Antelope Valley Healthcare District

Independent Auditor's Report and Financial Statements

June 30, 2022

Antelope Valley Healthcare District

June 30, 2022

Contents

FORVIS

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Independent Auditor's Report

Board of Directors
Antelope Valley Healthcare District
Lancaster, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the fiduciary activities of Antelope Valley Healthcare District (the District) as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of the District as of June 30, 2022 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in *Note 1* to the financial statements, on July 1, 2021, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that these 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 the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and pension information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic

financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

FORVIS, LLP

Tulsa, Oklahoma
November 22, 2022

Antelope Valley Healthcare District

Management's Discussion and Analysis

Year Ended June 30, 2022

Introduction

This management's discussion and analysis of the financial performance of Antelope Valley Healthcare District (the District) provides an overview of the District's financial activities and business-type activities for the year ended June 30, 2022. It should be read in conjunction with the accompanying financial statements of the District. During 2022, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, retroactively to July 1, 2021. The summarized financial information for the year ended June 30, 2021, included in this management's discussion and analysis, was not restated for this adoption.

The District is a political subdivision of the State of California, organized and existing under the provisions of the Local Health Care District Law of the State of California. The District is located in Lancaster, California, and is governed by a five-member Board of Directors elected by voters within the District. The District's financial statements include the operations of Antelope Valley Hospital, a designated trauma center; Antelope Valley Outpatient Imaging Center, LLC; and Antelope Valley Hospital Foundation, a charitable giving organization. Unless otherwise indicated, amounts presented in this management's discussion and analysis are in thousands. All references to years refer to the fiscal years ending June 30.

Using This Annual Report

The District's financial statements consist of three statements—a balance sheet; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. The District's financial statements provide information about the activities of the District, including resources held by the District but restricted for specific purposes by creditors, contributors, grantors, or enabling legislation. The District is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheet and Statement of Revenues, Expenses, and Changes in Net Position

One of the most important questions asked about any district's finances is, "Is the district as a whole better or worse off as a result of the year's activities?" The balance sheet and the statement of revenues, expenses, and changes in net position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets, all liabilities, and all deferred inflows and outflows of resources using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in it. The District's total net position—the difference between assets, liabilities, and deferred inflows and outflows of resources—is one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the District's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients, and local economic factors, should also be considered to assess the overall financial health of the District.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash and cash equivalents during the reporting period.

The District's Net Position

The District's net position is the difference between its assets, liabilities, and deferred inflows and outflows of resources reported in the balance sheet. The District's net position decreased by $11,138 or 6.3% in 2022 over 2021, as shown in Table 1.

Table 1: Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

Assets and Deferred Outflows of Resources

	2022	2021
Assets		
Cash, cash equivalents, and short-term investments	$ 61,469	$ 98,915
Patient accounts receivable, net of allowance	63,139	63,879
Other current assets	16,266	13,661
Estimated amounts due from third-party payors	20,334	13,027
Long-term investments	149,661	154,433
Capital assets, net	216,836	202,975
Lease assets, net	15,961	-
Lease receivables	16,693	-
Other noncurrent assets	10,462	10,688
Total assets	570,821	557,578
Deferred Outflows of Resources	47,395	28,712
Total assets and deferred outflows of resources	$ 618,216	$ 586,290

Liabilities, Deferred Inflows of Resources, and Net Position

	2022	2021
Liabilities		
Current liabilities	$ 111,602	$ 110,570
Self-insurance liabilities, net of current	17,178	15,564
Other long-term liabilities (Medicare accelerated payments)	-	6,668
Pension liability	179,623	119,130
Lease liabilities, net of current	12,094	-
Long-term debt, net of current	115,157	120,655
Total liabilities	435,654	372,587
Deferred Inflows of Resources	16,259	36,262
Net Position		
Net investment in capital assets	95,463	83,279
Restricted	170	219
Unrestricted	70,670	93,943
Total net position	166,303	177,441
Total liabilities, deferred inflows of resources, and net position	$ 618,216	$ 586,290

Changes from 2021 to 2022

Cash and cash equivalents, short-term investments, and long-term investments decreased $42,218 or 16.7% mainly due to Medicare accelerated payment recoveries, purchase of land, other capital, and unrealized losses in the investment portfolio.

Capital assets, net increased $13,861 or 6.8% from 2021 to 2022 due to additional construction in progress.

Lease assets, lease receivables, and lease liabilities increased due to the adoption of GASB 87 during 2022, which has not been restated in the 2021 balance sheet above.

Other long-term liabilities decreased $6,668 or 100% due to the remaining Medicare accelerated payments all being due within the next year.

Pension liability increased $60,493 or 51% due to the drastic change in market position.

Operating Results and Changes in the District's Net Position

Table 2: Operating Results and Changes in Net Position

	2022	2021
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts	$ 438,329	$ 441,165
Supplemental funding	52,357	55,192
Other revenue	4,093	4,734
Total operating revenues	494,779	501,091
Operating Expenses		
Salaries and wages	225,851	230,491
Employee benefits	74,534	64,240
Purchased services and professional fees	80,366	80,018
Supplies	72,381	76,037
Depreciation and amortization	21,918	20,254
Other operating expenses	23,453	20,947
Total operating expenses	498,503	491,987
Operating Income (Loss)	(3,724)	9,104
Nonoperating Revenues (Expenses)		
Grant revenue and contributions	3,130	3,955
Interest expense	(6,520)	(6,463)
Gain on investments in equity investees	-	414
Investment return	(5,656)	829
Provider Relief Fund revenue	1,632	10,200
Total nonoperating revenues (expenses)	(7,414)	8,935
Excess (Deficiency) of Revenues over Expenses Before Purchase of Minority Interest	(11,138)	18,039
Purchase of Minority Interest	-	(783)
Increase (Decrease) in Net Position	$ (11,138)	$ 17,256

Operating Income (Loss)

The first component of the overall change in the District's net position is its operating income or loss—generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. The District reported operating loss in 2022 and operating income in 2021.

The operating loss for 2022 increased from the operating income in 2021 by $12,828 or 141%.

The primary components of the changes in operating results are:

Net Patient Service Revenue

Changes from 2021 to 2022

The decrease in net patient service revenue of $2,836 or 1% is due to decreased patient volumes.

Inpatient Business Activity

	2022	2021
Acute Patient Days by Payor		
Medicare	14,420	15,580
Medicare Managed Care	18,773	16,386
Medi-Cal	7,641	10,400
Medi-Cal Managed Care	24,029	23,876
Commercial managed care	17,102	16,486
Other	1,351	1,480
Self-pay	1,292	2,357
	84,608	86,565

Discharges decreased from 19,142 in 2021 to 17,950 in 2022, a change of 6.2%. Patient days decreased by 1,957 days in 2022 or 2.3%, as indicated in the table above. The length of stay increased to 4.71 days from 4.52 days.

The overall case mix index for the District, which is a measure of patient acuity, increased to 1.60 in 2022 from 1.55 in 2021. The Medicare case mix index increased from 2.09 in 2021 to 2.23 in 2022.

Surgeries decreased by 894 cases or 10.1%, from 8,881 cases in 2021 to 7,987 cases in 2022. Inpatient surgeries decreased by 264 cases or 7.2%, from 3,692 cases in 2021 to 3,428 cases in 2022. Outpatient surgeries decreased by 491 cases or 12.8%, and inpatient surgeries in the Women & Infants Pavilion decreased by 139 cases or 10.3%.

Outpatient Business Activity

Outpatient gross revenue charges decreased $41,680 or 6.7% to $579,066 in 2022.

Supplemental Funding

	2022	2021
California Hospital Quality Assurance Fee (HQAF) program	$ 13,121	$ 17,411
Assembly Bill 113	2,280	6,147
Trauma center fund	6,988	5,649
DSH programs	15,704	17,095
PRIME program	-	6,152
QIP program	13,707	2,567
Cost report settlements and other	557	170
	52,357	55,191
IGT fees*		
HQAF	2,162	3,308
Assembly Bill 113	860	176
	$ 49,335	$ 51,707

*Represents IGT fees paid to the respective programs for each year presented, which were recorded in other operating expense.

Beginning January 1, 2021, district/municipal public hospitals (DMPH) transitioned from Public Hospital Redesign and Incentives in Medi-Cal (PRIME) to the Quality Incentive Pool (QIP) program. QIP shares the goals of PRIME and allows DMPHs to continue the work on quality initiatives begun in PRIME. The District received $5,567 for the QIP bridge period July 2020 through December 2020. The District accrued $10,707 for the QIP program in 2022. Guidance from the District Hospital Leadership Forum (DHLF) suggests QIP funds will be delayed until calendar 2023. Previously, the District had participated in the PRIME program. PRIME ended December 31, 2020.

