REPORT OF INDEPENDENT AUDITORS AND
FINANCIAL STATEMENTS
WITH SUPPLEMENTAL SCHEDULES

TRI-CITY HEALTHCARE DISTRICT

June 30, 2022 and 2021

MOSSADAMS

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Overview

The Tri-City Healthcare District (the "District") is a public healthcare district and is a political subdivision of the state of California (the "State") organized pursuant to Division 23 of the Health and Safety Code of the state of California. The District operates a 386-bed acute care hospital in northern San Diego County (the "County"). The "Tri-City" name represents the cities of Carlsbad, Oceanside, and Vista, the three cities that fall within its boundaries. The District was formed in 1957, and the hospital opened in 1961.

This report contains the operating results of Tri-City Medical Center and the subsidiaries in which the District owns a controlling interest. Those entities include: Tri-City Medical Center Ambulatory Surgery Center Operators, LLC ("ASCO"); the Tri-City Medical Center Cardiovascular Health Institute, LLC ("Cardiovascular Institute"); the Tri-City Medical Center Orthopedic Institute, LLC ("Orthopedic Institute"); and the Tri-City Medical Center Neuroscience Institute, LLC ("Neuro Institute").

ASCO, the Cardiovascular Institute, the Orthopedic Institute, and the Neuro Institute are component units that have been blended for presentation purposes. The District has determined blended presentation is appropriate for ASCO as it appoints a voting majority of the governing body, and its operations are an integral part of the District's mission. The District has also determined blended presentation is appropriate for the Cardiovascular Institute, the Orthopedic Institute, and the Neuro Institute, as the component units provide services almost entirely to the District.

This section of the District's annual financial report presents an analysis of the District's financial performance for the years ended June 30, 2022, 2021, and 2020. All references to years refer to the fiscal year ended June 30, unless otherwise indicated. Please read this analysis in conjunction with the Report of Independent Auditors and the financial statements that follow this section.

This annual financial report includes four items:

1. Management's Discussion and Analysis
2. Report of Independent Auditors
3. Financial Statements of the District, including notes that explain in more detail some of the information in the financial statements
4. Supplemental Schedules

The District's financial statements report information using accounting methods required by the Governmental Accounting Standards Board (GASB). These statements contain short-term and long-term financial information about its activities. In accordance with accounting principles generally accepted in the United States of America (also known as U.S. GAAP or generally accepted accounting principles) for governmental health care providers, the District's statements of revenue, expenses, and changes in net position reflect non-operating income (expenses) including interest expense, which for non-governmental hospitals is typically grouped as an operating expense. While these GASB requirements require district hospitals conform to other governmental entities such as cities and counties, they may be less comparable to non-governmental hospitals due to GASB requirements.

References throughout to "fiscal year" refer to the District's fiscal year ended June 30.

Statement of net position – The statement of net position includes the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the District's creditors (liabilities), and net position – the difference between assets and liabilities – of the District, and the changes thereto. The statement of net position also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

Condensed Statements of Net Position as of June 30 (In Thousands):

ASSETS

	2022	2021	2020
ASSETS			
Current assets	$ 118,128	$ 146,793	$ 108,980
Capital assets – net	90,114	92,256	97,031
Non-current assets	42,815	32,965	32,624
TOTAL ASSETS	$ 251,057	$ 272,014	$ 238,635
LIABILITIES AND NET POSITION			
Current liabilities	$ 111,460	$ 93,046	$ 80,706
Long-term debt – net of current portion	73,279	76,314	79,547
Property lease – net of current portion	7,760	885	1,258
Medicare Accelerated payments – net of current portion	-	19,375	-
Workers' compensation and comprehensive liability – net of current portion	8,680	7,401	6,772
Total liabilities	201,179	197,021	168,283
Invested in capital assets – net of related debt	17,773	17,151	17,368
Restricted assets	10,451	9,900	9,700
Unrestricted	21,654	47,942	43,284
Total net position	49,878	74,993	70,352
TOTAL LIABILITIES AND NET POSITION	$ 251,057	$ 272,014	$ 238,635

Analysis of Changes in the Statement of Net Position

Changes from fiscal year 2021 to 2022

- Current assets totaling approximately $118.1 million as of June 30, 2022, represent a decrease of approximately $28.7 million from the prior year primarily due to a decrease of approximately $39.5 million in short-term investments, cash and cash equivalents, offset by an increase in patient accounts receivable of approximately $7.8 million.

- The District did not receive an annual Voluntary Rate Range Intergovernmental Transfer (IGT) program payment during fiscal year 2022 to help offset the cost of caring for underinsured patients. The payment has been delayed and is expected to be received during fiscal year 2023. The District received approximately $12 million during fiscal year 2021. The delay in IGT receipts combined with retraction payments of approximately $11.3 million from Medicare for the COVID-19 Accelerated and Advance Payments (CAAP) program contributed significantly to the decrease in short-term investments, cash, and cash equivalents.

- Capital assets, net totaled approximately $90.1 million as of June 30, 2022. A decrease of approximately $2.1 million from fiscal year 2021 was the result of approximately $7.0 million in purchases of new equipment, software acquisitions, and other capital improvement projects, offset by an increase in depreciation and amortization expense of approximately $9.2 million.

- Other non-current assets totaling approximately $42.4 million as of June 30, 2022, increased by approximately $9.8 million from the prior year, due primarily to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, a new lease accounting standard issued by the GASB. Included in non-current assets is approximately $9.0 million deposited for mortgage reserve funds related to the U.S. Department of Housing and Urban Development (HUD) guaranteed loan.

- Current liabilities totaling approximately $111.5 million as of June 30, 2022, reflect an increase of approximately $18.4 million from fiscal year 2021, primarily due to an increase in the current portion of Medicare accelerated payments scheduled during the next fiscal year along with increases in current accrued liabilities and payables.

- The District has access to capital of $15.4 million through a revolving line of credit. Balances when drawn are repaid with collections. The District is in compliance with the debt covenants and maintains good relations with the lender.

- The District acquired a loan secured by HUD in 2017. Debt service payments are current on all debt including the funding of a Mortgage Reserve Fund and Mortgage Insurance Premium.

- Long-term debt, net of current portion totaled approximately $73.3 million as of June 30, 2022, and $76.3 million as of June 30, 2021. The decrease is primarily related to scheduled repayments of principal on long-term debt.

- Property leases, net of current portion totaled approximately $7.8 million as of June 30, 2022, and $885 thousand as of June 30, 2021. The increase is primarily due to GASB 87 adoption, offset by scheduled monthly payments on rental properties.

- Workers' compensation and comprehensive liability insurance reserves classified as long-term liabilities totaled approximately $8.7 million as of June 30, 2022, reflecting an increase of approximately $1.3 million based on actuarial analyses of open claims and estimates of claims incurred but not yet reported (IBNR). Actuarial studies are commissioned twice each year to determine the estimated liabilities and required reserves.

Analysis of Changes in the Statement of Net Position

Changes from fiscal year 2020 to 2021

- Current assets totaling approximately $146.8 million as of June 30, 2021, represent an increase of approximately $37.8 million from the prior year. Included in current assets is an increase of approximately $21.9 million in short-term investments, cash, and cash equivalents, primarily due to the receipt of Medicare advance payments and an increase of approximately $13.5 million in patient accounts receivable.

- Non-current assets (excluding capital assets – net) totaling approximately $33.0 million as of June 30, 2021, remained consistent with the prior year. Included in non-current assets is approximately $8.5 million deposited for mortgage reserve funds related to the HUD guaranteed loan.

- Cash on hand, short-term investments, and unused availability from the revolving credit facility provide liquidity to the District. Cash and cash equivalents totaled approximately $69.9 million, short-term investments totaled approximately $6.7 million, and the unused available revolving line of credit was approximately $10.2 million as of June 30, 2021. This resulted in total liquidity of approximately $86.8 million, representing a $26.4 million increase in total liquidity over the prior year.

- The District has access to capital of $15.4 million through a revolving line of credit. Balances when drawn are repaid with collections. All covenants are being met and the District maintains good relations with the lender.

- The District acquired a loan secured by HUD in 2017. Debt service payments are current on all debt including the funding of a Mortgage Reserve Fund and Mortgage Insurance Premium.

- Net estimated third-party payer settlements of approximately $1.7 million as of June 30, 2021, includes approximately $2.2 million related to fiscal year 2021, offset by approximately $450 thousand for cost report settlements related to prior years.

- Capital assets – net totaled approximately $92.3 million as of June 30, 2021. A decrease of approximately $4.8 million from fiscal year 2020 was the result of approximately $5.6 million in new equipment, software acquisitions, and other capital improvement projects, offset by depreciation and amortization expense of approximately $10.4 million.

- Current liabilities totaling approximately $93.0 million as of June 30, 2021, reflect an increase of approximately $12.3 million from fiscal year 2020, primarily due to Medicare advance payments.

- Long-term debt – net of current portion totaled approximately $76.3 million as of June 30, 2021, and $79.5 million as of June 30, 2020. The decrease is primarily related to scheduled repayments of principal on long-term debt.

