Report of Independent Auditors and Consolidated Financial Statements with Supplementary Information

El Camino Healthcare District

June 30, 2022 and 2021

Table of Contents

Management's Discussion and Analysis

El Camino Healthcare District (the "District") is comprised of five entities: the District, El Camino Hospital (the "Hospital"), El Camino Hospital Foundation (the "Foundation"), CONCERN: Employee Assistance Program ("CONCERN"), and Silicon Valley Medical Development, LLC ("SVMD").

SVMD was organized as a California Limited Liability Corporation ("LLC") that was formed in 2008. Starting in fiscal year 2019 and continuing into the current fiscal year, SVMD has expanded to 14 clinic and urgent care sites.

Overview of the Consolidated Financial Statements

This annual report consists of the consolidated financial statements and notes to those statements. These statements are organized to present the District as a whole, including all the entities it controls. Financial information for each separate entity is shown in the supplemental schedules on the last pages of the report. In accordance with the Governmental Accounting Standards Board ("GASB") Codification Section 2200, *Comprehensive Annual Financial Report,* the District presents comparative financial highlights for the fiscal years ended June 30, 2022, 2021, and 2020. This discussion and analysis should be read in conjunction with the consolidated financial statements in this report.

The consolidated statements of net position, the consolidated statements of revenues, expenses, and changes in net position, and the consolidated statements of cash flows provide an indication of the District's financial health. The consolidated statements of net position include all the District's assets and liabilities, using the accrual basis of accounting. The consolidated statements of revenues, expenses, and changes in net position report all of the revenues and expenses during the time periods indicated. The consolidated statements of cash flows report the cash provided by the operating activities, as well as other cash sources such as investment income and cash payments for capital additions and improvements.

Consolidated Financial Highlights

Year Ended June 30, 2022

For fiscal year ended June 30, 2022, the District increased its net position by $59 million. In 2022, operating revenues increased by $196 million over 2021; this was the result of increased volume.

Year Ended June 30, 2021

For fiscal year ended June 30, 2021, the District increased its net position by $355 million. In 2021, operating revenues increased by $119 million over 2020; this was the result of increased volume.

Year Ended June 30, 2020

For fiscal year ended June 30, 2020, the District increased its net position by $130 million. In 2020, operating revenues increased by $35 million over 2019; this was the result of an improved payer mix over FY 2019, Inter-Governmental Transfer ("IGT") / cost report settlements of $14.9 million, and Health and Human Services stimulus funds of $19.0 million. In April 2020 the organization received $75.8 million in advance Medicare payments, which will be withheld from future Medicare services starting 120 days after receipt.

Summary of Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position
As of June 30, 2022, 2021 and 2020

(In Thousands)

	2022	As restated 2021	2020
Assets:			
Current assets	$ 641,921	$ 687,412	$ 653,665
Board designated and restricted funds, net of current portion	1,181,535	1,198,200	872,034
Funds held by trustee, net of current portion	35,272	36,939	50,825
Capital assets, net	1,201,330	1,160,286	1,166,036
Right of use assets, net of amortization	29,241	30,493	-
Lease receivable, net of current portion	34,876	40,340	-
Other assets	174,247	151,294	114,359
Total assets	3,298,422	3,304,964	2,856,919
Deferred outflows:			
Loss on defeasance of bonds payable	11,160	11,761	12,361
Deferred outflows of resources	4,226	9,324	6,532
Deferred outflows - actuarial	792	1,005	1,861
Total deferred outflows	16,178	22,090	20,754
Total assets and deferred outflows	$ 3,314,600	$ 3,327,054	$ 2,877,673
Liabilities:			
Current liabilities	$ 208,831	$ 252,584	$ 221,415
Bonds payable, net of current portion	571,174	589,909	607,953
Lease liabilities, net of current portion	25,636	26,335	-
Other long-term liabilities	50,512	58,740	69,886
Total liabilities	856,153	927,568	899,254
Deferred inflows:			
Deferred inflows of resources	4,522	4,522	3,893
Deferred inflows of resources - leases	46,369	51,180	-
Deferred inflows - actuarial	46,610	41,339	26,806
Total deferred inflows	97,501	97,041	30,699
Net position:			
Unrestricted and invested in capital assets, net	2,324,347	2,271,363	1,919,091
Restricted by donors - charity and other	27,438	22,960	20,606
Restricted - endowments	9,161	8,122	8,023
Total net position	2,360,946	2,302,445	1,947,720
Total liabilities, deferred inflows, and net position	$ 3,314,600	$ 3,327,054	$ 2,877,673
Operating cash equivalents and short-term investments	$ 361,340	$ 456,605	$ 461,221
Board designated, funds held by trustee, and restricted funds	1,227,936	1,253,796	949,354
Total available cash & investments	$ 1,589,276	$ 1,710,401	$ 1,410,575

Investments

The District maintains sufficient cash balances to pay daily operational expenses and all short term liabilities. In late fiscal year 2012, the Hospital (exclusive of the District) selected an Investment Consultant to assist the Hospital and its subsidiaries in managing its investments, and both the investment policies for Surplus Cash and Cash Balance Plan were updated and approved by the Hospital Board of Directors (the "Board"). The policies allow for greater diversification in the investment portfolios to balance the need for liquidity with a long-term investment focus in order to improve investment returns and the organization's financial strength.

Capital Assets

Continuing in the current fiscal year was the Women's Hospital Expansion that was approved in February 2021 for $149 million. At fiscal year end, the project was approximately at 35% completion, expending $51 million. With the relocation of the physician medical offices previously on the 2nd and 3rd floors to the newly completed Integrated Medical Office Building (the Sobrato Pavilion), it is expected that work on the 2nd floor will be completed in the spring 2023, to accommodate the relocation of the twenty bed NICU currently on the first floor. The relocation will add 4 new beds, with 19 of the beds being in private rooms. The 3rd floor will accommodate improvements for 26 Post-Partum, Mom & Baby beds, all in private rooms. At this point the project will be approximately 65% completed with a total completion of the project projected to be February 2024.

During the late spring of the current fiscal year, the project to demolish the "Old Main Hospital" at the Mountain View campus and related site work began in earnest as a number of smaller building attached to the old six story hospital were taken down, along with the demolition of some of the interior floors of the main building. Currently the demolishment of the Old Main Hospital is projected to be completed by the end of December 2022. The project is budgeted at $24.9 million of which $10 million had been expended at year end.

Significant projects completed during the fiscal year were: 1) Replacement at the Mountain View site of its radiation oncology equipment - $10.3 million; 2) Renovation to the Mountain View Emergency Department - $6.5 million; 3) the relocation of the Cardiac Pulmonary Wellness Center into the newly completed Sobrato Pavilion - $5 million; 4) Major tenant improvements at two SVMD clinics - $3.1 million; 5) wireless upgrades to the most of the Mountain View campus - $3.3 million.

Still in progress from the prior year is the replacement of Diagnostic Imaging and Interventional Radiology Imagining equipment with a budget cost of $49.6 million, of which $11.8 million had been expended at year end.

Adoption of GASB No. 87

The District adopted GASB No. 87 Leases (GASB 87) as of July 1, 2020. The District evaluated contracts that were formerly accounted for as operating leases to determine whether they meet the definition of a lease as defined in GASB 87. The contracts to lease office space met the definition of a lease and the District calculated and recognized a right-to-use assets, net, of $31 million and lease liabilities of $31 million as of June 30, 2021. As lessor, the District's adoption of GASB 87 resulted in recognition of lease receivable of $51 million and deferred inflow of $51 million as of June 30, 2021. The impact to beginning net position was not significant. See Note 14 in the notes to the consolidated financial statement.

Revenues and Expenses

The following table displays revenues and expenses for 2022, 2021, and 2020:

Revenues & Expenses
Years Ended June 30, 2022, 2021 and 2020
(In Thousands)

	2022	2021	2020
Operating revenues:		(As restated)	
Net patient service revenue net of bad debt of $20,316, $26,730, and $15,925, in 2022, 2021, and 2020, respectively	$ 1,309,152	$ 1,107,912	$ 982,697
Other revenue	37,031	42,221	48,440
Total operating revenues	1,346,183	1,150,133	1,031,137
Operating expenses:			
Salaries, wages and benefits	654,619	574,797	541,009
Professional fees and purchased services	177,570	177,981	170,994
Supplies	183,665	171,720	152,466
Depreciation and amortization	79,871	74,595	54,038
Rent and utilities	20,733	20,693	26,815
Other	20,915	15,140	22,167
Total operating expenses	1,137,373	1,034,926	967,489
Operating income	208,810	115,207	63,648
Nonoperating revenues (expenses) items:			
Bond interest expense, net	(19,831)	(20,031)	(12,879)
Intergovernmental transfer expense	(2,613)	(4,460)	(4,048)
Realized investment income	25,882	79,736	43,085
Unrealized investment (losses) gains	(197,886)	151,188	(2,231)
Property tax revenues	34,053	32,464	29,369
Restricted gifts, grants and other net of contributions to related parties	7,345	2,868	8,412
Unrealized gain (loss) on interest rate swap	3,049	1,883	(3,366)
Community benefit expense	(11,143)	(11,297)	(12,091)
Provider Relief Fund revenue	15,629	-	19,000
Other, net	(4,794)	7,167	902
Total nonoperating revenues and expenses	(150,309)	239,518	66,153
Increase in net position	58,501	354,725	129,801
Total net position, beginning of year	2,302,445	1,947,720	1,817,919
Total net position, end of year	$ 2,360,946	$ 2,302,445	$ 1,947,720

Fiscal Year 2022 Consolidated Financial Analysis

Net Patient Service Revenues

Net patient service revenue in fiscal year 2022 increased by $201 million, or 18% over fiscal year 2021. This increase was consistent with adjusted patient days increasing by 13%.

Specialty	2022 Days	2021 Days
Total days	111,538	98,386

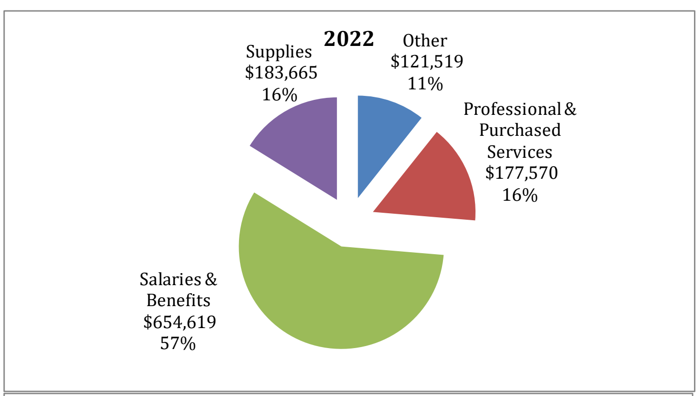
Specialty	2022 LOS	2021 LOS
Average Length of Stay ("LOS")	4.3	4.3

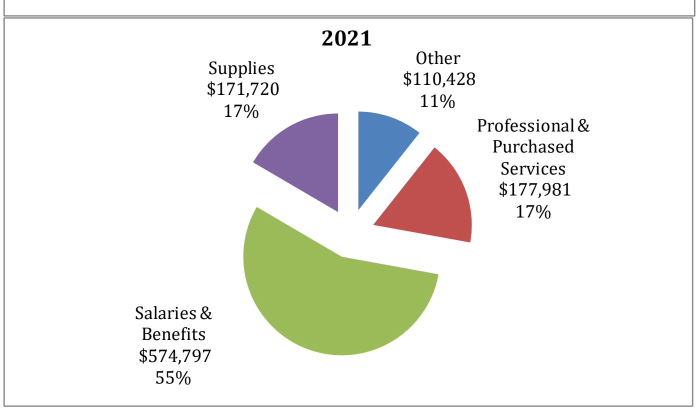
The overall case mix index, which is an indicator of patient acuity, was 1.58 in fiscal year 2022, and 1.62 in fiscal year 2021.

Other Revenue

Other revenue decreased by $5 million in fiscal year 2022 over the prior 2021 fiscal year. The primary decrease was due to a $2.2 million reduction in IGT receipts and $1.8 million decline in miscellaneous operating revenue.

Operating Expenses





Salaries and Wages

It is to be noted that the District as a stand-alone entity has no employees. All employees are at the Hospital and its related corporations.

Total salaries and wages (including employee benefits) increased by $80 million in fiscal year 2022 over 2021, which is 57% of total operating expenses and 3% more than fiscal year 2021. Due to the increased demand for services, there was an increase of 241 full-time equivalents ("FTEs") along with the increase in labor due the high demand for healthcare workers.

Employee Benefits

Aggregate employee benefits, including accrued Paid Time Off ("PTO") and Extended Sick Leave, increased by $14.1 million.

Significant changes were as follows:

- PTO accrued expense increased by $8.3 million over the 2021 fiscal year
- Healthcare (medical, dental, and vision) increased by $9.3 million in fiscal year 2021
- Employer match of 403B increased $1.1 million in 2021 over 2021.
- Pension expense decreased by $4.7 million, primarily by decreased investment returns on the Plan's investment in the past year.

Professional and Purchased Services

Total professional and purchased services remained the same year to year at $178 million.

Supplies

Total supplies increased by $12 million or 7% in fiscal year 2022 over 2021. This was mainly due to the increase in volume.

Depreciation and amortization

Depreciation and amortization expense this fiscal year increased by $5 million over fiscal year 2021. Increases were primarily due to completion of projects and the replacement of high dollar value equipment (Radiation Oncology, etc).

Rent and Utilities

Rent and utilities remained the same year over year.

Other Expense

Other expense increased in the current fiscal year by $5.8 million over the prior year, due to the insurance rate increases, property tax and marketing and advertising.

Nonoperating Revenue (Expense) Items:

Bond Interest Expense, net

Bond interest was consistent year to year at $20 million.

Change in Net Unrealized Gains and Losses on Investments

The Hospital experienced a change in net unrealized gains and losses on investments of $195.3 million during fiscal year 2022 and the change in net unrealized gains and losses for fiscal year 2022 was a year-over-year decrease of $478.6 million. This change was driven primarily by the change in net unrealized gains and loss of the Hospital's fixed income and mutual fund holdings. The fixed income change in net unrealized gains and losses was $54.2 million and the mutual fund holdings change in unrealized gains and losses was $132.8 million. The change in net unrealized gains and losses in 2022 was a result of a challenging environment in the capital markets due to rate tightening and rising inflation. These challenging conditions led to a rout in the fixed income market, as reflected in the Bloomberg U.S. Aggregate Index being down 10.3% and in equities, as reflected in the S&P Index being down 10.6.

Economic Factors and Next Year's Budget

The Board approved the fiscal year 2023 budget at the June 2022 meeting. For the fiscal year 2023, budgeted patient days are projected to decrease 3.97% over FY2022 actuals.

