Antelope Valley Healthcare District

Independent Auditor's Report and Financial Statements

June 30, 2023

Antelope Valley Healthcare District
June 30, 2023

Contents

FORVIS

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Independent Auditor's Report

Board of Directors
Antelope Valley Healthcare District
Lancaster, California

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, 2023 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, 2023 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, on July 1, 2022, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. 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.

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 for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- 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 20, 2023

Antelope Valley Healthcare District
Management's Discussion and Analysis
Year Ended June 30, 2023

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, 2023. It should be read in conjunction with the accompanying financial statements of the District. During 2023, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, retroactively to July 1, 2022. The summarized financial information for the year ended June 30, 2022, 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 increased by $2,975 or 2% in 2023 over 2022, 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

	2023	2022
Assets		
Cash and short-term investments	$ 42,254	$ 61,469
Patient accounts receivable, net	61,678	63,139
Other current assets	15,799	16,266
Estimated amounts due from third-party payors	26,384	20,334
Long-term investments	138,951	149,661
Capital assets, net	215,323	216,836
Lease assets, net	10,510	15,961
Subscription assets, net	6,459	-
Lease receivables	12,800	16,693
Other noncurrent assets	7,006	10,462
Total assets	537,164	570,821
Deferred Outflows of Resources	21,061	47,395
Total assets and deferred outflows of resources	$ 558,225	$ 618,216

Liabilities, Deferred Inflows of Resources, and Net Position

	2023	2022
Liabilities		
Current liabilities	$ 73,883	$ 111,602
Estimated self-insurance costs, net of current	18,937	17,178
Pension liability	154,110	179,623
Lease liabilities, net of current	8,837	12,094
Long-term debt, net of current	112,319	115,157
Subscription liabilities, net of current	1,672	-
Total liabilities	369,758	435,654
Deferred Inflows of Resources	19,189	16,259
Net Position		
Net investment in capital assets	107,309	95,463
Restricted	67	170
Unrestricted	61,902	70,670
Total net position	169,278	166,303
Total liabilities, deferred inflows of resources, and net position	$ 558,225	$ 618,216

Changes from 2022 to 2023

Cash, short-term investments, and long-term investments decreased $29,925 or 14.2% mainly due to recoupment of Medicare advance funding and purchases of capital assets.

Subscription assets and subscription liabilities increased due to the adoption of GASB 96 during 2023, which has not been restated in the 2022 balance sheet above.

Other noncurrent assets decreased $3,456 or 33% due to impairment on an equity investee.

Pension liability decreased $25,513 or 14% and deferred outflows of resources decreased $26,334 or 56% due to market recovery and changes of economic assumptions.

Operating Results and Changes in the District's Net Position

Table 2: Operating Results and Changes in Net Position

	2023	2022
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts	$ 444,090	$ 438,517
Supplemental funding	74,005	52,169
Other revenue	4,699	4,093
Total operating revenues	522,794	494,779
Operating Expenses		
Salaries and wages	238,413	225,851
Employee benefits	74,761	74,534
Purchased services and professional fees	77,770	80,366
Supplies	74,122	72,381
Depreciation and amortization	27,352	21,918
Other operating expenses	26,539	23,453
Total operating expenses	518,957	498,503
Operating Income (Loss)	3,837	(3,724)
Nonoperating Revenues (Expenses)		
Grant revenue and contributions	5,667	3,130
Interest expense	(6,307)	(6,520)
Gain (loss) on investments in equity investees	(4,169)	548
Investment return	3,947	(6,204)
Provider Relief Fund revenue	-	1,632
Total nonoperating revenues (expenses)	(862)	(7,414)
Increase (Decrease) in Net Position	$ 2,975	$ (11,138)

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 income in 2023 and operating loss in 2022.

The operating income for 2023 increased from the operating loss in 2022 by $7,561 or 203%.

Net Patient Service Revenue

Changes from 2022 to 2023

The increase in net patient service revenue of $5,573 or 1% is due to increased patient volumes.

Inpatient Business Activity

	2023	2022
Acute Patient Days by Payor		
Medicare	15,468	14,420
Medicare Managed Care	20,135	18,773
Medi-Cal	6,850	7,641
Medi-Cal Managed Care	25,903	24,029
Commercial managed care	15,038	17,102
Other	1,588	1,351
Self-pay	1,020	1,292
	86,002	84,608

Discharges increased from 17,950 in 2022 to 18,130 in 2023, a change of 1%. Patient days increased by 1,394 days in 2023 or 1.6%, as indicated in the table above. The length of stay increased to 4.74 days from 4.71 days.

The overall case mix index for the District, which is a measure of patient acuity, decreased to 1.56 in 2023 from 1.60 in 2022. The Medicare case mix index increased from 2.23 in 2022 to 2.27 in 2023.

Surgeries decreased by 267 cases or 3.3%, from 7,987 cases in 2022 to 7,720 cases in 2023. Inpatient surgeries decreased by 86 cases or 2.6%, from 3,428 cases in 2022 to 3,342 cases in 2023. Outpatient surgeries decreased by 32 cases or 1.0%, and inpatient surgeries in the Women & Infants Pavilion decreased by 149 cases or 12.3%.

Outpatient Business Activity

Outpatient gross revenue charges decreased $42,814 or 7.4% to $621,880 in 2023.