- Property leases – net of current portion totaled approximately $885 thousand as of June 30, 2021, and $1.3 million as of June 30, 2020. The decrease is primarily due to the scheduled monthly payments on the rental properties.

- Workers' compensation and comprehensive liability insurance reserves classified as long-term liabilities totaled approximately $7.4 million as of June 30, 2021, reflecting an increase of approximately $629 thousand based on actuarial analyses of open claims and estimates of IBNR claims. Actuarial studies are commissioned twice each year to determine the potential liabilities and required reserves.

Condensed Statements of Revenues, Expenses, and Changes in Net Position for the Years Ended June 30 (In Thousands):

	2022	2021	2020
Operating revenue	$ 335,766	$ 333,316	$ 317,757
Operating expenses	369,967	344,076	345,288
Loss from operations	(34,201)	(10,760)	(27,531)
Non-operating revenue	10,296	16,844	16,463
Change in net position before minority interest (EROE)	(23,905)	6,084	(11,068)
Minority interest distributions – net	(1,210)	(1,443)	(1,539)
Change in net position	(25,115)	4,641	(12,607)
Beginning net position	74,993	70,352	82,959
Ending net position	$ 49,878	$ 74,993	$ 70,352
Average daily census	157	149	143
Emergency room visits	50,667	41,350	51,170

Analysis of the Statement of Revenues, Expenses, and Changes in Net Position

Changes from fiscal year 2021 to 2022

- The average daily census was 157 for the current year compared to 149 in the prior year, representing an increase in inpatient volume of approximately 5.4%.

- Operating revenue increased by approximately $2.5 million in fiscal year 2022 compared to fiscal year 2021. This increase is primarily due to an increase in patient volumes.

- The District did not receive an annual Voluntary Rate Range IGT program payment during fiscal year 2022. The payment has been delayed and is expected to be received during fiscal year 2023. The District received approximately $12 million during fiscal year 2021. The revenue recognized pertaining to this IGT program amounted to $12 million during fiscal year 2021 and $0 during fiscal year 2022. The delay in IGT receipts related to this program directly impacts operating revenue recognized.

- Operating expenses, which include patient care expenses, overhead, and administrative expenses, increased by approximately $25.9 million. The increase was primarily due to approximately $22.0 million in salaries and related labor expenses and approximately $5.0 million in supplies and pharmaceuticals, offset by a decrease in purchased services of approximately $1.1 million. Pandemic surges during fiscal year 2022 increased supplies and pharmaceuticals costs and exacerbated workforce shortages experienced throughout the healthcare industry, driving labor costs higher. Contract labor was obtained in order to staff appropriately to manage patient volumes and continue high quality care. The cost of contract labor increased significantly. Non-operating income and expense is comprised of the District's share of property tax revenue collected by the County of San Diego, grant revenue and interest earned on invested monies offset by interest expense. During fiscal year 2022, the District received a grant of approximately $1.1 million from the Coronavirus Aid, Relief, and Economic Security (CARES) Act Program, while during fiscal year 2021, the District received a grant of approximately $4.6 million.

Analysis of the Statement of Revenues, Expenses, and Changes in Net Position

Changes from fiscal year 2020 to 2021

- The District experienced an increase of 3.6% in inpatient volume in fiscal year 2021. Total average daily census was 149 for the current year compared to 143 in the prior year.

- Operating revenue increased by approximately $15.6 million in fiscal year 2021 compared to fiscal year 2020. This increase is primarily due to an increase in surgeries and procedures.

- Operating expenses, which include patient care expenses, overhead, and administrative expenses, decreased by approximately $1.2 million. The decrease was comprised of approximately $9.8 million in salaries and related expenses, approximately $2.4 million in purchased services due to lower volumes attributable to the COVID-19 pandemic and matching the workforce with patient volumes, offset with an increase of approximately $7.2 million in supplies and pharmaceuticals, and approximately $4.4 million in professional and medical fees.

- Non-operating income and expense is comprised of the District's share of property tax revenue collected by the County of San Diego, interest earned on invested monies, interest expense, and other non-operating items. During fiscal year 2021, the District received a grant of approximately $4.6 million from the CARES Act and was awarded an additional grant of approximately $1.6 million from the California Health Facilities Financing Authority through the Children's Hospital Program.

Statement of cash flows – The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operating, noncapital and capital financing, and investing activities.

	2022	2021	2020
Net cash (used in) provided by			
Operating activities	$ (38,736)	$ 20,581	$ (850)
Noncapital financing activities	13,200	19,205	18,698
Capital and related financing activities	(13,687)	(18,001)	(14,577)
Investing activities	(379)	(205)	-
Net change in cash and cash equivalents	(39,601)	21,580	3,271
Cash and cash equivalents – beginning of year	69,875	48,295	45,024
Cash and cash equivalents – end of year	$ 30,274	$ 69,875	$ 48,295

Cash flows arise from operating income adjusted for noncash expenditures such as depreciation expense and bad debt expense ("operating activities"), changes in investments and interest income received on investments ("investing activities"), purchase of new capital assets and payments of interest and principal on debt ("capital and related financing activities"), and county tax revenues and federal grants ("noncapital financing activities").

Analysis of the Statement of Cash Flows

Cash and cash equivalents totaled approximately $30.3 million, $69.9 million, and $48.3 million, as of June 30, 2022, 2021, and 2020, respectively.

Net cash provided by operating activities decreased by $59.0 million in fiscal year 2022 compared to the prior year. The decrease is primarily due to a $41.9 million change related to Medicare accelerated payments. During fiscal year 2022, $11.3 million was recouped and during 2021, $30.6 million was funded. In fiscal year 2021, net cash provided by operating activities increased by approximately $21.4 million compared to fiscal year 2020, primarily due to the receipt of Medicare accelerated payments.

Net cash provided by noncapital financing activities decreased approximately $6.0 million during fiscal year 2022 compared to fiscal year 2021, primarily due to an increase in tax revenue receipts of $697 thousand and a decrease in proceeds received from Grants and the CARES Act of approximately $6 million. During fiscal years 2022 and 2021, the district received approximately $1.1 million and $4.6 million from the CARES Act program and approximately $0 and $1.6 million from the California Health Facilities Financing Authority through the Children's Hospital Program, respectively.

Net cash used in capital and related financing activities decreased by approximately $4.0 million during fiscal year 2022 as compared to the prior year. The decrease is primarily due to fluctuating revolving line of credit balances.

Cash provided by investing activities slightly decreased by $174 thousand due to interest rate changes. from fiscal year 2021 to fiscal year 2022.

Capital Assets

As of June 30, 2022, 2021, and 2020, the District had $90.1 million, $92.3 million, and $97.0 million, respectively, in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. The District invested in new equipment, which included information technology, surgical equipment, laboratory equipment, building improvements, and other minor infrastructure projects costing approximately $7.0 million in 2022, $5.7 million in 2021, and $6.3 million in 2020.

Finance lease payments were made timely. More detailed information about the District's debt is presented in Notes 8 and 9 to the financial statements.

Economic Factors

On March 11, 2020, the World Health Organization officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic. Soon afterward, the District (along with hospitals in the United States) cancelled elective surgical cases, resulting in a significant loss of net patient revenue. The pandemic has resulted in the District incurring additional costs to maintain patient volume as well as to provide care to patients specifically affected by the virus. Pandemic surges have increased supplies and pharmaceuticals costs and exacerbated workforce shortages, driving labor costs higher. The duration and intensity of disruption from the pandemic are uncertain, and therefore the long-term impact cannot be predicted.

The District will continue to face challenges in the evolving landscape of the healthcare industry. The industry continues moving towards value-based care. As the industry migrates to a value-based system and new entrants force market innovation, the hospital-focused inpatient utilization rates continue to decline in many areas of the country. Other drivers of lower hospital utilization include focus on decreasing readmission rates, transitioning patients to observation status, and increased use of care management teams.

Government payers have slowed on spending growth. In addition to sequestration cuts, Medicare is seeking to cut costs by focusing on quality-based reimbursement models that reward healthcare providers for their contributions to producing improved health and penalizing providers who are not able to improve quality outcomes and reduce readmission rates. The Medicare value-based purchasing program includes measuring process-of-care measures, patient experience measures, patient outcome measures, and efficiency measures. The District is working diligently to continue improving these quality metrics, which in turn will reduce the risk of reimbursement cuts.

On the state level, the Affordable Care Act (ACA) has significantly increased the coverage for the Medi-Cal population, which in turn has reduced the amount of uncompensated/self-pay care for hospitals across the state including the District. Greater use of Medi-Cal managed care is likely to continue with the goals of improved quality and increased savings through reduced use of hospital services.

While government payers continue to present reimbursement challenges for healthcare providers, the District actively negotiates its insurance contracts to maintain competitive reimbursement rates. The District also actively participates in quality driven patient-centric clinical outcomes performance-based programs such as The Public Hospital Redesign and Incentives in Medi-Cal (PRIME) program and the Quality Incentive Pool (QIP) program.

Finance Contact

The District's financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional financial information, please contact the Chief Financial Officer, Tri-City Healthcare District, 4002 Vista Way, Oceanside, California 92056.

