Arrowhead Regional Medical Center

San Bernardino, California

Financial Statements and Independent Auditors' Report

For the Years Ended June 30, 2024 and 2023

THE PUN GROUP
ACCOUNTANTS & ADVISORS

Arrowhead Regional Medical Center
Basic Financial Statements
For the Years Ended June 30, 2024 and 2023

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THE PUN GROUP
ACCOUNTANTS & ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors and Audit Committee
of the Arrowhead Regional Medical Center
San Bernardino, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Arrowhead Regional Medical Center (the "Medical Center"), which comprise the statements of net position as of June 30, 2024 and 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Medical Center's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Medical Center, as of June 30, 2024 and 2023, and the changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Medical Center, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

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

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

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of proportionate share of the net pension liability and schedule of contributions as listed in the table of contents be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2024, on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Medical Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control over financial reporting and compliance.

The Pun Group, LLP

Santa Ana, California
October 31, 2024

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BASIC FINANCIAL STATEMENTS

Arrowhead Regional Medical Center
Statements of Net Position
June 30, 2024 and 2023
(In Thousands)

		2024		2023
ASSETS				
Current assets:				
Cash and cash equivalents	$	339,149	$	320,618
Patient accounts receivable, net		40,403		26,522
Receivable from other governments		139,907		134,538
Due from County		736		8,729
Other receivables		737		1,377
Supplies inventories		11,468		10,788
Prepaid expenses and other assets		5,977		5,198
Total current assets		538,377		507,770
Noncurrent assets:				
Settlements due from third-party payors		1,290		13,052
Capital assets:				
Land		22,074		22,074
Land improvements		5,303		3,553
Building and improvements		557,674		557,583
Equipment		134,915		146,329
Software		6,234		6,234
Leased assets		42,335		13,507
Subscription assets		13,369		10,897
Construction in progress		65,198		58,157
Total capital assets		847,102		818,334
Less: accumulated depreciation and amortization		(473,850)		(461,782)
Total capital assets, net		373,252		356,552
Total noncurrent assets		374,542		369,604
Total assets		912,919		877,374
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding		7,018		9,178
Deferred outflows related to pensions		135,340		132,137
Total deferred outflows of resources		142,358		141,315

See accompanying Notes to the Basic Financial Statements.

Arrowhead Regional Medical Center
Statements of Net Position (Continued)
June 30, 2024 and 2023
(In Thousands)

	2024	2023
LIABILITIES		
Current liabilities:		
Accounts payable	49,173	38,150
Accrued salaries and benefits	19,735	15,745
Other accrued liabilities	2,479	2,445
Interest payable	1,695	2,033
Due to County	403	2,761
Compensated absences, due in one year	31,726	28,337
Settlements due to third-party payors, due in one year	84,823	98,193
Finance purchase agreements, due in one year	252	411
Lease liability, due in one year	5,133	1,947
Subscription liability, due in one year	3,157	2,715
Certificates of participation, due in one year	30,800	29,295
Total current liabilities	229,376	222,032
Noncurrent liabilities:		
Compensated absences, due in more than one year	6,834	6,834
Finance purchase agreements, due in more than one year	3	260
Lease liability, due in more than one year	29,300	7,970
Subscription liability, due in more than one year	3,982	5,474
Certificates of participation, due in more than one year	114,220	149,985
Net pension liability	200,886	199,582
Total noncurrent liabilities	355,225	370,105
Total liabilities	584,601	592,137
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	35,304	41,717
Total deferred inflows of resources	35,304	41,717
NET POSITION		
Net investment in capital assets	193,423	167,673
Unrestricted	241,949	217,162
Total net position	$ 435,372	$ 384,835

See accompanying Notes to the Basic Financial Statements.

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Arrowhead Regional Medical Center
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2024 and 2023
(In Thousands)

	2024	2023
OPERATING REVENUES:		
Net patient service revenue	$ 544,146	$ 508,833
Supplemental revenue	279,605	246,762
Other revenue	35,645	23,424
Total operating revenues	859,396	779,019
OPERATING EXPENSES:		
Salaries and benefits	437,340	400,797
Supplies	105,926	94,090
Professional services	142,937	155,748
Purchased services	91,872	82,876
Insurance	13,143	8,854
Utilities	15,316	12,036
Depreciation and amortization	32,187	28,561
Rent	7,363	7,756
Other expense	11,641	9,914
Total operating expenses	857,725	800,632
Operating income (loss)	1,671	(21,613)
NONOPERATING REVENUES (EXPENSES):		
State debt service funding	19,090	19,156
Interest expense on debt	(4,132)	(5,873)
Federal, state, and local coronavirus grants	3,798	14,761
Direct grants - designated public hospital	6,810	9,532
State realignment funding	10,000	15,000
Other nonoperating revenue	3,348	3,181
Other nonoperating expense	(186)	(2,934)
Total nonoperating revenues (expenses)	38,728	52,823
Income before transfers	40,399	31,210
TRANSFERS (TO) FROM COUNTY	10,138	10,510
Change in net position	50,537	41,720
Net Position, Beginning of year	384,835	343,115
Net Position, End of year	$ 435,372	$ 384,835

See accompanying Notes to the Basic Financial Statements.

Arrowhead Regional Medical Center
Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023
(In Thousands)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from patients and third-party payors	$ 843,867	$ 738,765
Payments to suppliers	(377,920)	(388,994)
Payments to employees	(438,273)	(407,491)
Net cash provided by (used in) operating activities	27,674	(57,720)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Federal, state, and local coronavirus grants received	(1,571)	(3,687)
Transfers from County	15,773	11,793
Other nonoperating revenue	3,348	3,181
Other nonoperating expense	(186)	(1,816)
Direct grants - designated public hospital received	6,810	9,532
State realignment funding received	10,000	15,000
Net cash provided by noncapital financing activities	34,174	34,003
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(17,742)	(21,744)
State debt service funding received	19,090	19,156
Principal payments on debt	(37,543)	(33,642)
Interest payments on debt	(7,121)	(8,680)
Net cash (used in) noncapital financing activities	(43,316)	(44,910)
Net change in cash and cash equivalents	18,532	(68,626)
Cash and cash equivalents, beginning of year	320,617	389,244
Cash and cash equivalents, end of year	$ 339,149	$ 320,617
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	$ 1,671	$ (21,613)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	32,187	28,561
Change in operating assets and liabilities:		
Patient accounts receivable, net	(13,881)	8,720
Other receivables	640	894
Supplies inventories	(680)	(6,231)
Prepaid expenses and other assets	(779)	1,902
Settlements due from third-party payors	11,762	(13,052)
Deferred outflows related to pensions	(3,203)	(34,808)
Accounts payable	11,023	(18,699)
Accrued salaries and benefits	3,990	2,302
Other accrued liabilities	34	237
Compensated absences	3,389	2,381
Arbitrage payable	-	(1,160)
CMS advance payments	-	(29,428)
Settlements due to third-party payors	(13,370)	(1,157)
Net pension liability	1,304	114,419
Deferred inflows related to pensions	(6,413)	(90,988)
Net cash provided by (used in) operating activities	$ 27,674	$ (57,720)
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Amortization of deferred loss on refunding	$ 2,160	$ 2,268
Amortization of bond premium	$ -	$ 4,964

See accompanying Notes to the Basic Financial Statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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Arrowhead Regional Medical Center
Index to the Notes to the Basic Financial Statements
For the Years Ended June 30, 2024 and 2023

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Note 1 – Summary of Significant Accounting Policies

The financial statements of the San Bernardino County (the “County”) Arrowhead Regional Medical Center (the “Medical Center”), California have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America (U.S. GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards in the United States. The more significant of the Medical Center’s accounting policies are described below.