Fiscal Year 2021 Consolidated Financial Analysis

Net Patient Service Revenues

Net patient service revenue in fiscal year 2021 increased by $125.2 million, or 12.7% over fiscal year 2020. This increase was consistent with adjusted patient days increasing by 9.5% and surgical volume increasing by 10.8%

Specialty	2021 Days	2020 Days
Total days	98,386	92,714

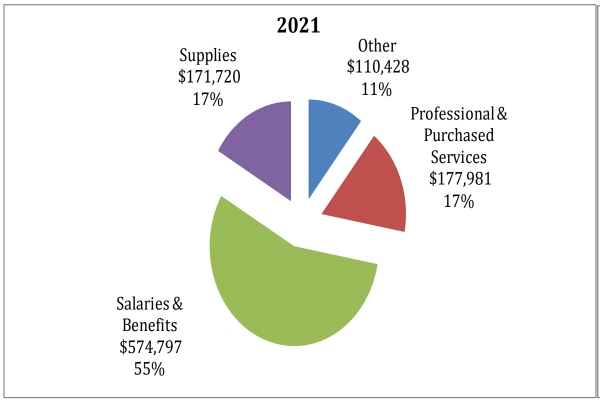
Specialty	2021 LOS	2020 LOS
Average LOS	4.3	4.0

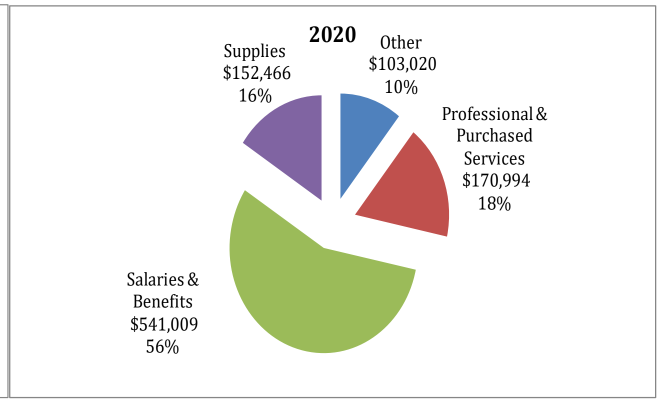
The overall case mix index, which is an indicator of patient acuity, was 1.62 in fiscal year 2021, and 1.54 in fiscal year 2020.

Other Revenue

Other revenues decreased by $6.2 million in fiscal year 2022 over the prior 2021 fiscal year. The primary decrease was due to the termination of a Hospitalist services agreement with the county hospitals.

Operating Expenses





Salaries and Wages

It is to be noted that the District as a stand-alone entity has no employees. All employees are at the Hospital and its related corporations.

Total salaries and wages (including employee benefits) increased by $33.8 million in fiscal year 2021 over 2020, which is 55% of total operating expenses and 1% less than fiscal year 2020. SVMD saw a 35.7 reduction in full-time equivalents ("FTEs") due to reorganization of the workforce during the fiscal year. Other areas within the Hospital also increased due to salary increases and volumes and activities. In total the FTE grew by 81 FTEs over fiscal year 2020.

Employee Benefits

Aggregate employee benefits, including accrued Paid Time Off ("PTO") and Extended Sick Leave, increased by $6.0 million.

Significant changes were as follows:

- PTO accrued expense increased by $5.1 million over the 2020 fiscal year
- Healthcare (medical, dental, and vision) increased by $4.2 million in fiscal year 2021 over 2020.
- Employer match of 403B increased $2.0 million in 2021 over 2020.
- Workers Compensation Expense increased by $1.5 million in 2021 over 2020.
- Employer FICA (Social Security and Medicare) taxes increased by $1.3 million in the current fiscal year.

- Pension expense decreased by $9.4 million, primarily by increased investment returns on the El Camino Cash Balance Plan (the "Plan") investment in the past year.

Professional and Purchased Services

Total professional and purchased services increased by $7 million over the prior fiscal year, mainly due to cost associated with COVID-19 testing and consulting fees for major projects (Workday and Construction).

Supplies

Total supplies increased by $19.3 million or 12.6% in fiscal year 2021 over 2020. This was mainly due to an $8.1 million increase in Other Medical Supplies due to COVID-19, including Personal Protective Equipment and testing supplies, $10.7 million in Implants, and $5.7 million in Surgical Supplies.

Depreciation and amortization

Depreciation expense in fiscal year 2021 increased by $21 million over fiscal year 2020. Increases were primarily due to the opening of the Integrated Medical Office Building, Sobrato Pavillion, in June 2020, and the first year implementation of GASB 87 as of July 1, 2020 which resulted in a right of use asset amortization expense of $6.9 million.

Rent and Utilities

Rent and utilities in fiscal year 2021 decreased by $6.9 million over fiscal year 2020, mainly due to the first year implementation of GASB 87 as of July 1, 2020 resulting in a reclass of rent expense as amortization expense.

Other Expense

Other expense decreased in the current fiscal year by $7.0 million over the prior year, due to an decrease in reserve settlement account.

<u>*Nonoperating Revenue (Expense) Items:*</u>

Bond Interest Expense, net

The increase of $7.2 million in fiscal year 2021 over the prior year was due to tentative completion of the Integrated Medical Office Building and the Behavioral Health Building in January 2020 that was being partially financed by the 2017 Bond issue.

Change in Net Unrealized Gains and Losses on Investments

The Hospital experienced a change in net unrealized gains and losses on investments of $151.2 million during fiscal year 2021 and the change in net unrealized gains and losses for fiscal year 2021 was a year-over-year ("YOY") increase of $153.4 million. The change in net unrealized gains and losses in 2021 was a result of strong investment results across all asset classes with the largest gains generated from equity and hedge fund investments. Equities and mutual funds-equity experienced a change in net unrealized gains and losses of $17.2 million and $95.0 million, respectively. Global equities as represented by the MSCI AC World Index gained 39.9% during fiscal year 2021. Hedge funds experienced a change in net unrealized gains and losses of $22.0 million during fiscal year 2021 as equity long/short, credit oriented, and macro hedge fund strategies performed well. The change in net unrealized gains and losses for fixed income was modest at $2.0 million as the Bloomberg U.S. Aggregate Index experienced a loss of 0.3% during the same time-period; however, the Hospital's active managers were able to add value in relation to the benchmark.

The year-over-year increase in net unrealized gains and losses was broad-based across asset classes, with the most significant increases resulting from equities, mutual funds-equity, hedge fund investments, and collective funds. Equities and mutual funds-equity combined to experience modest net unrealized gains in fiscal year 2020, while net unrealized gains in fiscal year 2021 were large. Hedge funds and collective funds experienced net unrealized losses in fiscal year 2020, while fiscal year 2021 saw solid net unrealized gains.

FIDUCIARY MD&A

Overview

The El Camino Hospital Cash Balance Plan (the "Cash Balance Plan") was established on July 1, 1963, by El Camino Hospital (the "Hospital") and has been amended from time to time since that date.

The Hospital also provides healthcare benefits and life insurance under the El Camino Hospital Postretirement Health and Life Insurance Benefit Plan (the "OPEB Plan"), a single-employer defined benefit Postretirement Benefits Plan, for retired employees who meet eligibility requirements as outlined in the plan document, as approved by the board of directors of the Hospital.

Financial Highlights – 2022

Cash Balance Plan – During the year ended June 30, 2022, the net position held in trust for pension benefits increased by approximately 7%. Employer contributions were $6.5 million in 2022 compared to $10.5 million in 2021. Benefit payments were $14.8 million in 2022 compared to $12.2 million in 2021. Net investment income was $33.2 million in 2022 compared to $43.8 million in 2021, which was the primary reason for the overall 7% increase in net position as of June 30, 2022.

OPEB Plan – Benefit payments were $0.9 million in 2022 and 2021.

Financial Highlights – 2021

Cash Balance Plan – During the year ended June 30, 2021, the net position held in trust for pension benefits increased by approximately 14%. Employer contributions were $10.5 million in 2021 compared to $13.0 million in 2020. Benefit payments were $12.2 million in 2021 compared to $14.7 million in 2020. Net investment income was $43.8 million in 2021 compared to $45.7 million in 2020, which was the primary reason for the overall 14% increase in net position as of June 30, 2021.

OPEB Plan – Benefit payments were $0.9 million in 2021 compared to $0.8 million in 2020.

Overview of the Fiduciary Financial Statements

The basic financial statements present information about the Cash Balance Plan and OPEB Plan's fiduciary net position and changes in fiduciary net position for the respective years. The basic financial statements also include notes to explain some of the information in the financial statements and to provide more details. The statement of fiduciary net position displays the assets and liabilities and resulting net position of the Plan as of the end of the year. All assets are valued at fair value.

The following is the abbreviated statement of fiduciary net position and statement of changes in fiduciary net position (in thousands):

	CASH BALANCE PLAN		
	2022	2021	2020
ASSETS			
Investments, at fair value	$ 363,419	$ 336,548	$ 294,470
Receivables	1,565	3,553	3,385
Noninterest-bearing cash	67	4	-
Net pending trades	(46)	-	-
NET POSITION RESTRICTED FOR PENSIONS	$ 365,005	$ 340,105	$ 297,855
ADDITIONS			
Investments income (loss)	$ 33,161	$ 43,836	$ 45,683
Contributions	6,513	10,636	13,042
Total additions	39,674	54,472	58,725
DEDUCTIONS			
Deductions	14,774	12,222	14,787
INCREASE IN NET POSITION RESTRICTED FOR PENSIONS	$ 24,900	$ 42,250	$ 43,938

	OPEB PLAN		
	2022	2021	2020
ASSETS			
Investments, at fair value	-	-	-
Receivables	-	-	-
NET POSITION RESTRICTED FOR OPEB	$ -	$ -	$ -
ADDITIONS			
Contributions	943	881	820
Total additions	943	881	820
DEDUCTIONS			
Deductions	943	881	820
INCREASE IN NET POSITION RESTRICTED FOR OPEB	$ -	$ -	$ -

Cash Balance Plan – During the year ended June 30, 2022, the Cash Balance Plan's fiduciary net position increased by 7%. The Cash Balance Plan's policies allow investments consisting of fixed income and equity marketable securities, alternatives, and cash. During the year ended June 30, 2021, the Cash Balance Plan's fiduciary net position increased by 14%. The Cash Balance Plan's policies allow investments consisting of fixed income and equity marketable securities, alternatives, and cash.

The statement of changes in fiduciary net position reflects the employer contributions and investment return, net of investment expenses, less benefits paid.

The decrease in investment income during the year ended June 30, 2022, compared to 2021, is due to a decrease in the net appreciation of fair value of investments due to smaller returns in global security markets and on the Cash Balance Plan's investments during the year. Benefit payments increased from the prior year due to an increase in the number of retirees and beneficiaries receiving benefits. The decrease in investment income during the year ended June 30, 2021, compared to 2020, is due to a decrease in the net appreciation of fair value of investments due to smaller returns in global security markets and on the Cash Balance Plan's investments during the year. Benefit payments decreased from the prior year due to a decrease in the number of retirees and beneficiaries receiving benefits

Report of Independent Auditors

The Board of Directors
El Camino Healthcare District

Report on the Audit of the Consolidated financial statements

Opinions

We have audited the consolidated financial statements of the business-type activities and the aggregate remaining fund information of El Camino Healthcare District (the "District") as of and for the years ended June 30, 2022 and 2021, and the related notes to the consolidated financial statements, which collectively comprise the District's basic consolidated financial statements as listed in the table of contents.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the respective consolidated net position of the business-type and the aggregate remaining fund information of El Camino Healthcare District as of June 30, 2022 and 2021, and the respective changes in consolidated net position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of Matter – New Accounting Standard

As discussed in Note 1 to the consolidated financial statements, the District adopted Government Accounting Standards Board ("GASB") No. 87, Leases, as of July 1, 2020. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, supplemental pension and post-retirement benefit information, be presented to supplement the consolidated financial statements. Such information is the responsibility of management and, although not a part of the consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of net position and consolidating statement of revenues, expenses, and changes in net position as of and for the year ended June 30, 2022 are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information of consolidating statement of net position and consolidating statement of revenues, expenses, and changes in net position as of and for the year ended June 30, 2022 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The accompanying supplemental schedule of community benefit for the year ended June 30, 2022, is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Management of El Camino Healthcare District is responsible for the Schedule of Community Benefit for the year ended June 30, 2022. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Moss Adams LLP

San Francisco, California
October 19, 2022

Consolidated Financial Statements

El Camino Healthcare District
Consolidated Statements of Net Position
June 30, 2022 and 2021
(In Thousands)

	2022	2021 (As restated)
ASSETS AND DEFERRED OUTFLOWS		
Current assets		
Cash and cash equivalents	$ 207,923	$ 161,915
Short-term investments	153,417	294,690
Current portion of board-designated funds	11,129	18,657
Patient accounts receivable, net of allowances for doubtful accounts of $77,016 and $81,194 in 2022 and 2021, respectively	209,274	169,289
Current portion of lease receivable	10,403	10,651
Prepaid expenses and other current assets	49,775	32,210
Total current assets	641,921	687,412
Non-current cash and investments		
Board-designated funds	1,180,885	1,197,550
Restricted funds	650	650
Funds held by trustee	35,272	36,939
	1,216,807	1,235,139
Capital assets		
Nondepreciable	207,618	164,226
Depreciable, net	993,712	996,060
Total capital assets	1,201,330	1,160,286
Right of use assets, net of amortization	29,241	30,493
Lease receivable, net of current portion	34,876	40,340
Pledges receivable, net of current portion	2,200	3,053
Prepaid pension asset	137,149	111,162
Investments in healthcare affiliates	30,376	32,557
Beneficial interest in charitable remainder unitrusts	4,522	4,522
Total assets	3,298,422	3,304,964
Deferred outflows of resources		
Loss on defeasance of bonds payable	11,160	11,761
Deferred outflows of resources	4,226	9,324
Deferred outflows - actuarial	792	1,005
Total deferred outflows of resources	16,178	22,090
Total assets and deferred outflows of resources	$ 3,314,600	$ 3,327,054

See accompanying notes.