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Report of Independent Auditors

The Board of Directors
Tri-City Healthcare District

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tri-City Healthcare District (the "District"), which comprise the statements of net position as of June 30, 2022, and 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Tri-City Healthcare District as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 1132.2, 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 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

As discussed in Note 2 and 11 to the financial statements, in 2022 the District adopted the accounting requirements of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Other Information

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 1 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

The HUD Required Financial Information as of June 30, 2022, schedule of net position as of June 30, 2022, and schedule of revenues, expenses, and changes in net position for the year ended June 30, 2022, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements for California Special Districts*. In our opinion, the HUD Required Financial Information, schedule of net position as of June 30, 2022, and schedule of revenues, expenses, and changes in net position for the year ended June 30, 2022, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information – Compliance with Contractual Agreements

In connection with our audit, nothing came to our attention that caused us to believe that Tri-City Healthcare District failed to comply with the terms, covenants, provision, or conditions of sections 1 to 49, inclusive, of the HUD Regulatory Agreement dated March 1, 2017, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Tri-City Healthcare District's noncompliance with the above-referenced terms, covenants, provision, or conditions of the HUD Regulatory Agreement, insofar as they relate to accounting matters.

Restricted Use Relating to the Other Matter – Compliance with Contractual Agreements

The communication related to compliance with the aforementioned HUD Regulatory Agreement described in the Other Matters paragraph is intended solely for the information and use of the Board of Directors and management of Tri-City Healthcare District and HUD and is not intended to be, and should not be, used by anyone other than these specified parties.

Moss Adams LLP

Irvine, California
September 28, 2022

ASSETS

	June 30, 2022	June 30, 2021
CURRENT ASSETS		
Cash and cash equivalents	$ 30,274,440	$ 69,874,882
Short-term investments	6,807,413	6,699,589
Restricted cash and investments	298,000	298,000
Patient accounts receivable	58,802,376	50,962,684
Other receivables	470,087	2,263,279
Supplies inventory	12,300,641	11,109,665
Prepaid expenses and other assets	4,730,676	3,848,719
Estimated third-party payer settlements	4,444,723	1,735,820
Total current assets	118,128,356	146,792,638
NON-CURRENT INVESTMENTS		
Board-designated	422,359	421,069
CAPITAL ASSETS – net	90,114,247	92,256,101
OTHER ASSETS		
Notes receivable	2,580,223	2,960,372
Restricted mortgage reserve fund	9,005,216	8,517,275
Goodwill	9,529,430	9,529,430
Other	21,277,607	11,537,286
Total other assets	42,392,476	32,544,363
Total assets	$ 251,057,438	$ 272,014,171

LIABILITIES AND NET POSITION

	June 30, 2022	June 30, 2021
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 59,377,540	$ 51,924,606
Accrued payroll and related expenses	19,862,891	20,429,055
Current maturities of long-term debt	3,032,695	2,905,130
Short-term debt	5,613,145	5,189,737
Other current liabilities	4,239,578	1,347,512
Medicare accelerated payments	19,334,749	11,250,000
Total current liabilities	111,460,598	93,046,040
LONG-TERM DEBT – net of current portion	73,278,972	76,313,529
PROPERTY LEASE – net of current portion	7,760,532	885,210
MEDICARE ACCELERATED PAYMENTS – net of current portion	-	19,374,863
WORKERS' COMPENSATION AND COMPREHENSIVE LIABILITY – net of current portion	8,679,700	7,401,407
Total liabilities	201,179,802	197,021,049
NET POSITION		
Invested in capital assets – net of related debt	17,773,237	17,150,748
Restricted assets	10,450,413	9,900,065
Unrestricted	21,653,986	47,942,309
Total net position	49,877,636	74,993,122
Total liabilities and net position	$ 251,057,438	$ 272,014,171

	Years Ended June 30, 2022	2021
OPERATING REVENUE		
Net patient service revenue	$ 320,439,213	$ 314,964,663
Premium revenue	12,193,638	15,350,665
Other revenue	3,133,638	3,000,355
Total operating revenue	335,766,489	333,315,683
OPERATING EXPENSES		
Salaries and related expenses	196,662,021	174,657,481
Supplies	80,801,391	75,874,286
Purchased services	16,668,071	17,787,757
Depreciation and amortization	10,735,355	10,447,087
Other operating expense	20,258,464	19,285,149
Professional and medical fees	29,015,336	29,193,516
Maintenance, rent, and utilities	15,826,822	16,830,358
Total operating expenses	369,967,460	344,075,634
LOSS FROM OPERATIONS	(34,200,971)	(10,759,951)
NON-OPERATING REVENUE (EXPENSE)		
District tax revenue	13,063,078	12,366,122
Interest income	336,523	547,424
Interest expense	(4,224,737)	(4,088,711)
CARES Act grant income	1,063,261	4,603,148
Other non-operating income	57,786	3,416,130
Total non-operating revenue, net	10,295,911	16,844,113
CHANGE IN NET POSITION BEFORE MINORITY INTEREST (DEFICIENCY OF REVENUE OVER EXPENSES)	(23,905,060)	6,084,162
MINORITY INTEREST DISTRIBUTIONS – NET	(1,210,426)	(1,443,423)
Change in net position	(25,115,486)	4,640,739
NET POSITION – beginning of year	74,993,122	70,352,383
NET POSITION – end of year	$ 49,877,636	$ 74,993,122

See accompanying notes.

Tri-City Healthcare District
Statements of Cash Flows

	Years Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from patients, insurers, and other payers	$ 323,877,448	$ 315,460,635
Payments to vendors	(157,190,079)	(153,558,508)
Payments for salaries, wages, and related benefits	(197,228,185)	(174,925,712)
Other receipts and payments, net	(8,194,730)	33,603,981
Net cash (used in) provided by operating activities	(38,735,546)	20,580,396
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Minority interest distributions, net	(1,210,426)	(1,443,423)
Receipt of District taxes	13,063,078	12,366,122
CARES Act grant income	1,063,261	4,603,148
Other non-operating income	285,195	3,678,943
Net cash provided by noncapital financing activities	13,201,108	19,204,790
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(6,978,856)	(5,672,521)
Proceeds from revolving line of credit	289,652,253	279,694,119
Principal repayments on revolving line of credit	(289,228,845)	(284,170,126)
Principal repayments on debt	(2,906,992)	(3,763,814)
Interest payments on debt	(4,224,737)	(4,088,711)
Net cash used in capital and related financing activities	(13,687,177)	(18,001,053)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of short-term investments	(60,000,000)	(60,000,000)
Proceeds from sales of short-term investments	60,000,000	60,000,000
Payments to mortgage reserve fund	(487,941)	(489,157)
Interest on investments	109,114	284,611
Net cash used in investing activities	(378,827)	(204,546)
Net change in cash and cash equivalents	(39,600,442)	21,579,587
CASH AND CASH EQUIVALENTS – beginning of year	69,874,882	48,295,295
CASH AND CASH EQUIVALENTS – end of year	$ 30,274,440	$ 69,874,882
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Lease obligations (See Note 11)	$ 10,432,350	$ -

See accompanying notes.

	Years Ended June 30,	
	2022	2021
Loss from operations	$ (34,200,971)	$ (10,759,951)
Adjustments to reconcile loss from operations to net cash (used in) provided by operating activities		
Provision for bad debt	18,373,595	27,815,538
Depreciation and amortization	10,735,355	10,447,087
Changes in assets and liabilities		
Patient accounts receivable	(26,213,283)	(41,271,943)
Other receivables	1,793,192	(819,082)
Estimated third-party payer settlements	(2,708,903)	(294,595)
Other – net	(2,111,187)	(1,688,019)
Accounts payable and accrued liabilities	7,452,934	6,794,729
Accrued payroll and related expenses	(566,164)	(268,231)
Medicare accelerated payments	(11,290,114)	30,624,863
Net cash (used in) provided by operating activities	$ (38,735,546)	$ 20,580,396

Note 1 – Organization

Organization – Tri-City Healthcare District (the "District") is a political subdivision of the state of California organized as a special district. The District provides comprehensive medical services at its facility located in Oceanside, California. The financial statements of the District include the accounts of the District, Tri-City Medical Center Ambulatory Surgery Center Operators, LLC ("ASCO"); North Coast Surgery Center Ltd. ("NCSC"); the Cardiovascular Health Institute, LLC (the "Cardiovascular Institute"); the Orthopedic Institute, LLC (the "Orthopedic Institute"); and the Neuroscience Institute, LLC (the "Neuro Institute"). The Cardiovascular Institute, the Orthopedic Institute, and the Neuro Institute are hereafter collectively referred to as the "Institutes."