Supplemental Funding

	2023	2022
California Hospital Quality Assurance Fee (HQAF) program	$ 14,603	$ 13,121
Assembly Bill 113	2,197	2,280
Trauma center fund	8,160	6,988
DSH programs	44,084	15,704
QIP program	4,779	13,707
Cost report settlements and other	2,666	557
	76,489	52,357
IGT fees*		
HQAF	2,798	2,162
Assembly Bill 113	890	860
	$ 72,801	$ 49,335

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

The District receives disproportionate share hospital (DSH) funding under California State Bill 1100. During 2023, the District determined that the likelihood of recovery on program years prior to and including 2021 was remote and released the prior reserves on these years, causing an increase in DSH revenue recognized of $28,380 or 181%.

As a trauma center, the District receives Los Angeles County Measure B trauma funds. During 2023 and 2022, the District received $8,160 and $6,988, respectively, in trauma funds. During 2023 and 2022, the District treated 1,504 and 1,582 trauma cases, respectively.

Operating Expenses

Changes from 2022 to 2023

Operating expenses increased 4.1% in 2023 as compared to 2022. This is due to an increase in nursing contract labor and benefits.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of grant revenue and contributions, investment income, and interest expense. The District recognized a loss in 2023 on investments in equity investees of $4,169, which is a change of $4,717 or 861% from the gain recognized in 2022. This was primarily due to impairment on an equity investee. The District recognized an increase in other investment return of $10,151 or 164% in 2023 compared to 2022 resulting primarily from increasing market values.

The District's Cash Flows

Net cash provided by operating activities in fiscal year 2023 was $3,477, representing an increase of $6,633 from 2022, primarily due to increases in patient revenue. Cash increased by $11,359 from 2022 to 2023 due to increased patient revenue and disposition of investments.

Capital Assets

At the end of 2023 and 2022, the District had $215,323 and $216,836, respectively, invested in capital assets, net of accumulated depreciation, as detailed in *Note 5*.

Debt

At June 30, 2023, the District had $114,974 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. In September 2022, Moody's Investors Service decided to withdraw its rating of the District for Moody's own business reasons. Most recently, Moody's had assigned a Ba2 rating to the District.

Economic Factors for Fiscal Year 2023 and Beyond

Strategic Initiatives

The District is on track to open the new wing of the Emergency Department during Spring 2024. 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 2024. This facility will ultimately provide much needed services to the Antelope Valley as well as free up capacity at the medical center.

The District is actively negotiating with several health plans to improve reimbursement rates from its Managed Care contracts.

The District continues to invest in operational efficiencies 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, which was paid in full as of June 30, 2022. The District has committed to support services from Cerner through March 2024 and is reviewing renewal options.

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 for compliance with this bill 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 the District's 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, 2023

Assets and Deferred Outflows of Resources

Current Assets	
Cash	$ 37,191,188
Short-term investments	3,155,533
Restricted cash and investments – current	1,907,396
Patient accounts receivable, net of allowance; $20,202,000	61,678,179
Other receivables	3,007,677
Estimated amounts due from third-party payors	26,383,616
Supplies	10,518,480
Prepaid expenses and other	2,274,241
Total current assets	146,116,310
Noncurrent Cash and Investments	
Held by trustee for debt service	8,803,454
Less amount required to meet current obligations	(1,907,396)
	6,896,058
Other long-term investments	138,950,868
Total noncurrent cash and investments	145,846,926
Capital Assets, Net	215,322,631
Lease Assets, Net	10,509,833
Subscription Assets, Net	6,458,752
Lease Receivables	12,799,599
Other Assets	109,977
Total noncurrent assets	391,047,718
Total assets	537,164,028
Deferred Outflows of Resources	
Pension-related	20,391,782
Deferred loss on debt defeasance	669,712
Total deferred outflows of resources	21,061,494
Total assets and deferred outflows of resources	$ 558,225,522

Antelope Valley Healthcare District

Balance Sheet, continued

June 30, 2023

Liabilities, Deferred Inflows of Resources, and Net Position

Current Liabilities	
Current maturities of long-term debt	$ 2,655,000
Current portion of lease liabilities	3,540,901
Current portion of subscription liabilities	3,848,006
Accounts payable and accrued liabilities	21,147,318
Accrued payroll and related expenses	22,776,566
Estimated amounts due to third-party payors	9,919,034
Estimated self-insurance costs – current	8,088,500
Accrued interest payable	1,907,396
Total current liabilities	73,882,721
Other Liabilities	
Long-term debt	112,319,196
Estimated self-insurance costs	18,937,343
Lease liabilities	8,836,577
Subscription liabilities	1,672,478
Net pension liability	154,109,928
Total other liabilities	295,875,522
Total liabilities	369,758,243
Deferred Inflows of Resources	
Pension-related	5,687,658
Leases	13,501,038
Total deferred inflows of resources	19,188,696
Net Position	
Net investment in capital assets	107,309,520
Restricted, expendable for specific operating activities	67,527
Unrestricted	61,901,536
Total net position	169,278,583
Total liabilities, deferred inflows of resources, and net position	$ 558,225,522

Antelope Valley Healthcare District
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2023