Reporting Entity

The Medical Center is classified as a level I trauma Medical Center with eight trauma bays and four additional "swing" trauma rooms that can be used during an emergency. In addition, the Medical Center provides 456 patient beds and has 24 private treatment rooms for diagnosis and treatment of urgent care patients. During fiscal year 2000, the Medical Center assumed the inpatient operations, consisting of 90 beds, from the previously separate Department of Behavioral Health.

The Medical Center is owned by the County, which is a legal subdivision of the state of California charged with governmental powers, and is reflected in the County's annual comprehensive financial report as an enterprise fund. The County's powers are exercised through the Board of Supervisors, which, as the governing body of the County, is responsible for the legislative control of the County and the Medical Center.

These financial statements present only the Medical Center and do not purport to, and do not, present fairly the financial position of the County and the changes in its financial position and cash flows, where applicable, in conformity with U.S. GAAP.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Cod. Sec. 2100, “*Defining the Financial Reporting Entity*”. The Medical Center is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the Medical Center appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the Medical Center. The Medical Center has no component units.

Measurement Focus, Basis of Accounting, and Financial Statements Presentation

The financial statements of the Medical Center are presented using the *economic resources* measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Accordingly, all assets, deferred outflows, liabilities (whether current or noncurrent), and deferred inflows are included on the statements of net position. The statements of revenues, expenses, and changes in net position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

The financial statements include the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows.

The Medical Center distinguishes operating revenues and expenses from non-operating items. Operating revenues include those generated from direct patient care and related support services. Operating expenses include the cost of providing patient care, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statements Presentation (Continued)

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net assets) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net assets) that apply to future periods and that, therefore, are not recognized as revenue until that time.

The deferred amount on refunding reported in the statement of net position as a deferred outflows of resources results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. See Note 13 for discussions of the deferred inflows and outflows related to pensions.

Charity Care

The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at an amount less than its established rates. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. However, the Medical Center monitors the level of charity care provided. See Note 7.

Net Patient Service Revenue

The Medical Center recognizes net patient service revenue, less contractual allowances associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered including Medicare and Medi-Cal. For uninsured patients that do not qualify for charity care, the Medical Center recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Medical Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Medical Center records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Net patient service revenue included estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term.

Patients Accounts Receivable

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Medical Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts.

Note 1 – Summary of Significant Accounting Policies (Continued)

Patients Accounts Receivable (Continued)

Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Medical Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third- party coverage exists for part of the bill), the Medical Center records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

For the fiscal years ended June 30, 2024 and 2023, the Medical Center's allowance for doubtful accounts for self-pay patients was 100% of self-pay accounts receivable.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Medical Center considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Medical Center maintains a certain portion of its cash on deposit with the County Treasurer.

Supplies Inventories

The Medical Center's inventory consists primarily of pharmaceuticals and medical supplies which are stated at lower of average cost or market.

Prepaid Expenses and Other Assets

The Medical Center's prepaid expenses and other assets are primarily prepayments for pharmaceuticals and medical supplies, rent, equipment, and maintenance contracts.

Leases – Lessee

The Medical Center has a policy to recognize a lease liability and a right-to-use lease asset (lease asset) in our financial statements with an initial, individual value of $10,000 or more with a lease term greater than one year. Variable payments based on future performance or usage of the underlying assets are not included in the measurement of the lease liability.

At the commencement of a lease, the lease liability is measured at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Note 1 – Summary of Significant Accounting Policies (Continued)

Leases – Lessee (Continued)

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor 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 term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight–line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the Medical Center has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Key estimates and judgments related to leases include how the Medical Center determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Medical Center uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Medical Center generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancelable period of the lease, plus any option periods that are reasonably certain to be exercised.

- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Medical Center is reasonably certain to exercise. The Medical Center monitors changes in circumstances that would require a remeasurement of a lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right-to-use along with other capital assets and lease liabilities are reported on the statement of net position.

Subscription-Based Information Technology Arrangements (SBITAs)

The Medical Center has a policy to recognize a SBITA liability and a right-to-use subscription asset (SBITA asset) in our financial statements with an initial, individual value of $10,000 or more with a subscription term greater than one year.

At the commencement of a subscription, when the subscription asset is placed into service, the SBITA liability is measured at the present value of payments expected to be made during the subscription term. Future subscription payments are discounted using the Medical Center 's incremental borrowing rate and the Medical Center recognizes amortization of the discount on the subscription liability as interest expense in subsequent financial reporting periods.

SBITA assets are measured as the sum of the initial subscription liability, payments made to the SBITA vendor before the commencement of the lease term, and capitalizable implementation costs less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subscription assets are amortized using the straight-line method over the subscription term.

Note 1 – Summary of Significant Accounting Policies (Continued)

Subscription-Based Information Technology Arrangements (SBITAs) (Continued)

Key estimates and judgments related to SBITAs include how the Medical Center determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The Medical Center uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the Medical Center generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.

- The subscription term includes the period during which the Medical Center has a noncancelable right to use the underlying IT asset. The subscription term also includes periods covered by an option to extend if it is reasonably certain to be exercised.

- Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option years that the Medical Center is reasonably certain to exercise. The Medical Center monitors changes in circumstances that would require a remeasurement of a subscription and will remeasure any subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Right-to-use subscription assets are reported along with other capital assets and subscription liabilities are reported on the statement of net position.

Capital Assets

Capital, lease, and subscription assets include land, buildings, improvements, and equipment, and "right-to-use" assets. These capital and right-to-use assets are included on the financial statements and throughout this report as "Capital Assets." Capital and right-to-use assets are defined by the government as assets with an initial, individual cost of more than $10,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital asset improvements are recorded as assets.

Depreciation and amortization expense is provided using the straight-line method over the estimated useful lives of the respective classes of capital assets. Equipment under capitalized leases is amortized using the straight-line method over the lesser of minimum lease terms or estimated useful lives. The estimated useful lives for computing depreciation expense are as follows:

Asset Class	Years
Buildings	40
Improvements	3 - 25
Equipment and software	3 - 20
Lease assets	2 - 4
Subscription assets	1 - 6

Note 1 – Summary of Significant Accounting Policies (Continued)

Compensated Absences

The Medical Center accrues annual leave for employees at rates based upon length of service and job classification and compensatory time based upon job classification and hours worked, in accordance with County policy.

Pensions

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 County's cost-sharing multiemployer defined benefit retirement plan (the Plan) administered by the San Bernardino County Employee's Retirement Association (SBCERA) and additions to/deductions from the Plans' 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.

For further information regarding the County Pool, refer to the San Bernardino County Annual Comprehensive Financial Report.

Net Position

Net position of the Medical Center is classified in three components. Net investment in capital assets consist of capital assets net of accumulated depreciation and amortization and reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position consists of net position with constraints placed on the use either by (1) external groups such as creditors, granters, contributors or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation. Restricted net position is reduced by any liabilities payable from restricted assets. Unrestricted net position is remaining net position that does not meet the definition of net investment in capital assets or restricted.

When both restricted and unrestricted resources are available for use, it is the Medical Center's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures 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.

Implementation of New GASB Pronouncements for the Year Ended June 30, 2024

During fiscal year ended June 30, 2024, the Medical Center has implemented the following new GASB Pronouncements:

> ***GASB Statement No. 100*** - In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* – an Amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Implementation of this statement did not have a significant effect on the Medical Center's financial statements for the fiscal year ended June 30, 2024.

(In Thousands)

Note 2 – Cash and Cash Equivalents

The Medical Center is a participant in the San Bernardino Treasurer's Pool (County Pool). The County Pool is an external investment pool and is not registered with the Securities Exchange Commission (SEC). The County Pool is rated by Fitch ratings (NRSRO) at AAAf/S1+. The San Bernardino County Treasury Oversight Committee conducts County Pool oversight. Cash on deposit in the County Pool at June 30, 2024 and 2023, are made on the basis of $1 and not fair value.