ASCO, NCSC, the Cardiovascular Institute, the Orthopedic Institute, and the Neuro Institute, are component units that have been blended for presentation purposes. The District owns a 60% interest in ASCO, which provides management services to NCSC. ASCO owns a 52.8% interest in NCSC. NCSC provides outpatient surgical services to the surrounding communities of Oceanside, California. The District has determined blended presentation is appropriate, as it appoints a voting majority of ASCO's governing body. The District owns 61.4% of the Cardiovascular Institute, 50% of the Orthopedic Institute, and 68% of the Neuro Institute. These Institutes were established to align the goals of independent physician practices and specialty services with the goals of the hospital. Key goals are to improve quality outcome reporting and improve financial and operational performance of the respective service lines. The District has determined blended presentation is appropriate for the Cardiovascular Institute, the Orthopedic Institute, and the Neuro Institute, as the component units provide services almost entirely to the District. All intercompany transactions have been eliminated in the District's financial statements.

Note 1 – Organization (continued)

Condensed component information for each of the District's blended component units is as follows:

Condensed Statement of Net Position
As of June 30, 2022

	ASCO	The Institutes
ASSETS		
Current assets	$ 1,968,384	$ 517,415
Capital assets – net	706,098	-
Non-current assets	955,393	139,352
Total assets	$ 3,629,875	$ 656,767
LIABILITIES AND NET POSITION		
Current liabilities	$ 1,379,712	$ -
Property lease – net of current portion	515,790	-
Total liabilities	1,895,502	-
Invested in capital assets – net of related debt	706,098	-
Restricted assets	1,184,924	260,273
Unrestricted	(156,649)	396,494
Total net position	1,734,373	656,767
Total liabilities and net position	$ 3,629,875	$ 656,767

Note 1 – Organization (continued)

Condensed Statement of Net Position
As of June 30, 2021

	ASCO	The Institutes
ASSETS		
Current assets	$ 2,072,271	$ 541,336
Capital assets – net	736,110	-
Non-current assets	1,274,956	148,285
Total assets	$ 4,083,337	$ 689,621
LIABILITIES AND NET POSITION		
Current liabilities	$ 1,573,677	$ -
Property lease – net of current portion	885,210	-
Total liabilities	2,458,887	-
Invested in capital assets – net of related debt	736,110	-
Restricted assets	1,109,823	272,967
Unrestricted	(221,483)	416,654
Total net position	1,624,450	689,621
Total liabilities and net position	$ 4,083,337	$ 689,621

Note 1 – Organization (continued)

Condensed Statements of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2022

	ASCO	The Institutes
OPERATING REVENUE	$ 10,785,819	$ 372,192
OPERATING EXPENSES	9,224,242	149,546
Gain from operations	1,561,577	222,646
NON-OPERATING EXPENSES, net	1,860	-
Change in net position before minority interest	1,563,437	222,646
MINORITY INTEREST DISTRIBUTIONS – NET	(1,453,514)	(255,501)
Change in net position	109,923	(32,855)
NET POSITION – beginning of year	1,624,450	689,621
NET POSITION – end of year	$ 1,734,373	$ 656,766

Condensed Statements of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2021

	ASCO	The Institutes
OPERATING REVENUE	$ 10,677,352	$ 314,552
OPERATING EXPENSES	9,273,156	144,813
Gain from operations	1,404,196	169,739
NON-OPERATING EXPENSES, net	(2,759)	-
Change in net position before minority interest	1,401,437	169,739
MINORITY INTEREST DISTRIBUTIONS – NET	(1,800,000)	(213,750)
Change in net position	(398,563)	(44,011)
NET POSITION – beginning of year	2,023,013	733,632
NET POSITION – end of year	$ 1,624,450	$ 689,621

Note 1 – Organization (continued)

Condensed Statement of Cash Flows
For the Year Ended June 30, 2022

	ASCO	The Institutes
NET CASH PROVIDED BY (USED IN)		
Operating activities	$ 1,965,279	$ 275,967
Noncapital financing activities	(1,453,513)	(255,500)
Capital and related financing activities	(191,425)	-
Investing activities	1,861	-
Net change in cash and cash equivalents	322,202	20,467
CASH AND CASH EQUIVALENTS – beginning of year	871,611	172,228
CASH AND CASH EQUIVALENTS – end of year	$ 1,193,813	$ 192,695

Condensed Statement of Cash Flows
For the Year Ended June 30, 2021

	ASCO	The Institutes
NET CASH PROVIDED BY (USED IN)		
Operating activities	$ 1,972,420	$ 192,302
Noncapital financing activities	(1,799,999)	(213,750)
Capital and related financing activities	(181,184)	-
Investing activities	2,137	-
Net change in cash and cash equivalents	(6,626)	(21,448)
CASH AND CASH EQUIVALENTS – beginning of year	878,237	193,676
CASH AND CASH EQUIVALENTS – end of year	$ 871,611	$ 172,228

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The financial statements have been prepared in accordance with the applicable provisions of the American Institute of Certified Public Accountants' Audit and Accounting Guide, *Health Care Organizations*, and pronouncements of the Governmental Accounting Standards Board (GASB) and the California Code of Regulations, Title 2, Section 1131, *State Controller's Minimum Audit Requirements and Reporting Guidelines for California Special Districts*. The District uses proprietary (enterprise) fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Note 2 – Summary of Significant Accounting Policies (continued)

Accounting estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Cash equivalents – For purposes of the financial statements, the District considers highly liquid debt instruments (excluding non-current cash and investments) purchased with a maturity of three months or less to be cash equivalents.

Investments – Investments are primarily held in Local Agency Investment Fund (LAIF), a highly liquid fund. Deposits and withdrawals can be made daily upon demand without penalty. Investment income is reported in non-operating income (expense) in the statements of revenues, expenses, and changes in net position.

Supplies inventory – Supplies inventory is reported at the lower of cost (first-in, first-out) or market value.

Goodwill – Goodwill represents the excess of purchase price of an acquired business over the net tangible and identifiable intangible assets acquired. The District evaluates goodwill for impairment at least annually or whenever events or changes in circumstances require an interim impairment assessment. The District compares the fair value of each reporting unit to its carrying amount to determine if there is potential goodwill impairment. If the fair value of a reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the fair value of the goodwill within the reporting unit is less than the carrying value of its goodwill. Management determined that there was no impairment of goodwill as of June 30, 2022 and 2021.

Capital assets – Capital assets are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful life of each class of depreciable asset (the shorter of the estimated useful life or the lease term for leasehold improvements) as follows:

Land improvements	15 years
Buildings and building improvements	10–40 years
Leasehold improvements	3–15 years

Capital assets are evaluated for impairment when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined. Capital assets are considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. The determination of the impairment loss is dependent upon the event or circumstance in which the impairment occurred. Impairment losses, if any, are recorded in the statements of revenues, expenses, and changes in net position. No impairment losses were recorded in the years ended June 30, 2022 and 2021.

Note 2 – Summary of Significant Accounting Policies (continued)

Mortgage reserve fund – A mortgage reserve fund (MRF) related to the $85.8 million mortgage is required under the Hospital Regulatory Agreement between the District and the U.S. Department of Housing and Urban Development (HUD). The District makes deposits into the MRF trust account in accordance with the Mortgage Reserve Fund Agreement.

Net position – Net position of the District is classified into three components. “Invested in capital assets – net of related debt” consists of capital assets, net of accumulated depreciation and is reduced by the balances of any outstanding borrowing used to finance the purchase or construction of those assets. “Restricted assets – net position” represents the portion of the net position of ASCO, the Cardiovascular Institute, the Orthopedic Institute, the Neuro Institute, and the Wellness Center not owned by the District in the amount of approximately $1.2 million as of June 30, 2022, and $1.4 million as of June 30, 2021, as well as MRF deposits required under the Hospital Regulatory Agreement between the District and HUD of approximately $9.0 and $8.5 million as of June 30, 2022 and 2021, respectively. “Unrestricted” net position is the remaining net position that does not meet the definition of Invested in capital assets – net of related debt or Restricted assets.

Operating revenues and expenses – The District’s statements of revenues, expenses, and changes in net position distinguish between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services – the District’s principal activity. Operating expenses include all expenses incurred to directly provide healthcare services. Non-operating income and expenses consist of those revenues and expenses that result from non-exchange transactions, such as District taxes, government grants, financing costs, interest expense, and investment income.

Net patient service revenue – Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. 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 District estimates net collectible accounts receivable and the corresponding impact on net patient services revenue by applying historical collection realization percentages to outstanding gross accounts receivable by payer class. Normal estimation differences between subsequent cash collections on patient accounts receivable and net patient accounts receivable estimated in the prior year are reported as adjustments to net patient service revenue during the collection period.

Note 2 – Summary of Significant Accounting Policies (continued)

Premium revenue – The District has agreements with various health maintenance organizations (HMOs) to provide medical services to subscribing participants. Under these agreements, the District receives monthly capitation payments based on the number of each HMO's participants, regardless of services actually performed by the District. The District recognizes premium revenue in the period the District is obligated to provide services, which is generally in the month capitation payments are received. In addition, the HMOs make fee-for-service payments to the District for certain covered services based upon discounted fee schedules. Under some of these agreements, the District also participates in shared-risk pools with medical groups, through which it could receive additional reimbursement or pay additional amounts to the medical groups. In conjunction with the risk pools, the District estimates incurred but not reported (IBNR) claims for medical services provided to patients at other facilities. See Note 14 – Commitments and Contingencies.

