

Aspen Valley Hospital District

Independent Auditor's Report and Financial Statements

December 31, 2018 and 2017



Aspen Valley Hospital District
December 31, 2018 and 2017

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Independent Auditor's Report

Board of Directors
Aspen Valley Hospital District
Aspen, Colorado

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and the fiduciary fund information of Aspen Valley Hospital District (the District) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise Aspen Valley Hospital 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. 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, the aggregate discretely presented component units, and the fiduciary fund information of Aspen Valley Hospital District as of December 31, 2018 and 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 audits 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

Wichita, Kansas
April 19, 2019

Aspen Valley Hospital District Management's Discussion and Analysis Years Ended December 31, 2018 and 2017

Introduction

As management of Aspen Valley Hospital District (the District), we offer readers of the financial statements this discussion and analysis of the financial activities of the District for the calendar years ended on December 31, 2018 and 2017.

The financial statements are presented in two columns – one for the District which includes the Aspen Valley Hospital, Aspen Valley Hospital Clinics, PLLC and Aspen Valley Hospital Foundation and one for discretely presented component units, Midvalley Ambulatory Surgery Center, LLC (ASC) and Midvalley Imaging Center, LLC (MIC). The ASC and MIC are owned solely by the District. Please see *Note 1* in the notes to the financial statements for a complete explanation of these arrangements. For purposes of this discussion and analysis, the financial results of the discretely presented component units are considered immaterial to the total District's finances, and therefore are not specifically discussed herein.

We encourage readers to consider this discussion and analysis in conjunction with the accompanying financial statements.

Financial Highlights

- Cash and investments increased in 2018 and 2017 by \$11,738,960 and \$5,050,562, or 27% and 13%, respectively.
- The District's net position increased in 2018 and 2017 by \$5,004,745 and \$6,458,708, or 3% and 4%, respectively.
- The District reported operating losses in both 2018 and 2017 of \$5,958,955 and \$5,122,705, respectively. The operating loss in 2018 increased by \$836,250 or 16% over the operating loss reported in 2017. The operating loss in 2017 increased by \$4,424,655 or 633% from the operating loss reported in 2016.
- Net nonoperating revenues decreased by \$244,014 or 3% in 2018 and increased by \$4,133,103 or 116% in 2017.

Using This Annual Report

The District's financial statements are comprised of the following four components, in addition to other required supplementary information and other supplementary information:

1. **Balance Sheets:** provides information about the District's assets and liabilities and reflect the District's financial position as of December 31, 2018 and 2017.
2. **Statements of Revenues, Expenses and Changes in Net Position:** reports the cumulative activity of providing health care services and the expenses related to such activity for the years ended December 31, 2018 and 2017.

3. **Statements of Cash Flows:** outlines the cash inflows and outflows related to the activity of providing health care services for the year ended December 31, 2018 and 2017.
4. **Notes to the Financial Statements:** provide explanation and clarification on specific items within the previously mentioned financial statements.

The District's financial statements have been prepared based on the accrual basis of accounting using the economic resources measurement focus.

Balance Sheets

The District's total assets at the end of 2018 were \$229,797,543 compared to \$231,182,586 for 2017 and \$229,583,107 for 2016. The District's net position increased in 2018, 2017 and 2016.

	2018	2017	2016
Assets			
Cash, cash equivalents and investments	\$ 54,956,444	\$ 43,217,484	\$ 38,166,922
Patient accounts receivable, net	12,481,518	10,798,160	10,351,270
Other current assets	5,541,134	6,786,944	5,980,974
Capital assets, net	143,256,108	154,371,660	154,666,675
Contributions receivables	4,078,460	4,332,059	4,396,191
Assets restricted for capital acquisition	333,991	911,869	4,952,257
Other noncurrent assets	6,400,594	6,552,690	6,778,308
	<u>227,048,249</u>	<u>226,970,866</u>	<u>225,292,597</u>
Total assets	<u>227,048,249</u>	<u>226,970,866</u>	<u>225,292,597</u>
Deferred Outflows of Resources			
	<u>2,749,294</u>	<u>4,211,720</u>	<u>4,290,510</u>
Total assets and deferred outflows of resources	<u>\$ 229,797,543</u>	<u>\$ 231,182,586</u>	<u>\$ 229,583,107</u>
Liabilities			
Bonds payable and capital leases	\$ 49,052,356	\$ 52,575,452	\$ 55,532,099
Net pension liability	558,051	3,277,092	3,104,344
Other current and noncurrent liabilities	12,812,217	14,054,439	16,144,751
	<u>62,422,624</u>	<u>69,906,983</u>	<u>74,781,194</u>
Total liabilities	<u>62,422,624</u>	<u>69,906,983</u>	<u>74,781,194</u>
Deferred Inflows of Resources			
	<u>1,117,937</u>	<u>23,366</u>	<u>8,384</u>
Net Position			
Net investment in capital assets	91,035,249	98,662,462	100,241,406
Restricted expendable	6,371,511	7,242,357	8,320,757
Unrestricted	68,850,222	55,347,418	46,231,366
	<u>166,256,982</u>	<u>161,252,237</u>	<u>154,793,529</u>
Total net position	<u>166,256,982</u>	<u>161,252,237</u>	<u>154,793,529</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 229,797,543</u>	<u>\$ 231,182,586</u>	<u>\$ 229,583,107</u>

Capital Asset and Debt Administration

Capital Assets

At the end of 2018, the District had \$226,014,751 invested in capital assets, gross of total accumulated depreciation of \$82,758,643, as detailed in *Note 5* to the financial statements. In 2018, the District purchased new equipment costing \$2,480,699. In 2017, the District had \$224,491,214 invested in capital assets, gross of total accumulated depreciation of \$70,119,554. During that same year, the District acquired new assets through the completion of the third phase of the Master Facilities Plan totaling \$13,127,539. In 2016, the District had \$212,354,420 invested in capital assets, gross of total accumulated depreciation of \$57,687,745 after acquiring a total of \$34,052,728 through the construction of the third Phase of the Master Facilities Plan.

Outstanding Debt Securities

The District did not issue additional debt in 2018. On August 11, 2016, the District refunded its Revenue Bonds – Series 2007 in the amount of \$9,071,742, through the issuance of its Refunding Note – Series 2016 in the amount of \$9,015,000. The proceeds from the bonds were used to refund the Revenue Bonds – Series 2007, to fund the Reserve Fund for the Refunding Note – Series 2016 and to pay expenses related to the issuance of the Note.

On August 28, 2012, the District refunded its Variable Rate Demand Revenue Bonds – Series 2003 (which included an irrevocable letter of credit), in the amount of \$11,715,000, through the issuance of its Refunding Revenue Bonds – Series 2012 in the amount of \$10,040,000. The proceeds from the bonds were used to refund Variable Rate Demand Revenue Bonds – Series 2003 to fund the Reserve Fund for the Refunding Revenue Bonds – Series 2012 and to pay expenses related to the issuance of the bonds.

At the November 2, 2010 election, the electors of the District approved the issuance of general obligation bonds to be held by the District in an amount not to exceed \$50,000,000, with a total repayment cost not to exceed \$86,850,000 and a maximum annual repayment cost not to exceed \$4,363,000. The electors also approved increased ad valorem property taxes to pay debt service on such bonds, provided that the annual amount of such taxes not exceed \$4,363,000. As a result of the favorable election, on December 15, 2010, the District issued two General Obligation Bonds: Series 2010A Tax-Exempt General Obligation Bonds in the amount of \$12,045,000 and Series 2010B Taxable General Obligation Direct Pay Build America Bonds in the amount of \$37,955,000. The bonds constitute general obligations of the District. As approved in the election, all of the taxable property located in the District is subject to the levy of the ad valorem tax to pay the principal and interest on the bonds, without limitation as to rate and in an amount sufficient to pay the bonds when due. The bonds were issued in order to finance the modernization and expansion of the District's facility to meet contemporary standards for treatment and technology, enhancing the quality, safety and privacy of patient care and rightsizing and reconfiguring of the facility to meet the present and future health care needs of the community. The District's Master Facility Plan Phase II Expansion and Renovation Project was approved by the City of Aspen on July 12, 2010, and construction began during the month of December 2010 and was completed during 2015. The District commenced construction of the third phase of the Master Facilities Plan in April of 2015 and completed it at the end of 2017. The third phase of the Master Facilities Plan was funded from both cash reserves and philanthropy. The District will not commence construction on the last phase of the Master Facilities Plan until the funds are raised through philanthropy.