Operating Revenues	
Net patient service revenue, net of provision for uncollectible accounts; $12,406,281	$ 444,090,125
Supplemental funding	74,004,825
Other revenue	4,698,710
Total operating revenues	522,793,660
Operating Expenses	
Salaries and wages	238,413,279
Employee benefits	74,761,078
Professional and medical fees	44,734,467
Purchased services	33,035,790
Supplies and other	74,121,855
Depreciation and amortization	27,352,207
Other operating expenses	26,538,473
Total operating expenses	518,957,149
Operating Income	3,836,511
Nonoperating Revenues (Expenses)	
Grant revenue and contributions	5,666,525
Interest expense	(6,307,179)
Loss on investments in equity investees	(4,168,639)
Investment return	3,947,306
Total nonoperating revenues (expenses)	(861,987)
Excess of Revenues over Expenses and Change in Net Position	2,974,524
Net Position, Beginning of Year	166,304,059
Net Position, End of Year	$ 169,278,583

Antelope Valley Healthcare District
Statement of Cash Flows
Year Ended June 30, 2023

Cash Flows from Operating Activities	
Receipts from and on behalf of patients	$ 437,077,451
Receipts from supplemental funding	43,456,053
Payments to suppliers and contractors	(180,650,240)
Payments to employees	(302,899,536)
Other receipts	6,493,045
Net cash provided by operating activities	3,476,773
Cash Flows from Noncapital Financing Activities	
Noncapital grants and gifts	5,666,525
Net cash provided by noncapital financing activities	5,666,525
Cash Flows from Capital and Related Financing Activities	
Principal paid on long-term debt	(2,530,000)
Interest paid on long-term debt	(5,809,219)
Principal payments received on leases receivable	2,131,865
Interest payments received on leases receivable	532,502
Principal paid on lease liabilities	(3,601,642)
Interest paid on lease liabilities	(646,815)
Principal paid on subscription liabilities	(4,900,833)
Interest paid on subscription liabilities	(181,832)
Purchase of capital assets	(26,763,858)
Net cash used in capital and related financing activities	(41,769,832)
Cash Flows from Investing Activities	
Interest and dividends on investments	4,816,083
Purchase of investments	(152,975,297)
Proceeds from disposition of investments	192,036,991
Distributions from equity investees	107,800
Net cash provided by investing activities	43,985,577
Increase in Cash	11,359,043
Cash, Beginning of Year	25,832,145
Cash, End of Year	$ 37,191,188

Antelope Valley Healthcare District

Statement of Cash Flows, continued

Year Ended June 30, 2023

Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$	3,836,511
Depreciation and amortization		27,352,207
Accrued self-insurance costs		2,529,909
Provision for uncollectible accounts		12,406,281
Changes in operating assets and liabilities		
Patient accounts receivable		(10,945,476)
Other receivables		1,794,335
Supplies and prepaid expenses and other		(284,636)
Estimated amounts due from and to third-party payors		(1,369,625)
Supplemental funding		(30,548,772)
Accounts payable and accrued expenses		823,502
Accrued payroll and related expenses		1,322,439
Net pension liability		(25,511,714)
Medicare accelerated payments		(7,103,854)
Deferred inflows of resources – pension postemployment benefits		5,687,658
Deferred outflows of resources – pension postemployment benefits		26,246,529
Deferred inflows of resources – leases		(2,758,521)
Net cash provided by operating activities	$	3,476,773
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	$	1,542,939
Lease assets acquired through lease liabilities	$	119,852
Subscription assets acquired through subscription liabilities	$	1,990,191

Antelope Valley Healthcare District
Fiduciary Fund – Pension Trust Fund
Statement of Fiduciary Net Position
June 30, 2023

Assets	
Cash	$ 1,802,014
Investments, at fair value	
Mutual funds	217,132,208
Exchange-traded funds	81,356,037
Limited partnerships	27,017,470
Money market funds	6,015,236
Total assets	$ 333,322,965
Liabilities	
Due to broker for securities purchased	$ 500,000
Fiduciary Net Position Restricted for Pensions	332,822,965
Total liabilities and fiduciary net position restricted for pensions	$ 333,322,965

Antelope Valley Healthcare District
Fiduciary Fund – Pension Trust Fund
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2023

Additions	
Contributions	
Members	$ 2,709,063
Employers	23,846,521
Total contributions	26,555,584
Investment earnings	
Net increase in fair value of investments	22,470,821
Interest, dividends, and other	11,142,143
	33,612,964
Less investment activity costs	719,018
Net investment earnings	32,893,946
Total additions	59,449,530
Deductions	
Benefits paid to participants or beneficiaries	15,853,162
Administrative expense	315,119
Total deductions	16,168,281
Net Increase in Fiduciary Net Position	43,281,249
Fiduciary Net Position, Beginning of Year	289,541,716
Fiduciary Net Position, End of Year	$ 332,822,965

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.

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, 2023 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, 2023, 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, such as 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 money market mutual funds held in investment accounts as cash equivalents. At June 30, 2023, the District had no cash equivalents.

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.

Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Capital, Lease, and Subscription Asset Impairment

The District evaluates capital, lease, and subscription 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, lease, or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital, lease, or subscription asset's historical cost 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, 2023.