IBNR liabilities of approximately $944 thousand and $973 thousand are included in accounts payable and accrued liabilities in the accompanying statements of net position as of June 30, 2022 and June 30, 2021, respectively.

Grants and contributions – From time to time, the District receives grants and contributions from various governmental agencies, private organizations, and individuals. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

Property taxes – The District receives financial support from property taxes and the funds are used to support operations. Property taxes are levied annually by the County of San Diego (the "County") on behalf of the District and are intended to finance the District's activities. The County's fiscal year is from July 1 through June 30. Taxes levied are based on assessed property values as of the first day of January preceding the fiscal year for which the taxes are levied. See Note 3 – Non-Operating Revenue.

Income taxes – The District is a governmental subdivision of the state of California and is exempt from federal income and state franchise taxes.

Risk management – The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. The District is self-insured for a portion of its exposure to risk of loss from workers' compensation and malpractice claims. Annual estimated provisions are accrued based on actuarially determined amounts and include an estimate of the ultimate costs for both reported claims and IBNR claims.

Note 2 – Summary of Significant Accounting Policies (continued)

Compensated absences – The District's benefits-eligible employees earn vacation leave at varying rates based upon qualifying service hours. Employees may accumulate vacation leave up to a specified maximum. Accrued vacation leave is paid to the employee upon termination of employment or upon conversion to non-benefits-eligible status. The estimated amount of vacation leave payable to employees of approximately $10.3 and $10.6 million as of June 30, 2022 and 2021, respectively, is reported as a current liability within accrued payroll and related expenses in the accompanying statements of net position. Sick time is also earned at a specific rate per qualified service hour. However, no payment is made for accrued sick time when employment is terminated.

Recent accounting pronouncements – In June 2017, the GASB issued Statement No. 87, *Leases*, establishing a single approach to the accounting for and reporting of leases by state and local governments requiring that all leases be considered as financing. Under the new guidance, the District must recognize a lease liability and an intangible asset in the financial statements. The statement went into effect July 1, 2021. The District implemented GASB 87 in 2022. See Note 11 – Leases.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Before the End of a Construction Period*. This statement requires that interest costs 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 costs 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. This statement went into effect July 1, 2021. The adoption of this statement did not have an impact on the District's financial statements

Change in accounting principles – In fiscal year 2022, the District implemented GASB 87. GASB 87 enhances the relevance and consistency of information of the District's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. 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. These changes were incorporated in the District's 2022 financial statements. The District determined that restating prior comparative periods from the adoption of GASB 87 was practicable. As a result, the prior year comparative financial statements have not been restated to reflect the adoption of GASB 87. The implementation of GASB 87 did not have an impact on net position as of June 30, 2021.

Note 3 – Patient Service Revenue, Third-Party Reimbursement Programs, and Non-Operating Revenue

The District renders services to patients under contractual arrangements with the Medicare and Medi-Cal programs and various HMOs and preferred provider organizations (PPOs). The Medicare program generally pays the District a prospectively determined rate per discharge for services rendered to Medicare inpatients. Additionally, Medicare reimburses the District for certain capital-related costs and psychiatric services on the basis of costs incurred.

Note 3 – Patient Service Revenue, Third-Party Reimbursement Programs, and Non-Operating Revenue (continued)

The District is reimbursed for hospital inpatient services provided to Medi-Cal beneficiaries based upon Diagnosis Related Groups (DRGs), excluding rehabilitative services and behavioral health services. Rehabilitative services and behavioral health services are reimbursed on a per diem basis. Revenue from the Medicare and Medi-Cal programs accounted for approximately 67% of the District's gross patient service revenue for both years ended June 30, 2022 and 2021.

The District participates in the Intergovernmental Transfer (IGT) program, which reimburses the District for a portion of the difference between the cost of treating Medi-Cal patients and the amount reimbursed through pre-existing Medi-Cal contracts. The District recognizes revenue from the IGT program when certainty of receiving the funds is reasonably assured.

The District participates in the Public Hospital Redesign and Incentives in Medi-Cal ("PRIME") program, a pay-for-performance Medi-Cal program in which California's public health care systems and district and municipal hospitals are using evidence-based quality improvement methods to achieve performance targets and improve health outcomes for patients. All funding for this program is contingent on meeting these targets and demonstrating continued improvement. The District recognizes revenue from the PRIME program when certainty of receiving the funds is reasonably assured. The PRIME program sunsetted during calendar 2020. On January 1, 2021, district/municipal hospitals transitioned to the Quality Incentive Pool (QIP) program. The QIP program shares the goals of using evidence-based quality improvement methods to achieve performance targets and improve health outcomes for patients.

The District is reimbursed for serving a disproportionate share of low income patients, reimbursable Medicare bad debt, and certain other items at a tentative rate with final settlement determined after the District's submission of annual cost reports and audits thereof by state and federal agencies and their intermediaries. Cost reports for the Medicare programs have been settled for all years through 2018. Results of cost report settlements, as well as the District's estimates for settlements, of all fiscal years through 2022 are reflected in the accompanying financial statements.

Estimated net third-party settlements consisted of a net receivable of approximately $4.4 million and $1.7 million as of June 30, 2022 and 2021, respectively. During the years ended June 30, 2022 and 2021, the District settled various prior year cost reports, appeal issues, and adjusted prior-year settlement estimates. Prior year settlements and changes in estimates resulted in an increase of approximately $681 thousand and a reduction of approximately $146 thousand to net patient service revenue in the years ended June 30, 2022 and 2021, respectively, and are included in net patient service revenue in the accompanying statements of revenue, expenses, and changes in net position.

The District has also entered into payment agreements with certain commercial insurance carriers, HMOs, and PPOs. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Note 3 – Patient Service Revenue, Third-Party Reimbursement Programs, and Non-Operating Revenue (continued)

The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of net receivables from patients and third-party payers as of June 30 is as follows:

	2022	2021
HMO/PPO	15%	22%
Medicare plans	30%	35%
Medi-Cal plans	10%	12%
Others	45%	31%
Total	100%	100%

Non-operating revenue includes District tax revenue and other non-patient service revenue. District tax revenue totaled approximately $13.1 million and $12.4 million for the years ended June 30, 2022 and 2021, respectively. Grant income totaling approximately $1.1 million for the year ended June 30, 2022, relates to the CARES Act Grant funds. See Note 14 – Commitments and Contingencies. Other non-operating income (expense) includes approximately $528 thousand and $1.8 million in donations from the Tri-City Hospital Foundation (the "Foundation") and Tri-City Hospital Auxiliary ("Auxiliary") for the years ended June 30, 2022 and 2021, respectively.

Note 4 – Cash and Cash Equivalents and Investments

The state of California Government Code (the "Code") generally authorizes the District to invest unrestricted and Board-designated assets in obligations of the U.S. Treasury and certain U.S. government agencies, obligations of the state of California and local government entities, bankers' acceptances, commercial paper, certificates of deposit, repurchase agreements, and mortgage securities. Certain investments may be purchased only in limited amounts, as defined in the Code.

Short-term investments – The California State Treasurer's Office makes available the LAIF through which local governments may pool investments. Each governmental entity may invest up to $75.0 million in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash daily without penalty. The District is a voluntary participant in the LAIF. As of June 30, 2022, and 2021, the District held approximately $7.2 million and $7.1 million in LAIF, respectively.

There are many factors that may affect the value of investments. Some, such as credit risk, custodial credit risk, and concentration of credit risk and interest rate risk may affect both equity and fixed income securities. Equity and debt securities respond to such factors as economic conditions, individual company earnings performance, and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates.

Note 4 – Cash and Cash Equivalents and Investments (continued)

Credit risk – Fixed income securities are subject to credit risk, which is the chance that an issuer will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk. The District invests primarily in obligations of the U.S. government.

Concentration of credit risk – Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the District to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. Investments issued or guaranteed by the U.S. government and investments in external investment pools, such as LAIF, are not considered subject to concentration of credit risk. In accordance with state law, no more than 5% of total investments may be invested in the securities of any one issuer, except obligations of the U.S. government, no more than 10% may be invested in any one mutual fund, and no more than 30% may be invested in bankers' acceptances of any one commercial bank. The District's investment in LAIF is not rated by a nationally recognized statistical rating organization since amounts invested in LAIF are protected by certain statutes.

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2022, and 2021, the District's bank balances totaled approximately $30.6 and $70.2 million, respectively, and were not exposed to custodial credit risk, as the uninsured deposits are with financial institutions that are individually required by state law to have government deposits collateralized at a rate of 110% of the deposits. Such collateral is considered to be held in the District's name.

Custodial credit risk – investments – District policy requires that all investments be insured or registered with, or be held by, the District's agent in the agent's nominee name, with subsidiary records listing the District as the legal owner. For these reasons, the District is not exposed to custodial credit risk for its investments.