Statements of Revenues, Expenses and Changes in Net Position

The District classifies revenues as operating and nonoperating revenues. Operating revenues consist of net patient service revenues and other operating revenues. Net patient service revenues result from direct patient care while other operating revenues consist of Aspen Ambulance District fees for the management of their operations, health fair income, rents at the assisted living facility, Whitcomb Terrace and employee housing units. Nonoperating revenues are comprised of ad valorem taxes, investment income, noncapital contributions, change in equity interests in joint venture and in ASC and MIC, and gain on sale of capital assets. Similarly, the District classifies expenses as either operating or nonoperating. Operating expenses consist of labor costs, supplies and other and depreciation. Nonoperating expenses are comprised of interest expense, community assistance programs and loss on the sale of capital assets.

	2018	2017	2016
Operating Revenues			
Net patient service revenue	\$ 90,274,660	\$ 90,073,218	\$ 84,728,819
Other	2,741,408	2,645,192	2,416,711
Total operating revenues	<u>93,016,068</u>	<u>92,718,410</u>	<u>87,145,530</u>
Operating Expenses			
Salaries and wages	38,027,190	37,656,414	34,808,207
Contract labor	2,277,473	2,209,767	2,911,593
Supplies and other	45,078,719	44,813,341	40,374,779
Depreciation	13,591,641	13,161,593	9,749,001
Total operating expenses	<u>98,975,023</u>	<u>97,841,115</u>	<u>87,843,580</u>
Operating Loss	<u>(5,958,955)</u>	<u>(5,122,705)</u>	<u>(698,050)</u>
Nonoperating Revenues (Expenses)			
Ad valorem taxes	7,844,446	8,004,350	8,037,215
Investment income	457,831	300,341	90,622
Interest expense	(2,027,257)	(2,099,794)	(2,231,033)
Community assistance programs	(446,107)	(329,645)	(660,659)
Noncapital contributions	1,725,035	1,853,319	484,218
Change in equity interests	(88,674)	(224,384)	298,068
Gain (loss) on sale of capital assets	(1,410)	203,691	(2,443,656)
Total nonoperating revenues	<u>7,463,864</u>	<u>7,707,878</u>	<u>3,574,775</u>
Excess of Revenues Over Expenses Before Capital Contributions and (Provision) Credit for Uncollectible Capital Contributions	1,504,909	2,585,173	2,876,725
Capital contributions	3,707,616	3,942,933	2,548,122
(Provision) credit for uncollectible capital contributions	<u>(207,780)</u>	<u>(69,398)</u>	<u>410,588</u>
Change in Net Position	5,004,745	6,458,708	5,835,435
Net Position, Beginning of Year	<u>161,252,237</u>	<u>154,793,529</u>	<u>148,958,094</u>
Net Position, End of Year	<u>\$ 166,256,982</u>	<u>\$ 161,252,237</u>	<u>\$ 154,793,529</u>

Patient Service Revenues and Nonoperating Revenues

The District maintained a fairly consistent net patient service revenues in 2018 despite the prior year's demonstrated growth resulting from the 2017 addition of four outpatient clinics that opened earlier in the year (ophthalmology; ear, nose and throat; endocrinology and rheumatology) and the OrthoAspen orthopedic clinic addition which opened in January 2016. These clinics generated revenues of \$12,155,506 during 2018 and \$12,440,451 during 2017.

The District's outpatient service revenues continue to exceed the inpatient service revenues, with 79% of the District's 2018 patient service revenue generated by outpatient services, compared to 81% in 2017 and 79% in 2016. The departments contributing most to outpatient revenues during these years were Outpatient Surgeries, Emergency Room, Laboratory, Diagnostic Imaging and Outpatient Clinics.

The payer mix for the District has changed somewhat compared to prior years' experience. The largest portion of the District's patient service revenues were derived from commercial plans, 53% during 2018, 54% during 2017 and 56% during 2016. In addition, the District derived 32% of gross revenues from Medicare in 2018 compared to 30% in both 2017 and 2016. Payments for services rendered to patients under these programs are less than billed charges; therefore, the District estimates a provision for contractual adjustments to reduce the total charges to estimated receipts, based upon contractual arrangements. Due to the complicated nature of the contracts and the government programs, the actual payments received could differ from the estimates.

Notable changes in nonoperating revenues over the past three years resulted from increased noncapital contributions and investment income over the past two years.

Operating and Nonoperating Expenses

In 2018, operating expenses increased \$1,133,908 from 2017 with the largest factor being an increase in depreciation resulting from the completion of the third phase of the Master Facilities Plan. The first year reflecting the annual depreciation of the entire third phase was 2018. In 2017, operating expenses increased by \$9,997,535 from 2016 resulting primarily from an increase in supplies and other of \$4,438,562 (primarily driven by an increase in employee benefits of \$2,415,356 from pension expense and group health expense due to an unexpected catastrophic claim), and depreciation of \$3,412,592 resulting from the completion of the largest areas of the third phase of the Master Facilities Plan. In 2016, operating expenses increased \$9,893,909 with the most significant drivers being an increase in salaries of \$5,578,904 and an increase in contract labor of \$1,566,150 resulting from the hiring of five orthopedic physicians to work in the District's orthopedic clinic, OrthoAspen, which opened in January 2016 in addition to contracted physicians to cover the demands of the clinic.

During 2018, nonoperating expenses increased due to increased subsidies to numerous community assistance programs. In 2017, there was a notable increase in the loss of the ASC and MIC due to lower utilization of those facilities. Lastly in 2016, nonoperating expenses reflect a large loss on sale of capital assets of \$2,449,079 resulting from the cancellation of the electronic medical record integration initiative between the District and UC Health.

Provision for Uncollectible Accounts & Charity Care

The collection of patient receivables from third-party payers and patients is the District's primary source of cash and is, therefore, critical to the District's operating performance. The primary collection risks are related to patients' payment portions (deductibles and copayments) not covered by their primary insurance. The District estimates the allowance for uncollectible accounts based primarily upon the age of patient accounts receivable and the effectiveness of the District's third-party payer collection efforts. Significant changes in payer mix, District operations, economic conditions, and trends in federal and state governmental health care coverage affect the District's collection of patient accounts receivable, cash flows and results of operations.

In 2018, the District reported a provision for uncollectible accounts of \$2,730,391, compared to \$3,399,529 for 2017 and \$2,643,219 for 2016. The District's low write-off percentage from gross revenues of 2.1% for 2018 and 2.7% for 2017 and 2.3% for 2016 is a result of a combination of MedAssist's collection efforts and the District's robust financial assistance program. The District's estimate for allowance for uncollectible accounts is based on MedAssist's analysis, recommendations for modification and implementation of improved billing and collection processes. The provision for uncollectible accounts is included in net patient service revenue.

Patient accounts written-off as charity and indigent care are included in net patient service revenue. Charity and indigent care write-offs for 2018 were \$1,925,564 or 1.5% of gross patient service revenues, compared to \$1,985,863 or 1.6% of gross patient service revenue during 2017 and \$1,952,050 or 1.7% of gross patient service revenue for 2016.