(In Thousands)

	2022	2021 (As restated)
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses	$ 51,365	$ 39,788
Salaries, wages, and related liabilities	80,733	83,236
Medicare accelerated payments	-	65,635
Other current liabilities	41,624	31,392
Estimated third-party payor settlements	14,942	12,990
Current portion of lease liabilities	4,502	5,063
Current portion of bonds payable	15,665	14,480
Total current liabilities	208,831	252,584
Bonds payable, net of current portion	571,174	589,909
Lease liabilities, net of current portion	25,636	26,335
Other long-term obligations	6,700	11,081
Workers' compensation, net of current portion	14,029	17,002
Post-retirement medical benefits	29,783	30,657
Total liabilities	856,153	927,568
Deferred inflows of resources		
Deferred inflows of resources	4,522	4,522
Deferred inflows of resources - leases	46,369	51,180
Deferred inflows of resources - actuarial	46,610	41,339
Total deferred inflows of resources	97,501	97,041
Net position		
Invested in capital assets, net of related debt	649,763	592,836
Restricted - expendable	27,438	22,960
Restricted - nonexpendable	9,161	8,122
Unrestricted	1,674,584	1,678,527
Total net position	2,360,946	2,302,445
Total liabilities, deferred inflows of resources, and net position	$ 3,314,600	$ 3,327,054

El Camino Healthcare District
Consolidated Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2022 and 2021
(In Thousands)

	2022	2021 (As restated)
OPERATING REVENUES		
Net patient service revenue (net of provision for bad debts of $20,316 and $26,370 in 2022 and 2021, respectively)	$ 1,309,152	$ 1,107,912
Other revenue	37,031	42,221
Total operating revenues	1,346,183	1,150,133
OPERATING EXPENSES		
Salaries, wages, and benefits	654,619	574,797
Professional fees and purchased services	177,570	177,981
Supplies	183,665	171,720
Depreciation and amortization	79,871	74,595
Rent and utilities	20,733	20,693
Other	20,915	15,140
Total operating expenses	1,137,373	1,034,926
Income from operations	208,810	115,207
NONOPERATING REVENUES (EXPENSES)		
Investment (losses), net	(172,004)	230,924
Property tax revenue		
Designated to support community benefit programs and operating expenses	10,221	9,532
Designated to support capital expenditures	11,528	11,129
Levied for debt service	12,304	11,803
Bond interest expense, net	(19,831)	(20,031)
Intergovernmental transfer expense	(2,613)	(4,460)
Restricted gifts, grants and bequests, and other, net of contributions to related parties	7,345	2,868
Unrealized gain on interest rate swaps	3,049	1,883
Community benefit expense	(11,143)	(11,297)
Provider Relief Fund revenue	15,629	-
Other, net	(4,794)	7,167
Total nonoperating (expenses) revenues	(150,309)	239,518
Increase in net position	58,501	354,725
TOTAL NET POSITION, beginning of year	2,302,445	1,947,720
TOTAL NET POSITION, end of year	$ 2,360,946	$ 2,302,445

See accompanying notes.

(In Thousands)

	2022	2021 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from and on behalf of patients	$ 1,202,871	$ 1,056,241
Other cash receipts	37,031	28,725
Provider Relief Funds	26,930	-
Cash payments to employees	(654,369)	(555,737)
Cash payments to suppliers	(467,603)	(406,025)
Net cash provided by operating activities	144,860	123,204
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	21,749	20,661
Restricted contributions and investment income	7,345	2,868
Net cash provided by noncapital financing activities	29,094	23,529
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of property, plant, and equipment	(112,569)	(67,965)
Payments on lease liability	(7,128)	(7,387)
Proceeds from lease receivable	12,884	13,496
Interest paid on General Obligation bonds payable	(2,943)	(3,071)
Repayments of bonds payable	(14,480)	(13,420)
Tax revenue related to General Obligation bonds payable	12,304	11,803
Net cash used in capital and related financing activities	(111,932)	(66,544)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,859,468)	(2,061,579)
Sales of investments	2,024,934	1,674,401
Investment (losses) income, net	(172,004)	230,924
Community benefit and other investing activities	(11,143)	(11,287)
Change in funds held by trustee, net	1,667	13,886
Net cash used in investing activities	(16,014)	(153,655)
Net increase (decrease) in cash and cash equivalents	46,008	(73,466)
CASH AND CASH EQUIVALENTS at beginning of year	161,915	235,381
CASH AND CASH EQUIVALENTS at end of year	$ 207,923	$ 161,915

See accompanying notes.

El Camino Healthcare District
Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2022 and 2021
(In Thousands)

	2022	2021
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		(As restated)
Income from operations	$ 208,810	$ 115,207
Adjustments to reconcile income from operations to net cash net cash from operating activities		
Loss on disposal of property, plant and equipment	2,271	-
Amortization of bond premium and bond issuance costs	(3,070)	(3,564)
Depreciation and amortization	79,871	74,595
Provision for bad debts	20,316	26,370
Changes in assets and liabilities		
Patient accounts receivable, net	(60,301)	(66,174)
Prepaid expenses and other current assets	(34,819)	(34,244)
Medicare accelerated payments	(65,635)	(9,441)
Current liabilities	4,825	24,700
Other long-term obligations	(2,353)	(6,065)
Deferred inflows/outflows of resources - actuarial	5,484	15,389
Deferred inflows - leases	(9,665)	(13,496)
Post-retirement medical benefits	(874)	(73)
Net cash provided by operating activities	$ 144,860	$ 123,204
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Noncash purchase of property, plant, and equipment	$ -	$ 5,848
Change in fair value of beneficial interest in charitable remainder unitrusts, and deferred inflow of resources, net	$ -	$ 629
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES		
Acquisition of right of use assets in exchange for new lease liabilities	$ 4,543	$ 3,249
Acquisition of lease receivable	$ 4,854	$ -

 See accompanying notes.

(In Thousands)

	CASH BALANCE PLAN		OPEB PLAN		TOTAL	
	2022	2021	2022	2021	2022	2021
ASSETS						
Investments						
Mutual funds	$ 240,563	$ 230,806	$ -	$ -	$ 240,563	$ 230,806
Limited liability companies	59,573	49,390	-	-	59,573	49,390
Common stock	30,285	23,649	-	-	30,285	23,649
Partnerships	11,490	11,044	-	-	11,490	11,044
Pooled, common and collective trusts	11,686	9,158	-	-	11,686	9,158
Corporate bonds	3,265	5,304	-	-	3,265	5,304
U.S. government securities	815	3,310	-	-	815	3,310
Cash and cash equivalents	5,742	3,887	-	-	5,742	3,887
Total investments, at fair value	363,419	336,548	-	-	363,419	336,548
Receivables						
Employer contributions	1,500	3,500	-	-	1,500	3,500
Interest and dividends	65	53	-	-	65	53
Total receivables	1,565	3,553	-	-	1,565	3,553
Noninterest-bearing cash	67	4	-	-	67	4
Net pending trades	(46)	-	-	-	(46)	-
NET POSITION RESTRICTED FOR PENSIONS	$ 365,005	$ 340,105	$ -	$ -	$ 365,005	$ 340,105

El Camino Healthcare District
Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2022 and 2021
(In Thousands)

	CASH BALANCE PLAN		OPEB PLAN		TOTAL	
	2022	2021	2022	2021	2022	2021
ADDITIONS						
Investments income						
Net appreciation in fair value of investments	$ 29,452	$ 39,954	$ -	$ -	$ 29,452	$ 39,954
Dividends	3,525	3,635	-	-	3,525	3,635
Interest	184	247	-	-	184	247
Total investment income	33,161	43,836	-	-	33,161	43,836
Contributions						
Employer contributions	6,500	10,500	943	881	7,443	11,381
Pending investment settlements	13	136	-	-	13	136
Total contributions	6,513	10,636	943	881	7,456	11,517
Total additions	39,674	54,472	943	881	40,617	55,353
DEDUCTIONS						
Benefits paid to participants	14,774	12,167	943	881	15,717	13,048
Administrative expenses	-	55	-	-	-	55
Total deductions	14,774	12,222	943	881	15,717	13,103
INCREASE IN NET POSITION	24,900	42,250	-	-	24,900	42,250
NET POSITION RESTRICTED FOR PENSIONS						
Beginning of year	340,105	297,855	-	-	340,105	297,855
End of year	$ 365,005	$ 340,105	$ -	$ -	$ 365,005	$ 340,105

See accompanying notes.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The El Camino Healthcare District (the “District”) includes the following component units, which are included as blended component units of the District’s consolidated financial statements: El Camino Hospital (the “Hospital”), El Camino Hospital Foundation (the “Foundation”), CONCERN: Employee Assistance Program (“CONCERN”), and Silicon Valley Medical Development, LLC (“SVMD”).

The District is organized as a political subdivision of the State of California and was created for the purpose of operating an acute care hospital and providing management services to certain related corporations. The District is the sole member of the Hospital, and the Hospital is the sole corporate member of the Foundation and CONCERN. As sole member, the District (with respect to the Hospital) and the Hospital (with respect to the Foundation and CONCERN) have certain powers, such as the appointment and removal of the boards of directors and approval of changes to the articles of incorporation and bylaws.

SVMD was organized as a California Limited Liability Corporation (“LLC”) that was formed in 2008. Starting in fiscal year 2019 and continuing into the current fiscal year, SVMD has expanded to 14 clinic and urgent care sites.

All significant inter-entity accounts and transactions have been eliminated in the consolidated financial statements.

The District utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis and consolidated financial statements are prepared using the economic resources measurement focus.

The District has fiduciary responsibility for the El Camino Hospital Cash Balance Plan and El Camino Hospital Postretirement Health and Life Insurance Benefit Plan. See Notes 7 and 8.

El Camino Hospital Cash Balance Plan (the Plan) – The Plan was originally adopted as a defined benefit plan and was amended and restated in its entirety to a cash-balance formula effective January 1, 1995. Effective January 1, 2014, the Plan was restated and amended. The Plan is administered by the sponsor, El Camino Hospital (the “Hospital”), and Plan assets are held by the custodian of the Plan, Wells Fargo Bank, N.A. (“Wells Fargo”). The Plan is a noncontributory defined benefit plan intended to qualify under Section 401(a) of the Internal Revenue Code (“IRC”). At December 31, 2021, there were 4,624 Plan participants consisting of 2,946 active participants and 1,678 inactive or separated participants, and at December 31, 2020, there were 4,389 Plan participants consisting of 2,824 active participants and 1,565 inactive or separated participants.

El Camino Hospital Postretirement Health and Life Insurance Benefit Plan – The Hospital also provides healthcare benefits and life insurance under the El Camino Hospital Postretirement Health and Life Insurance Benefit Plan (the “OPEB Plan”), a single-employer defined benefit Postretirement Benefits Plan, for retired employees who meet eligibility requirements as outlined in the plan document, as approved by the board of directors of the Hospital.

Accounting standards – Pursuant to Governmental Accounting Standards Board ("GASB") Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the District's proprietary fund accounting and financial reporting practices are based on all applicable GASB pronouncements as well as codified pronouncements issued on or before November 30, 1989, and the California Code of Regulations, Title 2, Section 1131, State Controller's *Minimum Audit Requirements* for California Special Districts and the State Controller's Office prescribed reporting guidelines.

Use of estimates – The preparation of the consolidated 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 consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Estimates include contractual allowances related to net patient service revenue, provision for uncollectible accounts, fair market values of investments, uninsured losses for professional liability, minimum pension liability, workers' compensation liability, post-retirement medical benefits liability, valuation of gift annuities and beneficial interest in charitable remainder unitrusts, useful lives of capital assets, discount rate for leases, useful lives of right of use assets, and deferred inflows of resources. Actual results could differ from those estimates.

Cash and cash equivalents – Cash and cash equivalents include deposits with financial institutions, and investments in highly liquid debt instruments with an original maturity of three months or less. In addition, in fiscal years 2022 and 2021, cash and cash equivalents include repurchase agreements, which consist of highly liquid obligations of U.S. governmental agencies. Cash and cash equivalents exclude amounts whose use is limited by board designation or by legal restriction.

Investments – Investments consist primarily of highly liquid debt instruments and other short-term interest-bearing certificates of deposit, U.S. Treasury bills, U.S. government obligations, hedge funds, hedge fund of funds, and corporate debt, excluding amounts whose use is limited by board designation or other arrangements under trust agreements.

Board-designated and restricted funds include assets set aside by the Board of Directors (the "Board") for future capital improvements and other operational reserves, over which the Board retains control and may at its discretion use for other purposes; assets set aside for qualified capital outlay projects in compliance with state law; and assets restricted by donors or grantors.

Investment income, realized gains and losses, and unrealized gains and losses on investments are reflected as nonoperating revenue or expense.

Funds held by trustee – According to the terms of both indenture agreements (General Obligation and Revenue Bonds), these amounts are held by the bond trustee and paying agent and are maintained and managed by an investment manager or the trustee. These assets are available for the settlement of future current bond obligations and capital expenditures.

Lease receivable – The District's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the District may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. The deferred inflow of resources is recorded at the initiation of each lease in an amount equal to the initial recording of the lease receivable. The deferred inflows of resources are amortized on an effective interest method basis over the term of each lease.

Capital assets – Capital asset acquisitions are recorded at cost. Donated property is recorded at its fair market value on the date of donation. All purchases over $2,500 are capitalized. Equipment under capital lease is amortized on the straight-line basis over the shorter of the lease term or the estimated useful life of the equipment. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the related assets. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	16 years
Buildings and fixtures	25 to 47 years
Equipment	3 to 16 years

The District 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.

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Right of use assets – The District has recorded right to use lease assets as a result of implementing Governmental Accounting Standards Board ("GASB") No. 87. 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.

Prepaid expenses and other current assets – Prepaid expenses and other current assets consist primarily of premiums paid in advance, inventories, dues, and other receivables related to new capitation and hospitalist contracts associated with SVMD. Prepaid expenses and other current assets consisted of the following at June 30:

	2022	2021
Inventory	$ 19,546	$ 13,765
Prepaid expense and other deposits	16,931	9,920
Other receivables	13,298	8,525
	$ 49,775	$ 32,210

Investments in healthcare affiliates – The Hospital holds an interest in Pathways Home Health & Hospice (“Pathways”), and five Satellite Dialysis Centers, which are reported using the equity method of accounting.

Affiliate	Percent interest
Pathways	50%
Satellite Dialysis	30%

Deferred outflows and inflows – The District records deferred outflows or inflows of resources in its consolidated financial statements for consumption or acquisition of its consolidated net position that is applicable to a future reporting period. These financial statement elements are distinct from assets and liabilities.

