1. **OBJECTIVE**
   The District's investment objective is to maximize the return on invested cash while minimizing risk of capital loss, providing sufficiently liquidity to meet all operating requirements that may be reasonably anticipated, and adhering to the investment policy as allowed for herein.
2. **AUTHORITY AND RESPONSIBILITY**
   The Board of Directors is responsible for the management of the District's funds, including the administration of this investment policy. The District Treasurer shall have the authority and responsibility to purchase and invest prudently. The Chief Executive Officer is delegated the authority and responsibility by the District Treasurer to purchase and invest within the limitations defined below. Pursuant to California Government Code, Section ~~53600.3~~53602(b), all persons authorized to make investment decisions on behalf of the District are trustees and therefore fiduciaries subject to the Prudent Investor Standard:

Commented [AS3]: Update per SB 1438

"…all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and

diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

Additionally, the Agency shall, in compliance with California Government Code Section 53238 et seq., ensure covered individuals complete required biennial training within six (6) months of assuming the qualifying responsibilities. Documentation of training completion shall be maintained in accordance with applicable law.

Commented [AS4]: 2026 AB 827 addition to Ethics Training. CMTA Best Practice to include in the investment policy.

The District may engage the services of one or more external investment advisers, who are registered under the Investment Advisers Act of 1940, to assist in the management of the District's investment portfolio in a manner consistent with the District's objectives. External investment advisers may be granted discretion to purchase and sell investment securities in accordance with this investment policy.

LIMITATIONS ON INSTRUMENTS

The District shall adopt and use California Health & Safety Code Section 32127 as the limitation on instruments of investment. Refer to Appendix A.

PROCEDURE:

A. **CONCENTRATION OF INVESTMENTS**

1. Unlimited investments in the State Of California Local Agency Investment Fund.
2. Unlimited investment in the U.S. Government guaranteed investments.
3. Sufficient principal funds in any single bank or savings should comply with the regulatory collateralization requirements.
   No more than $250,000 principal in any single bank or savings and loan association with insurance through FDIC or FSLIC, when FDIC or FSLIC is applicable.
4. Banks or savings and loan associations must also have consistently profitable operations, and must have net worth ratios which exceed their regulatory requirements.
5. No more than 5% of the total portfolio may be deposited with or invested in securities issued by any single issuer except US Treasuries, agencies, supranationals, ~~LAIF~~LGIPs, money market mutual funds, mutual funds, or unless otherwise specified in this investment policy.

Commented [AS5]: Clarifies LAIF is under the category of LGIPs, which includes LAIF, volunteer county pools, JPAs, and other local government investment pools. LGIPs do not have a max issuer requirement under CGC.

B. **TERMS OF INVESTMENTS**

1. Limited to the terms specified in Government Code Section ~~53601~~ 53603 or if not specified:
2. Maximum terms of any investment to 5 years.
3. Board of Directors' approval required for terms in excess of 5 years for Treasuries, Agencies or Municipal Securities.
4. Investments must be redeemable prior to maturity, even if with a penalty, or salable in an established secondary market.

C. **REPORTING**

The District Treasurer or CFO shall report, at a minimum, the following to the Board of Directors of the District:

MONTHLY REPORTS

Monthly transaction reports will be submitted by the Treasurer to the Board of Directors within ~~30 days of the end of the reporting period~~ in accordance with California Government Code Section ~~53607~~53602(o).

Commented [AS6]: SB 1489 (2022) extended reporting from 30 days to 45 days for quarterly reports. CGC does not expressly state the number of days for monthly reports.

QUARTERLY REPORTS

The Treasurer will submit a quarterly investment report to the Board of Directors which provides full disclosure of the District's investment activities within 45 days after the end of the quarter. These reports will disclose, at a minimum, the following information about the District's portfolio:

•An asset listing showing par value, cost and independent third-party fair market value of each security as of the date of the report, the source of the valuation, type of investment, issuer, maturity date and interest rate.
•Transactions for the period.
•A description of the funds, investments and programs (including lending programs) managed by contracted parties (i.e. LAIF; ~~investment pools~~LGIPs, outside money managers and securities lending agents)
•A one-page summary report that shows:
-Average maturity of the portfolio and modified duration of the portfolio;
-Maturity distribution of the portfolio;
-Percentage of the portfolio represented by each investment category;
-Average portfolio credit quality; and,
-Time-weighted total rate of return for the portfolio for the prior one month, three months, twelve months and since inception compared to the District's market benchmark returns for the same periods;
•A statement of compliance with investment policy, including a schedule of any transactions or holdings which do not comply with this policy or with the California Government Code, including a justification for their presence in the portfolio and a timetable for resolution.
•A statement that the District has adequate funds to meet its cash flow requirements for the next six months.

ANNUAL REPORTS

A comprehensive annual report will be presented to the Board of Directors. This report will include comparisons of the District's return to the market benchmark return, suggest policies and improvements that might enhance the investment program, and will include an investment plan for the coming year.

D. **REVIEW OF INVESTMENT POLICY**

The investment policy will be reviewed and adopted at least annually within 120 days of the end of the fiscal year, to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.

Any recommended modifications or amendments shall be presented by Staff to the Board of Directors for their consideration and adoption.

E. **AUTHORIZED FINANCIAL INSTITUTIONS, DEPOSITORIES, AND BROKER/DEALERS**

To the extent practicable, the Treasurer shall endeavor to complete investment transactions using a competitive bid process whenever possible. The District's Treasurer will determine which financial institutions are authorized to provide investment services to the District. It shall be the District's policy to purchase securities only from authorized institutions and firms. The Treasurer shall maintain procedures for establishing a list of authorized broker/dealers and financial institutions which are approved for investment purposes that are selected through a process of due diligence as determined by the District. Due inquiry shall determine whether such authorized broker/dealers, and the individuals covering the District are reputable and trustworthy, knowledgeable, and experienced in Public Agency investing and able to meet all of their financial obligations. These institutions may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (uniform net capital rule).

In accordance with Section 5360~~1.5~~2(h), institutions eligible to transact investment business with the District include:
•Institutions licensed by the state as a broker-dealer.
•Institutions that are members of a federally regulated securities exchange.
•Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
•Nationally or state-chartered banks.
•Savings association or federal association (as defined in Section 5102 of the Financial Code).
•The Federal Reserve Bank.
•Direct issuers of securities eligible for purchase.

Commented [AS7]: Added as part of the updates for Placement Service Deposits.

Selection of financial institutions and broker/dealers authorized to engage in transactions will be at the sole discretion of the District, except where the District utilizes an external investment adviser in which case the District may rely on the adviser for selection.
All financial institutions which desire to become qualified bidders for investment transactions (and which are not dealing only with the investment adviser) must supply the Treasurer with audited financials and a statement certifying that the institution has reviewed the California Government Code, Section 53600 et seq. and the District's investment policy. The Treasurer will conduct an annual review of the financial condition and registrations of such qualified bidders.
Public deposits will be made only in qualified public depositories as established by State law. Deposits will be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with State law.
Selection of broker/dealers used by an external investment adviser retained by the District will be at the sole discretion of the adviser. Where possible, transactions with broker/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price

F. **DELIVERY, SAFEKEEPING AND CUSTODY**
DELIVERY-VERSUS-PAYMENT (DVP). All investment transactions shall be conducted on a delivery-versus-payment basis.
SAFEKEEPING AND CUSTODY. To protect against potential losses due to failure of individual securities dealers, and to enhance access to securities, interest payments, and maturity proceeds, all cash and securities in the District's portfolio shall be held in safekeeping in the District's name by a third party custodian, acting as agent for the District under the terms of a custody agreement executed by the bank and the District. All investment transactions will require a safekeeping receipt or acknowledgment generated from the trade. A monthly report will be received by the District from the custodian listing all the securities held in safekeeping with current market data and other information.
The only exception to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit; and (iii) mutual funds and money market mutual funds, since these securities are not deliverable.

G. **DISTRICT TREASURER LIABILITY**
When the District funds are invested in accordance with this Statement Of Investment Policy, the District Treasurer shall not be liable for any loss resulting from the default or insolvency of an authorized depository in the absence of negligence, malfeasance, misfeasance or nonfeasance on the part of the Treasurer.

H. **CFO AND CHIEF EXECUTIVE OFFICER PERFORMANCE**
As experts in the field of finance, healthcare and hospital operations, the CFO and Chief Executive Officer are expected to guide, recommend and provide oversight to the Treasurer, Board Finance Committee and Directorship in all matters related to investment activities. It is incumbent upon these above mentioned employees to ensure that all investments suggested and/or executed are in compliance with all applicable California State law, code, regulation and procedure, all federal laws and District policy. Any and all deviation from law or policy shall be brought to the immediate attention of the Treasurer, the Board Finance Committee and brought through the Board of Directors.

LIMITATION ON INSTRUMENTS

APPENDIX A

A. The District shall adopt and use the following as the limitation on instruments of investment.
B. California Health & Safety Code Section 32127, which outlines the duties of the Treasurer of the District, provides generally that any monies in the treasury of the District may be deposited in accordance with the provisions of the general laws of the State of California governing the deposit of public monies of cities or counties. That provision is supplemented by the provisions of Government Code Section 53600, et seq. which deals with investment of funds by local

agencies.

C. Government Code Section ~~53601~~ 53603 provides that the legislative body of a local agency having money in a sinking fund or surplus money in its treasury not required for immediate necessities of the local agency may invest in the following categories ~~based on Government Code Section 53601~~.

1. Bonds issued by the District;
2. U.S. Treasury Notes, bonds or certificates of indebtedness;
3. Warrants, treasury notes or bonds issued by the State of California or by any department, board, agency or authority of the state;
4. Bonds, notes, warrants or other evidences of indebtedness of any local agency in California;
5. Obligations, participation or other instruments of, or issued by, a federal agency including Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA). No more than 30% of the total portfolio may be invested in any single Agency/GSE issuer. The maximum percent of agency callable securities in the total portfolio will be 20%.
6. Bankers' acceptances provided that such documents may not exceed 180 days maturity and no more than 30 percent of ~~surplus funds~~total portfolio may be invested in the bankers' acceptances of any one commercial bank and 40 percent of the ~~surplus funds total in such investments~~total portfolio;
7. Commercial paper of prime quality or the highest rating category by Moody's or Standard and Poor's, ("A-1" or higher) provided that issuing corporations must have total assets in excess of $500,000,000. Purchases of eligible commercial paper may not exceed ~~270~~ 397 days maturity ~~or represent more than 10 percent of the outstanding paper of any issuing corporation,~~ and purchases of commercial paper may not exceed 25 percent of the agency's ~~surplus money.~~total portfolio. If the Agency has more than $100,000,000 assets under management, then the agency may invest no more than 40% of the total portfolio in eligible commercial paper. ~~Under a provision sunsetting on January 1, 2026, no more than 40% of the portfolio may be invested in Commercial Paper if the Agency's investment assets under management are greater than $100,000,000.~~
8. Negotiable certificates of deposit issued by nationally or state chartered banks or savings and loan associations or state license branches of a foreign bank, provided that purchases of negotiable certificates of deposit may not exceed 30 percent of the agency's ~~surplus money~~total portfolio (and certificates of deposit may not exceed the shareholder's equity of any depository bank or the total net worth of any depository savings and loan association);
9. Repurchase agreements or reverse repurchase agreements of any securities authorized by Section ~~53601~~53603, provided the term of repurchase agreements shall be one year or less.
10. Medium-term notes with a maximum remaining maturity of five years issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated in a rating category of "A" or its equivalent or better by a nationally recognized statistical rating organization (NRSRO). Purchases of medium-term notes may not exceed 30 percent of the agency's ~~surplus money~~total portfolio which may be invested pursuant to this section.
11. (1) Shares of beneficial interest issued by diversified management companies, investing in the securities and obligations as authorized by subdivisions (a) to (k) inclusive, or subdivision (m) to (q), inclusive, of Government Code section ~~53601~~53603, and which comply with the investment restriction of Article 1 (commencing with Section 53600) and Article 2 (commencing with Section 53630). (2) Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of

Commented [AS8]: CDIAC clarified that the surplus monies reference the total portfolio. Update reflected across the investment policy.

Commented [AS9]: SB 595: Extends the CP maximum maturity to increase from 270 days to 397 days and went into effect on 01/01/2026.

Commented [AS10]: This language has been replaced by the 10% max on CP/corporates as part of SB 998 (2020).

Commented [AS11]: SB 1438 (2026) ended the sunsetting of this provision.

1940. To be eligible for investment pursuant to paragraph (1), these companies shall either: (A) Attain the highest ranking or the highest letter and numerical rating provided by not less than two of the three largest NRSROs, or (B) Have an investment advisor registered with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations as authorized by subdivisions (a) to (k), inclusive or subdivisions (m) to (q), inclusive, of Government Code section ~~53601~~ 53603 and with asset under management in excess of $500,000,000. (4) If investment is in shares issued pursuant to paragraph (2), the company shall have met either of the following criteria: (A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs. (B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of $500,000,000. The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that these companies may charge and shall not exceed 20 percent of the agency's ~~surplus money~~total portfolio which may be invested pursuant to this section. However no more than 10 percent of the ~~surplus funds~~total portfolio may be invested in shares of beneficial interest of any one mutual fund and no more than 20% may be invested in any one money market mutual fund pursuant to this paragraph.

12. Notwithstanding anything to the contrary contained in this section, Section 53635 or any other provision of law, monies held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale or other agreement of a local agency, or certificates of participation in those bonds, indebtedness or lease installment sale, or other agreements may be invested in accordance with statutory provisions governing the issuance of those bonds, indebtedness or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture or agreement of the local agency providing for the issuance.
13. Notes, bonds or other obligations which are at all times secured by a valid first priority security interest in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirement of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.
14. Any mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate or consumer receivable-backed bond from issuers not defined in sections 3 and 5 of the authorized investments section of this policy, provided that:

Commented [AS12]: SB 882, effective 01/01/2024

~~14.~~15. . Securities eligible for investment under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and have a maximum remaining maturity of five years or less. Purchase of securities authorized by this subdivision may not exceed 20 percent of the District's ~~surplus money~~total portfolio that may be invested pursuant to this section.
16. Supranational issues that are US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, ~~or~~ Inter-American Development Bank, or Inter-American Investment Corporation ("IDB Invest"). The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO. No more than 30% of the total portfolio may be invested in these securities and no more than 10% of the total portfolio may be invested in any single issuer.

Commented [AS13]: Update per SB 1438

17. Placement Service Deposits, provided that the full amount of each deposit along with

accrued interest must at all times be insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA). No more than 30% of the total portfolio may be invested in a combination of qualifying placement service deposits. Under a provision sunsetting on January 1, 2031, no more than 50% of the portfolio may be invested in deposits through a placement service, including Certificates of Deposit, if the Agency is a city, district or local agency that does not pool money with other local agencies.

18. Local Government Investment Pools (LGIP)
    a. State of California Local Agency Investment Fund (LAIF), created by California Government Code Section 16429.1, provided that The Agency may invest up to the maximum amount permitted by LAIF.
    b. Shares of Beneficial Interest Issued by a Joint Powers Authority (JPA), provided that the JPA is organized pursuant to California Government Code Section 6509.7 and invests in the securities and obligations authorized in subdivisions (a) to (r), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the JPA. The JPA has retained an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of $500 million, and has at least five years' experience investing in instruments authorized by Section 53603, subdivisions (a) to (q).
    ~~a.~~c. Other Local Government Investment Pools (LGIP) permitted by the agency (such as a County Pool as defined by California Government Code Section 27000.3). No more than 20% of the total portfolio may be invested in LGIPs other than LAIF and JPAs.

~~15.~~19. Prohibited from borrowing short-term and using these funds to invest in long-term securities.

~~16.~~20. The District shall not invest in inverse floaters, range notes, interest-only strips that are derived from a pool of mortgages, or any security that could result in zero interest accrual~~, if held to maturity. Under a provision sunsetting on January 1, 2026, securities backed by the U.S. Government that could result in a zero- or negative-interest accrual if held to maturity are permitted.~~ with the exception of any securities backed by the U.S. Government that could result in a zero- or negative-interest accrual if held to maturity during and for the duration of a period of negative market interest rates are permitted.

~~17.~~21. The District shall not invest any funds in any security that could result in zero interest accrual if held to maturity. However, a local agency may hold prohibited instruments until their maturity dates. The limitation shall not apply to the District investments in shares of beneficial interest issued by diversified management companies registered under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, and following) that are authorized for investment pursuant to subdivision (k) of Section ~~53601~~53603.

~~18.~~22. The District shall not purchase of a security with a forward settlement date exceeding 45 days from the time of the investment.

GLOSSARY OF INVESTMENT TERMS

AGENCIES. Shorthand market terminology for any obligation issued by a government-sponsored entity (GSE), or a federally related institution. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:

FFCB. The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.

FHLB. The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.

Commented [AS14]: AB 2618, effective 01/01/2025.

Commented [AS15]: Explicitly adding LAIF, LGIPs, JPAs, and other local investment pools to the investment policy. These were noted under the concentration of investments, reporting, and glossary without explicit listing in the authorized investments.

Commented [AS16]: SB 1438: CGC 53603(i)(2)(C)

FHLMC. Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called "Freddie Mac" issues discount notes, bonds and mortgage pass-through securities.

FNMA. Like FHLB and Freddie Mac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as "Fannie Mae," issues discount notes, bonds and mortgage pass-through securities.

GNMA. The Government National Mortgage Association, known as "Ginnie Mae," issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.

PEFCO. The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.

TVA. The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.

ASSET BACKED SECURITIES. Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

~~AVERAGE LIFE. In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.~~

Commented [AS17]: CMTA Best Practice is to not include glossary terms not included in the policy.

BANKER'S ACCEPTANCE. A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which "accepts" the obligation to pay the investor.

BENCHMARK. A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

BID. The indicated price at which a buyer is willing to purchase a security or commodity.

BROKER. A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

CALLABLE. A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline, the issuer will likely call its current securities and reissue them at a lower rate of interest.

CERTIFICATE OF DEPOSIT (CD). A time deposit with a specific maturity evidenced by a certificate.

~~CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SYSTEM (CDARS). A private placement service that allows local agencies to purchase more than $250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than $250,000 each, so that FDIC coverage is maintained.~~

Commented [AS18]: New Term is “Placement Service Deposits”

COLLATERAL. Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

COLLATERALIZED BANK DEPOSIT. A bank deposit that is collateralized at least 100% (principal plus interest to maturity). The deposit is collateralized using assets set aside by the issuer such as Treasury securities or other qualified collateral to secure the deposit in excess of the limit covered by the Federal Deposit Insurance Corporation.

COLLATERALIZED MORTGAGE OBLIGATIONS (CMO). Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

COLLATERALIZED TIME DEPOSIT. Time deposits that are collateralized at least 100% (principal plus interest to maturity). These instruments are collateralized using assets set aside by the issuer such as Treasury securities or other qualified collateral to secure the deposit in excess of the limit covered by the Federal Deposit Insurance Corporation.

COMMERCIAL PAPER. The short-term unsecured debt of corporations.

COUPON. The rate of return at which interest is paid on a bond.

CREDIT RISK. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

DEALER. A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

~~DEBENTURE. A bond secured only by the general credit of the issuer.~~

DELIVERY VS. PAYMENT (DVP). A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

DERIVATIVE. Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate, or index.

DISCOUNT. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION. Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

DURATION. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a security to changes interest rates.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC). The Federal Deposit Insurance Corporation (FDIC) is an independent federal agency insuring deposits in U.S. banks and thrifts in the event of bank failures. The FDIC was created in 1933 to maintain public confidence and encourage stability in the financial system through the promotion of sound banking practices.

FEDERALLY INSURED TIME DEPOSIT. A time deposit is an interest-bearing bank deposit account that has a specified date of maturity, such as a certificate of deposit (CD). These deposits are limited to funds insured in accordance with FDIC insurance deposit limits.

FIDUCIARY. A person or organization that acts on behalf of another person(s) or organization that puts their clients' interest ahead of their own as they are bound both legally and ethically to act in the other's best interests.

JOINT POWERS AUTHORITY (JPA). An entity created by two or more public agencies that share a

common goal in order to jointly exercise powers common to all members through a joint powers agreement or contract.

LEVERAGE. Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

LIQUIDITY. The speed and ease with which an asset can be converted to cash.

LOCAL AGENCY INVESTMENT FUND (LAIF). A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

LOCAL GOVERNMENT INVESTMENT POOL. Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

MAKE WHOLE CALL. A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

MARGIN. The difference between the market value of a security and the loan a broker makes using that security as collateral.

MARKET RISK. The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

MARKET VALUE. The price at which a security can be traded.

MATURITY. The final date upon which the principal of a security becomes due and payable. The investment's term or remaining maturity is measured from the settlement date to final maturity.

MEDIUM TERM NOTES. Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MODIFIED DURATION. The percent change in price for a 100-basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

MONEY MARKET. The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

MONEY MARKET MUTUAL FUND. A mutual fund that invests exclusively in short-term securities. Examples of investments in money market funds are certificates of deposit and U.S. Treasury securities. Money market funds attempt to keep their net asset values at $1 per share.

MORTGAGE PASS-THROUGH SECURITIES. A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

MUNICIPAL SECURITIES. Securities issued by state and local agencies to finance capital and operating expenses.

MUTUAL FUND. An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various

types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO).

A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

NEGOTIABLE CERTIFICATE OF DEPOSIT (CD). A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market.

OFFER (ASK). An indicated price at which market participants are willing to sell a security. Also referred to as the “ask price”.

PLACEMENT SERVICE DEPOSITS. A private service that allows local agencies to invest in FDIC-insured deposits with one or more banks, savings and loans, and credit unions located in the United States. IntraFi (formerly known as CDARS) is an example of an entity that provides this service.

PRIMARY DEALER. A financial institution (1) that is a trading counterparty with the Federal Reserve in its execution of market operations to carry out U.S. monetary policy, and (2) that participates for statistical reporting purposes in compiling data on activity in the U.S. Government securities market.

PRUDENT PERSON (PRUDENT INVESTOR) RULE. A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes."

REGIONAL DEALER. A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities and that is not a primary dealer.

REPURCHASE AGREEMENT. Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.

SAFEKEEPING. A service to bank customers whereby securities are held by the bank in the customer's name.

SECURITIES AND EXCHANGE COMMISSION (SEC). The U.S. Securities and Exchange Commission (SEC) is an independent federal government agency responsible for protecting investors, maintaining fair and orderly functioning of securities markets and facilitating capital formation. It was created by Congress in 1934 as the first federal regulator of securities markets. The SEC promotes full public disclosure, protects investors against fraudulent and manipulative practices in the market, and monitors corporate takeover actions in the United States.

SECURITIES AND EXCHANGE COMMISSION SEC) RULE 15C3-1. An SEC rule setting capital requirements for brokers and dealers. Under Rule 15c3-1, a broker or dealer must have sufficient liquidity in order to cover the most pressing obligations. This is defined as having a certain amount of liquidity as a percentage of the broker/dealer's total obligations. If the percentage falls below a certain point, the broker or dealer may not be allowed to take on new clients and may have restrictions placed on dealings with current client.

STRUCTURED NOTE. Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve. ~~A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.~~

Commented [AS19]: CMTA model policy definition which removes the reference to LIBOR.

SUPRANATIONAL. A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

THIRD PARTY CUSTODIAN. An independent, third-party custodial safekeeping provider that has a fiduciary responsibility for safekeeping their client's assets to minimize the risk of a fraudulent transaction.

TOTAL RATE OF RETURN. A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.

U.S. TREASURY OBLIGATIONS. Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

TREASURY BILLS. All securities issued with initial maturities of one year or less are issued as discounted instruments and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES. All securities issued with initial maturities of two to ten years are called Treasury notes and pay interest semi-annually.

TREASURY BONDS. All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

YIELD TO MATURITY. The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.

California Senate Bills 1438 and 1439:

A New Structure for Local Agency Investment Law

By Steve Huntley, CPFO, *Senior Portfolio Strategist*
Chandler Asset Management



Executive Summary

Effective January 1, 2027, the implementation of SB 1438 and 1439 will restructure significant parts of California Government Code (CGC or Code) related to local agency investing. Understanding the new organizational structure in these sections is vital to identifying which references should change in your agency's various policies and other documents so you can stay compliant. These changes will be more intensive than in past years because they require a comprehensive review of all documents that reference CGC. This whitepaper will serve as a resource to navigate the necessary policy revisions. Your investment adviser can also assist you with this process to help your agency understand changes and update your policy to align with the reorganized CGC.