The District's Change in Net Position

The District's change in net position increased in 2018 by \$5,004,745 or 3% over the prior year. In 2017 it increased by \$6,458,708 or 4% over 2016 and it increased by \$5,835,435 or 3.8% in 2016.

Statements of Cash Flows

Statements of cash flows report cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities: operating, noncapital financing, capital and related financing and investing activities.

Changes in the District's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses for 2018, 2017 and 2016, discussed earlier.

Budgetary Highlights

The District is responsible for funding expenses from cash generated through its operations and from the ad valorem taxes received during the calendar year. The District prepares a budget to reflect the expected revenues and expenses generated through its operations. Annual budgets are adopted as required by Colorado statutes. Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis that is consistent with generally accepted accounting principles.

The District's Board of Directors approved the 2019 and 2018 budgets during the last quarter of the 2018 and 2017 calendar years, respectively. There were no amendments made to the original budgets presented to the State of Colorado for the calendar years 2018 and 2017.

During 2018, net patient service revenue was \$3,740,910 (4%) lower than budget, while operating expenses were \$2,721,527 (2.8%) lower than budget. In 2017, net patient service revenue was \$1,772,987 (1.9%) higher than budget, while operating expenses were \$3,497,272 (3.8%) higher than budget.

Please see page 51 for the statement of budgeted and actual revenues and expenses for the year ended December 31, 2018.

Economic Factors and Next Year's Budget

During 2018, the District continued to experience changes in its payer mix resulting in commercial insurance representing 53.4% of gross patient revenues compared to 54.2% in 2017 and 55.5% in 2016. Medicare revenues were 32% of gross patient revenues in 2018, 30% of gross patient revenues in 2017 and 29.6% in 2016. Revenues related to indigent care have remained stable over the past 3 years representing 1.5% of gross patient revenues in 2018, 1.6% in 2017 and in 2016 those revenues were 1.7% of gross patient revenues. The stabilization in the amount of indigent care is due to the fact that the State of Colorado is a Medicaid expansion State under the *Affordable Care Act*. Consequently, many of the patients who were previously uninsured patients are now covered under Medicaid. The Medicaid revenues seemed to have stabilized in 2018 compared to 2017 with both years totaling 7.8% of gross revenues, which increased from 7.5% in 2016. From 2017 to 2018, the District saw an increase in operating expenses of \$1 million (1.2%). This increase was primarily driven by an increase in depreciation due to the completion of the third phase of the Master Facilities Plan of \$430,000 (3.3%), salaries and wages of \$371,000 (1%) and supplies and other of \$265,000 (2%).

In hopes to increase the access to quality health care for the community, the District extended price concessions to its local self-funded employers (see Valley Health Alliance discussion below), and commercial payers with products available to local insureds. The District also separated its four largest specialty clinics: orthopedics; ophthalmology; cardiology; and ear, nose and throat into a separate entity that is reimbursed at lower levels commensurate with practices rather than as departments of the hospital. In addition, the District has increased the awareness of its free-standing Ambulatory Surgery Center and Imaging Center, which provide a more affordable solution for qualified services. Lastly, the District implemented the Direct Access for physical therapy services for qualified patients, negating the need for physician referrals.

In August of 2018, the District signed an affiliation agreement with Hospital for Special Surgery (HSS), the No. 1 ranked orthopedic hospital in the U.S. for nine consecutive years, through its specialist group OrthoAspen in order to co-manage its orthopedic service line. This affiliation will create a “medical bridge” between both organizations with specific goals including the improvement of the orthopedic care, research, training and innovation through clinical knowledge transfer, medical staff development, quality enhancement and implementation of HSS standards and protocols.

The District continues to outsource its billing office to MedAssist (a division of Firstsource Solutions) located in Belleville, Illinois. This arrangement continues to result in the extraordinary management of accounts receivable and resulting cash collections. Evidence of this is in the fact that net days in patients accounts receivable for the past three years have averaged 46 days.

Four of the five largest self-insured employers in Aspen, Colorado, joined together several years ago to form the Valley Health Alliance. Today, this group has expanded within our valley and now it is comprised of the six largest self-funded employers in the Roaring Fork Valley with the District being one of the founding members of the alliance. This alliance has as its objective, the development of programs and protocols that will lower health care costs through population management while improving the access to quality health care.

In constructing the District's 2019 budget, management took into account the effects of the before mentioned changes, local and national economy, the anticipated changes in volumes in both outpatient and inpatient populations, anticipated changes in reimbursement and lastly, the philanthropic efforts of Aspen Valley Hospital Foundation. In addition, the District continues to experience growth in its outpatient clinics, especially after the restructure that took place in October of 2018. This resulted in gross patient service revenues for 2019 being budgeted to increase by approximately 7.7% over the 2018 levels; and operating expenses are expected to increase by approximately 6.5%, generating an anticipated net position after contributions for 2019 of \$1.6 million. After allowing for expected capital investments in off-site services that expand the District's coverage and ability, the District is estimated to have 191 days of cash on hand at the end of 2019 (with a starting position of 250 days).

Contacting the District's Financial Management

This management discussion and analysis report is designed to provide interested parties with a general overview of the District's financial activity and to demonstrate the District's accountability for its management of the District's finances. Questions about this report should be directed to Ginette Sebenaler, Aspen Valley Hospital District's Chief Financial Officer, at 0401 Castle Creek Road, Aspen, Colorado 81611.

Aspen Valley Hospital District
Balance Sheets
December 31, 2018 and 2017

Assets and Deferred Outflows of Resources

	2018		2017	
	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units
Current Assets				
Cash and cash equivalents	\$ 27,881,207	\$ 442,286	\$ 16,494,400	\$ 481,682
Short-term investments	27,075,237	-	26,723,084	-
Patient accounts receivable, net	12,481,518	477,832	10,798,160	340,563
Estimated amounts due from third-party payers	232,116	-	2,521,744	-
Other receivables	1,786,503	5,314	1,000,061	5,314
Inventories	2,424,258	230,413	2,293,479	166,438
Prepaid expenses	1,098,257	-	971,660	-
Total current assets	<u>72,979,096</u>	<u>1,155,845</u>	<u>60,802,588</u>	<u>993,997</u>
Noncurrent Cash and Investments				
Restricted by donors for capital acquisitions	33,678	-	611,222	-
Restricted by donors for specific operating activities	62,253	-	134,519	-
Contributions receivable, net	4,078,460	-	4,169,559	-
Contributions receivable held by Aspen Community Foundation	-	-	162,500	-
Held by Aspen Community Foundation for capital acquisitions	-	-	404	-
Bond funds restricted for capital acquisitions	300,313	-	300,243	-
Held by trustee for debt service	2,197,120	-	2,164,153	-
	<u>6,671,824</u>	<u>-</u>	<u>7,542,600</u>	<u>-</u>
Capital Assets, Net	<u>143,256,108</u>	<u>399,714</u>	<u>154,371,660</u>	<u>244,587</u>
Other Assets				
Equity interest in joint venture	272,516	-	248,260	-
Equity interests in ASC and MIC	3,504,309	-	3,651,562	-
Other	364,396	-	354,196	-
	<u>4,141,221</u>	<u>-</u>	<u>4,254,018</u>	<u>-</u>
Total assets	<u>227,048,249</u>	<u>1,555,559</u>	<u>226,970,866</u>	<u>1,238,584</u>
Deferred Outflows of Resources				
Pensions	2,291,165	-	3,663,256	-
Unamortized loss on refunding 2007 bonds	329,827	-	409,343	-
Unamortized loss on refunding 2003 bonds	128,302	-	139,121	-
	<u>2,749,294</u>	<u>-</u>	<u>4,211,720</u>	<u>-</u>
Total assets and deferred outflows of resources	<u><u>\$ 229,797,543</u></u>	<u><u>\$ 1,555,559</u></u>	<u><u>\$ 231,182,586</u></u>	<u><u>\$ 1,238,584</u></u>