	2022	2021
Deferred outflows of resources as of June 30:		
Loss on defeasance of bonds payable	$ 11,160	$ 11,761
Deferred outflows of resources - employee benefit plan contribution	3,000	7,000
Deferred outflows of resources - goodwill	1,226	2,324
Deferred outflows - actuarial, employee benefit plan	588	915
Deferred outflows - actuarial, post-retirement medical benefit	204	90
Total	$ 16,178	$ 22,090
Deferred inflows of resources as of June 30:		
Deferred inflows of resources - charitable remainder unitrusts	$ 4,522	$ 4,522
Deferred inflows of resources - leases	46,369	51,180
Deferred inflows - actuarial, employee benefit plan	46,075	41,141
Deferred inflows - actuarial, post-retirement medical benefit	535	198
Total	$ 97,501	$ 97,041

Risk management – The Hospital 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 employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Self-insurance plans – The Hospital maintains professional liability insurance on a claims-made basis, with liability limits of $40,000,000 in aggregate, which is subject to a $500,000 deductible. Additionally, the Hospital is self-insured for workers' compensation benefits. The Hospital purchases a Workers' Compensation Excess Policy that insures claims greater than $1,000,000 with a limit of statutory and a $1,000,000 deductible. Actuarial estimates of uninsured losses for professional liability and workers' compensation have been accrued as other current liabilities and workers' compensation, net of current portion, respectively, in the accompanying consolidated financial statements.

The following is a summary of changes in workers' compensation liabilities for the years ended June 30 (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
2022	$ 19,302	$ -	$ 2,973	$ 16,329	$ 2,300

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
2021	$ 18,782	$ 2,827	$ 2,307	$ 19,302	$ 2,300

Compensated absences – Vested or accumulated vacation and sick leave are recorded as an expense and liability of the Hospital as the benefits accrue to employees. For most employees, the maximum accumulated vacation is 400 hours. Sick leave is accumulated indefinitely at a maximum of 40 hours for a full-time employee per year, and is not vested with the employee upon termination. The following is a summary of changes in compensated absences transactions for the years ended June 30, (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
2022	$ 33,197	$ 58,222	$ 56,970	$ 34,449	$ 34,449

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
2021	$ 28,124	$ 52,815	$ 47,742	$ 33,197	$ 33,197

Lease liabilities – The District recognizes lease contracts or equivalents that have a term exceeding one year and the cumulative future payments on the contract exceeding $12,000 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 (in thousands):

	July 1	Increases	Decreases	June 30	Current Portion
2022	$ 31,398	$ 3,803	$ 5,063	$ 30,138	$ 4,502

	July 1	Increases	Decreases	June 30	Current Portion
2021	$ 34,151	$ 3,292	$ 6,045	$ 31,398	$ 5,063

Medicare accelerated payments and CARES Act grant – On March 11, 2020, the World Health Organization officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic. Management is closely monitoring the evolution of this pandemic, including how it may affect operations and the general population. Management has not yet determined the full financial impact of these events. Centers for Medicare & Medicaid Services ("CMS") distributed $50 billion of the $100 billion in the form of grants to hospitals. For the years ended June 30, 2022 and 2021, the Hospital received approximately $26.9 million and $0 million of provider relief funds, respectively. The Hospital recognized $15.6 million included as "Provider Relief Fund revenue" (nonoperating revenue) in the consolidated statement of revenues, expenses, and changes in net position, for the year ended June 30, 2022, and deferred the remainder amount. The Hospital did not recognize any provider relief fund revenue for the year ended June 30, 2021. The Hospital will have to submit reports documenting lost revenue and expenses incurred to support the grant funds, among other terms and conditions.

Separately, CMS initiated an Accelerated Payment Program to hospitals. The Accelerated Payments represent advance payments for services to be provided and were based on a hospital's historical Medicare volume. In April 2020, the Hospital received approximately $75.1 million in Accelerated Payments. CMS began recoupment of these accelerated payments in April 2021 and will continue to recoup the accelerated payments from billings for services rendered until they are fully repaid. As of June 30, 2022 and 2021, the Hospital had $0 million and $65.6 million, respectively, in accelerated payments, included in Medicare accelerated payments in the consolidated statement of financial position. During the year ended June 30, 2022 and 2021, approximately $65.6 million and $9.4 million, respectively had been recouped.

Interest rate swap agreements – During the fiscal year ended June 30, 2007, the Hospital entered into derivative instruments in the form of three swap agreements to hedge variable interest rate exposure. During the fiscal year ended June 30, 2008, the underlying variable rate debt was refunded for fixed rate debt, leaving the Hospital with speculative derivative instruments that largely offset the variable rate debt issued in 2009. Two of these swaps were terminated in the fiscal year ended June 30, 2010. Refer to Note 10 for a full description of the interest rate swap agreements.

Net position – Net position of the District is classified as invested in capital assets, restricted-expendable, restricted-nonexpendable, and unrestricted net position.

Invested in capital assets, net of related debt – Invested in capital assets of $649,763,000 and $592,836,000 at June 30, 2022 and 2021, respectively, represent investments in all capital assets (building and building improvements, furniture and fixtures, and information and technology equipment), net of depreciation and 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 (such as through debt covenants), 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.

Unrestricted net position – Unrestricted net position consists of net position that does not meet the definition of invested in capital assets, net of related debt, or restricted.

Statements of revenues, expenses, and changes in net position – For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provisions of healthcare services are reported as revenues and expenses. Peripheral or incidental transactions are reported as gains and losses. These peripheral activities include investment income, property tax revenue, gifts, grants and bequests, change in net unrealized gains and losses on short-term investments, unrealized losses or gains on interest rate swaps, and nonexchange contributions received from the Foundation's fundraising activities and are reported as nonoperating. Investments in Pathways Home Health & Hospice and Satellite Dialysis of Mountain View, LLC, are accounted for under the equity method. The Hospital's share of the operating income of these entities is included as other, net in the consolidated financial statements.

Net patient service revenue and patient accounts receivable – 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. The distribution of net patient accounts receivable by payor is as follows:

	June 30,	
	2022	2021
Medicare	12%	13%
Medi-Cal	2%	3%
Commercial and other	85%	83%
Self pay	1%	1%
	100%	100%

Provision for uncollectible accounts – The Hospital provides care to patients without requiring collateral or other security. Patient charges not covered by a third-party payor are billed directly to the patient if it is determined that the patient has the ability to pay. A provision for uncollectible accounts is recognized based on management's estimate of amounts that ultimately may be uncollectible.

Charity care – The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of estimated costs for services and supplies furnished under the Hospital's charity care policy aggregated approximately $4,106,000 and $3,323,000 for the years ended June 30, 2022 and 2021, respectively.

Property tax revenue – The District received approximately 58% in 2022 and 9% in 2021 of its total increase in net position from property taxes. These funds were designated as follows (in thousands):

	2022	2021
Designated to support community benefit programs and operating expenses	$ 10,221	$ 9,532
Designated to support capital expenditures	$ 11,528	$ 11,129
Levied for debt service	$ 12,304	$ 11,803

Property taxes are levied by the County of Santa Clara on the District's behalf on January 1 and are intended to finance the District's activities of the same calendar year. Amounts levied are based on assessed property values as of the preceding July 1. Property taxes are considered delinquent on the day following each payment due date. Property taxes are recorded as nonoperating revenue by the District when they are earned.

Grants and contributions – From time to time, the District receives grants as well as contributions from individuals and private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues.

Income taxes – The District operates under the purview of the Internal Revenue Code (the "Code"), Section 115, and corresponding California Revenue and Taxation Code provisions. As such, it is not subject to state or federal taxes on income. CONCERN has also been granted tax-exempt status. However, income from the unrelated business activities of the Hospital and the Foundation is subject to income taxes. SVMD is a limited liability company and is treated as a pass-through entity for federal income tax purposes. Accordingly, no recognition has been given to federal income taxes in the accompanying consolidated financial statements.

New accounting pronouncements – The GASB also issued GASB Statement No. 87, *Leases* ("GASB No. 87"), which intends to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB No. 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB No. 95 extended the effective date for GASB No. 87 to reporting periods beginning July 1, 2021. The District adopted GASB No. 87 Leases (GASB 87) as of July 1, 2020. The contracts to lease office space met the definition of a lease and the District calculated and recognized a right-to-use assets, net, of $31 million and lease liabilities of $31 million as of June 30, 2021. As lessor, the District's adoption of GASB 87 resulted in recognition of lease receivable of $51 million and deferred inflow of $51 million as of June 30, 2021. The impact to beginning net position was not significant. See Notes 13 and Note 14.

The GASB also issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* ("GASB No. 89"). GASB No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB No. 95 extended the effective date for GASB No. 89 to reporting periods beginning July 1, 2021. The adoption did not result in a material impact to the District's consolidated financial statements.

The GASB also issued GASB Statement No. 91, *Conduit Debt Obligation* ("GASB No. 91"). GASB No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB No. 95 extended the effective date for GASB No. 91 to reporting periods beginning July 1, 2022. The District is currently assessing the impact of this standard on the District's consolidated financial statements.

The GASB also issued Statement No. 93, *Replacement of Interbank Offered Rates* (“GASB No. 93”). GASB No. 93 establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (“LIBOR”) for hedging derivative instruments. As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form after December 31, 2021. The requirements of this statement, except for paragraphs 11b, 13, and 14, are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. GASB No. 95 extended the effective date for paragraphs 13 and 14 to fiscal years beginning after June 15, 2021. The District is currently assessing the impact of this standard on the District’s consolidated financial statements.

NOTE 2 – OPERATING REVENUES

The Hospital and SVMD has agreements with third-party payors that provide for payments to the Hospital and SVMD at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, fee schedules, prepaid payments per member, and per diem payments or a combination of these methods. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated settlements under reimbursement agreements with third-party payors.

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. Inpatient services are paid at prospectively determined rates per discharge. Payments for outpatient services are based on a stipulated amount per procedure. The Hospital is reimbursed for cost reimbursable items at a tentative rate, with final settlements determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The effect of updating prior-year estimates for Medicare and other liabilities was to decrease 2022 income from operations by $5,305,000, and decrease 2021 income from operations by $5,519,000. The Hospital’s cost reports have been audited by the Medicare fiscal intermediary through June 30, 2018.

Non-Designated Public Hospitals (“NDPHs”), including the Hospital, were authorized, in 2011’s Assembly Bill (“AB”) 113, to use intergovernmental transfers (“IGTs”) to obtain federal supplemental funds for Medi-Cal inpatient fee-for-service. The IGTs are used to bring NDPHs, in the aggregate, up to their upper payment limit (“UPL”). The UPL is the federal maximum available under the Medicaid program, as calculated based on the actual costs of providing care. For the years ended June 30, 2022 and 2021, the Hospital recognized amounts under the IGT program of $8,283,000 and $12,974,000, respectively, which have been reported as net patient service revenue.

Medi-Cal and contracted rate payors are paid on a percentage of charges, per diem, per discharge, fee schedule, or a combination of these methods.

Laws and regulations governing the Medicare and Medi-Cal programs are complex and are subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term.

Other revenues for the year ended June 30, consisted of the following:

	2022	2021
Rental income	$ 13,794	$ 13,496
Prime IGT	1,441	3,616
SVMD other revenue	1,074	9,043
CONCERN & SVMD capitated revenue	11,464	11,843
Other operating revenue	9,258	4,223
	$ 37,031	$ 42,221

NOTE 3 – CASH DEPOSITS

At June 30, 2022 and 2021, District cash deposits had carrying amounts of $207,923,000 and $161,915,000, respectively, and bank balances of $241,055,000 and $167,845,000, 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 participated in a cash management program provided by its primary depository institution that allows cash in District concentration accounts to be swept daily and invested overnight in reverse agreements that are not exposed to custodial credit risk because the underlying securities are held by the buyer-lender.

NOTE 4 – BOARD-DESIGNATED FUNDS, FUNDS HELD BY TRUSTEE, RESTRICTED FUNDS, AND INVESTMENTS

Board-designated funds, funds held by trustee, restricted funds, and short-term investments, collectively, as of June 30, 2022 and 2021, comprised the following (in thousands):

	Amortized Cost	Gross Unrealized		Carrying Value
		Gains	Losses	
2022				
Cash and cash equivalents	$ 86,014	$ 21	$ (85)	$ 85,950
Mutual funds	317,868	82,791	(25,039)	375,620
Real estate funds	36,512	16,371	(1,542)	51,341
Hedge funds	218,168	45,618	(9,043)	254,743
Equities	64,460	14,725	(3,573)	75,612
Fixed income securities	570,263	866	(33,042)	538,087
	$ 1,293,285	$ 160,392	$ (72,324)	$ 1,381,353

At June 30, 2022, investment balances and average maturities were as follows:

Investment Type	Fair Value (in thousands)	Investment Maturities (in years) Less than 1	1 to 5	6 to 10	More than 10
Short-term money market	$ 79,616	$ 79,616	$ -	$ -	$ -
Government and agencies	301,655	-	153,810	17,217	130,628
Corporate bonds	206,714	17,978	107,634	38,596	42,506
Domestic fixed income	36,052	-	20,289	9,884	5,879
	624,037	$ 97,594	$ 281,733	$ 65,697	$ 179,013
Equities	75,612				
Mutual funds	375,620				
Real estate funds	51,341				
Hedge funds	254,743				
Total	$ 1,381,353				

At June 30, 2021, investment balances and average maturities were as follows:

Investment Type	Fair Value (in thousands)	Investment Maturities (in years) Less than 1	1 to 5	6 to 10	More than 10
Short-term money market	$ 107,614	$ 107,614	$ -	$ -	$ -
Government and agencies	383,153	52,241	165,644	32,733	132,535
Corporate bonds	157,451	19,499	73,689	25,560	38,703
Domestic fixed income	41,909	528	21,470	11,380	8,531
	690,127	$ 179,882	$ 260,803	$ 69,673	$ 179,769
Equities	77,695				
Mutual funds	489,529				
Real estate funds	78,537				
Hedge funds	212,598				
Total	$ 1,548,486				

Interest rate risk – Through its investment policies, the District manages its exposure to fair value losses arising from increasing interest rates by limiting duration of fixed-income securities in its portfolio to no more than 30% of the designated benchmark.

Credit risk – District investment policies require fixed income investments to have a minimum of 85% of a money manager’s assets in investment grade assets. The investment policy requires investment managers maintain an average of A- or higher ratings as issued by a nationally recognized rating organization. Additionally, the investment policy requires no more than 5% of a money manager’s portfolio at the time of purchase shall be invested in the securities of any one issuer, with the exception of a United States government agency, agency MBS, or other Sovereign issues rated AAA or Aaa.

Foreign currency risk – The District’s investment policy permits it to invest up to 30% of total investments in foreign currency denominated investments.

Alternative investments risk – The District's alternative investments include ownership interest in a wide variety of partnership and fund structures that may be domestic or offshore. Generally, there is little or no regulation of these investments by the Securities and Exchange Commission or U.S. state attorneys general. These investments employ a wide variety of strategies including absolute return, hedge, venture capital, private equity, and other strategies. Investments in this category may employ leverage to enhance the investment return. The District's holdings can include financial assets such as marketable securities, nonmarketable securities, derivatives, and synthetic and structured instruments; real assets; tangible and intangible assets; and other funds and partnerships. Generally, these investments do not have a ready market. Interest in these investments may not be traded without approval of the general partner or fund management.