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; lease assets, net of accumulated amortization; and subscription assets, net of accumulated amortization and reduced by the outstanding balances of borrowings, lease liabilities, and subscription 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, 2023.
- 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 cost of charity care provided under the District's charity care policy was approximately $1,814,000 for 2023. 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, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, using a retrospective method of adoption to all SBITAs in place and not yet completed at the July 1, 2022. GASB 96 requires governments to recognize a subscription liability, measured at the present value of payments expected to be made during the contract term, and an intangible subscription asset. The adoption resulted in no impact to beginning net position as of July 1, 2022. The adoption resulted in approximately $717,000 of prepaid expenses being reclassified as subscription assets at July 1, 2022.

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, 2023, approximately $37,019,000 of the District's bank balances of approximately $37,269,000 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 $4,371,000 and carrying values of approximately $4,103,000 at June 30, 2023. As nongovernmental entities, the blended component units are not subject to collateralization requirements. At June 30, 2023, the blended component units' cash accounts exceeded federally insured limits by approximately $3,140,000.

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, 2023, the District had the following investments and maturities:

		Maturities in Years		
Type	**Fair Value**	**Less than 1**	**1–5**	**6–10**
External investment pool – LAIF	$ 2,896,652	$ 2,896,652	$ -	$ -
U.S. instrumentalities	13,099,246	2,937,884	7,076,922	3,084,440
Corporate bonds	22,714,722	1,639,797	16,174,637	4,900,288
U.S. Treasury obligations	10,213,343	2,756,781	7,456,562	-
Money market mutual funds	93,182,438	93,182,438	-	-
Held by trustee				
Corporate bonds	496,895	496,895	-	-
U.S. instrumentalities	8,306,559	3,106,461	5,200,098	-
	$ 150,909,855	$ 107,016,908	$ 35,908,219	$ 7,984,728

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, 2023:

Investments	Moody's	S&P
External investment pool – LAIF	Not Rated	Not Rated
Corporate bonds	Baa2	BBB
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. No investments exceeded 5% of the total fair value of all investments as of June 30, 2023.

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	37,187,448
Investments	150,909,855
	$ 188,101,043
Included in the following balance sheet captions	
Cash	$ 37,191,188
Short-term investments	3,155,533
Restricted cash and investments – current	1,907,396
Noncurrent cash and investments	145,846,926
	$ 188,101,043

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, 2023 consisted of:

Medicare	$ 27,756,704
Medi-Cal	20,273,527
Other third-party payors	25,359,882
Patients	8,490,066
	81,880,179
Less allowance for uncollectible accounts	(20,202,000)
	$ 61,678,179

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 (the Index). Those leases were measured based upon the Index at lease commencement.

Revenue recognized under lease contracts during the year ended June 30, 2023 was approximately $3,954,000, which includes both lease revenue and interest. The District recognized lease revenue of approximately $230,000 for the year ended June 30, 2023 for variable payments not previously included in the measurement of the lease receivable.

Note 5: Capital, Lease, and Subscription Assets

Capital assets activity for the year ended June 30, 2023 was:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 15,022,799	$ 35,000	$ -	$ -	$ 15,057,799
Land improvements	25,169,403	-	-	1,479,978	26,649,381
Buildings and leasehold improvements	181,906,084	-	-	4,038,650	185,944,734
Equipment	267,547,188	2,152,781	(185,519)	5,445,458	274,959,908
Construction in progress	65,343,234	13,399,721	-	(11,101,624)	67,641,331
	554,988,708	15,587,502	(185,519)	(137,538)	570,253,153
Less accumulated depreciation					
Land improvements	16,256,549	927,746	-	-	17,184,295
Buildings and leasehold improvements	97,445,133	2,585,923	-	-	100,031,056
Equipment	224,450,935	13,436,164	(185,519)	13,591	237,715,171
	338,152,617	16,949,833	(185,519)	13,591	354,930,522
Capital assets, net	$ 216,836,091	$ (1,362,331)	$ -	$ (151,129)	$ 215,322,631

Lease assets activity for the year ended June 30, 2023 was:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Buildings	$ 13,709,265	$ -	$ -	$ (100,271)	$ 13,608,994
Equipment	8,870,812	119,852	-	237,809	9,228,473
	22,580,077	119,852	-	137,538	22,837,467
Less accumulated amortization					
Buildings	2,032,624	2,406,624	-	-	4,439,248
Equipment	4,586,088	3,315,889	-	(13,591)	7,888,386
	6,618,712	5,722,513	-	(13,591)	12,327,634
Lease assets, net	$ 15,961,365	$ (5,602,661)	$ -	$ 151,129	$ 10,509,833

Subscription asset activity for the year ended June 30, 2023 was:

	Beginning Balance (As Restated)	Additions	Disposals	Transfers	Ending Balance
Subscription assets	$ 9,148,422	$ 1,990,191	$ -	$ -	$ 11,138,613
Less accumulated amortization	-	4,679,861	-	-	4,679,861
Subscription assets, net	$ 9,148,422	$ (2,689,670)	$ -	$ -	$ 6,458,752

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. Separate financial statements of the equity investee are not available to the public.