Senate Bill 1438 substantially reorganizes the California Government Code (CGC) provisions governing local agency investments and deposits. The legislation centralizes definitions in Section 53600, retains the statewide-concern finding in Section 53601, consolidates governance requirements in Section 53602, relocates the eligible investment list to Section 53603, and moves deposit-placement services to Section 53604. Most core investment authorities remain intact, but the section numbers and many internal cross-references change. The bill also makes targeted substantive changes.

It expands qualifying commercial paper issuers to include federally or state-chartered banks and federally or state-licensed branches of foreign banks; adds the Inter-American Investment Corporation to the list of qualifying supranational issuers; removes the January 1, 2031 sunset for the higher commercial paper limit applicable to certain local agencies with at least $100 million in investment assets; and removes the sunset for the exception on zero-interest accruals for certain U.S. government securities during negative-rate periods.

Senate Bill 1439 serves primarily as a companion technical-corrections measure. For local agency investments, it updates and conforms statutory references affected by the SB 1438 reorganization and helps ensure that reporting requirements, cross-references, and related provisions remain consistent with the new statutory structure established by SB 1438, but it does not materially expand or restrict local investment authority. It does include language allowing certain qualifying institutions to use a letter of credit issued through the institution's regional Federal Home Loan Bank.

Accordingly, local agencies should review both SB 1438 and SB 1439 together, as SB 1438 contains the substantive reorganization and policy changes while SB 1439 contains companion conforming amendments necessary to fully implement the new statutory framework.



What changes under SB 1438 and SB 1439?

A reorganized statutory framework

Existing provisions formerly spread across Sections 53600 through 53610 are regrouped by function. This is more than a simple renumbering exercise because policies, delegation resolutions, procedures, reports, contracts, and cross-references may cite sections that are re-sequenced. ***See table 1 on the next page for organization changes.***

Commercial paper authority

Commercial paper authority moves from Section 53601(h) to Section 53603(h) and 53603(r). The issuer framework expands to include an entity organized as a federally or state-chartered bank or a federally or state-licensed branch of a foreign bank. The scheduled 2031 reduction from 40% to 25% for certain local agencies with at least $100 million in investment assets is now removed. The 2031 start date for allowing investments in commercial paper issued from public banks (as defined in section 57600) was removed and is eligible as of January 1, 2027.

Supranational obligations

The eligible supranational list moves from Section 53601(q) to Section 53603(q) and adds the Inter-American Investment Corporation, subject to the statutory conditions. This is the fourth supranational allowed as an eligible investment.

Zero-interest bond exception

The prohibition and exceptions formerly in Section 53601.6 move to Section 53602(i). The bill removes the January 1, 2031 sunset (now a permanent part of the law) for the exception of zero-interest accruals applicable to qualifying United States government securities during a period of negative market interest rates.

Deposits and collateral

Updates related cross-references and allows certain out-of-state headquartered eligible banks used by pooled public agencies to use a letter of credit drawn on the bank's regional Federal Home Loan Bank, subject to the statute.

The new statutory architecture

There are several changes to CGC because of these new bills, but it is the reorganization and resequencing of CGC that may be the most impactful. Understanding the new organizational structure will be important to understand what references should change in policies and other documents. The primary structure is detailed below; a line-by-line crosswalk is included in the Appendix.

New section	Primary purpose	Selected content
§ 53600	Definitions	Centralizes defined terms, including corporation, counterparty, local agency, repurchase agreement, securities lending agreement, and related terms.
§ 53601	Statewide concern	Retains the legislative finding regarding local-agency solvency, creditworthiness, deposits, and investments.
§ 53602	Governance	Consolidates safety, liquidity, and return objectives; fiduciary and prudent-investor duties; maturity and delivery rules; prohibited investments; delegation; safekeeping; and related administration.
§ 53603	Eligible investments	Houses the consolidated list of authorized investments.
§ 53604	Banking investments	Contains deposit-placement service authority formerly located in Section 53601.8.

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Recommended policy-review approach

Chandler Asset Management (Chandler) recommends a systematic approach to the potentially time-intensive project of addressing the re-sequenced section numbers. Actions include:

- Creating a complete inventory of citations to Sections 53600 through 53610 in the investment policy statement, delegation resolution, procedures, investment reports, custody documents, and related templates.
- Updating each citation using the consolidated crosswalk in Appendix A rather than relying on a blanket replacement. Several former sections are split among new subdivisions or combined with other provisions and re-using existing code section numbers.
- Separating substantive policy decisions from technical renumbering. The expanded commercial paper and supranational authorities are permissive. A local agency may continue to adopt limits that are more restrictive than CGC.
- Confirming that descriptions, concentration limits, maturity limits, credit standards, eligible issuers, and prohibited-investment language remain internally consistent after the section references change.
- Obtaining legal and compliance review before adoption, particularly when an agency is making substantive authority changes after evaluating step 3 above, rather than only updating statutory citations.

Best practices

An Investment Policy Statement should remain clear enough for staff, governing bodies, auditors, counterparties, and the public to understand the agency's objectives, authorities, limits, and controls. Chandler recommends reviewing the policy at least annually and whenever statutory changes affect eligible investments, governance requirements, reporting, delegation, or cross-references. Agencies should preserve policy restrictions that reflect their own liquidity needs, risk tolerance, and operational capabilities, even when state law permits broader authority.

Article Sources

- California Senate Bill 1438, Chapter 715, Statutes of 2026, chaptered September 27, 2026.
- California Legislative Counsel's Digest and chaptered bill text for SB 1438.

Disclosures

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Chandler does not determine whether any particular investment, investment policy provision, statutory authority, or course of action is legally permissible for a particular agency. Each agency is responsible for determining the legal requirements applicable to it and should consult its own legal counsel before adopting or amending an investment policy, resolution, procedure, or other governing document or relying upon any statutory interpretation discussed in this material.

The information contained herein is based on sources believed to be reliable as of the date of publication but may be incomplete or become outdated as laws, regulations, interpretations, or guidance change. Nothing herein constitutes an offer or solicitation to buy or sell a security or a recommendation concerning any particular security, investment strategy, or investment decision.

Questions? Please contact Chandler at info@chandlerasset.com or 800-317-4747 regarding investment management solutions for public entity investment programs.

Appendix A: Consolidated SB 1438 Crosswalk

New subdivision	Current location	Change	Description
§ 53600	§ 53600	Amended; retained	Centralized definitions.
§ 53602(b)	§ 53600.3	Repealed	Prudent-investor and fiduciary provisions.
§ 53602(a)	§ 53600.5	Renumbered	Safety, liquidity, and return objectives.
§ 53601	§ 53600.6	Renumbered	Statewide-concern finding.
§ 53603	§ 53601	Renumbered	Eligible investments; administration principally moves to § 53602.
§ 53603(s)	§ 53601.1	Repealed	Financial futures and options.
§ 53600(a)	§ 53601.2	Repealed	Corporation definition.
§ 53602(h)	§ 53601.5	Repealed	Permissible sources and counterparties.
§ 53602(i)	§ 53601.6	Repealed	Prohibited investments and zero-interest provisions.
§ 53604	§ 53601.8	Renumbered	Deposit-placement services.
§ 53602(j)	§ 53602	Repealed	Savings-bank rule and county exception.
§ 53602(k)	§ 53603	Repealed	Direct-purchase authority.
§ 53602(l)	§ 53604	Repealed	Sale, exchange, and reinvestment.
§ 53602(m)	§ 53605	Repealed	Sale when proceeds are needed.
§ 53602(n)	§ 53606	Repealed	Agency's own bonds.
§ 53602(o)	§ 53607	Repealed	Delegation and monthly reporting.
§ 53602(p)	§ 53608	Repealed	Safekeeping.
§ 53602(q)	§ 53609	Repealed	Deferred compensation.
§ 53600(d); § 53603(t)	§ 53610	Repealed	Proposition 1A definition and authority.

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Appendix B: Line-by-line SB 1438 Crosswalk

Definitions

New subdivision	Current location	Description
§ 53600(a)	§ 53601.2	"Corporation," including a limited liability company
§ 53600(b)	§ 53601 intro	"Counterparty"
§ 53600(c)	§ 53600	"Local agency"
§ 53600(d)	§ 53610(a)	"Proposition 1A receivable"
§ 53600(e)	§ 53601(j)	"Repurchase agreement"
§ 53600(f)	§ 53601(j)	"Reverse repurchase agreement"
§ 53600(g)	§§ 53601 and 53608	"Savings association or federal association"
§ 53600(h)	§ 53601(j)	"Securities" for repurchase purposes
§ 53600(i)	§ 53601(j)	"Securities lending agreement"
§ 53600(j)	§ 53601(j)	"Significant banking relationship"
§ 53600(k)	§ 53601(j)	"Spread"

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Local Government Concern

New subdivision	Current location	Description
§ 53601	§ 53600.6	Statewide-concern finding concerning local-agency solvency, creditworthiness, deposits, and investments

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Governance

New subdivision	Current location	Description
§ 53602(a)	§ 53600.5	Safety, liquidity, and return objectives
§ 53602(b)	§ 53600.3	Trustee, fiduciary, and prudent-investor standard
§ 53602(c)(1)	§ 53601 intro	Delivery of securities
§ 53602(c)(2)	§ 53601 intro	Book-entry and physical-delivery arrangements
§ 53602(d)	§ 53601 intro	Percentage limits measured at purchase
§ 53602(e)(1)	§ 53601 intro	Maturity measured settlement to final maturity; 45-day forward-settlement limit
§ 53602(e)(2)	§ 53601 intro	Five-year maturity limit and express-authority exception
§ 53602(f)	§ 53601(i)	Credit-union negotiable certificate of deposit conflict restriction
§ 53602(g)	§ 53601(j)	Local-agency pool base value
§ 53602(h)	§ 53601.5	Permissible sources or counterparties
§ 53602(i)(1)	§ 53601.6(a)	Prohibited inverse floaters, range notes, and mortgage-derived interest-only strips
§ 53602(i)(2)	§ 53601.6(b)	Zero-interest restriction and exceptions ***Change to law:*** *removes 2031 sunset*
§ 53602(j)	§ 53602	Savings-bank limitation and county exception
§ 53602(k)	§ 53603	Direct-purchase authority
§ 53602(l)	§ 53604	Sale, exchange, and reinvestment
§ 53602(m)	§ 53605	Sale when proceeds are needed
§ 53602(n)	§ 53606	Agency's own bonds
§ 53602(o)	§ 53607	One-year delegation and monthly reporting
§ 53602(p)	§ 53608	Deposit and safekeeping
§ 53602(q)	§ 53609	Deferred-compensation funds

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Appendix B: Line-by-line SB 1438 Crosswalk (cont.)

Eligible Investments

New subdivision	Current location	Description
§ 53603(a)	§ 53601(a)	Investing agency's bonds
§ 53603(b)	§ 53601(b)	United States Treasury and full-faith-and-credit obligations
§ 53603(c)	§ 53601(c)	California warrants, notes, and bonds
§ 53603(d)	§ 53601(d)	Other-state obligations
§ 53603(e)	§ 53601(e)	California local-agency obligations
§ 53603(f)	§ 53601(f)	Federal agency and government-sponsored enterprise obligations
§ 53603(g)	§ 53601(g)	Bankers' acceptances
§ 53603(h)	§ 53601(h)	Commercial paper; expanded issuers ***Changes to law:*** *Removes 2031 Sunset, Expanded to federal-chartered, state-chartered, or federally or state licensed branches of foreign banks*
§ 53603(i)	§ 53601(i)	Negotiable certificates of deposit
§ 53603(j)	§ 53601(j)	Repurchase, reverse repurchase, and securities-lending agreements
§ 53603(k)	§ 53601(k)	Medium-term notes
§ 53603(l)	§ 53601(l)	Mutual funds and money market mutual funds
§ 53603(m)	Existing § 53601(p)	Qualifying joint powers authority shares
§ 53603(n)	Existing § 53601(m)	Trustee or fiscal-agent investments
§ 53603(o)	Existing § 53601(n)	First-priority collateralized obligations
§ 53603(p)	Existing § 53601(o)	Mortgage pass-through, collateralized mortgage, and asset-backed securities
§ 53603(q)	§ 53601(q)	Supranationals ***Change to law:*** *Adds Inter-American Investment Corporation to eligible list*
§ 53603(r)	§ 53601(r)	Public-bank obligations ***Change to law:*** *Removes delayed effective date/sunset framework to immediately incorporate public-bank investments.*
§ 53603(s)	§ 53601.1	Financial futures and options
§ 53603(t)	§ 53610(b)-(c)	Proposition 1A receivables

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Banking Investments

New subdivision	Current location	Description
§ 53604	§ 53601.8	Deposit-placement services

For educational purposes only.

Sources and important considerations

- California Senate Bill 1438, Chapter 715, Statutes of 2026, chaptered September 27, 2026.
- California Legislative Counsel's Digest and chaptered bill text for SB 1438.

Tahoe Forest Hospital District

Discussion with the Board of Directors / 2026 Audit Results

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Agenda

01 / Scope of Services

02 / Auditor Opinion and Reports

03 / Significant Risks Identified

04 / Matters to be Communicated to the Board of Directors

05 / Financial Highlights

06 / 2026 Executive Health Care Conference

07 / Executive Session

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Scope of Services

Annual Audit

- Annual combined financial statement audit as of and for the year ended June 30, 2026

Non-Attest Services

- Assist management with drafting the District's combined financial statements and related footnotes as of and for the year ended June 30, 2026
- Review of Form 990 and other tax returns prepared by management as of and for the year ending June 30, 2026
- Assist management with process improvement over grant compliance

Auditor Opinion and Report

Unmodified Opinion

- Combined financial statements as of and for the year ended June 30, 2026, are presented fairly and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).



Significant Risks Identified

During the planning of the audit, we have identified the following significant risks:

Significant Risks	Procedures
Valuation of Patient Accounts Receivable and Patient Service Revenue	We performed a lookback analysis to determine if management's estimate was materially correct at 6/30/2025, based upon cash collections. We also analyzed subsequent cash collections on 6/30/2026, accounts receivable and performed analytical procedures on 6/30/2026, accounts receivable and net patient service revenue. Finally, we performed test procedures on management's patient accounts receivable allowance model. Revenue recognition and valuation of patient accounts receivable are considered appropriate
Cutoff of Net Patient Service Revenue	We analyzed patient charges posted during the last month of fiscal year 2026 and first month of fiscal year 2027 to determine that patient charges as of 6/30/2026 contains proper cutoff based on the dates of service. Cutoff of net patient service revenue is considered appropriate.
Management Override of Controls	We performed inquiries of accounting and operational personnel, performed risk assessment procedures, and tested risk-based manual journal entry selections. Testing did not result in any observed instances of management override.

Matters to be Communicated to the Board of Directors



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Our Responsibility Under U.S. Generally Accepted Auditing Standards

1. To express our opinion on whether the combined financial statements prepared by management with your oversight are fairly presented, in all material respects, and in accordance with U.S. GAAP. However, our audit doesn't relieve you or management of your responsibilities.

2. To perform an audit in accordance with generally accepted auditing standards issued by the AICPA and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts and design the audit to obtain reasonable, rather than absolute, assurance about whether the combined financial statements are free of material misstatement.

3. To consider internal control over financial reporting as a basis for designing audit procedures but not for the purpose of expressing an opinion on its effectiveness or to provide assurance concerning such internal control.

4. To communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we aren't required to design procedures for the purpose of identifying other matters to communicate to you.

Matters Required to be Communicated with the Board of Directors

Planned scope & timing of the audit:

It's the auditor's responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence and to communicate with those charged with governance an overview of the planned scope and timing of the audit.

The planned scope and timing of the audit was communicated to you in our planning letter dated July 24, 2026.

Matters Required to be Communicated with the Board of Directors

Significant Accounting Policies & Unusual Transactions:

The auditor should determine that the Board of Directors is informed about the initial selection of and changes in significant accounting policies or their application. The auditor should also determine the Board of Directors is informed about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there's a lack of authoritative guidance or consensus.

Management has the responsibility for selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in the notes to the combined financial statements. Throughout the course of an audit, we review changes, if any, to significant accounting policies or their application, and the initial selection and implementation of new policies.

During fiscal year 2026, the District adopted Governmental Accounting Standards Board Statement No. 103, *Financial Reporting Model Improvements*, and Statement No. 104, *Disclosure of Certain Capital Assets*.

There have been no other new accounting policies adopted and there were no changes in the application of existing policies during fiscal year 2026.

Matters Required to be Communicated with the Board of Directors

Management Judgments & Accounting Estimates:

The Board of Directors should be informed about the process used by management in formulating particularly sensitive accounting estimates and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.

Management's judgments and accounting estimates are based on knowledge and experience about past and current events and assumptions about future events. We apply audit procedures to management's estimates to ascertain whether the estimates are reasonable under the circumstances and don't materially misstate the combined financial statements.

Significant management estimates impacting the combined financial statements include the following: net patient service revenue, allowance for contractual and doubtful accounts receivable, third-party payor settlements, uninsured losses for medical malpractice liabilities, liabilities for worker's compensation claims, right-to-use lease assets and liabilities, subscription assets and liabilities, and useful lives of capital assets.

We deemed them to be reasonable.

Matters Required to be Communicated with the Board of Directors

Management Judgments & Accounting Estimates:

Our views about qualitative aspects of the District's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures.

The disclosures in the combined financial statements are clear and consistent. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users; however, we don't believe any of the footnotes are particularly sensitive. The most sensitive disclosures affecting the combined financial statements were disclosures relating to net patient service revenue, assets limited as to use and investments, fair value measurement of financial instruments, patient accounts receivable, capital assets, long-term debt and lease obligations, right-to-use assets and lease liabilities, and subscription-based information technology arrangements in Note 1, Note 2, Note 3, Note 4, Note 5, Note 6, Note 7, Note 13, and Note 14 to the combined financial statements, respectively.

Matters Required to be Communicated with the Board of Directors

Significant Audit Adjustments & Immaterial Unadjusted Differences:

The Board of Directors should be informed of all significant audit adjustments arising from the audit. Consideration should be given to whether an adjustment is indicative of a significant deficiency or a material weakness in the District's internal control over financial reporting, or in its process for reporting interim financial information, that could cause future combined financial statements to be materially misstated.

The Board of Directors should also be informed of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the combined financial statements as a whole.

There were no misstatements detected as a result of our audit procedures and corrected by management.

There were no uncorrected misstatements identified as a result of our audit.

Other Required Communications

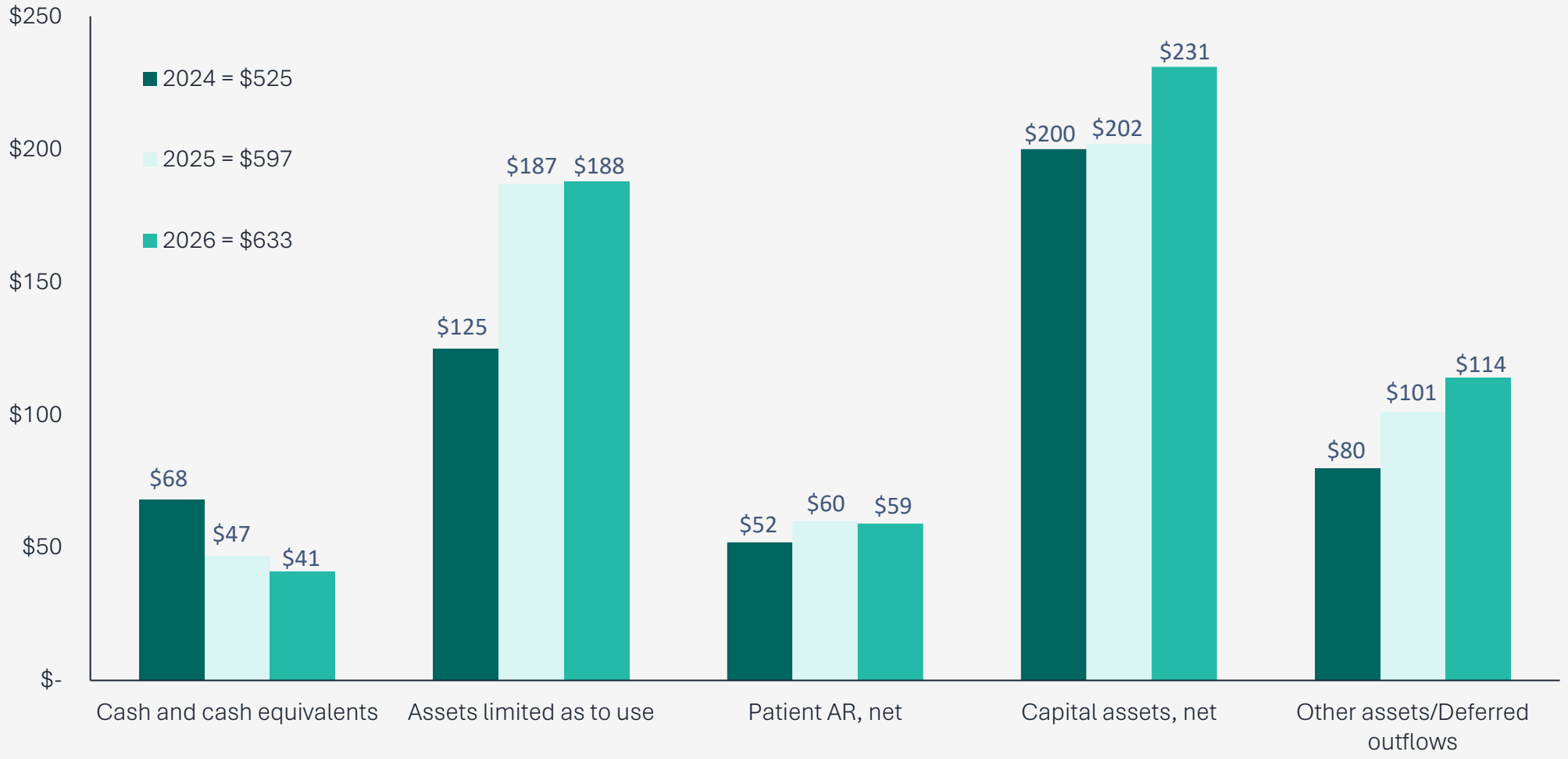
- Significant difficulties encountered during the audit
- Disagreements with management
- Circumstances affecting content of auditor’s report
- Management’s consultation with other accountants
- Management representation letter
- Other significant findings or issues

Financial Highlights



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Asset and Deferred Outflows Composition (in millions) without TSC, LLC



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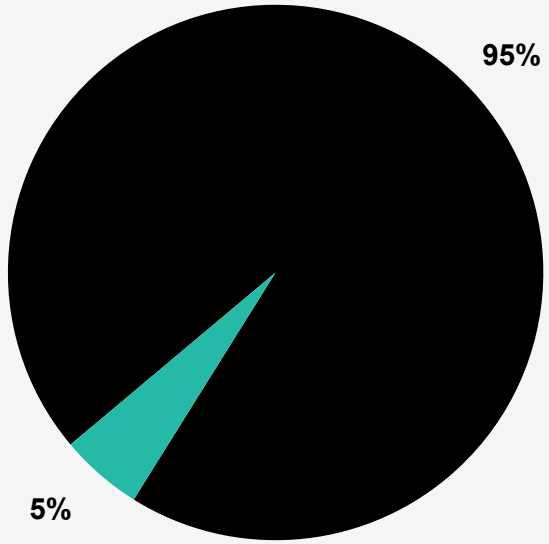
Liabilities & Net Position (in millions) without TSC, LLC



Statements of Revenues, Expenses, and Changes in Net Position – Year to Year Comparison without TSC, LLC

Total Operating Revenues (in millions)