See Notes to Financial Statements

Liabilities, Deferred Inflows of Resources and Net Position

	2018		2017	
	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units
Current Liabilities				
Current maturities of long-term debt	\$ 3,597,118	\$ 70,069	\$ 3,573,110	\$ -
Accounts payable	3,801,245	22,311	3,993,016	428
Estimated amounts due to third-party payers	1,163,926	-	88,129	-
Accrued salaries, benefits and payroll taxes	2,578,187	-	2,496,361	-
Other accrued liabilities	1,335,345	648,255	1,508,125	388,780
Refunds payable	147,547	-	195,868	-
Unclaimed refunds payable	17,816	-	27,704	-
Construction payable	171,033	-	2,172,126	-
Total current liabilities	<u>12,812,217</u>	<u>740,635</u>	<u>14,054,439</u>	<u>389,208</u>
Long-term Debt				
Bonds payable	48,508,749	-	51,851,509	-
Capital lease obligations	543,607	112,803	723,943	-
	<u>49,052,356</u>	<u>112,803</u>	<u>52,575,452</u>	<u>-</u>
Net Pension Liability	<u>558,051</u>	<u>-</u>	<u>3,277,092</u>	<u>-</u>
Total liabilities	<u>62,422,624</u>	<u>853,438</u>	<u>69,906,983</u>	<u>389,208</u>
Deferred Inflows of Resources				
Pensions	<u>1,117,937</u>	<u>-</u>	<u>23,366</u>	<u>-</u>
Net Position				
Net investment in capital assets	91,035,249	216,842	98,662,462	244,587
Restricted - expendable for				
Debt service	2,197,120	-	2,164,153	-
Capital acquisitions	4,112,138	-	4,943,685	-
Specific operating activities	62,253	-	134,519	-
Unrestricted	<u>68,850,222</u>	<u>485,279</u>	<u>55,347,418</u>	<u>604,789</u>
Total net position	<u>166,256,982</u>	<u>702,121</u>	<u>161,252,237</u>	<u>849,376</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 229,797,543</u>	<u>\$ 1,555,559</u>	<u>\$ 231,182,586</u>	<u>\$ 1,238,584</u>

Aspen Valley Hospital District
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2018 and 2017

	2018		2017	
	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units
Operating Revenues				
Net patient service revenue	\$ 90,274,660	\$ 2,135,965	\$ 90,073,218	\$ 1,898,491
Other	2,741,408	-	2,645,192	-
Total operating revenues	<u>93,016,068</u>	<u>2,135,965</u>	<u>92,718,410</u>	<u>1,898,491</u>
Operating Expenses				
Salaries and wages	38,027,190	763,190	37,656,414	668,846
Contract labor	2,277,473	-	2,209,767	-
Supplies and other	45,078,719	1,422,038	44,813,341	1,517,147
Depreciation	13,591,641	127,985	13,161,593	30,801
Total operating expenses	<u>98,975,023</u>	<u>2,313,213</u>	<u>97,841,115</u>	<u>2,216,794</u>
Operating Loss	<u>(5,958,955)</u>	<u>(177,248)</u>	<u>(5,122,705)</u>	<u>(318,303)</u>
Nonoperating Revenues (Expenses)				
Ad valorem taxes	7,844,446	-	8,004,350	-
Investment income	457,831	29,993	300,341	13,354
Interest expense	(2,027,257)	-	(2,099,794)	-
Community assistance programs	(446,107)	-	(329,645)	-
Noncapital contributions	1,725,035	-	1,853,319	-
Change in equity interest in joint venture	58,579	-	74,598	-
Change in equity interests in ASC and MIC	(147,253)	-	(298,982)	-
Gain (loss) on sale of capital assets	(1,410)	-	203,691	-
Total nonoperating revenues	<u>7,463,864</u>	<u>29,993</u>	<u>7,707,878</u>	<u>13,354</u>
Excess (Deficiency) of Revenues Over Expenses Before Capital Contributions and Provision for Uncollectible Capital Contributions				
	1,504,909	(147,255)	2,585,173	(304,949)
Capital contributions	3,707,616	-	3,942,933	-
Provision for uncollectible capital contributions	<u>(207,780)</u>	<u>-</u>	<u>(69,398)</u>	<u>-</u>
Change in Net Position	5,004,745	(147,255)	6,458,708	(304,949)
Net Position, Beginning of Year	<u>161,252,237</u>	<u>849,376</u>	<u>154,793,529</u>	<u>1,154,325</u>
Net Position, End of Year	<u>\$ 166,256,982</u>	<u>\$ 702,121</u>	<u>\$ 161,252,237</u>	<u>\$ 849,376</u>

Aspen Valley Hospital District
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018		2017	
	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units
Operating Activities				
Receipts from and on behalf of patients	\$ 91,898,518	\$ 1,998,696	\$ 89,057,865	\$ 2,049,100
Payments to suppliers	(48,251,889)	(1,204,655)	(46,969,130)	(1,270,100)
Payments to employees	(38,197,743)	(763,190)	(37,431,073)	(668,846)
Other receipts (payments), net	2,248,277	-	2,538,613	3,910
Net cash provided by operating activities	<u>7,697,163</u>	<u>30,851</u>	<u>7,196,275</u>	<u>114,064</u>
Noncapital Financing Activities				
Ad valorem taxes	4,570,038	-	4,323,526	-
Community assistance programs	(446,107)	-	(329,645)	-
Noncapital contributions	1,725,035	-	1,853,319	-
Net cash provided by noncapital financing activities	<u>5,848,966</u>	<u>-</u>	<u>5,847,200</u>	<u>-</u>
Capital and Related Financing Activities				
Ad valorem taxes	3,244,667	-	3,676,299	-
Purchases of capital assets	(4,481,792)	(19,680)	(15,081,683)	(1,830)
Proceeds from sale of capital assets	3,200	-	252,236	-
Principal payments on long-term debt	(3,424,684)	(80,560)	(3,038,123)	-
Interest payments on long-term debt	(2,011,326)	-	(2,081,272)	-
Capital contributions	3,753,435	-	3,937,667	-
Net cash used in capital and related financing activities	<u>(2,916,500)</u>	<u>(100,240)</u>	<u>(12,334,876)</u>	<u>(1,830)</u>
Investing Activities				
Purchase of investments	(352,153)	-	(9,241,626)	-
Proceeds from sale of investments	404	-	147	-
Investment income	492,154	29,993	346,966	13,354
Net cash provided by (used in) investing activities	<u>140,405</u>	<u>29,993</u>	<u>(8,894,513)</u>	<u>13,354</u>
Increase (Decrease) Cash and Cash Equivalents	10,770,034	(39,396)	(8,185,914)	125,588
Cash and Cash Equivalents, Beginning of Year	<u>19,704,537</u>	<u>481,682</u>	<u>27,890,451</u>	<u>356,094</u>
Cash and Cash Equivalents, End of Year	<u>\$ 30,474,571</u>	<u>\$ 442,286</u>	<u>\$ 19,704,537</u>	<u>\$ 481,682</u>

Aspen Valley Hospital District
Statements of Cash Flows (Continued)
Years Ended December 31, 2018 and 2017