As a trauma center, the District receives Los Angeles County Measure B trauma funds. During 2022 and 2021, the District received $6,988 and $5,649, respectively, in trauma funds. During 2022 and 2021, the District treated 1,582 and 1,591 trauma cases, respectively.

Operating Expenses

Changes from 2021 to 2022

Operating expenses increased 1.3% in 2022 as compared to 2021. This is due to an increase in benefits related to retirement funds.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of grant revenue and contributions, investment income, and interest expense. The District recognized a decrease in its investment return of $6,485 or 782% in 2022 compared to 2021 resulting primarily from decreasing market values. The District also saw a decrease in Provider Relief Fund grants of $8,568 or 84% due to only $1,632 of funds being received from Phase IV during 2022.

The District's Cash Flows

Net cash used in operating activities in fiscal year 2022 was $3,156, representing a decrease of $17,441 from 2021, primarily due to Medicare accelerated payments recoupment. Cash and cash equivalents

decreased by $37,921 from 2021 to 2022 due to recoupments of the Medicare accelerated payment and the purchase of land and other capital.

Capital Assets

At the end of 2022 and 2021, the District had $216,836 and $202,975, respectively, invested in capital assets, net of accumulated depreciation, as detailed in *Note 5*.

Debt

At June 30, 2022, the District had $117,687 in outstanding debt, comprised of revenue bonds and notes payable, as detailed in *Note 7*. The District's formal debt issuances are subject to limitations imposed by state law. In August 2021, S&P Global Rating assigned its BBB Issuer Credit Rating to the District and its BBB long-term rating to the District's Series 2016A tax-exempt revenue bonds with a stable outlook. The District's annual meeting with S&P will be held during winter 2023. In September 2022, Moody's Investors Service decided to withdraw its rating of the District for Moody's own business reasons. Most previously, Moody's had assigned a Ba2 rating to the District.

Economic Factors for the Fiscal Year 2022 and Beyond

Impact of COVID-19 and Recovery

During the majority of fiscal year 2022, the District operated under prolonged state-mandated COVID-19 pandemic protocols, which led to reduced patient volumes and increased operating costs. The District successfully navigated this environment of reduced operating revenue and rising labor costs. Toward the end of fiscal year 2022 as well as the first three months of fiscal year 2023, the District realized significant increases in visits to the Emergency Department.

The challenge of recruiting full-time nurses was exacerbated by the COVID-19 pandemic and remains a challenge industry-wide. Like many hospitals across the nation, the District utilized an increased number of contract nurses in fiscal year 2022 to augment its full-time workforce.

Strategic Initiatives

The District is on track to open the new wing of the Emergency Department during the Spring of 2023. The expansion will add 7,200 square feet with 40 treatment bays and a new lobby and waiting room that will significantly enhance the patient experience and better serve the large volume of emergency patients.

The District's joint venture with Lifepoint Health (formerly Kindred Healthcare) is scheduled to begin construction on a 120-bed behavioral hospital and inpatient rehabilitation facility during the second quarter of calendar year 2023. This facility will ultimately provide much needed services to the Antelope Valley as well as free up capacity at the medical center.

The District continues to invest to improve its operations and is in the planning stages to construct a replacement medical center.

Broader Industry Trends

The healthcare industry continues to move toward the use of limited provider networks, the use of additional payment and utilization rules by the insurance companies to lower reimbursements, and the continued shifting of costs to the consumers through the use of high-deductible health plans. These trends require hospitals to improve efficiencies, improve revenue cycle processes, and strive to improve quality outcomes to respond to those increased rules and regulations. The Medicare value-based purchasing program measures the following metrics: processes-of-care, patient experience, patient outcomes, and efficiencies.

Electronic Medical Records System

In 2018, the District completed the conversion of its electronic medical records (EMR) to the Cerner system. This conversion included the software license, equipment, and installation costs for more than 50 clinical modules and the revenue cycle system. Since the initial implementation of the EMR, there have been improvements, modifications, and upgrades. The system's capitalized cost is approximately $35,000. EMR was financed by cash reserves and a five-year $20,000 loan. The District has committed to support services from Cerner through March 2024 and will most likely renew the license and support thereafter.

New Hospital Project and Seismic Standards

According to California Assembly Bill AB2190, acute care inpatient hospitals must demolish, replace, or retrofit hospital buildings that do not meet current seismic safety regulations and standards. The District has received an official extension through 2025. During the COVID-19 pandemic, the California legislature extended the seismic rules until 2030. Because some of the District's buildings date back to the 1960s, 1970s, and 1980s, the cost to retrofit those buildings along with newer bed towers would be excessive and not cost-effective. In addition, the Antelope Valley Hospital would lose bed capacity during the retrofit process. As a result, the District plans to build a complete replacement facility on vacant property adjacent to the hospital.

It was planned that the financing for this project would include the combination of publicly supported general obligation bonds and the sale of revenue bonds; however, in March 2020 and June 2022, the District placed on the ballot a general obligation bond issue that did not pass. As a result, the District is looking into financing alternatives to fund this project.

Contacting the District's Financial Management

This financial report is designed to provide our patients, suppliers, community members, bond holders, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the District's administration by telephoning 661.949.5533. The District's financial information can also be accessed via the dacbond.com website and the Electronic Municipal Market Access (EMMA) service.

Antelope Valley Healthcare District

Balance Sheet

June 30, 2022

Assets and Deferred Outflows of Resources

Current Assets	
Cash and cash equivalents	$ 25,832,145
Short-term investments	33,494,827
Restricted cash and investments – current	2,142,419
Patient accounts receivable, net of allowance; $22,427,000	63,138,984
Other receivables	3,040,463
Estimated amounts due from third-party payors	20,334,115
Supplies	9,721,067
Prepaid expenses and other	3,504,314
Total current assets	161,208,334
Noncurrent Cash and Investments	
Held by trustee for debt service	8,217,245
Less amount required to meet current obligations	(2,142,419)
	6,074,826
Other long-term investments	149,660,756
Total noncurrent cash and investments	155,735,582
Capital Assets, Net	216,836,091
Lease Assets, Net	15,961,365
Lease Receivables	16,693,013
Other Assets	4,386,416
Total noncurrent assets	409,612,467
Total assets	570,820,801
Deferred Outflows of Resources	
Pension-related	46,638,311
Deferred loss on debt defeasance	757,096
Total deferred outflows of resources	47,395,407
Total assets and deferred outflows of resources	$ 618,216,208

Antelope Valley Healthcare District
Balance Sheet, continued
June 30, 2022

Liabilities, Deferred Inflows of Resources, and Net Position

Current Liabilities	
Current maturities of long-term debt	$ 2,530,000
Current portion of lease liabilities	3,765,180
Accounts payable and accrued liabilities	31,500,172
Accrued payroll and related expenses	21,454,127
Estimated amounts due to third-party payors	35,787,930
Medicare accelerated payments	7,103,854
Estimated self-insurance costs – current	7,318,145
Accrued interest payable	2,142,419
Total current liabilities	111,601,827
Other Liabilities	
Long-term debt	115,157,244
Estimated self-insurance costs	17,177,789
Lease liabilities	12,094,088
Net pension liability	179,621,642
Total other liabilities	324,050,763
Total liabilities	435,652,590
Deferred Inflows of Resources	
Leases	16,259,559
Total deferred inflows of resources	16,259,559
Net Position	
Net investment in capital assets	95,463,499
Restricted, expendable for specific operating activities	170,015
Unrestricted	70,670,545
Total net position	166,304,059
Total liabilities, deferred inflows of resources, and net position	$ 618,216,208

Antelope Valley Healthcare District

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2022

Operating Revenues	
Net patient service revenue, net of provision for uncollectible accounts; $13,986,872	$ 438,329,190
Supplemental funding	52,357,101
Other revenue	4,093,013
Total operating revenues	494,779,304
Operating Expenses	
Salaries and wages	225,850,546
Employee benefits	74,534,274
Professional and medical fees	45,620,367
Purchased services	34,746,094
Supplies and other	72,381,094
Depreciation and amortization	21,917,755
Other operating expenses	23,452,167
Total operating expenses	498,502,297
Operating Loss	(3,722,993)
Nonoperating Revenues (Expenses)	
Grant revenue and contributions	3,129,929
Interest expense	(6,519,785)
Investment return	(5,656,440)
Provider Relief Fund revenue	1,631,969
Total nonoperating revenues (expenses)	(7,414,327)
Decrease in Net Position	(11,137,320)
Net Position, Beginning of Year	177,441,379
Net Position, End of Year	$ 166,304,059