The Medical Center's cash as of June 30, 2024 and 2023, consisted of the following:

	2024	2023
Cash and cash equivalents	$ 339,149	$ 320,618
Total cash and cash equivalents	$ 339,149	$ 320,618

Disclosures Relating Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Medical Center will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker-dealer) the Medical Center will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Medical Center’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulatory under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Medical Center deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2024 and 2023, none of the Medical Center’s deposits with financial institutions were in excess of federal depository insurance limits. As of June 30, 2024 and 2023, no Medical Center investments were held by the same broker- dealer (counterparty) that was used by the Medical Center to buy the securities.

Note 3 – Net Patient Service Revenue

The Medical Center provides services to eligible patients under Medi-Cal and Medicare programs. For the fiscal year ended June 30, 2024 and 2023, the Medi-Cal program represented approximately 55%, and the Medicare program represented approximately 30%, of the Medical Center’s net patient service revenue. Medi-Cal inpatient services are reimbursed at contractually agreed-upon per diem rates and outpatient services are reimbursed under a schedule of maximum allowances. Medicare inpatient services are reimbursed based upon pre-established rates for Medicare Severity-Diagnostic Related Group (MS-DRG). Outpatient services are reimbursed based on prospectively determined payments per procedure under a system called Ambulatory Payment Classifications. Certain defined capital and medical education costs related to Medicare beneficiaries continue to be paid based on a cost-reimbursement methodology. The Medical Center is reimbursed for cost- reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the fiscal intermediary.

(In Thousands)

Note 3 – Net Patient Service Revenue (Continued)

The Medical Center's classification of patients under these programs and the appropriateness of their admissions are subject to an independent review by a peer review organization under contract with the Medical Center. Final reports on the results of such audits have been received through June 30, 2017 for Medi-Cal. Notice of Amount of Program Reimbursement (NPR) has been received for Medicare cost reports through June 30, 2021. Adjustments as a result of such audits are recorded in the year the amounts can be determined.

Net Patient Accounts Receivable

At June 30, 2024 and 2023, net patient accounts receivable consisted of:

	2024	2023
Gross patient accounts receivable at established rates	$ 512,345	$ 451,421
Medi-Cal new eligible, net	3,161	3,783
Special pharmacy	372	264
Allowances:		
Medi-Cal	(69,140)	(75,340)
Medicare	(96,767)	(102,287)
Other payors	(218,550)	(169,121)
Uncollectible accounts	(91,018)	(82,198)
Net patient accounts receivable	$ 40,403	$ 26,522

Net Patient Service Revenue

Net patient service revenue is comprised of the following for the years ended June 30, 2024 and 2023. Revenue at established rates is computed as if charity care patient revenue was recognized.

	2024	2023
Revenue at established rates	$ 3,064,434	$ 2,895,295
Medi-Cal new eligible	2,447	3,875
Special pharmacy	6,594	6,213
Medi-Cal contractual adjustments	(1,518,850)	(1,472,319)
Medicare contractual adjustments	(603,761)	(518,413)
Other payors contractual adjustments	(292,379)	(262,709)
Charity care	(83,811)	(132,087)
Provision for bad debts, net	(30,528)	(11,022)
Net patient service revenue	$ 544,146	$ 508,833

Gross patient service revenue by payer for the years ended June 30, 2024 and 2023, were:

	2024	2023
Medi-Cal	57%	64%
Medicare	23%	22%
Other payors	17%	11%
Self-pay	3%	3%
Total	100%	100%

(In Thousands)

Note 3 – Net Patient Service Revenue (Continued)

Medi-Cal

The Medicaid program is referred to as Medi-Cal in California. Medi-Cal fee-for-service (FFS) inpatient hospital payments are made in accordance with the federal Medicaid hospital financing waiver and legislation enacted by the state of California. Medi-Cal outpatient FFS services are reimbursed based on a fee schedule. The total payments made to the Medical Center will include a combination of Medi-Cal inpatient and outpatient FFS payments, Medi-Cal Disproportionate Share Hospital (DSH) payments and the Safety Net Care Pool (SNCP).

For the years ended June 30, 2024 and 2023, the Medical Center recorded total Medi-Cal inpatient and outpatient net revenue of $254,908 and $225,285, respectively, and related receivables of $14,705 and $6,996, respectively.

Medi-Cal New Eligible

Beginning January 1, 2014, the Affordable Care Act (ACA) provides 100% matching of federal medical assistance percentages (FMAP) for newly eligible Medi-Cal patients. For the years ended June 30, 2024 and 2023, the FMAP matching percentage was 90%. As a result, the Medical Center estimated the difference between cost and interim payments received. The Medical Center recorded estimated additional reimbursement for differences between cost and interim payments received of $2,447 and $3,875 for the years ended June 30, 2024 and 2023, respectively, which is included in net patient service revenues. As of June 30, 2024 and 2023, $3,161 and $3,783, respectively, is included in net patient accounts receivable.

Quality Incentive Program (QIP)

QIP is meant to meet the Managed Care Rule's exception that allows payments tied to performance. QIP converts funding from previously existing supplemental payments into a value-based structure. QIP payments are tied to the achievement of performance on a set of clinically established quality measures for Medi-Cal managed care enrollees. For the years ended June 30, 2024 and 2023, the Medical Center reported QIP revenues of $41,300 and $80,892, respectively. QIP revenues are included in net patient service revenues. Related QIP receivables as of June 30, 2024 and 2023, were $25,120 and $25,472, respectively. QIP receivables are included due from other governments. The revenue is estimated based on historical payment history and anticipated changes to the program; however, actual amounts earned in fiscal year 2024 will not be known until fiscal year 2025.

Note 4 – Supplemental Revenues

For the years ended June 30, 2024 and 2023, supplemental revenues consisted of:

	2024	2023
Managed care rate range supplemental	$ 98,300	$ 86,100
Enhanced payment program	62,966	66,968
Global payment program	59,462	52,230
AB915	5,868	5,244
Medi-Cal graduate medical education	17,192	15,098
Other supplement Medi-Cal	35,817	21,122
Total supplemental revenues	$ 279,605	$ 246,762

Note 4 – Supplemental Revenues (Continued)

Managed Care Rate Range Supplemental

With California electing to implement a state-run Medicaid Expansion afforded by the Affordable Care Act, the state anticipates that counties' costs and responsibilities for the health care services for the indigent population will decrease, as much of this population becomes eligible for coverage through Medi-Cal or the Exchange. On June 27, 2013, Governor Brown signed into law AB 85 that provides a mechanism for the state to redirect state health realignment funding to fund social service programs. The redirected amount is determined according to respective formula options for California's 12 public hospital system counties. County groups will have an option to either have 60% of health realignment redirected, or, to use a formula-based approach that takes into account a county's cost and revenue experience and redirect 80% of the savings realized by the county. AB 85 includes provisions for rate range intergovernmental transfers (IGT) for Medi-Cal managed care plans covering inpatient and outpatient services. Capitation rate ranges for Department of Healthcare Services (DHCS) County Organized Health Systems managed care programs were developed in accordance with rate setting guidelines established by CMS. As a result of participating in the AB 85 rate range IGT, the Medical Center recognized $98,300 and $86,100 in redirected realignment revenue formula for the fiscal years ended June 30, 2024 and 2023, respectively.

Enhanced Payment Program (EPP)

EPP is a funding pool that is used to supplement the base rates the Medical Center receives through Medi-Cal managed care contracts. EPP is meant to meet the managed care rule's exception that allows payments that provide a uniform increase within a class of providers such as a pre-determined increase over contracted rates. For the years ended June 30, 2024 and 2023, the Medical Center reported EPP revenues of $62,966 and $66,968, respectively. EPP revenues are included in supplemental revenues. Related EPP receivables as of June 30, 2024 and 2023, were $97,083 and $88,497, respectively. EPP receivables are included in due from other governments. The revenue is estimated based on historical payment history and anticipated changes to the program; however, actual amounts earned in fiscal year 2024 will not be known until fiscal year 2025.