	2018		2017	
	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units
Reconciliation of Cash and Cash Equivalents to the Balance Sheets				
Cash and cash equivalents	\$ 27,881,207	\$ 442,286	\$ 16,494,400	\$ 481,682
Restricted by donors for capital acquisitions	33,678	-	611,222	-
Restricted by donors for specific operating	62,253	-	134,519	-
Bond funds restricted for capital acquisitions	300,313	-	300,243	-
Held by trustee for debt service	2,197,120	-	2,164,153	-
	<u>\$ 30,474,571</u>	<u>\$ 442,286</u>	<u>\$ 19,704,537</u>	<u>\$ 481,682</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities				
Operating loss	\$ (5,958,955)	\$ (177,248)	\$ (5,122,705)	\$ (318,303)
Depreciation	13,591,641	127,985	13,161,593	30,801
Provision for uncollectible accounts	2,730,391	-	3,399,529	-
Change in operating assets and liabilities				
Patient accounts receivable	(4,413,749)	(137,269)	(3,846,419)	150,609
Other receivables	(756,701)	-	(179,420)	3,910
Inventories	(130,779)	(63,975)	(116,853)	16,697
Prepaid expenses	(126,597)	-	230,918	-
Other assets	(10,200)	-	-	-
Accounts payable	(191,771)	21,883	(61,639)	(22,052)
Accrued salaries, benefits and payroll taxes	81,826	-	53,167	-
Other accrued liabilities	(172,780)	259,475	74,393	252,402
Refunds payable	(48,321)	-	117,286	-
Unclaimed refunds payable	(9,888)	-	(37,788)	-
Estimated amounts due from and to third-party payers	3,365,425	-	(647,961)	-
Net pension liability	(252,379)	-	172,174	-
	<u>\$ 7,697,163</u>	<u>\$ 30,851</u>	<u>\$ 7,196,275</u>	<u>\$ 114,064</u>
Noncash Investing, Capital and Financing Activities				
Capital lease obligations for equipment	\$ -	\$ 263,432	\$ 739,399	\$ -
Capital asset acquisitions included in current liabilities	\$ 171,033	\$ -	\$ 2,172,126	\$ -
Amortization of loss on refunding	\$ 90,335	\$ -	\$ 94,346	\$ -
Amortization of bond premiums	\$ 74,404	\$ -	\$ 75,824	\$ -
Change in equity interests	\$ (88,674)	\$ -	\$ (224,384)	\$ -

Aspen Valley Hospital District
Statements of Fiduciary Net Position
December 31, 2018 and 2017

	2018	2017
Assets		
Investments		
Large U.S. equity	\$ 7,492,323	\$ 8,514,932
Small/Mid U.S. equity	1,278,431	1,535,003
International equity	4,106,155	4,287,693
Balanced/Asset allocation	514,807	527,678
Fixed income	9,839,188	9,517,039
Other	1,600,555	1,558,860
Total investments	24,831,459	25,941,205
Total assets	24,831,459	25,941,205
Net Position Restricted for Pensions	\$ 24,831,459	\$ 25,941,205

Aspen Valley Hospital District
Statements of Changes in Fiduciary Net Position
Years Ended December 31, 2018 and 2017

	2018	2017
Additions		
Contributions:		
Employer	\$ 1,952,317	\$ 1,827,477
Total contributions	1,952,317	1,827,477
Investment income:		
Net increase (decrease) in fair value of investments	(1,557,850)	3,285,266
Less investment expense	(15,008)	(13,970)
Net income (loss) from investments	(1,572,858)	3,271,296
Total additions	379,459	5,098,773
Deductions		
Benefit payments	1,356,934	1,281,502
Administrative expense	132,271	134,831
Total deductions	1,489,205	1,416,333
Net increase (decrease) in net position	(1,109,746)	3,682,440
Net Position Restricted for Pensions		
Beginning of year	25,941,205	22,258,765
End of year	\$ 24,831,459	\$ 25,941,205

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2018 and 2017

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

Nature of Operations and Reporting Entity

Aspen Valley Hospital District (the District), a political subdivision of the state of Colorado, operates the Aspen Valley Hospital (the Hospital), a 25-bed acute care facility that is designated by Medicare as a critical access hospital (CAH) located in Aspen, Colorado; Whitcomb Terrace, an assisted living facility; Mountain Oaks, Beaumont Lodge and Castle Creek Meadows, all employee housing complexes; and has a 3% interest in Healthcare Management, LLC. The District is governed by a Board of Directors consisting of five members elected by the residents of the District. The District is not a component unit of another governmental entity.

Aspen Valley Hospital District Clinics, PLLC d/b/a Aspen Valley Hospital Center for Medical Care (The Clinics), is a legally separate component unit of the District. The Clinics is a wholly-owned subsidiary of the District and the District is the sole member of The Clinics. As a wholly-owned subsidiary of the District, the governance of The Clinics is vested in the District's Board of Directors. The Clinics is organized and operated exclusively for providing medical care to patients. The exclusive purposes and objectives of The Clinics is the promotion and enhancement of the health care and related services available to residents of and visitors to the Roaring Fork Valley in the State of Colorado. All of the net earnings of The Clinics inure to the benefit of the District. The Clinics is considered a component unit of the District and is presented in the District's financial statements using the blending method. Separate financial statements of The Clinics are not available.

Aspen Valley Hospital Foundation (the Foundation) is a legally separate, tax-exempt component unit of the District. The District is the sole corporate member of the Foundation. The Foundation's primary function is to raise and hold funds to support the District and its programs. The board of the Foundation is appointed by the District and has a minimum of three Directors; two of which are Hospital Board of Directors members and one is the Hospital's Chief Executive Officer. Any other Directors beyond these three are not appointed by the District, but rather a Nominating Committee. Although the District does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the District. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District and is presented in the District's financial statements using the blending method. Separate financial statements of the Foundation are not available.

Midvalley Ambulatory Surgery Center, LLC (ASC) has been organized as a Colorado limited liability company to acquire, own and operate an ambulatory surgery center located in Basalt, Colorado. The District owns 100% ownership interest in ASC. The Governing Body is comprised of five members. Such five members shall be described as follows: Hospital Chairperson of the Board of Directors, Hospital Director, Hospital Chief Executive Officer, Hospital Chief Financial Officer and a Medical Director of ASC as appointed by the Governing Body. The purpose of the District's interest in ASC is to further enhance the services provided by the District. ASC is considered a component unit of the District and is presented in the District's financial statements using the discrete presentation method. Separate financial statements of ASC are not available.

Aspen Valley Hospital District

Notes to Financial Statements

December 31, 2018 and 2017

Midvalley Imaging Center, LLC (MIC) has been organized as a Colorado limited liability company to operate one or more imaging centers in Basalt, Colorado, and the surrounding area. The District owns 100% ownership interest in MIC. The Governing Body is comprised of five members. Such five members shall be described as follows: Hospital Chairperson of the Board of Directors, Hospital Director, Hospital Chief Executive Officer, Hospital Chief Financial Officer and a Medical Director of MIC as appointed by the Governing Body. The purpose of the District's interest in MIC is to further enhance the services provided by the District. MIC is considered a component unit of the District and is presented in the District's financial statements using the discrete presentation method. Separate financial statements of MIC are not available.

Basis of Accounting and Presentation

The 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 and 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 and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific such as county appropriations, ad valorem taxes, investment income and interest on capital assets-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 positions are available.

The District's government-wide financial statements (balance sheets and statements of revenues, expenses and changes in net position and statements of cash flows) are comprised of an enterprise fund and discretely presented component units that use proprietary fund reporting. The only other fund of the District is a fiduciary fund (employee retirement fund) that is excluded from the government-wide financial statements and is presented separately as fund financial statements. The District utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis using the economic resources measurement focus.

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.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2018 and 2017

Cash Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2018 and 2017, cash equivalents consisted primarily of money market accounts with financial institutions.

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 employee health 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 employee health claims. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Investments, Equity Interests and Investment Income

Investments in money market investments (U.S. Treasury agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition) and in nonnegotiable certificates of deposit are carried at amortized cost. The equity interests in ASC, MIC and a joint venture are reported using the equity method of accounting. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income consists predominantly of interest income.