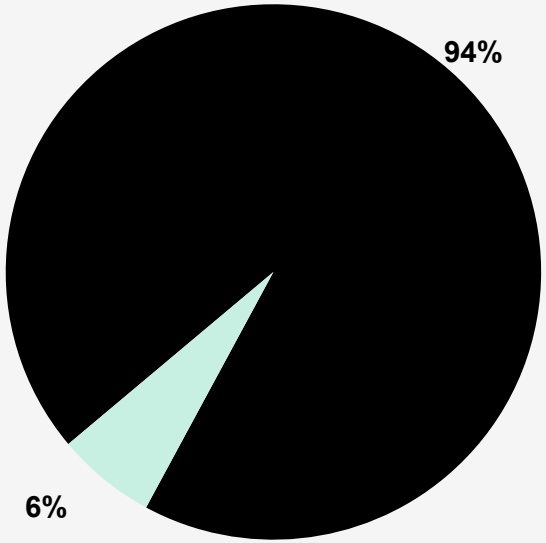
June 30, 2026
$388,828,840



Net patient service revenue

Other operating revenue

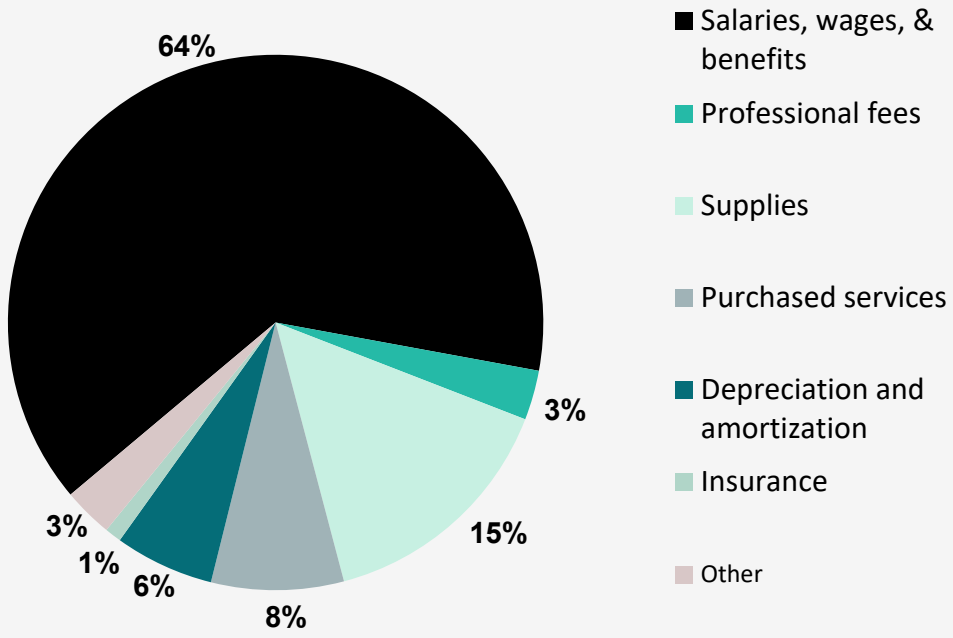
June 30, 2025
$382,671,331



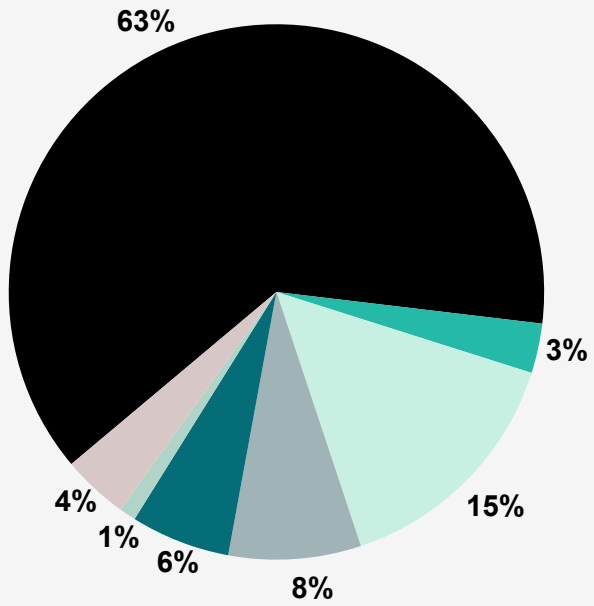
Statements of Revenues, Expenses, and Changes in Net Position – Year to Year Comparison without TSC, LLC

Total Operating Expenses (in millions)

June 30, 2026
$384,427,515



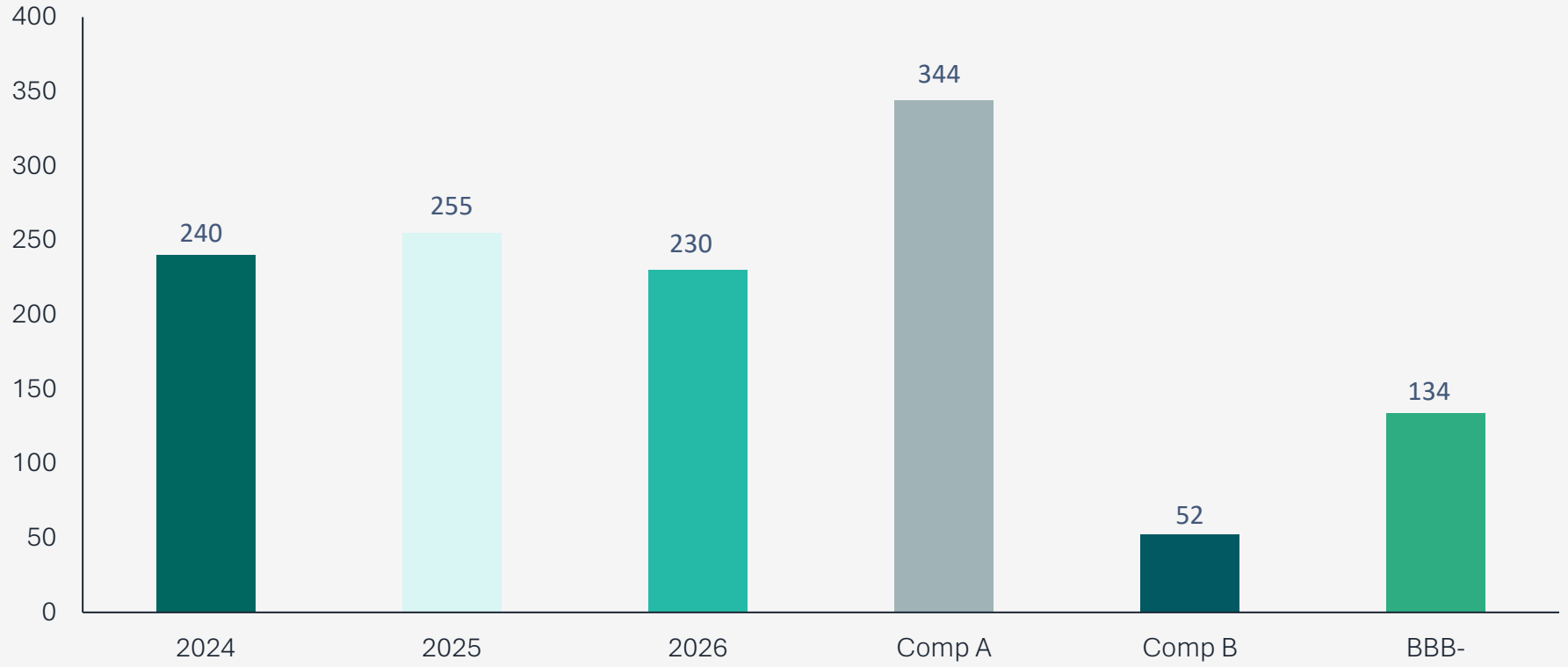
June 30, 2025
$356,810,488



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Days Cash and Investments Ratio without TSC, LLC

- Measures the ability of an organization to sustain operations with existing cash and investments
- The higher the number – the more cash reserves available for the District

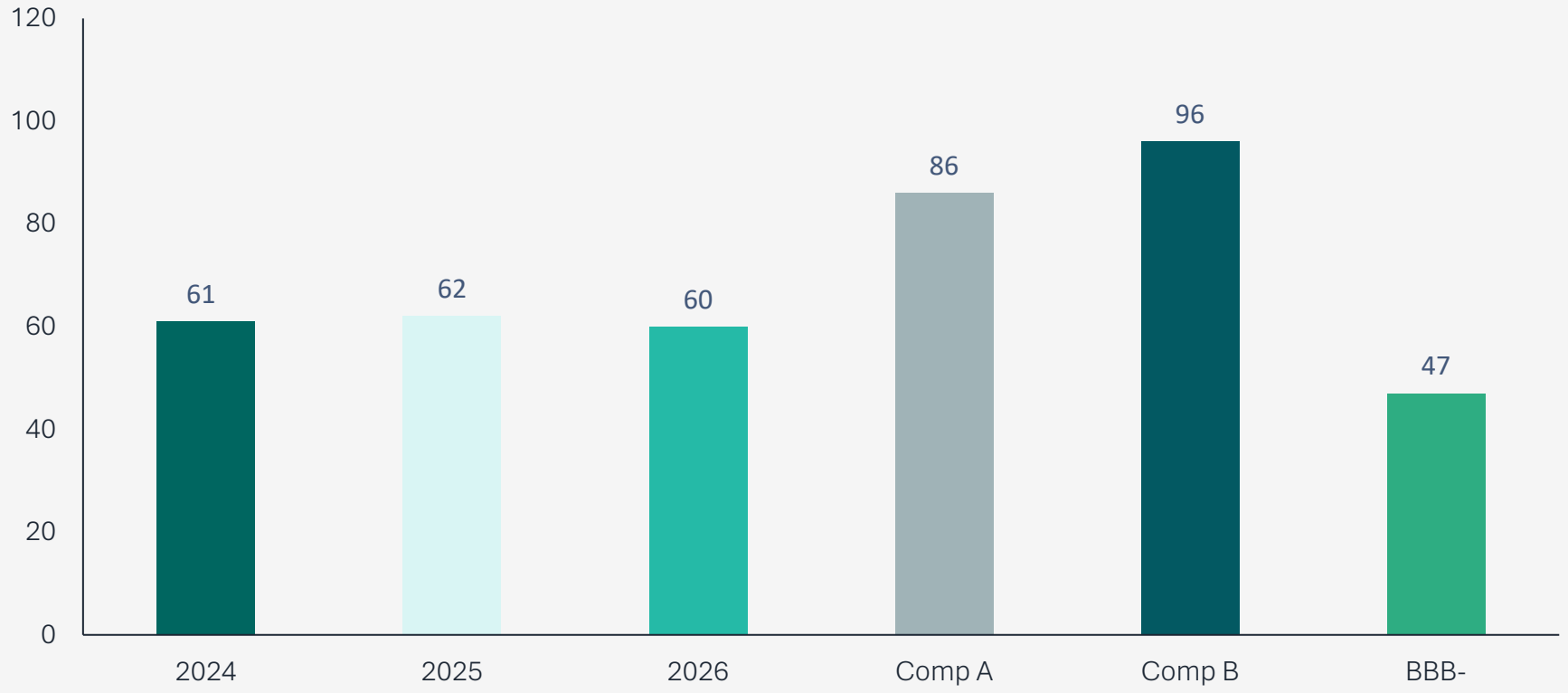


S&P - U.S. Not-for-Profit Health Care Stand-Alone Hospital Median Financial Ratios - 2025

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Days in Accounts Receivable Ratio without TSC LLC

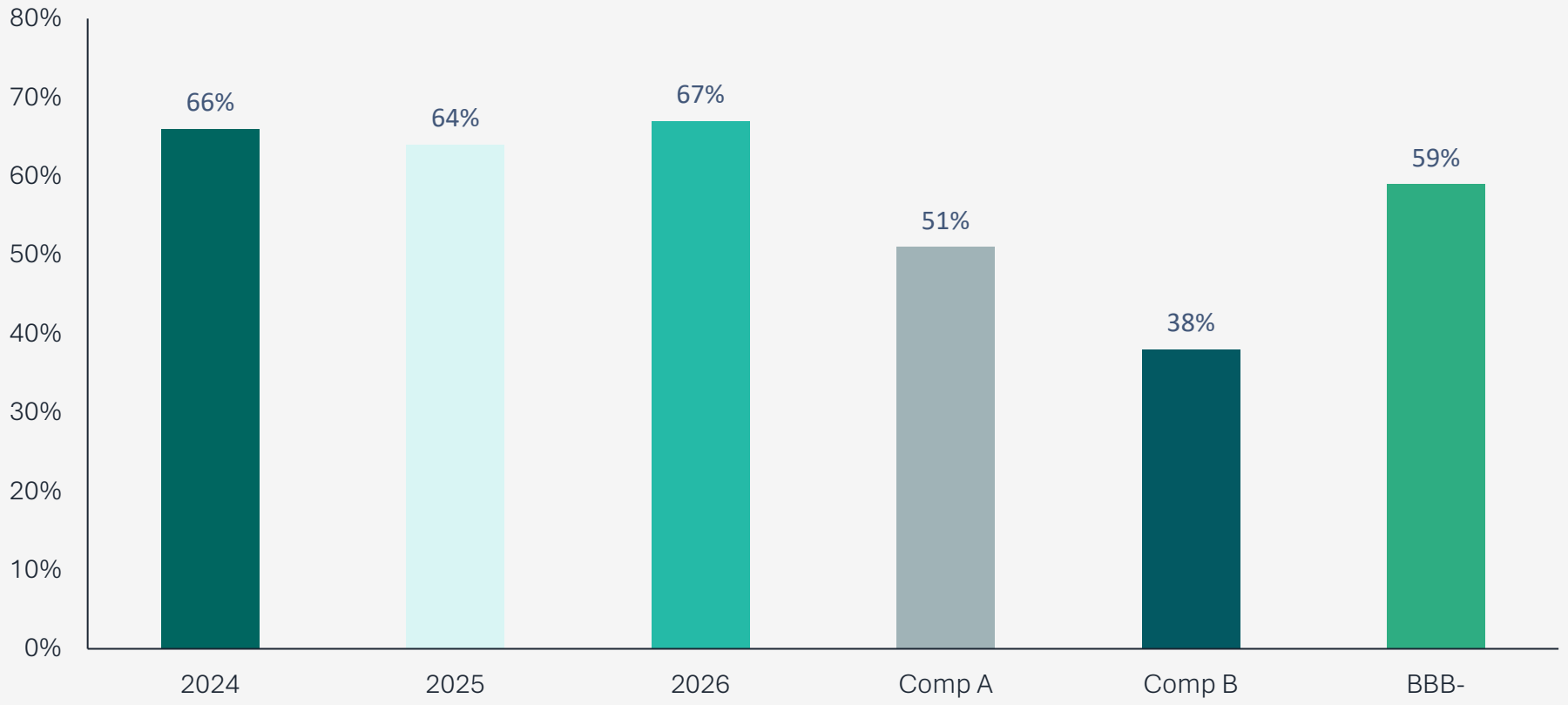
- Measures the average number of days that accounts receivable are outstanding
- The lower the number – indicates outstanding balances are being collected in a shorter duration



S&P - U.S. Not-for-Profit Health Care Stand-Alone Hospital Median Financial Ratios - 2025

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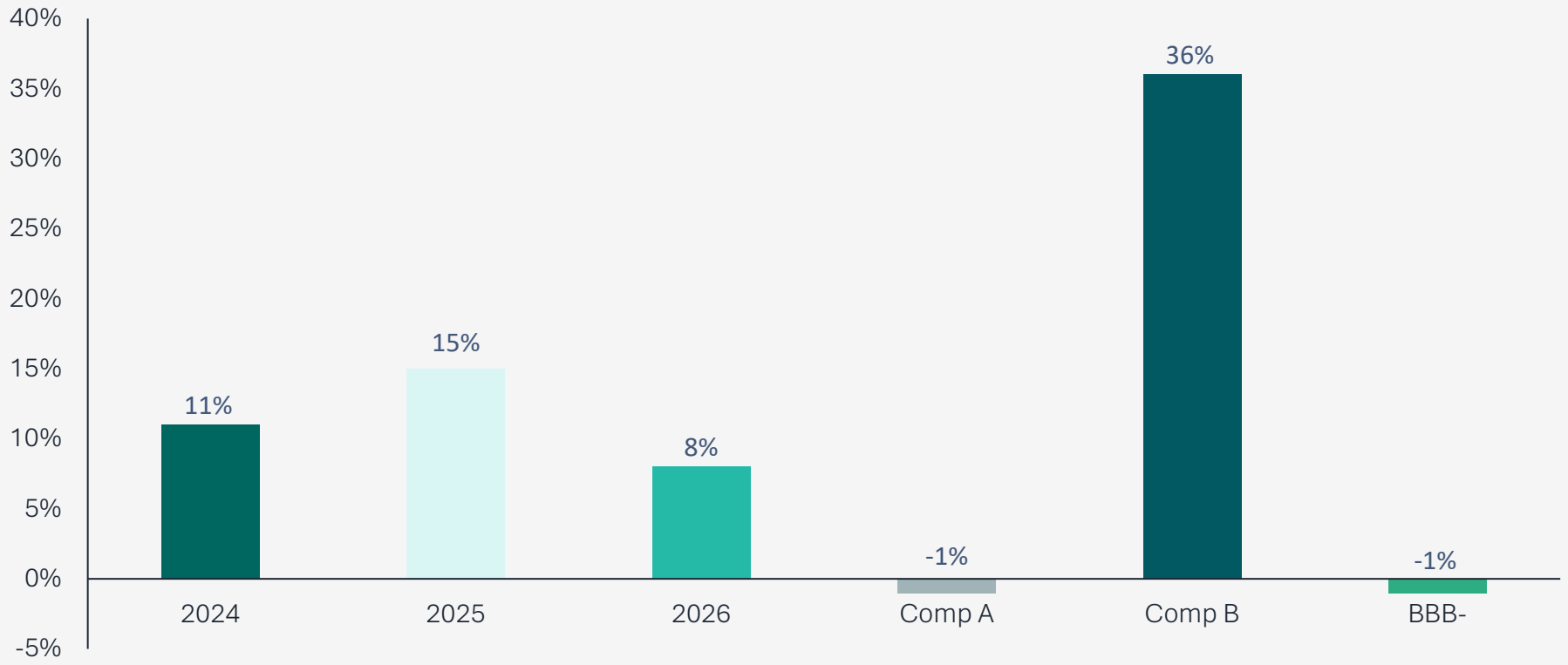
Salaries & Benefits as a Percentage of Net Revenue without TSC, LLC



S&P - U.S. Not-for-Profit Health Care Stand-Alone Hospital Median Financial Ratios - 2025

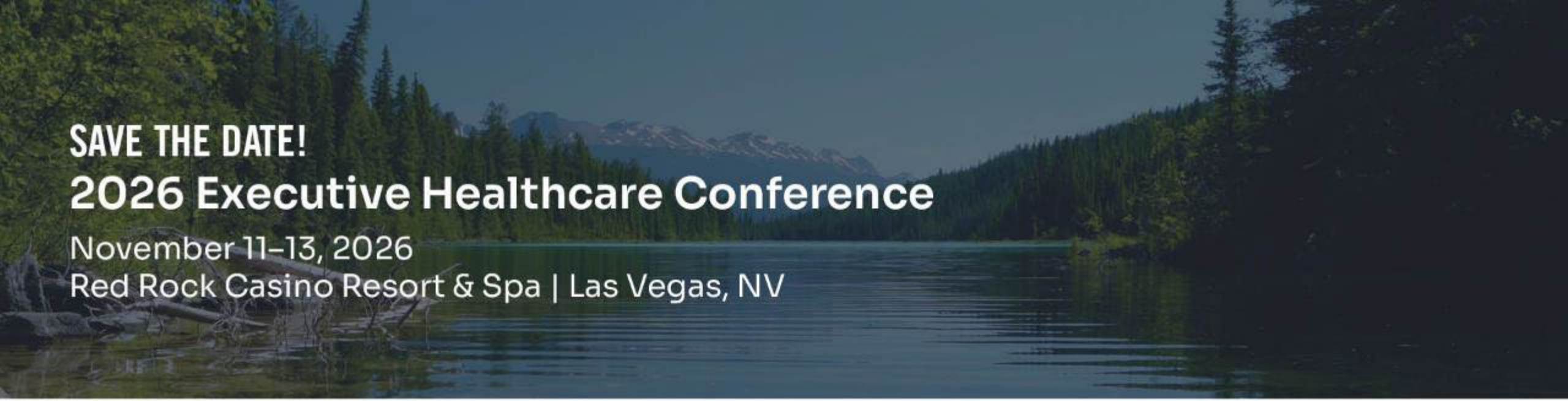
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Operating Margin (Operating Income/Total Operating Revenue) without TSC, LLC



S&P - U.S. Not-for-Profit Health Care Stand-Alone Hospital Median Financial Ratios - 2025

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SAVE THE DATE!

2026 Executive Healthcare Conference

November 11–13, 2026
Red Rock Casino Resort & Spa | Las Vegas, NV

Join C-suite professionals from across the healthcare ecosystem to discuss the state of the industry and prepare leaders for 2026.

HIGHLIGHTS

Nov. 11: Women's Executive Healthcare Leadership Forum

Nov. 12–13: Executive Healthcare Conference

- State of the Union
- Political Point-Counterpoints
- Reception with Keynotes
- Economic Forecast

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LEARN MORE

Executive Session



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Thank you.

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Communications with
the Board of Directors

Tahoe Forest Hospital District

June 30, 2026

FINAL DRAFT

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Communications with the Board of Directors

To the Board of Directors
Tahoe Forest Hospital District

We have audited the combined financial statements of Tahoe Forest Hospital District, and its discretely presented component unit, Truckee Surgery Center, LLC, collectively (the District) as of and for the year ended June 30, 2026, and have issued our report thereon dated November ___, 2026. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated April 10, 2026 (for fiscal year ends: 2026, 2027, and 2028), we are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the combined financial statements does not relieve you or management of your responsibilities.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Purpose Districts. As part of an audit conducted in accordance with U.S. GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit.

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

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

The supplementary information was subject to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves.

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Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our planning letter to the Board of Directors dated July 24, 2026.

Significant Audit Findings and Issues

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Tahoe Forest Hospital District, and its discretely presented component unit, Truckee Surgery Center, LLC are described in Note 1 to the combined financial statements. During fiscal year 2026, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*, and Statement No. 104, *Disclosure of Certain Capital Assets*. The adoption of GASB Statement No. 103 resulted in changes to the presentation and classification of certain revenues and expenses in the combined financial statements, including the presentation of noncapital subsidies. Prior-year amounts were reclassified to conform to the current-year presentation. The adoption of GASB Statement No. 104 had no significant impact on the District's combined financial statements. There have been no other new accounting policies adopted and there were no changes in the application of existing policies during fiscal year 2026. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the combined financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

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

- Management's estimate of net patient service revenue is based on management's estimates of net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. We evaluated the key factors and assumptions used to develop the estimated net realizable amounts. We found management's basis to be reasonable in relation to the combined financial statements as a whole.
- Management's estimate of the value of allowances for contractual and uncollectible accounts receivable is based on management's estimates of collectability by payor class, considering the historical payment and collection experience from each payor class. Management records the net collectible amount as the actual accounts receivable for the combined financial statements. We have gained an understanding of management's estimate methodology and examined the documentation supporting this methodology. We found management's basis to be reasonable in relation to the combined financial statements as a whole.

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- Management's estimate of the value of assets and liabilities for the expected eventual settlements of claims with both Medi-Cal and Medicare, in total the "estimated amounts due to or from third-party payors," is based on management's estimate of each individual settlement on an issue by issue basis. Historical trends and other information, such as communications with fiscal intermediaries, are also considered. We evaluated the key factors and assumptions used to develop the value of amounts due to or from third-party payors. We found management's basis to be reasonable in relation to the combined financial statements as a whole.
- Management's estimate of uninsured losses for professional liability has been accrued as liabilities in the accompanying combined financial statements. We evaluated the key factors and assumptions used to develop the estimate of uninsured losses for professional liabilities. We found management's basis to be reasonable in relation to the combined financial statements as a whole.
- Management's estimate of the liability for workers' compensation claims is recognized based on management's estimate of historical claims experience and known activity subsequent to year end. We evaluated the key factors and assumptions used to develop the estimate of the liability for workers' compensation claims. We found management's basis to be reasonable in relation to the combined financial statements as a whole.
- Management's estimate of the District's operating lease right-to-use assets and lease liabilities is based on the discount rate, useful lives, and lease terms used. We have gained an understanding of management's key factors and assumptions and examined the documentation supporting the estimates. We found management's basis to be reasonable in relation to the combined financial statements as a whole.
- Management's estimate of the District's subscription assets and subscription liabilities is based on the discount rate, subscription terms, and other assumptions used. We have gained an understanding of management's key factors and assumptions and examined the documentation supporting the estimates. We found management's basis to be reasonable in relation to the combined financial statements as a whole.
- Management's estimates of the useful lives of capital assets are based on the intended use and is within accounting principles generally accepted in the United States of America. We evaluated the key factors and assumptions used to develop the estimates of the useful lives of capital assets. We found management's basis to be reasonable in relation to the combined financial statements as a whole.