Global Payment Program

California has created a global payment approach for the uninsured, which assists designated public hospital systems. This will help to focus on the value, not volume, of care provided to the uninsured, such as providing more primary and preventive care. The authority to implement the new Global Payment Program for Public Health Systems (GPP) is contingent upon CMS review and approval of the specific factors and parameters to be used in establishing the "points" system. Approximately $2.9 billion in combined federal and state shares of expenditures has been allocated towards this new approach for demonstration year 11 as a part of CMS's approval of the California Medi-Cal 2020 demonstration extension, a portion of which is disproportionate share hospital (DSH) funding. The total amount available for the GPP is a combination of a portion of the State's DSH allotment that would otherwise be allocated to public hospitals and the amount associated with the SNCP (Safety Net Care Pool) provided under the "Bridge to Reform" Section 1115 waiver. Amounts for future years will be determined after completion of the first required uncompensated care report. The Medical Center received $59,462 and $52,230 in GPP funding in fiscal years ended June 30, 2024 and 2023, respectively. The Medical Center recorded a third-party payor settlement reserve of $12,998 and $0 for expected future GPP settlement payments in fiscal years ended June 30, 2024 and 2023, respectively.

Assembly Bill 915

California's Assembly Bill 915 (AB-915) was passed by the State Legislature and signed into law in 2002. This bill provides for the payment of a supplemental reimbursement to acute care hospitals owned by certain public entities that provide outpatient services to Medi-Cal beneficiaries. The Medical Center recorded $5,868 and $5,244 in AB-915 funds for the years ended June 30, 2024 and 2023, respectively.

(In Thousands)

Note 4 – Supplemental Revenues (Continued)

Medi-Cal Graduate Medical Education

The Medi-Cal Graduate Medical Education (GME) proposal was approved by CMS during the year ended June 30, 2020 and effective back to January 2017. GME provides additional payments for public hospitals for Medi-Cal managed care beneficiaries, covering Medi-Cal's share of the salaries and benefits of interns and residents receiving training at public hospitals, and certain indirect cost associated with their training. For the years ended June 30, 2024 and 2023, the Medical Center reported Medi-Cal GME revenues of $17,192 and $15,098, respectively.

Note 5 – Settlements Due from (to) Third-Party Payors

At June 30, 2024 and 2023, due from third-party payors consisted of:

	2024	2023
Medi-cal settlement (Section 1115 waiver)	$ 1,290	$ 13,052
Total settlements due from third-party payors	$ 1,290	$ 13,052

At June 30, 2024 and 2023, due to third-party payors consisted of:

	2024	2023
Medi-cal settlement (Section 1115 waiver)	$ 24,287	$ -
Disproportionate share hospital (DSH) settlements	-	50,655
Global payment program (GPP) settlements	12,998	-
AB915 settlements	47,538	47,538
Total settlements due to third-party payors	$ 84,823	$ 98,193

Effective November 1, 2010, CMS and the state agreed on the standard terms and conditions of the 5-year renewal of the waiver officially called the California Bridge to Reform Demonstration (Section 1115 Waiver). The Section 1115 Waiver established the Low- Income Health Program, which provides federal matching funding for enrollees. The funds available through the Waiver help California implement health care reform through investments in its safety net delivery system and expansion of coverage for adults. Due to the complexity of the program, the Medical Center has recorded an estimated settlement of $83,533 and $85,141 related to the Section 1115 Waiver for the years ended June 30, 2024 and 2023, respectively. Medi-Cal Section 1115 Waiver cost reports have not yet been finalized for the fiscal years 2018 through 2022.

Laws and regulations governing the Medicare, Medi-Cal, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. DHCS received approval from the U.S. Centers for Medicare and Medicaid Services (CMS) for an active Section 1115 demonstration through December 31, 2023.

Note 6 – Hospital Fee Program

AB 1383 of 2009, as amended by AB 1653 on September 8, 2010, established a series of Medicaid supplemental payments funded through a "Quality Assurance Fee" and a "Hospital Fee Program", which are imposed on certain California hospitals. The effective date of the Hospital Fee Program is April 1, 2009, through December 31, 2013, and is predicated in part on the enhanced Federal Medicaid Assistance Percentage (FMAP) contained in the American Reinvestment and Recovery Act (ARRA).

Note 6 – Hospital Fee Program (Continued)

The Hospital Fee Program made supplemental payments to hospitals for various health care services and support the State's effort to maintain health care coverage for children. The Medical Center, as a designated public hospital, is exempt from paying the "Quality Assurance Fee"; however, the Medical Center was eligible to receive supplemental payments under the Hospital Fee Program.

Under the Hospital Fee Program, designated public hospitals were eligible to receive direct grants for each approved federal fiscal year. For the fiscal years ended June 30, 2024 and 2023, the Medical Center received direct grants totaling $6,810 and $9,532, respectively, which has been reported as nonoperating revenue.

Note 7 – Charity Care

Charity care is that portion of patient care services provided by the Medical Center for which a third-party payor is not responsible, and a patient does not have the ability to pay. Eligibility for Charity Care is considered for those individuals, who are uninsured, underinsured, ineligible for any governmental health care benefit program, and unable to pay for their care, based upon a determination of financial need. Charity Care is made in accordance with the patient's financial need as determined by the Federal Poverty Level (FPL) in effect at the time of financial determination. The Medical Center maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. The estimated cost of providing charity care is calculated by multiplying the ratio of cost to gross charges for the Medical Center by the gross uncompensated charges associated with providing charity care to its patients. The cost of caring for charity care patients, which measures the level of charity care provided, was $20,127 and $35,662 during the fiscal years ended June 30, 2024 and 2023, respectively.

Note 8 – State Debt Service Funding

In 1991, the County Board of Supervisors approved the construction and financing plan of the Arrowhead Regional Medical Center project. The Inland Empire Public Facilities Corporation (Corporation) financed the project through the issuance of Certificates of Participation. The Corporation is a nonprofit public benefit corporation formed on May 30, 1986, to serve the County, including the Medical Center, by financing, refinancing, acquiring, constructing, improving, leasing, and selling buildings, building improvements, equipment, land, land improvements, and any other real or personal property for the benefit of the residents of the County. The Corporation is included in the County's reporting entity as a blended component unit. In fiscal year 1999, the Medical Center Project assets and liabilities were contributed to the Medical Center.

In accordance with the master lease agreement, the Medical Center is obligated to make aggregate lease payments to the Corporation each year as consideration for the use and occupancy of the Medical Center in an amount designated to be sufficient to pay the annual principal and interest due with respect to any construction debt outstanding. Senate Bill 1732 (SB-1732) was passed by the California Legislature and signed into law in October 1998. The law permits qualifying medical centers to receive reimbursement, in addition to their Medi-Cal contract reimbursement, for a portion of the debt service of qualified projects. Under SB-1732, the Medical Center estimates that it will receive proceeds equal to 51.27% of the total debt service costs. Amounts received by the Medical Center in SB-1732 funds during fiscal year 2024 and 2023 amounted to $19,090 and $19,156, respectively, which are included as nonoperating revenues in the accompanying statements of revenues, expenses, and changes in net position. The Medical Center had no related receivables at June 30, 2024 and 2023.

(In Thousands)

Note 9 – Transactions with the County

The Medical Center uses the treasury function of the County and at times maintains a cash overdraft with the County which can be repaid only through collection of receivables. The Medical Center had no cash overdrafts as of June 30, 2024 and 2023. The Medical Center is allocated a portion of the County's overhead costs. Such expenses totaled $8,596 and $6,430 for the years ended June 30, 2024 and 2023, respectively, and are included as operating expense in the accompanying statements of revenues, expenses, and changes in net position. Transfers from the County were $10,138 and $10,510 for the years ended June 30, 2024 and 2023, respectively. Current year transfers were to fund the Medical Center's debt service payments.