Noncurrent cash and investments are assets internally designated for capital acquisitions, bond fund restricted for capital acquisitions, and held by trustees under the Bond Indenture Agreements for debt service. The internally designated funds remain under the control of the District's Board of Directors, which may at its discretion later use the funds for other purposes.

Investments included in the Cash Balance Retirement Plan (the Plan) are comprised of pooled separate accounts (PSAs) and are reported at estimated fair value using net asset value (NAV) per share of the PSAs as the practical expedient of fair value. PSAs can be redeemed on a daily basis. Securities traded on a national international exchange are valued at the last reported sales price at current exchange rates. Real estate assets are reported at estimated fair value utilizing an income approach to valuation.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2018 and 2017

Patient Accounts Receivable

The District reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, 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.

Inventories

Inventories are stated at the lower of cost, determined using the first-in, first-out method, or net realizable 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. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the District:

Land improvements	7 – 25 years
Buildings	5 – 40 years
Fixed equipment	5 – 20 years
Moveable equipment	3 – 20 years
Employee housing	5 – 25 years

Construction contracts of approximately \$1,300,000 exist for the Hospital Medical Office Space Fit Out project. At December 31, 2018, the remaining commitment on these contracts is approximately \$1,100,000. The project is estimated to be completed in May 2019.

Capital Asset Impairment

The Hospital 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, accumulated depreciation is increased by the amount of the impairment loss.

No asset impairment was recognized during the years ended December 31, 2018 and 2017.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2018 and 2017

Compensated Absences

District policies permit employees to accumulate vacation and sick leave benefits that may be realized as paid time off (PTO) or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as PTO 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 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.

Bond Premium and Loss on Refunding

Bond premiums are being amortized over the life of the related debt using the effective interest method. The unamortized bond premiums are included as an addition to revenue bonds payable and are reflected as both current and long-term in the balance sheets. The losses on refunding are being amortized over the term of the related bonds using the straight-line method, which approximates the interest method. The unamortized losses on refunding are included as a deferred outflow of resources in the balance sheets. The amortization of both the bond premiums and the losses on refunding are recorded as a reduction and an addition to interest expense, respectively.

Defined Benefit Pension Plan

The District has a single-employer defined benefit pension plan, the Cash Balance Retirement Plan, (the 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 Outflows of Resources

The District reports consumption of net position that relates to future periods as deferred outflows of resources in a separate section of its balance sheets.

Deferred Inflows of Resources

The District reports acquisition of net position that relates to future periods as deferred inflows of resources in a separate section of its balance sheets.

Aspen Valley Hospital District

Notes to Financial Statements

December 31, 2018 and 2017

Net Position

Net position of the District is classified in three components. 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 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. Unrestricted net position is remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets or restricted expendable.

Net Patient Service Revenue

The District has agreements with third-party payers 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 payers and others for services rendered and includes estimated retroactive revenue adjustments and bad debts expense. 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. Net patient service revenue is reported net of charity care. Charges excluded from revenue under the District's charity care policy were \$1,925,564 and \$1,985,863 for 2018 and 2017, respectively.

Ad Valorem Taxes

The District received approximately 3% of its sources of funds from ad valorem taxes related to the general operating mill levy in both years ending 2018 and 2017. These funds were used to support the operating and capital needs of the District. The District received approximately 3% of its sources of funds from ad valorem taxes related to the general obligation bond and interest mill levy in 2018 and 2017, respectively.

Ad valorem taxes are assessed on January 1 of each year. The District recognizes the tax revenue in the period it is assessed.

Income Taxes

As a political subdivision of the state of Colorado, the District is exempt from income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

Aspen Valley Hospital District

Notes to Financial Statements

December 31, 2018 and 2017

Note 2: Net Patient Service Revenue

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

Medicare. The District is licensed as a CAH. Under this reimbursement system, inpatient acute care and swing-bed services rendered to Medicare program beneficiaries are paid under cost reimbursement methodologies. Outpatient services related to Medicare beneficiaries are paid based on a combination of fee schedules and cost reimbursement methodologies. The District is reimbursed for certain services at tentative rates with final settlement determined after submission of an annual cost report by the District and audit thereof by the Medicare administrative contractor.

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology for certain services and at prospectively determined rates for all other services. The District is reimbursed for cost-reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid administrative contractor.

Other. The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the District under these agreements is primarily discounts from established charges.

Approximately 35% and 36% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2018 and 2017, respectively. Laws and regulations governing the Medicare and Medicaid 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 3: Deposits and Investments

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.

The *Colorado Public Deposit Protection Act* requires financial institutions to collateralize any uninsured public deposits. Any excess of deposits over the FDIC limit that are not insured are covered by collateral pledged by the financial institution in accordance with the *Colorado Public Deposit Protection Act*.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2018 and 2017

At December 31, 2018 and 2017, \$1,000,000 and \$1,250,000 of the District's bank balances of \$58,936,184 and \$45,834,090 were insured by FDIC coverage, respectively. The remainder of the District's bank balances of \$57,936,184 and \$44,584,090, respectively, were protected by the *Colorado Public Deposit Protection Act* noted above.

Investments

The District may legally invest in direct obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies. It may also invest fiduciary funds in other investments. At December 31, 2018 and 2017, investments, not including fiduciary fund assets, amounted to \$2,197,120 and \$2,164,153, respectively. Investments under bond agreements, with the exception of those included in deposits, were invested in direct obligations of the U.S. Government through pooled investments (*i.e.*, money markets). Investments held by the Aspen Community Foundation are invested in money markets. These investments are carried at amortized cost and have maturities of less than one year.

Fiduciary fund assets of \$24,831,459 and \$25,941,205 at December 31, 2018 and 2017, respectively, are invested in PSAs and are reported at estimated fair value using NAV per share of the PSAs. None of the funds are subject to concentration of credit risk, custodial credit risk or foreign currency risk.

Summary of Carrying Values

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

	2018	2017
Carrying value		
Deposits	\$ 55,349,329	\$ 44,260,913
Investments	2,197,120	2,164,153
Fiduciary fund assets	24,831,459	25,941,205
Cash on hand and change funds	3,359	2,959
	\$ 82,381,267	\$ 72,369,230
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 27,881,207	\$ 16,494,400
Short-term investments	27,075,237	26,723,084
Restricted by donors for capital acquisitions	33,678	611,222
Restricted by donors for specific operating activities	62,253	134,519
Held by Aspen Community Foundation	-	404
Bond funds restricted for capital acquisitions	300,313	300,243
Held by trustee for debt service	2,197,120	2,164,153
Held by trustee under pension plan agreement (fiduciary fund assets)	24,831,459	25,941,205
	\$ 82,381,267	\$ 72,369,230

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2018 and 2017

Note 4: Patient Accounts Receivable

The District grants credit without collateral to its patients, most of whom are insured under third-party payer agreements. Patient accounts receivable, net consists of the following at December 31:

	2018	2017
Medicare	\$ 3,495,514	\$ 2,967,156
Medicaid	281,201	407,723
Blue Cross	2,864,335	2,456,427
Other third-party payers	5,532,634	4,855,745
Self-pay	1,121,141	787,724
	13,294,825	11,474,775
Less allowance for uncollectible accounts	813,307	676,615
	\$ 12,481,518	\$ 10,798,160

Note 5: Capital Assets

Capital assets activity for the years ended December 31 was:

	2018				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 267,057	\$ -	\$ -	\$ -	\$ 267,057
Land improvements	26,756,212	72,600	-	849,362	27,678,174
Buildings	71,423,388	181,391	-	3,465,348	75,070,127
Fixed equipment	64,089,409	722,660	-	5,627,361	70,439,430
Moveable equipment	37,966,583	923,532	(948,707)	293,243	38,234,651
Employee housing	13,423,615	-	(8,455)	(25,842)	13,389,318
Construction in progress	10,564,950	580,516	-	(10,209,472)	935,994
	224,491,214	2,480,699	(957,162)	-	226,014,751
Less accumulated depreciation					
Land improvements	4,643,707	1,736,635	-	-	6,380,342
Buildings	18,704,949	3,748,816	-	-	22,453,765
Fixed equipment	13,276,148	4,712,992	-	-	17,989,140
Moveable equipment	27,849,615	2,929,943	(944,097)	-	29,835,461
Employee housing	5,645,135	463,255	(8,455)	-	6,099,935
	70,119,554	13,591,641	(952,552)	-	82,758,643
Capital assets, net	\$154,371,660	\$ (11,110,942)	\$ (4,610)	\$ -	\$143,256,108

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	2017				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 267,057	\$ -	\$ -	\$ -	\$ 267,057
Land improvements	17,613,381	-	-	9,142,831	26,756,212
Buildings	51,381,681	-	-	20,041,707	71,423,388
Fixed equipment	39,184,416	-	-	24,904,993	64,089,409
Moveable equipment	35,899,120	802,689	(942,806)	2,207,580	37,966,583
Employee housing	13,318,133	2,749	-	102,733	13,423,615
Construction in progress	54,690,632	12,322,101	(47,939)	(56,399,844)	10,564,950
	<u>212,354,420</u>	<u>13,127,539</u>	<u>(990,745)</u>	<u>-</u>	<u>224,491,214</u>
Less accumulated depreciation					
Land improvements	2,967,349	1,676,358	-	-	4,643,707
Buildings	15,178,197	3,526,752	-	-	18,704,949
Fixed equipment	8,863,512	4,412,636	-	-	13,276,148
Moveable equipment	25,498,858	3,093,051	(742,294)	-	27,849,615
Employee housing	5,179,829	465,306	-	-	5,645,135
	<u>57,687,745</u>	<u>13,174,103</u>	<u>(742,294)</u>	<u>-</u>	<u>70,119,554</u>
Capital assets, net	<u>\$154,666,675</u>	<u>\$ (46,564)</u>	<u>\$ (248,451)</u>	<u>\$ -</u>	<u>\$154,371,660</u>

Note 6: Medical Malpractice Claims

The District purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the District's claims experience, an accrual of \$207,510 and \$196,554 has been recorded as of December 31, 2018 and 2017, respectively. It is reasonably possible that this estimate could change materially in the near term. The District is subject to the provisions of the *Colorado Government Immunity Act* which provides a limitation on the liability of the District.

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Note 7: Employee Health Claims

The District partially self-insures the cost of employee health care benefits as it purchases annual stop-loss insurance coverage for all claims in excess of \$200,000 for the years ended December 31, 2018 and 2017, respectively, per individual participant and aggregate stop-loss at predetermined amounts annually. Other accrued liabilities on the balance sheet include an accrual for claims which have been incurred but not reported. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, frequency of claims and other economic and social factors.

Activity in the District's accrued employee health claims liability during 2018 and 2017 is summarized as follows:

	2018	2017
Balance, beginning of year	\$ 705,752	\$ 470,197
Current year claims incurred and changes in estimates for claims incurred in prior years	6,550,856	10,908,152
Claims and expenses paid	(6,565,319)	(10,672,597)
Balance, end of year	\$ 691,289	\$ 705,752

Note 8: Taxes, Spending and Debt Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (TABOR), which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments.

The amendment excludes enterprises from its provisions. Enterprises are defined as government-owned businesses authorized to issue revenue bonds and receive less than 10% of their annual revenue in grants from all state and local governments combined. The District is of the opinion that its operations qualify for this exclusion.

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Note 9: Long-term Debt

The following is a summary of long-term obligation transactions for the District for the years ended December 31:

	2018					
	Beginning Balance	Additions	Payments	Ending Balance	Amounts Due Within One Year	Long-term Portion
2010 general obligation bonds	\$ 35,750,000	\$ -	\$ (2,255,000)	\$ 33,495,000	\$ 2,315,000	\$ 31,180,000
2012 revenue bonds	9,980,000	-	(70,000)	9,910,000	60,000	9,850,000
2016 refunding revenue note	8,585,000	-	(865,000)	7,720,000	895,000	6,825,000
Capital leases	1,032,652	-	(234,684)	797,968	254,358	543,610
	<u>55,347,652</u>	<u>-</u>	<u>(3,424,684)</u>	<u>51,922,968</u>	<u>3,524,358</u>	<u>48,398,610</u>
Unamortized premium on Series 2010 bonds	250,734	-	(31,620)	219,114	30,130	188,984
Unamortized premium on Series 2012 bonds	550,176	-	(42,784)	507,392	42,630	464,762
	<u>\$ 56,148,562</u>	<u>\$ -</u>	<u>\$ (3,499,088)</u>	<u>\$ 52,649,474</u>	<u>\$ 3,597,118</u>	<u>\$ 49,052,356</u>
	2017					
	Beginning Balance	Additions	Payments	Ending Balance	Amounts Due Within One Year	Long-term Portion
2010 general obligation bonds	\$ 37,955,000	\$ -	\$ (2,205,000)	\$ 35,750,000	\$ 2,255,000	\$ 33,495,000
2012 revenue bonds	10,040,000	-	(60,000)	9,980,000	70,000	9,910,000
2016 refunding revenue note	9,015,000	-	(430,000)	8,585,000	865,000	7,720,000
Capital leases	636,375	739,399	(343,122)	1,032,652	308,707	723,945
	<u>57,646,375</u>	<u>739,399</u>	<u>(3,038,122)</u>	<u>55,347,652</u>	<u>3,498,707</u>	<u>51,848,945</u>
Unamortized premium on Series 2010 bonds	283,664	-	(32,930)	250,734	31,620	219,114
Unamortized premium on Series 2012 bonds	593,071	-	(42,895)	550,176	42,783	507,393
	<u>\$ 58,523,110</u>	<u>\$ 739,399</u>	<u>\$ (3,113,947)</u>	<u>\$ 56,148,562</u>	<u>\$ 3,573,110</u>	<u>\$ 52,575,452</u>

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General Obligation Bonds – Series 2010A and Series 2010B

The District issued Tax-Exempt General Obligation Bonds – Series 2010A, and Taxable General Obligation Bonds (Direct Pay Build America Bonds) – Series 2010B, for purpose of financing a portion of the costs of acquiring, improving, constructing, equipping and furnishing hospital facilities. The Series 2010A bonds were due in increasing varying annual installments through December 2016, bearing interest rates of 2% to 4%, payable semiannually. The Series 2010B bonds are due in increasing varying annual installments beginning December 2017 through December 2030, bearing interest rates of 3.661% to 4.523%, payable semiannually. The 2010 bonds are issued and pursuant to and are secured by the Bond Resolution. The bonds are general obligations payable from the revenues derived from the voter-approved ad valorem tax appropriations.

Revenue Bonds – Series 2012

Hospital Refunding Revenue Bonds – Series 2012 payable in increasing varying annual installments through April 15, 2033, bearing interest rates of 2.125% to 3.75% payable semiannually. The Series 2012 bonds are issued pursuant to and are secured by the Bond Resolution. The bonds are limited obligations payable solely from the net revenues derived from operations of the District.

Upon issuance and delivery of the Refunding Revenue Bonds – Series 2012, the District defeased its outstanding Series 2003 bonds. Proceeds from the bonds were used to pay the principal, interest and redemption premiums on the defeased bonds on September 4, 2012. This advance refunding transaction resulted in an extinguishment of debt since the District was legally released from its obligation on the Series 2003 bonds at the time of defeasance. There are no Series 2003 bonds outstanding which have not been called as of December 31, 2018 and 2017.

