ECRMC
El Centro Regional Medical Center
An Agency Of The City Of El Centro

EL CENTRO REGIONAL MEDICAL CENTER
BOARD OF TRUSTEES – REGULAR MEETING

MONDAY, APRIL 24, 2023
5:30 PM

MOB CONFERENCE ROOM 1&2
1271 ROSS AVENUE, EL CENTRO, CA

PRESIDENT: Tomas Oliva
MEMBERS: Sylvia Marroquin; Martha Cardenas-Singh; Edgard Garcia; Sonia Carter; Patty Maysent-CEO, UCSD Health; Christian Tomaszewski-M.D.-CMO, UCSD; Pablo Velez-CEO ECRMC

***CLERK**: Belen Gonzalez*

***ATTORNEY**: Elizabeth Martyn, City Attorney*

This is a public meeting. If you are attending in person, and there is an item on the agenda on which you wish to be heard, please come forward to the microphone. Address yourself to the president. You may be asked to complete a speaker slip; while persons wishing to address the Board are not required to identify themselves (Gov't. Code § 54953.3), this information assists the Board by ensuring that all persons wishing to address the Board are recognized and it assists the Board Executive Secretary in preparing the Board meeting minutes. The president reserves the right to place a time limit on each person asking to be heard. If you wish to address the board concerning any other matter within the board's jurisdiction, you may do so during the public comment portion of the agenda.

BOARD MEMBERS, STAFF AND THE PUBLIC MAY ATTEND VIA ZOOM.
To participate and make a public comment in person, via Zoom or telephone, please raise your hand, speak up and introduce yourself.

Join Zoom Meeting: https://ecrmc.zoom.us/j/81947726314?pwd=WGdXb05ma2hmcmlHSXFoTlJlcHM2UT09
Optional dial-in number: (669) 444-9171
Meeting ID: 819 4772 6314 Passcode: 402956
Public comments via zoom are subject to the same time limits as those in person.

OPEN SESSION AGENDA

ROLL CALL:

PLEDGE OF ALLEGIANCE:

PUBLIC COMMENTS: Any member of the public wishing to address the Board concerning matters within its jurisdiction may do so at this time. Three minutes is allowed per speaker with a cumulative total of 15 minutes per group, which time may be extended by the President. Additional information regarding the format for public comments may be provided at the meeting.

BOARD MEMBER COMMENTS:

CONSENT AGENDA: *(Item 1-2)*
All items appearing here will be acted upon for approval by one motion, without discussion. Should any Board member or other person request that any item be considered separately, that item will be taken up at a time as determined by the President.

1. Review and Approval of Board of Trustees Minutes of Special Joint Meeting with Pioneers Memorial Health District and Heffernan Memorial Healthcare District of March 22, 2023.

2. Review and Approval of Board of Trustees Minutes of Regular Meeting of March 28, 2023.

FINANCE and OPERATIONAL UPDATE

3. Presentation of Financial Statements for Month and Year-to-Date as of March 2023—**Informational**
   a) FYE 2022 Audit Report—Wipfli LLP *(auditors presentation in-person)*
   b) Financial Update—P&L, CF forecast, Expenditures >$100K
   c) Construction Project Funding—update as to completion, authorization of funding

4. Presentation of Current Weekly Cash Budget—**Informational**

5. Update on Construction Project—**Informational**

CHIEF EXECUTIVE OFFICER UPDATE

6. Verbal Report from the CEO to the Board of Trustees—**Informational**

7. Manager Update—Patty Maysent—**Informational**

RECESS TO CLOSED SESSION:

A. <u>LABOR NEGOTIATIONS.</u> The Hospital Board will recess to closed session pursuant to Government Code 54957.6 **Agency Negotiator**: Chief Executive Officer. **Employee organization**: Teamsters Union Local 542

B. <u>HEARING/DELIBERATIONS RE MEDICAL QUALITY COMMITTEE REPORTS/STAFF PRIVILEGES.</u> The Hospital Board will recess to closed session pursuant to Government Code Section 37624.3 for a hearing and/or deliberations concerning reports of the ___ hospital medical audit committee, or _X_ quality assurance committees, or _X_ staff privileges.

C. <u>TRADE SECRETS.</u> The Hospital Board will recess to closed session pursuant to Govt. Code Section 37606(b) for the purpose of discussion and/or deliberation of reports involving hospital trade secret(s) as defined in subdivision (d) of Section 3426.1 of the Civil Code and which is necessary, and would, if prematurely disclosed create a substantial probability of depriving the hospital of a substantial economic benefit:

<u>Discussion of</u>:	<u>Number of Items</u>:
_X_ hospital service;	1
_X_ program;	1
_X_ hospital facility	1

D. <u>CONFERENCE WITH LEGAL COUNSEL—</u>The Hospital Board will recess to closed session pursuant to Government Code Section 54956.9(d)(2)—possible litigation against ECRMC

RECONVENE TO OPEN SESSION – BOARD PRESIDENT

ANNOUNCEMENT OF CLOSED SESSION ACTIONS, IF ANY – GENERAL COUNSEL

8. Approval of Report of Medical Executive Committee's Credentials Recommendations Report for Appointments, Reappointments, Resignations and Other Credentialing/Privileging Actions of Medical Staff and/or AHP Staff *(Approved in Closed Session)*

ADJOURNMENT: Adjourn. (Time:) Subject to additions, deletions, or changes.

El Centro Regional Medical Center
BOARD OF TRUSTEES – SPECIAL JOINT WITH PIONEERS MEMORIAL HEALTH DISTRICT AND HEFFERNAN MEMORIAL HEALTHCARE DISTRICT MEETING MINUTES
OPEN SESSION MINUTES
MOB CONFERENCE ROOMS 1 & 2
1271 Ross Avenue, El Centro, CA 92243
Zoom Meeting link: https://ecrmc.zoom.us/j/82025793415?pwd=eTRFQnM1K2d1d3A1RHhGeFl6VHRXUT09

Wednesday, March 22, 2023

TOPIC	DISCUSSION/CONCLUSION	RECOMMENDATION/ACTION
ROLL CALL	**PRESENT**: Oliva; Marroquin; Cardenas-Singh; Garcia; Carter; Jenusaitis; Tomaszewski; and Executive Board Secretary Belen Gonzalez **ABSENT:** Maysent **ALSO PRESENT:** ***City of El Centro*** Interim City of El Centro Manager Cedric Ceseña ***Pioneers Memorial Healthcare District*** Santillan; Berker; Fonseca; Rubin; Aguirre; Chief Executive Officer Damon Sorensen ***Heffernan Memorial Healthcare District*** Valdez; Bernal; Sanchez; Urena; Armendariz; Chief Executive Officer Tomas Virgen	
CALL TO ORDER		The Board of Trustees convened in open session at 5:32 p.m. Board President Oliva called the meeting to order.
OPENING CEREMONY	The Pledge of Allegiance was recited in unison.	None
NOTICE OF MEETING	Notice of meeting was posted and mailed consistent with legal requirements.	None

TOPIC	DISCUSSION/CONCLUSION	RECOMMENDATION/ACTION
PUBLIC COMMENTS	***Gina Parker*** *(public comment directed to Pioneers Memorial Healthcare District)* Parker asked to speak in regards to an email that she stated she sent to PMHD Board members on March 3, 2023. Parker asked to read the email as she stated she had not received a response from PMHD Board members.	None
BOARD MEMBER COMMENTS	***Jenusaitis***-thanked and recognized the hard work of Damon Sorensen and Tomas Virgen. ***Oliva***-welcomed and thanked everyone for their efforts to attend this joint meeting.	None
RECESS TO CLOSED SESSION		MOTION: by Cardenas-Singh, seconded by Garcia and carried to recess to Closed Session at 5:43 p.m. for TRADE SECRETS All present in favor to recess to Closed Session. None opposed.
RECONVENE TO OPEN SESSION		The Board of Trustees reconvened to Open Session at 8:39 p.m.
ANNOUNCEMENT OF CLOSED SESSION ACTIONS	None	None
ADJOURNMENT		There being no further business, meeting was adjourned at approximately 8:39 p.m.

BELEN GONZALEZ, BOARD EXECUTIVE SECRETARY

APPROVED BY

TOMAS OLIVA, PRESIDENT

El Centro Regional Medical Center
BOARD OF TRUSTEES – REGULAR MINUTES
OPEN SESSION MINUTES
MOB CONFERENCE ROOMS 1 & 2
1271 Ross Avenue, El Centro, CA 92243
Zoom Meeting link: https://ecrmc.zoom.us/j/84164337720?pwd=WWt3SmdSWjlsS0ZQcTBhV1pRQXdDdz09

Tuesday, March 28, 2023

TOPIC	DISCUSSION/CONCLUSION	RECOMMENDATION/ACTION
ROLL CALL	**PRESENT**: Oliva; Marroquin; Cardenas-Singh; Garcia; Carter; Maysent; Jenusaitis; Tomaszewski; and Executive Board Secretary Belen Gonzalez **Via Zoom:** City of El Centro Attorney Elizabeth Martyn **ABSENT**: Sunny Richley, M.D., Chief of Staff **ALSO PRESENT:** Interim City of El Centro Manager Cedric Ceseña; Veronica Marsich, UCSD Legal Counsel	
CALL TO ORDER		The Board of Trustees convened in open session at 5:31 p.m. Board President Oliva called the meeting to order.
OPENING CEREMONY	The Pledge of Allegiance was recited in unison.	None
NOTICE OF MEETING	Notice of meeting was posted and mailed consistent with legal requirements.	None
Added Item(s): Item 11. Letter to Senator Alex Padilla RE: Congressionally Directed Spending for Community Funded Projects—	Request was made by Oliva to add two emergency items due to time sensitivity. Items to be added as: • Item 11. Letter to Senator Alex Padilla RE: Congressionally Directed Spending for Community	MOTION: by Cardenas-Singh, seconded by Carter and carried to approve the adding of Item 11. Letter to Senator Alex Padilla RE: Congressionally Directed Spending for

TOPIC	DISCUSSION/CONCLUSION	RECOMMENDATION/ACTION
Imperial Valley Nursing Expansion and Item 12. Letter to Dr. Raul Ruiz, Congressman California 25th District RE: Funding for the Imperial Avenue Extension Project Phase IV	Funded Projects—Imperial Valley Nursing Expansion • Item 12. Letter to Dr. Raul Ruiz, Congressman California 25th District RE: Funding for the Imperial Avenue Extension Project Phase IV	Community Funded Projects—Imperial Valley Nursing Expansion and Item 12. Letter to Dr. Raul Ruiz, Congressman California 25th District RE: Funding for the Imperial Avenue Extension Project Phase IV All present in favor; none opposed
PUBLIC COMMENTS	None	None
BOARD MEMBER COMMENTS	None	None
CONSENT AGENDA: *(Items 1-4)* **Item 1. Review and Approval of Board of Trustees Minutes of Special Meeting of February 6, 2023.** **Item 2. Review and Approval of Board of Trustees Minutes of Special Meeting of February 13, 2023.** **Item 3. Review and Approval of Board of Trustees Minutes of Special Joint Meeting of February 27, 2023.** **Item 4. Review and Approval of Board of Trustees Minutes of Regular Meeting of February 27, 2023.**	All items appearing here were acted upon for approval by one motion (or as to information reports, acknowledged receipt by the Board and directed to be appropriately filed) without discussion**.**	MOTION: by Garcia, seconded by Oliva and carried to approve the Consent Agenda. All present in favor; none opposed.
NEW BUSINESS:	Dr. Tomaszewski and Jenusaitis explained the purpose and standardized process of the policy for hospital employees.	MOTION: by Maysent, and seconded by Carter and moved to approve the Triennial

TOPIC	DISCUSSION/CONCLUSION	RECOMMENDATION/ACTION
Item 5. Review and Approval of Triennial Policy: ECRMC's Health Care Worker Immunizations		Policy: ECRMC's Health Care Worker Immunizations. All present in favor; none opposed.
FINANCE and OPERATIONAL UPDATE—Informational **Item 6. Presentation of Financial Statements for Month and Year-to-Date as of February 2023—Informational**	Tammy Morita provided an overview and summary of the Financial Statements for Month and Year-to-Date as of February 2023. The presentation included: • Balance Sheet vs. Prior Month comparison • Operating Statement vs. Budget comparison • Monthly Cash Flow (Fiscal Year to Date)	Informational
Item 7. Presentation of Current Weekly Cash Budget—Informational	Tammy Morita provided an update on current cash budget and answered question regarding payments to vendors.	Informational
Item 8. Review and Approval New Service Agreements/ Renewals: 1) Johnson Controls Service Agreement, 2) Premier Healthcare Solutions, and 3) Omnicell Transitions Support.	Tammy Morita provided a summary of three agreements that required Board of Trustees approval to renew and or enter into a new contract. Described the scope and purposed of each contract.	MOTION: by Garcia, and seconded by Cardenas-Singh and moved to approve the New Service Agreements/ Renewals: 1) Johnson Controls Service Agreement, 2) Premier Healthcare Solutions, and 3) Omnicell Transitions Support. All present in favor; none opposed.
Item 9. Review and Approval of Payment to Invoices above CEO limit ($100,000).	Tammy discussed the challenges of delaying multiple invoices over $100,000 that are needed for daily operating pending month-to-month Board approval. Requesting an approved purchase order by the board for these types of services and bring a report at the end of each month to	MOTION by Oliva, and seconded by Garcia and moved to approve the payment to invoices above the CEO limit ($100,000); Adding a temporary exception to the Purchasing Authorization policy to expedite the payment of current vendors

TOPIC	DISCUSSION/CONCLUSION	RECOMMENDATION/ACTION
	show the Board of Trustees the payments that have been made. Oliva clarified the intent and definition of ECRMC Resolution No. 22-14 and the Purchase Authorization policy. The Board of Trustees recommended the following exception to the $100,000 limit on purchasing authority to expedite the payment of current vendors without the need for Board approval of a payment in excess of $100,000. When there is a payment to a current vendor that is appropriated and budgeted, staff or UCSD representatives are authorized to make payments in excess of $100,000 without prior Board approval. All such payments shall be listed on an information report to the Board at the next regular Board meeting. This authorization does not apply to new vendors or others for whom payment has not been appropriated or budgeted.	without the need for Board approval of a payment in excess of $100,000. When there is a payment to a current vendor that is appropriated and budgeted, staff or UCSD representatives are authorized to make payments in excess of $100,000 without prior Board approval. All such payments shall be listed on an information report to the Board at the next regular Board meeting. This authorization does not apply to new vendors or others for whom payment has not been appropriated or budgeted. All present in favor; none opposed.
Item 10. Review and Approval to Transfer Remaining Balance in UBS Cash Management Fund (Liquid Investment) to Wells Fargo General Fund (Checking Account).	It was the recommendation of the Board of Trustees to transfer remaining balance in UBS cash management fund to Wells Fargo general fund.	MOTION by Garcia, and seconded by Marroquin and moved to approve to Transfer Remaining Balance in UBS Cash Management Fund (Liquid Investment) to Wells Fargo General Fund (Checking Account). All present in favor; none opposed.
Item 11. Letter to Senator Alex Padilla RE: Congressionally Directed Spending for Community Funded	Oliva described the intent of the letter to Senator Alex Padilla to support an expansion project to the Imperial Valley Nursing Program	MOTION by Garcia, and seconded by Marroquin and moved to approve the Letter to Senator Alex Padilla RE:

TOPIC	DISCUSSION/CONCLUSION	RECOMMENDATION/ACTION
Projects—Imperial Valley Nursing Expansion		Congressionally Directed Spending for Community Funded Projects—Imperial Valley Nursing Expansion All present in favor; none opposed.
Item 12. Letter to Dr. Raul Ruiz, Congressman California 25th District RE: Funding for the Imperial Avenue Extension Project Phase IV	Oliva described the intent of the letter of support to Dr. Raul Ruiz, Congressman California 25th District in regards to funding for the Imperial Avenue Extension Project Phase IV.	MOTION by Maysent, and seconded by Garcia and moved to approve the Letter to Dr. Raul Ruiz, Congressman California 25th District RE: Funding for the Imperial Avenue Extension Project Phase IV. Oliva abstained; All other board members present in favor; none opposed.
RECESS TO CLOSED SESSION		MOTION: by Marroquin, seconded by Carter and carried to recess to Closed Session at 6:30 p.m. for HEARING/ DELIBERATIONS RE MEDICAL QUALITY COMMITTEE REPORTS/STAFF PRIVILEGES, CONFERENCE WITH LEGAL COUNSEL, PUBLIC EMPLOYMENT, and TRADE SECRETS. All present in favor to recess to Closed Session. None opposed.
RECONVENE TO OPEN SESSION		The Board of Trustees reconvened to Open Session at 7:53 p.m.
ANNOUNCEMENT OF CLOSED SESSION ACTIONS		[**A. HEARING/DELIBERATIONS RE MEDICAL QUALITY COMMITTEE**

TOPIC	DISCUSSION/CONCLUSION	RECOMMENDATION/ACTION
		REPORTS/STAFF PRIVILEGES—GOVERNMENT CODE SECTION 37624.3] MOTION: by Marroquin, seconded by Maysent and carried to approve the Report of Medical Executive Committee's Credentials Recommendations Report for Appointments, Reappointments, Resignations and Other Credentialing/Privileging Actions of Medical Staff and/or AHP Staff, with correction to line item C.6 to correct the specialty. All present in favor; none opposed **[B. CONFERENCE WITH LEGAL COUNSEL—Anticipated Litigation, Significant exposure to litigation pursuant to Government Code Section 54956.9(d)(2): RE: Heerboth Claim** MOTION: by Garcia, seconded by Cardenas-Singh and carried to approve the response from ECRMC to the demand letter regarding Heerboth Claim; to be mailed out via certified USPS mail
ADJOURNMENT		There being no further business, meeting was adjourned at approximately 7:54 p.m.

BELEN GONZALEZ, BOARD EXECUTIVE SECRETARY

APPROVED BY

TOMAS OLIVA, PRESIDENT

ECRMC
El Centro Regional Medical Center
An Agency Of The City Of El Centro

TO: HOSPITAL BOARD MEMBERS

FROM: Lenin Valdes, Associate Administrator of Finance

DATE: April 24, 2023

MEETING: Board of Trustees

SUBJECT: March 2023 Month and Year-to-Date Financial Statements

BUDGET IMPACT: _X_ Does not Apply

A. Does the action impact/affect financial resources? ___Yes ___ No

B. If yes, what is the impact amount: _______________

BACKGROUND: The month of March 2023 resulted in an excess of expenses over revenues of <$1,190,397>, a negative margin of -8.9%. For YTD fiscal year 2023, the excess of expenses over revenues is <$23,205,127> or a negative margin of -20.3%.

DISCUSSION: For a more detailed description of financial performance, please see the attached Financial Report.

RECOMMENDATION: Informational

ATTACHMENT(S):

- Financial Briefing for March 2023

Approved for agenda, Pablo Velez, CEO

Date and Signature: ______________________________

March 2023 Financial Report

April 24, 2023

To: Finance Committee

From: Lenin Valdes, Associate Administrator of Finance

The following package contains:

- Balance Sheet vs. Prior Month comparison
- Operating Statement vs. Budget comparison
- Monthly Cash Flow (Fiscal Year to Date)

Balance Sheet:

a) Cash balance is stable despite having an extra week of payables and an extra payroll during the month.
b) Net Patient Receivable balance decreased mainly due to the low billing registered during February and March (ER and Medsurg) with a consistent collection.
c) Even though balance due from Third Parties shows an increase due to monthly accrual, this balance is offset by checks received during the month for $384K (HQAF) and $755K (DSH).
d) Accounts Payable and Accrued expenses decreased mainly due to the additional week of payables we had during March, also we have been following payment schedules with vendors like Amerisource, Medline, AYA, Hospitalists, Envision and others to avoid credit holds.
e) Days Cash on Hand decreased to 33.58 from 42.47.
f) Days in A/R decreased to 55.95 from 57.11 days. The goal is 50 days.
g) Accounts payable days are 64.42 vs. 72.99 days from previous month.
h) Current Ratio remained at 1.05.

Income Statement – Current Month Actual to Budget Comparison:

a) Our Inpatient Revenue is -42% under MTD and YTD budget due to low admissions (*Med-Surg*).
b) Outpatient Revenue and volumes very consistent with prior months and budget.
c) Charity and Bad debt expense with a good month for a total of $827K ($590K and $237K respectively) after averaging $1.2 million per month in prior months this fiscal year.
d) Salaries and Registry (*Registered Nurses travelers*) expense line meeting our MTD budget for two months in a row.
e) Prof Fees expense showing savings in most service lines except anesthesia.
f) Medical and non-medical supplies keep showing savings as the efforts done with supply chain management with "lean" orders continues (mainly with Cardinal Health & Medline.)
g) Non-Op Revenues (Expenses) showing gains with UBS investments for $81.7K during the month (YTD net gain of $422K), plus a -$144K loss recognized during March for Maternity and Neuro equipment disposal.
h) This is our best month so far this fiscal year since July 2022, yet we ended up with a Net loss of -$1.2 million (*$518K positive EBIDA*), as a result of having a high cost installed capacity combined with low volumes in most service lines.

<u>Definitions:</u>

- **EBIDA** - Earnings Before Interest, Depreciation, and Amortization.
- **Contribution Margin** – Total Revenue minus Expenses (excluding functional areas of IT, Finance, HR, and management assessments/restructuring costs).
- **EBIDA Margin** – EBIDA/Total Revenue.
- **Operating Expenses Per Day** – Total Expenses less Depreciation divided by Days.
- **Operating Revenue Per Day** – Operating Income/Days.
- **Days Cash on Hand** – Cash/Operating Expenses per Day.
- **Days Revenue in A/R** – Accounts Receivable/Operating Revenue per Day.
- **Current Ratio** – Current Assets/Current Liabilities.
- **Equity Financing Ratio** – Total Capital/Total Debt.