Alternative investments are subject to all of the risks described previously relating to equities and fixed-income instruments. In addition, alternative strategies and their underlying assets and rights are subject to a broad array of economic and market vagaries that can limit or erode value. The underlying assets may not be held by a custodian either because they cannot be, or because the entity has chosen not to hold them in this form. Valuations determined by the investment manager, who has a conflict of interest in that he or she is compensated for performance, are considered and reviewed by the District's Investment Committee and the Board of Directors. Real assets may be subject to physical damage from a variety of means, loss from natural causes, theft of assets, lawsuits involving rights, and other loss and damage including mortgage foreclosure risk. These risks may not be insured or insurable. Tangible assets are subject to loss from theft and other criminal actions and from natural causes. Intangible assets are subject to legal challenge and other possible impairment.

The carrying amount of deposits and investments are included in the District's consolidated statements of net position as follows (in thousands):

	2022	2021
Included in the following consolidated statements of net position captions:		
Short-term investments	$ 153,417	$ 294,690
Current portion of board designated and funds held by trustee	11,129	18,657
Board designated, funds held by trustee, and restricted funds, less current portion	1,216,807	1,235,139
Total carrying amount of deposits and investments	$ 1,381,353	$ 1,548,486

NOTE 5 – FAIR VALUE

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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

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

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

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the consolidated statements of net position at June 30, 2022 and 2021, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Mutual funds: Shares of mutual funds are valued at the net asset value ("NAV") of shares held by the District and are valued at the closing price reported on the active market on which the individual securities are traded.

Common stock: Common stock is valued at the closing price reported on the active market on which the individual securities are traded.

Asset-backed securities: Asset-backed securities are valued via model using various inputs such as but not limited to daily cash flow, U.S. Treasury market, floating rate indices such as LIBOR and Prime as a benchmark yield, spread over index, periodic and life caps, next coupon adjustment date, and convertibility of the bond.

Corporate bonds, foreign bonds, and municipal bonds: Valued using pricing models maximizing the use of observable inputs for similar securities which includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

U.S. government securities: Fixed income funds are valued at the NAV of shares held by the District and are valued at the closing price reported on the active market on which the individual securities are traded.

Pooled, common & collective trusts: Investments are valued using the NAV of the fund. The NAV of a pooled or collective investment fund is calculated based on a compilation of primarily observable market information. The number of units of the fund that are outstanding on the calculation date is derived from observable purchase and redemption activity in the fund.

Hedge funds: The fair value of the investments is recorded at the investment manager's net asset values, as determined by the fund administrator and subsequently audited by an external third party. The administrator has the appropriate expertise to determine the NAV. The District assesses the NAV and takes into consideration events such as suspended redemptions, restructuring, secondary sales, and investor defaults to determine if an adjustment is necessary. Additionally, asset holdings are reviewed within investment managers' audited financial statements.

Limited Liability Company and Limited Partnership Interests: The valuation of partnership interests may require significant management judgement. The District's ownership is based upon their percentage of limited partnership interests divided by the total commitment of the fund. Specifically, inputs used to determine fair value include financial statements provided by the investment partnerships, which typically include fair market value capital account balances.

Interest rate swaps: The fair value is estimated by a third party using inputs that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

Beneficial interest in charitable remainder unitrusts: The beneficial interest in charitable remainder unitrusts is measured at fair value, which is estimated as the present value of the expected future cash flows from trusts.

The following table presents the fair value measurements of financial instruments for the consolidated District financials, recognized in the accompanying consolidated statements of net position measured at fair value on a recurring basis and the level within the GASB No. 72 fair value hierarchy in which the fair value measurements fall at June 30 (in thousands):

Description	Level 1	Level 2	Level 3	2022
Investments by fair value level				
Asset backed securities				
Corporate backed obligations	$ -	$ 29,079	$ -	$ 29,079
Mortgage backed obligations	-	31,891	-	31,891
U,S. Government Mortgage Pool	-	69,721	-	69,721
Common stock				
ADR & U.S. foreign stock	-	6,412	-	6,412
Consumer discretionary	12,381	-	-	12,381
Consumer staples	2,235	-	-	2,235
Energy	10,127	-	-	10,127
Financial services industry	13,855	-	-	13,855
Healthcare industry	7,974	-	-	7,974
Industrials	6,548	-	-	6,548
Information Technology	7,635	-	-	7,635
Materials	5,239	-	-	5,239
Other	3,205	-	-	3,205
Corporate, municipal and foreign bonds				
Corporate bonds	-	179,806	-	179,806
Foreign corporate bonds	-	5,959	-	5,959
Private placements	36,052	-	-	36,052
Municipal taxable	-	4,301	-	4,301
Municipal - tax-exempt	192			
Preferred stocks	1,324	-	-	1,324
Mutual funds				
Mutual funds - equity	375,619	-	-	375,619
Mutual funds - taxable	-	17,978	-	17,978
U.S. Government securities				
Government agencies	4,738	-	-	4,738
U.S. treasury notes and bonds	158,813	-	-	158,813
Limited partnership interests	-	-	46,067	46,067
Total investments by fair value level	$ 645,937	$ 345,147	$ 46,067	1,036,959
Cash equivalents				84,500
Investments measured at NAV				
Pooled, common & collective trusts				34,918
Equity hedge funds				67,583
Credit hedge funds				34,966
Macro hedge funds				27,487
Relative value hedge funds				92,580
Fixed income limited partnership				2,360
Total investments measured at NAV				259,894
Total investments				$ 1,381,353
Beneficial interest in charitable remainder unitrusts	$ -	$ -	$ 4,522	$ 4,522
Interest rate swap	$ -	$ (3,872)	$ -	$ (3,872)

Description	Level 1	Level 2	Level 3	2021
Investments by fair value level				
Asset backed securities				
Corporate backed obligations	$ -	$ 17,317	$ -	$ 17,317
Mortgage backed obligations	-	30,013	-	30,013
U,S. Government Mortgage Pool	-	75,847	-	75,847
Common stock				
ADR & U.S. foreign stock	-	6,217	-	6,217
Consumer discretionary	15,566	-	-	15,566
Consumer staples	3,791	-	-	3,791
Energy	7,255	-	-	7,255
Financial services industry	15,024	-	-	15,024
Healthcare industry	6,474	-	-	6,474
Industrials	10,992	-	-	10,992
Information Technology	8,554	-	-	8,554
Telecommunication services	-	-	-	-
Other	3,821	-	-	3,821
Corporate, municipal and foreign bonds				
Corporate bonds	-	157,451	-	157,451
Private placements	41,909	-	-	41,909
Municipal taxable	-	4,239	-	4,239
Preferred stocks	1,378	-	-	1,378
Mutual funds				
Mutual funds - equity	489,529	-	-	489,529
Mutual funds - taxable	-	24,248	-	24,248
U.S. Government securities				
Government agencies	-	-	-	-
U.S. treasury notes and bonds	246,022	-	-	246,022
Limited partnership interests	-	-	30,128	30,128
Total investments by fair value level	$ 850,315	$ 315,332	$ 30,128	1,195,775
Cash equivalents				106,576
Investments measured at NAV				
Pooled, common & collective trusts				37,609
Equity hedge funds				66,641
Credit hedge funds				26,116
Macro hedge funds				24,164
Relative value hedge funds				89,266
Fixed income limited partnership				2,339
Total investments measured at NAV				246,135
Total investments				$ 1,548,486
Beneficial interest in charitable remainder unitrusts	$ -	$ -	$ 4,522	$ 4,522
Interest rate swap	$ -	$ (7,923)	$ -	$ (7,923)

The following table provides the fair value and redemption terms and restrictions for investments redeemable NAV at June 30 (in thousands):

	2022 Fair Value	2021 Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice
Pooled, common & collective trusts	$ 34,918	$ 37,609	$ -	Monthly	30 days
Equity hedge funds	67,583	66,641	-	Quarterly	90 days
Credit hedge funds	34,966	26,116	-	Monthly, Quarterly	15 - 60 days
Macro hedge funds	27,487	24,164	-	Monthly, Quarterly	5 - 90 days
Relative value hedge funds	92,580	89,266	-	Quarterly, Annually	45 days
Fixed income limited partnership	2,360	2,339	-	Monthly	1 day
Total investments measured at NAV	$ 259,894	$ 246,135	$ -		
Limited partnership interests	$ 46,067	$ 30,128	$ 29,531	n/a	n/a

Pooled, common & collective trusts – includes investments that invest in domestic equity. Investments are valued using the NAV per share of the fund. The NAV per share is based on the value of the underlying assets owned by the fund, minus its liabilities, divided by the number of shares outstanding.

Equity hedge funds – includes investments that employ both long and short strategies primarily in common stocks. Equity hedge strategies typically have a directional bias (long or short) and trade in equities and equity related derivatives. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investments representing approximately 20% of the value of the investments in this type include restrictions such as certain classes with side pocket investments which may only be redeemed upon realization of the underlying investments.

Credit hedge funds – includes investments that are comprised of distressed securities, credit long/short, emerging market debt and credit event driven. Credit hedge strategies typically have a directional bias and involve the purchase of various types of debt, equity, trade claims and fixed income securities. The fair values of the investments in this type have been determined using the NAV per share of the investments. All of the investments in this type include restrictions that do not allow for redemptions in the first year after acquisition and other imposed gates.

Macro hedge funds – includes investments that invests in global macro, managed futures, commodities and currencies. Macro hedge strategies typically have a directional bias and involve the purchase of a variety of securities and/or derivatives related to major markets. Managed future strategies trade similar instruments but are typically implemented by computerized system. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investments representing approximately 36% of the value of the investments in this type include restrictions such as certain classes with side pocket investments which may only be redeemed upon realization of the underlying investments.

Relative value hedge funds – includes investments that typically does not display a distinct directional bias. Relative value encompasses a range of strategies covering different asset classes. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments. Less than 1% of the value of the investments may include lock up, imposed gates, and other restrictions that preclude them from redeeming their share or ownership interest for an uncertain or extended period of time from the measurement date.

Fixed-income limited partnership – includes investments in a limited partnership fund of funds that invest primarily in investment grade non-U.S. dollar denominated fixed income securities. The fund may enter into swap agreements, forward settlement agreements, futures, contracts, and options on future contracts as well as purchase and sell covered put and call options. Investments are valued using the NAV per share of the fund. There is a provision in the limited partnership agreement that allows the general partner to limit redemption under certain circumstances.

Limited partnership interests – investments in closed-end, commitment based private equity real estate partnerships. The valuation of partnership interests in these funds may require significant management judgement. The District's ownership is based upon their percentage of limited partnership interests divided by the total commitment of the fund. Inputs used to determine fair value include financial statements provided by the investment partnerships, which typically include fair market value capital account balances. These investments can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the fund.

The following table presents the fair value measurements of financial instruments recognized in the accompanying fiduciary statements of net position measured at fair value on a recurring basis and the level within the GASB No. 72 fair value hierarchy in which the fair value measurements fall at June 30 (in thousands):

	2022			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 5,742	$ -	$ -	$ 5,742
Common stock	30,285	-	-	30,285
Corporate bonds	-	3,265	-	3,265
Mutual funds	240,563	-	-	240,563
U.S. government securities	815	-	-	815
Total assets in the fair value hierarchy	$ 277,405	$ 3,265	$ -	280,670
Investments measured at NAV practical expedient				82,749
Total assets, at fair value				$ 363,419

	2021			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 3,887	$ -	$ -	$ 3,887
Common stock	23,649	-	-	23,649
Corporate bonds	-	5,304	-	5,304
Mutual funds	230,806	-	-	230,806
U.S. government securities	3,310	-	-	3,310
Total assets in the fair value hierarchy	$ 261,652	$ 5,304	$ -	266,956
Investments measured at NAV practical expedient				69,592
Total assets, at fair value				$ 336,548

The following table provides the fair value and redemption terms and restrictions for investments redeemable NAV at June 30 (in thousands), for the fiduciary funds investments:

	Fair value June 30, 2022	Fair value June 30, 2021	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited Liability Company	$ 59,573	$ 49,390	$ -	Monthly/Semi-Annual	90 - 105 days
Common Collective Trust	11,686	9,158	-	Daily	Daily
Partnerships	11,490	11,044	9,981	No redemptions	N/A
	$ 82,749	$ 69,592			

NOTE 6 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2022, was as follows (in thousands):

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022
Capital assets not being depreciated				
Land	$ 94,725	$ 8,790	$ -	$ 103,515
Construction in progress	69,501	34,602	-	104,103
	164,226	43,392	-	207,618
Capital assets being depreciated				
Land improvement	19,201	2,434	-	21,635
Buildings	1,300,481	35,580	31,100	1,304,961
Capital equipment	426,511	35,985	10,819	451,677
	1,746,193	73,999	41,919	1,778,273
Less accumulated depreciation for				
Land improvement	12,561	773	-	13,334
Buildings	398,063	40,714	28,777	410,000
Capital equipment	339,509	32,589	10,871	361,227
	750,133	74,076	39,648	784,561
Total capital assets being depreciated, net	996,060	(77)	2,271	993,712
Total capital assets, net	$ 1,160,286	$ 43,315	$ 2,271	$ 1,201,330

Capital assets activity for the year ended June 30, 2021, was as follows (in thousands):

	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021
Capital assets not being depreciated				
Land	$ 92,904	$ 1,821	$ -	$ 94,725
Construction in progress	489,848	-	420,347	69,501
	582,752	1,821	420,347	164,226
Capital assets being depreciated				
Land improvement	15,768	3,433	-	19,201
Buildings	850,756	449,725	-	1,300,481
Capital equipment	399,247	27,306	42	426,511
	1,265,771	480,464	42	1,746,193
Less accumulated depreciation for				
Land improvement	11,891	670	-	12,561
Buildings	358,983	39,080	-	398,063
Capital equipment	311,613	27,938	42	339,509
	682,487	67,688	42	750,133
Total capital assets being depreciated, net	583,284	412,776	-	996,060
Total capital assets, net	$ 1,166,036	$ 414,597	$ 420,347	$ 1,160,286

Construction contracts of approximately $691,000,000 were approved for various projects, including the Women's Hospital Expansion, Demolition of the "Old Main" hospital and site work as well as replacement of the Diagnostic Imaging equipment at the Mountain Views campus. At June 30, 2022, the remaining commitment on these contracts is approximated $145,000,000.

There was no capitalized interest for the years ended June 30, 2022 and 2021, respectively.