Financial Statement Disclosures

The disclosures in the combined financial statements are consistent, clear, and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's combined financial statements were disclosures of significant accounting policies, net patient service revenue, assets limited as to use and investments, fair value measurement of financial instruments, patient accounts receivable, capital assets, long-term debt and lease obligations, right-to-use assets and lease liabilities, and subscription-based information technology arrangements in Note 1, Note 2, Note 3, Note 4, Note 5, Note 6, Note 7, Note 13, and Note 14 to the combined financial statements, respectively.

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Significant Unusual Transactions

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

Significant Difficulties Encountered in Performing the Audit

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

Disagreements with Management

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

Circumstances that Affect the Form and Content of the Auditor's Report

There may be circumstances in which we would consider it necessary to include additional information in the auditor's report in accordance with U.S. GAAS and the California Code of Regulations, Title 2 Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts. There were no circumstances that affected the form and content of the auditor's report.

Uncorrected Misstatements

Professional standards require us to accumulate all factual and judgmental misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no misstatements identified by us as a result of audit procedures and uncorrected by management that are material, either individually or in the aggregate, to the combined financial statements as a whole.

Management Representations

We have requested certain representations from management that are included in the attached management representation letter dated November ___, 2026.

Management Consultation with Other Independent Accountants

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

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Other Significant Audit Findings or Issues

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

This information is intended solely for the use of the Board of Directors and management of Tahoe Forest Hospital District, and its discretely presented component unit, Truckee Surgery Center, LLC, and is not intended to be, and should not be, used by anyone other than these specified parties.

Santa Rosa, California
November ___, 2026

FINAL DRAFT

Report of Independent Auditors and
Combined Financial Statements

Tahoe Forest Hospital District

June 30, 2026 and 2025

FINAL DRAFT

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Management Discussion & Analysis

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Tahoe Forest Hospital District
Management's Discussion and Analysis
For the Years Ended June 30, 2026, 2025, and 2024

Tahoe Forest Hospital District (the District) is a public entity organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California. The District includes the following component units, which are included as blended component units of the District's combined financial statements: Tahoe Forest Health System Foundation (TFHSF) and Incline Village Community Hospital Foundation (IVCHF). The District is located in Truckee, California, and Incline Village, Nevada.

Our discussion and analysis of the District financial performance provides an overview of the District's financial activities for the years ended June 30, 2026, 2025, and 2024. Please read this in conjunction with the District's combined financial statements and accompanying notes, which begin on page 14. Our discussion and analysis of the District does not include Truckee Surgery Center, LLC, which is a discretely presented component unit.

Overview of the Combined Financial Statements

The District's combined financial statements consist of the combined statements of net position; combined statements of revenues, expenses, and changes in net position; combined statements of cash flows; and accompanying notes. Together, these statements provide information about the District's financial position, results of operations, and cash flows as of and for the fiscal years ended June 30, 2026 and 2025.

The combined statements of net position report the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at fiscal year-end. The combined statements of revenues, expenses, and changes in net position report all revenues and expenses using the accrual basis of accounting, regardless of when cash is received or paid. The combined statements of cash flows explain cash receipts, cash payments, and net changes in cash from operating, noncapital financing, capital and related financing, and investing activities. The notes provide additional detail necessary to understand the amounts reported in the combined financial statements.

One of the most important questions asked about the District's finances is whether the District, as a whole, is better off or worse off as a result of the year's activities. Changes in net position are one indicator of financial health; however, readers should also consider nonfinancial factors such as changes in the patient base, service volumes, quality measures, and local economic conditions.

Effective for the year ended June 30, 2026, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*. The Statement changes the presentation of the combined statements of revenues, expenses, and changes in net position by requiring noncapital subsidies to be reported in a separate category immediately following operating income and before other nonoperating revenues and expenses, and it revises the definitions of nonoperating revenues and expenses. The Statement also revised the required content and presentation of Management's Discussion and Analysis, including an increased focus on explaining significant changes in financial position and results of operations. As a result, certain fiscal year 2025 amounts have been reclassified to conform to the fiscal year 2026 presentation. The reclassifications did not change previously reported total net position or the previously reported increase in net position for fiscal year 2025.

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Financial Summary

Financial highlights for fiscal year 2026, include the following:

- The District's increase in net position was $34.9 million for 2026 as compared to a $63.1 million increase for 2025.
- Total operating revenue increased $6.2 million to $388.8 million, while total operating expenses increased $27.6 million to $384.4 million.
- The District reported operating income of $4.4 million in 2026 as compared to operating income of $25.9 million in 2025.
- Total noncapital subsidies increased $2.3 million to $20.1 million, while total nonoperating revenues decreased $9.0 million to $10.5 million.

Summary of Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (in thousands):

	As of June 30,		
	2026	2025	2024
Current assets	$ 166,085	$ 159,802	$ 159,058
Capital assets	230,787	201,828	200,341
Other noncurrent assets	232,461	231,538	161,157
Total assets	629,333	593,168	520,556
Deferred outflows of resources	3,932	4,323	4,593
Current liabilities	89,871	79,212	69,329
Long-term liabilities	133,181	142,988	143,604
Total liabilities	223,052	222,200	212,933
Net investment in capital assets	136,916	103,242	97,427
Restricted - expendable	15,029	13,318	4,247
Restricted - nonexpendable	604	604	604
Unrestricted	257,664	258,128	209,939
Total net position	$ 410,213	$ 375,291	$ 312,216

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Summary of Revenues, Expenses, and Changes in Net Position (in thousands):

	Fiscal years ended June 30,		
	2026	2025	pre-GASB 103* 2024
Operating revenues			
Net patient service revenues	$ 367,805	$ 358,076	$ 306,941
Other operating revenues	21,023	24,595	21,988
Total operating revenues	388,828	382,671	328,929
Operating expenses			
Salaries and wages	158,443	147,238	133,867
Employee benefits	86,289	80,001	67,793
Professional fees	12,569	10,741	9,255
Supplies	59,390	55,265	46,679
Purchased services	29,872	27,732	24,394
Depreciation and amortization	22,966	21,756	20,445
Other operating expenses	14,899	14,079	11,994
Total operating expenses	384,428	356,810	314,427
Income from operations	4,400	25,861	14,502
Noncapital subsidies			
Property tax revenue	12,131	11,394	-
Noncapital contributions	7,928	6,372	-
Total noncapital subsidies	20,059	17,766	-
Total income from operations and noncapital subsidies	24,460	43,627	14,502
Nonoperating revenue (expenses)			
Property tax revenue	-	-	10,804
Property tax revenue - general obligation bonds	5,907	5,718	5,581
Interest expense	(5,487)	(5,444)	(5,636)
Capital transfers	(1,141)	(1,071)	(642)
Other nonoperating revenues	11,182	20,245	13,294
Total nonoperating revenues	10,462	19,448	23,401
Increase in net position	$ 34,922	$ 63,075	$ 37,903

**Fiscal year 2024 amounts are presented on the basis originally reported and have not been reclassified to conform to the fiscal year 2026 presentation under GASB Statement No. 103. Accordingly, certain fiscal year 2024 classifications are not directly comparable to fiscal years 2025 and 2026.*

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Detailed Analyses

Analysis of Financial Position

At June 30, 2026, total assets were $629.3 million, an increase of $36.2 million, or 6.1%, from June 30, 2025. Current assets increased $6.3 million. Cash and cash equivalents decreased $6.0 million, patient accounts receivable decreased $0.5 million, while other receivables increased $10.0 million, and assets limited as to use and investments increased $5.3 million. Capital assets increased $29.0 million and right-to-use assets and subscription assets decreased $1.3 million and $2.6 million, respectively. Deferred outflows of resources related to the deferred loss on defeasance and the fair value of hedging derivative decreased $0.4 million.

The decrease in cash and cash equivalents was anticipated, and primarily due to investments in capital assets. Capital assets increased primarily due to four major construction projects, Gateway West RHC Expansion - $11.3 million, North Shore Clinic - $4.2 million, Sierra Center - $14.6 million, Seismic and Mechanical upgrades - $6.4 million, as well as equipment of - $6.6 million. The increase in other receivables was primarily due to anticipated funding from the District Hospital Directed Payment Program (DHDP) of $8.7 million.

Total liabilities increased $0.9 million, or 0.4%, to $223.1 million. Long-term debt and lease obligations decreased $6.0 million. Lease liabilities decreased $1.1 million and subscription liabilities decreased $2.4 million. Those decreases were partially offset by a $6.7 million increase in accounts payable and accrued expenses, primarily due to $7.2 million of invoices related to the construction projects noted above, and a $2.5 million increase in self-insured liabilities.

Total net position increased $34.9 million to $410.2 million. Net investment in capital assets increased $33.7 million, restricted expendable net position increased $1.7 million, and unrestricted net position decreased $0.5 million.

From June 30, 2024 to June 30, 2025, total assets increased $72.6 million, total liabilities increased $9.3 million, and total net position increased $63.1 million.

Results of Operations

Net Patient Service Revenue

Net patient service revenue increased $9.7 million, or 2.7%, to $367.8 million in 2026. Gross patient service revenue increased $53.5 million, or 7.2%, to $797.4 million. Daily hospital services revenue increased $3.0 million, inpatient ancillary services revenue decreased $0.7 million, and outpatient services revenue increased $51.0 million. Contractual allowances and the provision for bad debts increased $43.8 million, partially offsetting the growth in gross revenue.

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The increase in net patient service revenue in 2026 is due to robust outpatient activity. Outpatient charges increased to $699.5 million in 2026 from $648.6 million in 2025 and as a percentage of total charges, outpatient charges were 87.8% as compared to 87.2%, respectively. The increase in outpatient revenues was primarily driven by the following volume increases: 8% in outpatient surgical cases, 8% in lab tests, 8% in oncology procedures, 5% in PET CT scans, 1% in outpatient clinic visits, and MRI imaging volumes including 7% in MRI, 18% in ultrasound, 8% in CT scans, 4% in x-ray and mammography. See *Supporting Operating Indicators* section below.

Inpatient charges increased by $2.3 million to $97.6 million in 2026 from $95.3 million in 2025. Patient days increased to 4,855 in 2026 from 4,696 in 2025 primarily due to increases in the average length of stay from 3.19 days in 2025 to 3.27 days in 2026.

Contractual allowances and the provision for bad debt increased in 2026 due to the increase in gross revenues, but also due to shifts in payor mix. The District experienced a 3% decrease in gross patient service revenue derived from commercial insurance and a 3% increase derived from Medicare in 2026 when compared to 2025.

The District also saw an increase in funding related to DHDP. In calendar year 2025, the overall DHDP program grew from approximately $200 million annually to $842 million annually for all district hospitals. For the District, the growth of this program created additional funding of $2.1 million for 6 months of fiscal year 2025 (January - June 2025) and $4.9 million for fiscal year 2026.

Other Operating Revenues

Other operating revenues decreased $3.6 million, or 14.5%, to $21.0 million and was primarily due to less funding from the Quality Incentive Program (QIP) in 2026 which was $2.8 million compared to $5.0 million in 2025.

Operating Expenses

Operating expenses increased $27.6 million, or 7.7%, to $384.4 million. The most significant changes were as follows:

- Salaries, wages, and benefits increased $17.5 million, or 7.7%, to $244.7 million. Staffing as measured by paid full-time equivalents (FTEs), was 1,220 in 2026 and 1,122 in 2025. Employee benefits totaled $86.3 million in 2026 and $80.0 million in 2025. Salaries and wages per paid FTE decreased to $199,800 in 2026 from $202,530 in 2025.

- Professional fees increased $1.8 million, or 17.0%, to $12.6 million. This increase was primarily driven by physician professional fees for emergency department, hospitalist, anesthesia, pediatric, cardiology and urology services.

- Supplies increased $4.1 million, or 7.5%, to $59.4 million. This increase was primarily driven by surgical implant costs ($1.1 million), patient chargeable supply items ($2.3 million), and pharmaceuticals ($0.7 million). Higher utilization of supplies directly correlates with the increased patient volumes discussed within the net patient service revenue section above.

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- Purchased services increased $2.1 million, or 7.7%, to $29.9 million. This increase was primarily driven by revenue cycle support services ($0.9 million), community health indexing services ($0.2 million), laboratory and imaging maintenance and support services ($0.6 million), and plant maintenance services ($0.3 million).

- Depreciation and amortization increased $1.2 million, or 5.6%, to $23.0 million, reflecting changes in the depreciable, right-to-use, and subscription asset bases.

- Other operating expenses increased $0.8 million, or 5.8%, to $14.9 million, primarily driven by professional liability, malpractice and other insurance ($0.9 million).

Noncapital Subsidies

As required by GASB Statement No. 103, noncapital subsidies are presented separately following income from operations. District tax revenue increased $0.7 million, or 6.5%, to $12.1 million. The District property tax revenues are levied by the County on the District's behalf during the year and are intended to help finance the District's activities during the same year. Noncapital contributions increased $1.6 million to $7.9 million. Incline Village Community Hospital Foundation received $1.9 million more in contributions in 2026 when compared to 2025, which can be used for areas of greatest need.

Nonoperating Revenues and Expenses

Combined investment income and net increase in the fair value of investments decreased $2.8 million to $8.3 million. Contributions, net decreased $7.3 million, or 83.2%, to $1.5 million due to contributions received in 2025 related to the Incline Village Surgical Enhancement project that were not received in 2026.

Liquidity and Cash Flows

Net cash provided by operating activities decreased $10.6 million. Cash used in capital and related financing activities increased $38.3 million, reflecting $55.5 million of capital purchases, scheduled debt, lease, and subscription payments.

Cash and cash equivalents decreased $6.0 million to $40.5 million. Total assets limited as to use and investments increased $5.3 million to $208.0 million; therefore, combined cash, assets limited as to use, and investments decreased approximately $0.7 million to $248.5 million. Because portions of those investments are restricted or board designated, they are not all available for general operations.

Fiscal Year 2025 Compared with Fiscal Year 2024

Net patient service revenue increased $51.1 million, or 16.7%, in 2025 due to a combination of changes in volumes, changes in payor mix, a charge increase, less requests for patient financial assistance, and additional reimbursements related to prior periods. Inpatient census days decreased in 2025 to 4,696 from 4,795 in 2024. Adjusted patient days were up 8.3% in 2025 as compared to 2024. Inpatient charges increased by $3.9 million to $95.3 million in 2025 from $91.4 million in 2024. Outpatient charges increased by $95.5 million to $648.6 million in 2025 from $553.1 million in 2024, and as a percentage of total charges, outpatient charges increased to 87.2% of the total in 2025 from 85.8% in 2024.

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Operating expenses increased by $42.4 million, or 13.5% in 2025 due to added services and providers, additional full time equivalents (FTEs) including employed physicians, employee gain sharing program, management incentive compensation bonuses, merit increases, increased health insurance utilization, consulting related to physician compensation structure, benefit programs, and our revenue integrity program, increased pharmaceutical and medical supply costs, increased purchased services to support information technology, laboratory, authorizations, billing and coding, and interpreter services, increased other operating expenses due to increases in rent and utilities, as well as dues and subscriptions related to our cancer program, and increased depreciation and amortization due to a $6.6 million increase in depreciable assets.

Supporting Operating Indicators

	2026	2025	2024
Acute			
Admissions	1,485	1,470	1,555
Length of stay	3.27	3.19	3.08
Average daily census	13.30	12.87	13.10
Occupancy percentage	46%	44%	45%
Patient days	4,855	4,696	4,795
Total ICU days	1,077	929	999
Total medical/surgical days	2,569	2,490	2,508
Total obstetrics days	1,209	1,277	1,288
Total swing days	180	147	279
Skilled nursing units			
Patient days	11,381	10,960	10,948
Average daily census	31.18	30.03	29.91
Occupancy percentage	84%	81%	81%
Outpatient			
Emergency department visits	14,335	14,094	14,010
Surgical cases	2,761	2,543	2,186
Laboratory tests	193,384	178,851	169,857
Diagnostic imaging & mammography	18,701	18,034	17,733
Medical oncology procedures	13,132	12,107	11,463
Radiation oncology procedures	4,957	5,625	5,175
PET CTs	638	606	485

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Significant Capital Asset and Long-Term Financing Activity

Capital Asset Activity

At June 30, 2026, the District had $230.8 million invested in capital assets, net of accumulated depreciation, compared with $202.0 million at June 30, 2025. The District added $45.6 million of capital assets and recorded $16.4 million of depreciation. Construction in progress increased $36.7 million to $57.6 million after $39.0 million of increases, $0.2 million of decreases, and $2.1 million of transfers to completed assets.

At June 30, 2026, the District had remaining capital commitments of $35.4 million, principally related to the Gateway West RHC expansion, the MEP upgrades, the Sierra Center project, the NPC-4 and TI's phase 1 project, and the Tahoe City project. See Notes 6 and 12 for additional information.

Net right-to-use assets decreased $1.2 million after $1.0 million of additions and $2.2 million of amortization. Net subscription assets decreased $2.6 million after $2.1 million of additions, $4.3 million of amortization, and net $0.4 million of contract terminations or other reductions.

Long-Term Financing, Leases, and Subscription Arrangements

Long-term debt and lease obligations decreased $6.0 million to $107.3 million. The decrease reflected scheduled principal payments and bond premium/discount amortization, together with repayment of the remaining $0.5 million due on the 11406 Donner Pass Road long-term obligation. The District did not issue new debt during 2026.

Lease liabilities decreased $1.1 million to $14.5 million after $1.0 million of lease additions and $2.1 million of lease payments. Subscription liabilities decreased $2.4 million to $23.1 million after $2.1 million of subscription additions and $4.5 million of payments.

On August 25, 2026 Moody's Investors Services Inc. downgraded Tahoe Forest Hospital District's 2015, 2016 and 2019 General Obligation Refunding Bonds to "A1" from "Aa3" and assigned an issuer rating to the District of Baa1. The outlook has been revised to stable. The downgrade was driven by the application of Moody's Not-for-profit Healthcare methodology, which replaced the prior methodology. There was no rating of the District in the prior methodology.

Currently Known Facts, Decisions, or Conditions

Fiscal Year 2027 Operating Budget

The District's Board of Directors approved the fiscal year 2027 budget at its May 28, 2026, meeting. For fiscal year 2027, the District is budgeted to increase its net position by $13.5 million. The increase is due to the following assumptions:

- Inpatient volumes are budgeted to increase 3% over 2026 volumes.
- Outpatient volumes are projected to increase 5% when compared to 2026.
- Total operating revenues will increase by 1.6% and total operating expenses will increase by 9% as compared to 2026

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- Loss from operations of $14.0 million.
- Total nonoperating revenue of $27.5 million.
- Increase in net position of $13.5 million.

Compared with fiscal year 2026 actual results, the most significant expected differences are as follows:

Operating revenues are anticipated to increase slightly due to increased outpatient volumes (noted increases: clinic visits 12%, outpatient surgical cases 10%, MRI 4%, ultrasound 4%) offset by a 25% reduction for 70% of our lab test charges creating a $2.3 million reduction in operating revenues, an increase in our charity care and bad debt by $17.6 million or 148% in anticipation of possible impacts from H.R. 1 and expansion of our financial navigation program, and slight shifts in our payor mix from commercial to Medicare and Medi-Cal creating additional contractual allowances.

Operating expenses are anticipated to increase due to the following:

- Salary, wages & benefits: an increase of 21 FTEs as compared to 2026 ($3.2 million), annual wage and salary increases for staff (4%) and physicians (5%) ($6 million), additional workers compensation and health benefits associated with added FTEs and wage increases ($2 million).
- Professional fees: additional contracted provider coverage for the emergency department, hospitalist, anesthesia and clinic services ($1.7 million).
- Supplies: increase expected due to higher volumes and inflation costs ($7 million).
- Purchased services: additional services needed to support human resources, project management, process improvement initiatives, clinic pilot programming, and information technology ($4.1 million).
- Depreciation and amortization: additional depreciation expected due to capital additions and completed construction in progress projects ($2.9 million).
- Other expenses: increase expected due to inflationary costs for utilities, rent, and insurance. Also anticipated increases in utilities and insurance due to completed constructions projects such as Sierra Center and North Shore clinic, physician recruitment costs, and marketing. ($0.6 million).

Approved Capital and Financing Decisions

At June 30, 2026, the District reported approximately $35.4 million of estimated costs to complete existing projects. The District's Board of Directors approved a capital budget of $70.5 million for FY 2027, inclusive of the $35.4 million costs to complete the capital projects noted above. The $70.5 million is composed of $6.2 million for equipment, $5.7 million for information technology, and $58.6 million for construction and infrastructure.

Reimbursement, Regulatory, and Other Known Conditions

H.R. 1, the One Big Beautiful Bill Act, enacted in July 2025, changes federal Medicaid financing and eligibility rules, limits certain hospital payment arrangements, and restricts states' ability to use provider taxes to finance Medicaid. The law could create significant financial and operational challenges for the District as its provisions take effect over the coming years.

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Potential impacts for the District could include limits on Medi-Cal supplemental and managed-care directed payments, increased uncompensated care due to stricter eligibility and enrollment requirements which could cause more patients to lose coverage or experience gaps in coverage, and restrictions on hospital provider taxes reducing the funding from the HQAF program. While the District has considered potential impacts, reasonable estimates are not available at this time due to the potential variability of patients who might experience loss of coverage or changes in coverage.

In addition, H.R. 1 did establish a $50 billion federal fund for rural health over five years referred to as the Rural Health Transformation Program (RHTP). Both the State of California and State of Nevada submitted plans to the federal government to receive funding from the program. For year 1, California was awarded $233.6 million and Nevada was awarded $179.9 million. Both States established a grant process for applicants interested in receiving funds. The District did participate in the grant processes and was awarded $1.6 million for Tahoe Forest Hospital in California and $0.5 million for Incline Village Community Hospital in Nevada. Incline Village Community Hospital will also receive additional funding through Nevada Rural Hospital Partners Foundation however the amount is undetermined at this time.

The Office of Health Care Affordability (OHCA) is a state agency within California's Department of Health Care Access and Information (HCAI), established in 2022. Its authority includes tracking health care spending, establishing spending-growth targets, monitoring health care market transactions, and enforcing compliance with applicable targets.

For the District, OHCA's rules could create risks. The key issue is that a spending-growth target is not a cap on an individual hospital's budget, but exceeding the applicable target can lead to regulatory scrutiny and potentially financial penalties. California's statewide targets are 3.5% annual per-capita spending growth for 2025 and 2026, 3.2% for 2027 and 2028, and 3.0% for 2029. The first hospital enforcement period is based on 2026 performance, with enforcement potentially beginning in 2028, which could carry financial penalties in the millions of dollars for violations. The District is working diligently to fully understand the monitoring criteria and is also evaluating potential impacts, if any, on the District.

Workforce, Contracting, and Cost Decisions

The District currently has a labor contract in place until June 30, 2027, with employee union members of AFSCME Council 57, Local 3254. This agreement reflects a 4% wage increase effective with the pay period that contains July 1, 2026 for all employee classifications. This 4% wage increase has been incorporated into the District's 2027 budget and creates an estimated $4.1 million increase compared to 2026.

The District's 2027 budget also incorporates anticipated inflation to 2026 expenses in the areas of professional fees (4%), pharmaceuticals (10%), supplies, purchased services, utilities, and rent (5%), and insurance (7.5%).