Antelope Valley Healthcare District
Statement of Cash Flows
Year Ended June 30, 2022

Cash Flows from Operating Activities	
Receipts from and on behalf of patients	$ 420,724,952
Receipts from supplemental funding	45,368,754
Payments to suppliers and contractors	(179,315,541)
Payments to employees	(292,301,601)
Other receipts	2,366,941
Net cash used in operating activities	(3,156,495)
Cash Flows from Noncapital Financing Activities	
Noncapital grants and gifts	3,129,929
Provider Relief Fund revenue	1,631,969
Net cash provided by noncapital financing activities	4,761,898
Cash Flows from Capital and Related Financing Activities	
Principal paid on long-term debt	(6,652,763)
Interest paid on long-term debt	(6,199,048)
Principal payments received on leases receivable	1,984,425
Interest payments received on leases receivable	622,215
Principal paid on lease liabilities	(3,690,885)
Interest paid on lease liabilities	(154,922)
Proceeds from sale of capital assets	20,000
Purchase of capital assets	(23,699,660)
Net cash used in capital and related financing activities	(37,770,638)
Cash Flows from Investing Activities	
Interest and dividends on investments	4,144,259
Purchase of investments	(55,141,697)
Proceeds from disposition of investments	48,839,444
Distributions from equity investees	401,800
Net cash used in investing activities	(1,756,194)
Decrease in Cash and Cash Equivalents	(37,921,429)
Cash and Cash Equivalents, Beginning of Year	63,753,574
Cash and Cash Equivalents, End of Year	$ 25,832,145

Antelope Valley Healthcare District
Statement of Cash Flows, continued
Year Ended June 30, 2022

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating loss	$ (3,722,993)
Depreciation and amortization	21,917,755
Accrued self-insurance costs	2,211,915
Provision for uncollectible accounts	13,986,872
Gain on disposal of assets	(5,913)
Changes in operating assets and liabilities	
Patient accounts receivable	(13,246,644)
Other receivables	(1,720,159)
Supplies and prepaid expenses and other	(884,677)
Estimated amounts due from and to third-party payors	265,150
Supplemental funding	(6,988,347)
Accounts payable and accrued expenses	186,737
Accrued payroll and related expenses	411,339
Net pension liability	60,492,209
Medicare accelerated payments	(18,609,616)
Deferred inflows of resources – pension postemployment benefits	(36,261,482)
Deferred outflows of resources – pension postemployment benefits	(18,770,762)
Deferred inflows of resources – leases	(2,417,879)
Net cash provided by operating activities	$ (3,156,495)
Noncash Investing, Capital, and Financing Activities	
Amortization of bond premium	$ 183,048
Amortization of deferred loss on defeasance	$ 87,384
Capital asset acquisitions included in accounts payable	$ 12,719,295
Lease assets acquired through lease liabilities	$ 1,358,103

Antelope Valley Healthcare District
Fiduciary Fund – Pension Trust Fund
Statement of Fiduciary Net Position
June 30, 2022

Assets	
Investments, at fair value	
Mutual funds	$ 205,797,891
Exchange-traded funds	70,944,783
Limited partnerships	12,096,561
Money market fund	1,981,058
Total assets	$ 290,820,293
Liabilities	
Due to broker for securities purchased	$ 1,278,577
Fiduciary Net Position Restricted for Pensions	289,541,716
Total liabilities and fiduciary net position restricted for pensions	$ 290,820,293

Antelope Valley Healthcare District
Fiduciary Fund – Pension Trust Fund
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2022

Additions	
Contributions	
Members	$ 2,217,854
Employers	24,390,164
Total contributions	26,608,018
Investment earnings	
Net decrease in fair value of investments	(51,647,237)
Interest, dividends, and other	13,510,907
	(38,136,330)
Less investment activity costs	560,522
Net investment earnings	(38,696,852)
Total additions	(12,088,834)
Deductions	
Benefits paid to participants or beneficiaries	15,497,141
Administrative expense	385,838
Total deductions	15,882,979
Net Decrease in Fiduciary Net Position	(27,971,813)
Fiduciary Net Position, Beginning of Year	317,513,529
Fiduciary Net Position, End of Year	$ 289,541,716

Antelope Valley Healthcare District
Notes to Financial Statements
June 30, 2022

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Antelope Valley Healthcare District (the District) is a healthcare district located in Lancaster, California, and is governed by a five-member Board of Directors elected by voters within the District. The District is also a political subdivision of the State of California, organized and existing under the provisions of the Local Health Care District Law of the State of California.

The District primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in the Antelope Valley, High Desert, and eastern Sierra areas. It also operates a home health agency in the same geographic area.

In November 2017, the voters of Antelope Valley approved Measure H. This approved the creation of a separate 501(c)(3) nonprofit entity governed by a nine-member board comprised of the five elected District board members, three community members, and the chief executive officer. The separate nonprofit entity would be known as Antelope Valley Hospital, Inc., and would operate the hospital through an asset transfer agreement. The new entity would maintain financial reporting responsibility to the District. The nonprofit company was recorded with the state and federal governments. The appropriate federal and state tax reports were filed and appropriate fees paid. Although the authority to exercise this agreement was in place, no decision was made by the District to implement the new operating structure.

Reporting Entity

The accompanying financial statements present the District and its blended component units, entities for which the District is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government and do not issue separate financial statements.

Blended Component Units

These financial statements present the District and the following blended component units:

- Antelope Valley Outpatient Imaging Center, LLC (AVOIC) is a legally separate entity that operates two diagnostic imaging centers located in Lancaster, California, and Palmdale, California. The District owned 100% of AVOIC at June 30, 2022 and can unilaterally make operating decisions, such as establishing a budget or issuing debt. AVOIC is included as a blended component unit of the District in the accompanying financial statements as it is essentially operating as a division of the District's operations. All significant intercompany accounts and transactions between the District and AVOIC have been eliminated in the accompanying financial statements. AVOIC does not issue separate financial statements.

- The Gift Foundation of the Antelope Valley Healthcare District d/b/a Antelope Valley Hospital Foundation (AVHF) is a 501(c)(3) tax-exempt organization and is legally separate from the District. Although the District does not appoint a voting majority of AVHF's Board of Directors nor is the District financially accountable for AVHF, AVHF is included as a blended component unit of the District in the accompanying financial statements as the District's management has operational responsibility for AVHF. All significant intercompany accounts and transactions between the District and AVHF have been eliminated in the accompanying financial statements. AVHF does not issue separate financial statements.

Fiduciary Fund

The Antelope Valley Hospital Medical Center Retirement Plan (the Plan) is a single-employer defined benefit pension plan included in the accompanying financial statements as a pension trust fiduciary fund. The board of the District performs the governing duties of the Plan, as the Plan does not have a separate board. The fiduciary fund statements are presented as of June 30, 2022, the Plan's fiscal year-end.

Basis of Accounting and Presentation

The accompanying financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities, and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program-specific investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources 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 could differ from those estimates.

Cash Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. The District does not consider uninvested cash held in investment accounts as

cash or cash equivalents. At June 30, 2022, cash equivalents consisted primarily of money market accounts with brokers.

Patient Accounts Receivable

The District reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients, and others. The District provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions.

Supplies

Supply inventories are stated at the lower of cost or market. Costs are determined using the first-in, first-out (FIFO) method.

Investments and Investment Income

Investments in U.S. Treasury, agency, and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in non-negotiable certificates of deposit are carried at amortized cost. The investments in equity investees are reported on the equity method of accounting. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value, and the net change for the year in the fair value of investments carried at fair value.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the District:

Land improvements	2–25 years
Buildings and leasehold improvements	5–50 years
Equipment	3–30 years

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Capital and Lease Asset Impairment

The District evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital or lease asset historical costs and related accumulated depreciation or amortization are decreased proportionately such that the net decrease equals the impairment loss.

No asset impairment was recognized during the year ended June 30, 2022.

Deferred Outflows of Resources

The District reports the consumption of net position that is applicable to a future reporting period as deferred outflows of resources in a separate section of its balance sheet.

Compensated Absences

District policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash.

Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes, computed using rates in effect at that date.

Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than medical malpractice, employee health, and workers' compensation claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The District is self-insured for a portion of its exposure to risk of loss from medical malpractice; workers' compensation; and employee health, dental, and accident claims. Annual estimated provisions are accrued for the self-insured portion of these claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Single-Employer Defined Benefit Pension Plan

The District has a single-employer defined benefit pension plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same

basis as they are reported by the Plan. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

The District reports an acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in a separate section of its balance sheet.