In June 2023, the District entered into a memorandum of understanding with the other owners of AVSI agreeing to dissolve AVSI with operations ceasing to exist as of June 30, 2023. While AVSI has not yet legally dissolved as of June 30, 2023, it has ceased operations and no further return will be provided on the District's investment. The District recorded approximately $4,255,000 in impairment related to its investment in AVSI during 2023 due to this matter, which is included in loss on investment in equity investees on the accompanying statement of revenues, expenses, and changes in net position; the District's ongoing financial interest was $0 as of June 30, 2023.

Note 7: Long-Term Obligations

The following is a summary of long-term obligation transactions for the District for the year ended June 30, 2023:

	Beginning Balance (As Restated)	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Series 2016A District Revenue Bonds	$ 113,355,000	$ -	$ (2,530,000)	$ 110,825,000	$ 2,655,000
Unamortized bond premium	4,332,244	-	(183,048)	4,149,196	-
Total long-term debt	117,687,244	-	(2,713,048)	114,974,196	2,655,000
Other long-term liabilities					
Estimated self-insurance costs	24,495,934	18,870,653	(16,340,744)	27,025,843	8,088,500
Lease liabilities	15,859,268	119,852	(3,601,642)	12,377,478	3,540,901
Subscription liability	8,431,126	1,990,191	(4,900,833)	5,520,484	3,848,006
Medicare accelerated payments	7,103,854	-	(7,103,854)	-	-
Total other long-term liabilities	55,890,182	20,980,696	(31,947,073)	44,923,805	15,477,407
Total long-term obligations	$ 173,577,426	$ 20,980,696	$ (34,660,121)	$ 159,898,001	$ 18,132,407

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, 2023.

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, 2023, 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.

Line of Credit

In May 2023, the District entered into a credit agreement that provided a $25,000,000 revolving bank line of credit. Any amounts drawn on this line of credit are due April 30, 2024. The line is secured by pledge of the District's gross revenues and trustee-held assets. This line of credit was unused during the year ended June 30, 2023.

Debt Service Requirements

Debt service requirements on long-term debt as of June 30, 2023 are as follows:

	Total to be Paid or	Series 2016A District Revenue Bonds	
Year Ending June 30,	**Amortized**	**Principal**	**Interest**
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	8,248,688	3,225,000	5,023,688
2029–2033	41,251,638	18,730,000	22,521,638
2034–2038	41,248,538	24,110,000	17,138,538
2039–2043	41,249,500	30,855,000	10,394,500
2044–2046	24,748,000	22,465,000	2,283,000
	$ 189,746,116	$ 110,825,000	$ 78,921,116

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, 2023, the District recognized approximately $2,226,000 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, 2023:

Year Ending June 30,	Total to be Paid	Principal	Interest
2024	$ 3,946,667	$ 3,540,901	$ 405,766
2025	2,611,763	2,337,052	274,711
2026	2,278,684	2,073,615	205,069
2027	2,143,073	2,016,042	127,031
2028	1,762,496	1,705,780	56,716
2029	709,882	704,088	5,794
	$ 13,452,565	$ 12,377,478	$ 1,075,087

Note 9: Subscription Liabilities

The District has various SBITAs, the terms of which expire in various years through 2027. Variable payments based upon the use of the underlying asset are not included in the subscription liability because they are not fixed in substance.

During the year ended June 30, 2023, the District recognized approximately $6,461,000 of subscription expense related to short-term SBITAs, software maintenance agreements, and variable payments not previously included in the measurement of the subscription liability.

The following is a schedule by year of payments under the District's SBITAs as of June 30, 2023:

Year Ending June 30,	Total to be Paid	Principal	Interest
2024	$ 3,934,503	$ 3,848,006	$ 86,497
2025	763,299	733,670	29,629
2026	639,355	627,604	11,751
2027	318,927	311,204	7,723
	$ 5,656,084	$ 5,520,484	$ 135,600

Note 10: Self-Insurance Liabilities

Medical Malpractice Claims

The District is self-insured for the first $1,000,000 per occurrence and in the 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 4.13% in 2023 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 the years ended June 30 is summarized as follows:

	2023	2022
Balance, beginning of year	$ 9,762,000	$ 7,772,000
Current year claims incurred and changes in estimates for claims incurred in prior years	4,004,094	3,697,420
Claims and expenses paid	(1,531,094)	(1,707,420)
Balance, end of year	$ 12,235,000	$ 9,762,000

Workers' Compensation Claims

The District is self-insured for the first $1,000,000 per occurrence and in the aggregate 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 4.13% in 2023 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 the years ended June 30 is summarized as follows:

	2023	2022
Balance, beginning of year	$ 12,344,000	$ 12,310,000
Current year claims incurred and changes in estimates for claims incurred in prior years	3,713,411	4,553,918
Claims and expenses paid	(3,513,411)	(4,519,918)
Balance, end of year	$ 12,544,000	$ 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 the years ended June 30 is summarized as follows:

	2023	2022
Balance, beginning of year	$ 2,391,000	$ 2,202,000
Current year claims incurred and changes in estimates for claims incurred in prior years	11,151,239	11,898,959
Claims and expenses paid	(11,296,239)	(11,709,959)
Balance, end of year	$ 2,246,000	$ 2,391,000

Note 11: 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, 2019.

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 that is 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 72% of net patient service revenue is from participation in the Medicare and state-sponsored Medi-Cal programs for the year ended June 30, 2023. 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.