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Combined Financial Statements
as of and for the Years Ended June 30, 2026 and 2025

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Tahoe Forest Hospital District
Combined Statements of Net Position
June 30, 2026 and 2025

	2026		2025	
	Tahoe Forest Hospital District	Truckee Surgery Center, LLC	Tahoe Forest Hospital District	Truckee Surgery Center, LLC
ASSETS				
Current assets				
Cash and cash equivalents	$ 40,511,395	$ 272,105	$ 46,515,232	$ 54,872
Patient accounts receivable, net of allowances for doubtful accounts of $10,027,219 and $414,755 in 2026 and $9,680,768 and $119,038 in 2025	60,031,040	733,271	60,522,334	329,880
Other receivables	38,624,051	5,094	28,594,818	5,094
Assets limited as to use - required for current liabilities	15,524,550	-	13,445,627	-
Inventories	7,848,350	-	7,423,294	-
Prepaid expenses and deposits	3,545,627	35,706	3,301,058	41,636
Total current assets	166,085,013	1,046,176	159,802,363	431,482
Assets limited as to use, net of current	172,178,124	-	173,947,281	-
Investments	20,288,110	-	15,312,607	-
Right-to-use assets, net of accumulated amortization	13,394,719	-	14,658,415	-
Subscription assets, net of accumulated amortization	21,014,676	-	23,641,774	-
Capital assets				
Nondepreciable	67,146,328	-	30,400,609	-
Depreciable, net of accumulated depreciation	163,640,958	1,210,073	171,427,153	1,158,276
	230,787,286	1,210,073	201,827,762	1,158,276
Other assets				
Beneficial interest in trusts	2,490,333	-	2,205,168	-
Other noncurrent receivables	3,094,601	20,256	1,772,334	20,256
Total assets	$ 629,332,862	$ 2,276,505	$ 593,167,704	$ 1,610,014
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on defeasance, net	$ 3,807,640	$ -	$ 4,123,034	$ -
Accumulated decrease in fair value of hedging derivative	123,994	-	200,168	-
Total deferred outflows of resources	$ 3,931,634	$ -	$ 4,323,202	$ -
LIABILITIES				
Current liabilities				
Current maturities of long-term debt and lease obligations	$ 5,625,707	$ -	$ 5,767,351	$ -
Current maturities of lease liabilities	2,209,945	-	2,102,623	-
Current maturities of subscription liabilities	3,928,632	-	3,655,300	-
Accounts payable and accrued expenses	18,928,653	4,326	12,247,434	38,292
Accrued payroll and related expense	39,809,064	84,123	41,533,410	80,609
Self-insured liabilities	11,851,340	-	9,320,316	-
Estimated amounts due to third-party payors	5,981,685	-	2,965,266	-
Other accrued expenses	22,912	-	5,996	-
Accrued interest	1,513,083	-	1,614,031	-
Total current liabilities	89,871,021	88,449	79,211,727	118,901
Long-term debt and lease obligations, less current maturities	101,667,059	-	107,480,383	-
Lease liabilities, less current maturities	12,243,119	-	13,442,343	-
Subscription liabilities, less current maturities	19,146,517	-	21,865,368	-
Derivative instrument liability	123,994	-	200,168	-
Total liabilities	$ 223,051,710	$ 88,449	$ 222,199,989	$ 118,901
NET POSITION				
Net investment in capital assets	$ 136,915,731	$ -	$ 103,241,634	$ -
Restricted - expendable	15,028,671	-	13,317,716	-
Restricted - nonexpendable	603,984	-	603,984	-
Unrestricted	257,664,400	2,188,056	258,127,583	1,491,113
Total net position	$ 410,212,786	$ 2,188,056	$ 375,290,917	$ 1,491,113

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See accompanying notes.

Tahoe Forest Hospital District
Combined Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended 2026 and 2025

	2026		2025	
	Tahoe Forest Hospital District	Truckee Surgery Center, LLC	Tahoe Forest Hospital District	Truckee Surgery Center, LLC
Operating revenues				
Net patient service revenue (net of provision for bad debts of $11,863,286 and $295,718 in 2026 and $9,065,362 and $13,326 in 2025)	$ 367,805,352	$ 2,162,879	$ 358,076,163	$ 1,493,862
Other operating revenue	21,023,488	-	24,595,168	-
Total operating revenues	388,828,840	2,162,879	382,671,331	1,493,862
Operating expenses				
Salaries and wages	158,443,085	1,047,033	147,237,940	1,069,012
Employee benefits	86,288,945	277,601	80,000,626	232,166
Professional fees	12,568,652	11,318	10,740,634	6,609
Supplies	59,389,603	643,068	55,264,629	629,135
Purchased services	29,871,560	106,899	27,731,568	28,995
Depreciation and amortization	22,966,219	196,545	21,756,313	157,612
Insurance	3,510,527	6,853	3,088,491	6,287
Other	11,388,924	458,777	10,990,287	586,525
Total operating expenses	384,427,515	2,748,094	356,810,488	2,716,341
Income (loss) from operations	4,401,325	(585,215)	25,860,843	(1,222,479)
Noncapital subsidies				
Property tax revenue	12,130,830	-	11,394,480	-
Noncapital contributions	7,927,964	-	6,371,503	-
Total noncapital subsidies	20,058,794	-	17,765,983	-
Total income (loss) from operations and noncapital subsidies	24,460,119	(585,215)	43,626,826	(1,222,479)
Nonoperating revenues (expenses)				
Property tax revenue - general obligation bonds	5,906,824	-	5,718,313	-
Contributions, net	1,471,314	-	8,755,204	-
Investment income	5,409,476	-	5,037,412	-
Rental income	604,780	-	564,143	-
Interest expense	(5,486,584)	-	(5,444,174)	-
Net increase in the fair value of investments	2,849,039	-	5,991,362	-
Capital transfers	(1,140,868)	1,140,868	(1,071,385)	1,071,385
Other nonoperating income (loss)	847,769	141,290	(103,281)	28
Total nonoperating revenues	10,461,750	1,282,158	19,447,594	1,071,413
Increase (decrease) in net position	34,921,869	696,943	63,074,420	(151,066)
Net position, beginning of year	375,290,917	1,491,113	312,216,497	1,642,179
Net position, end of year	$ 410,212,786	$ 2,188,056	$ 375,290,917	$ 1,491,113

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See accompanying notes.

Tahoe Forest Hospital District
Combined Statements of Cash Flows
For the Years Ended June 30, 2026 and 2025

	2026		2025	
	Tahoe Forest Hospital District	Truckee Surgery Center, LLC	Tahoe Forest Hospital District	Truckee Surgery Center, LLC
Cash flows from operating activities				
Cash received from patients and third-party payors	$ 371,313,065	$ 1,759,488	$ 345,799,802	$ 1,646,845
Cash received from other sources	12,007,892	141,290	18,090,362	28
Cash paid to suppliers for goods and services	(110,700,756)	(1,254,951)	(107,087,376)	(1,314,890)
Cash paid to employees for services	(246,388,487)	(1,321,120)	(219,927,710)	(1,298,089)
Net cash provided by (used in) operating activities	26,231,714	(675,293)	36,875,078	(966,106)
Cash flows from noncapital financing activities				
Property tax revenues	12,146,682	-	11,405,940	-
Noncapital grants and contributions, net of other expenses	8,328,024	-	5,285,915	-
Net cash provided by noncapital financing activities	20,474,706	-	16,691,855	-
Cash flows from capital and related financing activities				
Purchase of capital assets	(45,613,159)	(248,342)	(17,406,523)	(229,853)
Proceeds from sale of capital assets	245,090	-	139,350	-
Payments on general obligation and revenue bonds	(4,476,842)	-	(4,131,955)	-
Interest payments on general obligation and revenue bonds	(2,989,146)	-	(3,078,431)	-
Proceeds from issuance of long-term debt	-	-	1,460,121	-
Payments on long-term debt and lease obligations	(1,290,510)	-	(1,019,886)	-
Interest payments on long-term debt and lease obligations	(1,013,177)	-	(993,987)	-
Payments on lease liabilities	(2,057,219)	-	(1,692,918)	-
Interest payments on lease liabilities	(450,581)	-	(240,743)	-
Payments on subscription liabilities	(4,147,082)	-	(3,533,624)	-
Interest payments on subscription liabilities	(1,134,628)	-	(1,225,119)	-
Property tax revenue received for general obligation bonds	5,908,465	-	5,708,226	-
Contributions received for capital expenditures	1,471,314	-	8,755,204	-
Capital transfer from Tahoe Forest Hospital District	-	1,140,868	-	1,071,385
Net cash (used in) provided by capital and related financing activities	(55,547,475)	892,526	(17,260,285)	841,532
Cash flows from investing activities				
Purchases of investments and assets limited as to use	(29,874,868)	-	(114,653,639)	-
Sales of investments and assets limited as to use	27,838,698	-	52,304,385	-
Interest received	5,409,476	-	5,037,412	-
Net cash received for rental activities	604,780	-	564,143	-
Investment in Truckee Surgery Center, LLC	(1,140,868)	-	(1,071,385)	-
Net cash provided by (used in) investing activities	2,837,218	-	(57,819,084)	-
Net change in cash and cash equivalents	(6,003,837)	217,233	(21,512,436)	(124,574)
Cash and equivalents, beginning of year	46,515,232	54,872	68,027,668	179,446
Cash and equivalents, end of year	$ 40,511,395	$ 272,105	$ 46,515,232	$ 54,872

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See accompanying notes.

Tahoe Forest Hospital District
Combined Statements of Cash Flows
For the Years Ended June 30, 2026 and 2025

	2026		2025	
	Tahoe Forest Hospital District	Truckee Surgery Center, LLC	Tahoe Forest Hospital District	Truckee Surgery Center, LLC
Reconciliation of income (loss) from operations to net cash from operating activities				
Income (loss) from operations	$ 4,401,325	$ (585,215)	$ 25,860,843	$ (1,222,479)
Adjustments to reconcile income (loss) from operations to net cash from operating activities:				
Depreciation and amortization	22,966,219	196,545	21,756,313	157,612
Amortization of bond premiums/discounts and bond issuance costs	(187,616)	-	(187,618)	-
Provision for doubtful accounts	11,863,286	295,718	9,065,362	119,038
Change in assets and liabilities:				
Patient accounts receivable, net	(11,371,992)	(699,109)	(18,062,030)	33,945
Other receivables	(10,046,726)	-	(7,421,760)	-
Inventories	(425,056)	-	(1,856,408)	-
Prepaid expenses and deposits	(244,569)	5,930	(832,589)	(12,693)
Other noncurrent receivables	(2,463,135)	141,290	(940,976)	(257)
Deferred loss on defeasance, net	315,394	-	315,396	-
Accounts payable and accrued expenses	7,584,571	(33,966)	4,258,801	(44,361)
Accrued payroll and related expense	(1,724,346)	3,514	6,939,956	3,089
Self-insured liabilities	2,531,024	-	1,311,876	-
Estimated amounts due from/to third-party payors	3,016,419	-	(3,279,693)	-
Other accrued expenses	16,916	-	(52,395)	-
Total adjustments	21,830,389	(90,078)	11,014,235	256,373
Net cash provided by (used in) operating activities	$ 26,231,714	$ (675,293)	$ 36,875,078	$ (966,106)
Supplemental disclosure of noncash investing and financing activities:				
Change in fair value of beneficial interest in trusts	$ 285,165	$ -	$ 178,928	$ -
Change in fair value of assets limited as to use and investments	$ 2,849,039	$ -	$ 5,991,362	$ -
Non-cash contributions of investments	$ 400,060	$ -	$ 1,085,588	$ -
Assets limited as to use acquired by note payable	$ -	$ -	$ 4,539,879	$ -
Noncash acquisition of right-to-use assets	$ 965,317	$ -	$ 5,103,817	$ -
Noncash acquisition of subscription assets	$ 2,069,834	$ -	$ 388,607	$ -

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See accompanying notes.

Note 1 – Summary of Significant Accounting Policies

A summary of significant accounting policies applied in the preparation of the accompanying combined financial statements follows:

Reporting entity – Tahoe Forest Hospital District (the District) is a political subdivision of the State of California. The District was established in 1949 under the provisions of Local Health Care District Law as set forth in the Health and Safety Code of the State of California. The District operates Tahoe Forest Hospital in Truckee, California, and Incline Village Community Hospital in Incline Village, Nevada, which provide health care services to residents of the surrounding communities and visitors to the area. The District derives a significant portion of revenue from third-party payors, including Medicare, Medi-Cal, and commercial insurance organizations.

The District includes the following component units, which are included as blended component units of the District's combined financial statements: Tahoe Forest Health System Foundation (the TFHSF), and Incline Village Community Hospital Foundation (the IVCHF), collectively (the Foundations). The Truckee Surgery Center, LLC (the TSC), is organized and operated for the purpose of owning and lawfully operating the facility as a Medicare certified ambulatory surgery center that principally performs musculoskeletal surgery and related anesthesia services, all consistent with the purposes of the District of furthering the health care services of the surrounding communities and visitors to the area. TSC is included in the District's combined financial statements as a discretely presented component unit, as the District owns a 99% membership interest in TSC. In fiscal years 2026 and 2025, the District advanced $1,140,868 and $1,071,385 respectively, to TSC.

The District maintains its financial records in conformity with guidelines set forth by Local Health Care District Law and the Office of Statewide Health Planning and Development of the State of California.

Basis of preparation – The combined financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable statements of the Governmental Accounting Standards Board (GASB). The proprietary fund method of accounting is followed and uses the economic resources measurement focus and the accrual basis of accounting. In addition, these statements follow generally accepted accounting principles applicable to the health care industry, which are included in the American Institute of Certified Public Accountants' Audit and Accounting Guide, *Health Care Entities,* to the extent that these principles do not contradict GASB standards.

The Foundations are not-for-profit public benefit corporations that report under Financial Accounting Standards Board standards, *Topic 958*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the combined financial statements for these differences.

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

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Use of estimates – The preparation of combined 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 combined financial statements and the reported amount of revenues and expenses during the reporting period. Major items requiring estimates and assumptions include net patient service revenue, allowance for contractual and doubtful accounts receivable, amounts due to or from third-party payors, uninsured losses for medical malpractice liabilities, liabilities for workers' compensation claims, right-to-use lease assets and liabilities, subscription assets and liabilities, and useful lives of capital assets. Actual results could differ from those estimates.

Cash and cash equivalents – The District considers cash and cash equivalents to include cash on deposit and investments in highly liquid debt instruments with an initial maturity of three months or less, excluding amounts whose use is limited by board designation or other arrangements. Cash and cash equivalents also include investments in the Local Agency Investment Fund (LAIF) and the State Treasurer's pooled investment program.

Assets limited as to use and investments – Assets limited as to use and investments consist principally of short-term money market funds, U.S. government and corporate fixed income securities, and equity securities which are recorded at fair value, and LAIF, which is recorded at amortized cost. Certain assets have been designated by the Board of Directors for replacement or purchases of capital assets, and other specific purposes, and amounts held by trustees in accordance with the indentures relating to long-term debt. Amounts required to meet current liabilities of the District are included in current assets.

Investment income or loss (including realized gains and losses on investments, interest, and dividends) are included in the increase in unrestricted net position unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are included as the net increase in the fair value of investments and reported in the accompanying combined statements of revenues, expenses, and changes in net position. Purchase premiums and discounts are recognized in investment income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Patient accounts receivable, net – Patient accounts receivable consist of amounts owed by various governmental agencies, insurance companies, and private patients. The District manages its receivables by regularly reviewing the accounts, inquiring with respective payors as to collectability, and providing for allowances in its accounting records for estimated contractual adjustments and doubtful accounts. Significant concentrations of patient accounts receivable are discussed further in the footnotes.

Inventories – Inventories are stated at the lower of cost or market. Cost is determined by the weighted-average, first-in, first-out method.

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Beneficial interest in trusts – The TFHSF entered into agreements with Tahoe Truckee Community Foundation (TTCF) to establish cancer care endowment funds with TTCF (the TTCF Endowment). The purpose of the TTCF Endowment is to help shape the future of cancer care and provide support to the communities served by TFHSF. The TTCF Endowment is protected from obsolescence in accordance with the provisions specified in the Articles of Incorporation and Bylaws creating the TTCF. Should the purposes for which the TTCF Endowment was created become obsolete or incapable of fulfillment, it is TTCF's Board of Director's responsibility, after contacting and being advised by the TFHSF, to revise the charitable intent of the remaining funds to use for a purpose similar to those set forth in the agreement.

The TFHSF has also been named a beneficiary under the terms of the Tahoe Forest Cancer Center General, Patient and Family, and Sustainability Grantmaking Funds (the Funds) administered by the TTCF. Under the terms of the agreement, distributions from the Funds shall be in accordance with the spending policy established by the Board of Directors of TTCF. Distributions shall be made annually or, as the parties may, from time to time, agree. Distributions in excess of TTCF's spending policy may be made to the TFHSF in any year as determined by the Board of Directors of TTCF. The TFHSF may request, at any time, that TTCF disburse up to 100% of the Funds to the TFHSF. Such a request, however, is not binding on TTCF and may be accepted or rejected, in whole or in part, by TTCF at its sole and absolute discretion. At the establishment of the Funds, the TFHSF granted variance power to TTCF. That power gives TTCF the right to distribute the income and principal of the Funds to another not-for-profit organization of its choice if the TFHSF ceases to exist or if the governing board of TTCF votes that support of the TFHSF is no longer necessary or is inconsistent with the needs of TTCF. The TTCF Endowment and the Funds had a value of $2,341,059 and $2,075,764 as of June 30, 2026 and 2025, respectively, and is reported in the combined financial statements as beneficial interest in trusts.

The IVCHF entered into agreements with The Parasol Tahoe Community Foundation (Parasol) to establish endowment and improvement funds with Parasol (the Parasol Endowment). The purpose of the Parasol Endowment is to provide support to, or for the benefit of, the Foundation and its activities in pursuit of its mission to deliver optimal health care services in the communities served by Incline Village Community Hospital. The Parasol Endowment is protected from obsolescence in accordance with the provisions specified in the Articles of Incorporation and Bylaws creating Parasol. Should the purposes for which the Parasol Endowment was created become obsolete or incapable of fulfillment, it is Parasol's Board of Director's responsibility, after contacting and being advised by the Foundation, to revise the charitable intent of the remaining funds to use for a purpose similar to those set forth in the agreement. The Parasol Endowment had a value of $149,274 and $129,404 as of June 30, 2026 and 2025, respectively, and is reported in the combined financial statements as beneficial interest in trusts.

The Foundations' interest in the TTCF Endowment, the Fund, and the Parasol Endowment assets are recorded in the accompanying combined statements of net position. The change in fair value attributable to the interests of the Foundations are recorded in other nonoperating revenues in the accompanying combined statements of revenues, expenses, and changes in net position. This change in fair value may include community or donor gifts to the TTCF Endowment, the Fund, and the Parasol Endowment, investment results, and distributions from the TTCF Endowment, the Fund, and the Parasol Endowment.

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Capital assets – Capital assets consist of property and equipment and are reported on the basis of cost, or in the case of donated items, on the basis of fair market value at the date of donation. All purchased capital assets are valued at cost when historical records are available and at an estimated historical cost when no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Construction-in-progress includes capitalized interest costs of related borrowings, net of interest earned on unspent proceeds of the related borrowings. It is the policy of the District to capitalize equipment costing more than $1,500. Costs of assets sold or retired are removed from the accounts in the year of sale or retirement, with any gain or loss included in the combined statements of revenues, expenses, and changes in net position.

The District periodically evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Impairment losses on capital assets are measured using the method that best reflects the diminished service utility of the capital asset. There were no impairment losses in 2026 and 2025.

Depreciation of capital assets and amortization of capital assets under lease obligations are computed by the straight-line method for both financial reporting and cost reimbursement purposes over the estimated useful lives of the assets, which range from 2 to 40 years for land improvements, 5 to 40 years for buildings and improvements, and 3 to 20 years for equipment and software.

Routine maintenance and repairs are charged to expense as incurred. Expenditures that increase values, change capacities, or extend useful lives are capitalized.

Right-to-use assets – The District has recorded right-to-use lease assets in accordance with GASB Statement No. 87, *Leases*. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

Subscription assets – The District has recorded subscription assets in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The subscription assets are initially measured at an amount equal to the initial measurement of the related subscription liability plus any contract payments made to the subscription-based information technology arrangements (SBITA) vendor at the commencement of the subscription term and capitalizable initial implementation cost, less any incentive payments received from the SBITA vendor at the commencement of the subscription term. The subscription assets are amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying assets.

Deferred loss on defeasance – The deferred loss on defeasance of the 1999 Series B Bonds is amortized using the straight-line method over the life of the bonds. The original amount of deferred loss on defeasance is $769,305. Accumulated amortization as of June 30, 2026 and 2025, was $614,147 and $575,359, respectively. Amortization expense for each of the years ended June 30, 2026 and 2025, was $38,788; and is estimated to be $38,788 for each of the next four years.

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The deferred gain on defeasance of the Series 2006 Revenue bonds is amortized using the straight-line method over the life of the bonds. The original amount of deferred gain on defeasance is $141,300. Accumulated amortization as of June 30, 2026 and 2025, was $86,350 and $78,500, respectively. Amortization income for each of the years ended June 30, 2026 and 2025, was $7,850; and is estimated to be $7,850 for each of the next four years.

The deferred loss on defeasance of the Series A (2008) General Obligation Bonds is amortized using the effective-interest method over the life of the bonds. The original amount of deferred loss on defeasance is $2,016,320. Accumulated amortization as of June 30, 2026 and 2025, was $1,008,160 and $916,510, respectively. Amortization expense for each of the years ended June 30, 2026 and 2025, was $91,650; and is estimated to be $91,650 for each of the next four years.

The deferred loss on defeasance of the Series B (2010) General Obligation Bonds is amortized using the effective-interest method over the life of the bonds. The original amount of deferred loss on defeasance is $4,627,331. Accumulated amortization as of June 30, 2026 and 2025, was $1,928,054 and $1,735,248, respectively. Amortization expense for each of the years ended June 30, 2026 and 2025, was $192,806; and is estimated to be $192,806 for each of the next four years.

There was no significant gain or loss on defeasance of the Series 2002 Revenue Bonds with the Series 2017 Revenue Bonds.

There was no significant gain or loss on defeasance of the Series C (2012) General Obligation Bonds with the 2019 General Obligation Bonds.

Deferred outflows of resources – In addition to assets, the combined statements of net position include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and, as such, will not be recognized as an outflow of resources (expense/expenditures) until that time. The District has two items that qualify for reporting in this category, which are the net deferred loss on defeasance and accumulated decrease in fair value of hedging derivatives reported in the combined statement of net position. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt.

Compensated absences – The District's employees earn paid time off (PTO) and long-term sick leave benefits at varying rates depending on hours worked and years of service. For most employees, PTO benefits can accumulate up to the maximum of 240 hours. For long-term sick leave, employees can earn up to 56 hours annually and is accumulated indefinitely. Employees are paid for accumulated PTO and long-term sick leave either upon termination or retirement. Accrued PTO and long-term sick leave liabilities included in accrued payroll and related expense as of June 30, 2026 and 2025, were $16,059,472 and $14,673,311, respectively.

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The following is a summary of changes in compensated absences transactions for the years ended June 30:

	Balance as of July 1, 2025	Net Change	Balance as of June 30, 2026	Current Portion
Compensated absences	$ 14,673,311	$ 1,386,161	$ 16,059,472	$ 16,059,472

	Balance as of July 1, 2024	Net Change	Balance as of June 30, 2025	Current Portion
Compensated absences	$ 11,774,653	$ 2,898,658	$ 14,673,311	$ 14,673,311

Lease liabilities – The District recognizes lease contracts or equivalents that have a term exceeding one year and that meet the definition of an other than short-term lease. The District uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the District's incremental borrowing rate at start of the lease for a similar asset type and term length to the contract. Short-term lease payments are expensed when incurred.

The following is a summary of changes in lease liabilities, net for the years ended June 30:

	Balance as of July 1, 2025	Increases	Decreases	Balance as of June 30, 2026	Current Portion
Lease liabilities	$ 15,544,966	$ 965,317	$ 2,057,219	$ 14,453,064	$ 2,209,945

	Balance as of July 1, 2024	Increases	Decreases	Balance as of June 30, 2025	Current Portion
Lease liabilities	$ 12,134,067	$ 5,103,817	$ 1,692,918	$ 15,544,966	$ 2,102,623

Subscription liabilities – The District entered into various agreements for IT subscriptions. These agreements range in terms up to year 2033. Total subscription payments were $4,515,353 and $3,533,624 for fiscal years 2026 and 2025, respectively. Variable payments based upon the use of the underlying IT asset are not included in the subscription liability because they are not fixed in substance — therefore, these payments are not included in subscription assets or subscription liabilities. There were no variable subscription expenses or payments in the fiscal years ended June 30, 2026 and 2025. The District did not enter into any additional subscription agreements that have yet to commence as of June 30, 2026.

The District recognizes contracts or equivalents that have a term exceeding one year and the cumulative future payments on the contract exceeding $100,000 that meet the definition of an other than short-term subscription. The District uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the District's incremental borrowing rate at start of the subscription for a similar asset type and term length to the contract. Short-term subscription payments are expensed when incurred.