Net Position

Net position of the District is classified in four components on its balance sheet:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and lease assets, net of accumulated amortization and reduced by the outstanding balances of borrowings and lease liabilities used to finance the purchase or construction of those assets.
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or donors external to the District, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.
- Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the District, such as permanent endowments and other members' interest in component units. There was no restricted nonexpendable net position at June 30, 2022.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Service Revenue

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The District provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the District does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

The costs of charity care provided under the District's charity care policy were approximately $1,028,000 for 2022. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Income Taxes

The District is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the District is subject to federal income tax on any unrelated business taxable income.

Operating Revenues and Expenses

The statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services, the District's principal activity. Nonexchange revenues, including grants, contributions, and income (losses) from investments, are reported as nonoperating revenues. Operating expenses include all expenses incurred to provide healthcare services other than financing costs.

Change in Accounting Principle

On July 1, 2021, the District adopted GASB Statement No. 87, *Leases*, using a retrospective method of adoption to all leases in place and not yet completed at the beginning of the earliest period presented. GASB 87 requires lessees to recognize a lease liability, measured at the present value of payments expected to be made during the lease term, and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District recorded the cumulative effect of adopting GASB 87, which resulted in recognizing activity associated with both lessee and lessor agreements. The adoption resulted in no impact to beginning net position as of July 1, 2021.

Note 2: Deposits, Investments, and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law, which requires collateralization of all deposits with federal depository insurance or other acceptable collateral in specific amounts.

At June 30, 2022, approximately $25,006,000 of the District's bank balances of approximately $25,256,000 were exposed to custodial credit risk as uninsured and uncollateralized.

The above amounts exclude deposits held by the District's blended component units with bank balances of approximately $4,056,000 and carrying values of approximately $4,335,000 at June 30, 2022. As nongovernmental entities, the blended component units are not subject to

collateralization requirements. At June 30, 2022, the blended component units' cash accounts exceeded federally insured limits by approximately $2,825,000.

Investments

Under provisions of the California Government Code, the District's investments are limited to certain types of investments. In general, the District may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury, U.S. agencies and instrumentalities, California agencies, negotiable certificates of deposit, and in bank repurchase agreements. It may also invest to a limited extent in commercial paper, corporate and depository institution debt securities, and mortgage-backed securities.

At June 30, 2022, the District had the following investments and maturities:

Type	Fair Value	Maturities in Years		
		Less than 1	1–5	6–10
External investment pool – LAIF	$ 32,702,180	$ 32,702,180	$ -	$ -
U.S. instrumentalities	30,295,077	-	12,146,340	18,148,737
Corporate bonds	78,383,740	7,912,225	55,313,490	15,158,025
U.S. Treasury obligations	40,981,939	17,092,961	23,888,978	-
Held by trustee				
Corporate bonds	26,525	26,525	-	-
U.S. instrumentalities	7,750,754	-	7,750,754	-
	$ 190,140,215	$ 57,733,891	$ 99,099,562	$ 33,306,762

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy generally limits its investment portfolio to maturities of less than 10 years unless approved by the Board of Directors. The external investment pool is presented as an investment with a maturity of less than one year because such investments are redeemable in full immediately.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's policy generally limits its investments to a credit rating of A or the equivalent by a nationally recognized statistical rating organization.

The District's investments not directly guaranteed by the U.S. government were rated as follows as of June 30, 2022:

Investments	Moody's	S&P
External investment pool – LAIF	Not Rated	Not Rated
Corporate bonds	Baa3 to A1	BB- to AA
U.S. instrumentalities	Aaa	AA+
U.S. Treasury obligations	Not Rated	Not Rated

Custodial Credit Risk

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy for custodial credit risk requires compliance with the provisions of state law.

Concentration of Credit Risk

The District places no limit on the amount that may be invested in any one issuer. The following investments exceeded 5% of the total fair value of all investments as of June 30, 2022:

	Fair Value	Percentage of Total Investments
Federal National Mortgage Association	$ 12,808,149	7%

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the accompanying balance sheet as follows:

Carrying value	
Cash on hand	$ 3,740
Deposits	24,853,899
Investments	192,347,334
	$ 217,204,973
Included in the following balance sheet captions	
Cash and cash equivalents	$ 25,832,145
Short-term investments	33,494,827
Restricted cash and investments – current	2,142,419
Noncurrent cash and investments	155,735,582
	$ 217,204,973

Note 3: Patient Accounts Receivable

The District grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements. Patient accounts receivable at June 30, 2022 consisted of:

Medicare	$ 26,073,712
Medi-Cal	20,012,928
Other third-party payors	27,993,202
Patients	11,486,142
	85,565,984
Less allowance for uncollectible accounts	(22,427,000)
	$ 63,138,984

Note 4: Leases Receivable

The District leases a portion of its office space to various third parties, the terms of which expire in 2023 through 2031. For certain leases, payments increase annually based upon the Consumer Price Index (Index). Those leases were measured based upon the Index at lease commencement.

Revenue recognized under lease contracts during the year ended June 30, 2022 was approximately $2,607,000, which includes both lease revenue and interest. The District recognized lease revenue of approximately $958,000 for the year ended June 30, 2022 for variable payments not previously included in the measurement of the lease receivable.

Note 5: Capital and Lease Assets

Capital assets activity for the year ended June 30, 2022 was:

	Beginning Balance (As Restated)	Additions	Disposals	Transfers	Ending Balance
Land	$ 9,869,241	$ 5,153,558	$ -	$ -	$ 15,022,799
Land improvements	25,150,166	-	-	19,237	25,169,403
Buildings and leasehold improvements	181,713,591	74,000	-	118,493	181,906,084
Equipment	263,821,764	3,777,407	(51,983)	-	267,547,188
Construction in progress	38,066,971	27,413,993	-	(137,730)	65,343,234
	518,621,733	36,418,958	(51,983)	-	554,988,708
Less accumulated depreciation					
Land improvements	15,360,349	896,200	-	-	16,256,549
Buildings and leasehold improvements	95,009,770	2,435,363	-	-	97,445,133
Equipment	209,577,729	14,911,102	(37,896)	-	224,450,935
	319,947,848	18,242,665	(37,896)	-	338,152,617
Capital assets, net	$ 198,673,885	$ 18,176,293	$ (14,087)	$ -	$ 216,836,091

Lease assets activity for the year ended June 30, 2022 was:

	Beginning Balance (As Restated)	Additions	Disposals	Transfers	Ending Balance
Buildings	$ 13,709,265	$ -	$ -	$ -	$ 13,709,265
Equipment	7,512,709	1,358,103	-	-	8,870,812
	21,221,974	1,358,103	-	-	22,580,077
Less accumulated depreciation					
Buildings	-	2,032,624	-	-	2,032,624
Equipment	2,943,622	1,642,466	-	-	4,586,088
	2,943,622	3,675,090	-	-	6,618,712
Lease assets, net	$ 18,278,352	$ (2,316,987)	$ -	$ -	$ 15,961,365

Note 6: Investments in Equity Investees

The investments in equity investees included in other assets on the accompanying balance sheet relate to the District's ownership in the following equity investees:

HBWP, LLC

On November 1, 2014, the District entered into an equity investee arrangement with HBWP, LLC (HBWP), whose members consist of a private corporation and seven other private and public hospitals. HBWP was formed for the purpose of developing a health benefits and wellness program whereby members of the equity investee that self-insure their employees can obtain discounted rates and/or reciprocity pricing as part of purchasing health insurance products. The District is a voting member but does not have control over the equity investee or an equity interest. Separate financial statements of the equity investee are not available to the public.

Antelope Valley Surgical Institute, LLC

On May 9, 2017, the District entered into an equity investee arrangement by purchasing a 49% equity interest in Antelope Valley Surgical Institute, LLC (AVSI), which operates an ambulatory surgical center located in Lancaster, California. The District is a voting member but does not have control over the equity investee. The District utilizes the equity method of accounting. Under this method, the District records a share of its net profit or loss within its operating income or loss and increases or reduces the District's investment in the equity investee. The District does not consolidate the total equity investee's assets or liabilities or the revenues and expenses in the financial statements. The District's ongoing financial interest was approximately $4,276,000 as of June 30, 2022. Separate financial statements of the equity investee are not available to the public.

