Antelope Valley Healthcare District

Independent Auditor's Report and Financial Statements

June 30, 2021 and 2020

Antelope Valley Healthcare District
June 30, 2021 and 2020

Contents

BKD
CPAs & Advisors

110 N. Elgin Avenue, Suite 400 | Tulsa, OK 74120-1490
918.584.2900 | Fax 918.584.2931 | bkd.com

Independent Auditor's Report

Board of Directors
Antelope Valley Healthcare District
Lancaster, California

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of Antelope Valley Healthcare District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of the District as of June 30, 2021, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2021, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, and GASB Statement No. 97, *Certain Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Our opinions are not modified with respect to this matter.

Prior Year Audited by Other Auditors

The 2020 financial statements were audited by other auditors, and their report thereon, dated November 3, 2020, expressed an unmodified opinion.

Other Matters

Required Supplementary Information

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

BKD, LLP

Tulsa, Oklahoma
November 22, 2021

Antelope Valley Healthcare District
Management's Discussion and Analysis
Years Ended June 30, 2021 and 2020

Introduction

This management's discussion and analysis of the financial performance of the Antelope Valley Healthcare District (the District) provides an overview of the District's financial activities and business-type activities for the years ended June 30, 2021 and 2020. It should be read in conjunction with the accompanying financial statements of the District. Certain amounts presented in 2020 have been revised to correct the presentation. The amounts for 2019 have not been revised for similar corrections.

The District is a political subdivision of the State of California organized and existing under the provisions of the Local Health Care District Law of the State of California. The District is located in Lancaster, California, and is governed by a five-member Board of Directors elected by voters within the District. The District's financial statements include the operations of the Antelope Valley Hospital, a designated trauma center; the District's share of the Antelope Valley Outpatient Imaging Center, LLC (AVOIC) (100% and 70% at June 30, 2021 and 2020, respectively); and the Antelope Valley Hospital Foundation, a charitable giving organization. Unless otherwise indicated, amounts presented in management's discussion and analysis are in thousands. All references to years refer to the fiscal years ending June 30.

Using This Annual Report

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

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

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

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

The Statement of Cash Flows

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

The District's Net Position

The District's net position is the difference between its assets, liabilities, and deferred inflows and outflows of resources reported in the balance sheet. The District's net position increased by $17,256 or 10.8% in 2021 over 2020 and by $9,275 or 6.1% in 2020 over 2019, as shown in Table 1.

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

Assets and Deferred Outflows of Resources

	2021	2020	2019
Assets			
Cash, cash equivalents, and short-term investments	$ 98,915	$ 113,956	$ 131,533
Patient accounts receivable, net of allowance	63,879	52,245	60,774
Other current assets	13,661	14,086	10,985
Estimated amounts due from third-party payors	13,027	12,739	-
Long-term investments	154,433	137,372	91,821
Capital assets, net	202,975	200,779	194,339
Other noncurrent assets	10,688	20,781	20,583
Total assets	557,578	551,958	510,035
Deferred Outflows of Resources	28,712	26,633	9,956
Total assets and deferred outflows of resources	$ 586,290	$ 578,591	$ 519,991

Liabilities, Deferred Inflows of Resources, and Net Position

	2021	2020	2019
Liabilities			
Current liabilities	$ 110,570	$ 122,661	$ 86,619
Self-insurance liabilities, net of current	15,564	14,260	16,291
Other long-term liabilities (Medicare accelerated payments)	6,668	-	-
Pension liability	119,130	149,745	125,759
Long-term debt, net of current	120,655	128,921	134,877
Total liabilities	372,587	415,587	363,546
Deferred Inflows of Resources	36,262	2,820	5,535
Net Position			
Net investment in capital assets	83,279	83,515	71,500
Restricted	219	782	832
Unrestricted	93,943	75,888	78,578
Total net position	177,441	160,185	150,910
Total liabilities, deferred inflows of resources, and net position	$ 586,290	$ 578,592	$ 519,991

Changes from 2020 to 2021

Cash and cash equivalents, short-term investments, and long-term investments increased $2,019 or 0.8% mainly due to higher collections and increased funding from the *Coronavirus Aid, Relief, and Economic Security Act* (the CARES Act) offset by higher supplier expenses.

Patient accounts receivable, net increased $11,634 or 22.3% from 2020 to 2021 mainly due to increased volumes in the 4th quarter compared to fiscal year 2020.

Other current assets decreased $425 or 3.0% from 2020 to 2021 mainly due to a decrease in other receivables offset by an increase in inventories.

Capital assets, net increased $2,197 or 1.1% from 2020 to 2021 due to an increase in equipment and construction in progress offset by an increase in depreciation.

Changes from 2019 to 2020

Cash and cash equivalents, short-term investments, and long-term investments increased $27,974 or 12.5% mainly due to increased collections of prior years' accounts receivable and the receipts of the Medicare Accelerated Payment and the CARES Act funds. These increases were offset by lower supplemental funding in 2020.

Patient accounts receivable, net decreased $8,529 or 14.0% from 2019 to 2020 mainly due to lower volumes related to COVID-19 and collections of prior year's accounts receivable.

Other current assets increased $3,101 or 28.2% from 2019 to 2020 mainly due to a disproportionate share hospital (DSH) receivable and additional inventory due to COVID-19.

Capital assets, net increased $6,439 or 3.3% from 2019 to 2020. Increases of $7,536 in equipment and $2,164 in building improvements are offset by transfers of construction in progress of $14,064 offset by related depreciation expense of $17,326.

Operating Results and Changes in the District's Net Position

Table 2: Operating Results and Changes in Net Position

	2021	2020	2019
Operating Revenues			
Net patient service revenue, net of provision for uncollectible accounts	$ 441,165	$ 403,920	$ 387,903
Supplemental funding	55,192	42,930	59,165
Other revenue	4,734	3,609	4,510
Total operating revenues	501,091	450,459	451,578
Operating Expenses			
Salaries and wages	230,491	210,053	197,120
Employee benefits	64,240	64,412	63,169
Purchased services and professional fees	80,018	73,301	70,519
Supplies	76,037	67,864	60,276
Depreciation and amortization	20,254	19,907	27,356
Other operating expenses	20,947	19,464	19,452
Total operating expenses	491,987	455,001	437,892
Operating Income (Loss)	9,104	(4,542)	13,686
Nonoperating Revenues (Expenses)			
Grant revenue and contributions	3,955	3,520	4,175
Interest expense	(6,463)	(6,313)	(6,455)
Gain on investments in equity investees	414	656	-
Investment income	829	7,533	8,706
Provider Relief Fund revenue	10,200	8,421	-
Total nonoperating revenues (expenses)	8,935	13,817	6,426
Excess of Revenues over Expenses Before Purchase of Minority Interest	18,039	9,275	20,112
Purchase of Minority Interest	(783)	-	-
Increase in Net Position	$ 17,256	$ 9,275	$ 20,112

Operating Income (Loss)

The first component of the overall change in the District's net position is its operating income or loss—generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. The District reported operating income in 2021 and 2019 and an operating loss in 2020.

The operating income for 2021 increased by $13,646 or 300% as compared to 2020 and decreased by $18,228 or 133% from 2019 to 2020.

The primary components of the changes in operating results are:

Net Patient Service Revenue

Changes from 2020 to 2021

- An increase in net patient service revenue of $37,245 or 9% due to increased patient volumes

Inpatient Business Activity

	2021	2020	2019
Acute Patient Days by Payor			
Medicare	15,580	17,084	16,959
Medicare Managed Care	16,386	12,794	11,841
Medi-Cal	10,400	10,206	10,357
Medi-Cal Managed Care	23,876	22,589	22,740
Commercial managed care	16,486	14,825	14,719
Other	1,480	1,076	1,320
Self-pay	2,357	1,682	1,498
	86,565	80,256	79,434

Discharges increased from 19,030 in 2020 to 19,142 in 2021, a change of 0.6%. Patient days increased by 6,309 days in 2021 or 7.9%, as indicated in the table above. Since patient days increased at a faster pace than discharges, the length of stay also increased to 4.52 days from 4.22 days.

The overall case mix index for the District, which is a measure of patient acuity, increased to 1.55 in 2021 from 1.37 in 2020. The Medicare case mix index increased from 1.94 in 2020 to 2.09 in 2021.

Surgeries increased by 100 cases or 1.1%, from 8,781 cases in 2020 to 8,881 cases in 2021. Inpatient surgeries increased by 141 cases or 4.0%, from 3,551 cases in 2020 to 3,692 cases in 2021. Outpatient surgeries increased by 114 cases or 3.1% and inpatient surgeries in the Women & Infants Pavilion decreased by 155 cases or 10.3%.

Outpatient Business Activity

Outpatient gross revenue charges decreased approximately $23,276 or 3.6% to $620,746 in 2021.

Changes from 2019 to 2020

- An increase in net patient service revenue of $16,027 or 4%

Net patient service revenue increased as a result of increased patient volumes during the first half of the year. The second half of the year was affected by COVID-19.

Inpatient Business Activity

Although discharges decreased from 19,155 in 2019 to 19,030 in 2020, this was offset by the increase in length of stay to 4.22 days from 4.15 days, which resulted in patient days increasing by 822 days in 2020 or 1.0%.

The overall case mix index for the District, which is a measure of patient acuity, increased to 1.37 in 2020 from 1.30 in 2019. The Medicare case mix index increased from 1.80 in 2019 to 1.94 in 2020.