ECRMC BALANCE SHEET COMPARED TO PRIOR MONTH

	March 31, 2023	February 28, 2023	Variance ($)	Variance (%)
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 15,167,397	$ 20,694,170	$ (5,526,774)	-27%
Net Patient Accounts Receivable	16,039,261	17,531,700	(1,492,438)	-9%
Other Receivables	118,369	173,233	(54,863)	-32%
Due from Third-Party Payors	6,767,270	4,939,505	1,827,765	37%
Inventories	3,415,549	3,410,877	4,673	0%
Prepaid Expenses & Other	3,513,938	3,653,772	(139,833)	-4%
Total Current Assets	45,021,785	50,403,256	(5,381,471)	-11%
Assets Limited as to Use				
Restricted Building Capital Fund	2,128,593	2,770,036	(641,443)	-23%
Funds Held by Trustee for Debt Service	11,658,742	11,021,441	637,300	6%
Restricted Programs	11,497	11,497	-	0%
Restricted Capital Lease Funds	-	-	-	#DIV/0!
Total Assets Limited as to Use	13,798,832	13,802,974	(4,142)	0%
Property, Plant, and Equipment: Net	140,256,929	140,490,663	(233,734)	0%
Other Assets	262,595	262,595	-	0%
Total Assets	199,340,141	204,959,488	(5,619,347)	-3%
Deferred Outflows of Resources				
Deferred Outflows of Resources - Pension	4,838,107	5,180,859	(342,752)	-7%
Total Deferred Outflows of Resources	4,838,107	5,180,859	(342,752)	-7%
Total Assets and Deferred Outflows of Resources	$ 204,178,248	$ 210,140,347	$ (5,962,099)	-3%
Liabilities				
Current Liabilities:				
Current Portion of Bonds	881,250	1,271,250	(390,000)	-31%
Current Portion of Capital Lease Obligations	2,022,288	2,081,820	(59,531)	-3%
Accounts Payable and Accrued Expenses	22,621,651	25,112,026	(2,490,375)	-10%
Accrued Compensation and Benefits	6,708,404	8,481,650	(1,773,246)	-21%
Due to Third-Party Payors	10,815,454	10,894,604	(79,150)	-1%
Total Current Liabilities	43,049,047	47,841,350	(4,792,302)	-10%
Long-Term Bond Payable, Less Current Portion	113,257,749	112,949,434	308,316	0%
Capital Lease Obligations, Less Current Portion	4,387,839	4,675,554	(287,716)	-6%
Net Pension Liability	39,119,000	39,119,000	-	0%
Total Liabilities	199,813,635	204,585,338	(4,771,702)	-2%
Deferred Inflows of Resources	7,448,200	7,448,200	-	0%
Deferred Inflows of Resources - Pension	7,448,200	7,448,200	-	0%
Total Deferred Inflows of Resources				
Net Position				
Restricted Fund Balance	17,238	17,238	-	0%
Fund Balance	(3,100,826)	(1,910,429)	(1,190,397)	62%
Total Net Position	(3,083,587)	(1,893,190)	(1,190,397)	63%
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 204,178,248	$ 210,140,347	$ (5,962,099)	-3%
Days Cash on Hand	33.58	42.47		
Days Revenue in A/R	55.95	57.11		
Days in A/P	64.42	72.99		
Current Ratio	1.05	1.05		
Debt Service Coverage Ratio	(1.91)	(1.88)		

STATEMENTS OF OPERATIONS COMPARISON TO BUDGET

MTD March 31, 2023	MTD Budget	Budget Variance	% Variance Favorable/ (Unfavorable)		YTD March 31, 2023	YTD Budget	Budget Variance	% Variance Favorable/ (Unfavorable)
				OPERATING REVENUE				
$ 15,257,879	$ 26,511,142	$ (11,253,262)	-42.45%	I/P Revenue	$ 156,989,531	$ 227,456,328	$ (70,466,797)	-30.98%
45,141,128	45,193,592	(52,464)	-0.12%	O/P Revenue	388,832,401	374,942,339	13,890,062	3.70%
60,399,007	71,704,733	(11,305,726)	-15.77%	Gross Patient Revenues	545,821,932	602,398,667	(56,576,735)	-9.39%
392,504	444,614	(52,110)	-11.72%	Other Operating Revenue	3,579,173	4,657,809	(1,078,636)	-23.16%
60,791,511	72,149,348	(11,357,837)	-15.74%	Total Operating Revenue	549,401,105	607,056,476	(57,655,371)	-9.50%
				Contractuals				
10,608,807	20,217,489	9,608,682	47.53%	IP Contractuals	121,610,274	173,451,047	51,840,774	29.89%
38,932,923	36,648,650	(2,284,273)	-6.23%	OP Contractuals	317,597,325	304,103,980	(13,493,345)	-4.44%
590,104	483,569	(106,534)	-22.03%	Charity	6,779,698	4,062,514	(2,717,184)	-66.88%
237,464	779,218	541,754	69.53%	Provision for Bad Debts	3,578,314	6,546,286	2,967,972	45.34%
(2,605,234)	(1,080,444)	1,524,790	141.13%	Other Third Party Programs	(12,440,945)	(9,723,993)	2,716,952	27.94%
(361,314)	(189,917)	171,397	90.25%	M/Cal Disproportionate Share	(1,898,119)	(1,709,250)	188,869	11.05%
47,402,750	56,858,566	9,455,816	16.63%	Total Deductions	435,226,546	476,730,584	41,504,038	8.71%
13,388,761	15,290,782	(1,902,021)	-12.44%	Total Net Revenues	114,174,559	130,325,892	(16,151,333)	-12.39%
				EXPENSES				
5,213,631	6,079,654	866,023	14.24%	Salaries & Wages	48,435,472	51,461,343	3,025,870	5.88%
503,980	580,883	76,903	13.24%	Registry	8,143,050	5,159,798	(2,983,252)	-57.82%
1,251,165	1,353,056	101,891	7.53%	Employee Benefits	11,533,608	12,177,502	643,894	5.29%
426,085	(36,419)	(462,504)	1269.94%	Employee Benefits - Pension GASB 68	2,936,746	(327,774)	(3,264,520)	995.97%
1,267,353	1,137,734	(129,618)	-11.39%	Professional Fees - Medical	12,687,552	10,306,809	(2,380,742)	-23.10%
153,045	193,033	39,988	20.72%	Professional Fees - Non-Med	2,899,610	1,919,741	(979,869)	-51.04%
2,410,665	2,496,373	85,708	3.43%	Supplies - Medical	20,577,328	22,984,557	2,407,229	10.47%
149,255	250,028	100,773	40.30%	Supplies - Non-Medical	1,744,571	2,250,252	505,682	22.47%
87,556	91,882	4,326	4.71%	Food	767,202	826,940	59,738	7.22%
750,696	722,045	(28,651)	-3.97%	Repairs and Maintenance	6,395,052	6,485,650	90,598	1.40%
586,088	745,233	159,145	21.36%	Other Fees	6,058,025	6,731,128	673,103	10.00%
58,557	67,218	8,661	12.88%	Lease and Rental	618,760	603,320	(15,440)	-2.56%
164,015	201,297	37,282	18.52%	Utilities	1,745,134	1,811,673	66,539	3.67%
653,550	776,102	122,551	15.79%	Depreciation and Amortization	6,223,742	6,334,280	110,538	1.75%
224,147	246,898	22,751	9.21%	Insurance	1,887,676	2,222,085	334,410	15.05%
101,737	144,248	42,511	29.47%	Other Expenses	1,264,423	1,295,321	30,898	2.39%
14,001,525	15,049,265	1,047,740	6.96%	Total Operating Expenses	133,917,949	132,242,625	(1,675,324)	-1.27%
(612,764)	241,517	(854,281)	-353.71%	Operating Income	(19,743,390)	(1,916,733)	(17,826,657)	930.05%
-4.6%	1.6%			Operating Margin %	-17.3%	-1.5%		
				Non-Operating Revenue and Expenses				
81,691	(11,424)	93,115	-815.07%	Investment Income	421,760	(169,090)	590,851	-349.43%
113,973	180,864	(66,891)	-36.98%	Grants and Contributions Revenue	599,233	1,673,775	(1,074,542)	-64.20%
(144,216)	236,791	(381,007)	-160.90%	Non Operating Revenue/(Expense)	1,121,450	2,131,120	(1,009,670)	-47.38%
(629,081)	(588,535)	(40,546)	-6.89%	Interest Expense	(5,604,180)	(5,298,816)	(305,364)	-5.76%
(577,633)	(182,304)	(395,329)	-216.85%	Total Non-Operating Rev. and Expenses	(3,461,737)	(1,663,011)	(1,798,726)	-108.16%
$ (1,190,397)	$ 59,213	$ (1,249,610)	2110.36%	(Deficit)/Excess Rev. Over Exp.	$ (23,205,127)	$ (3,579,744)	$ (19,625,382)	-548.23%
-8.9%	0.4%			(Deficit)/Excess Rev. Over Exp. %	-20.3%	-2.7%		
518,319	1,387,430	(869,111)	-62.64%	EBIDA	(8,440,459)	7,725,577	(16,166,036)	-209.25%
3.9%	9.1%			EBIDA %	-7.4%	5.9%		

El Centro Regional Medical Center

Monthly Cash Flow

Unaudited

		July 2022	August 2022	September 2022	October 2022	November 2022	December 2022	January 2023	February 2023	March 2023	Year-to-Date 2023
Cash Flow From Operating Activities											
Net Income/(Loss)		$ 156,662	$ (2,197,317)	$ (4,027,726)	$ (3,660,849)	$ (3,764,219)	$ (2,893,234)	$ (3,787,152)	$ (1,840,895)	$ (1,190,397)	**$ (23,205,127)**
Adjustments to reconcile net income to net cash:											
Add: Depreciation		713,569	700,147	673,369	689,612	664,873	686,394	498,399	943,829	653,550	**$ 6,223,742**
Capital Lease Interest		14,782	14,777	14,225	13,682	13,141	15,010	14,804	31,948	15,493	**$ 147,863**
Bond Interest		592,686	592,686	592,686	592,686	592,686	592,686	592,686	592,686	592,686	**$ 5,334,171**
Accounts Receivable	decr (incr)	(2,682,761)	(979,897)	(120,054)	529,302	1,769,695	(828,416)	3,757,456	1,017,432	1,492,438	**$ 3,955,196**
Other Receivables	decr (incr)	(9,724)	(12,725)	21,125	(9,193)	10,500	97	(87,187)	43,230	54,863	**$ 10,986**
Inventory	decr (incr)	(32,807)	(34,588)	(30,322)	52,561	11,247	(7,239)	26,216	32,888	(4,673)	**$ 13,284**
Prepaid Expenses/Other Assets	decr (incr)	(1,217,325)	74,756	92,731	(55,641)	458,711	2,039,336	247,822	(1,203,637)	139,833	**$ 576,587**
Accounts Payable and Accrued Expenses	incr (decr)	362,817	1,309,342	1,509,880	3,282,337	1,014,647	1,690,818	1,086,288	313,284	(3,132,539)	**$ 7,436,873**
Accrued Compensation and Benefits	incr (decr)	654,732	(1,203,861)	(520,172)	590,450	403,831	626,689	(51,938)	198,961	(1,805,451)	**$ (1,106,760)**
Third-Party Liabilities	incr (decr)	(2,543,212)	(2,855,401)	(2,949,857)	(2,150,584)	(1,272,922)	5,473,990	(1,212,664)	8,482,591	(1,906,915)	**$ (934,974)**
Net Pension Obligation	incr (decr)	80,248	72,658	705,071	601,231	285,660	48,379	513,897	513,897	342,752	**$ 3,163,793**
Net Cash From Operating Activities		$ (3,910,334)	$ (4,519,423)	$ (4,039,043)	$ 475,593	$ 187,850	$ 7,444,510	$ 1,598,627	$ 9,126,215	$ (4,748,359)	**$ 1,615,635**
Cash Flow From Investing Activities											
Fixed Assets - Gross	incr (decr)	$ (416,524)	$ (715,671)	$ (1,002,075)	$ (867,113)	$ (773,857)	$ (631,785)	$ (199,850)	$ (1,097,486)	$ (419,816)	**$ (6,124,177)**
Intangible Assets - Gross	incr (decr)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	**$ -**
Restricted Assets	incr (decr)	5,159,432	(67,804)	(189,066)	192,514	(653,990)	(658,057)	3,610,540	(653,131)	4,142	**$ 6,744,581**
Net Cash From Investing Activities		$ 4,742,908	$ (783,475)	$ (1,191,140)	$ (674,599)	$ (1,427,848)	$ (1,289,842)	$ 3,410,690	$ (1,750,617)	$ (415,674)	**$ 620,403**
Cash Flow From Financing Activities											
Bond Payable	incr (decr)	$ (4,632,656)	$ -	$ -	$ -	$ -	$ -	$ (3,431,219)	$ -	$ -	**$ (8,063,875)**
Capital Leases	incr (decr)	(199,835)	(289,175.18)	(282,800)	(372,230)	(96,424)	116,743	(348,043)	290,559	(362,740)	**$ (1,543,946)**
Notes Payable	incr (decr)	-	-	-	-	-	-	-	-	-	**$ -**
Net Cash From Financing Activites		$ (4,832,491)	$ (289,175)	$ (282,800)	$ (372,230)	$ (96,424)	$ 116,743	$ (3,779,262)	$ 290,559	$ (362,740)	**$ (9,607,821)**
Total Change In FY 2023 Cash		$ (3,999,917)	$ (5,592,074)	$ (5,512,984)	$ (571,236)	$ (1,336,422)	$ 6,271,411	$ 1,230,055	$ 7,666,157	$ (5,526,774)	**$ (7,371,782)**
Cash & Cash Equivalents, Beginning Balance		22,539,180	18,539,263	12,947,188	7,434,205	6,862,968	5,526,547	11,797,958	13,028,013	20,694,170	**22,539,180**
Cash & Cash Equivalents, Ending Balance		**$ 18,539,263**	**$ 12,947,189**	**$ 7,434,205**	**$ 6,862,968**	**$ 5,526,547**	**$ 11,797,958**	**$ 13,028,013**	**$ 20,694,170**	**$ 15,167,397**	**15,167,397**

ECRMC
El Centro Regional Medical Center
An Agency Of The City Of El Centro

TO: HOSPITAL BOARD MEMBERS

FROM: Tammy Morita

DATE: April 24, 2023

MEETING: Board of Trustees

SUBJECT: El Centro Regional Medical Center Fiscal Year 2022 Audited Financial Statements -INFORMATIONAL

BUDGET IMPACT: _X_Does not Apply

A. Does the action impact/affect financial resources? ___Yes ___ No
B. If yes, what is the impact amount: ______________

BACKGROUND: El Centro Regional Medical Center ("the Medical Center") has completed the Fiscal Year 2022 financial audit, which present an annual Excess of Revenues over Expenses of $24,740,437, and an ending Net Position of $20,078,771. Wipfli, the Medical Center's external financial auditor, formally presented the Fiscal Year 2022 audited financials as of March 27, 2023.

DISCUSSION: For a more detailed description of financial performance, please see the attached Financial Report presented by Wipfli, LLP.

RECOMMENDATION: INFORMATIONAL

ATTACHMENT(S):
- Fiscal Year 2022 Audited Financial Statements
- Fiscal Year 2022 Auditors Report
- Fiscal Year 2022 Audit Presentation

Approved for agenda, Pablo Velez, CEO

Date and Signature: Pablo V

El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

El Centro, California

Financial Statements and
Required Supplementary Information

Years Ended June 30, 2022 and 2021

WIPFLI

El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro, California

Years Ended June 30, 2022 and 2021

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WIPFLI

Independent Auditor's Report

Board of Trustees
El Centro Regional Medical Center
An Enterprise Fund of the City of El Centro
El Centro, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of El Centro Regional Medical Center, an Enterprise Fund of the City of El Centro, as of and for the years ended June 30, 2022 and 2021, the Pension Trust Fund as of and for the year ended June 30, 2021 (collectively the "Medical Center"), and the related notes to the financial statements, which comprise the Medical Center's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of El Centro Regional Medical Center, an Enterprise Fund of the City of El Centro, as of June 30, 2022 and 2021, the Pension Trust Fund as of June 30, 2021, and the respective changes in net position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States of America. 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 Medical Center 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.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Medical Center and do not purport to, and do not present fairly the financial position of the City of El Centro as of June 30, 2022 and 2021, the changes in its financial position or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States. Our opinion is not modified with respect to this matter.

Substantial Doubt about the Medical Center's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Medical Center will continue as a going concern. As discussed in Note 18 to the financial statements, the Medical Center does not have recurring income sufficient to meet its ongoing operating expenditures or debt service obligations that raise substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 18. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion on the June 30, 2022, financial statements is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Medical Center's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that a management's discussion and analysis on pages 4 through 16, the Schedule of Changes in the Net Pension Liability and Related Ratios on page 57, the Schedule of Pension Contribution on page 59, and the Schedule of Investment Returns on page 60 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with the sufficient evidence an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2023 on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of El Centro Regional Medical Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

Spokane, Washington
March 27, 2023

El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

Management's Discussion and Analysis

Year Ended June 30, 2022

The management of El Centro Regional Medical Center, an Enterprise Fund of the City of El Centro, California (the "Medical Center") has prepared this discussion and analysis in order to provide an overview of the Medical Center's financial performance for the fiscal year ended June 30, 2022. The financial statements and accompanying Independent Auditor's Report are prepared in accordance with the Governmental Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements for State and Local Governments,* as amended. The intent of this management discussion and analysis is to provide more detailed information on the Medical Center's current year financial performance, give a historical perspective by comparing the current fiscal year to the prior fiscal year, and provide some perspective on the next fiscal year and beyond with respect to revenue growth, capital projects, and economic conditions in which the Medical Center operates. Readers can review the audited financial statements for the fiscal year ended June 30, 2022, and accompanying notes to the financial statements to enhance their understanding of the Medical Center's financial performance.

Financial Highlights of Fiscal Year 2022

- Total assets and deferred outflows of resources at June 30, 2022, were $223.3 million, a decrease of $34.1 million, or 13.3%, from June 30, 2021.
- Current assets totaled $52.3 million at June 30, 2022, a decrease of $37.1 million, or 41.5%; current liabilities increased by $111.4 million, or 272.7%, from June 30, 2021. As a result, the current ratio decreased from 2.19 to 0.34 at June 30, 2022.
- The decrease in total net position at June 30, 2022, was approximately $24.7 million, or 55.2%.
- Total operating revenue was $164.1 million for fiscal year 2022 compared to $166.2 million for fiscal year 2021. This represents a decrease of $2.1 million, or 1.3%.
- Operating expenses, including depreciation, decreased by approximately $3.0 million, or 1.6%, in fiscal year 2022 compared to fiscal year 2021.
- Resulting change in net position for fiscal year 2022 decreased by approximately $26.8 million, or 1,302.8%, from fiscal year 2021.

Financial Highlights of Fiscal Year 2021

- Total assets and deferred outflows of resources at June 30, 2021, were $257.4 million, a decrease of $11.5 million, or 4.3%, from June 30, 2020.
- Current assets totaled $89.4 million at June 30, 2021, a decrease of $0.5 million, or 0.5%; current liabilities increased by $5.7 million, or 16.3%, from June 30, 2020. As a result, the current ratio decreased from 2.56 to 2.19 at June 30, 2021.
- The increase in total net position at June 30, 2021, was approximately $2.1 million, or 4.8%.
- Total operating revenue was $166.2 million for fiscal year 2021 compared to $153.7 million for fiscal year 2020. This represents an increase of $12.5 million, or 8.1%.
- Operating expenses, including depreciation, increased by approximately $18.5 million, or 11.0%, in fiscal year 2021 compared to fiscal year 2020.
- Resulting change in net position for fiscal year 2021 increased by approximately $3.6 million, or 234.2%, from fiscal year 2020.

Overview of the Medical Center's Financial Statements

The accompanying audited financials statements and notes to those statements reflect the Medical Center's financial position and results of its operations as of and for the fiscal year ended June 30, 2022. The financial statements of the Medical Center include the statements of net position, statements of revenue, expenses, and changes in net position, and the statements of cash flows.

- The statements of net position are prepared using an accrual basis of accounting and provide information on all of the Medical Center's assets and deferred outflows of resources and liabilities, deferred inflows of resources, and net position, classifying them as either current or noncurrent. It also provides a basis for evaluating the Medical Center's liquidity and identifies the assets utilized to fund debt service and capital projects and equipment.

- The statements of revenue, expenses, and changes in net position present the results of operations during the fiscal year and the resulting income before capital contributions.

- The statements of cash flows report the net change (sources and uses) in cash provided by operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

- Statement of net position of pension trust fund - Plan is prepared using an accrual basis of accounting and provides information on the Plan trust fund assets and net position. It provides a basis for evaluating the fund assets utilized for the Plan.

- Statement of changes in net position of pension trust fund - Plan presents the results of additions by source and deductions by type.

Overview of the Medical Center's Financial Statements (Continued)

Statements of Net Position at June 30:

Condensed Statements of Net Position
(In Thousands)

	2022	2021	2020	Change 2022-2021	Change 2021-2020
Assets:					
Current assets	$ 52,282	$ 89,413	$ 89,880	$ (37,131)	$ (467)
Restricted noncurrent cash and investments	20,543	30,456	46,392	(9,913)	(15,936)
Capital assets - Net	142,235	131,539	124,332	10,696	7,207
Other assets	263	263	263	-	-
Total assets	215,323	251,671	260,867	(36,348)	(9,196)
Deferred outflow of resources	8,002	5,769	8,089	2,233	(2,320)
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 223,325	$ 257,440	$ 268,956	$ (34,115)	$ (11,516)
Liabilities:					
Current liabilities	$ 152,268	$ 40,858	$ 35,146	$ 111,410	$ 5,712
Long-term debt, less current portion	4,412	121,515	123,174	(117,103)	(1,659)
Net pension liability	39,119	43,613	47,182	(4,494)	(3,569)
Refundable advance, less current portion	-	5,770	20,080	(5,770)	(14,310)
Total liabilities	195,799	211,756	225,582	(15,957)	(13,826)
Deferred inflows of resources	7,448	865	611	6,583	254
Net investment in capital assets	22,755	25,576	29,578	(2,821)	(4,002)
Restricted	13,811	11,873	15,294	1,938	(3,421)
Unrestricted	(16,488)	7,370	(2,109)	(23,858)	9,479
Total net position	20,078	44,819	42,763	(24,741)	2,056
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 223,325	$ 257,440	$ 268,956	$ (34,115)	$ (11,516)

Cash and Short-term Investments

As of June 30, 2022, the Medical Center's cash, cash equivalents, and investments were $43.1 million, a decrease of $48.9 million from June 30, 2021. This includes $6.7 million in restricted assets being held for funding of capital building projects. A breakdown is shown in the schedule below.

The Medical Center's days cash-on-hand ratio, which only takes into consideration cash and cash equivalents, short-term investments, and Board-designated assets, decreased from 126.4 days as of June 30, 2021, to 46.9 days as of June 30, 2022.

The following table summarizes the components of the Medical Center's cash and investments (in thousands) as of June 30:

	2022	2021	2020
Cash and cash equivalents	$ 953	$ 15,324	$ 5,563
Short-term investments	21,609	46,182	55,121
Restricted by trustee for debt service	13,811	11,873	15,294
Restricted assets held for capital projects and equipment	6,732	18,583	31,098
Total cash and investments	$ 43,105	$ 91,962	$ 107,076

As of June 30, 2021, the Medical Center's cash and cash equivalents and investments were $92.0 million, a decrease of $15.1 million from June 30, 2020. This includes $18.6 million in restricted assets being held for funding of capital building projects.

The Medical Center's days of cash-on-hand ratio, which only takes into consideration cash and cash equivalents, short-term investments, and Board-designated assets, decreased from 138.7 days as of June 30, 2020, to 126.4 days as of June 30, 2021.

The Medical Center maintains sufficient cash and cash equivalent balances to pay all current liabilities. Additional surplus is invested in various short-term investments and long-term, restricted investments, all of which are managed by external investment brokers under the guidance of the Medical Center's management.

Patient Accounts Receivable

Patient accounts receivable - net decreased by approximately $1.0 million, or 4.8%, from the prior year. Net days in accounts receivable, which measures how many days of net patient revenue are being held in accounts receivable, decreased from 49 to 46 days by the end of fiscal year 2022.

Patient accounts receivable - net decreased by approximately $1.2 million, or 5.6%, from 2020 to 2021. Net days in accounts receivable decreased from 56 to 49 days by the end of fiscal year 2021.

Capital Assets

As of June 30, 2022, capital assets - net increased by approximately $10.7 million, or 8.1%, from the prior year.

Capital assets placed into service in fiscal year 2022 were $3.5 million. This included approximately $2.8 million for equipment and $0.7 million for building and construction projects in 2022. Some of the significant capital expenditures in fiscal year 2022 were as follows:

Equipment

- Approximately $0.6 million was expended for Calexico Outpatient Center expansion.
- Approximately $0.6 million was expended for new Gastroenterology practice equipment.
- Approximately $1.1 million for IT equipment to upgrade and expand existing capacities.

Buildings and Construction-In-Progress

During fiscal year 2022, the Medical Center continued facility renovation projects, including continued work on the Ancillary Services Building, upgrades to the main hospital campus and architectural and design work on several building projects, which are critical to achieving state mandated compliance requirements. Some of the significant capital expenditures in fiscal year 2022 are as follows:

- Approximately $8.1 million for the continued design and construction of the Ancillary Service Building.
- Approximately $5.3 million for the continued design of the SPC-4D project.

As of June 30, 2021, capital assets - net increased by approximately $7.2 million, or 5.8%, from the prior year. Capital assets placed into service in fiscal year 2021 were $6.1 million. This included approximately $4.9 million for medical equipment, $0.3 million for building and construction projects, and $0.6 million in information systems and infrastructure in 2021. Some of the significant capital expenditures in fiscal year 2021 were as follows:

Medical Equipment

- Approximately $0.6 million was expended for a new equipment for interventional radiology.
- Approximately $0.6 million was expended for equipment for surgical services.
- Approximately $0.5 million for ER and ICU equipment to support the COVID emergency.

Information Systems

- Approximately $0.6 million in servers and data migration to expand the Medical Center's information systems capacity.

Buildings and Construction-In-Progress

During the fiscal year 2021, the Medical Center continued facility renovation projects, including continued work on the Ancillary Services Building, upgrades to the main hospital campus, and architectural and design work on several building projects, which are critical to achieving state mandated compliance requirements. Some of the significant capital expenditures in fiscal year 2021 were as follows:

- Approximately $10.7 million for the continued design and construction of the Ancillary Service Building.
- Approximately $1.8 million for the continued design of the SPC-4D project.
- Approximately $659,000 for the OP Calexico Clinic expansion project.