Amounts due to the County in the amounts of $403 and $2,761 as of June 30, 2024 and 2023, respectively, represents amounts due to Revenue Recovery, Sheriff, General Fund, Mental and Behavioral Health Departments, Architecture and Engineering for services provided and other departments related to services provided. Amounts due from the County were $736 and $8,729 as of June 30, 2024 and 2023, respectively. Current year amounts due from the County relate to amounts owed for the Medical Center's medical lease payment, prisoner pharmacy, Department of Behavioral Health, and cash collection due from the County's Revenue Recovery Department. The year-end due to/due from balances previously noted are expected to be received and repaid within the next fiscal year.

Note 10 – Capital Assets

Summary of changes in capital assets for the years ended June 30, 2024 and 2023 were as follows:

	Balance July 1, 2023	Additions	Deletions	Reclassification	Balance June 30, 2024
Capital assets, not being depreciated:					
Land	$ 22,074	$ -	$ -	$ -	$ 22,074
Construction in progress	58,157	8,930	(48)	(1,841)	65,198
Total capital assets, not being depreciated	80,231	8,930	(48)	(1,841)	87,272
Capital assets, being depreciated:					
Land improvements	3,553	-	-	1,750	5,303
Building and improvements	557,583	-	-	91	557,674
Equipment	146,329	8,812	(20,226)	-	134,915
Software	6,234	-	-	-	6,234
Total capital assets, being depreciated	713,699	8,812	(20,226)	1,841	704,126
Less: accumulated depreciation					
Land improvements	(2,892)	(151)	-	-	(3,043)
Building and improvements	(333,562)	(15,499)	-	-	(349,061)
Equipment	(119,050)	(7,664)	20,119	-	(106,595)
Software	(28)	(834)	-	-	(862)
Total accumulated depreciation	(455,532)	(24,148)	20,119	-	(459,561)
Total capital asset, being depreciated, net	258,167	(15,336)	(107)	1,841	244,565
Lease assets - buildings and improvements	13,507	28,828	-	-	42,335
Less: accumulated amortization	(3,822)	(4,689)	-	-	(8,511)
Total lease assets, being amortized, net	9,685	24,139	-	-	33,824
Subscription assets	10,897	2,472	-	-	13,369
Less: accumulated amortization	(2,428)	(3,350)	-	-	(5,778)
Total subscription assets, being amortized, net	8,469	(878)	-	-	7,591
Total capital assets, net	$ 356,552	$ 16,855	$ (155)	$ -	$ 373,252

(In Thousands)

Note 10 – Capital Assets (Continued)

	Balance July 1, 2022	Additions	Deletions	Reclassification	Balance June 30, 2023
Capital assets, not being depreciated:					
Land	$ 22,074	$ -	$ -	$ -	$ 22,074
Construction in progress	44,587	15,132	(156)	(1,406)	58,157
Total capital assets, not being depreciated	66,661	15,132	(156)	(1,406)	80,231
Capital assets, being depreciated:					
Land improvements	3,553	-	-	-	3,553
Building and improvements	553,685	-	-	3,898	557,583
Equipment	222,294	6,571	(73,855)	(8,681)	146,329
Software	45	-	-	6,189	6,234
Total capital assets, being depreciated	779,577	6,571	(73,855)	1,406	713,699
Less: accumulated depreciation					
Land improvements	(2,742)	(150)	-	-	(2,892)
Building and improvements	(318,106)	(15,456)	-	-	(333,562)
Equipment	(184,600)	(8,305)	73,855	-	(119,050)
Software	(19)	(9)	-	-	(28)
Total accumulated depreciation	(505,467)	(23,920)	73,855	-	(455,532)
Total capital asset, being depreciated, net	274,110	(17,349)	-	1,406	258,167
Lease assets - buildings and improvements	14,447	857	(1,797)	-	13,507
Less: accumulated amortization	(2,444)	(2,213)	835	-	(3,822)
Total lease assets, being amortized, net	12,003	(1,356)	(962)	-	9,685
Subscription assets	8,129	2,768	-	-	10,897
Less: accumulated amortization	-	(2,428)	-	-	(2,428)
Total subscription assets, being amortized, net	8,129	340	-	-	8,469
Total capital assets, net	$ 360,903	$ (3,233)	$ (1,118)	$ -	$ 356,552

Note 11 – Long-Term Debt

The following is a summary of changes in long-term debt for the fiscal years ended June 30, 2024 and 2023:

					Classification	
	Balance July 1, 2023	Debt Issued	Debt Retired	Balance June 30, 2024	Due within One Year	Due in More Than One Year
Public borrowings:						
Certificates of participation:						
Series 2019A	$ 160,860	$ -	$ (29,295)	$ 131,565	$ 30,800	$ 100,765
add: unamortized premium	18,420	-	(4,965)	13,455	-	13,455
Total bonds payable	179,280	-	(34,260)	145,020	30,800	114,220
Direct borrowings:						
Finance purchase agreements	671	-	(416)	255	252	3
Lease liability	9,917	28,829	(4,313)	34,433	5,133	29,300
Subscription liability	8,189	2,469	(3,519)	7,139	3,157	3,982
Total	$ 198,057	$ 31,298	$ (42,508)	$ 186,847	$ 39,342	$ 147,505

(In Thousands)

Note 11 – Long-Term Debt (Continued)

	Balance July 1, 2022	Debt Issued	Debt Retired	Balance June 30, 2023	Classification Due within One Year	Classification Due in More Than One Year
Public borrowings:						
Certificates of participation:						
Series 2019A	$ 175,960	$ -	$ (15,100)	$ 160,860	$ 29,295	$ 131,565
add: unamortized premium	23,384	-	(4,964)	18,420	-	18,420
Series 2019B	12,075	-	(12,075)	-	-	-
Total bonds payable	211,419	-	(32,139)	179,280	29,295	149,985
Direct borrowings:						
Finance purchase agreements	1,366	-	(695)	671	411	260
Lease liability	12,164	857	(3,104)	9,917	1,947	7,970
Subscription liability	8,129	2,728	(2,668)	8,189	2,715	5,474
Total	$ 233,078	$ 3,585	$ (38,606)	$ 198,057	$ 34,368	$ 163,689

Certificates of Participation – Series 2019 A

The Arrowhead Refunding Project Series 2019 A (Non-Taxable) Certificates of Participation were issued by the Inland Empire Public Facilities Corporation (IEPFC), a component unit of the County, on behalf of the Medical Center, dated July 1, 2019, in the amount of $224,045, with an interest rate of 5% and a final maturity date in fiscal year 2028. The 2019 A series were sold at a premium of $38,278. The proceeds from the issuance along with other available funds were used to refund the remaining outstanding principal balances of the 1994 Certificates (callable portion), 1996 Certificates, 2009 A Certificates, and 2009 B Certificates. The net proceeds of $291,740 along with $55,089 of other available funds resulted in a combined reacquisition price of $346,829 for the 1994 Certificates, 1996 Certificates, 2009 A Certificates, and 2009 B Certificates. The difference between the combined reacquisition price of $346,829 and net carrying amount of the refunded debt of $324,963, resulted in a deferred loss of $21,866 which will be amortized as an adjustment to interest expense over the remaining life of the 2019 Series A and B certificates. The refunding decreased the aggregate debt service payments of the Medical Center by $54,591 with an economic or present value gain of $46,332.

The Series 2019 A Certificates are scheduled to mature annually on October 1st beginning 2019 through 2027 with remaining principal amounts ranging from $30,800 to $34,265. The Certificates are not subject to optional prepayment prior to maturity.