Note 7: Long-Term Obligations

The following is a summary of long-term obligation transactions for the District for the year ended June 30, 2022:

	Beginning Balance (As Restated)	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Series 2016A District Revenue Bonds	$ 115,765,000	$ -	$ (2,410,000)	$ 113,355,000	$ 2,530,000
Equipment loan	4,242,872	-	(4,242,872)	-	-
Unamortized bond premium	4,515,292	-	(183,048)	4,332,244	-
Total long-term debt	124,523,164	-	(6,835,920)	117,687,244	2,530,000
Other long-term liabilities					
Estimated self-insurance costs	22,284,019	20,149,212	(17,937,297)	24,495,934	7,318,145
Lease liabilities	18,192,050	1,358,103	(3,690,885)	15,859,268	3,765,180
Medicare accelerated payments	25,713,470	-	(18,609,616)	7,103,854	7,103,854
Total other long-term liabilities	66,189,539	21,507,315	(40,237,798)	47,459,056	18,187,179
Total long-term obligations	$ 190,712,703	$ 21,507,315	$ (47,073,718)	$ 165,146,300	$ 20,717,179

Series 2016A District Revenue Bonds

On March 1, 2017, the District issued $126,120,000 of Series 2016A bonds at a premium of approximately $5,492,000. Proceeds of approximately $21,162,000 were used to finance costs associated with seismic improvements to certain District buildings, fund a bond reserve account, and pay the costs of issuance. The Series 2016A bonds are due March 1, 2046 with annual principal payments ranging from $1,815,000 to $7,855,000 due beginning March 1, 2017 plus semiannual interest payments at interest rates from 5.00% to 5.25%. The Series 2016A bonds are secured by pledge of the District's gross revenues and trustee-held assets. The agreement is subject to certain financial covenants including minimum liquidity and net income to annual debt service ratios. The District recognized approximately $183,000 of amortization related to the bond premium during the year ended June 30, 2022.

The advance refunding was undertaken to extend debt service payments over the next 30 years, which increased total debt service payments by approximately $105,235,000 and resulted in an economic loss (difference between present value of debt service payments of old debt and new debt) of approximately $11,137,000. The reacquisition price exceeded the net carrying amount of the old debt by $5,342,000. This accounting loss, net of amortization, is being reported as deferred outflows of resources on the accompanying balance sheet and is amortized over the shorter of the life of the old bonds or the new bonds. During the year ended June 30, 2022, the District amortized approximately $87,000 related to the deferred outflows of resources, which is included in interest expense on the accompanying statement of revenues, expenses, and changes in net position.

Equipment Loan

In March 2017, the District entered into a purchase agreement of an electronic medical records system (EMR System). In June 2017, the District entered into a loan for $20,000,000 to partially finance the development and installation of the EMR System, which was placed into service in September 2018. The loan bears a nominal interest rate of 2.99% and is secured by the EMR System. The agreement requires that the ratio of net income available for debt service to the maximum aggregate annual debt service not fall below 1:1. Monthly payments of principal and interest of $359,000 began in July 2017, and the loan matures in June 2022. This loan was paid in full during 2022.

Debt Service Requirements

Debt service requirements on long-term debt as of June 30, 2022 are as follows:

Year Ending June 30,	Total to be Paid or Amortized	Series 2016A District Revenue Bonds	
		Principal	Interest
2023	$ 8,252,188	$ 2,530,000	$ 5,722,188
2024	8,250,688	2,655,000	5,595,688
2025	8,247,938	2,785,000	5,462,938
2026	8,248,688	2,925,000	5,323,688
2027	8,252,438	3,075,000	5,177,438
2028–2032	41,247,688	17,825,000	23,422,688
2033–2037	41,249,175	22,920,000	18,329,175
2038–2042	41,254,000	29,390,000	11,864,000
2043–2046	32,995,500	29,250,000	3,745,500
	$ 197,998,303	$ 113,355,000	$ 84,643,303

Note 8: Lease Liabilities

The District leases equipment and office space, the terms of which expire in various years through 2029. Variable payments of certain leases are based upon the Index. The leases were measured based upon the Index at lease commencement. Variable payments based upon the use of the underlying asset are not included in the lease liability because they are not fixed in substance.

During the year ended June 30, 2022, the District recognized approximately $2,789,000 of rental expense for variable payments not previously included in the measurement of the lease liability.

The following is a schedule by year of payments under the leases as of June 30, 2022:

Year Ending June 30,	Total to be Paid	Principal	Interest
2023	$ 4,261,208	$ 3,765,180	$ 496,028
2024	3,851,768	3,457,514	394,254
2025	2,601,375	2,337,052	264,323
2026	2,299,318	2,073,615	225,703
2027	1,961,115	1,842,897	118,218
2028–2029	2,444,883	2,383,010	61,873
	$ 17,419,667	$ 15,859,268	$ 1,560,399

Note 9: Self-Insurance Liabilities

Medical Malpractice Claims

The District is self-insured for the first $1,000,000 per occurrence and $7,000,000 in aggregate of medical malpractice risks. The District also maintains excess liability coverage for claims in excess of $20,000,000. Insurance coverage is on a claims-made basis. The District purchases commercial insurance coverage above the self-insurance limits. Losses from asserted and unasserted claims identified under the District's incident reporting system are accrued based on estimates that incorporate the District's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. It is reasonably possible that the District's estimate of losses will change by a material amount in the near term. Unpaid claim liabilities were discounted using a discount rate of 3.01% in 2022 to account for the time value of money to determine the current estimated liabilities as reflected below.

Activity in the District's accrued medical malpractice claims liability during 2022 is summarized as follows:

Balance, beginning of year	$ 7,772,000
Current year claims incurred and changes in estimates for claims incurred in prior years	3,697,420
Claims and expenses paid	(1,707,420)
Balance, end of year	$ 9,762,000

Workers' Compensation Claims

The District is self-insured for the first $1,000,000 per occurrence of workers' compensation risks. The District purchases commercial insurance coverage above the self-insurance limits. Losses from asserted and unasserted claims identified under the District's incident reporting system are actuarially determined based on the District's past experience as well as other considerations,

including the nature of each claim or incident and relevant trend factors. It is reasonably possible that the District's estimate of losses will change by a material amount in the near term. Unpaid claim liabilities were discounted using a discount rate of 3.01% in 2022 to account for the time value of money to determine the current estimated liabilities as reflected below.

Activity in the District's accrued workers' compensation claims liability during 2022 is summarized as follows:

Balance, beginning of year	$ 12,310,000
Current year claims incurred and changes in estimates for claims incurred in prior years	4,553,918
Claims and expenses paid	(4,519,918)
Balance, end of year	$ 12,344,000

Employee Health and Dental Claims

The District provides certain health and dental benefits to enrollees that serve under contract to the hospital. The cost of medical services provided to these enrollees is accrued in the period the services are rendered. A provision is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims, and other economic and social factors. It is reasonably possible that the District's estimate will change by a material amount in the near term.

Activity in the District's accrued employee health claims liability during 2022 is summarized as follows:

Balance, beginning of year	$ 2,202,000
Current year claims incurred and changes in estimates for claims incurred in prior years	11,898,959
Claims and expenses paid	(11,709,959)
Balance, end of year	$ 2,391,000

Note 10: Net Patient Service Revenue

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. These payment arrangements include:

Medicare – Certain inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic, and other factors. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates. The District is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the District and audits thereof by the

Medicare administrative contractor. The District's Medicare cost reports have been audited by the Medicare administrative contractor through June 30, 2018.

Medi-Cal – Reimbursements for Medi-Cal services are generally paid at prospectively determined rates per discharge (APR-DRG). These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. Outpatient services are reimbursed based upon a fee schedule per procedure, test, or service.

Other – Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Approximately 52% of net patient service revenue is from participation in the Medicare and state-sponsored Medi-Cal programs for the year ended June 30, 2022. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

Note 11: Pension and Other Benefit Plans

403(b) Defined Contribution Plan

The Antelope Valley Hospital Medical Center Section 403(b) Retirement Plan (403(b) Plan) is a tax-deferred annuity plan that permits employees to accumulate retirement savings by making deferrals of their salary and permits the District to make nonelective contributions on behalf of eligible employees. Contributions are invested at the direction of the participants. The 403(b) Plan is administered by the District's governing body. The 403(b) Plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the District's governing body. There were no contributions made by the District during the year ended June 30, 2022.

Single-Employer Defined Benefit Pension Plan

Plan Description

The District contributes to the Plan, a single-employer defined benefit pension plan covering substantially all employees. The Plan is administered by an Advisory Committee appointed by the District's Board of Directors. Benefit provisions are contained in the plan document and were established and can be amended by action of the District's Board of Directors. The Plan issues publicly available stand-alone financial statements and required supplementary information for the Plan. The report may be obtained by writing to the Plan at 1600 West Avenue J, Lancaster, California 93534, or by calling 661.949.5533.

The Plan has implemented the requirements of the *California Public Employees' Pension Reform Act of 2013* (PEPRA). In accordance with those provisions, certain members make contributions of 4.25% of their eligible compensation to the Plan each pay period.