Current Liabilities

As previously indicated, current liabilities of the Medical Center increased during fiscal year 2022 by approximately $111.4 million, or 272.7%. The increase was due to the entire balance of the Series 2018 bonds being classified as current due to debt covenant requirement violations. Additional information is included within the notes to the financial statements.

Current liabilities of the Medical Center increased during fiscal year 2021 by approximately $5.7 million, or 16.3%. The majority of the increase was due to the increase in the current portion of the refundable advance related to the Medicare Advance Payment.

Bonds, Financed Purchases, and Leases Payable - Less Current Maturities

The Medical Center's bonds, financed purchases, and leases payable decreased by approximately $0.3 million during fiscal year-end 2022.

Bonds, financed purchases, and leases payable decreased by approximately $1.6 million during fiscal year-end 2021.

Net Pension Liability

The Medical Center records its net pension liability as calculated by its independent actuary. Per the actuarial calculation, the net pension liability was $39.1 million at June 30, 2022, and $43.6 million at June 30, 2021.

Fiscal Year 2022 Investments and Financing

The Medical Center anticipates the culmination of the Ancillary Services Building project during fiscal year 2023. This project will expand our dietary and nutrition services for patients, employees and visitors; it also will enhance Pharmacy department operation with its continuing growing logistics and distribution. Unfortunately, our remaining Bond funds will not be sufficient to conclude our seismic (SPC-4D) project that is necessary to be in compliance with regulatory requirements mandated by the State of California, therefore, our Medical Center administration is looking for the necessary funds to complete this project. The Medical Center will also continue with the ongoing implementation of the new Cerner Electronic Medical Record system, which will improve the interoperability of the information systems and will significantly enhance our revenue cycle; we expect to conclude its implementation and go live by summer 2023.

Revenue, Expenses, and Changes in the Medical Center's Net Position

Condensed Statements of Revenue, Expenses, and Changes in Net Position for the Years Ended June 30:

Condensed Statements of Revenue, Expenses, and Changes in Net Position
(In Thousands)

				Change	
	2022	**2021**	**2020**	**2022-2021**	**2021-2020**
Operating revenue:					
Net patient service revenue	$ 158,411	$ 157,537	$ 145,589	$ 874	$ 11,948
Other	5,701	8,668	8,121	(2,967)	547
Total operating revenue	164,112	166,205	153,710	(2,093)	12,495
Operating expenses:					
Salaries and wages	62,923	59,394	59,923	3,529	(529)
Employee benefits	15,865	15,559	15,598	306	(39)
Professional fees and purchased services	45,647	50,289	37,408	(4,642)	12,881
Medical and nonmedical supplies	32,590	35,578	30,915	(2,988)	4,663
Depreciation and amortization	8,382	9,421	8,931	(1,039)	490
Other	18,718	16,852	15,836	1,866	1,016
Total operating expenses	184,125	187,093	168,611	(2,968)	18,482
Loss from operations	(20,013)	(20,888)	(14,901)	875	(5,987)
Nonoperating revenue (expenses) - Net	(4,728)	22,944	13,369	(27,672)	9,575
Change in net position	(24,741)	2,056	(1,532)	(26,797)	3,588
Net position - Beginning	44,819	42,763	44,295	2,056	(1,532)
Net position - End	$ 20,078	$ 44,819	$ 42,763	$ (24,741)	$ 2,056

El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

Management's Discussion and Analysis

Year Ended June 30, 2022

Acute Care Inpatient Statistics by Specialty

Admissions	2022	2021	2020	2022-2021 % Change	2021-2020 % Change
Critical Care (ICU)	418	474	415	(11.8)%	14.2 %
Women's Health Services (OB)	849	792	937	7.2 %	(15.5)%
Medical/Surgical Services	3,321	3,647	3,731	(8.9)%	(2.3)%
Pediatrics	16	20	143	(20.0)%	(86.0)%
Total acute admissions	4,604	4,933	5,226	(6.7)%	(5.6)%

Patient Days	2022	2021	2020	2022-2021 % Change	2021-2020 % Change
Critical Care (ICU)	4,523	5,421	2,426	(16.6)%	123.5 %
Women's Health Services (OB)	1,707	1,501	1,791	13.7 %	(16.2)%
Medical/Surgical Services	19,553	20,887	17,957	(6.4)%	16.3 %
Pediatrics	47	65	430	(27.7)%	(84.9)%
Total acute patient days	25,830	27,874	22,604	(7.3)%	23.3 %

Average Length of Stay	2022	2021	2020	2022-2021 % Change	2021-2020 % Change
Critical Care (ICU)	10.82	11.44	5.85	(5.4)%	95.6 %
Women's Health Services (OB)	2.01	1.90	1.91	5.8 %	(0.5)%
Medical/Surgical Services	5.89	5.73	4.81	2.8 %	19.1 %
Pediatrics	2.94	3.25	3.01	(9.5)%	8.0 %
Average acute length of stay	5.61	5.65	4.33	(0.7)%	30.5 %

Fiscal year 2022 acute care admissions decreased from fiscal year 2021 by 6.7%. Total acute patient days decreased by 7.3%, and the corresponding average length of stay decreased by 0.7%.

Fiscal year 2021 acute care admissions decreased from fiscal year 2020 by 5.6%. Total acute patient days increased by 23.3%, and the corresponding average length of stay increased 30.5%.

Outpatient Statistics

	2022	2021	2020	2022-2021 % Change	2021-2020 % Change
Emergency room visits	38,561	29,294	41,377	31.6 %	(29.2)%
Outpatient referred visits	97,021	107,982	91,243	(10.2)%	18.3 %
Outpatient (rural health) clinic visits	94,314	97,174	85,122	(2.9)%	14.2 %
Other statistics:					
Surgeries	5,574	4,557	4,813	22.3 %	(5.3)%
Deliveries	790	726	882	8.8 %	(17.7)%
Lab tests	655,644	674,093	673,614	(2.7)%	0.1 %
Imaging procedures	102,722	93,584	119,453	9.8 %	(21.7)%

As presented in the above schedule, emergency room visits increased for the Medical Center in fiscal year 2022 compared to prior year. Outpatient referred visits to the hospital (mostly lab and imaging tests and studies) and outpatient clinic visits decreased by 10.2% and 2.9%, respectively, from fiscal year 2021 to fiscal year 2022.

Emergency room visits decreased for the Medical Center in fiscal year 2021. In addition, outpatient referred visits to the hospital (mostly lab and imaging tests and studies) and outpatient clinic visits increased by 18.3% and 14.2%, respectively, from fiscal year 2020 to fiscal year 2021, respectively.

Gross Patient Revenue

In fiscal year 2022, the Medical Center's inpatient days decreased. The decrease in inpatient days resulted in a decrease in gross inpatient revenue of approximately $29.7 million, or 9.3%, in fiscal year 2022 compared to prior year. Additionally, the Medical Center experienced an increase of $69.2 million, or 15.9%, in outpatient revenue. The net effect of the volume changes resulted in an overall gross revenue increase of $39.6 million, or 5.3%, in fiscal year 2022 compared to prior year.

In fiscal year 2021, the Medical Center's patient days increased in inpatient and decreased in outpatient services. The increase in inpatient days resulted in an increase in gross inpatient revenue of approximately $72.7 million, or 29.7%, in fiscal year 2021 compared to prior year. Additionally, the Medical Center experienced a decrease of $49.3 million, or 10.2%, in outpatient revenue. The net effect of the volume changes resulted in an overall gross revenue increase of $23.4 million, or 3.2%, in fiscal year 2021 compared to prior year.

Deductions from Revenue

Contractual allowances are computed deductions based on the difference between gross charges and the contractually agreed-upon rates with our payers, including government programs such as Medicare, Medi-Cal, and other private and commercial insurers.

In addition, the Medical Center carries a provision for bad debts, including charity care, which further reduces its gross revenue. The Medical Center calculates its provision for bad debts and charity care based on historical write-offs and information provided by its third-party collection agencies. Please see the charity care note in the notes to the financial statements.

Total deductions from revenue, including provision for bad debts (as a percentage of gross patient charges), were 80.0% in fiscal year 2022 and 79.1% in fiscal year 2021.

Net Patient Service Revenue

Net patient service revenue is the resulting difference between gross patient charges and the deductions from revenue. Net patient service revenue increased by $0.9 million, or 0.6%, from fiscal year 2021 to 2022.

Net patient service revenue increased by $11.9 million, or 8.2% from fiscal year 2020 to 2021.

Operating Expenses

Year ended June 30, 2022

Total operating expenses, which include depreciation, were $184.1 million in fiscal year 2022 compared to $187.1 million in fiscal year 2021, a decrease of 1.6%. Decreases in professional fees, purchased services, and supplies expense represent the majority of the change from the prior year. Discussions on these expense categories follow below and are further illustrated by two charts comparing the fluctuations in each operating expense category for fiscal years 2022 and 2021.

Professional Fees

Professional fees decreased by $2.2 million, or 9.7%, from the fiscal year 2021 primarily due to decreased utilization of contract professionals in the respiratory therapy and laboratory departments.

Operating Expenses (Continued)

Purchased Services

Purchased services decreased by $2.4 million, or 8.8%, from fiscal year 2021, primarily due to decreases in registry. Registry decreased by $2.1 million, or 11.8%, from fiscal year 2021. The decrease in registry was due to decreased utilization of ICU registry nurses in 2022.

Supplies

Supplies expense decreased by $3.0 million, or 8.4%, from fiscal year 2021. A key contributor included decreased pharmaceutical medications sold to patients.

Year ended June 30, 2021

Total operating expenses, which include depreciation, were $187.1 million in fiscal year 2021 compared to $168.6 million in fiscal year 2020, an increase of 11.0%. Increases in professional fees, purchased services, and supplies expense represent the majority of the change from the prior year. Discussions on these expense categories follow below and are further illustrated by two charts comparing the fluctuations in each operating expense category for fiscal year 2021 and 2020.

Professional Fees

Professional fees increased by $5.5 million, or 31.6%, from the fiscal year 2020 primarily due to increased fees for ER operational services and medical director services contracts.

Purchased Services

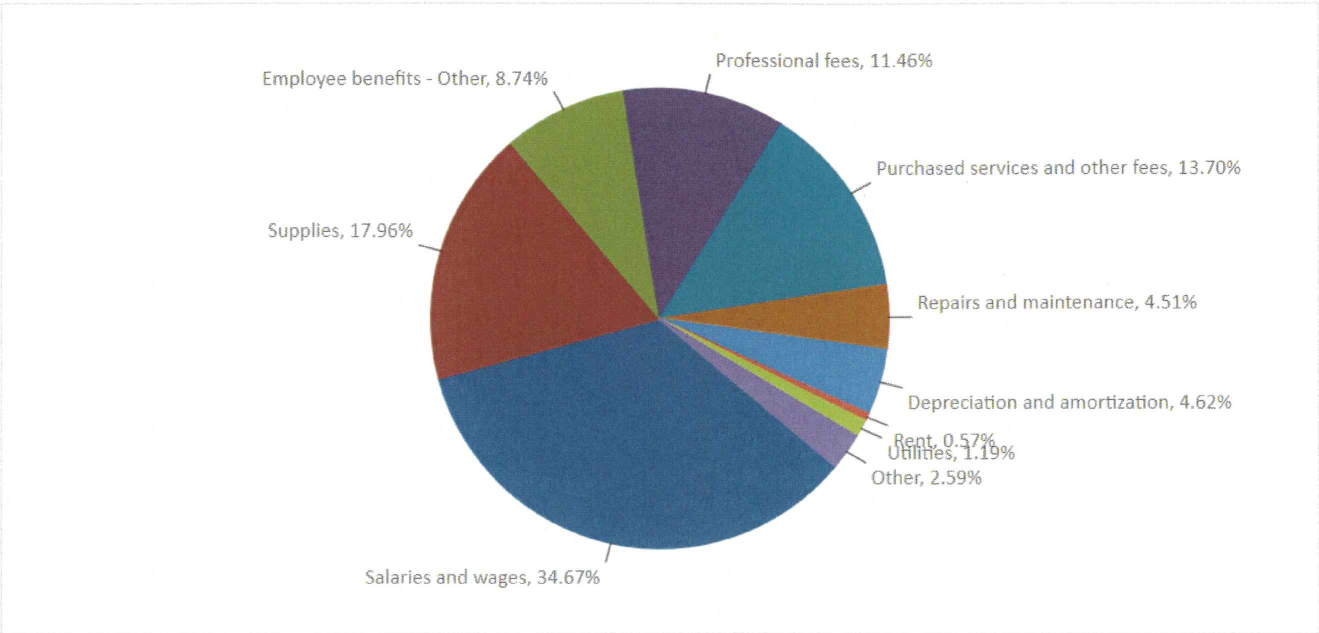
Purchased services increased by $7.4 million, or 37.0%, from fiscal year 2020, primarily due to increases in registry. Registry increased by $6.5 million, or 57.6%, from fiscal year 2020. The additional $0.9 million increase was due to increased costs associated with reference lab services and increased hemodialysis rates.

Supplies

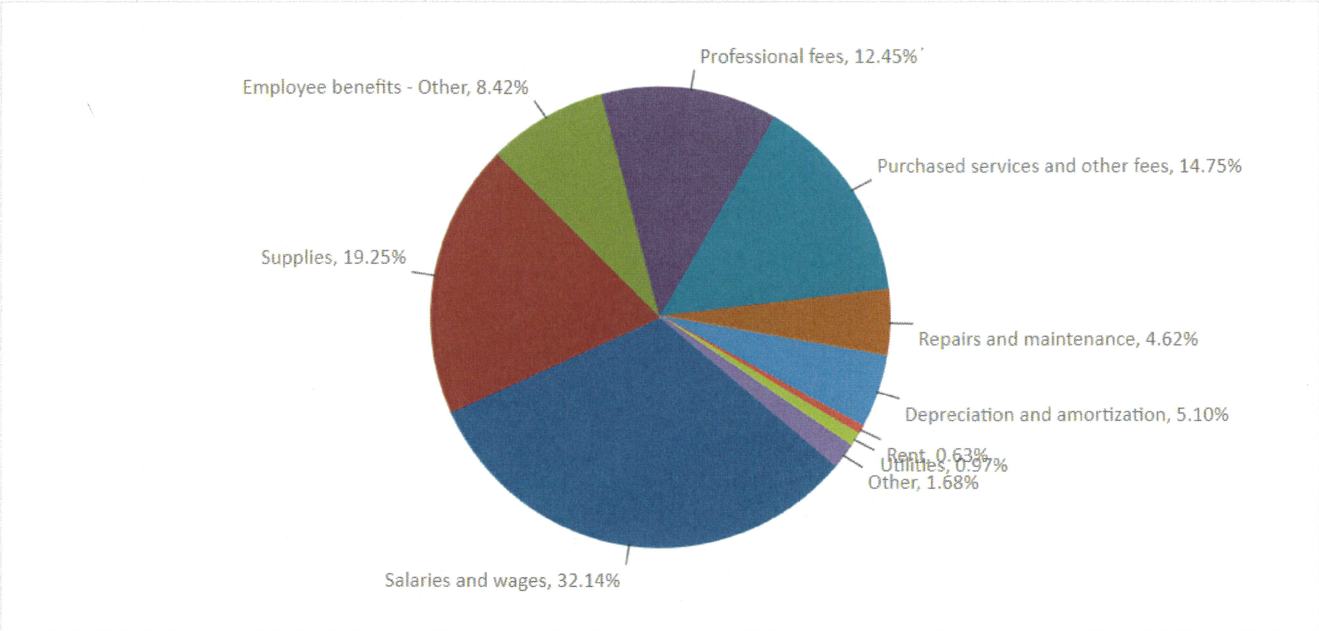
Supplies expense increased by $4.7 million, or 15.1%, from fiscal year 2020. The key contributor included increased costs associated with COVID treatment medications related to the COVID-19 patient volumes.

Operating Expenses (Continued)

Fiscal Year 2022



Fiscal Year 2021



Economic Factors for Fiscal Year 2022 Budget and Beyond

As expected, the Medical Center has spent significant capital expenditures on building projects during the fiscal year 2022, continuing through the end of fiscal year 2023. These projects will expand and improve services, while also meeting the seismic regulatory requirements mandated by the State of California.

During this fiscal year 2022, our Medical Center has experienced drastic rising costs of operations, regulatory mandates, and the continuing challenges presented with the COVID19 pandemic, which have been representing additional uncompensated cost, affecting considerably our liquidity. Furthermore, Medi-Cal supplemented programs paying our Medical Center around $16 million dollars each fiscal year were either suspended or delayed, causing a problematic cash shortage when most needed. For this reason, the management team intensified efforts to reduce our cost of operation across the Medical Center's inpatient and outpatient settings, by restructuring our operations to reverse any negative economic results. Despite our historic negative results, our management is confident that the Medical Center will continue to successfully meet such healthcare challenges going forward by implementing drastic measures hospital-wide.

COVID-19 Impact and Response

Since early 2020, healthcare providers across California have been dealing with COVID-19 waves and mandatory regulations; fortunately, our Medical Center has been prepared with the highest standards to fight these COVID-19 surges, enhancing considerably the patient care response and recovery. Unfortunately, most of the operating expenses related to protective measures necessary to prevent, prepare for, and treat COVID-19 infected patients across our inpatient and outpatient settings, including vaccination clinics to expand protection to the community against the virus remained unreimbursed, which translates to unprecedented losses and cash flow deficits. In addition, the Medical Center outpatient volumes have not recovered to their "pre-pandemic" levels. The Medical Center continues looking for COVID-19 uncompensated cost reimbursements through federal agencies like FEMA. Despite the constant challenges faced in recent years, our Medical Center is proud to keep providing the healthcare our community deserves.

El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

Statements of Net Position

June 30,	2022	2021
Current assets:		
Cash and cash equivalents	$ 952,850	$ 15,324,407
Short-term investments	21,609,069	46,181,951
Receivables:		
Patient accounts - Net	19,994,457	21,002,188
Grants	1,815,410	78,186
Other	129,357	269,822
Due from third-party payor settlements	2,099,703	959,883
Inventories	3,428,834	3,053,368
Prepaid expenses and other	2,252,377	2,543,903
Total current assets	52,282,057	89,413,708
Restricted noncurrent investments:		
Restricted by trustee for debt service	13,811,442	11,872,847
Restricted assets held for capital projects and equipment	6,731,970	18,583,271
Total restricted noncurrent investments	20,543,412	30,456,118
Capital assets:		
Nondepreciable capital assets	64,554,751	49,160,771
Depreciable capital assets - Net	77,680,362	82,378,410
Capital assets - Net	142,235,113	131,539,181
Other assets	262,595	262,595
Deferred outflows of resources - Pension	8,001,900	5,768,700
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 223,325,077	$ 257,440,302

El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

Statements of Net Position (Continued)

June 30,	2022	2021
Current liabilities:		
Current maturities of bonds and financed purchases payable	$ 116,119,364	$ 30,285
Current maturities of leases payable	3,325,218	2,656,702
Accounts payable and accrued expenses	17,848,961	15,020,505
Accrued compensation and benefits	7,891,918	7,851,838
Current portion of refundable advance	7,082,862	15,298,895
Total current liabilities	152,268,323	40,858,225
Long-term liabilities:		
Bonds and financed purchases payable - Less current maturities	189,459	115,869,081
Leases payable - Less current maturities	4,221,324	5,646,370
Net pension liability	39,119,000	43,613,100
Refundable advance - Less current portion	-	5,769,718
Total long-term liabilities	43,529,783	170,898,269
Total liabilities	195,798,106	211,756,494
Deferred inflows of resources - Pension	7,448,200	864,600
Net position:		
Net invested in capital assets	22,755,015	25,575,985
Restricted	13,811,442	11,872,847
Unrestricted	(16,487,686)	7,370,376
Total net position	20,078,771	44,819,208
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 223,325,077	$ 257,440,302

See accompanying notes to financial statements.

El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

Statements of Revenue, Expenses, and Changes in Net Position

Years Ended June 30,	2022	2021
Revenue:		
Net patient service revenue	$ 158,410,640	$ 157,536,888
Other revenue	5,701,182	8,668,301
Total revenue	164,111,822	166,205,189
Expenses:		
Salaries and wages	62,924,196	59,393,624
Employee benefits - Pension contributions	5,382,327	5,484,165
Employee benefits - Portion of pension expense related to changes in pension-related statements of net position accounts (GASB 68)	(143,700)	(994,900)
Employee benefits - Other	10,626,312	11,069,790
Professional fees	20,790,400	23,019,201
Purchased services and other fees	24,856,389	27,269,714
Supplies	32,589,768	35,578,243
Repairs and maintenance	8,188,546	8,531,304
Depreciation and amortization	8,382,372	9,421,267
Rent	1,032,006	1,159,750
Utilities	2,162,784	1,783,946
Other	4,702,701	3,105,127
Insurance	2,629,963	2,270,721
Total expenses	184,124,064	187,091,952
Loss from operations	(20,012,242)	(20,886,763)
Nonoperating revenue (expenses):		
Investment income	(2,527,065)	5,769,935
Interest expense	(7,390,971)	(4,657,158)
Grants and contributions	5,040,463	21,815,438
Other	149,378	15,394
Total nonoperating revenue (expenses) - Net	(4,728,195)	22,943,609
Excess (deficiency) of revenues over expenses, change in net position	(24,740,437)	2,056,846
Net position at beginning	44,819,208	42,762,362
Net position at end	$ 20,078,771	$ 44,819,208

See accompanying notes to financial statements.

El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

Statements of Cash Flows

Years Ended June 30,	2022	2021
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Receipts from and on behalf of patients	$ 144,292,800	$ 157,090,905
Receipts from other operating revenue	5,841,647	8,714,694
Payments for salaries, wages, and related benefits	(78,892,755)	(76,542,566)
Payments for other operating expenses	(96,220,717)	(102,468,950)
Net cash used in operating activities	(24,979,025)	(13,205,917)
Cash flows from noncapital financing activities:		
Grants and contributions	3,303,239	15,586,445
Other	(84,679)	15,394
Net cash provided by noncapital financing activities	3,218,560	15,601,839
Cash flows from capital and related financing activities:		
Interest payments on bonds and financed purchases	(6,915,310)	(6,915,312)
Interest payments on leases and other	(225,868)	(282,891)
Principal payments on bonds and financed purchases	(45,334)	(26,967)
Principal payments on leases	(2,828,274)	(2,769,606)
Proceeds from sale of property and equipment	5,000	-
Purchase of capital assets	(14,559,829)	(13,284,602)
Net cash used in capital and related financing activities	(24,569,615)	(23,279,378)
Cash flows from investing activities:		
Interest and dividends on investments	825,602	1,526,768
Purchase of investments	(23,490,867)	(33,018,006)
Proceeds from sales and maturities of investments	54,623,788	60,908,718
Net cash provided by investing activities	31,958,523	29,417,480
Net increase (decrease) in cash and cash equivalents	(14,371,557)	8,534,024
Current cash and cash equivalents at beginning	15,324,407	6,790,383
Current cash and cash equivalents at end	$ 952,850	$ 15,324,407

El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

Statements of Cash Flows (Continued)

Years Ended June 30,	2022	2021
Reconciliation of loss from operations to net cash provided by (used in) operating activities:		
Loss from operations	$ (20,012,242)	$ (20,886,763)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation and amortization	8,382,372	9,421,267
Provision for bad debts	5,694,516	11,356,768
Changes in assets and liabilities:		
Receivables:		
Patient accounts	(4,686,785)	(10,109,238)
Other	140,465	46,393
Inventories	(375,466)	261,792
Prepaid expenses and other	291,526	(453,674)
Due from third-party payor settlements	(1,139,820)	186,217
Accounts payable and accrued expenses	815,780	440,938
Accrued compensation and benefits	40,080	(594,987)
Medicare refundable advance	(13,985,751)	(1,879,730)
Net pension liability	(4,494,100)	(3,569,100)
Change in deferred outflows of resources - Pension	(2,233,200)	2,320,100
Change in deferred inflows of resources - Pension	6,583,600	254,100
Total adjustments	(4,966,783)	7,680,846
Net cash used in operating activities	$ (24,979,025)	$ (13,205,917)

Summary of noncash financing and investing activities:

	2022	2021
Change in unrealized gains and losses on investments	$ (3,352,667)	$ 4,243,167
Property and equipment acquired under lease obligations and financed purchases	2,071,744	896,945
Accrued interest included in accounts payable	3,457,656	3,457,656
Capital asset additions included in accounts payable	2,356,703	344,029
Amortization of bond discount	249,791	249,791

Supplemental cash flows information:

	2022	2021
Interest capitalized	$ -	$ 2,790,836

El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

Statement of Net Position of Pension Trust Fund - Plan

June 30, 2021

Assets		
Assets:		
Cash and cash equivalents	$	2,314,200
Investments:		
U.S. treasury notes		5,555,000
Government agency notes		4,644,400
Fixed income mutual funds		9,681,000
Convertible bonds		8,842,700
Common stocks and ADRs		27,515,900
Preferred stocks		158,300
Limited partnerships - International		27,629,100
Total investments		84,026,400
TOTAL ASSETS	$	86,340,600
Net Position		
Net position held in trust for pension benefits	$	86,340,600
TOTAL NET POSITION	$	86,340,600

See accompanying notes to financial statements.