The Series 2019 A Certificates are secured by annual lease payments payable by the County for use of the facilities constructed or acquired from the Certificates' proceeds. If the County defaults on its obligations to make lease payments stipulated under the installment agreement, the Trustee, as assignee of the Corporation, may retain the lease agreement and hold the County liable for all lease payments on annual basis and will have the right to reenter and relet the facilities constructed or acquired from the Certificates' proceeds. In the event such reletting occurs, the County would be liable for any resulting deficiency in lease payments. Alternatively, the Trustee may terminate the lease agreement with respect to the Project and proceed against the County to recover damages pursuant to the lease agreement. Due to the specialized nature of the Project, no assurance is given that the Trustee will be able to relet any portion of the Project to provide rental income sufficient to make remaining payments of principal and interest on the Certificates in a timely manner, and the Trustee is not empowered to sell the Project for the benefit of the owners of the Certificates.

(In Thousands)

Note 11 – Long-Term Debt (Continued)

Certificates of Participation – Series 2019 A (Continued)

The annual debt service requirements of the certificates of participation are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	$ 30,800	$ 5,808	$ 36,608
2026	32,520	4,225	36,745
2027	34,265	2,556	36,821
2028	33,980	850	34,830
Total	$ 131,565	$ 13,439	$ 145,004

Financed Purchase Agreements

The Medical Center has entered into financed purchase agreements with financial institutions and medical equipment manufacturers expiring at various dates through fiscal year ended 2026, providing for monthly payments at various interest rates. Equipment acquired under these agreements has been accounted for as financed purchase obligations.

The annual debt service requirements of the finance purchase obligations are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	$ 252	$ 1	$ 253
2026	3	-	3
Total	$ 255	$ 1	$ 256

The gross value of equipment acquired under finance purchase agreements at June 30, 2024 and 2023, was $1,645 and $3,313, respectively, net of accumulated amortization of $1,424 and $2,628, respectively.

The Medical Center's outstanding financed purchase agreements, secured by the related equipment of $221, contain provision that in event of default, outstanding amounts may become immediately due if the Medical Center is unable to make payment.

Lease Liability

The Medical Center has entered into leases for the use of buildings. The terms of the agreements range from 2 to 6 years. The calculated interest rates vary from 0.91% to 5.00% based on the length of the lease. At June 30, 2024 and 2023, the outstanding balance of the lease liability was $34,433 and $9,917, respectively, of which $5,133 and $1,947, respectively, is reported as a current liability representing the amount due within the next fiscal year.

The annual debt service requirements of the lease liability are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	$ 5,133	$ 466	$ 5,599
2026	5,311	376	5,687
2027	5,433	283	5,716
2028	4,501	206	4,707
2029	2,820	155	2,975
2030-2034	11,235	304	11,539
Total	$ 34,433	$ 1,790	$ 36,223

(In Thousands)

Note 11 – Long-Term Debt (Continued)

Subscription Liability

The Medical Center has entered into subscription-based information technology arrangements (SBITAs) for services related to cloud-based software applications, data storage and management services. Under the terms of these arrangements, the Medical Center does not take possession of the software at any time and the vendor provides ongoing services for the software's operation. The subscription periods vary, with initial non-cancellable terms ranging from 2 to 5 years. The calculated interest rates vary from 0.19% to 0.55%, based on the length of the SBITA and date of the agreement.

As of June 30, 2024 and 2023, the capitalized right-to-use assets related to SBITAs were $13,369 and $10,987, respectively, and the total subscription liability was $7,139 and $8,189, respectively, of which $3,157 and $2,715, respectively, is reported as a current liability representing the amount due within the next fiscal year.

The annual debt service requirements of the subscription liability are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	$ 3,157	$ 104	$ 3,261
2026	2,349	50	2,399
2027	1,424	11	1,435
2028	209	1	210
Total	$ 7,139	$ 166	$ 7,305

Note 12 – Compensated Absences

Summary of changes in the compensated absences balance for the years ended June 30, 2024 and 2023 was as follows:

				Classification	
Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Due within One Year	Due in More Than One Year
$ 35,171	$ 31,226	$ (27,837)	$ 38,560	$ 31,726	$ 6,834

				Classification	
Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due within One Year	Due in More Than One Year
$ 32,790	$ 29,404	$ (27,023)	$ 35,171	$ 28,337	$ 6,834

(In Thousands)

Note 13 – Defined Benefit Pension Plan

The Medical Center participates in the following County-Wide Retirement Plan. The Medical Center contributes to the plan an amount determined by the County.

Plan Description

The Medical Center provides pension benefits to eligible employees through a cost sharing multiple-employer defined benefit pension plan (the "Plan") administered by the San Bernardino County Employees' Retirement Association ("SBCERA").

The Plan is governed by the SBCERA Board of Retirement (Board) under the provisions of the California County Employees' Retirement Law of 1937 ("CERL") and the California Public Employees' Pension Reform Act of 2013 ("PEPRA"). The Plan's authority to establish and amend the benefit terms are set by the CERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the San Bernardino County Board of Supervisors and/or the SBCERA Board. SBCERA is a tax qualified plan under Section 40l (a) of the Internal Revenue Code.

SBCERA publishes its own annual comprehensive financial report that includes its financial statements and required supplementary information, which can be obtained by writing to SBCERA, Attention: Fiscal Services Department, 348 W. Hospitality Lane, San Bernardino, CA 92408 or visiting their website at www.SBCERA.org.

Benefits Provided

SBCERA provides retirement, disability, death and survivor benefits. SBCERA administers the Plan which provides benefits for two membership classifications, General and Safety, and those benefits are tiered based upon date of SBCERA membership. Safety membership is extended to those involved in active law enforcement and fire suppression. All other members are classified as General members. Generally, those who become members prior to January l, 2013 are Tier 1 members. All other members are Tier 2. An employee who is appointed to a regular position, whose service is at least fifty percent of the full standard of hours required is a member of SBCERA and is provided with pension benefits pursuant to Plan requirements. The CERL and PEPRA establish benefit terms.

Retirement benefits are calculated on the basis of age, average final compensation and service credit as follows:

	General - Tier 1	General - Tier 2
Final Average Compensation	Highest 12 consecutive months	Highest 36 consecutive months
Normal Retirement Age	The later of age 55 or the age at which the member vests in his/her benefits under the CERL, but not later than age 70	The later of age 55 or the age at which the member vests in his/her benefits under the CERL, but not later than age 70
Early Retirement: Years of Service required and/or age eligible for	Age 70 any years 10 years age 50 30 years any age	Age 70 any years 5 years age 52 N/A
Benefit	At normal retirement age, 2.00% per year of final average compensation for every year of service credit	At age 67, 2.50% per year of final average compensation for every year of service credit
Benefit Adjustments	Reduced before age 55, increased after 55 up to age	Reduced before age 67
Final Average Compensation	Internal Revenue Code Section 401(a)(17)	Government Code Section 7522.10

(In Thousands)

Note 13 – Defined Benefit Pension Plan (Continued)

Benefits Provided (Continued)

An automatic cost of living adjustment is provided to benefit recipients based on changes in the local region Consumer Price Index ("CPI") up to a maximum of 2% per year. Any increase greater than 2% is banked and may be used in years where the CPI is less than 2%. There is a one-time 7% increase at retirement for members hired before August 19, 1975. The Plan also provides disability and death benefits to eligible members and their beneficiaries, respectively. For retired members, the death benefit is determined by the retirement benefit option chosen.

For all other members, the beneficiary is entitled to benefits based on the members' years of service or if the death was caused by employment. General members are also eligible for survivor benefits which are payable upon a member's death.

Contributions

Participating employers and active members are required by statute to contribute a percentage of covered salary to the Plan. This requirement is pursuant to Government Code Sections 31453.5 and 31454 for participating employers, and Government Code Sections 31621.6, 31639.25, and 7522.30 for active members. The contribution requirements are established and may be amended by the SBCERA Board pursuant to Article I of the CERL, which is consistent with the Plan's actuarial funding policy.

The contribution rates are adopted yearly based on an annual actuarial valuation, which is conducted by an independent actuary, that requires actuarial assumptions with regard to mortality, expected future service (including age at entry into the Plan, if applicable, and tier), and compensation increases of the members and beneficiaries. The combined active member and employer contribution rates are expected to finance the costs of benefits for employees that are allocated during the year, with an additional amount to finance any unfunded accrued liability. Participating employers may pay a portion of the active members' contributions through negotiations and bargaining agreements.