NOTE 7 – EMPLOYEE BENEFIT PLANS

The Hospital sponsors a cash-balance pension plan (the "Cash Balance Plan"), which has been in effect since January 1, 1995. The Plan covers employees who are 21 years of age and have completed one year of credited service. Participants are entitled to a lump-sum distribution or monthly benefits at age 65 based on a predetermined formula that considers years of service and compensation. Effective July 1, 1999, employer benefits are calculated as 5% of a participant's annual plan compensation, and the annual interest is an indexed rate based on the return on 10-year U.S. Treasury securities. Participants are fully vested in their account balances after five pension years.

Participant accounts – The Cash Balance Plan maintains "participant account balances" equal to a participant's account balance established as of January 1, 1995, upon the conversion to the cash-balance formula, plus subsequent contribution credits and interest credits related to the participant's accumulated cash balance, participant match contribution credits, and participant match interest credits.

Contribution credits of 5% of eligible compensation for the year are credited to a participant's account as of the last day of the Cash Balance Plan year. Each year, interest credits related to a participant's cash balance are credited to the participant's account in an amount that is equal to a percentage of a participant's account balance at the beginning of the Cash Balance Plan year. The percentage rate used is the annual rate of return on 10-year treasury securities in effect for the third month (October) immediately preceding the first day of the applicable Cash Balance Plan year. The rates credited were 1.71% and 3.15% for the years beginning January 1, 2021 and 2020, respectively.

Employee contributions – Contributions by participants are not required or permitted by the Cash Balance Plan.

Employer contributions – The Hospital's funding policy is to contribute amounts to the Cash Balance Plan necessary to meet minimum funding requirements. The Hospital's contributions for 2019 and 2018 exceeded the minimum funding requirements of the Employee Retirement Income Security Act of 1974 ("ERISA").

Although it has not expressed any intention to do so, the Hospital has the right under the Cash Balance Plan to discontinue its contributions at any time and to terminate the Cash Balance Plan subject to the provisions set forth in ERISA.

Eligibility – Hospital employees are eligible to participate on the first day of the month succeeding the later of the date on which they complete one year of service, which is defined as working 12 months for a minimum of 1,000 hours, and they reach age 21.

Funding policy – The amount of employer contributions is determined based on actuarial valuations and recommendations as to the amounts required to fund benefits. Contributions are made by the Hospital based on the results of the actuarial recommendations. The Hospital intends to make contributions in amounts not less than the minimum required by the funding standards of ERISA and is required to keep the Cash Balance Plan qualified under Section 401(a) of the Internal Revenue Code ("IRC"). Participants are not permitted to contribute to the Cash Balance Plan.

Vesting – Participants are fully vested with their third year of service.

Pension benefits – Monthly benefit payments, based upon a formula described in the Cash Balance Plan document, commence within 30 days of the normal retirement date, early retirement date, or deferred retirement date. A participant may elect to defer retirement past the normal retirement age, which will result in benefits greater than 100%, based on a published scale. The eligibility requirement for early retirement is age 55. Early retirement benefits are calculated by multiplying the accrued benefit as of the early retirement date by a percentage defined in the Cash Balance Plan document.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustments are 2.00% compounded annually.

On termination of service, a participant may elect to receive either a lump-sum amount equal to the value of the participant's account balance or annuity payments based upon formulas described in the Cash Balance Plan document.

Death benefits – The Cash Balance Plan provides death benefits in the form of a qualified pre-retirement survivor annuity for life equal to the annuity that would have been payable to the spouse if the participant had retired on the day preceding the participant's death. At the option of the beneficiary, the benefit may be paid in a lump-sum.

Basis of accounting – The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as applied to governmental units, using the accrual method of accounting. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Use of estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein; disclosure of contingent assets and liabilities; and the actuarial present value of accumulated Cash Balance Plan benefits, at the date of the financial statements. Actual results could differ from those estimates.

Investment valuation – The Cash Balance Plan's investments are stated at fair value, as certified by the Cash Balance Plan's custodian, based generally on quoted market prices.

Fair value is the price that would be received to sell an asset or paid to transfer a liability (the "exit price") in an orderly transaction between market participants at the measurement date. See Note 6 for discussion of fair value measurements.

Income recognition – Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. The net appreciation or depreciation in fair value of investments consists of both the realized gains or losses and unrealized appreciation (depreciation) of those investments.

Benefits paid to participants – Benefit payments to participants are recorded upon distribution.

Administrative expenses – Administrative fees, such as custodian, actuarial, and certain other administrative expenses, may be paid by the Cash Balance Plan or the Hospital.

The Hospital's net pension asset was measured as of June 30, 2022 and 2021, as determined by an actuarial valuation as of December 31, 2021 and 2020, rolled forward to June 30, 2022 and 2021, respectively.

Certain retired and terminated employees and certain participants covered by a collective bargaining agreement continue to participate under provisions of a defined-benefit retirement plan in effect prior to January 1, 1995. Participant data for the Plan, as of the measurement date January 1 for the indicated years is as follows:

	2022	2021
Active	2,946	3,001
Retirees and beneficiaries	619	600
Vested terminated	1,059	982
Total participants	4,624	4,583

Components of pension cost and deferred outflows and inflows of resources as calculated under the requirements of GASB No. 68 are as follows (in thousands):

	2022	2021
Deferred outflows of resources as of June 30:		
Difference between expected and actual experience	$ 588	$ 915
Total	$ 588	$ 915
Deferred inflows of resources as of June 30:		
Difference between expected and actual experience	$ (7,759)	$ (2,930)
Changes in assumptions	(4,295)	(3,732)
Difference between projected and actual investment earnings	(34,021)	(34,479)
Total	$ (46,075)	$ (41,141)
Contributions between the measurement date and fiscal year end recognized as a deferred outflows of resources	$ 3,000	$ 7,000

Amounts reported as deferred outflows and inflows of resources to pensions will be recognized in pension expense are as follows (in thousands):

2023	$ (12,592)
2024	(16,036)
2025	(9,693)
2026	(4,345)
2027	(1,474)
Thereafter	(1,348)
	$ (45,488)

The following table summarizes changes in pension liability for fiscal years ended June 30, 2022 and 2021, with a measurement date of December 31, 2021 and 2020, respectively, (in thousands):

	2022	2021
Service cost	$ 10,784	$ 10,166
Interest	13,737	13,206
Differences between expected and actual experience	(6,571)	(1,152)
Changes of assumptions	(2,263)	(550)
Benefit payments	(14,774)	(12,167)
Net change in total pension liability	913	9,503
Total pension liability beginning of fiscal year	225,443	215,940
Total pension liability end of fiscal year	$ 226,356	$ 225,443

	2022 with Measurement Date of December 31, 2021	2021 with Measurement Date of December 31, 2020
Total pension liability	$ 226,356	$ 225,443
Plan fiduciary net position	363,505	336,605
Net pension asset	$ (137,149)	$ (111,162)
Plan's fiduciary net position as a percentage of total pension liability	160.59%	149.31%
Covered payroll	$ 389,552	$ 359,322
Net pension asset as a percentage of covered payroll	-35.21%	-30.94%
Contributions between the measurement date and year ended June 30, as deferred outflow of resources	$ 3,000	$ 7,000

The following table summarizes the actuarial assumptions used to determine net pension asset and plan fiduciary net position as of June 30, 2022 and 2021:

Valuation Date	January 1, 2022 Actuarially determined contribution rates are calculated as of January 1.
Actuarial Cost Method	Entry Age Normal Method as a level percent of pay in accordance with GASB.
Asset Valuation Method	Market Value
Actuarial Assumptions	
Projected Salary Increases	4.00%
Mortality	Based on the Pri-2012 Total Employee and Retiree Mortality Tables (base year 2012) and projected with Mortality Improvement Scale MP-2021, except for current and future beneficiaries of deceased participants. For current and future beneficiaries of deceased participants, mortality is based on the Pri-2012 Contingent Survivor Mortality Tables and projected with Mortality Improvement Scale MP-2021.
Discount Rate	6.00%

Sensitivity of net pension asset (in thousands):

	1% Decrease 5%	Current Discount Rate 6%	1% Increase 7%
Net pension asset as of June 30, 2022	$ 115,891	$ 137,149	$ 155,615
Net pension asset as of June 30, 2021	$ 88,863	$ 111,162	$ 130,388

The following table summarizes target asset class for the plan fiduciary net position as of June 30, 2022 and 2021:

Asset Class	Neutral	Asset Rebalancing Range	Expected Long-Term Real Rate of Return
Domestic Equities	32%	27% - 37%	8.69%
International Equities	18%	15% - 21%	7.66%
Alternatives	20%	17% - 23%	5.38%
Broad Fixed Income	25%	20% - 30%	2.86%
Cash	5%	0% - 8%	1.04%
Total	100%		6.00%

Eligible employees of the Hospital may also elect to participate in a separate deferred compensation plan (the 403(b) plan) pursuant to Section 403(b) of the Code. The Hospital acts as the administrator and sponsor, and the 403(b) plan's assets are held by trustees designated by the Hospital's management. Employees are eligible to participate upon employment, and participants are immediately vested in their elective contributions plus actual earnings thereon. The Hospital will match employee contributions to the 403(b) plan, subject to a maximum of 4% of each participant's annual plan compensation. Participants are eligible for employer match in the second plan year in which they work at least 1,000 hours, and they must be on the payroll at the end of the plan year (December 31). Employer matching contributions under the 403(b) plan are made to the cash-balance pension plan and earn interest as defined by that plan. Employer matching contributions to the 403(b) plan of $14,698,000 and $13,373,000 in 2022 and 2021, respectively, are included in benefits expense. Participants are immediately vested in the employer contributions included in the cash-balance pension plan.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the consolidated financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 8 – POST-RETIREMENT MEDICAL BENEFITS

The Hospital provides healthcare benefits and life insurance for retired employees who meet eligibility requirements as outlined in the plan document, as approved by the board of directors of the Hospital. All employees who attain age 55 with a minimum of 20 years of enrollment in the Hospital's healthcare program and are enrolled in one of the plans upon retirement, and who were hired prior to July 1, 1994, are eligible. Under the plan, employees are credited with employment history accumulated under a prior Hospital plan.

Benefits are funded by the Hospital on a pay-as-you go basis. If a participant terminates from the Hospital after 20 years of enrollment but before reaching age 62, he or she can choose to contribute to the plan between ages 55 and 61 to retain the plan's benefits. At age 62, eligible retirees are given an annual credit based on years of service to pay for health benefits.

Employees covered – At June 30, the following employees were covered by the Hospital:

	2022	2021
Active	208	250
Inactive plan members or beneficiaries currently receiving benefits	341	327
Total participants	549	577

Components of post-retirement medical benefits expense and deferred inflows and outflows of resources as calculated under the requirements of GASB No. 75 are as follows (in thousands) as of June 30:

	2022	2021
Service cost	$ 226	$ 255
Interest	809	852
Differences between expected and actual experience	(1,029)	(284)
Changes of assumptions	393	107
Current period recognition of prior years' deferred inflows and outflows	(108)	253
Total post-retirement medical benefits expense	$ 291	$ 1,183

	2022	2021
Deferred outflows of resources as of June 30:		
Changes in benefit terms	$ -	$ -
Difference between expected and actual experience	-	-
Changes in assumptions	204	90
Total	$ 204	$ 90
Deferred inflows of resources as of June 30:		
Changes in benefit terms	$ -	$ -
Difference between expected and actual experience	(535)	(198)
Changes in assumptions	-	-
Total	$ (535)	$ (198)

Amounts reported as deferred outflows and inflows of resources to post-retirement medical benefits will be recognized in post-retirement medical benefits expense are as follows (in thousands):

2023	$ (331)
2024	-
2025	-
2026	-
2027	-
Thereafter	-
	$ (331)

The following table summarizes changes in post-retirement medical benefits liability for fiscal year ended June 30, 2022 and 2021, with a measurement date of July 1, 2021 and 2020, respectively (in thousands):

	2022	2021
Service cost	$ 226	$ 255
Interest	809	852
Differences between expected and actual experience	(1,565)	(479)
Changes in assumptions or other input	599	180
Benefit payments	(943)	(881)
Net changes	(874)	(73)
Net post-retirement medical benefits liability at beginning of year	30,657	30,730
Net post-retirement medical benefits liability at end of year	$ 29,783	$ 30,657

The following table summarizes the actuarial assumptions used to determine net post-retirement medical benefits as of June 30, 2022 and 2021:

Valuation Date	June 30, 2021; measurement date of June 30, 2021
Actuarial Cost Method	Entry Age Normal, level percent of pay
Asset Valuation Method	Not applicable
Actuarial Assumptions	
Projected Salary Increases	4.00%
Mortality	Mortality rates are according to the Pri-2012 Total Employee and Retiree Mortality Tables projected generationally using projection scale MP-2020. For current beneficiaries of deceased participants, mortality is based on the Pri-2012 Contingent Survivor Mortality Tables projected generationally using projection scale MP-2020. This assumption has been updated since the prior valuation based on information released by the Society of Actuaries in October 2020.
Discount Rate	2.18%
Healthcare cost trend rates:	7% for 2021-2022, graded to 4.5% for years 2027 and beyond for ages pre-65; and 5.5% for 2021-2022, graded to 4.50% for year 2027 and beyond for ages post-65.

Sensitivity of post-retirement medical benefits liability (in thousands) due to change in discount rates as of June 30:

	2022		
	1% Decrease 1.18%	Current Discount Rate 2.18%	1% Increase 3.18%
Net post-retirement medical benefits liability	$ 33,378	$ 29,783	$ 26,746

	2021		
	1% Decrease 1.66%	Current Discount Rate 2.66%	1% Increase 2.66%
Net post-retirement medical benefits liability	$ 34,399	$ 30,657	$ 27,508

Sensitivity of post-retirement medical benefits liability (in thousands) due to change in healthcare cost trend:

	1% Decrease	Current Trend rate	1% Increase
June 30, 2022	$ 29,378	$ 29,783	$ 30,259
June 30, 2021	$ 30,141	$ 30,657	$ 31,328

NOTE 9 – INSURANCE PLANS

The Hospital purchases professional, general, automobile, and directors and officers liability insurance from BETA Healthcare Group ("BHG"), and also purchases all-risk property insurance (including limited flood), fiduciary, crime, cyber, and excess workers' compensation coverage needs from Alliant Insurance Services ("Alliant"). The Hospital's coverage is under a claims-made policy with limits of $30 million per occurrence, $40 million in the annual aggregate, and with a self-insured retention level of $500,000 per claim.

There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted from services provided to patients. The Hospital has actuarial estimates performed annually on its self-insurance plans of professional liability and workers' compensation benefits. Estimated liabilities (which have not been discounted) have been actuarially determined at an expected 75% confidence level and include an estimate of incurred, but not reported, claims. The balances are included in salaries and wages payable, workers' compensation, and other long-term liabilities in the accompanying consolidated statements of net position.