Benefits Provided

The Plan provides retirement, death, and disability benefits to plan members and their beneficiaries. Retirement benefits for employees are based on years of credited service, equal to one year of full-time employment. Members with 10 years of total service are eligible to retire at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect as of June 30, 2022 are summarized as follows:

Benefit formula	1.6%–1.7% at 65
Benefit vesting schedule	5 years service
Benefit payments	Monthly for life
Retirement age	Age 55–65
Monthly benefits, as a % of eligible compensation	1.6%–1.7% at 65

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	3.00%	Average
Investment rate of return	6.42%	Net of pension plan investment expense, including inflation

Mortality rates were based on the Pri-2012 mortality tables. Mortality was generationally projected using the rates specified in the scale MP-2019 for all members.

The actuarial assumptions used in the June 30, 2022 valuations were based on the results of the 2009 actuarial experience study.

The employees covered by the Plan at June 30, 2022 are:

Active employees	1,937
Inactive employees or beneficiaries currently receiving benefits	977
Inactive employees entitled to but not yet receiving benefits	1,444
Nonvested terminations with account balances	37
	4,395

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

The best estimates of rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	6.60%
International equity	10.00%
Alternative	6.40%
Fixed income	4.00%

Discount Rate

The discount rate used to measure the total pension liability was 6.42% for the year ended June 30, 2022. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the District's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

Contributions

The District's Board of Directors has the authority to establish and amend the contribution requirements of the District and active employees. The governing body establishes rates based on an actuarially determined rate recommended by an independent actuary. 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2022, the District contributed approximately $24,390,000 to the Plan.

Net Pension Liability

The District's net pension liability was measured as of June 30, 2022 for the year ended June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2021.

Changes in the total pension liability, plan fiduciary net position, and the net pension liability are:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, beginning of year	$ 436,642,962	$ 317,513,529	$ 119,129,433
Changes for the year			
Service cost	10,517,270	-	10,517,270
Interest	28,523,854	-	28,523,854
Effect of changes in assumptions or inputs	8,976,413	-	8,976,413
Contributions – employer	-	24,390,164	(24,390,164)
Contributions – employee	-	2,217,854	(2,217,854)
Net investment return	-	(38,696,852)	38,696,852
Benefit payments	(15,497,141)	(15,497,141)	-
Administrative expense	-	(385,838)	385,838
Net changes	32,520,396	(27,971,813)	60,492,209
Balance, end of year	$ 469,163,358	$ 289,541,716	$ 179,621,642

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the Plan's net liability calculated using a single discount rate of 6.42% as well as what the Plan's net pension liability would be if it were calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher:

	1% Decrease (5.42%)	Current Discount Rate (6.42%)	1% Increase (7.42%)
District's net pension liability	$ 246,835,665	$ 179,621,642	$ 124,429,743

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2022, the District recognized pension expense of approximately $29,850,000.

At June 30, 2022, the District reported deferred outflows of resources related to pensions from the following sources:

Differences between expected and actual experience	$ 1,250,906
Changes of assumptions	24,047,320
Net difference between projected and actual earnings on pension plan investments	21,340,085
	$ 46,638,311

Amounts reported as deferred outflows of resources at June 30, 2022 related to pensions will be recognized in pension expense as follows:

2023	$ 15,111,192
2024	12,255,244
2025	6,292,534
2026	12,979,341
	$ 46,638,311

Note 12: Disclosures About Fair Value of Assets

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

Level 1 Quoted prices in active markets for identical assets

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

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

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2022:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
External investment pool – LAIF	$ 32,702,180	$ -	$ -	$ 32,702,180
U.S. instrumentalities	30,295,077	-	30,295,077	-
Corporate bonds	78,383,741	-	78,383,741	-
U.S. Treasury obligations	40,981,938	-	40,981,938	-
Held by trustee				
Corporate bonds	26,525	-	26,525	-
U.S. instrumentalities	7,750,754	-	7,750,754	-
Total investments	$ 190,140,215	$ -	$ 157,438,035	$ 32,702,180

Investments

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such investments are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying balance sheet at amounts based upon the District's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Note 13: Contingencies

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in *Notes 1* and *9*.

General Litigation

The District is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. Some of these allegations are in areas not covered by the District's self-insurance program or by commercial insurance, for example, allegations regarding employment practices or performance of contracts. The District evaluates such allegations by conducting investigations to determine the validity of each potential claim. It is the opinion of management and counsel that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the balance sheet, change in net position, and cash flows of the District. Events could occur that would change this estimate materially in the near term.

Labor Agreements

A substantial percentage of the District's employees are covered by two collective bargaining agreements. Negotiations were completed on the California Nurses Association's contract, which was effective May 21, 2021 and expires May 26, 2024. The most recent Service Employees International Union (SEIU) contract was effective July 1, 2019 and expired June 30, 2022. A new SEIU contract was effective September 1, 2022 and expires June 30, 2025.

Pension Benefit Obligations

The District has a noncontributory defined benefit pension plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the entry age normal cost method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

Electronic Medical Records System

In March 2017, the District entered into a software licensing agreement to replace its existing EMR System. The EMR System was placed into service in September 2018. In addition, the District has committed to acquiring new equipment and paying certain technology fees for installation, support, and maintenance services through March 2024 and may renew the license and related maintenance and support annually thereafter. The District is capitalizing certain costs associated with the development as outlays are made. The District entered into a loan for $20,000,000 (see *Note 7*) to

partially offset the future minimum capital outlays required for the EMR System for each fiscal year ending June 30 as follows:

2023	$ 3,727,580
2024	2,795,685
Future minimum payments	$ 6,523,265

Investments

The District invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying balance sheet.

Note 14: Construction and Seismic Standards

According to California Assembly Bill (AB) 2190, acute care inpatient hospitals must demolish, replace, or retrofit hospital buildings that do not meet current seismic safety regulations and standards. The District has received an extension of this law until 2030 due to the COVID-19 pandemic. Because some of the District's buildings date back to the 1960s, 1970s, and 1980s, the cost to retrofit those buildings along with the other bed towers would be excessive and not cost-effective. In addition, the District would lose bed capacity during the retrofit process. As a result, the District's current plan is to build a complete 320-bed replacement facility on vacant property owned by the District that is adjacent to the current hospital. It was planned that the financing for this project would include the combination of publicly supported obligation bonds and the sale of revenue bonds; however, in March 2020 and June 2022, the District placed on the ballot a general obligation bond issue that did not pass. The District is currently assessing other ways to fund this project.

Note 15: Revenue from Governmental Programs

Hospital Fee Program

The California Hospital Fee Program (the Program) was signed into law on September 8, 2010 by the governor of California. The Program requires a "hospital fee" or "Quality Assurance Fee" (QA Fee) to be paid by certain hospitals to a state fund established to accumulate the assessed QA Fees and receive matching federal funds. QA Fees and corresponding matching federal funds are then paid to participating hospitals in two supplemental payment methodologies: a fee-for-service methodology and a managed care plan methodology. The District, as a non-designated public hospital in California, is not subject to the QA Fee assessment according to the legislation, but rather receives net supplemental payments. Additional legislation has continued to extend the Program. During 2021 and 2020, the District received supplemental payments through the

Program. The Program provides funding for supplemental payments to California hospitals that serve Medi-Cal and uninsured patients.

Under the Program, the District recognized approximately $13,121,000 in supplemental funds revenue during the year ended June 30, 2022. The net impact of the Program resulted in an increase in net position of approximately $10,959,000 during the year ended June 30, 2022.

IGT Program

During 2021 and 2020, the District received supplemental payments through the Non-Designated Public Intergovernmental Transfer Program (IGT Program) created by AB113 to allow non-designated public hospitals to access additional federal funds. Under this legislation, the District recognized approximately $2,280,000 in supplemental funds revenue during the year ended June 30, 2022. The net impact of the IGT Program resulted in an increase in net position of approximately $1,420,000 during the year ended June 30, 2022.

Additionally, as of June 30, 2022, the District has a reserve of approximately $34,250,000 related to the anticipated requests to return SB1100 funds received for the years 2019, 2020, 2021, and 2022 due to exceeding the statutory upper payment limit. During the year ended June 30, 2022, the District released the reserves related to fiscal year 2018 due to its belief the government will not pursue these items further. These amounts are included in estimated third-party payor settlements in the accompanying balance sheet.