Employee and employer contribution rates for the fiscal year ended June 30, 2024 and 2023 are as follows:

	2024			
Description	**General - Tier 1**	**General - Tier 2**	**General - Tier 1**	**General - Tier 2**
Employee contribution rates	9.17% - 15.19%	9.08%	9.14% - 15.78%	9.04%
Employer contribution rates	25.54%	22.53%	27.17%	24.03%

For the years ended June 30, 2024 and 2023, the Medical Center's contribution to the Plan of $56,830 and $54,839, respectively, equaled the actuarially determined required employer contributions.

Net Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2024, the Medical Center reported a liability of $200,886, for its proportionate share of the County's net pension liability. The net pension liability was measured as of June 30, 2023, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. the Medical Center's proportion of the County's net pension liability was based on the Medical Center's fiscal year 2023 actual contributions to the County's pension plan relative to the total contributions of the County as a whole. At measurement date June 30, 2023, the Medical Center's proportion was 9.9954 percent, which was a decrease of 0.2715 percent from its proportion measured as of June 30, 2022. For the year ended June 30, 2024, the Medical Center recognized a pension expense of $48,519.

(In Thousands)

Note 13 – Defined Benefit Pension Plan (Continued)

Net Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

At June 30, 2023, the Medical Center reported a liability of $199,582 for its proportionate share of the County's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. the Medical Center's proportion of the County's net pension liability was based on the Medical Center's fiscal year 2022 actual contributions to the County's pension plan relative to the total contributions of the County as a whole. At measurement date June 30, 2022, the Medical Center's proportion was 10.2669 percent, which was an increase of 2.2943 percent from its proportion measured as of June 30, 2021. For the year ended June 30, 2023, the Medical Center recognized a pension expense of $43,463.

At June 30, 2024 and 2023, the Medical Center reported deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	$ 56,830	$ -	$ 54,839	$ -
Changes in proportion and differences between employer contributions and proportionate share of contributions	46,921	23,579	58,509	33,575
Differences between expected and actual experience	16,525	3,379	4,977	4,495
Changes of assumptions	7,794	8,346	13,812	-
Net differences between projected and actual investment earnings on pension plan investments	7,270	-	-	3,647
Total deferred outflows/inflows of resources	$ 135,340	$ 35,304	$ 132,137	$ 41,717

The total amount of $56,830 and $54,839 reported as deferred outflows of resources related to contributions to the Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ending June 30, 2025 and 2024, respectively. The resulting net amount of $43,206 reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	Balance
2025	$ 11,698
2026	(9,047)
2027	32,485
2028	7,838
2029	232
Total	$ 43,206

(In Thousands)

Note 13 – Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the Plan's total pension liability was 7.25% for the measurement periods ended June 30, 2023 and 2022. The projection of cash flows used to determine the discount rate assumed employer and member contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of returns on the Plan investments of 7.25% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2023 and 2022.

Actuarial Assumptions

The Medical Center's proportion of the County's total pension liability in the June 30, 2023 and 2022 actuarial valuations were determined using the following actuarial assumptions:

	2024	2023
Actuarial Valuation Date	June 30, 2023	June 30, 2022
Actuarial Cost Method	Entry age actuarial cost method	Entry age actuarial cost method
Actuarial Assumptions:		
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation	7.25%, net of pension plan investment expenses, including inflation
Inflation rate	2.50%	2.75%
Real across-the-board salary	0.50%	0.50%
Projected salary increases	General: 4.30% to 9.5% and Safety: 4.75% to 10.00%	General: 4.55% to 12.75% and Safety: 4.75% to 12.25%
Cost of living adjustments	2.00% (actual increases contingent upon CPI increases with a 2.00% maximum)	2.00% (actual increases contingent upon CPI increases with a 2.00% maximum)
Administrative expenses	0.90% of payroll allocated to both the employer and member based on the components of the total contribution rate (before expenses) for the employer and member.	0.85% of payroll allocated to both the employer and member based on the components of the total contribution rate (before expenses) for the employer and member.

Mortality rates used in the June 30, 2023 actuarial valuation were based on the Pub-2010 Amount-Weighted Above-Median Mortality Table projected generationally with the two-dimensional MP-2019 projection scale. For healthy General members, the General Healthy Retiree rates increased by 10% were used. For healthy Safety members, the Safety Healthy Retiree rates were used. For disabled General members, the Non-Safety Disabled Retiree rates were used. For disabled Safety members, the Safety Disabled Retiree rates were used. For beneficiaries, the General Contingent Survivor rates increased by 10% were used.

The actuarial assumptions used to determine the total pension liability as of June 30, 2023 and 2022 were based on the results of the Actuarial Experience Study dated April 23, 2020, which covered the periods from July 1, 2016 through June 30, 2019. They are the same assumptions used in the June 30, 2023 and 2022 actuarial valuations.

The long-term expected rate of return on the Plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation, and subtracting expected investment expenses and a risk margin.

(In Thousands)

Note 13 – Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

The June 30, 2024 and 2023 target allocation (approved by the SBCERA Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the table as follows:

		2024		2023	
Investment Type	Investment Classification	Target Allocation[1]	Long-Term Expected Real Rate of Return	Target Allocation[1]	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	Domestic Common and Preferred Stock	14.50%	6.00%	11.00%	5.42%
Small Cap U.S. Equity	Domestic Common and Preferred Stock	2.50%	6.65%	2.00%	6.21%
Developed International Equity	Foreign Common and Preferred Stock	7.00%	7.01%	9.00%	6.50%
Emerging Market Equity	Foreign Common and Preferred Stock	6.00%	8.80%	6.00%	8.80%
U.S. Core Fixed Income	U.S. Government and Municipals/Domestic Bonds	2.00%	1.97%	2.00%	1.13%
High Yield/Credit Strategies	Domestic Bonds/Foreign Bonds	13.00%	6.48%	13.00%	3.40%
International Core Fixed Income	Foreign Bonds	0.00%	0.00%	1.00%	-0.04%
Emerging Market Debt	Emerging Market Debt	6.00%	4.76%	8.00%	3.44%
Real Estate	Real Estate	2.50%	3.86%	3.50%	4.57%
Value Added Real Estate	Real Estate	2.50%	5.40%	3.50%	6.53%
International Credit	Foreign Alternatives	11.00%	7.10%	11.00%	5.89%
Absolute Return	Domestic Alternatives/Foreign Alternatives	7.00%	7.10%	7.00%	3.69%
Real Assets	Domestic Alternatives/Foreign Alternatives	6.00%	10.10%	5.00%	10.64%
Private Equity	Domestic Alternatives/Foreign Alternatives	18.00%	9.84%	16.00%	10.70%
Cash and Equivalents	Short-Term Cash Investment Funds	2.00%	0.63%	2.00%	-0.03%
Total		100.00%		100.00%	

[1] For actuarial purposes, target allocations only change once every three years based on the triennial actuarial experience study.

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

The following presents the Medical Center's proportionate share of the County's net pension liability, calculated using the discount rate of 7.25%, as well as what the Medical Center's proportionate share of the County's net pension liability would be if it were calculated using a discount rate that is 1 -percentage-point lower (6.25%) or 1 -percentage-point higher (8.25%) than the current rate:

	2024		
Description	Discount Rate - 1% 6.25%	Current Discount Rate 7.25%	Discount Rate + 1% 8.25%
Proportionate share of the net pension liability	$ 442,164	$ 200,886	$ 3,566

	2023		
Description	Discount Rate - 1% 6.25%	Current Discount Rate 7.25%	Discount Rate + 1% 8.25%
Proportionate share of the net pension liability	$ 428,201	$ 199,582	$ 12,590

Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued SBCERA Annual Comprehensive Financial Report.