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The following is a summary of changes in subscription liabilities, net for the years ended June 30:

	Balance as of July 1, 2025	Increases	Decreases	Balance as of June 30, 2026	Current Portion
Subscription liabilities	$ 25,520,668	$ 2,069,834	$ 4,515,353	$ 23,075,149	$ 3,928,632

	Balance as of July 1, 2024	Increases	Decreases	Balance as of June 30, 2025	Current Portion
Subscription liabilities	$ 28,665,685	$ 388,607	$ 3,533,624	$ 25,520,668	$ 3,655,300

Net position – The net position of the District is comprised of net investment in capital assets, restricted – expendable, restricted – nonexpendable, and unrestricted net positions.

Net investment in capital assets – Net investment in capital assets represents investments in all capital assets (land, construction in progress, land improvements, building and building improvements, and equipment), net of depreciation/amortization, less any debt issued to finance those capital assets.

Restricted – expendable – The restricted – expendable net position is restricted through external constraints imposed by creditors, grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation, and includes assets in self-insurance trust funds, revenue bond reserve fund assets, and net position restricted to use by donors.

Restricted – nonexpendable – The restricted – nonexpendable net position is equal to the principal portion of permanent endowments. The endowments remain intact, with unrestricted earnings on such funds available for use as expendable assets.

Unrestricted – Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets, restricted – expendable, or restricted – nonexpendable.

Combined statements of revenues, expenses, and changes in net position – All revenues and expenses directly related to the delivery of health care services are included in operating revenues and operating expenses in the combined statement of revenues, expenses, and changes in net position.

Noncapital subsidies consist of resources received or provided that support ongoing operations and for which the provider does not receive goods or services of approximately equal value in return. These amounts include property tax revenues designated to support operating and community benefit activities and noncapital contributions intended to support operations.

Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from nonexchange transactions or investment return.

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Net patient service revenues – Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Delinquent patient accounts are recorded as bad debts and transferred for collection. Recoveries are recorded, net of recovery costs estimated, as an increase to net patient service revenue.

Charity care – The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The District accepts all patients regardless of their ability to pay. Partial payments to which the District is entitled from public assistance programs on behalf of patients that meet the District's charity care criteria are reported as patient service revenue. Charity care, which is excluded from recognition as receivables or revenue in the combined financial statements, is measured on the basis of uncompensated cost. Using the District's Medicare cost to charge ratio, the estimated cost of these charges was $1,463,042 and $1,590,164 for the years ended June 30, 2026 and 2025, respectively.

Other operating revenue – Other operating revenue is recorded when the revenue is earned, when performance of services occurred, and receipt of cash is reasonably assured, and primarily includes retail pharmacy revenue, Quality Incentive Pool (QIP) revenue, Hospital Quality Assurance Fee (HQAF) revenue, childcare center revenue, and thrift store revenue. The composition of other operating revenue for the years ended June 30, 2026 and 2025, were as follows:

	2026	2025
Retail pharmacy revenue	$ 10,720,555	$ 10,012,700
Other miscellaneous revenue	2,982,780	2,774,422
QIP revenue	2,838,716	5,044,159
Childcare center revenue	2,344,975	2,332,286
Thrift store revenue	1,266,585	1,150,872
HQAF revenue	869,877	3,280,729
Total other operating revenue	$ 21,023,488	$ 24,595,168

Property tax revenues – Property taxes are levied by Nevada and Placer Counties on the District's behalf during the year, and are intended to help finance the District's activities during the same year. The amount of property tax received is dependent upon the assessed real property valuation, as determined by Nevada and Placer Counties Assessors. Nevada and Placer Counties have established certain dates to levy, lien, mail bills, and receive payments from property owners during the year. Property taxes are considered delinquent on the day following each payment due date. These funds are used to support the general maintenance and operation of the District, including charity care and uncompensated care programs, and to service the debt on the general obligation bonds. The District received approximately 5% and 4% of its financial support from property taxes for the years ended June 30, 2026 and 2025, respectively, exclusive of property taxes received to pay principal and interest payments of the general obligation bonds.

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Noncapital contributions – The District receives contributions from related foundation organizations, as well as from individuals and other private organizations. Revenues from contributions are recognized when all eligibility requirements, including time requirements, are met. Contributions may be restricted for either specific operating purposes or capital acquisitions. These amounts, when recognized upon meeting all requirements, are reported as components of the combined statements of revenues, expenses, and changes in net position.

Risk management – The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters.

The District participates in a risk management authority for comprehensive liability self-insurance. The District is also partially self-insured for employee health insurance and workers' compensation insurance, up to certain stop-loss limits. The District estimates liabilities for claims incurred but not reported based on historical claims' activity. Paid claims, estimated losses, and changes in reserves are expensed in the current period. These self-insurance programs are more fully described in Note 9.

Income taxes – The District operates under the purview of the Internal Revenue Code (IRC), Section 115, and corresponding California Revenue and Taxation Code provisions. As such, it is not subject to state or federal taxes on income.

The Foundations are exempt from federal income tax under Section 501(c)(3) of the IRC. TFHSF is also exempt under Section 23701d of the California Franchise Tax Board except to the extent of unrelated business taxable income as defined under IRC Sections 511 through 515. The Foundations have not entered into any activities that would jeopardize its tax-exempt status. Therefore, no provision for income taxes is required.

Reclassifications – Certain reclassifications have been made to the 2025 combined financial statements to conform to the 2026 combined financial statement presentation. These reclassifications had no effect on the changes in net position.

New accounting pronouncements – During 2026, the District implemented GASB Statement No. 103, *Financial Reporting Model Improvements*. The standard establishes revised requirements for the classification of operating and nonoperating revenues and expenses and requires the separate presentation of noncapital subsidies. As a result of implementation, certain revenues and expenses, including transfers, community benefit activities, and certain subsidy-related transactions, were reclassified in the accompanying combined statements of revenues, expenses, and changes in net position. Prior-year amounts have been reclassified to conform to the current-year presentation. These reclassifications had no effect on previously reported increase in net position or total net position.

During 2026, the District implemented GASB Statement No. 104, *Disclosure of Certain Capital Asset*s. The standard establishes additional disclosure requirements for certain capital assets, including separate disclosure of lease assets by major class of underlying asset, subscription assets, and other intangible assets, as applicable. The standard also establishes disclosure requirements for capital assets held for sale. Implementation of the standard did not have an effect on the District's combined net position or increase in net position.

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Note 2 – Net Patient Service Revenue

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare: Payments for inpatient acute care services rendered to Medicare program beneficiaries are based on prospectively determined rates, which vary according to the patient diagnostic classification system. Outpatient services are generally paid under an outpatient classification system subject to certain limitations. Certain reimbursement areas are still subject to final settlement that are determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. At June 30, 2026, Tahoe Forest Hospital and Incline Village Community Hospital cost reports through June 30, 2020, and June 30, 2023, respectively, have been audited or otherwise final settled.

Medi-Cal: Prior to July 1, 2013, inpatient acute care services rendered to Medi-Cal program beneficiaries were reimbursed under a cost reimbursement methodology; however, the District is also subject to per discharge limits. The District was paid for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by Medi-Cal. Per discharge limits for the District have been determined by Medi-Cal through June 30, 2011. Beginning on July 1, 2013, inpatient acute care services were rendered to Medi-Cal program beneficiaries under a diagnostic related group (DRG) methodology. Under this methodology, similar to Medicare, services are paid at prospectively determined rates per discharge according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient skilled nursing care services rendered to Medi-Cal program beneficiaries are reimbursed at prospectively determined per diem rates. Outpatient services rendered to Medi-Cal program beneficiaries are reimbursed based on prospectively determined fee schedules. At June 30, 2026, Tahoe Forest Hospital and Incline Village Community Hospital cost reports through June 30, 2024, have been audited or otherwise final settled.

Other: Payments for services rendered to other than Medicare and Medi-Cal program beneficiaries are based on established rates or on agreements with certain commercial insurance companies, health maintenance organizations, and preferred provider organizations that provide for various discounts from established rates.

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Net patient service revenue is comprised of the following for the years ended June 30, 2026 and 2025:

	2026	2025
Daily hospital services	$ 44,831,986	$ 41,858,427
Inpatient ancillary services	53,038,025	53,430,615
Outpatient services	699,504,529	648,550,344
Gross patient service revenues	797,374,540	743,839,386
Less contractual allowances and provision for doubtful accounts	(429,569,188)	(385,763,223)
Net patient service revenue at Tahoe Forest Hospital District	367,805,352	358,076,163
Net patient service revenue at Truckee Surgery Center, LLC	2,162,879	1,493,862
Total net patient service revenue	$ 369,968,231	$ 359,570,025

Gross patient service revenue, before any provision for bad debts, summarized by payor is as follows, for the years ended June 30:

	2026	2025
Commercial	39%	42%
Medicare	43%	40%
Medi-Cal	17%	17%
Others	1%	1%
Total	100%	100%

Medicare and Medi-Cal revenue accounts for a large percentage of the District's gross patient revenues for each year. Laws and regulations governing the Medicare and Medi-Cal programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Over five years, up to $7.5 billion in combined federal and state funds will be available to participating entities from the QIP. As a result of participating in the QIP, the District recorded a receivable of $4,226,710 and $4,997,204 at June 30, 2026 and 2025, respectively, which is included in other receivables on the combined statements of net position. This program requires a qualitative assessment of certain metrics and is subject to future audits by CMS.

The District receives funds through the Assembly Bill 915 legislation, the District Hospital Directed Payment Program (DHDP), and the Rate Range Program (RR). The DHDP and RR are through intergovernmental transfers (IGT's), where funds are put up by the District to be matched by the federal government. As a result of these three programs, two of which are IGT programs, the District recorded a receivable of $31,013,472 at June 30, 2026, for funds related to fiscal years 2026, 2025, and 2024, and a receivable of $21,662,628 at June 30, 2025, for funds related to fiscal years 2025 and 2024, which is included in other receivables on the combined statements of net position.

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Note 3 – Cash and Cash Equivalents, Assets Limited as to Use, and Investments

The District has deposits held by various financial institutions in the form of operating cash and cash equivalents. All of these funds are held in deposits, which are collateralized in accordance with the California Government Code (CGC), except for $250,000 per account that is federally insured. At June 30, 2026 and 2025, the District's cash deposits had carrying amounts of $40,511,395 and $46,515,232, and bank balances of $47,618,936 and $51,871,628, respectively. All of these funds were held in cash deposits, which are collateralized with the California Government Code (CGC), except for $250,000 per account that is federally insured by the Federal Deposit Insurance Corporation (FDIC).

The District is generally authorized, under state statute and local resolutions, to invest in demand deposits with financial institutions, savings accounts, certificates of deposit, U.S. Treasury securities, federal agency securities, State of California notes or bonds, notes or bonds of agencies within the State of California, obligations guaranteed by the Small Business Administration, bankers' acceptances, commercial paper, the LAIF, and equity securities.

As of June 30, 2026 and 2025, assets limited as to use and investments, at carrying value, consisted of the following:

	2026	2025
Assets limited as to use - required for current liabilities	$ 15,524,550	$ 13,445,627
Assets limited as to use, net of current	172,178,124	173,947,281
Investments	20,288,110	15,312,607
Total	$ 207,990,784	$ 202,705,515

As of June 30, 2026 and 2025, assets limited as to use and investments, at carrying value, have been set aside as follows:

	2026	2025
Board designated assets	$ 178,944,039	$ 175,999,536
Assets held by trustees	8,758,635	11,393,372
Unrestricted investments	20,288,110	15,312,607
Total	$ 207,990,784	$ 202,705,515

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A summary of scheduled maturities by investment type at June 30, 2026 and 2025, were as follows:

	2026			
		Investment Maturities (in years)		
	Carrying Value	Less than 1	1 to 5	6 to 10+
Investment type				
Short-term money market	$ 11,012,417	$ 11,012,417	$ -	$ -
U.S. corporate fixed income securities	39,087,541	2,493,945	36,593,596	-
U.S. government fixed income securities	77,122,768	17,832,239	59,290,529	-
Local agency investment fund	75,000,000	75,000,000	-	-
Equity securities	5,768,058	5,768,058	-	-
Total	$ 207,990,784	$ 112,106,659	$ 95,884,125	$ -

	2025			
		Investment Maturities (in years)		
	Carrying Value	Less than 1	1 to 5	6 to 10+
Investment type				
Short-term money market	$ 16,360,487	$ 16,360,487	$ -	$ -
U.S. corporate fixed income securities	17,759,520	-	17,759,520	-
U.S. government fixed income securities	89,285,455	-	89,285,455	-
Local agency investment fund	74,999,681	74,999,681	-	-
Equity securities	4,300,372	4,300,372	-	-
Total	$ 202,705,515	$ 95,660,540	$ 107,044,975	$ -

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

Credit risk and concentration of credit risk – Investment activities of the District are governed by sections of the CGC, which specify the authorized investments that may be made by the District. The District's investment policy (the Policy) requires that all investing activities of the District comply with the CGC and also sets forth certain additional restrictions which exceed those imposed by the CGC. Investment activities of the Foundations are governed by the Internal Revenue Code; therefore, its investment activities are not subject to the same requirements as the District.

CGC, Section 53635, places the following concentration limits on LAIF, which is unrated:

> No more than 40% may be invested in eligible commercial paper; no more than 10% may be invested in the outstanding commercial paper of any single issuer; and no more than 10% of the outstanding commercial paper of any single issuer may be purchased.

CGC, Section 53601, places the following concentration limits on the District's investments:

> No more than 5% may be invested in the securities of any one issuer, except the obligations of the U.S. government, U.S. government agencies, and U.S. government-sponsored enterprises; no more than 10% may be invested in any one mutual fund; no more than 25% may be invested in commercial paper; no more than 10% of the outstanding commercial paper of any single issuer may be purchased; no more than 30% may be invested in bankers' acceptances of any one commercial bank; no more than 30% may be invested in negotiable certificates of deposit; no more than 20% of the value of the portfolio may be invested in reverse repurchase agreements; and no more than 30% may be invested in medium-term notes.

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The District's policy maximizes the return on invested cash while minimizing risk of capital loss. The District's policy limits investments to one and one-half years, unless otherwise approved by the Board of Directors. The District was in compliance with their investment policies as of June 30, 2026.

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

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 the District's 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.

Note 4 – Fair Value Measurement of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

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

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

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

Following is a description of the valuation methodologies and inputs used for instruments measured at fair value on a recurring basis and recognized in the accompanying combined statements of net position or for which the fair value is disclosed in the notes to the combined financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2026 and 2025.

Cash and cash equivalents – The carrying amount approximates fair value.

Investments – Where quoted market prices are available in active markets, investments are classified within Level 1 of the valuation hierarchy. Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, are classified within Level 2 of the valuation hierarchy.

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Beneficial interest in trusts – As described in Note 1, the Foundations established the TTCF and Parasol Endowment and are the beneficiary of the Funds held at the TTCF. The fair value of the beneficial interest is estimated using the fair value of the assets held in trust reported by the trustees as of June 30, 2026 and 2025.

Hedging derivative – The fair value of the hedging derivative is valued using market to market valuations as of June 30, 2026 and 2025.

The following tables present the fair value measurements of instruments recognized in the accompanying combined statements of net position measured on a recurring basis and the level within the GASB 72 fair value hierarchy in which the fair value measurements fall at June 30:

	2026			
Description	Level 1	Level 2	Level 3	Total
Hedging derivative	$ -	$ (123,994)	$ -	$ (123,994)
Short-term money market	11,012,417	-	-	11,012,417
U.S. corporate fixed income securities	-	39,087,541	-	39,087,541
U.S. government fixed income securities	-	77,122,768	-	77,122,768
Equity securities	5,768,058	-	-	5,768,058
Beneficial interest in trusts	-	-	2,490,333	2,490,333
Total by fair value level	$ 16,780,475	$ 116,086,315	$ 2,490,333	$ 135,357,123
Local agency investment fund				75,000,000
Total				$ 210,357,123

	2025			
Description	Level 1	Level 2	Level 3	Total
Hedging derivative	$ -	$ (200,168)	$ -	$ (200,168)
Short-term money market	16,360,487	-	-	16,360,487
U.S. corporate fixed income securities	-	17,759,520	-	17,759,520
U.S. government fixed income securities	-	89,285,455	-	89,285,455
Equity securities	4,300,372	-	-	4,300,372
Beneficial interest in trusts	-	-	2,205,168	2,205,168
Total by fair value level	$ 20,660,859	$ 106,844,807	$ 2,205,168	129,710,834
Local agency investment fund				74,999,681
Total				$ 204,710,515

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The following table summarizes the changes in the District's Level 3 financial instruments for the years ended June 30, 2026 and 2025:

	2026	2025
Beginning balance	$ 2,205,168	$ 2,026,240
Change in value of beneficial interest in trusts	285,165	178,928
Ending balance	$ 2,490,333	$ 2,205,168

The table below presents information about significant unobservable inputs related to material categories of Level 3 financial instruments as of June 30, 2026 and 2025:

Description	Fair Value as of June 30, 2026	Valuation Technique	Unobservable Input	Range
Beneficial interest in trusts	$ 2,490,333	Fair value of the pooled assets and the Foundation's ownership interest	Fair value of the underlying assets of the investment pool	Varies

Description	Fair Value as of June 30, 2025	Valuation Technique	Unobservable Input	Range
Beneficial interest in trusts	$ 2,205,168	Fair value of the pooled assets and the Foundation's ownership interest	Fair value of the underlying assets of the investment pool	Varies

Note 5 – Patient Accounts Receivable

The District grants credit without collateral to its patients and third-party payors. Patient accounts receivable from government agencies represent the only concentrated group of credit risk for the District and management does not believe that there are any credit risks associated with these governmental agencies. Contracted and other patient accounts receivable consist of various payors, including individuals involved in diverse activities subject to differing economic conditions, and do not represent any concentrated credit risks to the District.

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Patient accounts receivable is comprised of the following as of June 30, 2026 and 2025:

	2026	2025
Medicare and Medicare managed care	$ 35,643,952	$ 32,913,935
Medi-Cal and Medi-Cal managed care	23,763,170	32,910,198
Other payors	58,493,914	61,081,030
Self-pay	9,841,433	9,129,512
Gross patient accounts receivable	127,742,469	136,034,675
Less allowances for contractual adjustments and bad debts	(67,711,429)	(75,512,341)
Net patient accounts receivable at Tahoe Forest Hospital District	60,031,040	60,522,334
Net patient accounts receivable at Truckee Surgery Center, LLC	733,271	329,880
Total net patient accounts receivable	$ 60,764,311	$ 60,852,214

Concentration of net patient accounts receivable as of June 30, 2026 and 2025, were as follows:

	2026	2025
Commercial and other payors	69%	71%
Medicare	22%	19%
Medi-Cal	8%	9%
Self-pay	1%	1%
Total	100%	100%

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Note 6 – Capital Assets

The capital asset activity of the District for the years ended June 30, 2026 and 2025, were as follows:

	2026				
	Balance June 30, 2025	Increases	Decreases	Transfers	Balance June 30, 2026
Capital assets - nondepreciable					
Land	$ 8,602,897	$ -	$ -	$ -	$ 8,602,897
Construction in progress, net	20,886,744	39,063,149	(207,708)	(2,109,722)	57,632,463
Property held for future expansion	910,968	-	-	-	910,968
	30,400,609	39,063,149	(207,708)	(2,109,722)	67,146,328
Capital assets - depreciable					
Land improvements	6,024,542	-	-	265,066	6,289,608
Building and improvements	273,516,747	-	-	1,553,379	275,070,126
Equipment and software	121,525,856	6,550,010	(56,085)	291,277	128,311,058
Capital assets at Truckee Surgery Center, LLC	2,162,670	248,342	-	-	2,411,012
	403,229,815	6,798,352	(56,085)	2,109,722	412,081,804
Less accumulated depreciation for					
Land improvements	3,906,864	81,837	-	-	3,988,701
Building and improvements	120,506,304	10,781,210	-	-	131,287,514
Equipment and software	105,226,824	5,545,498	(18,703)	-	110,753,619
Capital assets at Truckee Surgery Center, LLC	1,004,394	196,545	-	-	1,200,939
	230,644,386	16,605,090	(18,703)	-	247,230,773
Total capital assets - depreciable, net	172,585,429	(9,806,738)	(37,382)	2,109,722	164,851,031
Total capital assets, net	$ 202,986,038	$ 29,256,411	$ (245,090)	$ -	$ 231,997,359

	2025				
	Balance June 30, 2024	Increases	Decreases	Transfers	Balance June 30, 2025
Capital assets - nondepreciable					
Land	$ 8,602,897	$ -	$ -	$ -	$ 8,602,897
Construction in progress, net	13,329,055	10,786,450	(51,116)	(3,177,645)	20,886,744
Property held for future expansion	910,968	-	-	-	910,968
	22,842,920	10,786,450	(51,116)	(3,177,645)	30,400,609
Capital assets - depreciable					
Land improvements	5,884,006	62,489	-	78,047	6,024,542
Building and improvements	268,609,621	1,895,762	(88,234)	3,099,598	273,516,747
Equipment and software	116,993,652	4,661,822	(129,618)	-	121,525,856
Capital assets at Truckee Surgery Center, LLC	1,932,817	229,853	-	-	2,162,670
	393,420,096	6,849,926	(217,852)	3,177,645	403,229,815
Less accumulated depreciation for					
Land improvements	3,789,031	117,833	-	-	3,906,864
Building and improvements	109,902,428	10,603,876	-	-	120,506,304
Equipment and software	100,297,729	5,058,713	(129,618)	-	105,226,824
Capital assets at Truckee Surgery Center, LLC	846,782	157,612	-	-	1,004,394
	214,835,970	15,938,034	(129,618)	-	230,644,386
Total capital assets - depreciable, net	178,584,126	(9,088,108)	(88,234)	3,177,645	172,585,429
Total capital assets, net	$ 201,427,046	$ 1,698,342	$ (139,350)	$ -	$ 202,986,038

See Note 13 – Right-to-use assets and lease liabilities and Note 14 – Subscription-based information technology arrangements for respective asset activity for the years ended June 30, 2026 and 2025.