Surgeries decreased by 199 cases or 2.2%, from 8,980 cases in 2019 to 8,781 cases in 2020. Inpatient surgeries decreased by 117 cases or 3.2%, from 3,688 cases in 2019 to 3,551 cases in 2020. Outpatient surgeries decreased by 76 cases or 2.0% and inpatient surgeries in the Women & Infants Pavilion decreased by six cases or 0.4%.

Outpatient Business Activity

Outpatient gross revenue charges increased approximately $6,620 or 1.0% to $644,021 in 2020.

Supplemental Funding

	2021	2020	2019
California Hospital Quality Assurance Fee (HQAF) program	$ 17,411	$ 16,356	$ 18,957
Assembly Bill 113	6,147	(598)	4,928
Trauma center fund	5,649	6,224	6,509
DSH programs	17,095	7,218	19,426
PRIME program	6,152	9,636	9,068
QIP program	2,567	-	-
Cost report settlements and other	171	4,094	277
	55,192	42,930	59,165
IGT fees*			
HQAF	3,308	2,801	3,979
Assembly Bill 113	176	(1,123)	2,708
	$ 51,708	$ 41,252	$ 52,478

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

Changes from 2020 to 2021

The majority of the change in supplemental funding is due to a prior year DSH settlement.

Changes from 2019 to 2020

In 2019, a prior period adjustment was recorded for Senate Bill 1100.

Operating Expenses

Changes from 2020 to 2021

Operating expenses increased 8.1% in 2021 as compared to 2020. This is due to a major increase in the costs of registry and contract labor, causing a 120.2% increase in this expense category, and costs of pharmaceuticals increasing by 46.5%.

Changes from 2019 to 2020

Operating expenses increased 4.0% in 2020 as compared to 2019. This is due to an increase in full-time equivalent employees, new collective bargaining agreements, and an increase in retirement costs offset by a decrease in health insurance and an increase in supply costs due to COVID-19.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of grant revenue and contributions, investment income, and interest expense. The District recognized a decrease in its investment return in 2021 compared to 2020 of $6,704 or 89% resulting primarily from lower returns and fixed income securities. The District also saw an increase in Provider Relief Fund grants of $1,779 or 21% due to $10,200 of funds received from Phase II during 2021.

The District's Cash Flows

Net cash provided by operating activities decreased $31,703 or 68.7% from 2020 to 2021 mainly due to increased salaries and contract labor. Cash and cash equivalents decreased from 2019 to 2020 mainly due to increased salaries and lower supplemental funding payments offset by the receipt of the Medicare Accelerated Payment.

Capital Assets

At the end of 2021 and 2020, the District had $202,975 and $200,779 invested in capital assets, net of accumulated depreciation, as detailed in *Note 4* to the financial statements.

Debt

At June 30, 2021 and 2020, the District had $128,738 and $136,809, respectively, in outstanding debt, comprised of revenue bonds, notes payable, and capital lease obligations as detailed in *Note 6*. The District's formal debt issuances are subject to limitations imposed by state law. In August 2021, S&P Global Rating assigned its BBB Issuer Credit Rating to the District and its BBB long-term rating to the District's Series 2016A tax-exempt revenue bonds with a stable outlook. In October 2021, Moody's upgraded its Ba3 rating for the District's Series 2016A bond issue to a Ba2 rating and revised the outlook to stable.

Economic Factors for the Fiscal Year 2021 and Beyond

The District overcame many challenges with the pandemic during fiscal year 2021 and looks to carry forward the momentum with a positive outlook onward. As many hospitals saw major disruption in service volumes, the District saw only modest changes and a full recovery of volumes by the end of 2021. This sentiment was noted by Moody's and S&P in their ratings notice they issued this year. S&P assigned the District's bonds an investment grade rating for the first time in seven years.

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

The District has participated in the Public Hospital Redesign and Incentives in Medi-Cal (PRIME) program for the past five years. PRIME's goal was to promote significant improvements in the way care is delivered through California's safety net hospitals. PRIME is funded by intergovernmental transfers (IGT) from the public hospitals for the purposes of accessing the federal Medicaid matching funds. The PRIME distributions to the hospitals are based on 80% of their Medi-Cal utilization and 20% from the results of their quality projects. PRIME ended at December 31, 2020, and the net amounts that the District received in 2021 and 2020 were $6,151 and $9,636, respectively. Beginning January 1, 2021, district/municipal public hospitals (DMPH) transitioned from PRIME to the Quality Incentive Pool (QIP) program. QIP shares the goals of PRIME and will allow DMPHs to continue the work on quality initiatives begun in PRIME. The District accrued $2,567 for the QIP program in 2021. Distribution of QIP funds will be delayed until 2023.

As a trauma center, the District receives Los Angeles County Measure B trauma funds. During 2021 and 2020, the District received $5,649 and $6,224, respectively, in trauma funds. During 2021 and 2020, the District treated 1,591 and 1,371 trauma cases, respectively.

The District continues to invest to improve its operations. A 7,200-square-foot, 40-treatment-bay expansion of the emergency department is scheduled for completion during Spring 2022. The emergency department saw more than 120,000 patients in previous years in a space designed for 50,000 visits. In 2021, the Antelope Valley Hospital Foundation contributed more than $900 toward internal renovations and equipment purchases. Significant improvements are planned for the information technology infrastructure. The District is still in the planning stages to construct a replacement hospital.

Electronic Medical Records System

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

New Hospital Project and Seismic Standards

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

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

Contacting the District's Financial Management

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

Antelope Valley Healthcare District
Balance Sheets
June 30, 2021 and 2020

Assets and Deferred Outflows of Resources

	2021	2020
Current Assets		
Cash and cash equivalents	$ 63,753,574	$ 53,907,760
Short-term investments	33,280,436	57,924,665
Restricted cash and investments – current	1,880,940	2,123,729
Patient accounts receivable, net of allowance; 2021 – $29,736,000, 2020 – $35,369,000	63,879,212	52,245,081
Other receivables	1,320,304	3,207,172
Estimated amounts due from third-party payors	13,026,774	12,739,211
Supplies	9,149,028	7,249,042
Prepaid expenses and other	3,191,676	3,629,435
Total current assets	189,481,944	193,026,095
Noncurrent Cash and Investments		
Held by trustee for debt service	8,328,346	18,539,415
Less amount required to meet current obligations	(1,880,940)	(2,123,729)
	6,447,406	16,415,686
Other long-term investments	154,432,659	137,372,139
Total noncurrent cash and investments	160,880,065	153,787,825
Capital Assets, Net	202,975,431	200,778,605
Other Assets	4,240,264	4,365,530
Total noncurrent assets	368,095,760	358,931,960
Total assets	557,577,704	551,958,055
Deferred Outflows of Resources		
Pension-related	27,867,549	25,627,505
Deferred loss on debt defeasance	844,480	1,005,061
Total deferred outflows of resources	28,712,029	26,632,566
Total assets and deferred outflows of resources	$ 586,289,733	$ 578,590,621

Antelope Valley Healthcare District

Balance Sheets, continued

June 30, 2021 and 2020

Liabilities, Deferred Inflows of Resources, and Net Position

	2021	2020
Current Liabilities		
Current maturities of long-term debt	$ 8,083,151	$ 7,887,277
Accounts payable and accrued liabilities	18,594,140	20,056,961
Accrued payroll and related expenses	21,042,788	18,659,900
Estimated amounts due to third-party payors	35,203,786	37,345,386
Medicare accelerated payments	19,046,000	28,568,763
Estimated self-insurance costs – current	6,719,600	8,018,720
Accrued interest payable	1,880,940	2,123,729
Total current liabilities	110,570,405	122,660,736
Other Liabilities		
Long-term debt	120,655,145	128,921,234
Estimated self-insurance costs	15,564,419	14,259,737
Medicare accelerated payments	6,667,470	-
Net pension liability	119,129,433	149,744,477
Total other liabilities	262,016,467	292,925,448
Total liabilities	372,586,872	415,586,184
Deferred Inflows of Resources		
Pension-related	36,261,482	2,819,239
Net Position		
Net investment in capital assets	83,279,400	83,514,570
Restricted, expendable for specific operating activities	219,106	113,739
Restricted, nonexpendable for minority interest	-	668,527
Unrestricted	93,942,873	75,888,362
Total net position	177,441,379	160,185,198
Total liabilities, deferred inflows of resources, and net position	$ 586,289,733	$ 578,590,621

Antelope Valley Healthcare District

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2021 and 2020

	2021	2020
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2021 – $21,658,730, 2020 – $21,558,796	$ 441,164,747	$ 403,920,226
Supplemental funding	55,191,462	42,930,171
Other revenue	4,734,292	3,608,957
Total operating revenues	501,090,501	450,459,354
Operating Expenses		
Salaries and wages	230,491,457	210,053,425
Employee benefits	64,239,875	64,412,107
Professional and medical fees	45,331,893	42,445,601
Purchased services	34,686,340	30,855,124
Supplies and other	76,036,656	67,864,475
Depreciation and amortization	20,254,203	19,906,948
Other operating expenses	20,946,525	19,463,934
Total operating expenses	491,986,949	455,001,614
Operating Income (Loss)	9,103,552	(4,542,260)
Nonoperating Revenues (Expenses)		
Grant revenue and contributions	3,955,371	3,519,793
Interest expense	(6,462,738)	(6,313,451)
Gain on investments in equity investees	413,734	655,585
Investment income	829,267	7,533,476
Provider Relief Fund revenue	10,200,000	8,421,439
Total nonoperating revenues (expenses)	8,935,634	13,816,842
Excess of Revenues over Expenses Before Purchase of Minority Interest	18,039,186	9,274,582
Purchase of Minority Interest	(783,005)	-
Increase in Net Position	17,256,181	9,274,582
Net Position, Beginning of Year	160,185,198	150,910,616
Net Position, End of Year	$ 177,441,379	$ 160,185,198