El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

Statement of Changes in Net Position of Pension Trust Fund - Plan

Year Ended June 30, 2021

Additions:	
Contributions by Medical Center	$ 5,400,000
Contributions by participants	1,317,900
Net investment income	13,295,000
Total additions	20,012,900
Deductions:	
Benefit payments, including return of participants' contributions	6,248,700
Annuity purchases at Prudential	689,300
Administrative expenses	160,300
Total deductions	7,098,300
Change in net position	12,914,600
Net position at beginning	73,426,000
Net position at end	$ 86,340,600

See accompanying notes to financial statements.

Note 1: Summary of Significant Accounting Policies

Reporting Entity

El Centro Regional Medical Center (the "Medical Center") is an agency of the City of El Centro, California ("the City"), organized and existing under the State of California Municipal law as set forth in the Community Code of the State of California. The Medical Center is governed by a separately appointed Board of Trustees. The Medical Center is an enterprise fund of the City. The accompanying financial statements do not include any other funds of the City and are not intended to present the financial position of the City.

The Medical Center is not generally subject to state and federal income taxes. The Medical Center provides health services to individuals who reside primarily in the local geographic area.

Basis of Accounting and Financial Statement Presentation

The Medical Center's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make certain estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash checking, savings, time deposit accounts, and investments in highly liquid debt instruments with an original maturity of three months or less, excluding assets whose use is limited or restricted.

Restricted Noncurrent Investments

Restricted noncurrent investments include investments held by trustees under bond indentures and amounts restricted for capital projects and equipment.

Note 1: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs, therefore requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on techniques that maximize the use of relevant observable inputs and minimizes the use of unobservable inputs.

Patient Accounts Receivable and Credit Policy

Patient accounts receivable are uncollateralized patient obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from local residents, most of whom are insured under third-party payor agreements. The Medical Center bills third-party payors on the patients' behalf, or if a patient is uninsured, the patient is billed directly. Once claims are settled with the primary payor, any secondary insurance is billed, and patients are billed for co-pay and deductible amounts that are the patients' responsibility. Payments on patient accounts receivable are applied to the specific claim identified on the remittance advice or statement. The Medical Center does not have a policy to charge interest on past due accounts.

Patient accounts receivable are recorded in the accompanying statements of net position net of contractual adjustments and an allowance for doubtful accounts, which reflects management's estimate of the amounts that will not be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross revenue and a credit to patient accounts receivable. In addition, management provides for probable uncollectible amounts, primarily for uninsured patients and amounts patients are personally responsible for, through a reduction of gross revenue and a credit to the allowance for doubtful accounts.

In evaluating the collectability of patient accounts receivable, the Medical Center analyzes past results and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. Specifically, for receivables associated with services provided to patients who have third-party coverage, the Medical Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely.

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Accounts Receivable and Credit Policy (Continued)

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Medical Center records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Inventories

Inventories are reported at cost, determined on the first-in, first-out (FIFO) method, which is not in excess of market value.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded within the accompanying statements of financial position in prepaid expenses and other.

Capital Assets and Depreciation

Capital asset acquisitions are recorded at cost or, if donated, at acquisition value at the date of donation. Routine maintenance and repairs are charged to expense as incurred. Expenditures which increase values, change capacities, or extend useful lives are capitalized. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Intangible right-to-use lease assets are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included with depreciation expense in the accompanying financial statements. Estimated useful lives range from 5 to 40 years for buildings and improvements and from 3 to 15 years for equipment and leasehold improvements.

Note 1: Summary of Significant Accounting Policies (Continued)

Asset Impairment

Capital assets are reviewed for impairment when events or changes in circumstances suggest that the service utility of the capital asset might 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 on the event or circumstance in which the impairment occurred. Impairment losses, if any, are recorded in the statements of revenue, expenses, and changes in net position. No impairment loss was recorded for the years ended June 30, 2022 and 2021.

Bonds Payable

Premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Bonds payable is reported net of the applicable premium or discount.

Medical Benefits Self-Insurance

The Medical Center self-insures against medical costs for eligible employees and their dependents. The Medical Center has purchased supplemental coverage for losses in excess of $175,000 per incident and includes aggregate coverage based on enrollment numbers and factors each month. The related liability is reported in accrued compensation and benefits on the accompanying statements of net position.

The Medical Center's accrued self-insured medical costs also includes an estimate of possible losses attributable to incidents that may have occurred but not been identified. Historically, the actual liabilities incurred have not been materially different than the recorded estimates.

Note 1: Summary of Significant Accounting Policies (Continued)

Worker's Compensation Self-Insurance

The Medical Center self-insures against workers' compensation losses. The Medical Center has purchased supplemental coverage for losses in excess of $1,000,000 per incident. Losses from asserted and unasserted claims identified under the Medical Center's incident reporting system are accrued based on estimates that incorporate the Medical Center's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. The related liability is reported in accrued compensation and benefits on the accompanying statements of net position. Historically, the actual losses incurred have not been materially different than the recorded estimates.

Medical Malpractice Insurance

The Medical Center maintains medical malpractice insurance on a claims-made basis. The policy provides for a per claim deductible of $5,000, with per occurrence coverage of $26,000,000 and aggregate annual coverage limits of $30,000,000. Management has accrued an estimated liability for claims incurred prior to June 30, 2022, that are expected to be subsequently reported to the insurance company. The related liability is reported in accounts payable and accrued expenses on the accompanying statements of net position.

Accrued Compensated Absences

The Medical Center's employees earn vacation days at varying rates depending on years of service. Employees may accumulate vacation days up to a specific maximum. Vacation expenses and the related liabilities are recognized as the benefits are earned. The amount of vacation payable is approximately $3,520,000 and $3,452,000 at June 30, 2022 and 2021, respectively, and is included in accrued compensation and benefits on the statements of net position.

Employees also earn sick leave benefits based on varying rates depending on years of service. Employees may accumulate sick leave up to a specific maximum. Employees are not paid for accumulated sick leave if they leave before retirement.

Retirement Plan

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, information about the fiduciary net position of the El Centro Regional Medical Center Retirement Income Plan (the "Retirement Plan") and additions to and deductions from the Retirement Plan's fiduciary net position have been determined on the same basis as they are reported by the Retirement Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Medical Center reports deferred outflows of resources related to pensions for its deferred outflow of resources of the Retirement Plan.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents the acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Medical Center reports deferred inflows of resources related to pensions for its deferred inflows of resources of the Retirement Plan.

Net Position

Net position of the Medical Center is classified in three components. Net invested in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Medical Center. Unrestricted net position is the remaining net position that does not meet the definitions above. When both restricted and unrestricted resources are available for use, it is the Medical Center's policy to use restricted resources first, then unrestricted resources as they are needed.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amount from patients, governmental programs, health maintenance, and preferred provider organizations and insurance contracts under applicable laws, regulations, and program instructions. Net realizable amounts are generally less than the Medical Center's established rates. Final determination of certain amounts payable is subject to audit by appropriate third-party representatives. Subsequent adjustments, if any, arising from such audits are recorded in the year the final settlement becomes known.

Note 1: Summary of Significant Accounting Policies (Continued)

Operating Revenue and Expenses

The Medical Center's statements of revenue, expenses, and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenue, such as patient service revenue, result from exchange transactions associated with providing health care services, the Medical Center's primary business. Nonexchange revenue, such as revenues from investments and contributions for other than capital asset acquisition, are reported as nonoperating revenue. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Grants and Contributions

The Medical Center receives grants as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or capital purposes. Amounts that are unrestricted or are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue (expenses).

Statement of Revenue, Expenses, and Changes in Net Position

All revenue and expenses directly related to the delivery of health care services are included in operating revenue and expenses in the statements of revenue, expenses, and changes in net position. Nonoperating revenue and expenses consist of those revenue and expenses that are related to financing and investing types of activities and result from nonexchange transactions or investment income.

New Accounting Pronouncements

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business type activity or enterprise fund. The Medical Center adopted this statement for the year ended June 30, 2022. The statement was applied prospectively and had no impact on previously reported net position.

In May 2020, the GASB issued GASB Statement number 96, *Subscription-Based Information Technology Arrangements* (SBITA). This statement improves financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and reporting for SBITA transactions. The statement will enhance the relevance and reliability of the Medical Center's financial statements by requiring the Medical Center to report a subscription asset and subscription liability for SBITAs and disclose essential information about the arrangements. The requirements of this statement are effective for the Medical Center's fiscal year ending June 30, 2023, and are to be applied retroactively.

Note 2: Reimbursement Arrangements With Third-Party Payors

The Medical Center has arrangements with third-party payors that provide payments to the Medical Center at amounts different from its established rates. A summary of the basis of reimbursement with major third-party payor categories follows:

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicare reimburses the Medical Center for covered outpatient services rendered to Medicare beneficiaries by way of an outpatient prospective payment system based on ambulatory payment classifications.

Inpatient nonacute services, certain outpatient services, and defined capital costs related to Medicare beneficiaries are paid based, in part, on a cost reimbursement methodology. The Medical Center is reimbursed for cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The estimated amounts due to or from the program are reviewed and adjusted annually based on the status of such audits and any subsequent appeals. Differences between final settlements and amounts accrued in previous years are reported as adjustments to net patient service revenue in the year examination is substantially completed.

Medi-Cal - Inpatient services rendered to Medi-Cal program beneficiaries are paid under a diagnostic related group (DRG) methodology. Under this methodology, services are paid at prospectively determined rates per discharge according to a patient classification system that is based on clinical, diagnostic, and other factors.

Commercial Insurance, Health Maintenance Organizations, and Preferred Provider Organizations - The Medical Center has also entered into agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Other - The Medical Center also provides its services to patients enrolled in programs of commercial insurance carriers, health maintenance organizations, and preferred provider organizations under which the Medical Center does not have agreements. The Medical Center recognizes revenue for these patients based on its usual customary rates for these services, adjusted for historical trends in the Medical Center's reimbursement for similar services.

Accounting for Contractual Arrangements

The Medical Center is reimbursed for certain cost-reimbursable items at an interim rate, with final settlements determined after an audit of the Medical Center's related annual cost reports by the respective Medicare and Medi-Cal fiscal intermediaries. Estimated provisions to approximate the final expected settlements after review by the intermediaries are included in the accompanying financial statements.

Note 2: Reimbursement Arrangements With Third-Party Payors (Continued)

Laws and Regulations

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and billing regulations. Government activity with respect to investigations and allegations concerning possible violations of such regulations by health care providers has increased. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Medical Center is in substantial compliance with applicable government laws and regulations. While no significant regulatory inquiries have been made of the Medical Center, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Centers for Medicare and Medicaid (CMS) uses recovery audit contractors (RAC) as part of CMS's efforts to ensure accurate payments. RACs search for potentially inaccurate Medicare payments that might have been made to health care providers and were not detected through existing CMS program integrity efforts. Once a RAC identifies a claim it believes is inaccurate, it makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. The provider may either accept or appeal the RAC's findings. As of June 30, 2022, management is not aware of any current RAC reviews that would result in significant reimbursement adjustments.

Revenue from Governmental Programs

The Medical Center participates in and receives funding from various supplemental funding programs. Net amounts recognized from these programs are included in contractual adjustments within net patient service revenue and were as follows for the years ended June 30:

	2022	2021
Medi-Cal Hospital Quality Assurance Fee program	$ 729,948	$ 1,694,685
Medi-Cal outpatient supplemental funding	815,854	779,582
Other inter-governmental transfers	5,422,946	4,350,571
Total	$ 6,968,748	$ 6,824,838

Note 3: Cash, Cash Equivalents, and Investments

Deposits

The California Government Code (the "Code") requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits.

At June 30, 2022 and 2021, the Medical Center had bank balances totaling approximately $6,149,000 and $15,601,000, respectively. Of these balances, approximately $250,000 were insured by the Federal Deposit Insurance Corporation, and the remainder was collateralized.

Investments

GAAP for governmental organizations require the Medical Center to disclose its deposit and investment policies related to investments with credit risk or deposits with custodial credit risk, the credit ratings and maturities of its investments (other than U.S. government obligations or obligations guaranteed by the U.S. government), and additional disclosures related to uninsured deposits. A summary of scheduled maturities by investment type is as follows:

	Investment maturities (in years) as of June 30, 2022			
	Fair Value	Less than 1	1-5	More than 5
U.S. Treasury	$ 2,443,690	$ 299,112	$ -	$ 2,144,578
Mutual funds	3,224,229	3,224,229	-	-
Equities	7,231,625	4,807,038	1,628,347	796,240
Money market funds	15,186,785	15,095,475	-	91,310
Corporate bonds and notes	2,629,960	521,536	2,108,424	-
Government bond obligations	2,275,372	421,806	655,943	1,197,623
Guaranteed investment contracts	8,094,302	8,094,302	-	-
Totals	41,085,963	$ 32,463,498	$ 4,392,714	$ 4,229,751
Cash included in investments	11,497			
Hedge Funds	1,008,390			
Accrued income in investments	46,631			
Total investments	$ 42,152,481			

Note 3: Cash, Cash Equivalents, and Investments (Continued)

Investments (Continued)

	Investment maturities (in years) as of June 30, 2021			
	Fair Value	Less than 1	1-5	More than 5
U.S. Treasury	$ 5,018,234	$ -	$ -	$ 5,018,234
Mutual funds	7,855,392	7,855,392	-	-
Equities	26,829,909	20,775,146	3,005,280	3,049,483
Money market funds	24,061,803	23,937,822	-	123,981
Corporate bonds and notes	1,220,086	602,728	617,358	-
Government bond obligations	3,480,117	-	364,928	3,115,189
Guaranteed investment contracts	8,094,300	8,094,300	-	-
Totals	76,559,841	$ 61,265,388	$ 3,987,566	$ 11,306,887
Cash included in investments	11,499			
Accrued income in investments	66,729			
Total investments	$ 76,638,069			

The investments are presented in the statements of net position as of June 30, as follows:

	2022	2021
Short-term investments	$ 21,609,069	$ 46,181,951
Noncurrent investments	20,543,412	30,456,118
Total investments	$ 42,152,481	$ 76,638,069

Investment activities of the Medical Center are governed by sections of the Code, which specify the authorized investments that may be made by the Medical Center. The Medical Center's investment policy (the "Policy") requires that all investing activities of the Medical Center comply with the Code and sets forth certain additional restrictions, which exceed those imposed by the Code.

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

Note 3: Cash, Cash Equivalents, and Investments (Continued)

Credit risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Policy requires that, to be eligible for investment, corporate notes shall be rated "A", or its equivalent, or better by a nationally-recognized rating service. The Policy also limits investment in collateralized mortgage obligations to obligations rated "AA", or its equivalent, or better. The Policy allows for investments in local agency investment funds (LAIF) up to the maximum amount allowed by the state of California. The investment in LAIF is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty. The state of California Treasurer's office has regulatory oversight of LAIF. The policy includes no limitation or restriction related to investments in United States Treasury or federal agency obligations.

Credit ratings for investments held at June 30 were as follows:

	2022	2021
AAA	$ 2,452,059	$ 5,433,174
AA	345,904	154,290
A	1,528,265	2,897,579
BBB	1,359,118	853,171
BB	148,664	359,037
Unrated	35,251,953	66,862,590
Totals	$ 41,085,963	$ 76,559,841

Fair Value Measurements

The following is a description of the valuation methodologies used for assets measured at fair value:

Money market funds: Valued using a net asset value (NAV) of $1.

Corporate and government obligations: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Domestic equities: The fair value of domestic equities is determined based on quoted market prices and other observable market data.

Guaranteed investment contracts: Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations, considering the credit-worthiness of the issuer.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Medical Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 3: Cash, Cash Equivalents, and Investments (Continued)

The Medical Center's investments by level within the fair value hierarchy were as follows at June 30, 2022:

	Total Assets at Fair Value	Level 1	Level 2	Level 3
U.S. Treasury	$ 2,443,690	$ 2,443,690	$ -	$ -
Mutual funds	3,224,229	3,224,229	-	-
Equities	7,231,625	7,231,625	-	-
Money market funds	15,186,785	15,186,785	-	-
Corporate bonds and notes	2,629,960	-	2,629,960	-
Government bond obligations	2,275,372	-	2,275,372	-
Guaranteed investment contracts	8,094,302	-	8,094,302	-
Totals	$ 41,085,963	$ 28,086,329	$ 12,999,634	$ -
Hedge funds	1,008,390			
Cash included in investments	11,497			
Accrued income in investments	46,631			
Total investments	$ 42,152,481			

The Medical Center's investments by level within the fair value hierarchy were as follows at June 30, 2021:

	Total Assets at Fair Value	Level 1	Level 2	Level 3
U.S. Treasury	$ 5,018,234	$ 5,018,234	$ -	$ -
Mutual funds	7,855,392	7,855,392	-	-
Equities	26,829,909	26,829,909	-	-
Money market funds	24,061,803	24,061,803	-	-
Corporate bonds and notes	1,220,086	-	1,220,086	-
Government bond obligations	3,480,117	-	3,480,117	-
Guaranteed investment contracts	8,094,300	-	8,094,300	-
Totals	$ 76,559,841	$ 63,765,338	$ 12,794,503	$ -
Cash included in investments	11,499			
Accrued income on investments	66,729			
Total investments	$ 76,638,069			

Note 4: Restricted Noncurrent Investments

The composition of restricted noncurrent cash and investments was as follows as of June 30:

	2022	2021
Restricted by trustee for debt service -		
Bond assets held in trust - Investments	$ 13,811,442	$ 11,872,847
Restricted assets held for capital projects and equipment:		
Capital project funds - Held by trustee - Investments	6,720,473	18,571,774
Special purpose and other funds - Investments	11,497	11,497
Total restricted assets held for capital projects and equipment	6,731,970	18,583,271
Total restricted noncurrent investments	$ 20,543,412	$ 30,456,118

Restricted by Trustee for Debt Service

Bond assets held in trust consist of assets designated as security for future bond payments.

Restricted Assets Held for Capital Projects and Equipment

Capital project funds are funded with bond proceeds and consist of assets restricted to fund capital projects.

Revenue Fund

The Medical Center is required to establish a Revenue Fund account in accordance with the Series 2018 bond indenture agreement. Once established, the Medical Center will be required to deposit revenue upon receipt into the fund for the purposes of paying the 2018 bond principal and interest, maintaining bond reserve accounts, and making deposits, as needed to a rebate fund. Amounts remaining in the revenue fund after the foregoing transfers are made are available to be transferred to the Medical Center upon request.

As of June 30, 2022, the Medical Center had not established a separate Revenue Fund account as required.

Note 5: Patient Accounts Receivable - Net

Patient accounts receivable - net consisted of the following at June 30:

	2022	2021
Patient receivables:		
Medicare	$ 50,791,432	$ 50,771,391
Medi-Cal	38,157,507	38,715,420
Commercial and other	21,236,181	25,618,630
Self-pay	3,540,541	3,196,700
Total patient receivables	113,725,661	118,302,141
Less:		
Contractual adjustments	90,571,373	94,190,925
Allowance for uncollectible accounts	3,159,831	3,109,028
Patient accounts receivable - Net	$ 19,994,457	$ 21,002,188

Note 6: Capital Assets

Capital asset balances and activity consisted of the following for the years ended June 30:

	Balance July 1, 2021	Additions	Deletions	Transfers	Balance June 30, 2022
Nondepreciable capital assets:					
Land	$ 665,935	$ -	$ -	$ -	$ 665,935
Construction in progress	48,494,836	17,267,285	-	(1,873,305)	63,888,816
Total nondepreciable capital assets	49,160,771	17,267,285	-	(1,873,305)	64,554,751
Depreciable capital assets:					
Land improvements	1,107,521	-	-	-	1,107,521
Buildings and improvements	112,912,404	670,728	-	32,889	113,616,021
Equipment	74,984,062	911,234	-	1,840,416	77,735,712
Total depreciable capital assets	189,003,987	1,581,962	-	1,873,305	192,459,254
Less - Accumulated depreciation	106,625,577	8,382,372	(229,057)	-	114,778,892
Net depreciable capital assets	82,378,410	(6,800,410)	229,057	1,873,305	77,680,362
Capital assets - Net	$ 131,539,181	$ 10,466,875	$ 229,057	$ -	$ 142,235,113

Note 6: Capital Assets (Continued)

	Balance July 1, 2020	Additions	Deletions	Transfers	Balance June 30, 2021
Nondepreciable capital assets:					
Land	$ 665,935	$ -	$ -	$ -	$ 665,935
Construction in progress	37,774,367	14,790,875	-	(4,070,406)	48,494,836
Total nondepreciable capital assets	38,440,302	14,790,875	-	(4,070,406)	49,160,771
Depreciable capital assets:					
Land improvements	1,038,863	-	-	68,658	1,107,521
Buildings and improvements	114,142,880	142,017	-	(1,372,493)	112,912,404
Equipment	70,663,162	1,559,444	-	2,761,456	74,984,062
Total depreciable capital assets	185,844,905	1,701,461	-	1,457,621	189,003,987
Less - Accumulated depreciation	99,953,113	9,421,267	(136,018)	(2,612,785)	106,625,577
Net depreciable capital assets	85,891,792	(7,719,806)	136,018	4,070,406	82,378,410
Capital assets - Net	$ 124,332,094	$ 7,071,069	$ 136,018	$ -	$ 131,539,181

At June 30, 2022, the Medical Center has projects in progress to construct and improve various routine, ancillary, and support services. Projects in progress include major repair and expansion projects on the Medical Center's premises. Total expenditures for the years ended June 30, 2022 and 2021, related to construction in progress were $17,267,285 and $14,790,875, respectively. At June 30, 2022, the remaining commitments of the Medical Center for future payments on these projects are estimated at approximately $12,135,000.

El Centro Regional Medical Center
An Enterprise Fund of the City of El Centro
Notes to Financial Statements

Note 6: Capital Assets (Continued)

Intangible right-to-use buildings and equipment, included in capital assets - net, were as follows for the years ended June 30:

	Balance July 1, 2021	Additions	Deletions	Expirations	Balance June 30, 2022
Intangible right-to-use capital assets:					
Buildings and improvements	$ 1,211,037	$ 694,215	$ -	$ -	$ 1,905,252
Equipment	11,030,407	1,468,958	-	-	12,499,365
Total intangible right-to-use capital assets	12,241,444	2,163,173	-	-	14,404,617
Less - Accumulated depreciation:					
Buildings and improvements	536,866	560,363	-	-	1,097,229
Equipment	3,255,487	1,676,319	-	-	4,931,806
Total accumulated depreciation	3,792,353	2,236,682	-	-	6,029,035
Intangible right-to-use capital assets - Net	$ 8,449,091	$ (73,509)	$ -	$ -	$ 8,375,582

	Balance June 30, 2020	Additions	Deletions	Expirations	Balance June 30, 2021
Intangible right-to-use capital assets:					
Buildings and improvements	$ 1,346,091	$ -	$ -	$ (135,054)	$ 1,211,037
Equipment	10,647,262	850,620	-	(467,475)	11,030,407
Total intangible right-to-use capital assets	11,993,353	850,620	-	(602,529)	12,241,444
Less - Accumulated depreciation:					
Buildings and improvements	135,054	536,866	-	(135,054)	536,866
Equipment	1,925,815	1,797,147	-	(467,475)	3,255,487
Total accumulated depreciation	2,060,869	2,334,013	-	(602,529)	3,792,353
Intangible right-to-use capital assets - Net	$ 9,932,484	$ (1,483,393)	$ -	$ -	$ 8,449,091

Certain reclassifications were made to 2021 activity to conform to the 2022 presentation.