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Note 7 – Long-Term Debt and Lease Obligations

A summary of long-term debt and lease obligations as of June 30, 2026 and 2025, were as follows:

	2026					
	Date of Issue	Date of Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2026
General obligation bonds						
2016 GOB	March 2016	August 2040	2.00% - 5.00%	$1,260,000 - $3,625,000	$ 45,110,000	$ 36,770,000
2015 GOB	February 2015	August 2038	2.00% - 5.00%	$975,000 - $2,895,000	30,810,000	24,910,000
2019 GOB	September 2019	August 2042	3.00% - 5.00%	$495,000 - $2,270,000	24,710,000	22,420,000
Revenue bonds						
Series 2017	March 2017	July 2032	1.49%	$577,883 - $663,805	9,060,000	4,382,066
Series 2015	March 2015	July 2033	3.87%	$1,168,959 - $1,583,873	20,979,000	11,136,206
Notes payable						
11046 Donner Pass Road	January 2019	February 2026	4.00%	$533,255	4,950,000	-
Bank of America Leasing	February 2025	February 2032	4.50%	$757,254 - $948,082	6,000,000	4,997,797
					$ 141,619,000	$ 104,616,069

	2025					
	Date of Issue	Date of Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2025
General obligation bonds						
2016 GOB	March 2016	August 2040	2.00% - 5.00%	$1,140,000 - $3,625,000	$ 45,110,000	$ 38,030,000
2015 GOB	February 2015	August 2038	2.00% - 5.00%	$865,000 - $2,895,000	30,810,000	25,885,000
2019 GOB	September 2019	August 2042	3.00% - 5.00%	$435,000 - $2,270,000	24,710,000	22,915,000
Revenue bonds						
Series 2017	March 2017	July 2032	1.49%	$566,551 - $663,805	9,060,000	4,959,949
Series 2015	March 2015	July 2033	3.87%	$1,125,406- $1,583,873	20,979,000	12,305,165
Notes payable						
11046 Donner Pass Road	January 2019	February 2026	4.00%	$533,255 - $773,730	4,950,000	533,255
Bank of America Leasing	February 2025	February 2032	4.50%	$244,948 - $948,082	6,000,000	5,755,052
Lease obligations						
US Bank Equipment Financing	September 2019	September 2024	8.30%	$273 monthly	18,176	-
US Bank Equipment Financing	October 2019	October 2024	8.28%	$117 monthly	7,835	-
					$ 141,645,011	$ 110,383,421

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The following tables summarize the District's long-term debt and lease obligation transactions for the years ended June 30, 2026 and 2025:

	2026				
	Balance June 30, 2025	Net Borrowings and Issuance Proceeds	Payments and Bond Premium/Discount Amortization During the Year	Balance June 30, 2026	Current Portion
2016 General obligation bond	$ 38,030,000	$ -	$ (1,260,000)	$ 36,770,000	$ 1,385,000
2015 General obligation bond	25,885,000	-	(975,000)	24,910,000	1,090,000
2019 General obligation bond	22,915,000	-	(495,000)	22,420,000	555,000
General obligation bond premium/discount	2,864,313	-	(187,616)	2,676,697	-
Series 2017 Revenue bonds	4,959,949	-	(577,883)	4,382,066	589,440
Series 2015 Revenue bonds	12,305,165	-	(1,168,959)	11,136,206	1,214,198
11046 Donner Pass Road	533,255	-	(533,255)	-	-
Bank of America leasing	5,755,052	-	(757,255)	4,997,797	792,069
	$ 113,247,734	$ -	$ (5,954,968)	$ 107,292,766	$ 5,625,707

	2025				
	Balance June 30, 2024	Net Borrowings and Issuance Proceeds	Payments and Bond Premium/Discount Amortization During the Year	Balance June 30, 2025	Current Portion
2016 General obligation bond	$ 39,170,000	$ -	$ (1,140,000)	$ 38,030,000	$ 1,260,000
2015 General obligation bond	26,750,000	-	(865,000)	25,885,000	975,000
2019 General obligation bond	23,350,000	-	(435,000)	22,915,000	495,000
General obligation bond premium/discount	3,051,931	-	(187,618)	2,864,313	-
Series 2017 Revenue bonds	5,526,500	-	(566,551)	4,959,949	577,883
Series 2015 Revenue bonds	13,430,569	-	(1,125,404)	12,305,165	1,168,959
11046 Donner Pass Road	1,306,985	-	(773,730)	533,255	533,255
Bank of America leasing	-	6,000,000	(244,948)	5,755,052	757,254
US Bank equipment financing	735	-	(735)	-	-
US Bank equipment financing	473	-	(473)	-	-
	$ 112,587,193	$ 6,000,000	$ (5,339,459)	$ 113,247,734	$ 5,767,351

As of June 30, 2026, the District's long-term debt and lease obligation requirements to maturity, excluding unamortized bond premium and bond issuance costs of $2,676,697, are as follows:

	Long-Term Debt		
Years Ending June 30,	Principal	Interest	Total
2027	$ 5,625,707	$ 3,381,887	$ 9,007,594
2028	6,045,902	3,137,860	9,183,762
2029	6,494,826	2,898,815	9,393,641
2030	6,962,630	2,639,869	9,602,499
2031	7,449,472	2,362,764	9,812,236
2032 - 2036	34,702,532	8,197,522	42,900,054
2037 - 2041	32,945,000	2,655,876	35,600,876
2042 - 2043	4,390,000	79,075	4,469,075
	$ 104,616,069	$ 25,353,668	$ 129,969,737

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Advanced refunding – On April 13, 2006, the District advance refunded the 1999 Series A Bonds totaling $11,790,000 with Series 2006 Revenue Bonds totaling $24,347,998. The 1999 Series A Bonds were redeemed on July 1, 2009, in accordance with the escrow agreement.

On March 10, 2015, the District advance refunded the Series A (2008) General Obligation Bonds totaling $29,345,000 with the 2015 General Obligation Bonds totaling $30,810,000 at a premium of $1,040,802. Resources totaling $31,361,320 were placed in an escrow account for the purpose of generating resources for all future debt service payments.

This advance refunding was undertaken to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding general obligation bonds) of $3,631,371. As a result of the refunding, total debt service payments over the next 24 years will decrease by $5,184,014.

On May 29, 2015, the District advance refunded the Series 2006 Revenue Bonds totaling $23,240,000 with the Series 2015 Revenue Bonds totaling $20,979,000. Resources totaling $24,036,325 were placed in an escrow account for the purpose of generating resources for all future debt service payments.

This advance refunding was undertaken to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding revenue bonds) of $2,331,620. As a result of the refunding, total debt service payments over the next 22 years will decrease by $2,570,928.

On April 7, 2016, the District advance refunded the Series B (2010) General Obligation Bonds totaling $42,785,000 with the 2016 General Obligation Bonds totaling $45,110,000. Resources totaling $47,412,331 were placed in an escrow account for the purpose of generating resources for all future debt service payments.

This advance refunding was undertaken to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding general obligation bonds) of $7,718,216. As a result of the refunding, total debt service payments over the next 22 years will decrease by $10,617,709.

On March 27, 2017, the District advance refunded the Series 2002 Variable Rate Demand Revenue Bonds totaling $8,890,000 with the Series 2017 Variable Rate Demand Revenue Bonds totaling $9,060,000.

This advance refunding was undertaken to obtain an economic gain by eliminating the required line of credit associated with the Series 2002 Bonds, therefore saving approximately $100,000 annually for the District. The Series 2017 Bonds were issued on a parity as to payment and security with the District's Series 2015 Bonds.

On August 1, 2019, the District advanced refunded the Series C (2012) General Obligation Bonds totaling $25,570,000 with the 2019 General Obligation Bonds totaling $24,710,000 at a premium of $1,251,639.

This advance refunding was undertaken to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding general obligation bonds) of $860,000. As a result of the refunding, total debt service payments over the next 23 years will decrease by $4,591,190.

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Note 8 – Interest Rate Swap Agreement

In May 2005, as a means to lower its borrowing costs when compared against fixed rate bonds, the District entered into an interest rate swap in connection with its Series 2002 Variable Rate Revenue Bonds. The intention of the swap was to effectively change the District's variable interest rate on the Bonds to a synthetic fixed rate of 3.54%.

The Series 2002 Bonds, and the related swap agreement, mature on July 1, 2033. The swap's original notional amount of $11,800,000 matched the variable-rate bonds at the agreement date. The swap commenced three years after the Bonds were issued (July 2002). Starting in fiscal year 2005, the notional value of the swap, and the principal amount of the associated debt, will decline with each principal payment made by the District. Under the swap, the District pays the counterparty a fixed payment of 3.54% and receives a variable payment computed as 70% of the LIBOR one-month rate.

In 2017, the 2002 bonds were defeased and the funds were used to issue the Series 2017 Revenue Bonds. The Series 2017 Revenue bonds are for a marginally larger notional amount, with the same end date, and the same interest rate based on the same driver. The swap was then found to still be effective with the new Series 2017 Revenue Bonds, and hedge accounting for the swap continued forward. At the date of defeasance, the value of the swap was approximately $1,400,000. In June 2023, the District amended the Series 2017 Revenue Bonds Indenture of Trust. As part of the amendment, effective July 1, 2023, the Series 2017 Revenue Bonds shall bear interest at a variable rate equal to 65% of the aggregate of the daily Secured Overnight Financing Rate plus 1.70%, minus 0.10%.

As interest rates have declined since execution of the swap, the swap had negative fair values of $123,994 and $200,168 as of June 30, 2026 and 2025, respectively. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable-rate bonds, creating a lower synthetic interest rate. Because the coupons on the District's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using mathematical approximations of market values derived from proprietary models. The valuations are calculated on a mid-market basis and do not include bid/offer spread that would be reflected in an actual price quotation. It should be assumed that the actual price quotations for unwinding the transactions would be different. In connection with the fair value determination of the interest rate swap, the District has recorded a derivative instrument liability in the amount of $123,994 and $200,168 at June 30, 2026 and 2025, respectively, and a corresponding accumulated decrease in fair value of hedging derivative (deferred outflow of resources). Fair values are based on a market-to-market report which is considered a Level 2 fair value input.

Credit risk – As of June 30, 2026, the District was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the District would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated AA-/Aa3 as of June 30, 2026. To mitigate the potential for credit risk, if the counterparty's credit quality falls below AA/Aa, the fair value of the swap will be fully collateralized by the counterparty with U.S. government securities. Collateral would be posted with a third-party custodian.

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Termination risk – The District, or the counterparty, may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the District if the counterparty's credit rating falls below A3/A-/A-. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. If at the time of termination, the swap has a negative fair value, the District would also be liable to the counterparty for a payment equal to the swap's fair value.

Note 9 – Risk Management Programs

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors, and omissions, injuries to employees, and natural disasters. The District carries insurance for medical malpractice and general comprehensive liability, and workers' compensation claims.

Workers' compensation insurance – The District is self-insured for workers' compensation claims. A stop-loss insurance contract executed with an insurance carrier covers individual claims in excess of $500,000 per plan year with an aggregate limit of $1,000,000. There were no significant changes in insurance coverage from the prior year.

Workers' compensation benefits costs from reported and unreported claims were accrued based on estimates that incorporate the District's past experience, as well as other considerations, including the nature of each claim or incident and other relevant trend factors. While the ultimate amount of workers' compensation liability is dependent on future developments, management is of the opinion that the associated liabilities for claims pending and incurred but not reported, which is included in self-insured liabilities on the combined statements of net position, is adequate to cover such claims. The liability has not been discounted. Management is aware of no potential workers' compensation liability the settlement of which, if any, would have a material adverse effect on the District's net position for the years ended June 30, 2026 and 2025.

Employee health insurance – The District is self-insured to provide group medical, dental, and vision coverage. The District funds its liability based on actual claims. A stop-loss insurance contract executed with an insurance carrier provides a specific stop-loss deductible per claim of $375,000 with an aggregate specific annual deductible of $100,000. There were no significant changes in insurance coverage from the prior year.

The liability for unpaid claims is estimated using an industry average that is based on actual claims paid. The estimated liability for claims pending and incurred but not reported at June 30, 2026 and 2025, has been included in the accompanying combined statements of net position under self-insured liabilities.

FINAL DRAFT

The following is a summary of the changes in the workers' compensation and employee health insurance liabilities for the years ended June 30, 2026 and 2025:

	2026			
	Balance July 1, 2025	Increases	Decreases	Balance June 30, 2026
Workers' compensation	$ 2,315,069	$ 2,200,868	$ (1,517,424)	$ 2,998,513
Employee health	4,128,800	20,585,455	(18,996,810)	5,717,445
	$ 6,443,869	$ 22,786,323	$ (20,514,234)	$ 8,715,958

	2025			
	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Workers' compensation	$ 2,297,841	$ 1,965,843	$ (1,948,615)	$ 2,315,069
Employee health	2,939,536	14,444,340	(13,255,076)	4,128,800
	$ 5,237,377	$ 16,410,183	$ (15,203,691)	$ 6,443,869

Medical malpractice insurance – The District participates in a joint powers agreement (JPA) with the Program BETA Risk Management Authority (the Program).

The Program was formed for the purpose of operating a comprehensive liability self-insurance program for certain hospital districts of the Association of California Healthcare Districts, Inc. (ACHD). The Program operates as a separate JPA established as a public agency separate and distinct from ACHD. Each member hospital pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the Program. The District maintains coverage on a claims-made basis.

Coverage under a claims-made policy could expose the District to a gap in coverage if the District were to terminate coverage with the Program. In order to mitigate this potential gap in coverage, the District has accrued an estimated premium to purchase an unlimited extended reporting amendment (tail coverage) in the amount of $3,135,382 and $2,876,447 for the years ended June 30, 2026 and 2025, respectively.

FINAL DRAFT

Note 10 – Restricted Net Position

Net assets are maintained for the following programs and services at June 30:

	2026	2025
Restricted - expendable net assets		
Cancer prevention	$ 2,652,267	$ 1,959,715
Cancer care	1,821,684	1,556,389
Hospice and other	10,554,720	9,801,612
	$ 15,028,671	$ 13,317,716
Restricted - nonexpendable net assets		
Investments in perpetuity, TTCF Endowment	$ 519,375	$ 519,375
Investments in perpetuity, Parasol Endowment	84,609	84,609
	$ 603,984	$ 603,984

Note 11 – Employees' Retirement Plans

The District contributes to the Tahoe Forest Hospital District Employee Money Purchase Pension Plan (the MPP Plan), a defined contribution pension plan administered by the District. The MPP Plan covers employees who complete 1,000 hours of service in a calendar year. The District is required to make annual contributions to the MPP Plan equal to 3% of each eligible employee's annual compensation, plus 3% of an eligible employee's annual compensation in excess of the Social Security tax wage base. Employee contributions are voluntary and are limited to 10% of an employee's annual compensation.

The District also offers its employees a deferred compensation plan (the 457 Plan) created in accordance with Internal Revenue Code Section 457(b). The 457 Plan allows employees to defer a portion of their current compensation until future years. The District matches participant's deferrals from 3% to 7% of compensation. Employee contributions are limited to 100% of total employee compensation or the maximum amount allowable by law. The employer matching contributions under the 457 Plan are deposited into employee accounts in the MPP Plan.

Total employer contributions under the above retirement plans were $8,865,031 and $11,463,372 for the years ended June 30, 2026 and 2025, respectively. As of June 30, 2026 and 2025, the District has accrued $4,298,956 and $4,365,368, respectively, of employer contributions related to the above retirement plans in accrued payroll and related expense on the accompanying combined statements of net position.

Note 12 – Commitments and Contingencies

Construction in progress – As of June 30, 2026 and 2025, the District had recorded $57,632,463 and $20,886,744, respectively, as construction-in-progress representing cost capitalized for various remodeling, major repair, and expansion projects on the District's premises. Estimated cost to complete all projects as of June 30, 2026, is approximately $35,409,000.

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Litigation – The District is a defendant in various legal proceedings arising out of the normal conduct of its business. In the opinion of management and its legal representatives, the District has valid and substantial defenses, and settlements or awards arising from legal proceedings, if any, will not exceed existing insurance coverage, nor will they have a material adverse effect on the net position, results of operations, or liquidity of the District.

Regulatory environment – The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. The District is subject to routine surveys and reviews by federal, state, and local regulatory authorities. The District has also received inquiries from health care regulatory authorities regarding its compliance with laws and regulations. Although the District management is not aware of any violations of laws and regulations, it has received corrective action requests as a result of completed and ongoing surveys from applicable regulatory authorities. Management continually works in a timely manner to implement operational changes and procedures to address all corrective action requests from regulatory authorities. Breaches of these laws and regulations and noncompliance with survey corrective action requests could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Hospital Seismic Safety Act – The California Hospital Facilities Seismic Safety Act (SB 1953) specifies certain requirements that must be met at various dates in order to increase the probability that a California hospital can maintain uninterrupted operations following a major earthquake. Management believes that the District is currently substantially in compliance with these requirements.

Arbitrage – The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years. During the current year, the District performed calculations of excess investment earnings on various bonds and financings and, at June 30, 2026, does not expect to incur a significant liability.

FINAL DRAFT

Note 13 – Right-to-Use Assets and Lease Liabilities

The District is a lessee for noncancellable office space leases with lease terms through 2044. There are no residual value guarantees included in the measurement of the District's lease liabilities nor recognized as an expense for the years ended June 30, 2026 and 2025. The District does not have any commitments that were incurred at the commencement of the leases. There were no amounts recognized as variable lease payments as lease expense on the combined statements of revenues, expenses, and changes in net position for the years ended June 30, 2026 and 2025. No termination penalties were incurred during the fiscal year.

	Balance as of July 1, 2025	Increases	Decreases	Balance as of June 30, 2026
Right-to-use assets	$ 22,833,068	$ 965,317	$ -	$ 23,798,385
Less accumulated amortization	8,174,653	2,229,013	-	10,403,666
Right to use assets, net	$ 14,658,415	$ (1,263,696)	$ -	$ 13,394,719

	Balance as of July 1, 2024	Increases	Decreases	Balance as of June 30, 2025
Right-to-use assets	$ 17,729,251	$ 5,103,817	$ -	$ 22,833,068
Less accumulated amortization	6,062,567	2,112,086	-	8,174,653
Right to use assets, net	$ 11,666,684	$ 2,991,731	$ -	$ 14,658,415

For the years ended June 30, 2026 and 2025, the District recognized $2,229,013 and $2,112,086, respectively, in amortization expense included in depreciation and amortization expense on the combined statements of revenues, expenses, and changes in net position.

The future principal and interest lease payments as of June 30, 2026, were as follows:

Years ending June 30,	Principal Payments	Interest Payments	Total
2027	$ 2,209,945	$ 425,276	$ 2,635,221
2028	1,570,542	381,751	1,952,293
2029	1,498,010	342,234	1,840,244
2030	1,570,480	301,475	1,871,955
2031	1,553,794	260,556	1,814,350
2032 - 2036	3,401,263	882,597	4,283,860
2037 - 2041	1,666,383	474,714	2,141,097
2042 - 2044	982,647	70,189	1,052,836
	$ 14,453,064	$ 3,138,792	$ 17,591,856

The District evaluated the right-to-use assets for impairment and determined there was no impairment for the years ended June 30, 2026 and 2025.

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Note 14 – Subscription-Based Information Technology Arrangements

The District has the following subscription assets activity as of June 30:

	Balance as of July 1, 2025	Increases	Decreases	Balance as of June 30, 2026
Subscription assets	$ 37,387,521	$ 2,069,834	$ 1,373,912	$ 38,083,443
Less accumulated amortization	13,745,747	4,328,661	1,005,641	17,068,767
Subscription assets, net	$ 23,641,774	$ (2,258,827)	$ 368,271	$ 21,014,676

	Balance as of July 1, 2024	Increases	Decreases	Balance as of June 30, 2025
Subscription assets	$ 36,998,914	$ 388,607	$ -	$ 37,387,521
Less accumulated amortization	9,881,942	3,863,805	-	13,745,747
Subscription assets, net	$ 27,116,972	$ (3,475,198)	$ -	$ 23,641,774

For the years ended June 30, 2026 and 2025, the District recognized $4,328,661 and $3,863,805, respectively, in amortization expense included in depreciation and amortization expense on the combined statements of revenues, expenses, and changes in net position.

The future subscription payments as of June 30, 2026, were as follows:

Years ending June 30,	Principal Payments	Interest Payments	Total
2027	$ 3,928,632	$ 945,514	$ 4,874,146
2028	3,453,230	777,651	4,230,881
2029	2,803,047	633,744	3,436,791
2030	2,831,039	508,171	3,339,210
2031	2,919,879	379,261	3,299,140
2032 - 2034	7,139,322	370,152	7,509,474
	$ 23,075,149	$ 3,614,493	$ 26,689,642

The District evaluated the subscription assets for impairment and determined there was no impairment for the years ended June 30, 2026 and 2025.

FINAL DRAFT

Note 15 – TFHSF and IVCHF

As described in Note 1, TFHSF and IVCHF are blended components of the District. See below for condensed financial statement data for TFHSF and IVCHF:

	2026		2025	
	Tahoe Forest Health System Foundation	Incline Village Community Hospital Foundation	Tahoe Forest Health System Foundation	Incline Village Community Hospital Foundation
Assets				
Current assets	$ 587,320	$ 269,536	$ 152,333	$ 681,389
Investments	6,243,475	14,044,635	4,704,190	10,608,417
Beneficial interest in trusts	2,341,059	149,274	2,075,764	129,404
Total assets	$ 9,171,854	$ 14,463,445	$ 6,932,287	$ 11,419,210
Liabilities				
Current liabilities	$ 106,574	$ -	$ 160,408	$ -
Total liabilities	$ 106,574	$ -	$ 160,408	$ -
Net position				
Restricted - expendable	$ 4,953,143	$ 8,859,949	$ 4,045,985	$ 8,068,160
Restricted - nonexpendable	519,375	84,609	519,375	84,609
Unrestricted	3,592,762	5,518,887	2,206,519	3,266,441
Total net position	$ 9,065,280	$ 14,463,445	$ 6,771,879	$ 11,419,210

	2026		2025	
	Tahoe Forest Health System Foundation	Incline Village Community Hospital Foundation	Tahoe Forest Health System Foundation	Incline Village Community Hospital Foundation
Operating expenses				
Other	2,087,838	1,405,296	2,024,780	538,259
Total operating expenses	2,087,838	1,405,296	2,024,780	538,259
Loss from operations	(2,087,838)	(1,405,296)	(2,024,780)	(538,259)
Noncapital subsidies				
Noncapital contributions	3,944,699	3,983,265	4,385,382	1,986,121
Total noncapital subsidies	3,944,699	3,983,265	4,385,382	1,986,121
Total income from operations and noncapital subsidies	1,856,861	2,577,969	2,360,602	1,447,862
Nonoperating revenues (expenses)				
Contributions, net	-	-	-	7,800,000
Investment income	172,583	508,362	151,240	237,348
Net (decrease) increase in the fair value of investments	(1,338)	(61,966)	36,635	45,407
Other nonoperating revenues	265,295	19,870	166,024	12,904
Total nonoperating revenues	436,540	466,266	353,899	8,095,659
Increase in net position	2,293,401	3,044,235	2,714,501	9,543,521
Net position, beginning of year	6,771,879	11,419,210	4,057,378	1,875,689
Net position, end of year	$ 9,065,280	$ 14,463,445	$ 6,771,879	$ 11,419,210

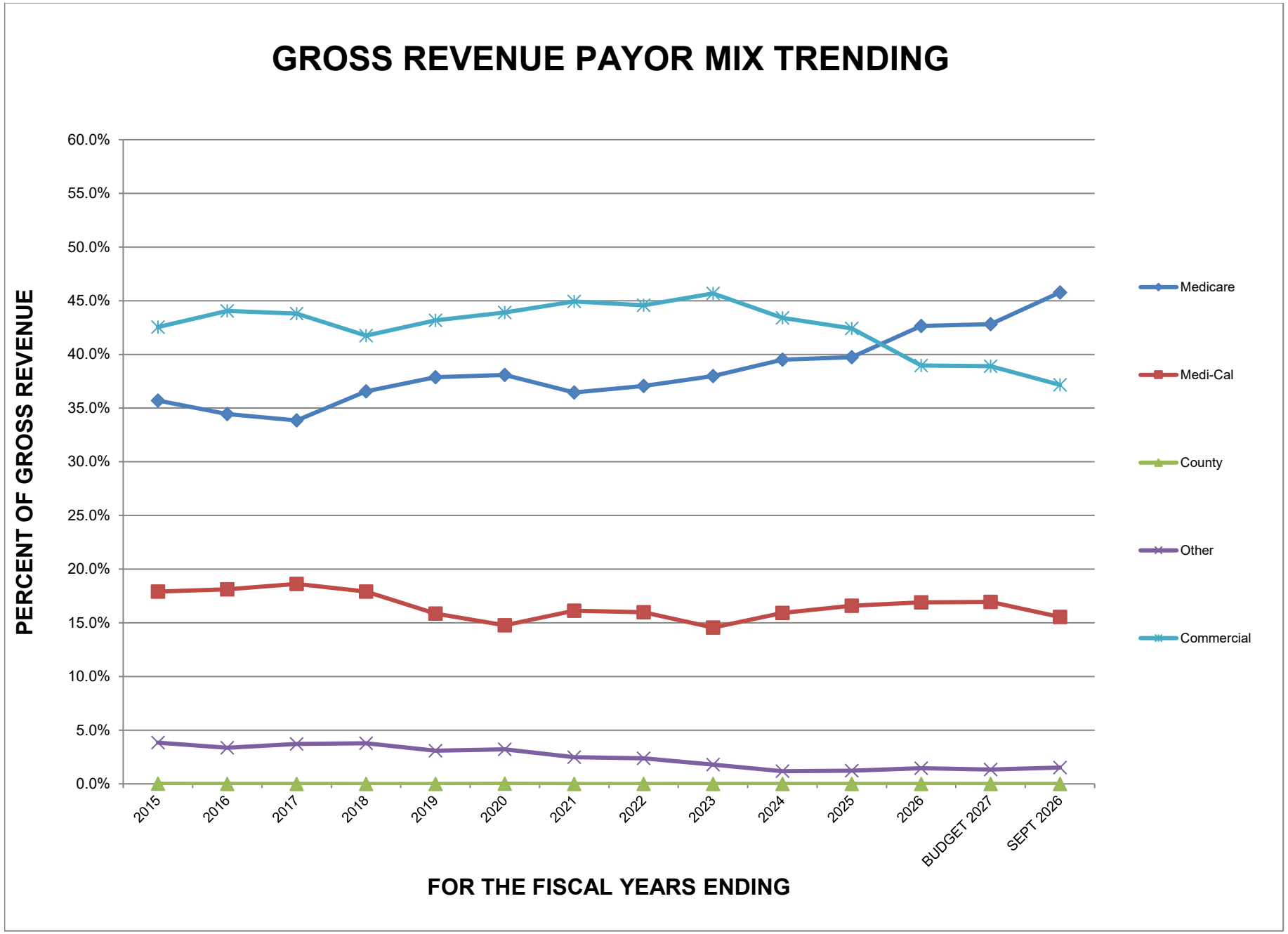
FINAL DRAFT

	2026		2025	
	Tahoe Forest Health System Foundation	Incline Village Community Hospital Foundation	Tahoe Forest Health System Foundation	Incline Village Community Hospital Foundation
Cash provided by (used in)				
Operating activities	(2,369,149)	$ (862,367)	$ (1,734,808)	$ (335,478)
Noncapital financing activities	3,944,699	3,983,265	3,299,794	1,986,121
Capital and related financing activities	-	-	-	7,800,000
Investing activities	(1,140,563)	(3,498,184)	(1,665,309)	(9,133,938)
Net increase (decrease) in net position	434,987	(377,286)	(100,323)	316,705
Cash, beginning of year	152,333	646,822	252,656	330,117
Cash, end of year	$ 587,320	$ 269,536	$ 152,333	$ 646,822
Supplemental disclosure of noncash investing and financing activities:				
Change in fair value of beneficial interest in trusts	$ 265,295	$ 19,870	$ 166,024	$ 12,904
Change in fair value of investments	$ (1,338)	$ (61,966)	$ 36,635	$ 45,407
Non-cash contributions of investments	$ 400,060	$ -	$ 1,085,588	$ -