Antelope Valley Healthcare District

Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Receipts from and on behalf of patients	$ 420,821,038	$ 441,600,809
Receipts from supplemental funding	58,616,584	44,140,681
Payments to suppliers and contractors	(179,926,462)	(172,174,928)
Payments to employees	(291,755,727)	(269,191,853)
Other receipts	6,528,673	1,727,080
Net cash provided by operating activities	14,284,106	46,101,789
Cash Flows from Noncapital Financing Activities		
Noncapital grants and gifts	3,955,371	3,519,793
Provider Relief Fund revenue	10,200,000	8,421,439
Net cash provided by noncapital financing activities	14,155,371	11,941,232
Cash Flows from Capital and Related Financing Activities		
Principal paid on long-term debt	(7,887,167)	(7,700,416)
Interest paid on long-term debt	(6,727,994)	(6,129,694)
Proceeds from sale of capital assets	111,159	-
Purchase of capital assets	(22,469,701)	(24,117,357)
Net cash used in capital and related financing activities	(36,973,703)	(37,947,467)
Cash Flows from Investing Activities		
Interest and dividends on investments	3,939,233	8,189,061
Purchase of investments	(111,568,489)	(45,861,694)
Proceeds from disposition of investments	126,253,301	20,020,585
Purchase of minority interest	(783,005)	-
Distributions from equity investees	539,000	-
Net cash provided by (used in) investing activities	18,380,040	(17,652,048)
Increase in Cash and Cash Equivalents	9,845,814	2,443,506
Cash and Cash Equivalents, Beginning of Year	53,907,760	51,464,254
Cash and Cash Equivalents, End of Year	$ 63,753,574	$ 53,907,760

Antelope Valley Healthcare District

Statements of Cash Flows, continued

Years Ended June 30, 2021 and 2020

	2021	2020
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	$ 9,103,552	$ (4,542,260)
Depreciation and amortization	20,254,203	19,906,948
Accrued self-insurance costs	5,562	(1,600,188)
Provision for uncollectible accounts	21,658,730	21,558,796
(Gain) loss on disposal of assets	(92,487)	57,576
Changes in operating assets and liabilities		
Patient accounts receivable	(33,292,861)	(13,029,836)
Other receivables	1,886,868	(1,939,453)
Supplies and prepaid expenses and other	(1,462,227)	(1,160,929)
Estimated amounts due from and to third-party payors	(5,854,285)	582,860
Supplemental funding	3,425,122	1,210,510
Other assets	-	112,245
Accounts payable and accrued expenses	(1,462,821)	(10,497,110)
Accrued payroll and related expenses	2,382,888	2,629,749
Net pension liability	(30,615,044)	23,985,534
Medicare advance payments	(2,855,293)	28,568,763
Deferred inflows of resources – pension	33,442,243	(2,715,374)
Deferred outflows of resources – pension	(2,240,044)	(17,026,042)
Net cash provided by operating activities	$ 14,284,106	$ 46,101,789
Noncash Investing, Capital, and Financing Activities		
Amortization of bond premium	$ 183,048	$ 183,044
Amortization of deferred loss on defeasance	$ 160,581	$ 349,473
Capital assets acquired through capital leases	$ -	$ 2,286,505

Antelope Valley Healthcare District
Fiduciary Fund – Pension Trust Fund
Statements of Fiduciary Net Position
June 30, 2021 and 2020

	2021	2020
Assets		
Investments, at fair value		
Mutual funds	$ 258,353,264	$ 189,441,692
Exchange-traded funds	51,165,055	46,420,887
Limited partnerships	7,603,751	5,316,670
Short-term investment fund	1,509,771	4,806,863
Total assets	$ 318,631,841	$ 245,986,112
Liabilities		
Due to broker	$ 1,118,312	$ 982,147
Fiduciary Net Position Restricted for Pensions	317,513,529	245,003,965
Total liabilities and fiduciary net position restricted for pensions	$ 318,631,841	$ 245,986,112

Antelope Valley Healthcare District
Fiduciary Fund – Pension Trust Fund
Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2021 and 2020

	2021	2020
Additions		
Contributions		
Members	$ 2,023,504	$ 1,612,787
Employers	18,066,319	20,367,897
Total contributions	20,089,823	21,980,684
Investment earnings		
Net increase in fair value of investments	60,225,103	6,529,616
Interest, dividends, and other	6,322,014	3,414,255
	66,547,117	9,943,871
Less investment activity costs	518,304	414,792
Net investment earnings	66,028,813	9,529,079
Total additions	86,118,636	31,509,763
Deductions		
Benefits paid to participants or beneficiaries	13,341,321	11,992,898
Administrative expense	267,751	31,070
Total deductions	13,609,072	12,023,968
Net Increase in Fiduciary Net Position	72,509,564	19,485,795
Fiduciary Net Position, Beginning of Year	245,003,965	225,518,170
Fiduciary Net Position, End of Year	$ 317,513,529	$ 245,003,965

Antelope Valley Healthcare District
Notes to Financial Statements
June 30, 2021 and 2020

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

Nature of Operations

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

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

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

Reporting Entity

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

Blended Component Units

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

- The Antelope Valley Outpatient Imaging Center, LLC (AVOIC) is a legally separate entity that operates two diagnostic imaging centers located in Lancaster, California and Palmdale, California. The District owned 100% and 70% of AVOIC at June 30, 2021 and 2020, respectively, and can unilaterally make operating decisions, such as establishing a budget or issuing debt. AVOIC is included as a blended component unit of the District in the accompanying financial statements as it is essentially operating as a division of the District's operations. All significant intercompany accounts and transactions between the District and AVOIC have been eliminated in the accompanying financial statements. AVOIC does not issue separate financial statements.
- The Gift Foundation of the Antelope Valley Healthcare District d/b/a Antelope Valley Hospital Foundation (AVHF) is a 501(c)(3) tax-exempt organization and is legally separate from the District. Although the District does not appoint a voting majority of AVHF's

Board of Directors nor is the District financially accountable for AVHF, AVHF is included as a blended component unit of the District in the accompanying financial statements as District management has operational responsibility for AVHF. All significant intercompany accounts and transactions between the District and AVHF have been eliminated in the accompanying financial statements. AVHF does not issue separate financial statements.

Fiduciary Fund

The Antelope Valley Hospital Medical Center Retirement Plan (the Plan) is a single-employer defined benefit pension plan included in the accompanying financial statements as a pension trust fiduciary fund. The board of the District performs the governing duties of the Plan, as the Plan does not have a separate board. Effective July 1, 2020, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, an amendment of GASB Statements No. 14 and No. 84 and a supersession of GASB statement No. 32*. The impact of adoption of these standards was to include the Plan as a fiduciary component unit of the District. The fiduciary fund statements are presented as of June 30, 2021 and 2020, the Plan's fiscal year-end.

Basis of Accounting and Presentation

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. The District does not consider uninvested cash held in investment accounts as cash or cash equivalents. At June 30, 2021 and 2020, cash equivalents consisted primarily of money market accounts with brokers.

Patient Accounts Receivable

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

Supplies

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

Investments and Investment Income

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

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

Capital Assets

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

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

Capital Asset Impairment

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

No asset impairment was recognized during the years ended June 30, 2021 and 2020.

Deferred Outflows of Resources

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

Compensated Absences

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

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

Risk Management

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

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

Single-Employer Defined Benefit Pension Plan

The District has a single-employer defined benefit pension plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

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

Net Position

Net position of the District is classified in four components on its balance sheets.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or donors external to the District, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.
- Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the District, such as permanent endowments and other members' interest in component units.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Service Revenue

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

Charity Care

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

The costs of charity care provided under the District's charity care policy were approximately $1,346,000 and $777,000 for 2021 and 2020, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Income Taxes

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

Operating Revenues and Expenses

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

Revisions

Certain immaterial revisions have been made to the 2020 financial statements. These changes include the following:

- Correction of the presentation of the liability for self-insured health benefits from noncurrent to current on the accompanying balance sheets
- Adjust revenue and expense classifications to conform to the 2021 presentation on the accompanying statements of revenues, expenses, and changes in net position and the accompanying statements of cash flows
- Correction to disclosed provision for uncollectible accounts to include AVOIC and related correction of the provision in the accompanying statements of cash flows
- Revision to *Note 10* to show the external investment pool – LAIF within the fair value hierarchy rather than at net asset value
- Disaggregation of amounts due from third-party payors and amounts due to third-party payors to reflect the right of offset
- Correction of the classification of the receipt of Medicare accelerated payments from payments to suppliers and contractors to receipts from and on behalf of patients in the accompanying statements of cash flows
- Disaggregation of changes in pension-related deferred outflows of resources and deferred inflows of resources in the accompanying statements of cash flows
- Recategorization of impact of amortization of deferred loss on debt defeasance from other cash receipts to a reduction of interest paid on long-term debt in the accompanying statements of cash flows

These revisions did not have a significant impact on the accompanying financial statements.