Note 7: Bonds and Financed Purchases Payable

Changes in bonds and financed purchases payable consisted of the following for the years ended June 30:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due within one year
Series 2018	$ 125,000,000	$ -	$ -	$ 125,000,000	$ 1,175,000
Financed purchases	100,001	205,000	45,334	259,667	70,208
Series 2018 discount	(9,200,635)	-	249,791	(8,950,844)	-
Bonds and financed purchases payable	$ 115,899,366	$ 205,000	$ 295,125	$ 116,308,823	$ 1,245,208

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Due within one year
Series 2018	$ 125,000,000	$ -	$ -	$ 125,000,000	$ -
Financed purchases	126,968	-	26,967	100,001	30,285
Series 2018 discount	(9,450,426)	-	249,791	(9,200,635)	-
Bonds and financed purchases payable	$ 115,676,542	$ -	$ 276,758	$ 115,899,366	$ 30,285

The terms and due dates of the Medical Center's bonds and financed purchases payable at June 30, 2022, follow:

Series 2018 - Direct Placement

On April 4, 2018, the Medical Center issued the El Centro Financing Authority Hospital Revenue Refunding Bonds, Series 2018, (the Bonds) in the principal amount of $125,000,000 and an original discount of $9,991,639. Proceeds of the bonds were used to pay in full the Series 2015 A and B bonds, fund a bond reserve account, fund capitalized interest on the Series 2018 bonds, and pay issuance costs of the Series 2018 bonds. Proceeds will also be used to finance capital improvements to the Medical Center. Principal payments are due annually on July 1, beginning in 2022 and through 2058, in amounts ranging from $1,175,000 to $7,650,000. Interest payments are due semiannually on July 1 and January 1, beginning in 2018 and through 2058, at 4.50% to 5.75%.

The Bonds are supported by installment purchase payments that constitute special limited obligations of the City, secured solely by Medical Center revenues. Revenues are defined in the agreement as all revenues, income, receipts, and money received in any period by the Medical Center (other than casualty insurance, donor-restricted gifts, grants, bequests, donations, contributions, and tax revenues, if any). Neither the faith and credit nor the taxing power of the City is pledged to the repayment of the Bonds. The Bonds do not constitute a debt of the City and are non-recourse to the City's General Fund.

Note 7: Bonds and Financed Purchases Payable (Continued)

Principal and interest amounts deposited for debt service on the bonds are expected to require approximately 5% of revenues annually. There were no principal deposits required and two interest deposits required totaling $6,915,312 during the year ended June 30, 2022, and total revenues as defined in the agreement were $161,734,135.

The Medical Center did not meet the debt service coverage or deposit account control agreement (DACA) covenants as required by the Series 2018 bond agreement, which is considered an event of default, and waivers were not granted. In accordance with the terms of the Series 2018 bond agreement, the bond Trustee may declare the principal of all the bonds outstanding, including interest accrued, to be due and payable immediately and, as such, the outstanding balance of the Series 2018 bonds as of June 30, 2022 has been classified as a current liability within the accompanying statements of net position.

In addition, after an event of default the Trustèe may increase the interest rate by 5.0% per annum.

Financed Purchases Payable

The Medical Center has entered into three financed purchase agreements for equipment. The agreements mature between August 2023 and March 2027 and have interest rates between 3.00% and 3.50%.

Scheduled principal and interest payments on bonds and financed purchases payable, including current maturities, are summarized as follows at June 30, 2022:

	Principal	Interest
2023	$ 1,245,208	$ 6,923,275
2024	1,291,838	6,868,128
2025	1,342,390	6,810,730
2026	1,387,779	6,751,235
2027	1,438,079	6,689,221
2028-2032	8,035,000	32,421,185
2033-2037	10,390,000	30,065,835
2038-2042	13,580,000	26,876,385
2043-2047	17,750,000	22,707,935
2048-2052	23,235,000	17,223,723
2053-2057	30,685,000	9,769,536
2058-2062	14,879,373	1,295,762
Totals	$ 125,259,667	$ 174,402,950

The Medical Center incurred $7,390,971 and $7,447,994 in interest during the years ended June 30, 2022 and 2021, respectively, on all debt, including the bonds, financed purchases, and leases payable. The Medical Center capitalized $0 and $2,790,836 of interest expense during 2022 and 2021, respectively.

Note 8: Leases

Changes in leases payable consisted of the following for the years ended June 30:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due within one year
Konica Minolta	$ 53,957	$ -	$ (26,445)	$ 27,512	$ 27,512
Intuitive Surgical	906,652	-	(326,164)	580,488	336,084
GE Lease A	52,319	-	(24,623)	27,696	25,527
GE Lease B	1,410,615	-	(634,372)	776,243	662,895
GE Lease C	100,893	-	(45,347)	55,546	47,431
GE Lease D	22,587	-	(10,552)	12,035	11,086
Calexico clinic	255,761	430,350	(255,761)	430,350	394,488
Stryker Beds	1,469,315	-	(243,525)	1,225,790	248,475
MedOne Pumps	1,377,119	-	(202,169)	1,174,950	206,278
Regents Capital	517,392	-	(187,668)	329,724	118,545
Interventional Radiology	326,204	-	(92,095)	234,109	69,714
Insight Olympus	-	532,995	(40,853)	492,142	170,110
Shared Imaging	-	829,834	(87,371)	742,463	269,201
Other leases payable	1,810,258	278,565	(651,329)	1,437,494	737,872
Leases payable	$ 8,303,072	$ 2,071,744	$ (2,828,274)	$ 7,546,542	$ 3,325,218

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Due within one year
Konica Minolta	$ 160,330	$ -	$ (106,373)	$ 53,957	$ 53,957
Intuitive Surgical	1,223,187	-	(316,535)	906,652	326,163
GE Lease A	76,071	-	(23,752)	52,319	24,623
GE Lease B	2,017,685	-	(607,070)	1,410,615	634,365
GE Lease C	144,248	-	(43,355)	100,893	45,348
GE Lease D	32,631	-	(10,044)	22,587	10,552
Calexico clinic	509,316	-	(253,555)	255,761	255,761
Stryker Beds	1,708,055	-	(238,740)	1,469,315	243,559
MedOne Pumps	1,487,456	-	(110,337)	1,377,119	204,006
Regents Capital	520,000	100,182	(102,790)	517,392	109,576
Interventional Radiology	-	532,635	(206,431)	326,204	66,170
Other leases payable	2,296,754	264,128	(750,624)	1,810,258	682,622
Leases payable	$ 10,175,733	$ 896,945	$ (2,769,606)	$ 8,303,072	$ 2,656,702

Note 8: Leases (Continued)

The terms and expiration dates of the Medical Center's leases payable at June 30, 2022, follow:

Intuitive Surgical - Lease agreement dated August 2018 in the original principal amount of $1,804,000, due in monthly installments of $29,075, including imputed interest at 3.00%, through March 2024, collateralized by leased equipment.

GE Lease B - Lease agreement dated September 2018 in the original principal amount of $3,000,000, due in monthly installments of $56,986, including imputed interest at 4.41%, through August 2023, collateralized by leased equipment.

Calexico clinic - Lease agreement dated July 2017 in the original principal amount of $1,200,933, due in monthly installments of $22,117, including imputed interest at 4.00%, through June 2022, for building space. The lease had an addition of $430,350, due in monthly installments of $35,863.

Stryker Beds - Lease agreement dated April 2020 in the original principal amount of $1,766,998, due in monthly installments of $22,560, including imputed interest at 2.00%, through March 2027, collateralized by leased equipment.

MedOne Pumps - Lease agreement dated June 2020 in the original principal amount of $1,487,456, due in monthly installments of $18,991, including imputed interest at 2.00%, through June 2027, collateralized by leased equipment.

Interventional Radiology - Lease agreement dated December 2020 in the original principal amount of $532,635, due in monthly installments of $6,501, including interest at 4.00%, through January 2026, collateralized by leased equipment.

Insight Olympus - Lease agreement dated April 2022 in the original principal amount of $532,995, due in monthly installments of $16,134, including imputed interest at 5.67%, through March 2025.

Alcon Luxor - Lease agreement dated March 2022 in the original principal amount of $205,000, due in monthly installments of $3,729, including imputed interest at 3.50%, through March 2027.

Shared Imaging - Lease agreement dated March 2022 in the original principal amount of $829,834, due in monthly installments of $24,500, including imputed interest at 4.00%, through March 2025.

The Medical Center has entered into various other lease agreements due in monthly installments from $520 to $18,028, including interest from 0% to 4.95%, expiring from June 2022 to June 2025, collateralized by various leased assets.

The Medical Center has also entered into rental agreements that do not meet the criteria for capitalization, with related rentals charged to operations as incurred. Rental expense for these agreements amounted to $1,032,006 and $1,159,750 for the years ended June 30, 2022 and 2021, respectively.

Note 8: Leases (Continued)

Future minimum lease payments as of June 30, 2022, are:

	Principal	Interest	Total
2023	$ 3,325,218	$ 143,000	$ 3,468,218
2024	1,904,975	73,836	1,978,811
2025	1,249,837	36,512	1,286,349
2026	545,456	16,074	561,530
2027	424,835	6,131	430,966
2028-2032	96,221	539	96,760
Totals	$ 7,546,542	$ 276,092	$ 7,822,634

Note 9: Self-Insurance Liabilities

Changes in the Medical Center's medical benefits self-insurance liability during the years ended June 30, 2022 and 2021, were as follows:

Balance - June 30, 2020	$ 779,635
Current year claims and changes in estimate	251,711
Claim payments	(124,882)
Balance - June 30, 2021	906,464
Current year claims and changes in estimate	(6,659,811)
Claim payments	6,635,110
Balance - June 30, 2022	$ 881,763

Changes in the Medical Center's workers' compensation self-insurance liability during the years ended June 30, 2022 and 2021, were as follows:

Balance - June 30, 2020	$ 2,707,728
Current year claims and changes in estimate	317,393
Claim payments	(1,206,140)
Balance - June 30, 2021	1,818,981
Current year claims and changes in estimate	882,681
Claim payments	(1,074,626)
Balance - June 30, 2022	$ 1,627,036

Note 10: Net Patient Service Revenue

Net patient service revenue consisted of the following for the years ended June 30:

	2022	2021
Gross patient service revenue:		
Inpatient services	$ 287,684,576	$ 317,347,158
Outpatient services	505,262,157	436,022,846
Total gross patient service revenue	792,946,733	753,370,004
Less:		
Contractual adjustments	628,841,577	584,476,348
Provision for bad debts	5,694,516	11,356,768
Net patient service revenue	$ 158,410,640	$ 157,536,888

Revenue from the Medicare and Medi-Cal programs accounted for approximately 40% and 34%, respectively, of net patient service revenue for the year ended June 30, 2022, and 45% and 34%, respectively, of net patient service revenue for the year ended June 30, 2021.

Net Medicare and Medi-Cal program patient service revenue amounted to $119,085,008 and $124,052,462 for the years ended June 30, 2022 and 2021, respectively.

Note 11: Charity Care

The Medical Center provides healthcare services and other financial support through various programs that are designed, among other matters, to enhance the health of the community, including the health of low income patients. The Medical Center gives discounts from established charges to self-pay patients without regard for ability to pay and considers these discounts a part of its community benefit.

Patients who meet certain criteria for charity care, generally based on federal poverty guidelines, are provided care based on qualifying criteria as defined in the Medical Center's charity care policy and from applications completed by patients and their families.

The Medical Center maintains records to identify and monitor the level of charity care it provides. The amount of charges foregone for services and supplies furnished under the Medical Center's charity care policy aggregated $4,524,644 and $3,841,905 for the years ended June 30, 2022 and 2021, respectively.

Note 12: Employees' Retirement Plan

Defined Benefit Plan

Plan Description - The Retirement Plan is a single-employer defined benefit pension plan sponsored and administered by the Medical Center. The Retirement Plan covers all employees of the Medical Center hired before January 1, 2010. Employees first hired after December 31, 2009, are not eligible to participate in the Retirement Plan. The Retirement Plan provides retirement and death benefits to participants and its beneficiaries. The Retirement Plan is administered by a retirement plan committee appointed by the Board of Trustees of the Medical Center.

Benefits Provided - The Retirement Plan provides retirement and death benefits. Retirement benefits are calculated as the greater of (a) 65% of Final Earnings, reduced proportionately for Years of Credited Service less than 25, (b) 70% of final earnings, reduced proportionately for years of credited service less than 35 or (c) the benefit provided by a participant's accumulated employee contributions. Final earnings is defined as the highest three-year consecutive average compensation. Normal retirement is the later of age 65 and the 5th anniversary of hire. Early retirement is available at age 55 based on credited service to the date of retirement, with a benefit that is actuarially reduced for commencement prior to the normal retirement date. Death benefits are paid as a lump sum equal to the greater of the present value of the participant's accrued benefit or the participant's accumulated employee contributions.

Employees covered at June 30, 2021, by the benefit terms for the Plan are as follows:

Inactive employees (or their beneficiaries) currently receiving benefits	326
Inactive employees entitled to but not yet receiving benefits	987
Active employees	289
Total	1,602

As of January 1, 2010, the Retirement Plan was closed to new entrants.

Contributions - The Retirement Plan's funding policy provides for annual employer contributions at actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Medical Center is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the fiscal year ended June 30, 2021, participants contributed 6.00% of their annual pay, and the Medical Center's average contribution rate was 23.73% of annual payroll. The contribution requirements of participants and the Medical Center are established and may be amended by the Medical Center's Board of Trustees.

Net Pension Liability - The Medical Center's net pension liability was measured as of June 30, 2021, 12 months prior to statement of net position date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Note 12: Employees' Retirement Plan (Continued)

Defined Benefit Plan (Continued)

Actuarial Assumptions - The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.0%
Salary increases	2.0% including inflation
Investment rate of return	7.25% net pension plan expense, including inflation

Mortality rates were based on the Society of Actuaries RP 2014 Table with the MP2020 adjustment for males or females, as appropriate.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for June 30, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	20.00 %	8.0 %
International equities	10.00 %	- %
Convertible bonds	10.00 %	- %
Fixed income	25.00 %	3.5 %
Alternative investments	35.00 %	7.0 %
Cash	- %	(1.0)%
Totals	100.00 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that participant contributions will be made at 6.00% effective July 1, 2021. Based on those assumptions, the Retirement Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 12: Employees' Retirement Plan (Continued)

Changes in the Net Pension Liability

	Total Pension Liability	Plan Net Position	Net Pension Liability (Asset)
Balances as of June 30, 2021	$ 117,039,100	$ 73,426,000	$ 43,613,100
Changes for the year:			
Service cost incurred	853,900	-	853,900
Interest on total pension liability	8,311,300	-	8,311,300
Actuarial liability loss (gain)	6,475,400	-	6,475,400
Changes in assumptions	(440,000)	-	(440,000)
Retiree liability transferred to Prudential	(531,400)	-	(531,400)
Benefit payments	(6,248,700)	(6,248,700)	-
Contributions - Employer	-	5,400,000	(5,400,000)
Contributions - Employee	-	1,317,900	(1,317,900)
Net investment income	-	13,295,000	(13,295,000)
Annuity purchases at Prudential	-	(689,300)	689,300
Administrative expense	-	(160,300)	160,300
Current-year net changes	8,420,500	12,914,600	(4,494,100)
Balances as of June 30, 2022	$ 125,459,600	$ 86,340,600	$ 39,119,000

	Total Pension Liability	Plan Net Position	Net Pension Liability (Asset)
Balances as of June 30, 2020	$ 112,210,300	$ 65,028,100	$ 47,182,200
Changes for the year:			
Service cost incurred	882,300	-	882,300
Interest on total pension liability	7,988,000	-	7,988,000
Actuarial liability loss (gain)	1,729,400	-	1,729,400
Changes in assumptions	(318,900)	-	(318,900)
Benefit payments	(5,452,000)	(5,452,000)	-
Contributions - Employer	-	5,400,000	(5,400,000)
Contributions - Employee	-	1,326,000	(1,326,000)
Net investment income	-	7,177,200	(7,177,200)
Administrative expense	-	(53,300)	53,300
Current-year net changes	4,828,800	8,397,900	(3,569,100)
Balances as of June 30, 2021	$ 117,039,100	$ 73,426,000	$ 43,613,100

Note 12: Employees' Retirement Plan (Continued)

Changes in the Net Pension Liability (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Medical Center, calculated using the discount rate, as well as what the Medical Center's net pension liability would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate:

	2022	2021
1% decrease	6.25 %	6.25 %
Net pension liability	$ 52,302,500	$ 56,861,900
Current discount rate	7.25 %	7.25 %
Net pension liability	$ 39,119,000	$ 43,613,100
1% increase	8.25 %	8.25 %
Net pension liability	$ 25,422,900	$ 32,783,000

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2022 and 2021, the Medical Center recognized pension expense of $5,135,200 and $4,376,700, respectively.

Note 12: Employees' Retirement Plan (Continued)

Defined Benefit Plan (Continued)

At June 30, 2022, the Medical Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 2,670,800	$ -
Changes in assumptions	-	181,500
Net differences between projected and actual earnings on plan investments	-	7,266,700
Contributions made after the measurement date of June 30, 2021	5,331,100	-
Totals	$ 8,001,900	$ 7,448,200

At June 30, 2021, the Medical Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 368,700	$ -
Changes in assumptions	-	68,000
Net differences between projected and actual earnings on plan investments	-	796,600
Contributions made after the measurement date of June 30, 2020	5,400,000	-
Totals	$ 5,768,700	$ 864,600

Contributions made after the measurement dates reported as deferred outflows of resources will be recognized as reductions of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2022, will be recognized as pension expense as follows:

	Recognized deferred Inflows/Outflows
2023	$ 736,300
2024	(1,932,900)
2025	(2,031,100)
2026	(1,549,700)
Total	$ (4,777,400)

Note 12: Employees' Retirement Plan (Continued)

Defined Benefit Plan (Continued)

The Plan categorizes its fair value measurements within the fair value hierarchy established by GAAP. The Plan has the following recurring fair value measurements as of June 30, 2021:

	Level 1	Level 2	Level 3	Total Assets
Marketable and equity securities:				
U.S. Treasury notes	$ -	$ 5,555,000	$ -	$ 5,555,000
Government agency notes	-	4,644,400	-	4,644,400
Fixed income mutual funds	9,681,000	-	-	9,681,000
Convertible bonds	-	8,842,700	-	8,842,700
Common stock ADRs	27,515,900	-	-	27,515,900
Preferred stock	158,300	-	-	158,300
Total marketable and equity securities	37,355,200	19,042,100	-	56,397,300
Limited partnerships - International	-	-	27,629,100	27,629,100
Totals	$ 37,355,200	$ 19,042,100	$ 27,629,100	$ 84,026,400

The Plan has the following recurring fair value measurements as of June 30, 2020:

	Level 1	Level 2	Level 3	Total Assets
Marketable and equity securities:				
Insurance company guaranteed deposit account	$ -	$ -	$ 3,117,300	$ 3,117,300
U.S. Treasury notes	-	2,827,600	-	2,827,600
Government agency notes	-	4,681,300	-	4,681,300
Fixed income mutual funds	7,681,100	-	-	7,681,100
Convertible bonds	-	7,649,100	-	7,649,100
Common stock ADRs	19,788,500	-	-	19,788,500
Preferred stock	294,500	-	-	294,500
Total marketable and equity securities	27,764,100	15,158,000	3,117,300	46,039,400
Limited partnerships - International	-	-	23,391,800	23,391,800
Totals	$ 27,764,100	$ 15,158,000	$ 26,509,100	$ 69,431,200

Note 12: Employees' Retirement Plan (Continued)

Defined Benefit Plan (Continued)

Interest rate risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The U.S. Treasury notes have maturities ranging from 2-24 years, the goverment agency notes have maturities ranging from 4-28 years, and the convertible bonds have maturities ranging from 1-27 years.

Credit risk - The U.S. Treasury notes and government agency notes consist of funds with AAA and credit ratings. The remaining investments are not disclosed.

Fixed income and equity classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. The guaranteed deposit classified as Level 3 is valued using consensus pricing.

Limited partnerships - International classified as Level 3 are valued using the NAV per share. These multi strategy hedge funds invest in equities, private investments, and other financial instruments and offer quarterly redemption rights to share owners in the fund, with redemption notice periods ranging from 10 to 15 days.

Defined Contribution Plan

The Medical Center contributes to the El Centro Regional Medical Center Defined Contribution Plan (401a) (DCP), a defined contribution plan, for its employees hired after January 1, 2010, and not enrolled in the defined benefit plan. DCP is administered by the Medical Center.

Benefit terms, including contribution requirements, for DCP are established by the Medical Center. The Medical Center is required to match employee contribution percentages. Employees enrolled in this plan contributed 6.00% and 6.00% of their gross payroll in fiscal year 2021 and 2022, respectively. Employees are immediately vested upon entering the DCP.

The Medical Center's contributions to this plan were $1,620,805 and $1,494,727 for the years ended June 30, 2022 and 2021, respectively.

Note 13: Contingencies

Malpractice and workers' compensation claims have been asserted against the Medical Center by various claimants. The claims are in various stages of processing, and some may ultimately be brought to trial. There are also known incidents that have occurred through June 30, 2022, that may result in the assertion of additional claims. Medical Center management has accrued an estimate of these contingent losses.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Over the last several years, government activity has increased with respect to investigations and allegations concerning possible violations of regulations by health care providers, which could result in the imposition of significant fines and penalties, as well as significant repayment of previously billed and collected revenue for patient services. Other than the issue discussed above, management believes that the Medical Center is in compliance with current laws and regulations and that any potential liability arising from compliance issues have been properly reflected in the Medical Center's financial statements or are not considered to be material to the Medical Center's financial position and results of operations as of and for the year ended June 30, 2022.

As disclosed in Note 2, the Medicare and Medi-Cal government reimbursement programs account for a substantial amount of the Medical Center's net patient service revenue. Expenditure reduction efforts and budget concerns within the United States and California legislature continue to create uncertainty over the amount of future health care funding. It is at least reasonably possible that future reimbursements for patient services under these programs could be negatively impacted.

Note 14: Concentration of Credit Risk

Financial instruments that potentially subject the Medical Center to credit risk consist principally of patient accounts receivable. Patient accounts receivable consist of amounts due from patients, their insurers, or governmental agencies (primarily Medicare and Medi-Cal) for health care provided to the patients. The majority of the Medical Center's patients are from El Centro, California, and the surrounding area.

The mix of receivables from patients and third-party payors consisted of the following at June 30:

	2022	2021
Medi-Cal	34 %	33 %
Medicare	44 %	43 %
Insurance and third-party payors	19 %	21 %
Self-pay	3 %	3 %
Totals	100 %	100 %

Note 15: Medicare Advance Payment

As a result of the COVID-19 pandemic, CMS offered an accelerated and advance payment program which gave healthcare providers the opportunity to receive an advance on future Medicare payments. The Medical Center received a Medicare Advance Payment of $22,948,343 in April 2020. Repayment of the Medicare Advance Payment began 12 months after receipt of the advance, with a portion of Medicare payments being withheld until the advance is paid-in-full. Medicare is withholding 25% of net Medicare payments during the 12th through 23rd months after the original advance and 50% of net Medicare payments during the 24th through 29th months after the original advance. Interest will be charged on any remaining balance after the 29th month at an annual rate of 4.0%. The Medical Center reported a Medicare Advance Payment liability totaling $7,082,862 at June 30, 2022, which is reported as a refundable advance in the accompanying statements of net position. The current portion of the refundable advance is management's estimate of the amount to be repaid within the next fiscal year.