2023 net patient service revenue increased by approximately $2,485,000 due to changes in previously estimated amounts as a result of final settlements with third-party payors.

Note 12: 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, 2023.

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 Plan's provisions and benefits in effect as of June 30, 2023 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 valuation 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, 2023 are:

Active employees	1,802
Inactive employees or beneficiaries currently receiving benefits	1,145
Inactive employees entitled to but not yet receiving benefits	1,533
Nonvested terminations with account balances	120
	4,600

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 following represents the long-term expected real rates of return for each major investment class in the Plan's target asset allocation, as defined by the Plan's investment policy, as of June 30, 2023:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	45%	5.90%
International equity	10%	9.40%
Alternative	15%	8.30%
Fixed income	30%	4.20%

Discount Rate

The discount rate used to measure the total pension liability was 6.42% for the year ended June 30, 2023. 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, 2023, the District contributed approximately $23,847,000 to the Plan.

Net Pension Liability

The District's net pension liability was measured as of June 30, 2023 for the year ended June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2022, rolled forward to June 30, 2023.

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	$ 469,163,358	$ 289,541,716	$ 179,621,642
Changes for the year			
Service cost	11,259,368	-	11,259,368
Interest	29,974,054	-	29,974,054
Effect of economic/demographic gains or losses	(7,648,919)	-	(7,648,919)
Contributions – employer	-	23,846,521	(23,846,521)
Contributions – employee	-	2,709,063	(2,709,063)
Net investment return	-	32,842,823	(32,842,823)
Benefit payments	(15,814,968)	(15,814,968)	-
Administrative expense	-	(302,190)	302,190
Net changes	17,769,535	43,281,249	(25,511,714)
Balance, end of year	$ 486,932,893	$ 332,822,965	$ 154,109,928

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	$ 222,965,973	$ 154,109,928	$ 97,530,828

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

For the year ended June 30, 2023, the District recognized pension expense of approximately $30,269,000.

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 485,654	$ (5,687,658)
Changes of assumptions	13,384,076	-
Net difference between projected and actual earnings on pension plan investments	6,522,052	-
	$ 20,391,782	$ (5,687,658)

Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2023 related to pensions will be recognized in pension expense as follows:

2024	$ 7,510,149
2025	1,547,439
2026	8,430,371
2027	(2,783,835)
	$ 14,704,124

Note 13: 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, 2023:

		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	$ 2,896,652	$ -	$ -	$ 2,896,652
U.S. instrumentalities	13,099,246	-	13,099,246	-
Corporate bonds	22,714,722	-	22,714,722	-
U.S. Treasury obligations	10,213,343	-	10,213,343	-
Money market mutual funds	93,182,438	93,182,438	-	-
Held by trustee				
Corporate bonds	496,895	-	496,895	-
U.S. instrumentalities	8,306,559	-	8,306,559	-
Total investments	$ 150,909,855	$ 93,182,438	$ 54,830,765	$ 2,896,652

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 14: Contingencies

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in *Notes 1* and *16*.

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. The most recent California Nurses Association's contract 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 is currently in the process of obtaining final approvals for print; the most recent draft 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 electronic medical records (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. Future minimum outlays for this agreement are $2,795,685 in 2024.

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 15: 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 16: 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 2023, 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 $14,603,000 in supplemental funds revenue during the year ended June 30, 2023. The net impact of the Program resulted in an increase in net position of approximately $11,805,000 during the year ended June 30, 2023.

IGT Program

During 2023, 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 $2,197,000 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 $1,296,000 during the year ended June 30, 2023, including an increase of approximately $415,000 related to settlements of final amounts related to prior years.

Disproportionate Share Program

Additionally, as of June 30, 2023, the District has a reserve of approximately $10,000,000 related to the anticipated requests to return SB1100 funds received for the years 2023 and 2022 due to potentially exceeding the statutory upper payment limit. During the year ended June 30, 2023, the District released the reserves related to fiscal years prior to and including 2021 due to its belief the government will not pursue these items further, causing an increase in net position of approximately $28,055,631. The reserve of $10,000,000 is included in estimated third-party payor settlements in the accompanying balance sheet.

Note 17: Medicare Accelerated and Advance Payment Program

During the year ended June 30, 2020, the District requested accelerated Medicare payments as provided for in the *Coronavirus Aid, Relief, and Economic Security 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, 2023, Medicare applied approximately $7,104,000 from these accelerated Medicare payment requests against filed claims. As of June 30, 2023, the District has fully repaid all outstanding accelerated Medicare payments.

Note 18: Future Change in Accounting Principle

GASB recently issued Statement No. 101, *Compensated Absences*. GASB 101 provides further clarity and guidance on when and how to record liabilities associated with compensated absences.

Additionally, it amends previous disclosure requirements. The District expects to first apply GASB 101 during the year ended June 30, 2025. The impact of applying GASB 101 has not been determined.