Note 2: Deposits, Investments, and Investment Income

Deposits

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

At June 30, 2021 and 2020, approximately $59,600,000 and $39,600,000 of the District's bank balances of approximately $59,900,000 and $55,500,000, respectively, were exposed to custodial credit risk as uninsured and uncollateralized.

The above amounts exclude deposits held by the District's blended component units with bank balances of approximately $5,212,000 and $4,748,000 and carrying values of approximately $4,982,000 and $4,538,000 at June 30, 2021 and 2020, respectively. As nongovernmental entities, the blended component units are not subject to collateralization requirements. At June 30, 2021 and 2020, the blended component units' cash accounts exceeded federally insured limits by approximately $3,981,000 and $3,307,000, respectively.

Investments

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

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

		Maturities in Years		
Type	**Fair Value**	**Less than 1**	**1–5**	**6–10**
2021				
External investment pool – LAIF	$ 32,604,856	$ 32,604,856	$ -	$ -
U.S. instrumentalities	38,404,074	-	12,867,448	25,536,626
Corporate bonds	79,464,384	4,251,684	55,881,455	19,331,245
U.S. Treasury obligations	36,564,201	10,692,061	25,872,140	-
Held by trustee				
Corporate bonds	6,085,676	6,085,676	-	-
U.S. instrumentalities	2,081,900	-	2,081,900	-
	$ 195,205,091	$ 53,634,277	$ 96,702,943	$ 44,867,871
2020				
External investment pool – LAIF	$ 52,338,996	$ 52,338,996	$ -	$ -
U.S. instrumentalities	47,001,918	13,021,620	10,759,943	23,220,355
Corporate bonds	61,777,866	18,310,170	35,383,295	8,084,401
U.S. Treasury obligations	33,054,574	3,411,364	29,643,210	-
Held by trustee				
Corporate bonds	16,018,886	16,018,886	-	-
U.S. instrumentalities	2,109,288	2,109,288	-	-
	$ 212,301,528	$ 105,210,324	$ 75,786,448	$ 31,304,756

Interest Rate Risk

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

Credit Risk

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

The District's investments not directly guaranteed by the U.S. government were rated as follows as of June 30, 2021 and 2020:

Investments	Moody's	S&P
External investment pool – LAIF	Not Rated	Not Rated
Corporate bonds	Baa3 to Aa2	BB- to AA
U.S. instrumentalities	Aaa	AA+
U.S. Treasury obligations	Not Rated	Not Rated

Custodial Credit Risk

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

Concentration of Credit Risk

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

	2021		2020	
	Fair Value	Percentage of Total Investments	Fair Value	Percentage of Total Investments
Federal National Mortgage Association	$ 19,004,819	10%	$ 31,924,046	16%
Federal Home Loan Bank	$ 7,119,751	4%	$ 12,012,615	6%

Antelope Valley Healthcare District

Notes to Financial Statements

June 30, 2021 and 2020

Summary of Carrying Values

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

	2021	2020
Carrying value		
Cash on hand	$ 3,740	$ 3,740
Deposits	60,181,965	55,438,711
Investments	199,609,310	212,301,528
	$ 259,795,015	$ 267,743,979
Included in the following balance sheet captions		
Cash and cash equivalents	$ 63,753,574	$ 53,907,760
Short-term investments	33,280,436	57,924,665
Restricted cash and investments – current	1,880,940	2,123,729
Noncurrent cash and investments	160,880,065	153,787,825
	$ 259,795,015	$ 267,743,979

Note 3: Patient Accounts Receivable

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

	2021	2020
Medicare	$ 26,221,077	$ 22,862,489
Medi-Cal	24,344,057	22,476,133
Other third-party payors	24,541,988	20,594,675
Patients	18,508,090	21,680,784
	93,615,212	87,614,081
Less allowance for uncollectible accounts	(29,736,000)	(35,369,000)
	$ 63,879,212	$ 52,245,081

Antelope Valley Healthcare District

Notes to Financial Statements

June 30, 2021 and 2020

Note 4: Capital Assets

Capital assets activity for the years ended June 30 was:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
2021					
Land	$ 9,869,241	$ -	$ -	$ -	$ 9,869,241
Land improvements	24,217,282	-	-	932,884	25,150,166
Buildings and leasehold improvements	180,263,020	-	-	1,450,571	181,713,591
Equipment	264,545,711	4,995,269	(847,938)	2,373,890	271,066,932
Construction in progress	25,349,884	17,837,283	(362,851)	(4,757,345)	38,066,971
	504,245,138	22,832,552	(1,210,789)	-	525,866,901
Less accumulated depreciation					
Land improvements	14,495,114	865,235	-	-	15,360,349
Buildings and leasehold improvements	90,435,179	4,574,591	-	-	95,009,770
Equipment	198,536,240	14,814,377	(829,266)	-	212,521,351
	303,466,533	20,254,203	(829,266)	-	322,891,470
Capital assets, net	$ 200,778,605	$ 2,578,349	$ (381,523)	$ -	$ 202,975,431
2020					
Land	$ 9,869,241	$ -	$ -	$ -	$ 9,869,241
Land improvements	24,217,282	-	-	-	24,217,282
Buildings and leasehold improvements	178,098,423	-	-	2,164,597	180,263,020
Equipment	257,009,206	7,398,201	(2,638,225)	2,776,529	264,545,711
Construction in progress	11,285,349	19,005,661	-	(4,941,126)	25,349,884
	480,479,501	26,403,862	(2,638,225)	-	504,245,138
Less accumulated depreciation					
Land improvements	13,693,323	801,791	-	-	14,495,114
Buildings and leasehold improvements	85,985,138	4,450,041	-	-	90,435,179
Equipment	186,461,773	14,655,116	(2,580,649)	-	198,536,240
	286,140,234	19,906,948	(2,580,649)	-	303,466,533
Capital assets, net	$ 194,339,267	$ 6,496,914	$ (57,576)	$ -	$ 200,778,605

Note 5: Investments in Equity Investees

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

HBWP, LLC

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

Antelope Valley Surgical Institute, LLC

On May 9, 2017, the District entered into an equity investee arrangement by purchasing a 49% equity interest in Antelope Valley Surgical Institute, LLC (AVSI), which operates an ambulatory surgical center located in Lancaster, California. The District is a voting member but does not have control over the equity investee. The District utilizes the equity method of accounting. Under this method, the District records a share of its net profit or loss within its operating income or loss and increases or reduces the District's investment in the equity investee. The District does not consolidate the total equity investee's assets or liabilities or the revenues and expenses in the financial statements. The District's ongoing financial interest was approximately $3,717,000 and $4,256,000 as of June 30, 2021 and 2020, respectively. Separate financial statements of the equity investee are not available to the public.

Note 6: Long-Term Obligations

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

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
2021					
Long-term debt					
Series 2016A District Revenue Bonds	$ 118,060,000	$ -	$ (2,295,000)	$ 115,765,000	$ 2,410,000
Equipment loan	8,360,513	-	(4,117,641)	4,242,872	4,243,864
Capital lease obligations	5,689,658	-	(1,474,526)	4,215,132	1,429,287
Unamortized bond premium	4,698,340	-	(183,048)	4,515,292	-
Total long-term debt	136,808,511	-	(8,070,215)	128,738,296	8,083,151
Other long-term liabilities					
Estimated self-insurance costs	22,278,457	15,111,833	(15,106,271)	22,284,019	6,719,648
Medicare advance payments	28,568,763	-	(2,855,293)	25,713,470	19,046,000
Total other long-term liabilities	50,847,220	15,111,833	(17,961,564)	47,997,489	25,765,648
Total long-term obligations	$ 187,655,731	$ 15,111,833	$ (26,031,779)	$ 176,735,785	$ 33,848,799
2020					
Long-term debt					
Series 2016A District Revenue Bonds	$ 120,245,000	$ -	$ (2,185,000)	$ 118,060,000	$ 2,295,000
Equipment loan	12,356,938	-	(3,996,425)	8,360,513	4,117,751
Capital lease obligations	4,922,149	2,286,505	(1,518,996)	5,689,658	1,474,526
Unamortized bond premium	4,881,384	-	(183,044)	4,698,340	-
Total long-term debt	142,405,471	2,286,505	(7,883,465)	136,808,511	7,887,277
Other long-term liabilities					
Estimated self-insurance costs	23,878,645	15,709,510	(17,309,698)	22,278,457	6,223,200
Medicare advanced payments	-	28,568,763	-	28,568,763	28,568,763
Total other long-term liabilities	23,878,645	44,278,273	(17,309,698)	50,847,220	34,791,963
Total long-term obligations	$ 166,284,116	$ 46,564,778	$ (25,193,163)	$ 187,655,731	$ 42,679,240

Series 2016A District Revenue Bonds

On March 1, 2017, the District issued $126,120,000 of Series 2016A bonds at a premium of approximately $5,492,000. Proceeds of approximately $21,162,000 were used to finance costs associated with seismic improvements to certain District buildings, fund a bond reserve account, and pay the costs of issuance. The Series 2016A bonds are due March 1, 2046, with annual principal payments ranging from $1,815,000 to $7,855,000 due beginning March 1, 2017, plus semiannual interest payments at interest rates from 5.00% to 5.25%. The Series 2016A bonds are secured by pledge of the District's gross revenues and trustee-held assets. The agreement is subject to certain financial covenants including minimum liquidity and net income to annual debt service ratios. The District recognized approximately $183,000 of amortization related to the bond premium during each of the fiscal years ended June 30, 2021 and 2020.