(In Thousands)

Note 14 – Self-Insurance

The Medical Center participates in the County's self-insurance programs for general liability, unemployment insurance, employee dental insurance, medical malpractice, and workers' compensation claim-related risks.

The activities related to the self-insurance programs are accounted for in the County's Risk Management Funds, separate internal service funds of the County, except for unemployment insurance and employee dental insurance, which are accounted for in the General Fund of the County. The Medical Center participates in these plans through a premium based arrangement that consists of annual amounts not subject to adjustment for adverse claims. Insurance premium expense for the years ended June 30, 2024 and 2023, was $13,143 and $8,854, respectively.

Note 15 – Net Investment in Capital Assets

Net Investment in Capital Assets at June 30, 2024 and 2023, consisted of the following:

	2024	2023
Net investment in capital assets:		
Capital assets, nondepreciable	$ 87,272	$ 80,231
Capital assets, depreciable/amortizable, net	285,980	276,321
Long-term debt:		
Deferred loss on refunding	7,018	9,178
Finance purchase agreements	(255)	(671)
Lease liability	(34,433)	(9,917)
Subscription liability	(7,139)	(8,189)
Certificates of participation, net	(145,020)	(179,280)
Total net investment in capital assets	$ 193,423	$ 167,673

Note 16 – Commitments and Contingencies

The Medical Center is the defendant in various lawsuits and other claims arising in the ordinary course of its operations. In the opinion of County Counsel and County officials, the ultimate outcome of these matters will have no significant effect on the financial condition or operations of the Medical Center.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations is subject to periodic government review, interpretation and audits, as well as regulatory actions unknown and unasserted at this time. Management believes that the Medical Center is in compliance with government law and regulations related to fraud and abuse and other applicable areas. While no material regulatory inquiries have been made, compliance with such laws and regulations can be subject to future governmental review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Commitments

On August 6, 2019, the Medical Center awarded an agreement with an estimated five-year cost not to exceed $29,738 for the purchase, installation and maintenance of a fully integrated Electronic Health Record system. The agreement does not have a termination date. The Medical Center has incurred $26,951 and $19,779 under this agreement as of June 30, 2024 and 2023, respectively.

Note 16 – Commitments and Contingencies (Continued)

Federal and State Grants

The Medical Center receives funds from various Federal and State Agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of the funds.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

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Arrowhead Regional Medical Center
Required Supplementary Information (Unaudited)
Schedule of Medical Center's Proportionate Share of The County's Net Pension Liability
Last Ten Fiscal Years
(In Thousands)

Fiscal Year:	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Measurement Date:	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Proportion of the net pension liability	9.9954%	10.2669%	7.9726%	10.8059%	9.9830%
Proportionate share of the net pension liability	$ 200,886	$ 199,582	$ 85,163	$ 359,572	$ 221,760
Covered payroll	$ 241,335	$ 217,426	$ 200,387	$ 191,943	$ 176,415
Proportionate share of the net pension liability as a percentage of covered payroll	83.24%	103.05%	45.92%	209.53%	137.45%
Plan ficuiary net position as a percentage of the total pension liability	85.57%	85.12%	91.19%	71.96%	79.61%

Fiscal Year:	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date:	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the net pension liability	9.6120%	9.6429%	9.9413%	9.6247%	9.9238%
Proportionate share of the net pension liability	$ 198,603	$ 210,298	$ 203,926	$ 156,238	$ 142,685
Covered payroll	$ 164,912	$ 153,606	$ 145,524	$ 140,811	$ 139,029
Proportionate share of the net pension liability as a percentage of covered payroll	131.65%	148.50%	149.07%	113.75%	105.10%
Plan ficuiary net position as a percentage of the total pension liability	79.89%	77.90%	76.86%	80.98%	82.47%

In 2024, the actuarial assumptions used in the June 30, 2023 valuation were based on the results of the 2020 Triennial Actuarial Experience Study, which covered the period from July 1, 2019 through June 30, 2022. Amounts reported in 2024 primarily reflect a decrease of 0.25% for inflation rate, an increase of 0.05% of payroll for administrative expenses, and adjustments of projected salary increases and mortality rates to more closely reflect actual experience. Mortality rates used in the June 30, 2023 actuarial valuation were based on the Pub-2010 Amount-Weighted Above - Median Mortality Table projected generationally with the two-dimensional MP-2021 projection scale rather than MP-2019 projection scale.

In 2023, there were no changes of assumptions. Amounts reported in 2023 primarily reflect the -2.37% return on the market value of assets during 2021-2022 that was lower than the assumed return of 7.25%. Additionally, the results of the Board adopted Resolution 2020-5 in this valuation reflect the refunds of member contributions previously paid in conjection with certain pay items for inclusion in compensation earnable, which increased the net pension liability by $12.3 million.

In 2022, there were no changes of assumptions. Amounts reported in 2022 primarily reflect the 32.61% return on the market value of assets during 2020-2021 that was higher than the assumed return of 7.25% and the changes in benefit terms based on a decision in the Alameda County Deputy Sheriffs' Assn. et al. v. Alameda County Employees' Retirement Assn. litigation issued by the California Supreme Court on July 30, 2020. The Board of Retirement adopted Resolution 2020-5, which detailed the implementation of the Alameda decision including reclassifying certain pay items for inclusion in compensation eamable. The results in this valuation reflect the reclassification of those pay codes, which reduced the Plan's net pension liability by $132.8 million.

In 2021, the actuarial assumptions used in the June 30. 2020 valuation were based on the results of the actuarial experience study for the period from July 1, 2016 through June 30, 2019. Amounts reported in 2021 primarily reflect a decrease of 0.25% inflation rate, an increase of 0.15% payroll for administrative expenses, and adjustments of projected salary increases and mortality rates to more closely reflect actual experience. Mortality rates were based on the Pub-2010 Amount-Weighted Above-Median Mortality Table projected generationally with the two-dimensional MP-2019 projection scale.

In 2019 and 2020, there were no changes of assumptions. In 2018, the actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the three year period of July 1, 2013 through June 30, 2016. Amounts reported in 2018 primarily reflect a decrease of 0.25% for both the investment rate of return and inflation rate, an increase of 0.1% of payroll for administrative expenses, and adjustments of projected salary increases and mortality rates to more closely reflect actual experience. Mortality rates used in the June 30, 2017 actuarial valuation were based on the Headcount-Weighted RP 2014 Healthy Annuitant Mortality Table rather than on the RP-2000 Combined Healthy Mortality Table, which was used to determine amounts reported prior to 2018.

Arrowhead Regional Medical Center
Required Supplementary Information (Unaudited)
Schedule of Contributions
Last Ten Fiscal Years
(In Thousands)

Fiscal Year:	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Actuarially determined contributions	$ 56,830	$ 54,839	$ 53,010	$ 47,063	$ 42,632
Contributions in relation to the actuarially determined contributions	(56,830)	(54,839)	(53,010)	(47,063)	(42,632)
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 241,335	$ 217,426	$ 200,387	$ 191,943	$ 176,415
Contributions as a percentage of the covered payroll	23.55%	25.22%	26.45%	24.52%	24.17%

Fiscal Year:	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contributions	$ 39,884	$ 32,911	$ 31,205	$ 30,662	$ 27,810
Contributions in relation to the actuarially determined contributions	(39,884)	(32,911)	(31,205)	(30,662)	(27,810)
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 164,912	$ 153,606	$ 145,524	$ 140,811	$ 139,029
Contributions as a percentage of the covered payroll	24.19%	21.43%	21.44%	21.78%	20.00%

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

To the Board of Supervisors and Audit Committee
of the Arrowhead Regional Medical Center
San Bernardino, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Arrowhead Regional Medical Center (the "Medical Center"), which comprise the statements of net position as of June 30, 2024 and 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Medical Center's financial statements, and have issued our report thereon dated October 31, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

The Pun Group, LLP

Santa Ana, California
October 31, 2024