Note 16: COVID-19 Relief Funds and Grant Revenue

The Medical Center received $13,256,528 and $1,287,553 in grant funding from the HHS Provider Relief Fund, which was established as a result of the CARES Act, during the years ended June 30, 2021 and 2022, respectively. Based on the terms and conditions of the grant, the Medical Center earns the grant by incurring healthcare-related expenses attributable to COVID-19 that another source has not reimbursed and is not obligated to reimburse, or by incurring lost revenues as defined by HHS. During 2021 and 2022, the Medical Center recognized approximately $1.3 million and $14 million, respectively, in grant revenue related to this program, which reflects management's estimate of the amount of the grant earned.

Note 17: Reclassifications

Certain reclassifications have been made to the 2021 financial statements to conform to the 2022 classifications.

Note 18: Going Concern Contingency

As indicated in the accompanying financial statements, the Medical Center showed a decrease in net assets of $24,740,437 during the year ended June 30, 2022. As of that date, the Medical Center's current liabilities exceeded its current assets by $99,986,266, and its total assets exceeded its total liabilities by $19,525,071. Those factors, as well as the uncertain conditions that the Medical Center faces regarding its Series 2018 bond agreement (as discussed in Note 7), create an uncertainty about the Medical Center's ability to continue as a going concern. Management of the Medical Center is developing a plan to reduce its liabilities and improve operating income. The ability of the Medical Center to continue as a going concern is dependent on acceptance of the plan. The financial statements do not include any adjustments that might be necessary if the Medical Center is unable to continue as a going concern.

Required Supplementary Information

El Centro Regional Medical Center
An Enterprise Fund of the City of El Centro

Schedule of Changes in the Net Pension Liability and Related Ratios
Years Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015
Measurement date:	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total pension liability:								
Service costs	$ 853,900	$ 882,300	$ 958,700	$ 1,012,200	$ 1,179,700	$ 1,241,300	$ 1,460,700	$ 1,586,900
Interest	8,311,300	7,988,000	7,872,800	7,327,500	6,889,400	6,525,700	6,129,100	5,589,400
Actuarial liability loss	6,475,400	1,729,400	(1,946,200)	4,954,000	4,980,600	1,576,800	1,346,000	3,839,500
Change in assumptions	(440,000)	(318,900)	(274,900)	(483,000)	577,200	115,800	109,000	(295,300)
Retiree liability transferred to Prudential	(531,400)	-	-	-	-	-	-	-
Benefit payments, including return of participant contributions	(6,248,700)	(5,452,000)	(4,616,200)	(5,263,000)	(4,264,400)	(4,219,900)	(3,646,300)	(3,308,000)
Net change in total pension liability	8,420,500	4,828,800	1,994,200	7,547,700	9,362,500	5,239,700	5,398,500	7,412,500
Total pension liability - Beginning	117,039,100	112,210,300	110,216,100	102,668,400	93,305,900	88,066,200	82,667,700	75,255,200
Total pension liability - Ending	125,459,600	117,039,100	112,210,300	110,216,100	102,668,400	93,305,900	88,066,200	82,667,700
Plan fiduciary net position:								
Contributions by Medical Center	5,400,000	5,400,000	4,780,300	4,064,100	3,347,900	3,239,400	3,716,700	3,323,900
Contributions by participants	1,317,900	1,326,000	1,303,200	1,288,400	1,371,800	1,356,200	1,333,700	1,330,700
Net investment income	13,295,000	7,177,200	3,902,200	3,198,800	1,676,400	66,800	2,334,200	4,166,900
Benefit payments, including return of participant contributions	(6,248,700)	(5,452,000)	(4,616,200)	(5,263,000)	(4,264,400)	(4,219,900)	(3,646,300)	(3,308,000)
Annuity purchases at Prudential	(689,300)	-	-	-	-	-	-	-
Administrative expense	(160,300)	(53,300)	(42,300)	(40,300)	(38,500)	(36,600)	(32,700)	(29,300)
Net change in plan fiduciary net position	12,914,600	8,397,900	5,327,200	3,248,000	2,093,200	405,900	3,705,600	5,484,200
Plan fiduciary net position - Beginning	73,426,000	65,028,100	59,700,900	56,452,900	54,359,700	53,953,800	50,248,200	44,764,000
Plan fiduciary net position - Ending	86,340,600	73,426,000	65,028,100	59,700,900	56,452,900	54,359,700	53,953,800	50,248,200
Medical Center's net pension liability	$ 39,119,000	$ 43,613,100	$ 47,182,200	$ 50,515,200	$ 46,215,500	$ 38,946,200	$ 34,112,400	$ 32,419,500
Plan fiduciary net position as a percentage of the total pension liability	68.82 %	62.74 %	57.95 %	54.17 %	54.99 %	58.26 %	61.27 %	60.78 %
Covered payroll	$ 22,757,900	$ 23,156,600	$ 23,655,000	$ 25,425,100	$ 26,162,900	$ 27,097,600	$ 27,657,600	$ 29,865,900
Medical Center's net pension liability as a percentage of covered payroll	171.89 %	188.34 %	199.46 %	198.68 %	176.65 %	143.73 %	123.34 %	108.55 %

El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

Schedule of Changes in the Net Pension Liability and Related Ratios (Continued)

Notes to Schedule

This schedule is intended to present information for the last 10 years. Additional information will be presented as it becomes available.

Changes in assumptions:

The mortality assumption was changed from the Society of Actuaries' RP2014 Table with MP2019 for males or females to the Society of Actuaries' RP 2014 Table with MP2020 for males or females.

El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

Schedule of Pension Contributions

Years Ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 5,400,000	$ 5,400,000	$ 5,400,000	$ 4,780,300	$ 4,064,100	$ 3,347,900	$ 3,239,400	$ 3,323,900
Contributions in relation to the actuarially determined contribution	5,400,000	5,400,000	5,400,000	4,780,300	4,064,100	3,347,900	3,239,400	3,323,900
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	Not available	$ 22,757,900	$23,156,600	$ 23,655,000	$ 25,425,100	$ 26,162,900	$ 27,097,600	$ 27,657,600
Contributions as a percentage of covered employee payroll	Not available	23.73 %	23.32 %	20.21 %	15.98 %	12.80 %	11.95 %	12.02 %

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of the July 1st prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	11.5 years
Asset valuation method	5-year smoothed market
Inflation	2.0%
Salary increases	2.0%
Investment rate of return	7.25%
Discount rate	7.25%
Retirement age	65 years
Mortality	Mortality rates were based on the Society of Actuaries RP 2014 Table with the MP 2020 for males or females, as appropriate.

See Independent Auditor's Report.

El Centro Regional Medical Center
An Enterprise Fund of the City of El Centro

Schedule of Investment Returns
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014
Annual money - weighted rate of return, net of investment expense	17.68 %	10.82 %	6.40 %	5.68 %	3.07 %	0.12 %	4.53 %	9.07 %

* This schedule is intended to present information for the last 10 years. Additional information will be presented as it becomes available.

WIPFLI

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, Based on an Audit of Financial Statements Performed in Accordance with *Goverment Auditing Standards*

Board of Trustees
El Centro Regional Medical Center
An Enterprise Fund of the City of El Centro
El Centro, California

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of El Centro Regional Medical Center, an Enterprise Fund of the City of El Centro, as of and for the year ended June 30, 2022, the Pension Trust Fund as of and for the year ended June 30, 2021 (collectively the "Medical Center"), and the related notes to the financial statements, which comprise the Medical Center's basic financial statements as listed in the table of contents, and have issued our report thereon dated March 27, 2023.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control that we consider to be a significant deficiency, which is described in the accompanying schedule of findings and responses as item 2022.001.

Compliance and Other Matters

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

Purpose of This Report

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

Wipfli LLP

Wipfli LLP

Spokane, Washington
March 27, 2023

Finding 2022.001 - Patient Receivables Allowances for Contractual Adjustments and Doubtful Accounts

Condition: Patient receivables allowances for contractual adjustments and doubtful accounts (the "allowances") is a significant estimate to the Medical Center's financial statements. Management is responsible for establishing policies and procedures to estimate the allowances to ensure the estimate is reasonable and adjustments are made timely.

Criteria: Internal controls and procedures should provide for proper monitoring of the allowances to ensure the estimates are reasonable and adjustments are made timely for both year-end and interim financial reporting.

Cause: Internal controls and procedures did not provide for proper monitoring and timely adjustment of the allowances during the year.

Effect: The allowances required significant adjustments after the year-end trial balance was provided for the audit.

View of responsible officials: The Medical Center will review its policies and procedures related to the allowances and make changes as needed to ensure the estimates are reasonable and any necessary adjustments are made timely.

El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

Schedule of Prior-Year Findings and Responses

Year Ended June 30, 2022

There were no findings in the June 30, 2021 report.

WIPFLI

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Spokane, WA 99201

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March 27, 2023

Board of Trustees
El Centro Regional Medical Center,
an Enterprise Fund of the City of El Centro, California

To the Board of Trustees:

We have audited the financial statements of El Centro Regional Medical Center, an Enterprise Fund of El Centro, California (the "Medical Center") for the years ended June 30, 2022 and 2021, and have issued our report thereon dated March 27, 2023. Professional standards require that we provide you with the following information related to our audit:

Our Responsibility Under Auditing Standards Generally Accepted in the United States and *Government Auditing Standards*

As stated in our engagement letter dated August 3, 2022, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Medical Center's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope, timing, and with respect to significant risks identified by us, all of which were previously communicated to your representative, Dr. Adolphe Edward, CEO, in addition to our engagement letter dated August 3, 2022, accepted by Dr. Adolphe Edward, CEO.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Medical Center are described in Note 1 to the financial statements. As described in Note 1, the Medical Center changed accounting policies related to accounting and disclosure of interest costs by adopting GASB Statement no. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, as of June 30, 2022. Accordingly, the accounting change has been prospectively applied and had no impact on previously reported net position.

We noted no transactions entered into by the Medical Center during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- The adequacy of the allowance for accounts receivable is one of the most subjective estimates affecting the financial statements. The allowance for accounts receivable is maintained at a level which management believes is adequate to provide for possible write-offs. Management periodically evaluates the adequacy of the allowance using the Medical Center's past bad debt experience, known and inherent risks in accounts receivable, current economic conditions, and other relevant factors. We evaluated the key factors and assumptions used to develop the allowance for accounts receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

- The contractual allowances on accounts receivable is also an estimate that is maintained at levels management believes are adequate to provide for the contractual discounts on accounts receivable from third-party payors. Management periodically evaluates the adequacy of the contractual adjustments using the Medical Center's past experience with the third-party payors, current third-party payor contracts, and other relevant factors. We evaluated the key factors and assumptions used to develop the contractual allowances on accounts receivable after audit adjustments in determining that is reasonable in relation to the financial statements taken as a whole.

- The estimated final settlements on the Medicare cost reports and Medi-Cal cost reports are based on audits conducted by the fiscal intermediary. Management periodically evaluates the adequacy of the balance using the Medical Center's experience, known and inherent risks in the preparation of these cost reports, and risks associated with doing business in the health care industry. We reviewed the estimated settlements recorded for each open year to determine the reasonableness of the estimates based on the results of previous audits by the fiscal intermediary.

- The adequacy of the reserves for self-funded health insurance and workers' compensation claims is also subjective. The reserves for health insurance and workers' compensation claims are maintained at levels which management believes are adequate to cover claims incurred during the year ended June 30, 2022, but not paid until after the year ended June 30, 2022. Management periodically evaluates the reserves using the Medical Center's past experience, known claims, and other relevant factors.

We evaluated the key factors and assumptions used to develop the reserves for health insurance and workers' compensation claims in determining that they are reasonable in relation to the financial statements.

- The adequacy of the estimated liability for the net pension obligation is subjective and contingent upon the assumptions used in the actuarial study and roll forward of that study to the reporting date. We evaluated key factors and assumptions used to develop the net pension obligation, and the related deferred outflows and inflows, in determining that they are reasonable in relation to the financial statements.

- The amount of grant funding from the U.S. Department of Health and Human Services Provider Relief Fund recognized into grant revenue is based on management's estimate of the amount of the grant earned as of June 30, 2022 using the reporting guidance available at the time the financial statements were available to be issued.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was (were):

- The disclosure of reimbursement arrangements with third-party payors in Note 2 to the financial statements.
- The disclosure of retirement plans in Note 12 to the financial statements.
- The disclosure of self-funded insurance liabilities in Note 9 to the financial statements.
- The disclosure of the going concern contingency in Note 18 to the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

One adjustment that had a significant impact on net position was proposed as a result of audit procedures and adjusted by management:

- The allowances for contractual adjustments and doubtful accounts on patient accounts receivable were adjusted, reducing net position by approximately $2,862,000.

In addition, the Medical Center proposed and recorded 7 adjusting journal entries during the audit, two of which had a significant impact on net position:

- The allowances for contractual adjustments and doubtful accounts on patient accounts receivable were adjusted, reducing net position by approximately $7,588,000.
- Grant revenue was adjusted, increasing net position by approximately $1,788,000.

A complete listing of adjustments is available from management.

Disagreements With Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 27, 2023, a copy of which accompanies this letter.

Management Consultations With Other Accountants

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Medical Center's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not, in our judgment, a condition of our retention.

Note 18 to the financial statements discloses all of the matters of which we are aware that are relevant to the entity's ability to continue as a going concern, including significant conditions or events that raise substantial doubt about the Medical Center's ability to continue as a going concern for a reasonable period of time, and management's plans that are intended to mitigate the adverse effects of the conditions or events.

Our auditor's report includes a paragraph regarding the going concern. Our audit opinion is not modified with respect to this matter.

In addition, the Medical Center did not meet the debt service coverage or deposit account control agreement (DACA) covenants as required by the Series 2018 bond agreement, which is considered an event of default, and waivers were not granted. In accordance with the terms of the Series 2018 bond agreement, the bond Trustee may declare the principal of all the bonds outstanding, including interest accrued, to be due and payable immediately and, as such, the outstanding balance of the Series 2018 bonds as of June 30, 2022 has been classified as a current liability within the statements of net position.

For Internal Control related matters, please refer to the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*. This report accompanies the audited financial statements.

This communication is intended solely for the information and use of the Board of Trustees and, if appropriate, management and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the opportunity to be of service to El Centro Regional Medical Center, an Enterprise Fund of the City of El Centro.

Sincerely,

Wipfli LLP

Wipfli LLP
Spokane, Washington
March 27, 2023

Enc.

ECRMC
El Centro Regional Medical Center
An Agency Of The City Of El Centro

March 27, 2023

Wipfli LLP
201 W. North River Drive, Suite 400
Spokane, WA 99201

This representation letter is provided in connection with your audit of the financial statements of El Centro Regional Medical Center, an Enterprise Fund of the City of El Centro, California (the "Medical Center"), which comprise the statements of net position as of June 30, 2022 and 2021, and the related statements of revenue, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audits.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 3, 2022, including our responsibility for the preparation and fair presentation of the financial statements in accordance with GAAP and for the preparation of the required supplementary information in accordance with the applicable criteria.

2. The financial statements referred to above are fairly presented in conformity with GAAP and include all properly classified net position and other financial information of the Medical Center as required by GAAP to be included in the financial reporting entity.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you the identity of the Medical Center's related parties and all the related-party relationships and transactions, including any side agreements, of which we are aware. All related-party transactions were made at arm's length. We have also disclosed any changes in related-party transactions and the business purpose for entering into transactions with related parties versus unrelated parties. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of GAAP.

7. All events, including instances of noncompliance, subsequent to the date of the financial statements and for which GAAP requires adjustment or disclosure, have been adjusted or disclosed.

8. We agree with the adjusting journal entries proposed by you and that are given effect to in the financial statements.

9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with GAAP.

10. Significant estimates and material concentrations have been properly disclosed in accordance with GAAP.

11. Guarantees, whether written or oral, under which the Medical Center is contingently liable, have been properly recorded or disclosed in accordance with GAAP.

Information Provided

12. We have provided you with:

    a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.

    b. Additional information that you have requested from us for the purpose of the audit.

    c. Unrestricted access to persons within the Medical Center from who you determined it necessary to obtain audit evidence.

    d. Minutes of the meetings of the Medical Center's Board or summaries of actions of recent meetings for which minutes have not yet been prepared.

13. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

14. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

15. We have no knowledge of any fraud or suspected fraud that affects the Medical Center and involves:

a. Management,

b. Employees who have significant roles in internal control, or

c. Others where the fraud could have a material effect on the financial statements.

16. We have no knowledge of any allegations of fraud or suspected fraud affecting the Medical Center's financial statements communicated by employees, former employees, regulators, or others.

17. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws, regulations, contracts, or grant agreements whose effects should be considered when preparing financial statements.

18. We have made available to you all financial records and related data.

19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

20. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position.

21. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

22. We have no knowledge of any instances that have occurred or are likely to have occurred of fraud and noncompliance with provisions of laws and regulations which we believe have a material effect on the financial statements or other financial data significant to the audit objectives and any other instances that warrant the attention of those charged with governance, including but not limited to the following:

    a. There are no violations or possible violations of laws or regulations, such as those related to the Medicare and Medicaid antifraud and abuse statutes, including but not limited to the Medicare and Medicaid Anti-Kickback Statute, Limitations on Certain Physician Referrals (the Stark law), and the False Claims Act, in any jurisdiction, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency other than those disclosed or accrued in the financial statements.

    b. Billings to third-party payors comply in all material respects with applicable coding guidelines (for example, ICD-10-CM and CPT-4) and laws and regulations (including those dealing with Medicare and Medicaid antifraud and abuse), and billings reflect only charges for goods and services that were medically necessary; properly approved by regulatory bodies, if required; and properly rendered.

    c. There have been no communications (oral or written) from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction (including those related to the Medicare and Medicaid antifraud and abuse statutes), deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.

23. We have no knowledge of any instances that have occurred or are likely to have occurred of noncompliance with provisions of contacts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

24. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

25. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency or for reporting noncompliance.

26. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

27. There are no other liabilities and gain or loss contingencies that are required to be accrued or disclosed by accounting standards.

28. There are no unrecorded transactions and/or side agreements or other arrangements (either written or oral).

29. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

30. Inventories fairly represent the value of inventories at the lower of cost or net realizable value, with cost being determined on the basis of FIFO.

31. The Medical Center has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any material asset been pledged, except as disclosed in the notes to the financial statements.

32. The Medical Center has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

33. The Medical Center has identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.

34. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

35. The financial statements include all component units as well as joint ventures with an equity interest and properly disclose all other joint ventures and other related organizations.

36. The financial statements are properly classified in accordance with GASB Statement No. 34.

37. Components of net position (net investment in capital assets, restricted, and unrestricted as applicable) are properly classified and, if applicable, approved.

38. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.

39. Receivables recorded in the financial statements represent valid claims for charges arising on or before the statement of net position date and have been appropriately reduced to their estimated net realizable value as follows:

    a. Adequate consideration has been given to, and appropriate provision has been made for, estimated adjustments to revenue, such as for denied claims and changes to payment system assignments.

    b. Recorded valuation allowances are necessary, appropriate, and properly supported.

    c. All peer review organizations, fiscal intermediary, and third-party payor reports and information have been made available to you.

40. Provision has been made, when material, for estimated retroactive adjustments by third-party payors under reimbursement agreements. In regard to cost reports filed with third parties:

    a. All required Medicare, Medicaid, and similar reports have been properly filed on a timely basis.

    b. Management is responsible for the accuracy and propriety of all cost reports filed.

    c. All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient related and properly allocated to applicable payors.

    d. The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations.

    e. Adequate consideration has been given to, and appropriate provision has been made for, audit adjustments by intermediaries, third-party payors, or other regulatory agencies.

    f. All items required to be disclosed, including disputed costs that are being claimed to establish a basis for a subsequent appeal, have been fully disclosed in the financial statements.

    g. Recorded third-party settlements include differences between filed (and to be filed) cost reports and calculated settlements that are necessary based on historical experience or new or ambiguous regulations that may be subject to differing interpretations. While management believes the entity is entitled to all amounts claimed on the cost reports, management also believes the amounts of these differences are appropriate.

41. Expenses have been appropriately classified or allocated in the statements of revenue, expenses, and changes in net position, and any allocations have been made on a reasonable basis.

42. Revenues are appropriately classified in the statements of revenue, expenses, and changes in net position.

43. Deposits and investment securities are properly classified as to risk, and investments are properly valued and disclosed.

44. Capital assets, including intangible assets, are properly capitalized, reported, and if applicable, depreciated or amortized. We have reviewed for impairment whenever events or changes in circumstances have indicated that the carrying amount of assets might not be recoverable, and we have appropriately recorded the adjustment.

45. We have appropriately disclosed the Medical Center's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position was properly recognized under the policy.

46. The Medical Center has identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.

47. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that *near term* means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Medical Center vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.

48. The methods we used in developing accounting estimates are applied consistently, data is accurate and complete, and the assumptions are reasonable.

49. As part of your audit, you assisted with the preparation of the draft financial statements and related notes. We acknowledge our responsibility as it relates to those nonattest/nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and the SEFA.

50. We accept responsibility for and have designated an individual with suitable skill, knowledge, or experience to oversee the following nonattest services:

    a. Financial statement preparation assistance
    b. Management's discussion and analysis preparation assistance
    c. Reimbursement, operational, and accounting consulting

51. We have provided you with all of the information that is relevant to our plans to mitigate the adverse effects of conditions or events that indicate there is substantial doubt about the Medical Center's ability to continue as a going concern for at least one year after the date the financial statements are available to be issued, including our evaluation of the likelihood that those plans can be effectively implemented.

We acknowledge that the independent auditor's report and financial statements will be modified to disclose a going concern issue.

52. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines, and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

53. There have been no irregularities or instances of fraud involving management, employees who administer federal or state programs, or other employees that could have a material effect on federal and state programs.

54. We have a process to track the status of audit findings and recommendations.

55. We have identified to you any previous audits, attestation engagements, or other studies related to the audit objectives and whether related recommendations have been implemented.

56. We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.

57. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

Sincerely,

EL CENTRO REGIONAL MEDICAL CENTER, AN ENTERPRISE FUND OF THE CITY OF EL CENTRO, CALIFORNIA

Associate Administrator of Finance

ECRMC
El Centro Regional Medical Center
An Agency Of The City Of El Centro

March 27, 2023

El Centro Regional Medical Center
1415 Ross Avenue
El Centro CA 92243

Wipfli LLP
201 W. North River Drive, Suite 400
Spokane, WA 9201

This representation letter is provided in connection with your audit of the financial statements of El Centro Regional Medical Center, a separate legal entity and Enterprise Fund of the City of El Centro, California (the "Medical Center"), which comprise the statements of net position of the Medical Center as of June 30, 2022 and 2021, and the related statements of revenue, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

The Medical Center is a separate legal entity of the City with its own legal structure under separate authorizing laws, a separate governing board, and a separate financial system. During the period of this audit, the structure of the Board of Directors remained the same as in prior years. As a result of a subsequent change in the Medical Center's Board of Directors after the date of this audit period, which now includes the members of the City Council, you have requested that a representative of the City also sign this letter. The City Manager serves as the Medical Center Treasurer and is executing this letter in that capacity. His knowledge is limited by the short duration of his tenure and the representations herein are only to the best of that knowledge and belief.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 3, 2022, including our responsibility for the preparation and fair presentation of the financial statements in accordance with GAAP and for the preparation of the required supplementary information in accordance with the applicable criteria.

2. The financial statements referred to above are fairly presented in conformity with GAAP and include all properly classified net position and other financial information of the Medical Center as required by GAAP to be included in the financial reporting entity.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal controls to prevent and detect fraud.

5. The significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you the identity of the Medical Center's related parties and all the related-party relationships and transactions, including any side agreements, of which we are aware. All related-party transactions were made at arm's length. We have also disclosed any changes in related-party transactions and the business purpose for entering into transactions with related parties versus unrelated parties. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of GAAP.

7. All events, including instances of noncompliance, subsequent to the date of the financial statements and for which GAAP requires adjustment or disclosure, have been adjusted or disclosed.

8. We agree with the adjusting journal entries proposed by you and that are given effect to in the financial statements.

9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with GAAP.

10. Significant estimates and material concentrations have been properly disclosed in accordance with GAAP.

11. Guarantees, whether written or oral, under which the Medical Center is contingently liable, have been properly recorded or disclosed in accordance with GAAP.