The advance refunding was undertaken to extend debt service payments over the next 30 years, which increased total debt service payments by approximately $105,235,000 and resulted in an economic loss (difference between present value of debt service payments of old debt and new debt) of approximately $11,137,000. The reacquisition price exceeded the net carrying amount of the old debt by $5,342,000. This accounting loss, net of amortization, is being reported as deferred outflows of resources on the accompanying balance sheets and is amortized over the shorter of the life of the old bonds or the new bonds. During the fiscal years ended June 30, 2021 and 2020, the District amortized approximately $161,000 and $436,000, respectively, related to the deferred outflows of resources, which is included in interest expense on the accompanying statements of revenue, expenses, and changes in net position.

Equipment Loan

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

Debt Service Requirements

Debt service requirements on long-term debt other than capital lease obligations as of June 30, 2021, are as follows:

Year Ending June 30,	Total to be Paid or Amortized	Series 2016A District Revenue Bonds Principal	Series 2016A District Revenue Bonds Interest	Equipment Loan Principal	Equipment Loan Interest
2022	$ 6,721,986	$ 2,410,000	$ -	$ 4,242,872	$ 69,114
2023	2,530,000	2,530,000	-	-	-
2024	2,655,000	2,655,000	-	-	-
2025	2,785,000	2,785,000	-	-	-
2026	2,925,000	2,925,000	-	-	-
2027–2031	41,251,688	16,980,000	24,271,688	-	-
2032–2036	41,247,363	21,775,000	19,472,363	-	-
2037–2041	41,253,500	27,990,000	13,263,500	-	-
2042–2046	41,246,250	35,715,000	5,531,250	-	-
	$ 182,615,787	$ 115,765,000	$ 62,538,801	$ 4,242,872	$ 69,114

Capital Lease Obligations

The District is obligated under leases for equipment that are accounted for as capital leases. The carrying value of assets under capital leases totaled approximately $7,245,000 and $11,359,000 as of June 30, 2021 and 2020, net of accumulated depreciation of approximately $2,944,000 and $5,415,000 as of June 30, 2021 and 2020, respectively.

The following is a schedule by year of future minimum lease payments under the capital leases, including interest at rates ranging from 0.22% to 5.13% together with the present value of the future minimum lease payments as of June 30, 2021:

Year Ending June 30,	
2022	$ 1,550,183
2023	1,438,247
2024	1,204,234
2025	248,040
Total minimum lease payments	4,440,704
Less amount representing interest	(225,572)
Present value of future minimum lease payments	$ 4,215,132

Note 7: Self-Insurance Liabilities

Medical Malpractice Claims

The District is self-insured for the first $1,000,000 per occurrence and $4,000,000 in aggregate of medical malpractice risks. The District also maintains excess liability coverage for claims in excess of $20,000,000. Insurance coverage is on a claims-made basis. The District purchases commercial insurance coverage above the self-insurance limits. Losses from asserted and unasserted claims identified under the District's incident reporting system are accrued based on estimates that incorporate the District's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. It is reasonably possible that the District's estimate of losses will change by a material amount in the near term. Unpaid claim liabilities were discounted using a discount rate of 0.87% and 1.22% in 2021 and 2020, respectively, to account for the time value of money to determine the current estimated liabilities as reflected below.

Activity in the District's accrued medical malpractice claims liability during 2021 and 2020 is summarized as follows:

	2021	2020
Balance, beginning of year	$ 8,470,000	$ 13,337,081
Current year claims incurred and changes in estimates for claims incurred in prior years	65,980	(1,785,224)
Claims and expenses paid	(763,980)	(3,081,857)
Balance, end of year	$ 7,772,000	$ 8,470,000

Workers' Compensation Claims

The District is self-insured for the first $1,000,000 per occurrence of workers' compensation risks. The District purchases commercial insurance coverage above the self-insurance limits. Losses from asserted and unasserted claims identified under the District's incident reporting system are actuarially determined based on the District's past experience as well as other considerations, including the nature of each claim or incident and relevant trend factors. It is reasonably possible that the District's estimate of losses will change by a material amount in the near term. Unpaid claim liabilities were discounted using a discount rate of 0.87% and 1.22% in 2021 and 2020, respectively, to account for the time value of money to determine the current estimated liabilities as reflected below.

Activity in the District's accrued workers' compensation claims liability during 2021 and 2020 is summarized as follows:

	2021	2020
Balance, beginning of year	$ 12,013,000	$ 12,276,000
Current year claims incurred and changes in estimates for claims incurred in prior years	4,005,415	2,523,095
Claims and expenses paid	(3,708,415)	(2,786,095)
Balance, end of year	$ 12,310,000	$ 12,013,000

Employee Health and Dental Claims

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

Activity in the District's accrued employee health claims liability during 2021 and 2020 is summarized as follows:

	2021	2020
Balance, beginning of year	$ 1,796,000	$ 2,606,000
Current year claims incurred and changes in estimates for claims incurred in prior years	11,039,876	10,631,746
Claims and expenses paid	(10,633,876)	(11,441,746)
Balance, end of year	$ 2,202,000	$ 1,796,000

Note 8: Net Patient Service Revenue

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

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

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

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

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

Approximately 69% of net patient service revenue is from participation in the Medicare and state-sponsored Medi-Cal programs for the years ended June 30, 2021 and 2020. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

Note 9: Pension and Other Benefit Plans

403(b) Defined Contribution Plan

The Antelope Valley Hospital Medical Center Section 403(b) Retirement Plan (403(b) Plan) is a tax-deferred annuity plan that permits employees to accumulate retirement savings by making deferrals of their salary and permits the District to make nonelective contributions on behalf of eligible employees. Contributions are invested at the direction of the participants. The 403(b) Plan is administered by the District's governing body. The 403(b) Plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the District's governing body. There were no contributions made by the District during the fiscal years ended June 30, 2021 and 2020.

457(b) Deferred Compensation Plan

Effective February 1, 2014, the District has a deferred compensation plan provided to certain executives of the District. The District records a deferred compensation liability for amounts due to these individuals, which includes the earnings from the invested assets. The liability is funded as required by the plan based on the anniversary date of each participant. The plan was terminated effective July 1, 2020. Payments relating to this plan representing the District's funded contribution were not significant during the fiscal year ended June 30, 2020.

Single-Employer Defined Benefit Plan

Plan Description

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

The Plan has implemented the requirements of the *California Public Employees' Pension Reform Act of 2013* (PEPRA). In accordance with those provisions, certain members make contributions of 3.75% of their eligible compensation to the Plan each pay period.

Benefits Provided

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

The Plans' provisions and benefits in effect as of June 30, 2021, are summarized as follows:

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

Actuarial Assumptions

The total pension liability in the June 30, 2021 and 2020, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	3.00%	Average
Investment rate of return	6.57%	Net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2021 and 2020, valuations were based on the results of the 2009 actuarial experience study.

The employees covered by the Plan at June 30 are:

	2021	2020
Active employees	1,937	1,887
Inactive employees or beneficiaries currently receiving benefits	977	914
Inactive employees entitled to but not yet receiving benefits	1,444	1,409
Nonvested terminations with account balances	37	30
	4,395	4,240

Long-Term Expected Rate of Return

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

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

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	
U.S. large cap core	8.6%
U.S. mid cap core	9.6%
U.S. small cap core	10.3%
Developed market	8.7%
Emerging market	11.5%
Alternative	
Real estate	7.9%
Global infrastructure	8.3%
Commodities/natural resources	5.5%
Fixed income	
Core fixed income	3.6%
Cash equivalents	2.3%
Developed market	3.2%
Emerging market	6.8%
Floating rate debt	4.6%
High-yield fixed	6.4%

Discount Rate

The discount rate used to measure the total pension liability was 6.57% and 6.85% for the years ended June 30, 2021 and 2020, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the District's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Contributions

The District's Board of Directors has the authority to establish and amend the contribution requirements of the District and active employees. The governing body establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with an additional amount to finance any unfunded accrued liability.

The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the years ended June 30, 2021 and 2020, the District contributed approximately $18,066,000 and $20,368,000, respectively, to the Plan.

Net Pension Liability

The District's net pension liability was measured as of June 30, 2021 and 2020, for the years ended June 30, 2021 and 2020, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2020 and 2019.