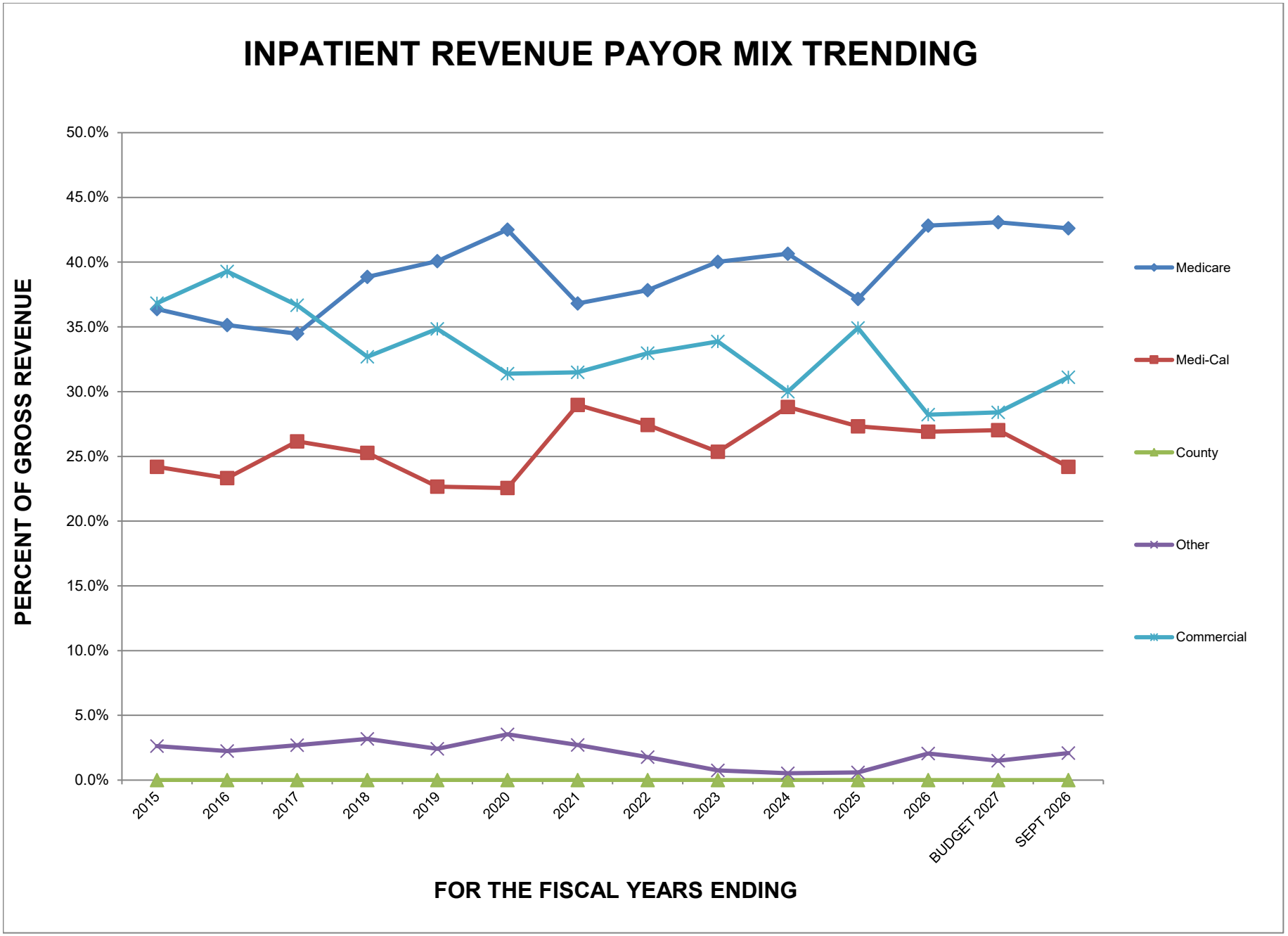
Note 16 – Subsequent Events

Subsequent events are events or transactions that occur after the combined statement of net position date but before the combined financial statements are issued. The District recognizes in the combined financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the combined statement of net position, including the estimates inherent in the process of preparing the combined financial statements. The District's combined financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the combined statement of net position but arose after the combined statement of net position date and before the combined financial statements are issued.

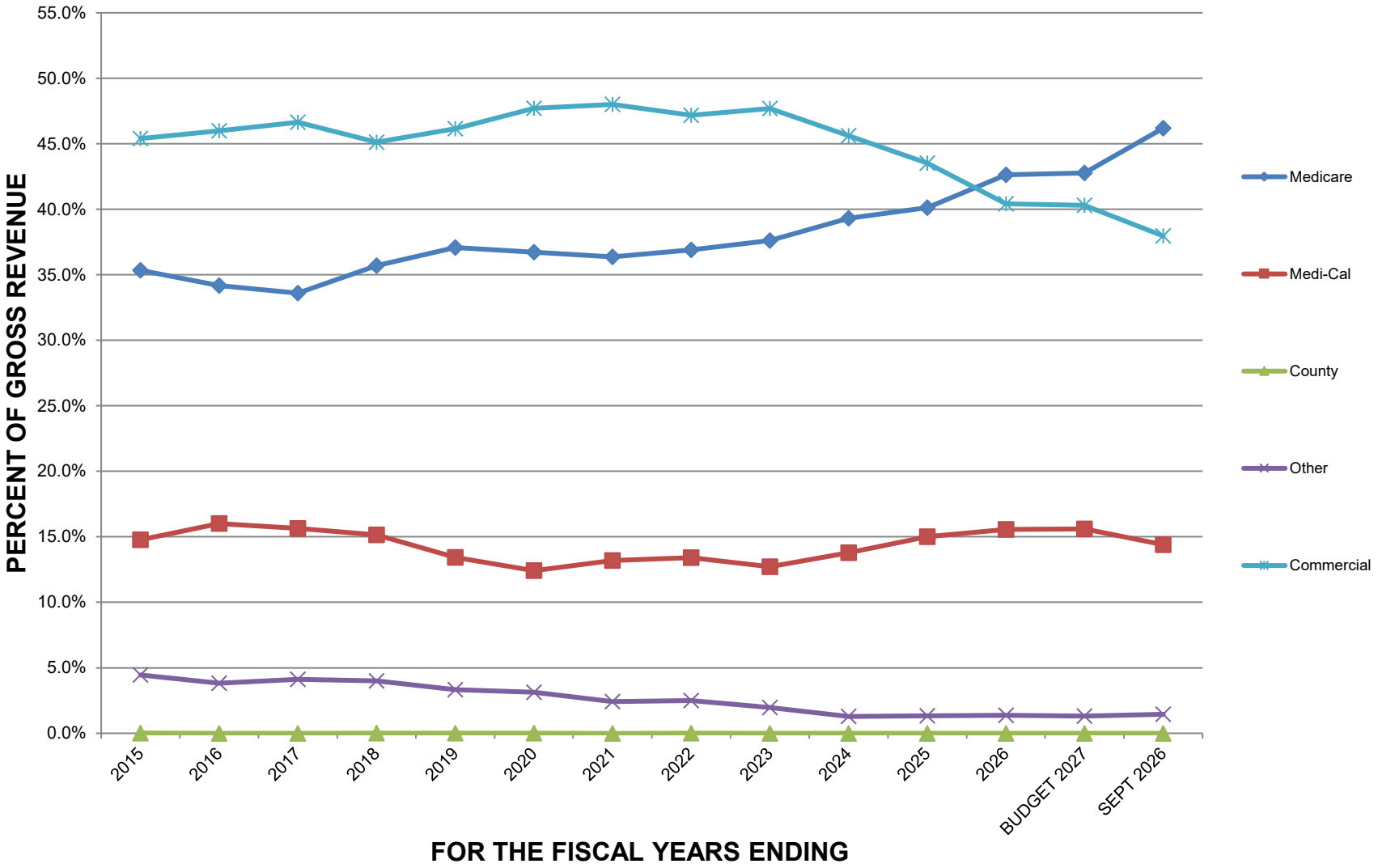
FINAL DRAFT

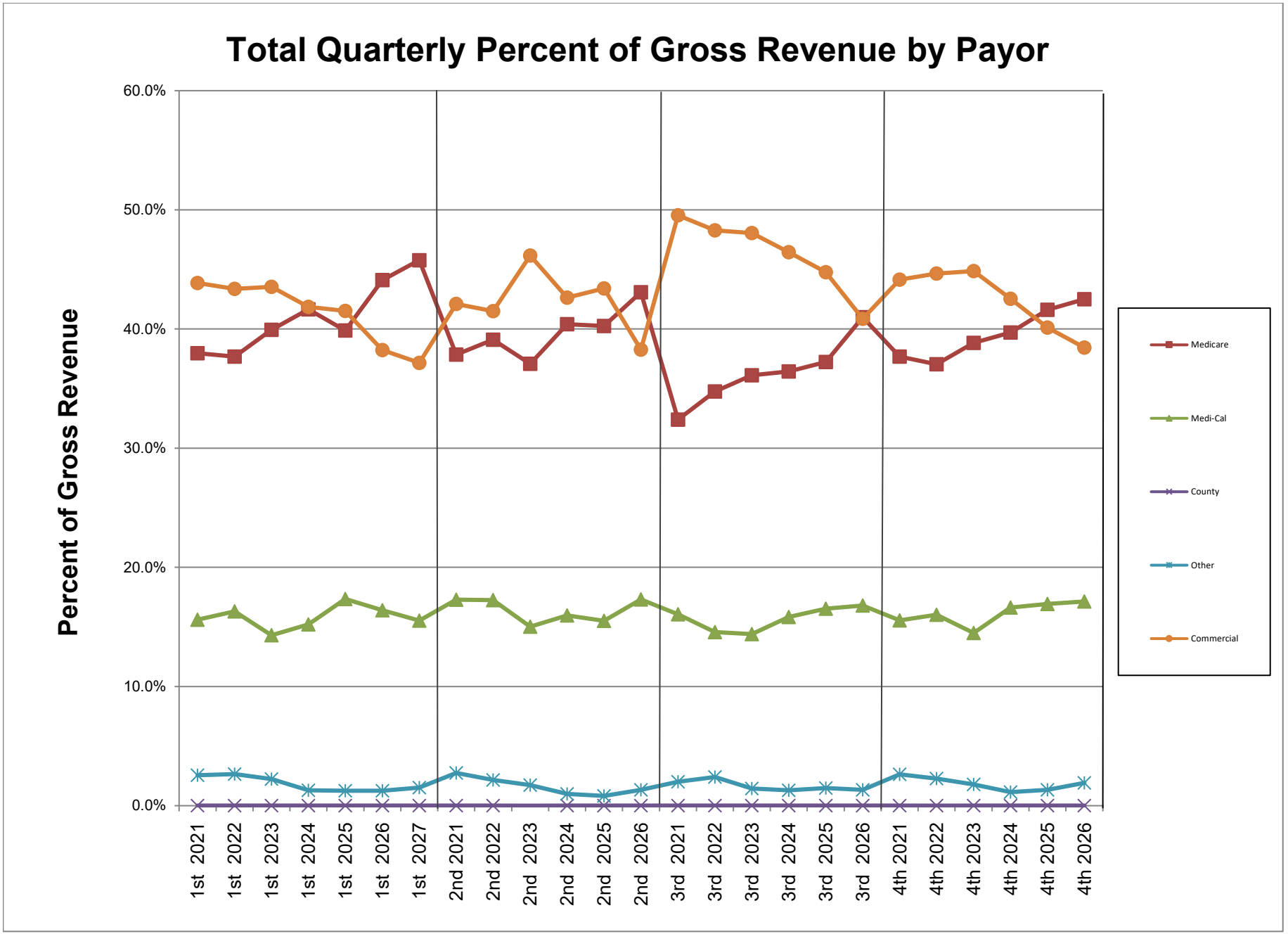

GROSS REVENUE PAYOR MIX TRENDING
PERCENT OF GROSS REVENUE
60.0%
55.0%
50.0%
45.0%
40.0%
35.0%
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
BUDGET 2027
SEPT 2026
FOR THE FISCAL YEARS ENDING
Medicare
Medi-Cal
County
Other
Commercial

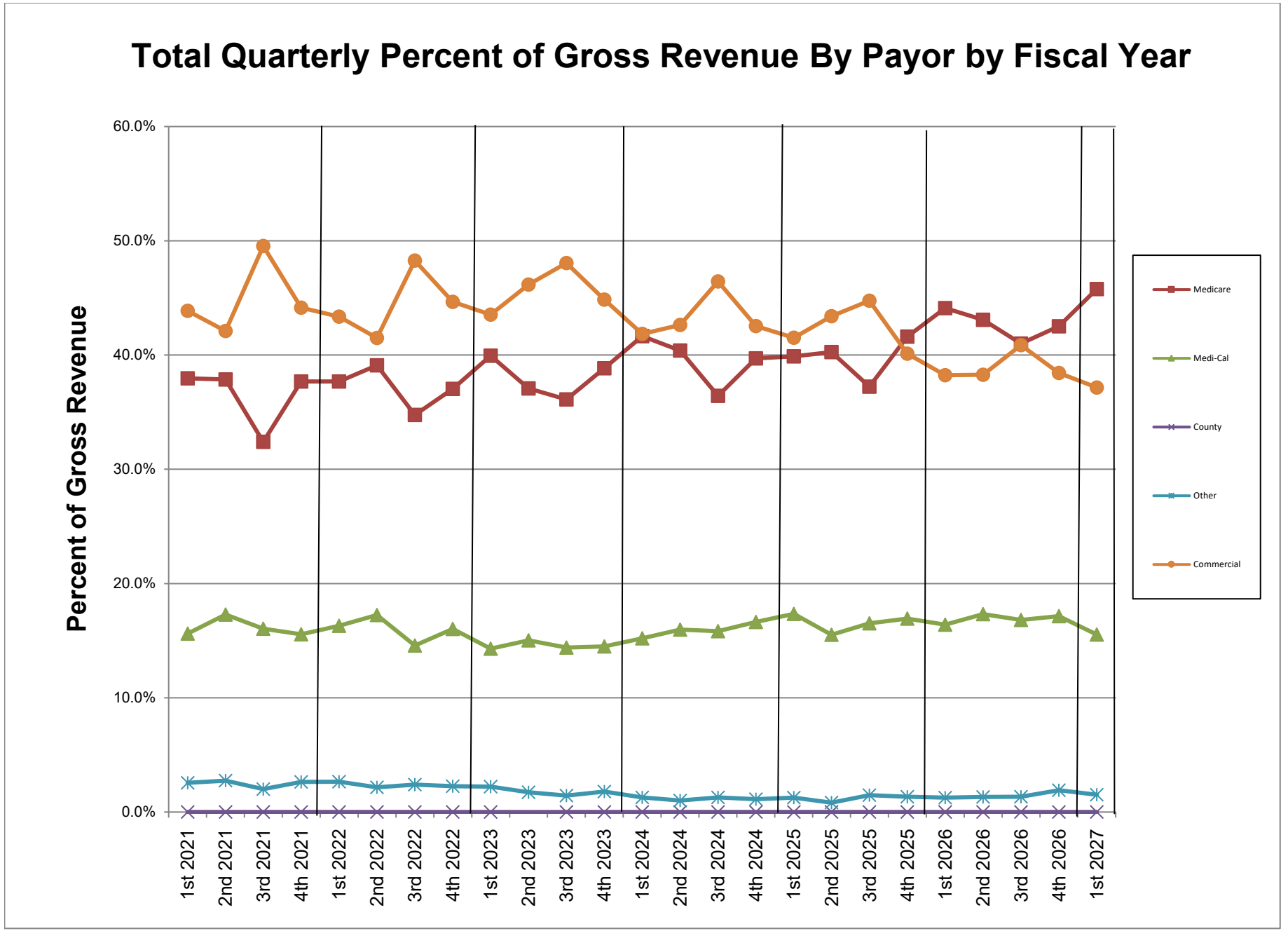
INPATIENT REVENUE PAYOR MIX TRENDING



OUTPATIENT REVENUE PAYOR MIX TRENDING




Total Quarterly Percent of Gross Revenue by Payor
Percent of Gross Revenue
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
1st 2021
1st 2022
1st 2023
1st 2024
1st 2025
1st 2026
1st 2027
2nd 2021
2nd 2022
2nd 2023
2nd 2024
2nd 2025
2nd 2026
3rd 2021
3rd 2022
3rd 2023
3rd 2024
3rd 2025
3rd 2026
4th 2021
4th 2022
4th 2023
4th 2024
4th 2025
4th 2026
Medicare
Medi-Cal
County
Other
Commercial


Total Quarterly Percent of Gross Revenue By Payor by Fiscal Year
Percent of Gross Revenue
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
1st 2021
2nd 2021
3rd 2021
4th 2021
1st 2022
2nd 2022
3rd 2022
4th 2022
1st 2023
2nd 2023
3rd 2023
4th 2023
1st 2024
2nd 2024
3rd 2024
4th 2024
1st 2025
2nd 2025
3rd 2025
4th 2025
1st 2026
2nd 2026
3rd 2026
4th 2026
1st 2027
Medicare
Medi-Cal
County
Other
Commercial

TAHOE FOREST HOSPITAL DISTRICT

To: Finance Committee Board Members
From: Crystal Felix, CFO
Date: November 4, 2026

Here is an update on the AR stats as September 30, 2026, per EPIC

Days in AR were as follows:

- Sept 2026 – 53.3 days
- Aug 2026 – 56.1 days
- July 2026 – 55.4 days
- Last AR Update: June 2026 – 53.8 days

Amount in AR was as follows:

- Sept 2026 – $132,816,522
- Aug 2026 – $135,030,022
- July 2026 – $126,593,442
- Last AR Update: June 2026 – $116,796,491

Gross Revenue per Day was as follows:

- Average Quarter - $2,492,461
- Sept 2026 – $2,563,120
- Aug 2026 – $2,484,819
- July 2026 – $2,431,722
- Last AR Update: June 2026 – $2,309,405
- Last AR Update Quarter: $2,172,502

AR over 120 days old were as follows:

• Sept 2026	$41.3m	31.1%
• Aug 2026	$42.3m	31.3%
• July 2026	$40.1m	31.7%
• Last AR Update: June 2026	$36.7m	31.4%

Posted Cash Collections were as follows:

- For the entire FY 2027: 93.2% of target, or $95.3m
- Sept 2026 89.5% of target, or $33.2m
- Aug 2026 87.1% of target, or $29.8m
- July 2026 104.4% of target, or $32.3m
- For the entire FY 2026: 97.2% of target, or $351.4m
- For the entire FY 2025: 98.5% of target, or $333.5m
- For the entire FY 2024: 99.0% of target, or $294.3m
- For the entire FY 2023: 99.7% of target, or $268.6m

Claims holding (HB work queues listed) as of the end of Sept 2026 total $6.8m. Last AR Update June 2026 $3.6m.

200 WQ – Billing Issues
- Sept 2026 - $3.5m
- Aug 2026 - $2.5m
- July 2026 - $4.5m
- Last AR Update June 2026 - $2.5m

300 WQ – Coding Issues
- Sept 2026 - $1.6m
- Aug 2026 - $599k
- July 2026 - $1.3m
- Last AR Update June 2026 - $624k

500 WQ - Credentialing Issues
- Sept 2026 - $80k
- Aug 2026 - $76k
- July 2026 - $81k
- Last AR Update June 2026 - $93k

700 WQ – Claim Holds
- Sept 2026 - $1.6m
- Aug 2026 - $2.5m
- July 2026 - $118k
- Last AR Update June 2026 - $377k

Staffing Update:
- Director of Revenue Cycle – Position vacant and currently recruiting. Conducted 3 interviews in which 1 candidate was a no, and 2 were possibilities. Two more interviews scheduled for 11/5/26 and 11/10/26
- Manager of Revenue Integrity and Manager of HIM positions – Will recruit after filling Director of Revenue Cycle position.
- FY 2027 Patient Financial Services (PFS) Dept. Budgeted FTEs – 20.15
- Current PFS Staffing FTEs – 17 FTEs
    - Director PFS – 1 FTE
    - Patient Account Reps – 12 FTEs - 3 of the 12 FTE's are dedicated to Medi-Cal/Medicare
    - Refund Specialist – 1 FTE
    - Payment Posting Specialist (PPS) – 2 FTEs
    - Clerical Support/PPS – 1 FTE
    - Vacant Positions:
        - Supervisor PFS – 1 FTE (converting to a lead PFS position)
        - Patient Account Rep – 2 FTEs
        - Payment Posting Specialist - .15 FTE – Per diem position eliminated

Additional Items:

Partnership Health Plan: Partnership Health Plan (PHP) continues to work with us to resolve reimbursement challenges for implant charges. We recently received a settlement agreement for 2025, and 2024 was previously handled. For 2026 claims, system changes should now allow claims/reimbursement to function correctly. Previous claims will be reprocessed for additional payment. Settlements should no longer be necessary related to this topic.

Accounts Receivable over 120 days old: AR over 120 days old is a continued focus for fiscal year 2027.

Vendor Evaluation: We terminated our relationship with our self-pay vendor. Work streams have been brought back in-house under the Financial Customer Service team effective 10/15/2026. This will provide savings of approximately $165,000/year.

Workflow Redesign: Two areas of current focus are 1) self-pay account workflows between billing, financial counseling, and external partners, and 2) billing work queues to utilize priority flagging to assist staff in prioritizing their work resulting in quicker account resolution and increased cash flow. These redesigns should be completed by November 30th.

Provider Onboarding: Project still in a holding pattern.

Revenue Cycle Team: The team continues working on many areas/issues.

The Revenue Cycle Analyst Team, Revenue Integrity Clinical Analyst, Managed Care Contracting Team, Coding Manager, and our PFS Director, work closely on issues, always pushing towards resolution. Some of the specific topics are as follows:

1. Finalized builds for the Sierra Center and North Shore Clinic. Continued validation for Wound Clinic. Claims are holding for Sierra Center, North Shore Clinic and Wound Clinic for confirmation that build is correct. Will release claims when validation complete.
2. Services review (new or existing) priorities: Cardiology Stress EKG, ECC Pro Fee Billing, ECC transition from WellSky to EPIC, Sports Medicine and RHC US charges, Point-of-Service US charges, OB code changes, Mobile Clinic
3. Upcoming departmental moves
4. Epic modules: Hello World, On My Way, Fast Pass, Cheers, Epic Welcome
5. Partnership Health Plan specific denial issues
6. Payer denial/underpayment issues: Blue Cross, UHC, Kaiser and Blue Shield
7. Payer Plan Table updates in EPIC
8. Payment/adjustment posting issues – multiple payers
9. Directed Payment program claims reconciliation with the Medi-Cal Managed Care plans.

Normal, on-going challenges/issues/topics: charge capture, charge splitting, claim presentation, claim rejections, work queue development and refinement, pricing development, remittance advice loading and code matching, and Mercy ticket resolution.