NOTE 10 – BONDS PAYABLE

Bonds payable consists of the following obligations (in thousands):

	June 30, 2022	June 30, 2021
El Camino Hospital District		
2006 General Obligation Bonds		
Principal	$ 32,335	$ 32,335
Unamortized premium	14	178
2017 General Obligation Bonds		
Principal	78,905	83,955
Unamortized premium	168	183
El Camino Hospital Revenue Bonds		
Series 2009		
Principal	50,000	50,000
Series 2015A		
Principal	131,380	135,670
Unamortized premium	6,849	8,070
Series 2017A		
Principal	277,735	282,875
Unamortized premium	9,453	11,123
Total long-term debt	586,839	604,389
Less current maturities	15,665	14,480
Maturities due after one year	$ 571,174	$ 589,909

	2022			
	Balance at June 30, 2021	Increases	Decreases	Balance at June 30, 2022
General obligation bonds	$ 116,651	$ -	$ 5,228	$ 111,423
Revenue bonds	487,738	-	12,322	475,416
	$ 604,389	$ -	$ 17,550	$ 586,839

	2021			
	Balance at June 30, 2020	Increases	Decreases	Balance at June 30, 2021
General obligation bonds	$ 121,392	$ -	$ 4,741	$ 116,651
Revenue bonds	499,981	-	12,243	487,738
	$ 621,373	$ -	$ 16,984	$ 604,389

2006 General Obligation Bonds – Upon voter approval, in November 2003, the District issued in 2006, $148,000,000 principal amount of 2006 General Obligation Bonds, which consists of $115,665,000 of Current Interest Bonds. Interest on the Current Interest Bonds is payable semiannually at rates ranging from 4% to 5% and principal maturities ranging from $2,065,000 in 2016 to $18,050,000 in 2036 are due annually on August 1. Interest at rates ranging from 4.38% to 4.48% and principal of the Capital Appreciation Bonds are payable only at maturity. In March 2017, the District advanced refunded a portion of the 2006 General Obligation Bonds, through the issuance of the 2017 General Obligation Refunding Bonds.

The Current Interest Bonds maturing on or after August 1, 2017, may be redeemed prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after February 1, 2017, at a redemption price equal to the principal amount of the Current Interest Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

2017 General Obligation Bonds – Upon voter approval, in March 2017, the District advanced refunded a portion of the 2006 General Obligation Bonds, through the issuance of the $99,035,000 2017 General Obligation Refunding Bonds, which consists of $115,665,000 of Current Interest Bonds, and $32,335,000 of Capital Appreciation Bonds. Interest on the 2017 General Obligation Refunding Bonds is payable semiannually at rates ranging from 2% to 5% and principal maturities ranging from $3,570,000 in 2017 to $17,480,000 in 2036 are due annually on August 1. This refinancing resulted in a reduction of future interest payments with a present value of approximately $7,000,000.

Both the 2006 and 2017 G.O. Bonds are general obligations of the District payable from ad valorem taxes. Payment of principal, interest and maturity value of the Bonds, when due, is insured by a municipal bond insurance policy.

Revenue Bonds, Series 2009 – In April 2009, the Hospital issued $50,000,000 of Santa Clara County Financing Authority Insured Revenue Bonds, Series 2009A, to fund completion of the Hospital replacement construction project. Interest on the bonds is payable on the business day immediately following the applicable remarketing period. Principal maturities on the bonds range from $100,000 in 2025 to $10,920,000 in 2044, and are due annually on February 1.

The 2009 Series Revenue bond agreement contains various restrictive covenants which include, among other things, minimum debt service coverage, maintenance of minimum liquidity, and requirement to maintain certain financial ratios.

The bonds are secured by a pledge of gross revenues to an Indenture of Trust ("Indenture") dated March 16, 2007. The Indenture contains certain covenants that, among other things, require the District to deposit all gross revenues of the Hospital as soon as practicable upon receipt. The Indenture also requires the Hospital to maintain a long-term debt service coverage ratio of 1.15 to 1.00. Failure to comply with the restrictive covenants of the Indenture could result in all of the unpaid principal and accrued interest of the bonds becoming due immediately, at the option of the trustee.

Revenue Bonds, Series 2015A – In May 2015, the Hospital advance refunded its Series 2007 Santa Clara County Financing Authority Insured Revenue Bonds ("Series 2007") through the issuance of the $160,455,000 of Santa Clara County Financing Authority Insured Revenue Bonds ("Series 2015A"). The issuance of the Series 2015A is to (i) finance and refinance certain capital expenditures owned by the Hospital (the Project – $40,300,000), (ii) advance refund ($120,100,000) the Santa Clara County Financing Authority Insured Revenue Bonds of the Hospital Series 2007A, 2007B, and 2007C, and (iii) pay costs incurred in the connection of the issuance of the Bonds.

Revenue Bonds, Series 2017A – In February 2017, the Hospital issued $292,435,000 of California Health Facilities Financing Authority Revenue Bonds ("Series 2017") to finance certain capital expenditures at facilities owned or operated by the Hospital, to finance a portion of the interest payable of the Series 2017 through January 31, 2019, and to pay costs incurred in connection with the issuance of the Series 2017. The Series 2017 consists of $130,660,000 Serial Bonds and $161,775,000 Term Bonds. Principal maturities for the Serial Bonds range from $4,665,000 in 2020 to $10,565,000 in 2037, and are due annually on February 1. Principal maturities for the Term Bonds range from $60,710,000 in 2042 to $101,065,000 in 2047, and are due annually on February 1.

Letter of credit – In March 2009, in connection with the issuance of the 2009 Series Revenue bonds, the Hospital obtained an irrevocable Letter of Credit issued by a bank for $50,000,000. This Letter of Credit expires October of 2023 and requires the Hospital to maintain a long-term debt service coverage ratio of 1.20 to 1.00.

Management believes all financial debt covenants were met for the years ended June 30, 2022 and 2021.

Debt service requirements for bonds payable are as follows (in thousands):

Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Revenue Bonds Principal	Revenue Bonds Interest
2023	$ 5,760	$ 3,154	$ 9,905	$ 19,431
2024	3,293	6,343	10,400	18,935
2025	3,398	6,788	10,920	18,415
2026	3,411	7,144	11,460	17,874
2027	3,552	7,709	12,035	17,306
2028-2032	18,681	46,548	69,710	77,156
2033-2037	73,145	9,266	87,995	59,546
2038-2042	-	-	110,815	38,053
2043-2047	-	-	135,875	17,757
2048-2052	-	-	-	-
	$ 111,240	$ 86,952	$ 459,115	$ 284,473

Interest rate swap – On March 7, 2007, the Hospital entered into three interest rate swap agreements in connection with the issuance of the Series 2007 Revenue Bonds. The intention of the swap is to create debt with a synthetic, fixed interest rate on the variable-rate Revenue Bonds. The swaps were effective March 23, 2007, with a termination date of February 1, 2041, and notional amounts of $50 million each; these terms match the terms of the underlying Series 2007 Revenue Bonds. Under each swap transaction, the Hospital pays a fixed rate of interest of 3.204% and the counterparty pays a variable rate of interest equal to the sum of (i) 56% of USD-LIBOR-BBA plus (ii) 0.23%. In March 2008, the Hospital Board directed management to terminate the floating to fixed interest rate swap when economically prudent in connection with the refunding of their Series 2007 Revenue Bonds. In December 2009, two of the three swaps were terminated. The fair value of the remaining swap is a liability of $3,872,000 at June 30, 2022, and $7,923,000 at June 30, 2021, included in other long-term obligations in the consolidated statements of net position.

Risks associated with the swap agreements – From the Hospital's perspective, the following risks are generally associated with swap agreements:

Credit risk – The counterparty becomes insolvent or is otherwise not able to perform its financial obligations. In the event the counterparty becomes insolvent or their credit rating falls below BBB-/Baa2, the Hospital has the right to terminate the swap. Upon exercise of early termination, the amounts due from or to the counterparty will be determined by the market pricing of the swaps at the time of termination.

Termination risk – The Hospital or counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If, at the time of the termination, the swap has a negative fair value, the Hospital would be liable to the counterparty for that payment.

NOTE 11 – RESTRICTED NET POSITION

Restricted net position consists of donor-restricted contributions and grants and cash restricted for regulatory requirements, which are to be used as follows (in thousands):

	2022	2021
Charity and other	$ 27,438	$ 22,960
Endowments	8,511	7,472
Restricted by donor for specific uses	35,949	30,432
Restricted by Department of Managed Health Care	650	650
Total restricted net position	$ 36,599	$ 31,082

Permanently restricted contributions ("endowments") remain intact, with the earnings on such funds providing an ongoing source of revenue to be used primarily for education.

NOTE 12 – CHARITABLE REMAINDER UNITRUSTS

The Foundation is the beneficiary of several irrevocable charitable remainder unitrusts in which the gift assets are held by trustees and administered for the benefit of the Foundation and other beneficiaries. The assets are held under trust agreements with an outside trustee. The donors maintain the right to income earned on the assets during their lifetime and, in some cases, during the lifetime of their survivors.

Pursuant to GASB No. 81, the Foundation recognizes an asset and a deferred inflow of resources when it becomes aware of the agreements and has sufficient information to measure the beneficial interest, in accordance with the asset recognition criteria in GASB No. 81. The beneficial interest asset is measured at fair value, which is estimated as the present value of the expected future cash flows from trusts. The applicable federal discount rate for June 2022 and June 2021 of 2.5% and 0.25% per annum, respectively, and The Standard Ordinary Mortality Rate Table were used to arrive at the present value. Change in the fair value of the beneficial interest asset is recognized as an increase or decrease in the related deferred inflow of resources. As the remainder interest beneficiary, the Foundation recognizes revenue for the beneficial interest at the termination of the agreement, as stipulated in the agreements.

NOTE 13 – LEASES

The District is a lessee for noncancellable lease of office space and equipment with lease terms through 2039. There are no residual value guarantees included in the measurement of District's lease liability nor recognized as an expense for the years ended June 30, 2022 and 2021. The District does not have any commitments that were incurred at the commencement of the leases. The District is subject to variable equipment usage payments that are expensed when incurred. There were no amounts recognized as variable lease payments as lease expense on the statement of changes of net position for the years ended June 30, 2022 and 2021. No termination penalties were incurred during the fiscal year.

The District has the following right to use activities as of June 30:

2022	July 1	Increases	Decreases	June 30
Right of use assets	$ 37,400	$ 4,543	$ -	$ 41,943
Less accumulated amortization	6,907	5,795	-	12,702
Right to use assets, net	$ 30,493	$ (1,252)	$ -	$ 29,241

2021	July 1	Increases	Decreases	June 30
Right of use assets	$ 34,151	$ 3,249	$ -	$ 37,400
Less accumulated amortization	-	6,907	-	6,907
Right to use assets, net	$ 34,151	$ (3,658)	$ -	$ 30,493

For the years ended June 30, 2022 and 2021, the District recognized $5,795,000 and $6,907,000, respectively, in amortization expense included in depreciation and amortization expense on the consolidated statements of activities and changes in net position.

The future principal and interest lease payments as of June 30, 2022, were as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2023	$ 4,502	$ 1,205	$ 5,707
2024	4,709	866	5,575
2025	4,415	811	5,226
2026	3,364	647	4,011
2027	2,566	526	3,092
Thereafter	10,582	2,387	12,969
	$ 30,138	$ 6,442	$ 36,580

The District evaluated the right-to-use assets for impairment and determined there was no impairment for the years ended June 30, 2022 and 2021.

The District is also a lessor for noncancellable leases of office space with lease terms through 2032. For the years ended June 30, 2022 and 2021, the District recognized $9,665,000 in lease revenue released from the deferred inflows of resources related to the office lease included in other revenue on the statement of changes in net position. No inflows of resources were recognized in the year related to termination penalties or residual value guarantees during fiscal years ended June 30, 2022 and 2021.

NOTE 14 – RESTATEMENTS

The adoption of GASB 87 resulted in adjustments to the prior period financial statements as follows at June 30, 2021:

	As previously presented	Adjustment	As restated
Statement of net position			
Assets and deferred outflows:			
Right of use assets, net of amortization	$ -	$ 30,493	$ 30,493
Current portion of lease receivable	$ -	$ 10,651	$ 10,651
Lease receivable, net of current portion	$ -	$ 40,340	$ 40,340
Liabilities, deferred inflows and net position:			
Current portion of lease liabilities	$ -	$ 5,063	$ 5,063
Lease liabilities, net of current portion	$ -	$ 26,335	$ 26,335
Other long-term obligations	$ 12,175	$ (1,094)	$ 11,081
Deferred inflows of resources - leases	$ -	$ 51,180	$ 51,180
Net position, end of year	$ 2,302,445	$ -	$ 2,302,445
Statements of revenues, expenses and changes in net position:			
Depreciation and amortization expense	$ 67,688	$ 6,907	$ 74,595
Rent and utilities	$ 27,600	$ (6,907)	$ 20,693
Income from operations	$ 115,207	$ -	$ 115,207
Total nonoperating revenues	$ 239,518	$ -	$ 239,518
Increase in net position	$ 354,725	$ -	$ 354,725
Statements of cash flows:			
Cash flows from operating activities			
Other cash receipts	$ 42,221	$ (13,496)	$ 28,725
Cash payments to suppliers	$ (413,412)	$ 7,387	$ (406,025)
Net cash provided by operating activities	$ 129,313	$ (6,109)	$ 123,204
Cash flows from financing activities			
Payments on lease liability	$ -	$ (7,387)	$ (7,387)
Proceeds from lease receivable	$ -	$ 13,496	$ 13,496
Net cash used in capital and related financing activities	$ (72,653)	$ 6,109	$ (66,544)

NOTE 15 – RELATED-PARTY TRANSACTIONS

The Hospital pays vendor-related expenses on behalf of the Foundation and is reimbursed for these costs incurred. The Hospital also pays employee-related expenses, which are reimbursed by the Foundation. The Foundation's employees also participate in the cash-balance pension plan, sponsored by the Hospital. Full footnote disclosures relating to the cash-balance pension plan is included in the consolidated financial statements. The Hospital performs certain administrative functions on behalf of the Foundation for which no amounts are charged to the Foundation. As of June 30, 2022 and 2021, the Foundation has a payable to the Hospital in the amount of $498,000 and $191,000, respectively. During the fiscal years 2022 and 2021, the Foundation paid the Hospital $2,830,000 and $3,629,000 for such expenses, respectively, which included amounts for operations, but also disbursements from Donor Restricted Funds in support of Hospital operations and capital acquisitions.

In June 2012, the Hospital Board approved the funding of the Foundation's salaries, wages, benefits, and rent for a maximum of $1,783,000 annually on an ongoing basis. All related-party transactions are eliminated upon consolidation.