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
2021			
Balance, beginning of year	$ 394,748,442	$ 245,003,965	$ 149,744,477
Changes for the year			
Service cost	9,250,029	-	9,250,029
Interest	26,900,142	-	26,900,142
Effect of economic/demographic gains or losses	802,447	-	802,447
Effect of changes in assumptions or inputs	18,283,221	-	18,283,221
Contributions – employer	-	18,066,319	(18,066,319)
Contributions – employee	-	2,023,504	(2,023,504)
Net investment income	-	66,028,811	(66,028,811)
Benefit payments	(13,341,319)	(13,341,319)	-
Administrative expense	-	(267,751)	267,751
Net changes	41,894,520	72,509,564	(30,615,044)
Balance, end of year	$ 436,642,962	$ 317,513,529	$ 119,129,433
2020			
Balance, beginning of year	$ 351,277,113	$ 225,518,170	$ 125,758,943
Changes for the year			
Service cost	8,315,033	-	8,315,033
Interest	24,460,673	-	24,460,673
Effect of economic/demographic gains or losses	1,963,557	-	1,963,557
Effect of changes in assumptions or inputs	20,724,964	-	20,724,964
Contributions – employer	-	20,367,897	(20,367,897)
Contributions – employee	-	1,612,787	(1,612,787)
Net investment income	-	9,529,079	(9,529,079)
Benefit payments	(11,992,898)	(11,992,898)	-
Administrative expense	-	(31,070)	31,070
Net changes	43,471,329	19,485,795	23,985,534
Balance, end of year	$ 394,748,442	$ 245,003,965	$ 149,744,477

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

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the Plan's net liability calculated using a single discount rate of 6.57% as well as what the Plan's net pension liability would be if it were calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher:

	1% Decrease (5.57%)	Current Discount Rate (6.57%)	1% Increase (7.57%)
District's net pension liability	$ 183,074,430	$ 119,129,433	$ 66,642,460

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

For the years ended June 30, 2021 and 2020, the District recognized pension expense of approximately $18,231,000 and $25,628,000, respectively.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
2021		
Differences between expected and actual experience	$ 2,116,551	$ (1,057,214)
Changes of assumptions	25,750,998	-
Net difference between projected and actual earnings on pension plan investments	-	(35,204,268)
	$ 27,867,549	$ (36,261,482)
2020		
Differences between expected and actual experience	$ 3,149,737	$ (2,819,239)
Changes of assumptions or inputs	17,745,683	-
Net difference between projected and actual earnings on pension plan investments	4,732,085	-
	$ 25,627,505	$ (2,819,239)

Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2021, related to pensions will be recognized in pension expense as follows:

2022	$	(122,743)
2023		1,134,472
2024		(1,721,476)
2025		(7,684,186)
	$	(8,393,933)

Note 10: Disclosures About Fair Value of Assets

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

Level 1 Quoted prices in active markets for identical assets

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

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

Recurring Measurements

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

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2021				
Investments				
External investment pool – LAIF	$ 32,604,856	$ -	$ -	$ 32,604,856
U.S. instrumentalities	38,404,074	-	38,404,074	-
Corporate bonds	79,464,384	-	79,464,384	-
U.S. Treasury obligations	36,564,201	-	36,564,201	-
Held by trustee				
Corporate bonds	6,085,676	-	6,085,676	-
U.S. instrumentalities	2,081,900	-	2,081,900	-
Total investments	$ 195,205,091	$ -	$ 162,600,235	$ 32,604,856
2020				
Investments				
External investment pool – LAIF	$ 52,338,996	$ -	$ -	$ 52,338,996
U.S. instrumentalities	47,001,918	-	47,001,918	-
Corporate bonds	61,777,866	-	61,777,866	-
U.S. Treasury obligations	33,054,574	-	33,054,574	-
Held by trustee				
Corporate bonds	16,018,886	-	16,018,886	-
U.S. instrumentalities	2,109,288	-	2,109,288	-
Total investments	$ 212,301,528	$ -	$ 159,962,532	$ 52,338,996

Investments

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

Investment in State Investment Pool

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

Note 11: Contingencies

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in *Notes 1* and *7*.

General Litigation

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

Labor Agreements

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

Pension Benefit Obligations

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

Electronic Medical Records System

In March 2017, the District entered into a software licensing agreement to replace its existing EMR System. The EMR System was placed into service in September 2018. In addition, the District has committed to acquiring new equipment and paying certain technology fees for installation, support, and maintenance services through March 2024 and may renew the license and related maintenance and support annually thereafter. The District is capitalizing certain costs associated with the development as outlays are made. The District entered into a loan for $20,000,000 (see *Note 6*) to partially offset the future minimum capital outlays required for the EMR System for each fiscal year ending June 30 as follows:

2022	$ 3,727,580
2023	3,727,580
2024	2,795,685
Future minimum payments	$ 10,250,845

Investments

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

Note 12: Construction and Seismic Standards

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

Note 13: Revenue from Governmental Programs

Hospital Fee Program

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

Under the Program, the District recognized approximately $17,411,000 and $16,356,000 in net patient service revenue during the fiscal years ended June 30, 2021 and 2020, respectively. The net impact of the Program resulted in an increase in net position of approximately $14,103,000 and $13,555,000 during the fiscal years ended June 30, 2021 and 2020, respectively.

IGT Program

During 2021 and 2020, the District received supplemental payments through the Non-Designated Public Intergovernmental Transfer Program (IGT Program) created by AB113 to allow non-designated public hospitals to access additional federal funds. Under this legislation, the District recognized approximately $6,146,000 and $(598,000) in net patient service revenue during the fiscal years ended June 30, 2021 and 2020, respectively. Fees paid by the District into the IGT Program were approximately $220,000 during the fiscal year ended June 30, 2021, and are included in other expenses. Fees received by the District from the IGT Program were approximately $1,123,000 during the fiscal year ended June 30, 2020, related to overpayment and are included as a reduction in other expenses. The net impact of the IGT Program resulted in an increase in net position of approximately $5,926,000 and $525,000 during the fiscal years ended June 30, 2021 and 2020, respectively.

Additionally, as of June 30, 2021 and 2020, the District has a reserve in the amount of approximately $33,241,000 and $35,461,000, respectively, related to the anticipated requests to return SB1100 funds received for the fiscal years 2018, 2019, 2020, and 2021 due to exceeding the statutory upper payment limit. During the year ended June 30, 2021, the District released the reserves related to fiscal year 2017 due to its belief the government will not pursue these items further. These amounts are included in estimated third-party payor settlements in the accompanying balance sheets.

Note 14: COVID-19 Pandemic and CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 as a global pandemic. The District's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The District has taken steps to enhance its operational and financial flexibility and react to the risks the COVID-19 pandemic presents to its business.

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

Provider Relief Fund

During the years ended June 30, 2021 and 2020, the District received $10,200,000 and $8,421,439, respectively, of distributions from the CARES Act Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment provided the District is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the U.S. Department of Health and Human Services (HHS).

The District is accounting for such payments as conditional contributions. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the District's operating revenues and expenses through year-end, the District recognized $10,200,000 and $8,421,439 during the years ended June 30, 2021 and 2020, respectively, related to the Provider Relief Fund, and these payments are recorded as nonoperating revenue – Provider Relief Fund revenue in the accompanying statements of revenues, expenses, and changes in net position.

Guidance for reporting use of Provider Relief Fund payments received has changed significantly since distributions were authorized through the CARES Act in March 2020. The District has evaluated the "Post-Payment Notice of Reporting Requirements" (Notice) and the Frequently Asked Questions (FAQs) issued by HHS subsequent to June 30, 2021, in accordance with GASB Codification Section 2250 and have concluded the July 1, 2021 FAQs will be recognized.

The District has recognized revenue from the Provider Relief Fund based on guidance issued by HHS as of June 30, 2021, and any clarifications issued by HHS subsequent to year-end, including any referenced above as recognized subsequent events. The District will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the District's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the District is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the accompanying financial statements compared to the District's Provider Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

Medicare Accelerated and Advance Payment Program

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

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

During the year ended June 30, 2020, the District received approximately $28,569,000 from these accelerated Medicare payment requests. During the year ended June 30, 2021, Medicare has applied approximately $2,855,000 from these accelerated Medicare payment requests against filed claims. As of June 30, 2021 and 2020, $19,046,000 and $28,568,763, respectively, of accelerated Medicare payment requests are recorded as current liabilities under the caption Medicare accelerated payments in the accompanying balance sheets. As of June 30, 2021, $6,667,470 of accelerated Medicare payment requests are recorded as long-term liabilities in the accompanying balance sheets.

Antelope Valley Healthcare District
Notes to Financial Statements
June 30, 2021 and 2020

Note 15: Condensed Combining Information

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

	2021					
	AVHD	AVOIC	AVHF	Total	Eliminations	Combined
Assets and Deferred Outflows of Resources						
Current Assets						
Cash and cash equivalents	$ 58,771,628	$ 1,578,686	$ 3,403,260	$ 63,753,574	$ -	$ 63,753,574
Short-term investments	33,280,436	-	-	33,280,436	-	33,280,436
Restricted cash and investments – current	1,880,940	-	-	1,880,940	-	1,880,940
Patient accounts receivable, net	62,072,985	1,806,227	-	63,879,212	-	63,879,212
Other receivables	2,604,431	29,846	-	2,634,277	(1,313,973)	1,320,304
Estimated amounts due from third-party payors	13,026,774	-	-	13,026,774	-	13,026,774
Supplies	9,058,919	90,109	-	9,149,028	-	9,149,028
Prepaid expenses and other	3,138,166	53,510	-	3,191,676	-	3,191,676
Total current assets	183,834,279	3,558,378	3,403,260	190,795,917	(1,313,973)	189,481,944
Noncurrent Cash and Investments						
Held by trustee for debt service	8,328,346	-	-	8,328,346	-	8,328,346
Less amount required to meet current obligations	(1,880,940)	-	-	(1,880,940)	-	(1,880,940)
	6,447,406	-	-	6,447,406	-	6,447,406
Other long-term investments	154,432,659	-	-	154,432,659	-	154,432,659
Total noncurrent cash and investments	160,880,065	-	-	160,880,065	-	160,880,065
Capital Assets, Net	201,377,931	1,597,500	-	202,975,431	-	202,975,431
Other Assets	6,098,750	-	-	6,098,750	(1,858,486)	4,240,264
Total noncurrent assets	368,356,746	1,597,500	-	369,954,246	(1,858,486)	368,095,760
Total assets	552,191,025	5,155,878	3,403,260	560,750,163	(3,172,459)	557,577,704
Deferred Outflows of Resources						
Pension-related	27,867,549	-	-	27,867,549	-	27,867,549
Deferred loss on debt defeasance	844,480	-	-	844,480	-	844,480
Total deferred outflows of resources	28,712,029	-	-	28,712,029	-	28,712,029
Total assets and deferred outflows of resources	$ 580,903,054	$ 5,155,878	$ 3,403,260	$ 589,462,192	$ (3,172,459)	$ 586,289,733