The carrying amounts of cash and investments are included in the following statements of net position captions as of June 30:

	2022	2021
Cash and cash equivalents	$ 30,274,440	$ 69,874,882
Short-term investments	6,807,413	6,699,589
Restricted cash and investments – non-negotiable certificates of deposit	298,000	298,000
Board-designated	422,359	421,069
Total	$ 37,802,212	$ 77,293,540

Note 5 – Capital Assets

Capital assets consisted of the following as of June 30:

	2022				
	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Land and land improvements	$ 24,686,017	$ -	$ -	$ -	$ 24,686,017
Buildings and improvements	205,704,534	69,880	-	56,394	205,830,808
Equipment	181,660,422	2,432,250	-	2,484,946	186,577,618
Assets under lease	1,929,000	-	-	(1,929,000)	-
Construction in progress	9,815,065	4,495,360	-	(612,340)	13,698,085
	423,795,038	6,997,490	-	-	430,792,528
Less: accumulated depreciation and amortization	(331,538,937)	(9,139,344)	-	-	(340,678,281)
Capital assets – net	$ 92,256,101	$ (2,141,854)	$ -	$ -	$ 90,114,247

	2021				
	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Land and land improvements	$ 24,686,017	$ -	$ -	$ -	$ 24,686,017
Buildings and improvements	205,693,424	11,110	-	-	205,704,534
Equipment	173,880,524	3,640,064	-	4,139,834	181,660,422
Assets under lease	6,068,834	-	-	(4,139,834)	1,929,000
Construction in progress	7,830,422	1,984,643	-	-	9,815,065
	418,159,221	5,635,817	-	-	423,795,038
Less: accumulated depreciation and amortization	(321,128,554)	(10,410,383)	-	-	(331,538,937)
Capital assets – net	$ 97,030,667	$ (4,774,566)	$ -	$ -	$ 92,256,101

Note 6 – Goodwill

Total goodwill was approximately $9.5 million for both years ended June 30, 2022 and 2021. Orthopedic Specialists of North County ("OSNC") represents approximately $5.0 million of the total.

Note 7 – Other Assets

Other assets consisted of the following as of June 30:

	2022	2021
Medical office building deposits	$ 9,047,447	$ 9,047,447
Right-of-use asset	11,166,125	1,274,956
Other	1,064,035	1,214,883
Total	$ 21,277,607	$ 11,537,286

Medical office building deposits of approximately $9.0 million for both years ended June 30, 2022 and 2021, pertain to an on-campus medical office building. See Note 14 – Commitments and Contingencies.

Right of use assets increased approximately $9.9 million due to the implementation of GASB 87. See Note 11 – Leases.

Note 8 – Short-Term Debt

Line of credit – The District amended its revolving line of credit with Mid Cap, LLC in August 2019, extending the term maturity date to August 31, 2022, increasing the amount available to $15.4 million, and reducing the interest rate to the London Interbank Offered Rate (LIBOR) plus 3.0% subject to a LIBOR floor of 1%. The amount available under this revolving line of credit is fully collateralized by certain assets of the District.

The District's revolving line of credit facility is subject to compliance with certain debt covenants, including restrictions on additional indebtedness and a minimum fixed charge coverage ratio.

Note 8 – Short-Term Debt (continued)

A schedule of changes in the District's short-term debt as of June 30 is as follows:

	2022			
	Beginning Balance	Additions	Payments	Ending Balance
Line of credit	$ 5,189,737	$ 289,652,253	$(289,228,845)	$ 5,613,145
Total short-term debt	$ 5,189,737	$ 289,652,253	$(289,228,845)	$ 5,613,145

	2021			
	Beginning Balance	Additions	Payments	Ending Balance
Line of credit	$ 9,665,744	$ 279,694,119	$(284,170,126)	$ 5,189,737
Total short-term debt	$ 9,665,744	$ 279,694,119	$(284,170,126)	$ 5,189,737

Note 9 – Long-Term Debt

The terms and due dates of the District's long-term debt are as follows:

- Lument, formerly Lancaster Pollard Mortgage Company, HUD insured loan, interest rate of 4.32%, with principal balance outstanding of approximately $74.8 million and $77.1 million as of June 30, 2022 and 2021, respectively. Principal and interest payments of approximately $468 thousand are due monthly with the remaining aggregate unpaid amount due April 2042. An MRF is required under the Hospital Regulatory Agreement between the District and HUD. The District makes deposits into the MRF trust account in accordance with the MRF agreement.

- Capital equipment leases and financings with interest rates varying between 2.73% and 3.90%. Principal and interest payments are due monthly commencing and expiring in January 2025. Principal balances due totaled approximately $1.5 million and $2.4 million as of June 30, 2022 and 2021, respectively.

Note 9 – Long-Term Debt (continued)

A schedule of changes in the District's long-term debt (including current portion) as of June 30 is as follows:

	2022				
	Beginning Balance	Additions	Payments	Ending Balance	Due Within 1 Year
HUD insured loan	$ 77,112,675	$ -	$ (2,334,398)	$ 74,778,277	$ 2,437,266
Capital financing	2,105,984	-	(572,594)	1,533,390	595,429
Total long-term debt	$ 79,218,659	$ -	$ (2,906,992)	$ 76,311,667	$ 3,032,695

	2021				
	Beginning Balance	Additions	Payments	Ending Balance	Due Within 1 Year
HUD insured loan	$ 79,348,549	$ -	$ (2,235,874)	$ 77,112,675	$ 2,334,400
Capital financing	2,656,616	-	(550,632)	2,105,984	570,730
Total long-term debt	$ 82,005,165	$ -	$ (2,786,506)	$ 79,218,659	$ 2,905,130

A schedule, by year, of future minimum payments under long-term debt and capital lease obligations is as follows:

	Principal	Interest	Total
Years Ending June 30,			
2023	$ 3,032,695	$ 3,231,988	$ 6,264,683
2024	3,163,841	3,100,842	6,264,683
2025	2,975,585	2,966,659	5,942,244
2026	2,773,872	2,845,933	5,619,805
2027	2,896,105	12,284,828	15,180,933
2028-2032	16,511,064	8,479,598	24,990,662
2033-2037	20,483,974	3,758,750	24,242,724
2038-2042	24,474,531	91,407	24,565,938
Total	$ 76,311,667	$ 36,760,005	$ 113,071,672

Assets acquired through leases as of June 30, are as follows:

	2022	2021
Equipment under finance lease	$ -	$ 1,929,000
Accumulated amortization	-	(1,575,351)
Total	$ -	$ 353,649

Note 10 – Retirement Plans

The District has a contributory money accumulation pension plan (MAPP) covering substantially all employees, under which benefits are limited to amounts accumulated from total contributions. As of June 30, 2022, there were a total of 3,849 plan members, including retirees. Active plan members are required to contribute 2% of covered salary. The District is required to contribute 6% of annual covered payroll. Plan provisions and contribution requirements are established and may be amended by the Board. The District's contribution expense related to the MAPP totaled approximately $5.2 million and $5.4 million for the years ended June 30, 2022 and 2021, respectively.

Employees are immediately vested in their own contributions and earnings and become vested in the employer contributions and earnings according to a five-year vesting schedule. Non-vested employer contributions are forfeited upon termination of employment. The forfeitures are used to reduce employer contributions under the plan. For the years ended June 30, 2022 and 2021, forfeitures reduced the District's expenses and contributions under the plan by approximately $67 thousand and $270 thousand, respectively.

Since 1983, the District has sponsored a retirement plan, the Tri-City Healthcare District National Security Retirement Program (NSRP), an alternative to the U.S. Social Security system. NSRP is administered by an insurance company and provides retirement and survivorship benefits. As a condition of participation, each employee makes contributions to NSRP. The District contributed 4.5% of each participating employee's annual compensation up to approximately $98 thousand and $96 thousand for the years ended June 30, 2022 and 2021, respectively.

The District's contributions to NSRP totaled approximately $1.6 million and $1.8 million for the years ended June 30, 2022 and 2021, respectively. Effective January 1, 1992, the District provided its employees with the option of remaining in the NSRP program or transferring to the U.S. Social Security system. Statutes authorize NSRP to invest in group or individual insurance or annuity contracts or other funding vehicles as approved by the District's Board. Contributions to NSRP are deposited in one or more investment options as elected by the individual participant or in the qualified default investment alternative if no election is made.

The District also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Employees who elect to participate in the plan make contributions through a reduction in salary. All employee contributions are invested by a funding agency selected by the District. The investments of the NSRP retirement plan and the Section 457 deferred compensation plan and earnings thereon are held by fiduciaries in trust for the benefit of the employees. The NSRP and the Section 457 deferred compensation plan assets are not subject to the claims of the District's general creditors. Accordingly, the plans' assets and the related liabilities are excluded from the accompanying statements of net position as of June 30, 2022 and 2021.

Note 10 – Retirement Plans (continued)

The District maintains a tax-deferred capital accumulation account for certain management personnel under which the District has contributed funds to mutual fund investments as directed by the participants. The contributions vest over a period of no less than two years. As of June 30, 2022, and 2021, the balance of capital accumulation funds was approximately $503 thousand and $492 thousand, respectively, which is included in prepaid expenses and other assets on the accompanying statements of net position. The corresponding compensation liabilities of approximately $621 thousand and $612 thousand as of June 30, 2022 and 2021, respectively, are included in accrued payroll and related expenses on the accompanying statements of net position. The plan assets remain the property of the District until paid or made available to participants, subject only to claims of the District's general creditors.