As of June 30, 2022 and 2021, CONCERN has a payable to the Hospital in the amount of $2,604,000 and $2,543,000, respectively. During the fiscal years ended June 30, 2022 and 2021, CONCERN paid the Hospital $6,667,000 and $7,041,000 for these expenses, respectively. All related party transactions are eliminated upon consolidation.

As of June 30, 2022 and 2021, SVMD has a payable to the Hospital of $7,775,000 and $8,400,000, respectively. During fiscal years ended June 30, 2022 and 2021, SVMD paid the Hospital $27,757,000 and $22,688,000 for its expenses, respectively. All related-party transactions are eliminated upon consolidation.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

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 financial position, results of operations, or liquidity of the District.

Regulatory environment – The healthcare 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 healthcare 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 healthcare providers. The District is subject to routine surveys and reviews by federal, state and local regulatory authorities. The District has also received inquiries from healthcare 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 healthcare 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 – In the 2010 fiscal year, the Mountain View campus completed its three-year construction of the Hospital Replacement Project with the opening of its new five story, 450,000-square-foot, state-of-the-art hospital facility on November 15, 2009. This completion made the Mountain View hospital campus in compliance with the State of California's Senate Bill ("SB") 1953 in meeting all requirements of the Hospital Seismic Safety Act of 1994.

At the Los Gatos campus, where most of the buildings were constructed in the 1960s, the campus has been going through a seismic compliance review. During 2015, all required seismic upgrades were made to the Los Gatos site for seismic compliance up to 2030.

Collective bargaining agreement – Approximately 79.1% of the Hospital's employees are covered by collective bargaining agreements. These employees are members of three unions.

NOTE 17 – SUBSEQUENT EVENTS

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

Supplementary Information

El Camino Healthcare District
Consolidating Statement of Net Position
June 30, 2022
(In Thousands)

	El Camino Healthcare District	El Camino Hospital	El Camino Hospital Foundation	CONCERN	Silicon Valley Medical Development	Eliminations	El Camino Healthcare District and Affiliates
ASSETS AND DEFERRED OUTFLOWS							
Current assets							
Cash and cash equivalents	$ 11,955	$ 183,588	$ 4,786	$ 2,355	$ 5,239	$ -	$ 207,923
Short-term investments	8,905	128,165	3,488	12,859	-	-	153,417
Current portion of board-designated funds	11,129	-	-	-	-	-	11,129
Patient accounts receivable, net of allowances for doubtful accounts of $77,016	-	204,494	-	-	4,780	-	209,274
Current portion of lease receivable	-	11,117	-	-	-	(714)	10,403
Prepaid expenses and other current assets	2,294	55,857	478	475	4,495	(13,824)	49,775
Total current assets	34,283	583,221	8,752	15,689	14,514	(14,538)	641,921
Non-current cash and investments							
Board-designated funds	10,623	1,122,664	47,598	-	-	-	1,180,885
Restricted funds	-	-	-	650	-	-	650
Funds held by trustee	35,272	-	-	-	-	-	35,272
	45,895	1,122,664	47,598	650	-	-	1,216,807
Capital assets							
Nondepreciable	10,654	196,964	-	-	-	-	207,618
Depreciable, net	-	978,012	2	1,496	14,202	-	993,712
Total capital assets	10,654	1,174,976	2	1,496	14,202	-	1,201,330
Right of use assets, net of amortization	-	10,926	-	-	25,173	(6,858)	29,241
Lease receivable, net of current portion	-	42,111	-	-	-	(7,235)	34,876
Pledges receivable, net of current portion	-	-	2,200	-	-	-	2,200
Prepaid pension asset	-	137,149	-	-	-	-	137,149
Investments in healthcare affiliates	-	30,376	-	-	-	-	30,376
Beneficial interest in charitable remainder unitrusts	-	-	4,522	-	-	-	4,522
Total assets	90,832	3,101,423	63,074	17,835	53,889	(28,631)	3,298,422
Deferred outflows of resources							
Loss on defeasance of bonds payable	-	11,160	-	-	-	-	11,160
Deferred outflows of resources	-	4,226	-	-	-	-	4,226
Deferred outflows - actuarial	-	792	-	-	-	-	792
Total deferred outflows of resources	-	16,178	-	-	-	-	16,178
Total assets and deferred outflows of resources	$ 90,832	$ 3,117,601	$ 63,074	$ 17,835	$ 53,889	$ (28,631)	$ 3,314,600

El Camino Healthcare District
Consolidating Statement of Net Position (continued)
June 30, 2022
(In Thousands)

	El Camino Healthcare District	El Camino Hospital	El Camino Hospital Foundation	CONCERN	Silicon Valley Medical Development	Eliminations	El Camino Healthcare District and Affiliates
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION							
Current liabilities							
Accounts payable and accrued expenses	$ 411	$ 52,472	$ 496	$ 2,765	$ 9,045	(13,824)	$ 51,365
Salaries, wages, and related liabilities	-	79,205	-	457	1,071	-	80,733
Other current liabilities	1,366	36,352	745	267	2,894	-	41,624
Estimated third-party payor settlements	-	14,942	-	-	-	-	14,942
Current portion of lease liabilities	-	1,090	-	-	4,126	(714)	4,502
Current portion of bonds payable	5,760	9,905	-	-	-	-	15,665
Total current liabilities	7,537	193,966	1,241	3,489	17,136	(14,538)	208,831
Bonds payable, net of current portion	105,662	465,512	-	-	-	-	571,174
Lease liabilities, net of current portion	-	10,361	-	-	22,510	(7,235)	25,636
Other long-term obligations	-	6,694	-	-	6	-	6,700
Workers' compensation, net of current portion	-	14,029	-	-	-	-	14,029
Post-retirement medical benefits	-	29,783	-	-	-	-	29,783
Total liabilities	113,199	720,345	1,241	3,489	39,652	(21,773)	856,153
Deferred inflows of resources							
Deferred inflows of resources	-	-	4,522	-	-	-	4,522
Deferred inflows of resources - leases	-	53,227	-	-	-	(6,858)	46,369
Deferred inflows of resources - actuarial	-	46,610	-	-	-	-	46,610
Total deferred inflows of resources	-	99,837	4,522	-	-	(6,858)	97,501
Net position							
Invested in capital assets, net of related debt	(65,496)	699,559	2	1,496	14,202	-	649,763
Restricted - expendable	-	-	27,438	-	-	-	27,438
Restricted - nonexpendable	-	-	8,511	650	-	-	9,161
Unrestricted	43,129	1,597,860	21,360	12,200	35	-	1,674,584
Total net position	(22,367)	2,297,419	57,311	14,346	14,237	-	2,360,946
Total liabilities, deferred inflows of resources, and net position	$ 90,832	$ 3,117,601	$ 63,074	$ 17,835	$ 53,889	$ (28,631)	$ 3,314,600

(In Thousands)

	El Camino Healthcare District	El Camino Hospital	El Camino Hospital Foundation	CONCERN	Silicon Valley Medical Development	Eliminations	El Camino Healthcare District and Affiliates
Operating revenues							
Net patient service revenue (net of provision for bad debts of $20,316)	$ -	$ 1,274,126	$ -	$ -	$ 35,026	$ -	$ 1,309,152
Other revenue	104	23,792	-	9,756	10,795	(7,416)	37,031
Total operating revenues	104	1,297,918	-	9,756	45,821	(7,416)	1,346,183
Operating expenses							
Salaries, wages and benefits	2	631,451	1,752	2,254	19,160	-	654,619
Professional fees and purchased services	814	131,804	693	4,066	44,676	(4,483)	177,570
Supplies	-	179,890	56	6	3,713	-	183,665
Depreciation and amortization	9	71,811	1	141	7,909	-	79,871
Rent and utilities	-	17,126	134	106	3,501	(134)	20,733
Other	-	18,493	103	420	1,899	-	20,915
Total operating expenses	825	1,050,575	2,739	6,993	80,858	(4,617)	1,137,373
(Loss) income from operations	(721)	247,343	(2,739)	2,763	(35,037)	(2,799)	208,810
Nonoperating revenues (expenses):							
Investment losses, net	(1,316)	(165,782)	(3,235)	(1,671)	-	-	(172,004)
Property tax revenue							
Designated to support community benefit programs and operating expenses	10,221	-	-	-	-	-	10,221
Designated to support capital expenditures	11,528	-	-	-	-	-	11,528
Levied for debt service	12,304	-	-	-	-	-	12,304
Bond interest expense, net	(2,943)	(16,888)	-	-	-	-	(19,831)
Intergovernmental transfer expense	(2,613)	-	-	-	-	-	(2,613)
Restricted gifts, grants and bequests, and other, net of contributions to related parties	-	-	7,345	-	-	-	7,345
Unrealized gain on interest rate swap	-	3,049	-	-	-	-	3,049
Community benefit expense	(7,472)	(2,997)	-	(1,690)	-	1,016	(11,143)
Provider Relief Fund revenue	-	15,629	-	-	-	-	15,629
Other, net	-	(7,660)	-	(3)	(527)	3,396	(4,794)
Total nonoperating revenues (expenses)	19,709	(174,649)	4,110	(3,364)	(527)	4,412	(150,309)
Excess (deficit) of revenues over expenses before capital transfers	18,988	72,694	1,371	(601)	(35,564)	1,613	58,501
Capital transfers	(16,066)	(14,159)	-	(139)	30,364	-	-
Increase (decrease) in net position	2,922	58,535	1,371	(740)	(5,200)	1,613	58,501
Total net (deficit) position, beginning of year	(25,289)	2,238,884	55,940	15,086	19,437	(1,613)	2,302,445
Total net (deficit) position, end of year	$ (22,367)	$ 2,297,419	$ 57,311	$ 14,346	$ 14,237	$ -	$ 2,360,946

Supplemental pension information – The following tables summarize changes in net pension asset (in thousands):

	2022	2021
Service cost	$ 10,784	$ 10,166
Interest	13,737	13,206
Differences between expected and actual experience	(6,571)	(1,152)
Changes of assumptions	(2,263)	(550)
Benefit payments	(14,774)	(12,167)
Net change in total pension liability	913	9,503
Total pension liability beginning of fiscal year	225,443	215,940
Total pension liability end of fiscal year	$ 226,356	$ 225,443

	2022	2021
Contributions	$ 8,500	$ 10,300
Net investment income	33,174	43,917
Benefit payments, including refunds of member contributions	(14,774)	(12,167)
Net change in Plan fiduciary net position	26,900	42,050
Plan fiduciary net position beginning of fiscal year	336,605	294,555
Plan fiduciary net position end of fiscal year	363,505	336,605
Plan's net pension asset end of the fiscal year	$ (137,149)	$ (111,162)
Covered payroll	$ 389,552	$ 359,322
Net pension asset as a percentage of covered payroll	-35.21%	-30.94%
Contributions	$ 3,000	$ 7,000

The following table summarizes the contribution status of the Hospital's cash-balance pension plan (in thousands) over the last 10 years:

	FY2022	FY2021	FY2020	FY2019	FY2018
Actuarially determined contribution	$ -	$ -	$ 7,801	$ 10,888	$ 10,154
Contributions related to actuarially determined contribution	$ 4,500	$ 8,500	$ 10,300	$ 12,900	$ 11,600
Contribution deficiency (excess)	(4,500)	(8,500)	(2,499)	(2,012)	(1,446)
Covered payroll	389,552	359,322	$ 359,322	$ 315,317	$ 297,737
Contribution as % of covered payroll	1.16%	2.37%	2.87%	4.09%	3.90%
Contributions made during the fiscal year	$ 4,500	$ 14,000	$ 9,800	$ 12,800	$ 10,400

	FY2017	FY2016	FY2015	FY2014	FY2013
Actuarially determined contribution	$ 8,445	$ 2,735	$ -	$ 8,463	$ 7,613
Contributions related to actuarially determined contribution	$ 10,900	$ 10,500	$ 10,800	$ 14,400	$ 12,000
Contribution deficiency (excess)	(2,455)	(7,765)	(10,800)	(5,937)	(4,387)
Covered payroll	$ 283,435	$ 283,776	$ 266,844	$ 242,343	$ 223,754
Contribution as % of covered payroll	3.85%	3.70%	4.05%	5.94%	5.36%
Contributions made during the fiscal year	$ 10,900	$ 9,900	$ 14,400	$ 12,600	$ 23,610

Actuarially determined contributions are calculated as of January 1 and are based on the IRS minimum funding requirement. The contributions related to the actuarially determined contributions are amounts made for the plan year January 1 to December 31. Contributions made during the fiscal year are contribution amounts made during July 1 and June 30.

Supplemental post-retirement benefit information – As of June 30, 2022 and 2021, post-retirement medical benefits plan's fiduciary net position as a percentage of the total OPEB liability is 0% for both years.

The 2022 and 2021 covered payroll for the active population eligible to participate in the post-retirement medical benefits plan is $29,920,100 and $29,963,700, respectively. The net post-retirement medical benefits liability as of July 1, 2021 and 2020, is $29,783,200 and $30,658,400, respectively. The net post-retirement medical benefits liability as a percentage of covered-employee payroll, as of the same time period, was 99.54% and 102.32%, respectively.

El Camino Healthcare District
Supplemental Schedule of Community Benefit (unaudited)
For the Years Ended June 30, 2022 and 2021

The District and the Hospital maintain records to identify and monitor the level of direct community benefit it provides. These records include the charges foregone for providing the patient care furnished under its charity care policy. For the years ended June 30, 2022 and 2021, the estimated costs of providing community benefit in excess of reimbursement from governmental programs were as follows (in thousands):

	2022	2021
Unpaid costs of Medi-Cal & Indigent programs	$ 54,255	$ 51,224
Other community-based programs		
Psychiatric	12,459	12,880
Clinical trial	273	290
Ambulatory care	12,732	11,659
Psychiatric outpatient	3,516	2,785
Total other community-based programs	28,980	27,614
Total community benefits	$ 83,235	$ 78,838

In furtherance of its purpose to benefit the community, the Hospital provides numerous other services to the community for which charges are not generated and revenues have not been accounted for in the accompanying consolidated financial statements. These services include providing access to healthcare through interpreters, referral and transport services, healthcare screening, community support groups and health educational programs, and certain home care and hospice programs. The estimated costs of Medicare programs in excess of reimbursement from Medicare were $112,217,000 and $123,810,000 for the years ended June 30, 2022 and 2021, respectively.

The Hospital also provides services to the community through the operations of the El Camino Hospital Auxiliary, Inc. (the “Auxiliary”). Services provided by volunteers of the Auxiliary, free of charge to the community, include assistance and counseling to patients and visitors, provision of scholarship awards to qualifying paramedical students, and daily personal contact with members of the community who are living alone.

MOSSADAMS