Antelope Valley Healthcare District

Notes to Financial Statements

June 30, 2021 and 2020

	2021					
	AVHD	AVOIC	AVHF	Total	Eliminations	Combined
Liabilities, Deferred Inflows of Resources, and Net Position						
Current Liabilities						
Current maturities of long-term debt	$ 7,640,376	$ 442,775	$ -	$ 8,083,151	$ -	$ 8,083,151
Accounts payable and accrued liabilities	18,892,001	716,480	299,632	19,908,113	(1,313,973)	18,594,140
Accrued payroll and related expenses	20,157,645	885,143	-	21,042,788	-	21,042,788
Estimated amounts due to third-party payors	35,203,786	-	-	35,203,786	-	35,203,786
Medicare accelerated payments	19,046,000	-	-	19,046,000	-	19,046,000
Estimated self-insurance costs – current	6,719,600	-	-	6,719,600	-	6,719,600
Accrued interest payable	1,880,940	-	-	1,880,940	-	1,880,940
Total current liabilities	109,540,348	2,044,398	299,632	111,884,378	(1,313,973)	110,570,405
Other Liabilities						
Long-term debt	119,944,724	710,421	-	120,655,145	-	120,655,145
Estimated self-insurance costs	15,564,419	-	-	15,564,419	-	15,564,419
Medicare accelerated payments	6,667,470	-	-	6,667,470	-	6,667,470
Net pension liability	119,129,433	-	-	119,129,433	-	119,129,433
Total other liabilities	261,306,046	710,421	-	262,016,467	-	262,016,467
Total liabilities	370,846,394	2,754,819	299,632	373,900,845	(1,313,973)	372,586,872
Deferred Inflows of Resources						
Pension-related	36,261,482	-	-	36,261,482	-	36,261,482
Net Position						
Members' contributed capital	-	2,319,013	-	2,319,013	(2,319,013)	-
Net investment in capital assets	82,835,096	444,304	-	83,279,400	-	83,279,400
Restricted, expendable for specific operating activities	219,106	-	-	219,106	-	219,106
Unrestricted	90,740,976	(362,258)	3,103,628	93,482,346	460,527	93,942,873
Total net position	173,795,178	2,401,059	3,103,628	179,299,865	(1,858,486)	177,441,379
Total liabilities, deferred inflows of resources, and net position	$ 580,903,054	$ 5,155,878	$ 3,403,260	$ 589,462,192	$ (3,172,459)	$ 586,289,733

	2020					
	AVHD	AVOIC	AVHF	Total	Eliminations	Combined
Assets and Deferred Outflows of Resources						
Current Assets						
Cash and cash equivalents	$ 49,370,189	$ 438,327	$ 4,099,244	$ 53,907,760	$ -	$ 53,907,760
Short-term investments	57,924,665	-	-	57,924,665	-	57,924,665
Restricted cash and investments – current	2,123,729	-	-	2,123,729	-	2,123,729
Patient accounts receivable, net	49,858,375	2,386,706	-	52,245,081	-	52,245,081
Other receivables, net	3,803,734	29,846	-	3,833,580	(626,408)	3,207,172
Estimated amounts due from third-party payors	12,739,211	-	-	12,739,211	-	12,739,211
Supplies	7,184,638	64,404	-	7,249,042	-	7,249,042
Prepaid expenses and other	3,617,836	11,599	-	3,629,435	-	3,629,435
Total current assets	186,622,377	2,930,882	4,099,244	193,652,503	(626,408)	193,026,095
Noncurrent Cash and Investments						
Held by trustee for debt service	18,539,415	-	-	18,539,415	-	18,539,415
Less amount required to meet current obligations	(2,123,729)	-	-	(2,123,729)	-	(2,123,729)
	16,415,686	-	-	16,415,686	-	16,415,686
Other long-term investments	137,372,139	-	-	137,372,139	-	137,372,139
Total noncurrent cash and investments	153,787,825	-	-	153,787,825	-	153,787,825
Capital Assets, Net	198,591,084	2,187,521	-	200,778,605	-	200,778,605
Other Assets	5,596,353	-	-	5,596,353	(1,230,823)	4,365,530
Total noncurrent assets	357,975,262	2,187,521	-	360,162,783	(1,230,823)	358,931,960
Total assets	544,597,639	5,118,403	4,099,244	553,815,286	(1,857,231)	551,958,055
Deferred Outflows of Resources						
Pension-related	25,627,505	-	-	25,627,505	-	25,627,505
Deferred loss on debt defeasance	1,005,061	-	-	1,005,061	-	1,005,061
Total deferred outflows of resources	26,632,566	-	-	26,632,566	-	26,632,566
Total assets and deferred outflows of resources	$ 571,230,205	$ 5,118,403	$ 4,099,244	$ 580,447,852	$ (1,857,231)	$ 578,590,621

Antelope Valley Healthcare District
Notes to Financial Statements
June 30, 2021 and 2020

	2020					
	AVHD	AVOIC	AVHF	Total	Eliminations	Combined
Liabilities, Deferred Inflows of Resources, and Net Position						
Current Liabilities						
Current maturities of long-term debt	$ 7,372,032	$ 515,245	$ -	$ 7,887,277	$ -	$ 7,887,277
Accounts payable and accrued liabilities	18,979,155	889,951	814,263	20,683,369	(626,408)	20,056,961
Accrued payroll and related expenses	18,418,829	241,071	-	18,659,900	-	18,659,900
Estimated amounts due to third-party payors	37,345,386	-	-	37,345,386	-	37,345,386
Medicare advance payments	28,568,763	-	-	28,568,763	-	28,568,763
Estimated self-insurance costs – current	8,018,720	-	-	8,018,720	-	8,018,720
Accrued interest payable	2,123,729	-	-	2,123,729	-	2,123,729
Total current liabilities	120,826,614	1,646,267	814,263	123,287,144	(626,408)	122,660,736
Other Liabilities						
Long-term debt	127,768,111	1,153,123	-	128,921,234	-	128,921,234
Estimated self-insurance costs	14,259,737	-	-	14,259,737	-	14,259,737
Net pension liability	149,744,477	-	-	149,744,477	-	149,744,477
Total other liabilities	291,772,325	1,153,123	-	292,925,448	-	292,925,448
Total liabilities	412,598,939	2,799,390	814,263	416,212,592	(626,408)	415,586,184
Deferred Inflows of Resources						
Pension-related	2,819,239	-	-	2,819,239	-	2,819,239
Net Position						
Members' contributed capital	-	1,643,852	-	1,643,852	(1,643,852)	-
Net investment in capital assets	82,995,417	519,153	-	83,514,570	-	83,514,570
Restricted, expendable for specific operating activities	113,739	-	-	113,739	-	113,739
Restricted, nonexpendable for minority interest	-	-	-	-	668,527	668,527
Unrestricted	72,702,871	156,008	3,284,981	76,143,860	(255,498)	75,888,362
Total net position	155,812,027	2,319,013	3,284,981	161,416,021	(1,230,823)	160,185,198
Total liabilities, deferred inflows of resources, and net position	$ 571,230,205	$ 5,118,403	$ 4,099,244	$ 580,447,852	$ (1,857,231)	$ 578,590,621

Antelope Valley Healthcare District

Notes to Financial Statements

June 30, 2021 and 2020

The following tables include condensed combining statements of revenues, expenses, and changes in net position information for the District and its blended component units for the years ended June 30:

	2021					
	AVHD	AVOIC	AVHF	Total	Eliminations	Combined
Operating Revenues						
Net patient service revenue, net	$ 424,686,097	$ 16,478,650	$ -	$ 441,164,747	$ -	$ 441,164,747
Supplemental funding	55,191,462	-	-	55,191,462	-	55,191,462
Other revenue	5,101,429	375,178	-	5,476,607	(742,315)	4,734,292
Total operating revenues	484,978,988	16,853,828	-	501,832,816	(742,315)	501,090,501
Operating Expenses						
Salaries and wages	226,240,128	4,251,329	81,977	230,573,434	(81,977)	230,491,457
Employee benefits	63,665,295	574,580	-	64,239,875	-	64,239,875
Professional and medical fees	37,353,186	7,978,707	-	45,331,893	-	45,331,893
Purchased services	33,640,792	955,343	90,205	34,686,340	-	34,686,340
Supplies and other	75,161,112	875,544	534	76,037,190	(534)	76,036,656
Depreciation and amortization	19,609,497	644,706	-	20,254,203	-	20,254,203
Other operating expenses	20,038,008	1,432,726	4,948	21,475,682	(529,157)	20,946,525
Total operating expenses	475,708,018	16,712,935	177,664	492,598,617	(611,668)	491,986,949
Operating Income (Loss)	9,270,970	140,893	(177,664)	9,234,199	(130,647)	9,103,552
Nonoperating Revenues (Expenses)						
Grant revenue and contributions	3,351,558	(1,000)	858,334	4,208,892	(253,521)	3,955,371
Transfer of funds to Hospital	-	-	(866,282)	(866,282)	866,282	-
Interest expense	(6,404,891)	(57,847)	-	(6,462,738)	-	(6,462,738)
Gain on investments in equity investees	41,397	-	-	41,397	372,337	413,734
Investment income	825,008	-	4,259	829,267	-	829,267
Provider Relief Fund revenue	10,200,000	-	-	10,200,000	-	10,200,000
Total nonoperating revenues (expenses)	8,013,072	(58,847)	(3,689)	7,950,536	985,098	8,935,634
Excess (Deficiency) of Revenues over Expenses Before Capital Grants and Gifts and Purchase of Minority Interest	17,284,042	82,046	(181,353)	17,184,735	854,451	18,039,186
Capital Grants and Gifts	699,109	-	-	699,109	(699,109)	-
Purchase of Minority Interest	-	-	-	-	(783,005)	(783,005)
Increase (Decrease) in Net Position	17,983,151	82,046	(181,353)	17,883,844	(627,663)	17,256,181
Net Position, Beginning of Year	155,812,027	2,319,013	3,284,981	161,416,021	(1,230,823)	160,185,198
Net Position, End of Year	$ 173,795,178	$ 2,401,059	$ 3,103,628	$ 179,299,865	$ (1,858,486)	$ 177,441,379

Antelope Valley Healthcare District
Notes to Financial Statements
June 30, 2021 and 2020

	2020					
	AVHD	AVOIC	AVHF	Total	Eliminations	Combined
Operating Revenues						
Net patient service revenue, net	$ 388,501,387	$ 15,418,839	$ -	$ 403,920,226	$ -	$ 403,920,226
Supplemental funding	42,930,171	-	-	42,930,171	-	42,930,171
Other revenue	4,386,063	-	-	4,386,063	(777,106)	3,608,957
Total operating revenues	435,817,621	15,418,839	-	451,236,460	(777,106)	450,459,354
Operating Expenses						
Salaries and wages	205,700,123	4,353,302	117,801	210,171,226	(117,801)	210,053,425
Employee benefits	63,761,881	650,226	-	64,412,107	-	64,412,107
Professional and medical fees	36,106,875	6,338,726	-	42,445,601	-	42,445,601
Purchased services	30,771,866	-	83,258	30,855,124	-	30,855,124
Supplies and other	66,858,812	1,005,663	1,566	67,866,041	(1,566)	67,864,475
Depreciation and amortization	19,253,867	653,081	-	19,906,948	-	19,906,948
Other operating expenses	17,845,306	2,428,452	118,837	20,392,595	(928,661)	19,463,934
Total operating expenses	440,298,730	15,429,450	321,462	456,049,642	(1,048,028)	455,001,614
Operating Loss	(4,481,109)	(10,611)	(321,462)	(4,813,182)	270,922	(4,542,260)
Nonoperating Revenues (Expenses)						
Grant revenue and contributions	3,194,512	-	614,060	3,808,572	(288,779)	3,519,793
Transfer of funds to Hospital	-	-	(1,610,577)	(1,610,577)	1,610,577	-
Interest expense	(6,197,925)	(115,526)	-	(6,313,451)	-	(6,313,451)
Gain on investments in equity investees	655,585	-	-	655,585	-	655,585
Investment income	7,523,705	-	9,771	7,533,476	-	7,533,476
Provider Relief Fund revenue	8,421,439	-	-	8,421,439	-	8,421,439
Total nonoperating revenues (expenses)	13,597,316	(115,526)	(986,746)	12,495,044	1,321,798	13,816,842
Excess (Deficiency) of Revenues over Expenses Before Capital Grants and Gifts	9,116,207	(126,137)	(1,308,208)	7,681,862	1,592,720	9,274,582
Capital Grants and Gifts	1,533,899	-	-	1,533,899	(1,533,899)	-
Increase (Decrease) in Net Position	10,650,106	(126,137)	(1,308,208)	9,215,761	58,821	9,274,582
Net Position, Beginning of Year	145,161,921	2,445,150	4,593,189	152,200,260	(1,289,644)	150,910,616
Net Position, End of Year	$ 155,812,027	$ 2,319,013	$ 3,284,981	$ 161,416,021	$ (1,230,823)	$ 160,185,198

The following tables include condensed combining statements of cash flows information for the District and its blended component units for the years ended June 30:

	2021			
	AVHD	AVOIC	AVHF	Total
Net Cash Provided by (Used in) Operating Activities	$ 13,266,769	$ 1,713,321	$ (695,984)	$ 14,284,106
Net Cash Provided by Noncapital Financing Activities	14,155,371	-	-	14,155,371
Net Cash Used in Capital and Related Financing Activities	(36,400,741)	(572,962)	-	(36,973,703)
Net Cash Provided by Investing Activities	18,380,040	-	-	18,380,040
Increase (Decrease) in Cash and Cash Equivalants	9,401,439	1,140,359	(695,984)	9,845,814
Cash and Cash Equivalents, Beginning of Year	49,370,189	438,327	4,099,244	53,907,760
Cash and Cash Equivalents, End of Year	$ 58,771,628	$ 1,578,686	$ 3,403,260	$ 63,753,574

	2020			
	AVHD	AVOIC	AVHF	Total
Net Cash Provided by (Used in) Operating Activities	$ 46,145,031	$ 673,362	$ (716,604)	$ 46,101,789
Net Cash Provided by Noncapital Financing Activities	11,941,232	-	-	11,941,232
Net Cash Used in Capital and Related Financing Activities	(37,035,746)	(911,721)	-	(37,947,467)
Net Cash Used in Investing Activities	(17,652,048)	-	-	(17,652,048)
Increase (Decrease) in Cash and Cash Equivalants	3,398,469	(238,359)	(716,604)	2,443,506
Cash and Cash Equivalents, Beginning of Year	45,971,720	676,686	4,815,848	51,464,254
Cash and Cash Equivalents, End of Year	$ 49,370,189	$ 438,327	$ 4,099,244	$ 53,907,760

Note 16: Future Change in Accounting Principle

Accounting for Leases

With the issuance of GASB Statement No. 87, *Leases*, GASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both an intangible asset and a liability. GASB 87 removes the classification of leases between two categories, and all leases will be recorded the same on the statement of revenues, expenses, and changes in net position. GASB 87 also contains amended guidance regarding the identification of lease and nonlease components in an arrangement. GASB 87 is effective for the District's fiscal year ending June 30, 2022. The Authority is evaluating the impact GASB 87 will have on the financial statements; however, GASB 87 is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Required Supplementary Information

Antelope Valley Healthcare District

Schedule of Changes in the Net Pension Liability and Related Ratios

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

Note to Schedule

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

Antelope Valley Healthcare District

Schedule of Pension Contributions

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	$ 18,515,980	$ 16,099,900	$ 15,442,859	$ 16,292,095	$ 13,875,355	$ 13,400,105	$ 13,497,568	$ 17,804,538	$ 16,717,000	$ 15,110,012
Contributions in relation to the actuarially determined contribution	18,066,319	20,367,897	19,713,038	18,559,927	14,741,814	18,711,728	13,888,450	7,226,851	8,076,596	6,879,315
Contribution deficiency (excess)	$ 449,661	$ (4,267,997)	$ (4,270,179)	$ (2,267,832)	$ (866,459)	$ (5,311,623)	$ (390,882)	$ 10,577,687	$ 8,640,404	$ 8,230,697
Covered-employee payroll	$ 155,611,960	$ 155,267,645	$ 150,222,000	$ 142,333,000	$ 150,657,227	$ 147,694,076	$ 145,363,784	$ 141,499,947	$ 136,714,925	$ 138,940,618
Contributions as a percentage of covered-employee payroll	11.61%	13.12%	13.12%	13.04%	9.79%	12.67%	9.55%	5.11%	5.91%	4.95%

Notes to Schedule

Valuation date: July 1, 2020

Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Effective July 1, 2014, Initial Entry Age Normal cost method; through July 1, 2013, Projected Unit Credit cost method
- Amortization method: Effective July 1, 2014, Closed 25-year amortization, level percentage of pay; through July 1, 2013, Open 10-year amortization, level dollar amount
- Asset valuation method: Market value gains and losses smoothed over four years, with result within 20% of the market value
- Inflation: Effective July 1, 2015, 2.5% per year
- Salary increases: Effective July 1, 2015, 7.0%–3.0% by duration
- Investment rate of return: Effective July 1, 2020, 6.57%, net of investment expense, including inflation; effective July 1, 2016, 7.0%, net of investment expense, including inflation; effective July 1, 2015, 7.25%, net of investment expense, including inflation; effective July 1, 2014, 7.5%, net of investment expense, including inflation
- Retirement age: Normal retirement at 65 years old; early retirement at 55 years old and 10 years of service
- Mortality: Effective July 1, 2020, Pri-2012 mortality tables projected using rates specified in scale MP-2019; Effective July 1, 2019, Modified version of PUB-2010 mortality tables for general employees; effective July 1, 2015, Healthy Combined RP-2014 mortality projected to 2029 using scale BB for PEPRA participants