Note 16: COVID-19 Pandemic and CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 as a global pandemic

The extent of the COVID-19 pandemic's adverse effect on the District's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the District's control and ability to forecast. Because of these and other uncertainties, the District cannot estimate the length or severity of the effect of the pandemic on the District's business. Decreases in cash flows and results of operations may have an effect on debt covenant compliance and on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured and other patient accounts.

Provider Relief Fund

During the year ended June 30, 2022, the District received $1,631,969 of distributions from the CARES Act Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment provided the District is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the U.S. Department of Health and Human Services (HHS).

The District is accounting for such payments as voluntary nonexchange transactions. Payments are recognized as eligibility requirements have been met. Based on an analysis of the compliance and

reporting requirements of the Provider Relief Fund and the effect of the pandemic on the District's operating revenues and expenses through year-end, the District recognized $1,631,969 during the year ended June 30, 2022 related to the Provider Relief Fund, and these payments are recorded as nonoperating revenue – Provider Relief Fund revenue in the accompanying statement of revenues, expenses, and changes in net position.

The District has recognized revenue from the Provider Relief Fund based on guidance issued by HHS as of June 30, 2022. The District will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the District's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the District is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the accompanying financial statements compared to the District's Provider Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

Medicare Accelerated and Advance Payment Program

During the year ended June 30, 2020, the District requested accelerated Medicare payments as provided for in the CARES Act, which allows for eligible healthcare facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other healthcare providers. These amounts are expected to be recaptured by the Centers for Medicare and Medicaid Services (CMS) according to the payback provisions.

Effective September 30, 2020, the payback provisions were revised and the payback period was extended to begin one year after the issuance of the advance payment through a phased payback period approach. The first 11 months of the payback period will be at 25% of the remittance advice payment followed by a six-month payback period at 50% of the remittance advice payment. After 29 months, CMS expects any amount not paid back through the withhold amounts to be paid back in a lump sum or interest will begin to accrue subsequent to the 29 months at a rate of 4%.

During the year ended June 30, 2020, the District received approximately $28,569,000 from these accelerated Medicare payment requests. During the year ended June 30, 2022, Medicare applied approximately $18,610,000 from these accelerated Medicare payment requests against filed claims. As of June 30, 2022, $7,103,854 of accelerated Medicare payment requests are recorded as current liabilities under the caption Medicare accelerated payments in the accompanying balance sheet. As of September 2022, the District has fully repaid all outstanding accelerated Medicare payments.

Note 17: Condensed Combining Information

The following tables include condensed combining balance sheet information for the District and its blended component units as of June 30, 2022:

	AVHD	AVOIC	AVHF	Total	Eliminations	Combined
Assets and Deferred Outflows of Resources						
Current Assets						
Cash and cash equivalents	$ 21,497,510	$ 1,050,379	$ 3,284,256	$ 25,832,145	$ -	$ 25,832,145
Short-term investments	33,494,827	-	-	33,494,827	-	33,494,827
Restricted cash and investments – current	2,142,419	-	-	2,142,419	-	2,142,419
Patient accounts receivable, net	60,803,384	2,335,600	-	63,138,984	-	63,138,984
Other receivables	3,543,760	29,846	-	3,573,606	(533,143)	3,040,463
Estimated amounts due from third-party payors	20,334,115	-	-	20,334,115	-	20,334,115
Supplies	9,630,958	90,109	-	9,721,067	-	9,721,067
Prepaid expenses and other	3,449,357	54,957	-	3,504,314	-	3,504,314
Total current assets	154,896,330	3,560,891	3,284,256	161,741,477	(533,143)	161,208,334
Noncurrent Cash and Investments						
Held by trustee for debt service	8,217,245	-	-	8,217,245	-	8,217,245
Less amount required to meet current obligations	(2,142,419)	-	-	(2,142,419)	-	(2,142,419)
	6,074,826	-	-	6,074,826	-	6,074,826
Other long-term investments	149,660,756	-	-	149,660,756	-	149,660,756
Total noncurrent cash and investments	155,735,582	-	-	155,735,582	-	155,735,582
Capital Assets, Net	216,243,556	592,535	-	216,836,091	-	216,836,091
Lease Assets, Net	13,928,882	5,068,053	-	18,996,935	(3,035,570)	15,961,365
Lease Receivables	19,295,129	-	-	19,295,129	(2,602,116)	16,693,013
Other Assets	5,989,176	-	-	5,989,176	(1,602,760)	4,386,416
Total noncurrent assets	411,192,325	5,660,588	-	416,852,913	(7,240,446)	409,612,467
Total assets	566,088,655	9,221,479	3,284,256	578,594,390	(7,773,589)	570,820,801
Deferred Outflows of Resources						
Pension-related	46,638,311	-	-	46,638,311	-	46,638,311
Deferred loss on debt defeasance	757,096	-	-	757,096	-	757,096
Total deferred outflows of resources	47,395,407	-	-	47,395,407	-	47,395,407
Total assets and deferred outflows of resources	$ 613,484,062	$ 9,221,479	$ 3,284,256	$ 625,989,797	$ (7,773,589)	$ 618,216,208

Antelope Valley Healthcare District
Notes to Financial Statements
June 30, 2022

	AVHD	AVOIC	AVHF	Total	Eliminations	Combined
Liabilities, Deferred Inflows of Resources, and Net Position						
Current Liabilities						
Current maturities of long-term debt	$ 2,530,000	$ 379,801	$ -	$ 2,909,801	$ (379,801)	$ 2,530,000
Current portion of lease liabilities	3,285,735	936,208		4,221,943	(456,763)	3,765,180
Accounts payable and accrued liabilities	29,834,520	1,813,917	5,077	31,653,514	(153,342)	31,500,172
Accrued payroll and related expenses	20,658,970	795,157	-	21,454,127	-	21,454,127
Estimated amounts due to third-party payors	35,787,930	-	-	35,787,930	-	35,787,930
Medicare accelerated payments	7,103,854	-	-	7,103,854	-	7,103,854
Estimated self-insurance costs – current	7,318,145	-	-	7,318,145	-	7,318,145
Accrued interest payable	2,142,419	-	-	2,142,419	-	2,142,419
Total current liabilities	108,661,573	3,925,083	5,077	112,591,733	(989,906)	111,601,827
Other Liabilities						
Long-term debt	115,157,244	-	-	115,157,244	-	115,157,244
Estimated self-insurance costs	17,177,789	-	-	17,177,789	-	17,177,789
Lease liabilities	10,956,745	3,282,696	-	14,239,441	(2,145,353)	12,094,088
Net pension liability	179,621,642	-	-	179,621,642	-	179,621,642
Total other liabilities	322,913,420	3,282,696	-	326,196,116	(2,145,353)	324,050,763
Total liabilities	431,574,993	7,207,779	5,077	438,787,849	(3,135,259)	435,652,590
Deferred Inflows of Resources						
Leases	19,295,129	-	-	19,295,129	(3,035,570)	16,259,559
Total deferred inflows of resources	19,295,129	-	-	19,295,129	(3,035,570)	16,259,559
Net Position						
Members' contributed capital	-	2,401,059	-	2,401,059	(2,401,059)	-
Net investment in capital assets	94,401,616	1,061,883	-	95,463,499	-	95,463,499
Restricted, expendable for specific operating activities	170,015	-	-	170,015	-	170,015
Unrestricted	68,042,309	(1,449,242)	3,279,179	69,872,246	798,299	70,670,545
Total net position	162,613,940	2,013,700	3,279,179	167,906,819	(1,602,760)	166,304,059
Total liabilities, deferred inflows of resources, and net position	$ 613,484,062	$ 9,221,479	$ 3,284,256	$ 625,989,797	$ (7,773,589)	$ 618,216,208

The following table includes condensed combining statement of revenues, expenses, and changes in net position information for the District and its blended component units for the year ended June 30, 2022:

	AVHD	AVOIC	AVHF	Total	Eliminations	Combined
Operating Revenues						
Net patient service revenue, net	$ 421,220,014	$ 17,109,176	$ -	$ 438,329,190	$ -	$ 438,329,190
Supplemental funding	52,357,101	-	-	52,357,101	-	52,357,101
Other revenue	5,648,744	292,341	-	5,941,085	(1,848,072)	4,093,013
Total operating revenues	479,225,859	17,401,517	-	496,627,376	(1,848,072)	494,779,304
Operating Expenses						
Salaries and wages	220,560,164	5,290,382	87,200	225,937,746	(87,200)	225,850,546
Employee benefits	73,886,968	647,306	-	74,534,274	-	74,534,274
Professional and medical fees	37,617,094	8,003,273	-	45,620,367	-	45,620,367
Purchased services	34,572,260	1,029,304	19,506	35,621,070	(874,976)	34,746,094
Supplies and other	71,281,921	1,099,173	9,661	72,390,755	(9,661)	72,381,094
Depreciation and amortization	21,280,307	637,448	-	21,917,755	-	21,917,755
Other operating expenses	22,982,740	900,062	2,819	23,885,621	(433,454)	23,452,167
Total operating expenses	482,181,454	17,606,948	119,186	499,907,588	(1,405,291)	498,502,297
Operating Loss	(2,955,595)	(205,431)	(119,186)	(3,280,212)	(442,781)	(3,722,993)
Nonoperating Revenues (Expenses)						
Grant revenue and contributions	2,830,268	-	415,017	3,245,285	(115,356)	3,129,929
Transfer of funds to District	-	-	(121,998)	(121,998)	121,998	-
Interest expense	(6,337,857)	(181,928)	-	(6,519,785)	-	(6,519,785)
Investment return	(6,453,526)	-	1,718	(6,451,808)	795,368	(5,656,440)
Provider Relief Fund revenue	1,631,969	-	-	1,631,969	-	1,631,969
Total nonoperating revenues (expenses)	(8,329,146)	(181,928)	294,737	(8,216,337)	802,010	(7,414,327)
Excess (Deficiency) of Revenues over Expenses Before Capital Grants and Gifts	(11,284,741)	(387,359)	175,551	(11,496,549)	359,229	(11,137,320)
Capital Grants and Gifts	103,503	-	-	103,503	(103,503)	-
Increase (Decrease) in Net Position	(11,181,238)	(387,359)	175,551	(11,393,046)	255,726	(11,137,320)
Net Position, Beginning of Year	173,795,178	2,401,059	3,103,628	179,299,865	(1,858,486)	177,441,379
Net Position, End of Year	$ 162,613,940	$ 2,013,700	$ 3,279,179	$ 167,906,819	$ (1,602,760)	$ 166,304,059

The following table includes condensed combining statement of cash flows information for the District and its blended component units for the year ended June 30, 2022:

	AVHD	AVOIC	AVHF	Total
Net Cash Provided by (Used in) Operating Activities	$ (4,259,473)	$ 1,221,982	$ (119,004)	$ (3,156,495)
Net Cash Provided by Noncapital Financing Activities	4,761,898	-	-	4,761,898
Net Cash Used in Capital and Related Financing Activities	(36,020,349)	(1,750,289)	-	(37,770,638)
Net Cash Used in Investing Activities	(1,756,194)	-	-	(1,756,194)
Decrease in Cash and Cash Equivalants	(37,274,118)	(528,307)	(119,004)	(37,921,429)
Cash and Cash Equivalents, Beginning of Year	58,771,628	1,578,686	3,403,260	63,753,574
Cash and Cash Equivalents, End of Year	$ 21,497,510	$ 1,050,379	$ 3,284,256	$ 25,832,145

Required Supplementary Information

Antelope Valley Healthcare District

Schedule of Changes in the Net Pension Liability and Related Ratios

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service cost	$ 10,517,270	$ 9,250,029	$ 8,315,033	$ 7,747,623	$ 8,268,096	$ 7,016,415	$ 6,707,130	$ 6,480,319
Interest	28,523,854	26,900,142	24,460,673	23,009,137	22,180,542	20,593,745	19,660,531	18,338,307
Changes of assumptions	8,976,413	18,283,221	20,724,964	-	129,155	8,609,531	8,835,715	-
Differences between expected and actual experience	-	802,447	1,963,557	1,154,492	(8,105,314)	5,281,052	(5,190,447)	-
Benefit payments	(15,497,141)	(13,341,319)	(11,992,898)	(10,924,570)	(9,825,764)	(8,800,937)	(7,711,728)	(6,893,033)
Net Change in Total Pension Liability	32,520,396	41,894,520	43,471,329	20,986,682	12,646,715	32,699,806	22,301,201	17,925,593
Total Pension Liability – Beginning	436,642,962	394,748,442	351,277,113	330,290,431	317,643,716	284,943,910	262,642,709	244,717,116
Total Pension Liability – Ending (a)	469,163,358	436,642,962	394,748,442	351,277,113	330,290,431	317,643,716	284,943,910	262,642,709
Plan Fiduciary Net Position								
Contributions – employer	24,390,164	18,066,319	20,367,897	19,713,038	18,559,927	14,741,814	18,711,728	13,888,450
Contributions – employee	2,217,854	2,023,504	1,612,787	1,395,539	1,048,104	775,922	660,595	146,786
Net investment income (loss)	(38,696,852)	66,028,811	9,529,079	13,571,598	14,388,612	15,972,545	(1,737,867)	5,222,989
Administrative expense	(385,838)	(267,751)	(31,070)	(395,284)	(27,346)	(25,943)	(47,692)	(74,122)
Benefit payments	(15,497,141)	(13,341,319)	(11,992,898)	(10,924,570)	(9,825,765)	(8,800,937)	(7,711,728)	(6,893,033)
Net Change in Plan Fiduciary Net Position	(27,971,813)	72,509,564	19,485,795	23,360,321	24,143,532	22,663,401	9,875,036	12,291,070
Plan Fiduciary Net Position – Beginning	317,513,529	245,003,965	225,518,170	202,157,849	178,014,317	155,350,916	145,475,880	133,184,810
Plan Fiduciary Net Position – Ending (b)	289,541,716	317,513,529	245,003,965	225,518,170	202,157,849	178,014,317	155,350,916	145,475,880
Net Pension Liability – Ending (a) – (b)	$ 179,621,642	$ 119,129,433	$ 149,744,477	$ 125,758,943	$ 128,132,582	$ 139,629,399	$ 129,592,994	$ 117,166,829
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.71%	72.72%	62.07%	64.20%	61.21%	56.04%	54.52%	55.39%
Covered-Employee Payroll	$ 160,280,319	$ 155,611,960	$ 155,267,645	$ 150,222,000	$ 142,333,000	$ 150,657,227	$ 147,694,076	$ 145,363,784
Net Pension Liability as a Percentage of Covered-Employee Payroll	112.07%	76.56%	96.44%	83.72%	90.02%	92.68%	87.74%	80.60%

Note to Schedule

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

Antelope Valley Healthcare District

Schedule of Pension Contributions

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	$ 20,582,910	$ 18,515,980	$ 16,099,900	$ 15,442,859	$ 16,292,095	$ 13,875,355	$ 13,400,105	$ 13,497,568	$ 17,804,538	$ 16,717,000
Contributions in relation to the actuarially determined contribution	24,390,164	18,066,319	20,367,897	19,713,038	18,559,927	14,741,814	18,711,728	13,888,450	7,226,851	8,076,596
Contribution deficiency (excess)	$ (3,807,254)	$ 449,661	$ (4,267,997)	$ (4,270,179)	$ (2,267,832)	$ (866,459)	$ (5,311,623)	$ (390,882)	$ 10,577,687	$ 8,640,404
Covered-employee payroll	$ 160,280,319	$ 155,611,960	$ 155,267,645	$ 150,222,000	$ 142,333,000	$ 150,657,227	$ 147,694,076	$ 145,363,784	$ 141,499,947	$ 136,714,925
Contributions as a percentage of covered-employee payroll	15.22%	11.61%	13.12%	13.12%	13.04%	9.79%	12.67%	9.55%	5.11%	5.91%

Notes to Schedule

Valuation date: July 1, 2021

Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Effective July 1, 2014, Initial Entry Age Normal cost method; through July 1, 2013, Projected Unit Credit cost method
- Amortization method: Effective July 1, 2014, Closed 25-year amortization, level percentage of pay; through July 1, 2013, Open 10-year amortization, level dollar amount
- Asset valuation method: Market value gains and losses smoothed over four years, with result within 20% of the market value
- Inflation: Effective July 1, 2015, 2.5% per year
- Salary increases: Effective July 1, 2015, 7.0%–3.0% by duration
- Investment rate of return: Effective July 1, 2021, 6.42%, net of investment expense, including inflation; Effective July 1, 2020, 6.57%, net of investment expense, including inflation; effective July 1, 2016, 7.0%, net of investment expense, including inflation; effective July 1, 2015, 7.25%, net of investment expense, including inflation; effective July 1, 2014, 7.5%, net of investment expense, including inflation
- Retirement age: Normal retirement at 65 years old; early retirement at 55 years old and 10 years of service
- Mortality: Effective July 1, 2019, Pri-2012 mortality tables projected using rates specified in scale MP-2019; Effective July 1, 2015, Healthy Combined RP-2014 mortality projected to 2029 using scale BB for PEPRA participants; Effective July 1, 2009, Healthy Combined RP-2000 mortality projected to 2015 using scale AA (2030 for PEPRA participants)