Information Provided

12. We have provided you with:
    a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
    b. Additional information that you have requested from us for the purpose of the audit.
    c. Unrestricted access to persons within the Medical Center from who you determined it necessary to obtain audit evidence.
    d. Minutes of the meetings of the Medical Center's Board or summaries of actions of recent meetings for which minutes have not yet been prepared.

13. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

14. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

15. We have no actual knowledge of any fraud or suspected fraud that affects the Medical Center and involves:
    a. Management,
    b. Employees who have significant roles in internal control, or
    c. Others where the fraud could have a material effect on the financial statements.

16. We have no actual knowledge of any allegations of fraud or suspected fraud affecting the Medical Center's financial statements communicated by employees, former employees, regulators, or others.

17. We have no actual knowledge of any instances of noncompliance or suspected noncompliance with laws, regulations, contracts, or grant agreements whose effects should be considered when preparing financial statements.

18. We have made available to you all financial records and related data.

19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

20. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position.

21. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

22. We have no actual knowledge of any instances that have occurred or are likely to have occurred of fraud and noncompliance with provisions of laws and regulations which we believe have a material effect on the financial statements or other financial data significant to the audit objectives and any other instances that warrant the attention of those charged with governance, including but not limited to the following:
    a. There are no violations or possible violations of laws or regulations, such as those related to the Medicare and Medicaid antifraud and abuse statutes, including but not limited to the Medicare and Medicaid Anti-Kickback Statute, Limitations on Certain Physician Referrals (the Stark law), and the False Claims Act, in any jurisdiction, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency other than those disclosed or accrued in the financial statements.
    b. Billings to third-party payors comply in all material respects with applicable coding guidelines {for example, ICD-10-CM and CPT-4) and laws and regulations {including those dealing with Medicare and Medicaid antifraud and abuse), and billings reflect only charges for goods and services that were medically necessary; properly approved by regulatory bodies, if required; and properly rendered.
    c. There have been no communications (oral or written) from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction·(including those related to the Medicare and Medicaid antifraud and abuse statutes), deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.

23. We have no knowledge of any instances that have occurred or are likely to have occurred of noncompliance with provisions of contacts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

24. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

25. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency or for reporting noncompliance.

26. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

27. There are no other liabilities and gain or loss contingencies that are required to be accrued or disclosed by accounting standards.

28. There are no unrecorded transactions and/or side agreements or other arrangements (either written or oral).

29. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

30. Inventories fairly represent the value of inventories at the lower of cost or net realizable value, with cost being determined on the basis of FIFO.

31. The Medical Center has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any material asset been pledged, except as disclosed in the notes to the financial statements.

32. The Medical Center has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

33. The Medical Center has identified all accounting estimates that could be material to .the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.

34. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

35. The financial statements include all component units as well as joint ventures with an equity interest and properly disclose all other joint ventures and other related organizations.

36. The financial statements are properly classified in accordance with GASB Statement No. 34.

37. Components of net position (net investment in capital assets, restricted, and unrestricted as applicable) are properly classified and, if applicable, approved.

38. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.

39. Receivables recorded in the financial statements represent valid claims for charges arising on or before the statement of net position date and have been appropriately reduced to their estimated net realizable value as follows:

a. Adequate consideration has been given to, and appropriate provision has been made for, estimated adjustments to revenue, such as for denied claims and changes to payment system assignments.
b. Recorded valuation allowances are necessary, appropriate, and properly supported.
c. All peer review organizations, fiscal intermediary, and third-party payor reports and information have been made available to you.

40. Provision has been made, when material, for estimated retroactive adjustments by third-party payors under reimbursement agreements. In regard to cost reports filed with third parties:
    a. All required Medicare, Medicaid, and similar reports have been properly filed on a timely basis.
    b. Management is responsible for the accuracy and propriety of all cost reports filed.
    c. All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient related and properly allocated to applicable payors.
    d. The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations.
    e. Adequate consideration has been given to, and appropriate provision has been made for, audit adjustments by intermediaries, third-party payors, or other regulatory agencies.
    f. All items required to be disclosed, including disputed costs that are being claimed to establish a basis for a subsequent appeal, have been fully disclosed in the financial statements.
    g. Recorded third-party settlements include differences between filed (and to be filed) cost reports and calculated settlements that are necessary based on historical experience or new or ambiguous regulations that may be subject to differing interpretations. While management believes the entity is entitled to all amounts claimed on the cost reports, management also believes the amounts of these differences are appropriate.

41. Expenses have been appropriately classified or allocated in the statements of revenue, expenses, and changes in net position, and any allocations have been made on a reasonable basis.

42. Revenues are appropriately classified in the statements of revenue, expenses, and changes in net position.

43. Deposits and investment securities are properly classified as to risk, and investments are properly valued and disclosed.

44. Capital assets, including intangible assets, are properly capitalized, reported, and if applicable, depreciated or amortized. We have reviewed for impairment whenever events or changes in circumstances have indicated that the carrying amount of assets might not be recoverable, and we have appropriately recorded the adjustment.

45. We have appropriately disclosed the Medical Center's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position was properly recognized under the policy.

46. The Medical Center has identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.

47. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Medical Center vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.

48. The methods we used in developing accounting estimates are applied consistently, data is accurate and complete, and the assumptions are reasonable.

49. As part of your audit, you assisted with the preparation of the draft financial statements and related notes. We acknowledge our responsibility as it relates to those nonattest/nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and the SEFA.

50. We accept responsibility for and have designated an individual with suitable skill, knowledge, or experience to oversee the following nonattest services:
    a. Financial statement preparation assistance
    b. Management's discussion and analysis preparation assistance
    c. Reimbursement, operational, and accounting consulting

51. We have provided you with all of the information that is relevant to our plans to mitigate the adverse effects of conditions or events that indicate there is substantial doubt about the Medical Center's ability to continue as a going concern for at least one year after the date the

financial statements are available to be issued, including our evaluation of the likelihood that those plans can be effectively implemented.
We acknowledge that the independent auditor's report and financial statements will be modified to disclose a going concern issue.

52. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines, and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

53. There have been no irregularities or instances of fraud involving management, employees who administer federal or state programs, or other employees that could have a material effect on federal and state programs.

54. We have a process to track the status of audit findings and recommendations.

55. We have identified to you any previous audits, attestation engagements, or other studies related to the audit objectives and whether related recommendations have been implemented.

56. We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.

57. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

Sincerely,

EL CENTRO REGIONAL MEDICAL CENTER, A SEPARATE PUBLIC AGENCY AND ENTERPRISE FUND OF THE CITY OF EL CENTRO, CALIFORNIA

Cedric Cesena

Cedric Cesena, Interim City Manager
Medical Center Treasurer

El Centro Regional Medical Center

Audit Presentation to the Board of Trustees

For the Year Ended June 30, 2022

WIPFLI

Table of Contents

The following information is solely for the use of the Board of Trustees and management. The financial information was derived from the audited financial statements for the years ended June 30, 2022, 2021, and 2020, and from other information obtained through the course of our audits.

Overview of the 2022 Audit Results

Overview of the 2022 Audit Results

Scope of the Audit Report

- Issued an unmodified opinion on the financial statements as of and for the year ended June 30, 2022.
- We issued a separate letter communicating significant information related to the audit process. This is referred to as the "Required Communications Letter."

Overview of the 2022 Audit Results

Our Responsibilities under Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards

- Express an opinion about whether the financial statements are presented in conformity with accounting principles generally accepted in the United States (GAAP)
- Plan and perform the audit to obtain reasonable, not absolute, assurance the financial statements are free of material misstatement
- Consider internal control for purposes of designing our audit procedures, not for the purpose of expressing an opinion on their effectiveness
- Communication of significant matters related to the audit

Overview of the 2022 Audit Results

Required Supplementary Information Accompanying Audited Financial Statements

- Required supplementary information (RSI) accompanying the audited financial statements consists of the management discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of pension contributions, and schedule of investment returns.
- We applied certain limited procedures to the RSI.
- We compared and reconciled the information to underlying accounting records used to prepare the financial statements and the financial statements themselves.

Overview of the 2022 Audit Results

Other Information in Documents Containing Audited Financial Statements

- Our responsibility is to read other documents and consider whether such information is materially inconsistent with information, or the manner of presentation, appearing in the audited financial statements.
- We are not aware of, nor were we requested to devote attention to, any documents containing audited financial statements.

Overview of the 2022 Audit Results

Significant Accounting Policies

- Management is responsible for selection of accounting policies.
- Significant accounting policies are described in Note 1 to the financial statements.
- No transactions were noted for which there is a lack of authoritative guidance or consensus.
- One new accounting policy was adopted in 2022.
    - GASB 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period.*

Overview of the 2022 Audit Results

Significant Accounting Estimates Affecting the Financial Statements

- Accounting estimates are an integral part of the financial statements prepared by management.
- The most sensitive estimates affecting the financials statements are:
  - Valuation of patient receivables, including the contractual allowances and an allowance for doubtful accounts
  - Third-party settlements
  - Reserves for self-funded insurance plans
  - Net pension liability
  - CARES funding revenue recognized
- We evaluate key factors and assumptions to determine if estimates are reasonable in relation to the financial statements as a whole.

Overview of the 2022 Audit Results

Corrected and Uncorrected Misstatements

- We are required to accumulate all known and likely misstatements, other than those that are trivial, and communicate them to management.
- We proposed one significant audit adjustment:
  - The allowances for contractual adjustments and doubtful accounts on patient accounts receivable were adjusted, reducing net position by approximately $2,862,000.
- The Medical Center proposed two significant adjustments during the audit.
  - The allowances for contractual adjustments and doubtful accounts on patient accounts receivable were adjusted, reducing net position by approximately $7,588,000.
  - Grant revenue was adjusted, increasing net position by approximately $1,788,000.
- A complete listing of management-proposed adjustments are available from management.

Overview of the 2022 Audit Results

Management Representations

- We requested certain representations from management that are included in the management representation letter signed and dated as of the date the financial statements were available to be issued.
- A copy of the representation letter is attached to the required communications letter.

Overview of the 2022 Audit Results

Going Concern

- Our Independent Auditor’s Report included a disclosure regarding an uncertainty about the Medical Center’s ability to continue as a going concern, due to the Medical Center not having recurring income sufficient to meet its ongoing operating expenditures or debt service obligations.
  - Our opinion on the financial statements is not modified with respect to this matter.

Series 2018 Bond Debt Covenants

- The Medical Center did not meet the debt service coverage or deposit account control agreement (DACA) covenants as required by the Series 2018 bond agreement, which is considered an event of default, and no waivers were obtained.
- The bond Trustee has the option to call the bonds and, as such, the entire outstanding balance of the Series 2018 bonds has been reported as a current liability as of June 30, 2022.

Overview of Single Audit Results

Schedule of Findings and Questioned Costs

- 2022-001 – Patient receivables and allowances for contractual adjustments and doubtful accounts
- 2022-002 – Compliance Reporting

Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance

- Unmodified opinion on compliance with requirements that have a direct and material effect on each major program

Prior Year Schedule of Findings and Questioned Costs

- None

Noncompliance

- No instances of noncompliance was reported in the audit

Overview of Single Audit Results

Auditors are required to perform a risk assessment every year to determine the major programs. The first step is to assess “Type A” programs which are those with expenditures exceeding $750,000 of total federal expenditures.

Major Federal Programs

- CFDA No. 93.498 Provider Relief Funds:
  - $13,256,528 Direct Funding
- CFDA No. 93.855 Allergy and Infectious Diseases Research:
  - $1,787,424 Indirect Funding via Regents of the University of California, San Diego
- CFDA No. 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters):
  - $950,893 Indirect Funding via Office of Emergency Services

Financial Statement Review

Financial Statement Review – Statements of Net Position

- Cash and cash equivalents decreased by approximately $14 million primarily due to a decrease in cash generated by operations.
- Short term investments decreased by approximately $24.6 million as investments were sold to meet operational needs.
- Due from third-party reimbursement programs increased partly due to the estimated Medicare ($670,000) and Medicaid ($295,000) receivables.
- Other current assets increased due to grants receivable related to the Allergy and Infectious Diseases grant.
- Restricted noncurrent cash and investments decreased as funds were used on construction projects.
- Capital assets – Net increased primarily related to ongoing building projects.
- Deferred outflows of resources – Pension increased in accordance with the pension liability actuarial valuation.

	(In Thousands)			Change	
June 30,	2020	2021	2022	$	%
Current assets:					
Cash and cash equivalents	$ 5,563	$ 15,324	$ 953	$ (14,371)	-94%
Short-term investments	55,120	46,182	21,609	(24,573)	-53%
Patient receivables - Net	22,250	21,002	19,994	(1,008)	-5%
Other receivables	317	271	130	(141)	-52%
Due from third-party reimbursement programs	1,146	960	2,100	1,140	119%
Other current assets	5,484	5,675	7,497	1,822	32%
Total current assets	89,880	89,414	52,283	(37,131)	-42%
Restricted noncurrent cash and investments	46,392	30,456	20,543	(9,913)	-33%
Other assets	263	263	263	-	0%
Capital assets - Net	124,332	131,539	142,235	10,696	8%
Deferred outflows of resources - Pension	8,089	5,769	8,002	2,233	39%
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 268,956	$ 257,441	$ 223,326	$ (34,115)	-13%

Financial Statement Review – Statements of Net Position (Continued)

- Current maturities of long-term liabilities increased as the 2018 bonds were classified as current due to the Medical Center's inability to meet its debt covenants.
- Accounts payable increased by approximately $2.8 million, primarily due to contractor retainage.
- The current portion of the refundable advance decreased as the Medicare Advance Payment the facility received in April of 2020 to supplement cash flows during the pandemic is being recouped.
- The net pension liability decreased in accordance with the pension liability actuarial valuation.
- Net position decreased as described further on the next slide.

	(In Thousands)			Change	
June 30,	2020	2021	2022	$	%
Current liabilities:					
Current maturities of long-term liabilities	$ 2,678	$ 2,687	$ 119,445	$116,758	4345%
Accounts payable	14,924	15,021	17,849	2,828	19%
Accrued and other liabilities	8,447	7,852	7,892	40	1%
Unearned revenue	6,229	-	-	-	0%
Current portion of refundable advance	2,869	15,299	7,083	(8,216)	-54%
Total current liabilities	35,147	40,859	152,269	111,410	273%
Long-term debt	123,174	121,515	4,411	(117,104)	-96%
Net pension liability	47,182	43,613	39,119	(4,494)	-10%
Deferred inflows of resources - Pension	611	865	7,448	6,583	761%
Refundable advance	20,080	5,770	-	(5,770)	-100%
Net position	42,762	44,819	20,079	(24,740)	-55%
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 268,956	$ 257,441	$ 223,326	$ (34,115)	-13%

Financial Statement Review – Statements of Revenue, Expenses and Changes in Net Position

- Net patient service revenue increased 1% from the prior year. Key components include:
  - Inpatient gross charges decreased 9.3% from the prior year (Makes up 36% of charges vs PY of 42%).
  - Outpatient gross charges increased 15.8% from the prior year (Makes up 64% of charges vs PY at 58%).
  - Deductions percentage is 80% vs PY at 79%.
- Other revenue decreased, partially due to decreased pharmacy claims volume and decreased third-party incentive revenue.
- Professional fees and purchased services decreased primarily due to decreased contracted employees and traveling allied staff as they were replaced with salaried staff.
- Medical and nonmedical supplies decreased due to decreased expenses related to Covid medications and supplies needed during the year.
- Nonoperating revenue declined by approximately $27.7 million, primarily due to:
  - $16.8 million decrease in grants and contributions, primarily COVID-related grants.
  - $8.3 million decrease in investment income.
  - $2.7 million increase in interest expense, primarily due to the adoption of GASB 89 (see Significant Accounting Policies section).
- Net position decreased $24.7 million in 2022.

	(In Thousands)			Change	
Years Ended June 30,	2020	2021	2022	$	%
Revenues:					
Net patient service revenue	$ 145,589	$ 157,537	$ 158,411	$ 874	1%
Other revenue	8,120	8,668	5,701	(2,967)	-34%
Total revenues	153,709	166,205	164,112	(2,093)	-1%
Expenses:					
Salaries	59,923	59,394	62,924	3,530	6%
Employee benefits	15,598	15,559	15,865	306	2%
Professional fees and purchased services	37,408	50,289	45,647	(4,642)	-9%
Medical and nonmedical supplies	30,915	35,578	32,590	(2,988)	-8%
Other expenses	15,836	16,851	18,716	1,865	11%
Depreciation and amortization	8,931	9,421	8,382	(1,039)	-11%
Total expenses	168,611	187,092	184,124	(2,968)	-2%
Income (loss) from operations	(14,902)	(20,887)	(20,012)	875	-4%
Nonoperating revenues (expenses) - Net	13,369	22,944	(4,728)	(27,672)	-121%
Excess (deficiency) of revenues over expenses	(1,533)	2,057	(24,740)	(26,797)	-1303%
Net position at beginning	44,295	42,762	44,819	2,057	5%
Net position at end	$ 42,762	$ 44,819	$ 20,079	$ (24,740)	-55%

Financial Analysis

Financial Analysis

“Financial flexibility” - the ability of a business to withstand the financial consequences of significant changes in its situation.

Successful organizations realize “financial flexibility” by achieving superior performance with respect to:

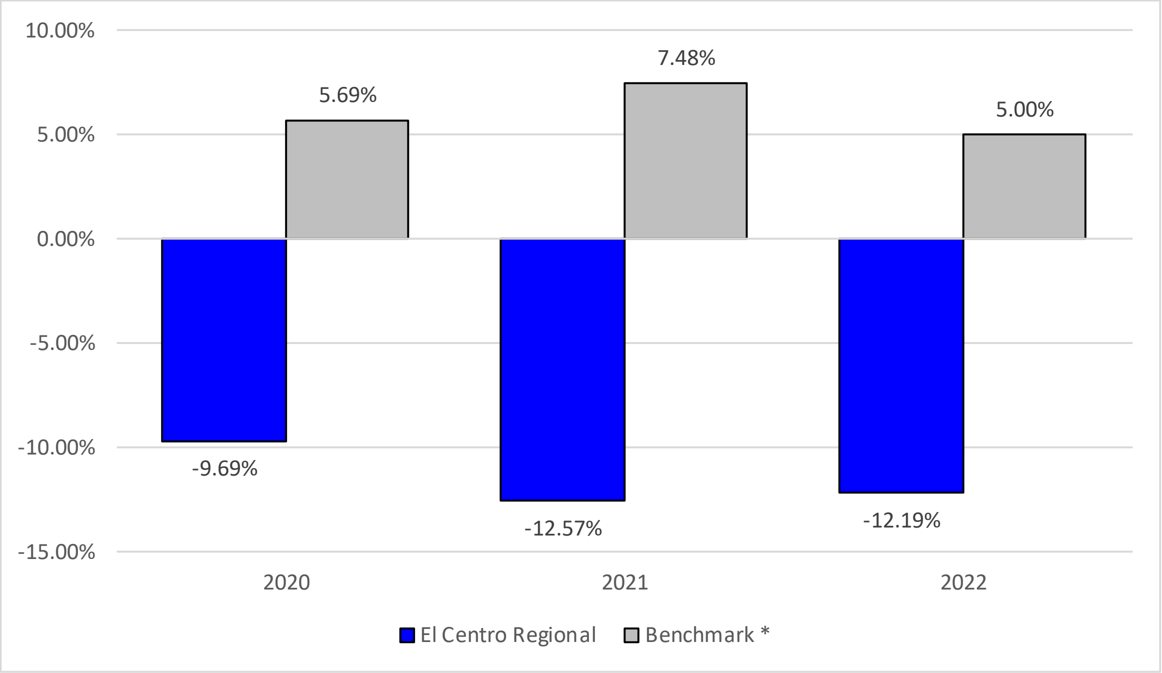
- Profitability
- Liquidity
- Debt capacity
- Securing the condition of the physical facilities

The financial ratios appearing in the following graphs are presented to assist in understanding the “financial health” of the Organization.

The industry benchmark is from the Optum Almanac of Hospital Financial and Operating Indicators. The benchmark average is for urban hospitals with revenues less than $175 million.

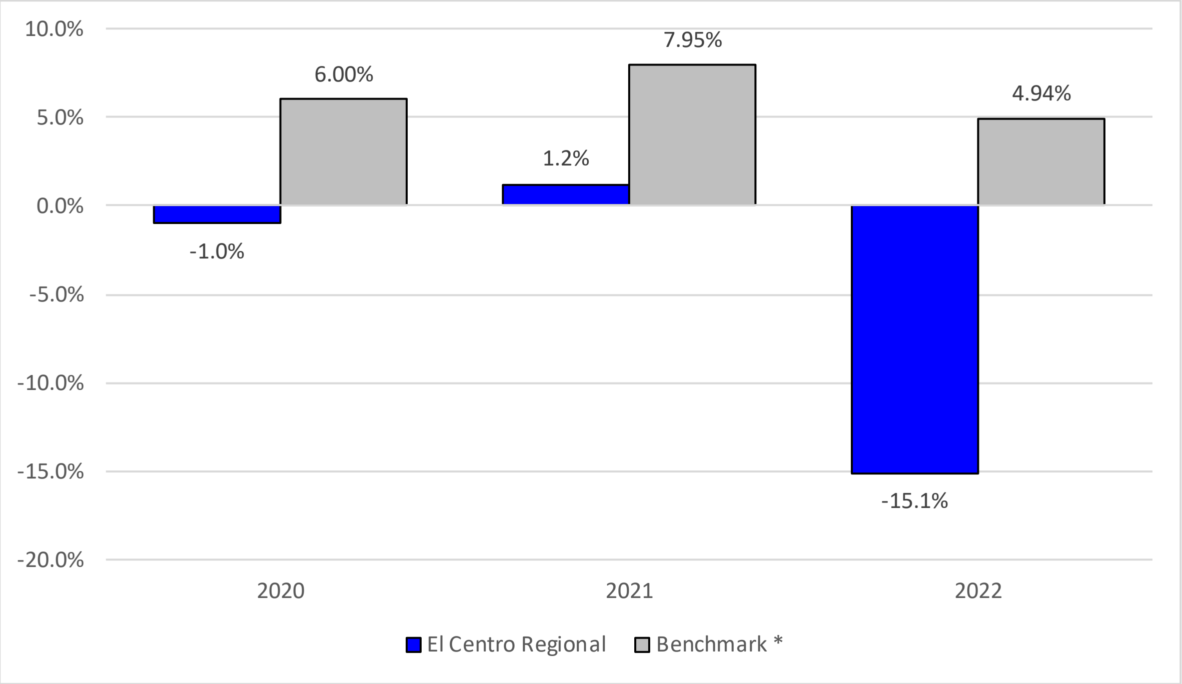
Financial Analysis – Operating Margin

- Operating margin is a measure of profitability. It indicates how much of each dollar of revenue is left over after operating expenses are considered.
- High values indicate an ability to add new investments in capital assets without adding excessive new debt.
- Operating margin does not include the effect of other nonoperating revenues and expenses.
- Operating margin reflects an operating loss of $20 million in 2022.