Note 11 – Leases

Effective July 1, 2021, the district adopted GASB 87, the objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by government entities. This Statement 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. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The District recognizes lease contracts or equivalents that have a term exceeding one year and the cumulative future payments on the contract exceed $25,000 that meet the definition of 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 District is a lessee for noncancelable leases of office space and equipment with lease terms through 2037. There are no residual value guarantees included in the measurement of District's lease liability nor recognized as an expense for the year ended June 30, 2022. 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. No termination penalties were incurred during the fiscal year.

The District has approximately $11.2 million and $1.3 million right-to-use assets included in Other Assets (see Note 7 – Other Assets) on the statements of net position for the years ended June 30, 2022 and 2021, respectively.

The District recognized $1.6 million in amortization expense included in operating expenses on the statements of revenue, expenses and changes in net position.

Note 11 – Leases (continued)

The District leases certain building space and equipment under non-cancelable leases expiring through August 2037. Lease expense for all leases totaled approximately $3.5 million and $3.4 million for the years ended June 30, 2022 and 2021, respectively.

Future principal and interest amounts for the remaining leases as of June 30, 2022, were as follows:

	Principal	Interest	Total
Years Ending June 30,			
2023	$ 1,446,932	$ 303,455	$ 1,750,387
2024	1,231,580	251,088	1,482,668
2025	1,185,623	206,935	1,392,558
2026	1,254,228	160,660	1,414,888
2027	994,066	117,999	1,112,065
2028-2032	2,244,906	254,594	2,499,500
2033-2037	334,338	7,978	342,316
Total Future Payments	$ 8,691,673	$ 1,302,709	$ 9,994,382

Note 12 – Related Organizations

The Foundation and the Auxiliary are California nonprofit corporations organized to benefit the District. Both the Foundation and the Auxiliary have bylaws that govern their separate activities, and the Board members and officers of each of the two organizations are selected solely by the members themselves.

The District pays salaries and related costs for employees of the Foundation, provides facilities for the Auxiliary gift shop, and provides administrative office space to both organizations free of charge. Such costs totaled approximately $549 thousand and $459 thousand in the years ended June 30, 2022 and 2021, respectively.

A summary of the organizations' assets, liabilities, and net assets (unaudited) as of June 30 is as follows:

	2022	2021
Tri-City Hospital Foundation		
Assets	$ 5,860,338	$ 4,201,482
Liabilities	$ 674,438	$ 241,148
Net Assets	$ 5,185,900	$ 3,960,334
Tri-City Hospital Auxiliary		
Assets	$ 288,063	$ 264,868
Liabilities	$ -	$ -
Net Assets	$ 288,063	$ 264,868

Note 13 – Partnerships

During the year ended June 30, 2010, the District entered into a general partnership with Surgical Care Affiliates of Oceanside to form ASCO. The partnership acquired controlling interest in NCSC, a partnership between ASCO, and several limited partners, primarily physicians. The primary purpose of the District's involvement in the venture is to relocate lower acuity outpatient surgeries to the surgery center in order to free up surgical suite time for surgeries requiring hospital surgical services. As described in Note 1, ASCO is considered to be a blended component unit of the District. As a result, the financial results of ASCO have been included in the District's financial statements.

The District also formed the Cardiovascular Institute during the year ended June 30, 2010. The purpose of the Cardiovascular Institute is to further the District's mission and commitment to promote cardiovascular health and provide quality heart and vascular services for the residents of the District. The District and the Cardiovascular Institute entered into a co-management agreement under which the Cardiovascular Institute provides certain services to meet this mission.

The portion of the change in net position attributable to minority interests in these entities totaled approximately $1.2 million and $1.4 million for the years ended June 30, 2022 and 2021, respectively.

Note 14 – Commitments and Contingencies

Legal actions – The District is involved in various legal matters arising from time to time in the ordinary course of business. The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters.

In April 2014, the District commenced eminent domain proceedings against the developer of an on-campus medical office building seeking to maintain a condemnation action under which it took possession of an on-campus medical office building. The developer filed a complaint against the District and the District filed a cross complaint. In June 2016, the jury returned a verdict against the District awarding approximately $2.9 million in damages for breach of good faith and dealing under a related lease agreement. In addition, under the condemnation action, the jury determined the value of the ground lease to be approximately $16.8 million. The District deposited approximately $4.7 million in 2015 and an additional approximately $12.3 million in 2017 related to the verdict. The District filed a notice of abandonment of its eminent domain claim subsequent to the verdict. The trial court set aside (nullified) the abandonment. The District appealed from the judgment and from the order setting aside the abandonment. During fiscal year 2019, the Court of Appeal affirmed the award of damages but reversed the trial court's order setting aside the District's abandonment of the eminent domain claim and remanded the case to the superior court to effectuate the District's abandonment of the eminent domain proceeding. The District recorded approximately $5.1 million as a non-operating charge in fiscal year 2019 for the damages and related fees portion of the judgment and pursued recovery of deposits made prior to the Court of Appeal's decision. In November 2019, the District received approximately $7.9 million of deposits back from the state of California in accordance with the lawfully abandoned condemnation. See Note 7 – Other Assets.

Note 14 – Commitments and Contingencies (continued)

During fiscal year 2021, the superior court ruled in favor of the District, issuing a decision ruling that damages proximately caused by the District's condemnation action were zero and the developer owed the District approximately $4.6 million. The developer is appealing the superior court decision and is currently in Chapter 11 Bankruptcy, proposing, under an unconfirmed plan, to pay the District a minimum of $5.2 million over five years to satisfy the 2021 judgement, subject to the appeal decision. Disputes remain between the Developer and the District. Both contend entitlement to damages and the ultimate outcome of the legal proceedings is unknown at this time.

Seismic standards and compliance –The District's buildings are considered in compliance with current California State regulatory seismic safety regulations to the year 2030. Certain District buildings will require substantial seismic retrofitting to comply with 2030 requirements unless seismic standards are modified and/or regulatory relief is obtained.

Self-insurance programs – The District is self-insured for unemployment benefits, dental PPO benefits, and pharmaceutical benefits.

Workers' compensation – For policy years 2003 and 2004, the District had a large-deductible workers' compensation plan, with stop-loss insurance coverage for individual claims of more than $350 thousand. Under this insurance arrangement, as of June 30, 2021, the District maintains non-negotiable certificates of deposit totaling $15 thousand for calendar year 2003, and $283 thousand for calendar year 2004. Beginning January 1, 2005, the District began a self-insured workers' compensation program. The District has fully reserved for estimated claims based on actuarial analyses of policy years prior to 1999, and 2002 through 2022. Such reserves were approximately $8.2 million and $7.2 million for June 30, 2022 and 2021, respectively. Amounts classified as current liabilities are included in accrued payroll and related expenses in the statements of net position of approximately $1.7 million and $2.0 million as of June 30, 2022 and 2021, respectively.

Comprehensive liability insurance coverage – The District is insured for comprehensive liability (professional liability, general liability, personal injury, and advertising liability, and employee benefits administration) under an occurrence general liability policy and professional claims-made policy, which covers asserted claims and incidents reported to the insurance carrier, and has a per-claim retention of $2.0 million. The District has reserved for estimated IBNR claims through June 30, 2022. Such reserves were approximately $3.1 million for both years ended June 30, 2022 and 2021. Amounts classified as current liabilities are included in accounts payable and accrued liabilities in the statements of net position of approximately $885 thousand and $846 thousand as of June 30, 2022 and 2021, respectively.

Note 14 – Commitments and Contingencies (continued)

The following is a summary of the changes in the self-insured and claims-made plan liabilities for the years ended June 30:

Balance as of June 30, 2020	$ 9,843,064
Additions	2,979,165
Payments	(2,537,184)
Balance as of June 30, 2021	10,285,045
Additions	3,892,097
Payments	(2,883,638)
Balance as of June 30, 2022	11,293,504
Less: amounts classified as current liabilities	2,613,804
Workers' compensation and comprehensive liability non-current portion	$ 8,679,700

Medical services IBNR – The following is a summary of the changes in the medical services IBNR claims included in accounts payable and accrued liabilities in the accompanying statement of net position for the years ended June 30:

Balance as of June 30, 2020	$ 1,334,389
Additions	4,994,238
Payments	(5,355,843)
Balance as of June 30, 2021	972,784
Additions	5,578,756
Payments	(5,607,197)
Balance as of June 30, 2022	$ 944,343

Physician loan agreements – Physician Recruitment Agreements are those under which the District has elected to loan practicing physicians up to a specified amount per month for a period of two or three years (the "loan distribution period"). At the end of the loan distribution period, each physician is obligated by a signed loan agreement to repay the outstanding loan balance. The loan can be repaid in cash or in-kind services. For repayment in-kind, the District forgives the loans monthly over the period defined in the loan agreement (up to three years), as long as the physician continues to practice in the defined service area. Loans to physicians accrue interest during the draw period and during the forgiveness period. The loan balances outstanding totaled approximately $2.6 million and $3.0 million as of June 30, 2022 and 2021, respectively. The balance is included in other long-term assets in the accompanying statements of net position.