Note 19: Condensed Combining Information

The following tables include condensed combining balance sheet information for the District and its blended component units as of June 30, 2023:

	AVHD	AVOIC	AVHF	Total	Eliminations	Combined
Assets and Deferred Outflows of Resources						
Current Assets						
Cash	$ 33,087,526	$ 511,843	$ 3,591,819	$ 37,191,188	$ -	$ 37,191,188
Short-term investments	3,155,533	-	-	3,155,533	-	3,155,533
Restricted cash and investments – current	1,907,396	-	-	1,907,396	-	1,907,396
Patient accounts receivable, net	59,400,310	2,277,869	-	61,678,179	-	61,678,179
Other receivables	6,038,611	29,846	-	6,068,457	(3,060,780)	3,007,677
Estimated amounts due from third-party payors	26,383,616	-	-	26,383,616	-	26,383,616
Supplies	10,428,371	90,109	-	10,518,480	-	10,518,480
Prepaid expenses and other	2,237,140	37,101	-	2,274,241	-	2,274,241
Total current assets	142,638,503	2,946,768	3,591,819	149,177,090	(3,060,780)	146,116,310
Noncurrent Cash and Investments						
Held by trustee for debt service	8,803,454	-	-	8,803,454	-	8,803,454
Less amount required to meet current obligations	(1,907,396)	-	-	(1,907,396)	-	(1,907,396)
	6,896,058	-	-	6,896,058	-	6,896,058
Other long-term investments	138,950,868	-	-	138,950,868	-	138,950,868
Total noncurrent cash and investments	145,846,926	-	-	145,846,926	-	145,846,926
Capital Assets, Net	214,747,118	540,513	35,000	215,322,631	-	215,322,631
Lease Assets, Net	9,336,597	3,224,302	-	12,560,899	(2,051,066)	10,509,833
Subscription Assets, Net	6,458,752	-	-	6,458,752	-	6,458,752
Lease Receivables	14,464,282	-	-	14,464,282	(1,664,683)	12,799,599
Other Assets	109,977	-	-	109,977	-	109,977
Total noncurrent assets	390,963,652	3,764,815	35,000	394,763,467	(3,715,749)	391,047,718
Total assets	533,602,155	6,711,583	3,626,819	543,940,557	(6,776,529)	537,164,028
Deferred Outflows of Resources						
Pension-related	20,391,782	-	-	20,391,782	-	20,391,782
Deferred loss on debt defeasance	669,712	-	-	669,712	-	669,712
Total deferred outflows of resources	21,061,494	-	-	21,061,494	-	21,061,494
Total assets and deferred outflows of resources	$ 554,663,649	$ 6,711,583	$ 3,626,819	$ 565,002,051	$ (6,776,529)	$ 558,225,522

	AVHD	AVOIC	AVHF	Total	Eliminations	Combined
Liabilities, Deferred Inflows of Resources, and Net Position						
Current Liabilities						
Current maturities of long-term debt	$ 2,655,000	$ 31,650	$ -	$ 2,686,650	$ (31,650)	$ 2,655,000
Current portion of lease liabilities	2,862,882	1,158,689	-	4,021,571	(480,670)	3,540,901
Current portion of subscription liabilities	3,848,006	-	-	3,848,006	-	3,848,006
Accounts payable and accrued liabilities	19,693,014	3,893,850	108,919	23,695,783	(2,548,465)	21,147,318
Accrued payroll and related expenses	21,661,384	1,115,182	-	22,776,566	-	22,776,566
Estimated amounts due to third-party payors	9,919,034	-	-	9,919,034	-	9,919,034
Estimated self-insurance costs – current	8,088,500	-	-	8,088,500	-	8,088,500
Accrued interest payable	1,907,396	-	-	1,907,396	-	1,907,396
Total current liabilities	70,635,216	6,199,371	108,919	76,943,506	(3,060,785)	73,882,721
Other Liabilities						
Long-term debt	112,319,196	-	-	112,319,196	-	112,319,196
Estimated self-insurance costs	18,937,343	-	-	18,937,343	-	18,937,343
Lease liabilities	8,245,955	2,255,305	-	10,501,260	(1,664,683)	8,836,577
Subscription liabilities	1,672,478	-	-	1,672,478	-	1,672,478
Net pension liability	154,109,928	-	-	154,109,928	-	154,109,928
Total other liabilities	295,284,900	2,255,305	-	297,540,205	(1,664,683)	295,875,522
Total liabilities	365,920,116	8,454,676	108,919	374,483,711	(4,725,468)	369,758,243
Deferred Inflows of Resources						
Pension-related	5,687,658	-	-	5,687,658	-	5,687,658
Leases	15,552,099	-	-	15,552,099	(2,051,061)	13,501,038
Total deferred inflows of resources	21,239,757	-	-	21,239,757	(2,051,061)	19,188,696
Net Position						
Members' contributed capital	-	1,233,847	-	1,233,847	(1,233,847)	-
Net investment in capital assets	106,896,062	319,171	-	107,215,233	94,287	107,309,520
Restricted, expendable for specific operating activities	-	-	67,527	67,527	-	67,527
Unrestricted	60,607,714	(3,296,111)	3,450,373	60,761,976	1,139,560	61,901,536
Total net position	167,503,776	(1,743,093)	3,517,900	169,278,583	-	169,278,583
Total liabilities, deferred inflows of resources, and net position	$ 554,663,649	$ 6,711,583	$ 3,626,819	$ 565,002,051	$ (6,776,529)	$ 558,225,522

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, 2023:

	AVHD	AVOIC	AVHF	Total	Eliminations	Combined
Operating Revenues						
Net patient service revenue, net	$ 427,630,111	$ 16,460,014	$ -	$ 444,090,125	$ -	$ 444,090,125
Supplemental funding	74,004,825	-	-	74,004,825	-	74,004,825
Other revenue	6,848,045	(220,858)	-	6,627,187	(1,928,477)	4,698,710
Total operating revenues	508,482,981	16,239,156	-	524,722,137	(1,928,477)	522,793,660
Operating Expenses						
Salaries and wages	233,335,343	5,077,936	90,787	238,504,066	(90,787)	238,413,279
Employee benefits	74,198,915	562,163	-	74,761,078	-	74,761,078
Professional and medical fees	37,502,498	8,259,740	-	45,762,238	(1,027,771)	44,734,467
Purchased services	31,302,709	1,635,133	97,948	33,035,790	-	33,035,790
Supplies and other	72,861,516	1,262,184	104	74,123,804	(1,949)	74,121,855
Depreciation and amortization	26,269,793	2,066,918	-	28,336,711	(984,504)	27,352,207
Other operating expenses	25,691,258	841,378	5,837	26,538,473	-	26,538,473
Total operating expenses	501,162,032	19,705,452	194,676	521,062,160	(2,105,011)	518,957,149
Operating Income (Loss)	7,320,949	(3,466,296)	(194,676)	3,659,977	176,534	3,836,511
Nonoperating Revenues (Expenses)						
Grant revenue and contributions	5,228,576	-	542,127	5,770,703	(104,178)	5,666,525
Transfer of funds to the District	-	-	(110,697)	(110,697)	110,697	-
Interest expense	(6,016,682)	(290,497)	-	(6,307,179)	-	(6,307,179)
Loss on investments in equity investees	(5,771,399)	-	-	(5,771,399)	1,602,760	(4,168,639)
Investment return	4,029,142	-	1,967	4,031,109	(83,803)	3,947,306
Total nonoperating revenues (expenses)	(2,530,363)	(290,497)	433,397	(2,387,463)	1,525,476	(861,987)
Excess (Deficiency) of Revenues over Expenses Before Capital Grants and Gifts	4,790,586	(3,756,793)	238,721	1,272,514	1,702,010	2,974,524
Capital Grants and Gifts	99,250	-	-	99,250	(99,250)	-
Increase (Decrease) in Net Position	4,889,836	(3,756,793)	238,721	1,371,764	1,602,760	2,974,524
Net Position, Beginning of Year	162,613,940	2,013,700	3,279,179	167,906,819	(1,602,760)	166,304,059
Net Position, End of Year	$ 167,503,776	$ (1,743,093)	$ 3,517,900	$ 169,278,583	$ -	$ 169,278,583

Antelope Valley Healthcare District
Notes to Financial Statements
June 30, 2023

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, 2023:

	AVHD	AVOIC	AVHF	Total
Net Cash Provided by Operating Activities	$ 2,552,480	$ 616,730	$ 307,563	$ 3,476,773
Net Cash Provided by Noncapital Financing Activities	5,666,525	-	-	5,666,525
Net Cash Used in Capital and Related Financing Activities	(40,614,566)	(1,155,266)	-	(41,769,832)
Net Cash Provided by Investing Activities	43,985,577	-	-	43,985,577
Increase (Decrease) in Cash	11,590,016	(538,536)	307,563	11,359,043
Cash, Beginning of Year	21,497,510	1,050,379	3,284,256	25,832,145
Cash, End of Year	$ 33,087,526	$ 511,843	$ 3,591,819	$ 37,191,188

Required Supplementary Information

Antelope Valley Healthcare District

Schedule of Changes in the Net Pension Liability and Related Ratios

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability									
Service cost	$ 11,259,368	$ 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	29,974,054	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	(7,648,919)	-	802,447	1,963,557	1,154,492	(8,105,314)	5,281,052	(5,190,447)	-
Benefit payments	(15,814,968)	(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	17,769,535	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	469,163,358	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)	486,932,893	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	23,846,521	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	2,709,063	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)	32,842,823	(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	(302,190)	(385,838)	(267,751)	(31,070)	(395,284)	(27,346)	(25,943)	(47,692)	(74,122)
Benefit payments	(15,814,968)	(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	43,281,249	(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	289,541,716	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)	332,822,965	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)	$ 154,109,928	$ 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	68.35%	61.71%	72.72%	62.07%	64.20%	61.21%	56.04%	54.52%	55.39%
Covered-Employee Payroll	$ 154,615,246	$ 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	99.67%	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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 21,404,672	$ 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
Contributions in relation to the actuarially determined contribution	23,846,521	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
Contribution deficiency (excess)	$ (2,441,849)	$ (3,807,254)	$ 449,661	$ (4,267,997)	$ (4,270,179)	$ (2,267,832)	$ (866,459)	$ (5,311,623)	$ (390,882)	$ 10,577,687
Covered-employee payroll	$ 154,615,246	$ 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
Contributions as a percentage of covered-employee payroll	15.42%	15.22%	11.61%	13.12%	13.12%	13.04%	9.79%	12.67%	9.55%	5.11%

Notes to Schedule

Valuation date: July 1, 2022

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. Future changes amortized over a closed period based on the source of the change.
- 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)