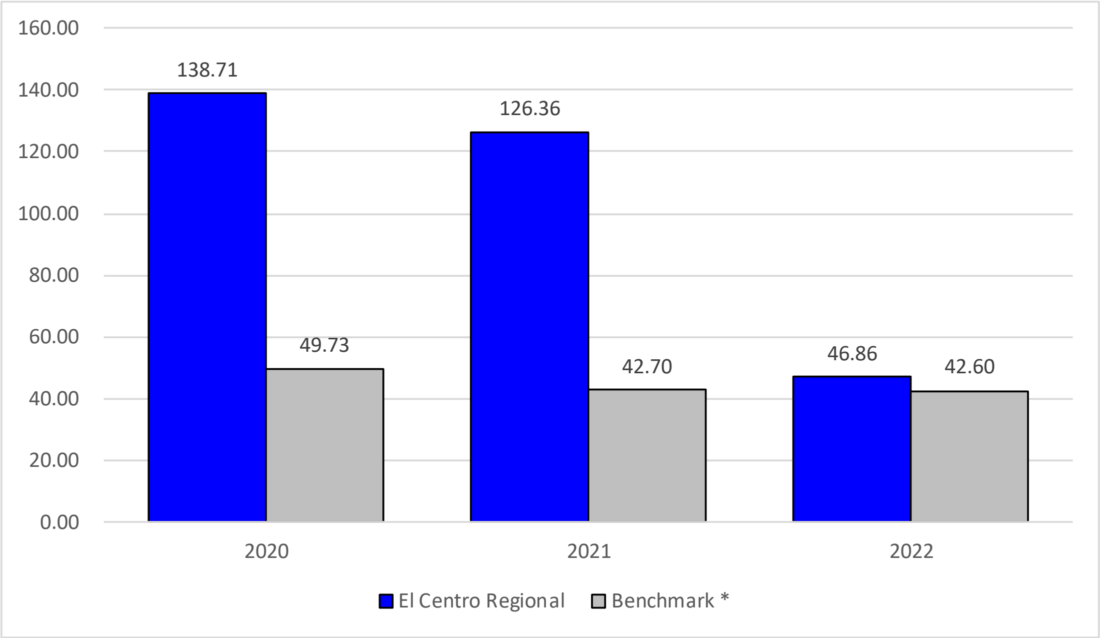
Financial Analysis – Total Margin

- Total margin includes the effect of non-operating revenues and expenses.
- The Medical Center's total margin decreased due to the 2022 losses of $24.7 million.



Financial Analysis – Days Cash on Hand

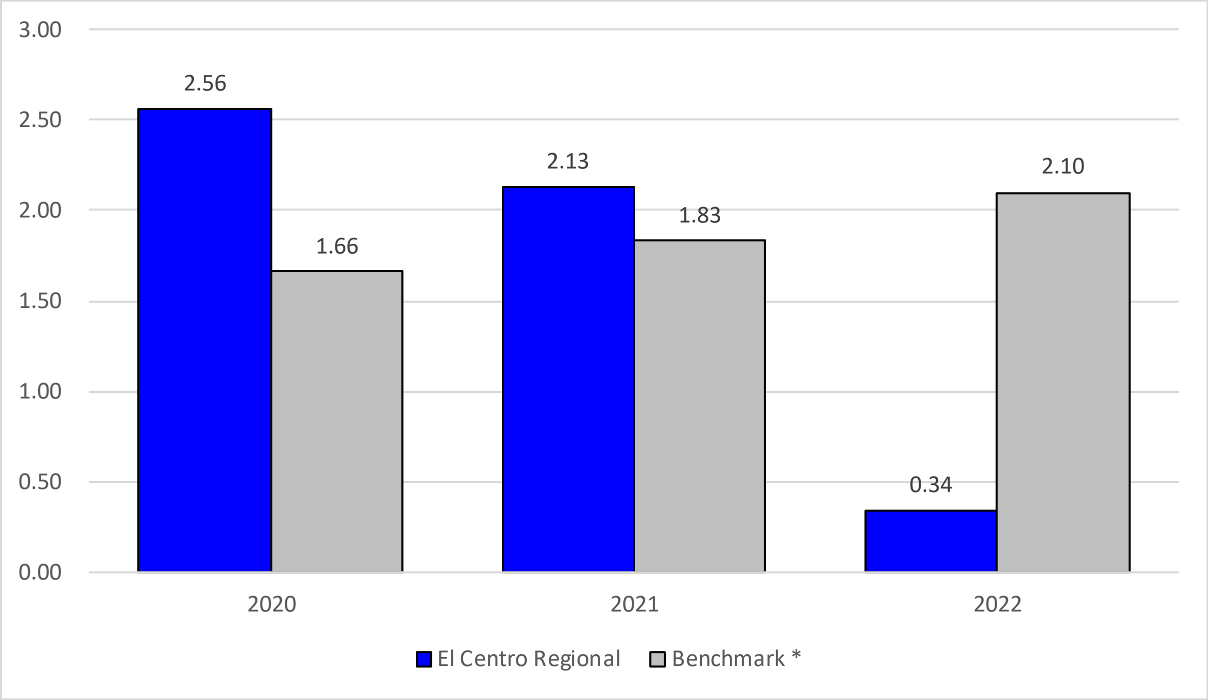
- Days cash on hand is important since it provides an indicator of an organization's ability to meet current and long-term operating needs.
- Ratio includes short-term cash and investments, but excludes assets restricted for debt service and capital project funds from debt issuance.
- Due to uncertainties in funding streams, many organizations have been trying to build operating reserves of about 90 days cash.
- Days cash on hand decreased due to the decrease in cash and cash equivalents and short-term investments as a result of the Medical Center's operating losses.



Note – The above ratio was calculated using the methodology used by the Almanac of Hospital Financial and Operating Indicators. The ratio as calculated using the 2018 bond covenant methodology is presented at the end of the Financial Analysis.

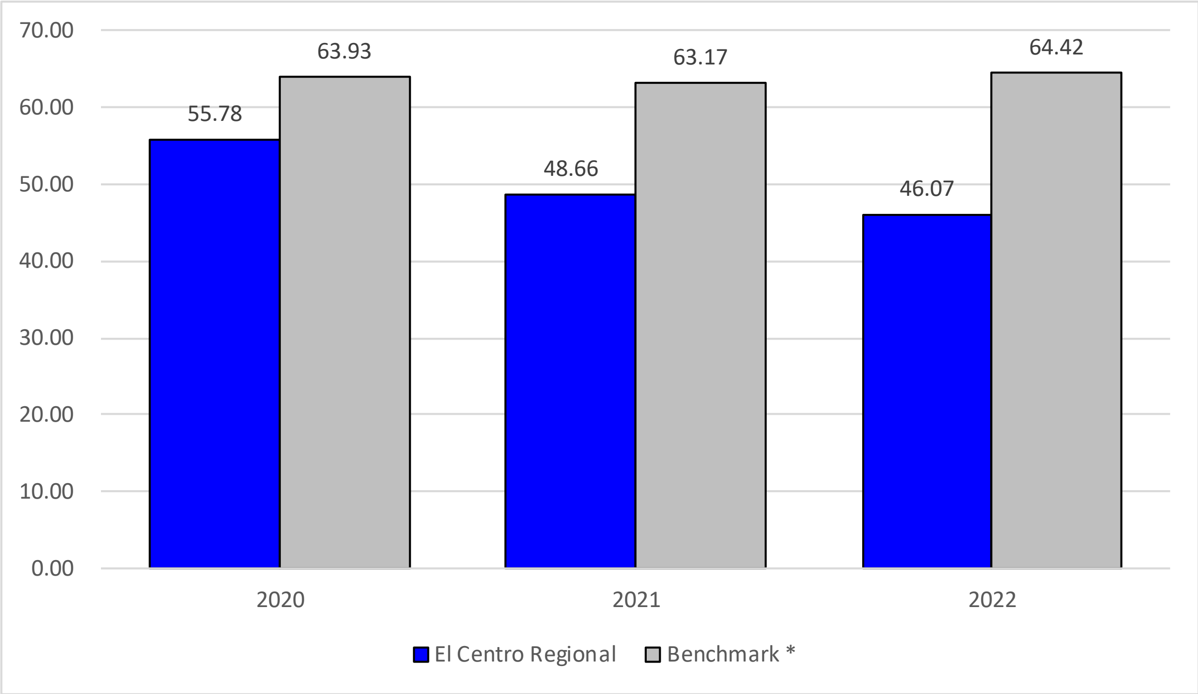
Financial Analysis – Current Ratio

- Current ratio is an indicator of the Medical Center's ability to fund its current liabilities.
- The current ratio is significantly lower than the prior year.
- Current assets decreased approximately $37 million in 2022 due to the decrease in cash and cash equivalents and short-term investments as a result of the Medical Center's operating losses. Additionally, current liabilities increased $110 million due to the bond debt being classified as current.



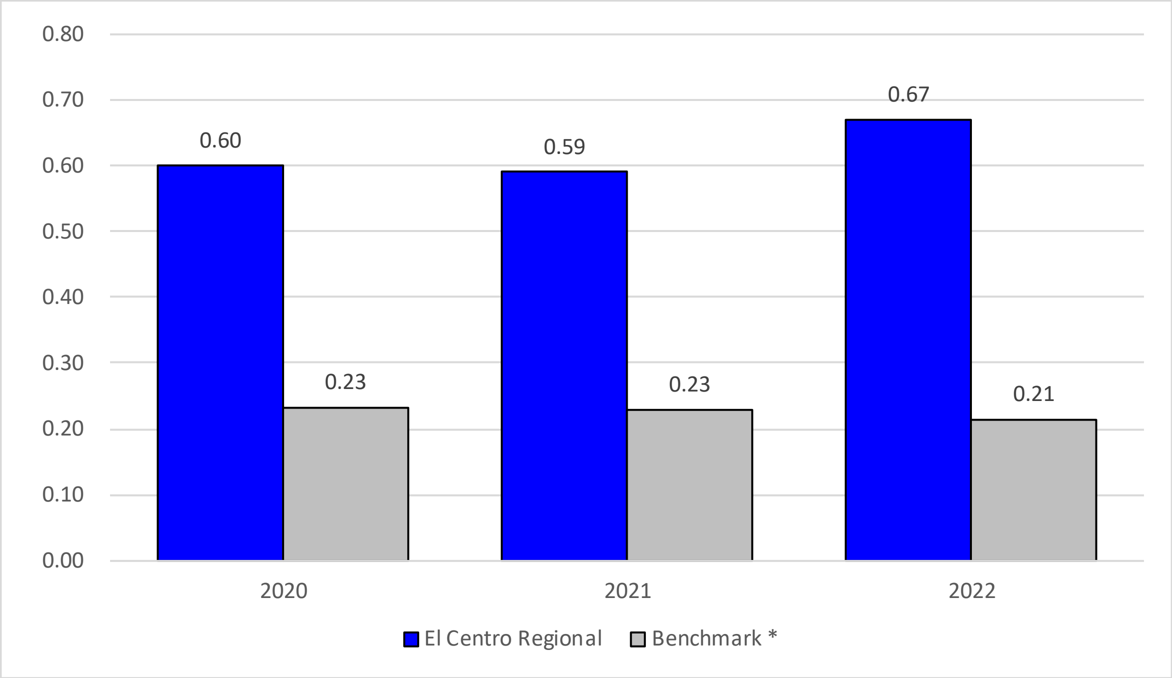
Financial Analysis – Days Revenue in AR - Net

- Days net revenue in receivables measures the length of time it takes to turn patient receivables into cash collections.
- Decreasing values are desired.
- The Medical Center's ratio is comparable to the prior year and below the benchmark.



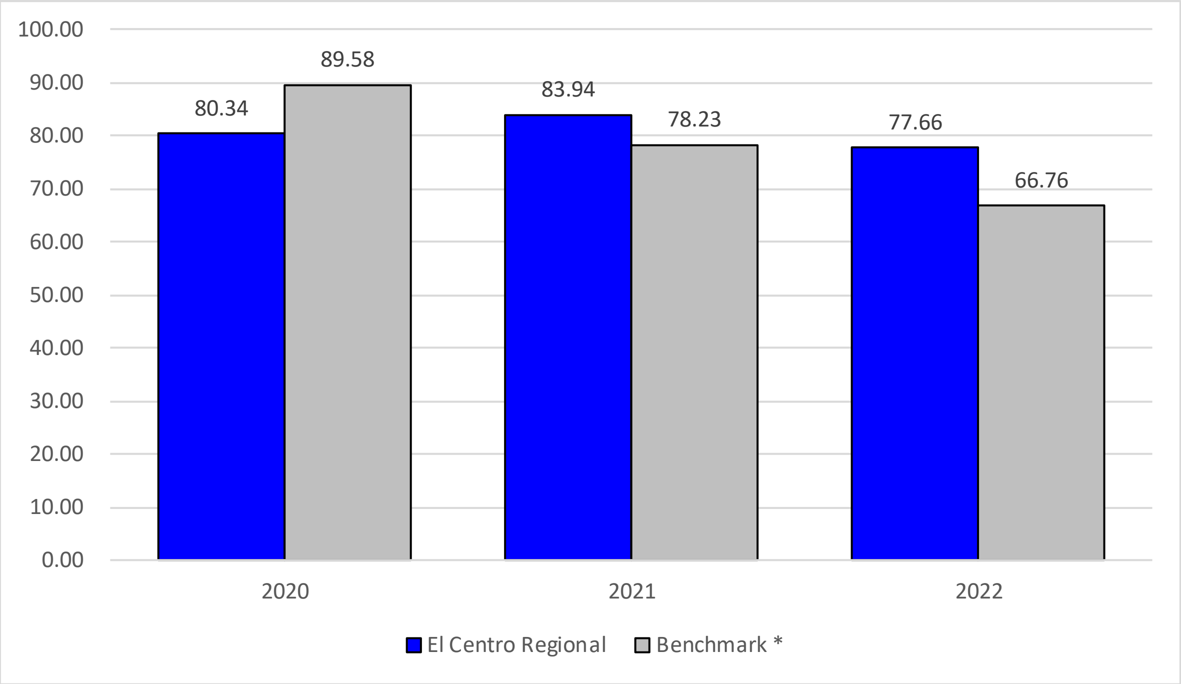
Financial Analysis – Long-Term Debt to Capitalization – Net of GASB 68 Effect

- Long-term debt to capitalization is defined as total long-term debt to the sum of net assets plus the total long-term debt.
- Decreasing values are desired. A higher value indicates limited ability to carry additional debt.
- The Medical Center's ratio increased since the prior year.



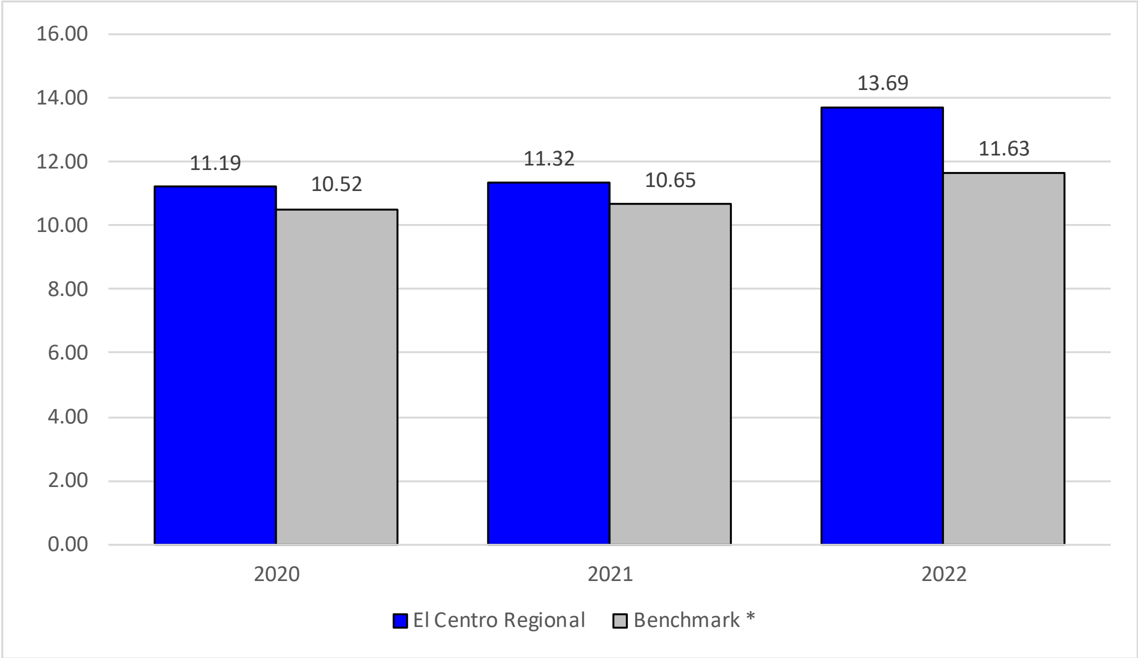
Financial Analysis – Average Payment Period

- Ratio measures the average number of days elapsed before current liabilities are paid.
- Decreasing "average payment period" ratio values are looked upon more favorably.
- The Medical Center's ratio decreased in 2022.



Financial Analysis – Average Age of Plant

- Lower average “age of plant values (i.e., “years”) indicate a newer fixed asset base and less need for near-term replacement.
- Industry and patients correlate average age of plant with quality of care.
- The Medical Center’s average age of plant is above the benchmark.



Financial Analysis – 2018 Bond Debt Covenant Ratios

- This table represents debt service coverage and days cash on hand calculated using management's interpretation of the 2018 Bond covenant methodology.

Debt service coverage	2022
Net income available for debt service	$ (11,629,872)
Aggregate debt service**	11,886,644
Debt service coverage	(0.98)
Minimum requirement	1.15
Over (under)	(2.13)

Days cash on hand	2022
Total financial assets	$ 22,561,919
Daily operating expenses	489,495
Days cash on hand	46
Minimum requirement	45
Over (under)	1

Accounting Standards Update

Accounting Standards Update

Governmental Accounting Standards Board (GASB) Statement No. 96 Subscription-Based Information Technology– Effective for periods beginning after 6/15/22 (FYE 2023 for the Medical Center)

- Improves financial reporting by establishing a definition for SBITAs and guidance for accounting and reporting for SBITA transactions.
- As a result, the Medical Center will be required to report a subscription asset and a subscription liability for SBITAs and disclose essential information about the arrangements.
- The statement should be applied retroactively.

Appendix: Industry Update

Industry Trends and Overview

It has been an extremely challenging several years for health care providers across the nation and the world. The challenges resulted in financial distress for many providers, worker burnout and workforce shortages, and regulatory overload just to mention a few.

While the world will never be the same post-COVID, it appears health care providers are adapting to a "new normal" and looking to the future in a way that was impossible during the height of the pandemic.

Below are a few hot topics which are addressed in the following slides:

- Workforce Challenges and Staffing Volatility
- Deferral of Health Care Services During COVID
- Telehealth Revolution

Workforce Challenges and Staffing Volatility

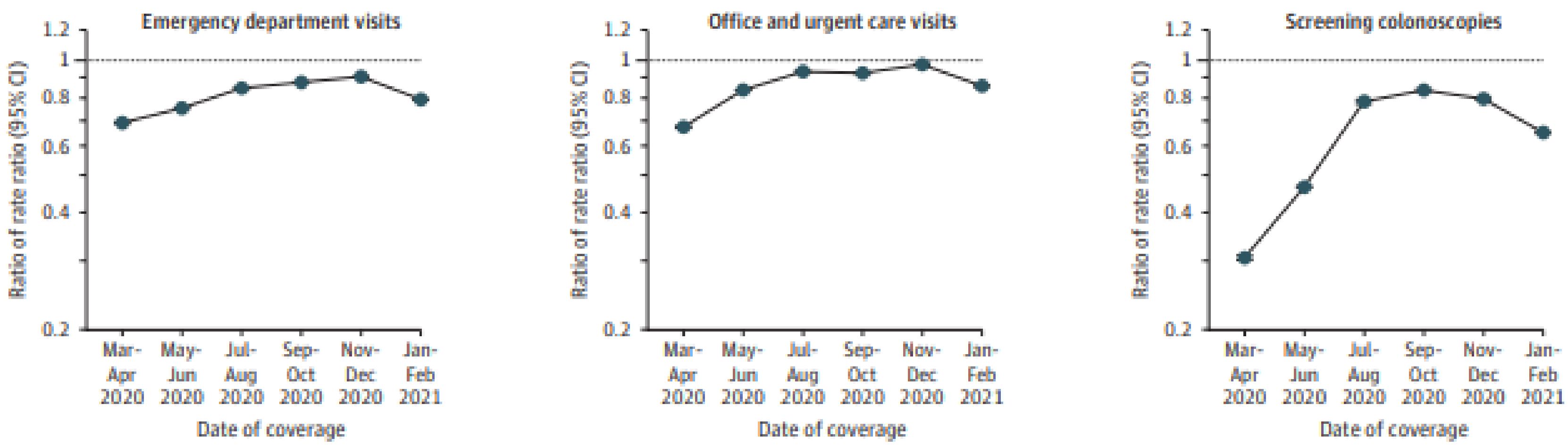
To address the challenges of today's operating environment, providers need to:

- Ensure all aspects of operations are operating at peak efficiency to ensure no dollars are wasted and staff time is conserved.
- Communicate with state and federal legislators regarding the critical nature of the financial challenges faced by hospital and senior living providers.
- Focus on the workforce:
  - Ensure potential employees can apply easily using phone apps, etc.
  - Utilize an integrated HR and payroll system to help in the recruitment, retention, and payroll processes.
  - Care for the "whole employee" by creating a culture of compassion among the workforce.
  - Implement "stay" strategies for "key" and "star" employees.
  - Complete an annual review of compensation and benefits.
  - Establish effective shift, attendance, and performance bonuses.
  - Communicate total compensation package benefits to employees on an annual basis.

Deferral of Health Care Services During COVID

COVID-19 significantly disrupted the continuum of care across the nation.

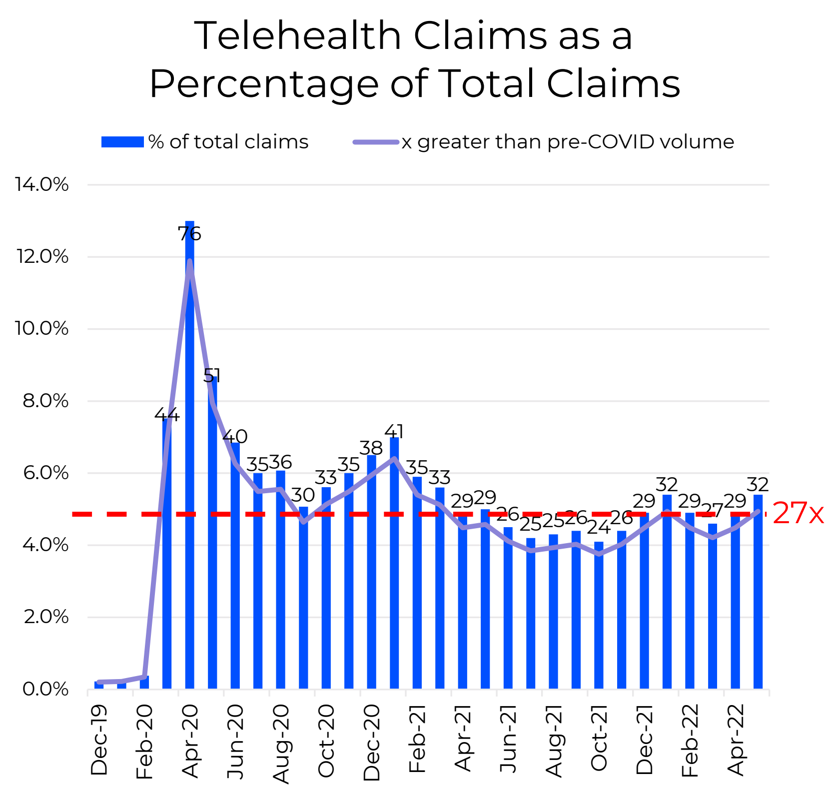
- The American Hospital Association estimates that 4 in 10 adults in the United States deferred care due to the COVID-19 pandemic. Research indicates this deferral was observed across all payors but more pronounced for Medicaid and preventative services.
- Deferring care can result in worse health outcomes in the long run for patients.
- Health care providers can expect higher acuity as patients trend towards more chronic conditions.



Note: This chart signifies the ratio between actual and expected health care utilization for the coverage periods listed by service type. The lower the value, the more likely it is that care was deferred for that service during the pandemic. Source: Mafi, John N., et al. "Trends in US Ambulatory Care Patterns During the COVID-19 Pandemic, 2019-2021." JAMA 327.3 (2022): 237-247.

Telehealth Revolution

Telehealth utilization has established a permanent place in health care.



Source: Fair Health, last accessed August 2022

- CMS made moves to permanently keep telehealth expansions in place, particularly for rural health clinics and federally qualified health centers.
- Adoption and implementation has fallen from pandemic peaks but has plateaued at about 4.7% of total claims, 27x greater than pre-pandemic utilization.
  - Telehealth will remain prominent for certain service lines like mental health, which constitute about 62.8% of total telehealth claims as of November 2021.
- Telehealth will also help alleviate workforce challenges by connecting patients with doctors remotely.

Thank You

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