Note 14 – Commitments and Contingencies (continued)

COVID-19 – On March 11, 2020, the World Health Organization officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic. Soon afterward, the District (along with hospitals in the United States) cancelled elective surgical cases, resulting in a significant loss of net patient revenue. The pandemic has resulted in the District incurring additional costs to maintain patient volume as well as to provide care to patients specifically affected by the virus. Pandemic surges have increased supplies and pharmaceuticals costs and exacerbated workforce shortages, driving labor costs higher. The duration and intensity of disruption from the pandemic are uncertain, and therefore the long-term impact cannot be predicted.

CARES Act grant funding – The District received funds of approximately $1.1 million and $4.6 million during the years ended June 30, 2022 and 2021, respectively, under the Provider Relief Fund, administered by the U.S. Department of Health & Human Services (HHS), under the CARES Act. The District was required to sign attestations agreeing to the terms and conditions of payment. Those terms and conditions include measures to prevent fraud and misuse. Documentation is required to ensure that these funds are to be used for healthcare-related expenses or lost revenue attributable to coronavirus, limitations of out-of-pocket payments from certain patients, and the acceptance of several other reporting and compliance requirements. Anti-fraud monitoring and auditing will be conducted by HHS and the Office of the Inspector General.

Medicare advance payments – During September 2020, the District received approximately $30.6 million from Medicare under the COVID-19 Accelerated and Advance Payments (CAAP) Program, administered by the Centers for Medicare and Medicaid Services. Recoupment began in September 2021. The first 11 months of the scheduled recoupment are at 25% of the remittance advice on filed claims, followed by six months at 50% of the remittance advice on filed claims. The District has 29 months to fully repay the advance payments or interest will accrue at 4% on any amount not recouped or paid directly.

During the year ended June 30, 2022, Medicare applied approximately $11.3 million of accelerated Medicare recoupment against filed claims. As of June 30, 2022 and 2021, $19.3 and $11.3 million, respectively, of accelerated Medicare payments are recorded as current liabilities.

Note 15 – Subsequent events

Line of credit – The District amended its revolving line of credit with Mid Cap, LLC in August 2022, extending the term maturity date to August 31, 2024, and adjusting the amount available to $13.7 million. The interest rate is Secured Overnight Financing Rate (SOFR) plus 3.0% subject to a SOFR floor of 1.0%. The amount available under this revolving line of credit is fully collateralized by certain assets of the District.

Supplemental Schedules

Tri-City Healthcare District
Schedule of Net Position
June 30, 2022

	Tri-City Medical Center	ASCO	Cardiovascular Institute	Orthopedic Institute	Neuro Institute	Eliminations	Total
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	$ 28,887,932	$ 1,193,813	$ 137,692	$ 54,923	$ 80	$ -	$ 30,274,440
Short-term investments	6,807,413	-	-	-	-	-	6,807,413
Restricted cash and investments	298,000	-	-	-	-	-	298,000
Patient accounts receivable, net	58,033,643	768,733	-	-	-	-	58,802,376
Other receivables	323,847	-	295,610	6,414	22,696	(178,480)	470,087
Supplies inventory	12,298,146	2,495	-	-	-	-	12,300,641
Prepaid expenses and other assets	4,727,333	3,343	-	-	-	-	4,730,676
Estimated third-party payor settlements	4,444,723	-	-	-	-	-	4,444,723
Total current assets	115,821,037	1,968,384	433,302	61,337	22,776	(178,480)	118,128,356
NON-CURRENT INVESTMENTS							
Board-designated	422,359	-	-	-	-	-	422,359
CAPITAL ASSETS – net	89,408,149	706,098	-	-	-	-	90,114,247
OTHER ASSETS							
Notes receivable	2,580,223	-	-	-	-	-	2,580,223
Restricted mortgage reserve fund	9,005,216	-	-	-	-	-	9,005,216
Goodwill	9,529,430	-	-	-	-	-	9,529,430
Other	20,182,862	955,393	56,865	36,220	46,267	-	21,277,607
Total other assets	41,297,731	955,393	56,865	36,220	46,267	-	42,392,476
Total assets	$ 246,949,276	$ 3,629,875	$ 490,167	$ 97,557	$ 69,043	$ (178,480)	$ 251,057,438

	Tri-City Medical Center	ASCO	Cardiovascular Institute	Orthopedic Institute	Neuro Institute	Eliminations	Total
LIABILITIES AND NET POSITION							
CURRENT LIABILITIES							
Accounts payable and accrued liabilities	$ 58,982,984	$ 573,036	$ -	$ -	$ -	$ (178,480)	$ 59,377,540
Accrued payroll and related expenses	19,487,466	375,425	-	-	-	-	19,862,891
Current maturities of long-term debt	3,032,695	-	-	-	-	-	3,032,695
Short-term debt	5,613,145	-	-	-	-	-	5,613,145
Other current liabilities	3,808,327	431,251	-	-	-	-	4,239,578
Medicare accelerated payments	19,334,749	-	-	-	-	-	19,334,749
Total current liabilities	110,259,366	1,379,712	-	-	-	(178,480)	111,460,598
LONG-TERM DEBT – net of current position	73,278,972	-	-	-	-	-	73,278,972
PROPERTY LEASE – net of current portion	7,244,742	515,790	-	-	-	-	7,760,532
WORKERS' COMPENSATION AND COMPREHENSIVE LIABILITY – net of current portion	8,679,700	-	-	-	-	-	8,679,700
Total liabilities	199,462,780	1,895,502	-	-	-	(178,480)	201,179,802
NET POSITION							
Invested in capital assets – net of related debt	17,067,139	706,098	-	-	-	-	17,773,237
Restricted assets	9,005,216	1,184,924	189,401	48,778	22,094	-	10,450,413
Unrestricted	21,414,141	(156,649)	300,766	48,779	46,949	-	21,653,986
Total net position	47,486,496	1,734,373	490,167	97,557	69,043	-	49,877,636
Total liabilities and net position	$ 246,949,276	$ 3,629,875	$ 490,167	$ 97,557	$ 69,043	$ (178,480)	$ 251,057,438

Tri-City Healthcare District
Schedule of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2022

	Tri-City Medical Center	ASCO	Cardiovascular Institute	Orthopedic Institute	Neuro Institute	Eliminations	Total
OPERATING REVENUE							
Net patient service revenue	$ 310,015,384	$ 10,423,829	$ -	$ -	$ -	$ -	$ 320,439,213
Premium revenue	12,193,638	-	-	-	-	-	12,193,638
Other revenue	3,327,236	361,990	372,192	-	-	(927,780)	3,133,638
Total operating revenue	325,536,258	10,785,819	372,192	-	-	(927,780)	335,766,489
OPERATING EXPENSES							
Salaries and related expenses	193,384,568	3,277,453	-	-	-	-	196,662,021
Supplies	77,789,263	3,012,128	-	-	-	-	80,801,391
Purchased services	16,139,263	958,000	-	-	-	(429,192)	16,668,071
Depreciation and amortization	10,504,985	221,437	8,933	-	-	-	10,735,355
Other operating expense	19,599,369	655,471	3,624	-	-	-	20,258,464
Professional and medical fees	28,762,516	115,831	136,989	-	-	-	29,015,336
Maintenance, rent, and utilities	14,842,900	983,922	-	-	-	-	15,826,822
Total operating expenses	361,022,864	9,224,242	149,546	-	-	(429,192)	369,967,460
(LOSS) INCOME FROM OPERATIONS	(35,486,606)	1,561,577	222,646	-	-	(498,588)	(34,200,971)
NON-OPERATING REVENUE (EXPENSE)							
District tax revenue	13,063,078	-	-	-	-	-	13,063,078
Interest income	334,663	1,860	-	-	-	-	336,523
Interest expense	(4,224,737)	-	-	-	-	-	(4,224,737)
CARES Act grant income	1,063,261	-	-	-	-	-	1,063,261
Other non-operating income	57,786	-	-	-	-	-	57,786
Total non-operating revenue (expense)	10,294,051	1,860	-	-	-	-	10,295,911
CHANGE IN NET POSITION BEFORE MINORITY INTEREST (EROE)	(25,192,555)	1,563,437	222,646	-	-	(498,588)	(23,905,060)
Minority interest distributions – net	-	(966,032)	(131,750)	-	-	-	(1,097,782)
Distributions between related entities	-	(487,482)	(123,750)	-	-	498,588	(112,644)
CHANGE IN NET POSITION	(25,192,555)	109,923	(32,854)	-	-	-	(25,115,486)
NET POSITION – beginning of year	72,679,051	1,624,450	523,021	97,557	69,043	-	74,993,122
NET POSITION – end of year	$ 47,486,496	$ 1,734,373	$ 490,167	$ 97,557	$ 69,043	$ -	$ 49,877,636

See report of independent auditors.

MORTGAGE RESERVE FUND		
Amount required in the mortgage reserve fund at June 30, 2022	$	8,954,984
Balance of the mortgage reserve fund at June 30, 2022		9,005,216
Excess fund balance	$	50,232