The advance refunding of the Series 2003 bonds resulted in an overall future economic benefit for the District. However, an accounting loss of \$194,770 on the extinguishment of the long-term debt was recorded in 2012. This loss on refunding is shown as a deferred outflow of resources in the balance sheets and is being amortized using the straight-line method over the life of the Series 2012 bonds.

Refunding Revenue Note – Series 2016

Refunding Revenue Note – Series 2016 payable in increasing varying annual installments through October 15, 2026, bearing interest rate of 2.210% payable semiannually. The Series 2016 note is issued pursuant to and is secured by the Bond Resolution. The note is a limited obligation payable solely from the net revenues derived from operations of the District.

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Upon issuance and delivery of the Refunding Revenue Note – Series 2016, the District defeased its outstanding Series 2007 bonds. Proceeds from the bonds were used to pay the principal, interest and redemption premiums on the defeased bonds on August 8, 2016. This advance refunding transaction resulted in an extinguishment of debt since the District was legally released from its obligation on the Series 2007 bonds at the time of defeasance. There are no Series 2007 bonds outstanding which have not been called as of December 31, 2018.

The advance refunding of the Series 2007 bonds resulted in an overall future economic benefit for the District. However, an accounting loss of \$507,685 on the extinguishment of the long-term debt was recorded in 2016. This loss on refunding is shown as a deferred outflow of resources in the balance sheets and is being amortized using the straight-line method over the life of the Series 2016 note.

Capital Lease Obligations

The District has capitalized lease obligations at varying rates of imputed interest that are collateralized by leased equipment.

The debt service requirements as of December 31, 2018, are as follows:

Year Ending December 31,	General Obligation and Revenue Bonds Payable		Capital Leases	
	Principal	Interest	Principal	Interest
2019	\$ 3,270,000	\$ 2,515,352	\$ 254,358	\$ 16,962
2020	3,355,000	2,395,001	240,939	9,513
2021	3,440,000	2,268,904	209,241	4,023
2022	3,545,000	2,135,651	93,430	611
2023	3,655,000	1,971,742	-	-
2024-2028	20,215,000	7,118,724	-	-
2029-2033	13,645,000	1,690,820	-	-
	<u>\$ 51,125,000</u>	<u>\$ 20,096,194</u>	<u>\$ 797,968</u>	<u>\$ 31,109</u>

The following is an analysis of the financial presentation of the capital leases:

	<u>2018</u>	<u>2017</u>
Major moveable equipment	\$ 1,171,445	\$ 1,319,470
Less accumulated depreciation	<u>407,489</u>	<u>314,555</u>
	<u>\$ 763,956</u>	<u>\$ 1,004,915</u>

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Note 10: Charity Care

The costs of charity care provided under the District’s charity care policy were \$1,396,454 and \$1,525,866 for 2018 and 2017, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges from the 2018 and 2017 interim Medicare cost reports, respectively, to the gross uncompensated charges.

Note 11: Operating Leases

The District leases various facility spaces and equipment under operating leases expiring through 2028. Future minimum lease payments under these noncancelable leases at December 31, 2018, are:

2019	\$ 863,205
2020	839,189
2021	658,293
2022	486,744
2023	386,036
2024-2028	<u>2,068,791</u>
Future minimum lease payments	<u>\$ 5,302,258</u>

Rental expense for all operating leases at December 31, 2018 and 2017, was \$1,110,503 and \$1,217,398, respectively.

Note 12: Aspen Community Foundation

The Aspen Community Foundation (ACF) is an independent nonprofit corporation incorporated in 1980. ACF’s primary objective is to improve the quality of life in Aspen and the communities of the greater Roaring Fork and Colorado River valleys. The Aspen Valley Hospital Fund was established with ACF for the purpose of receiving contributions that are to benefit the District. There were no contributions received and held by ACF on behalf of the District for the years ending December 31, 2018 and 2017. All contributions received by ACF are classified as capital contributions as the contributions are to be used to support the District’s construction project. Contributions receivable maintained by ACF on behalf of the District consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Due within one year	\$ -	\$ 200,000
Less		
Allowance for uncollectible contributions	<u>-</u>	<u>37,500</u>
	<u>\$ -</u>	<u>\$ 162,500</u>

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Note 13: Defined Contribution Plans

The District provides a 457(b) plan to substantially all employees of the District. The employees may contribute up to 100% of their salary to the 457(b) plan. The employees' total salary deferral is limited by the Internal Revenue Service (IRS) annually. Employees are always 100% vested in the contributions they choose to defer. If an employee is 50 years old or older and has met the annual IRS deferral limit, the employee may contribute a catch-up deferral that is also limited by the IRS annually. Contributions from employees to the 457(b) plan were \$2,582,751 and \$2,725,057 for the years ended December 31, 2018 and 2017, respectively. The District does not make contributions to the 457(b) plan.

The District also provides a 401(a) governmental money purchase pension plan covering substantially all employees who are scheduled to work more than 20 hours per week or 5 months per year. Contribution expense is recorded for the amount of the District's required contributions, determined in accordance with the terms of the 401(a) plan. The 401(a) plan is administered by the District's governing body. The 401(a) plan provides retirement and death benefits to 401(a) plan members and their beneficiaries. Benefit and contribution provisions are contained in the 401(a) plan document and were established and can be amended by action of the District's governing body. The District's contribution for each eligible employee is calculated as of the contribution date and is equal to 50% of the employee's elective deferral contributions. The District's contributions, for purposes of all employees, excluding the Chief Executive Officer, does not exceed 2.5% of their annual compensation; 5% for purposes of the Chief Executive Officer. Contribution expense to the 401(a) plan was \$705,492 and \$648,435 for the years ended December 31, 2018 and 2017, respectively.

Note 14: Defined Benefit Plan

Plan Description

Plan administration. The District administers the Plan providing retirement, disability and death benefits to full-time and half-time employees and their beneficiaries. This Plan is a single-employer defined benefit pension plan wherein a separate cash balance account is established for each employee upon becoming a member of the Plan.

Management of the Plan consists of the Retirement Committee, which consists of such number of individuals as appointed by the Board of Directors or Chief Executive Officer of the Hospital, but in no case is less than three.

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Plan membership. Pension plan membership consisted of the following, which includes employees covered by the benefit terms, at December 31:

	2018	2017
Inactive plan members or beneficiaries currently receiving benefits	11	9
Inactive plan members entitled to but not yet receiving benefits	213	205
Active plan members	382	378
	606	592

Benefits Provided

The Plan provides retirement, disability and death benefits. Normal retirement benefits are attained at age 65, with a monthly annuity payable for life equal to the actuarial equivalent of the projected cash balance account projected with interest to the normal retirement date assuming that the interest credit rate in effect for future years will be the rate in effect on the date of determination. Plan members are allowed to obtain early retirement benefit after six years of vesting services. The benefit for early retirement is equal to the actuarial equivalent of the participant’s accrued benefit on his early retirement age. Disability benefits are determined in the same manner as the employer’s long-term disability plan after six years of vesting service, but are payable monthly until normal requirement, death or recovery and a deferred annuity payable at the normal retirement date and are the accrued benefit on the date of disability. Death benefits are payable as a monthly annuity to the spouse, deferred to participant’s earliest retirement date if later than date of death in the amount of the present value of the participant’s accrued benefit payable in the normal form. A single lump sum may be elected at any time in lieu of the life annuity.

Contributions

An employee’s benefit under the Plan, subject to certain limitations, is based on the amounts contributed to the employee’s separate account and an annual minimum guaranteed investment rate of return. All investment risks of the Plan are borne by the District. The District makes annual contributions equal to 7.5% of earned salaries for employees who have earned 1,000 qualifying hours during the plan year. Employees vest in District contributions on a graded scale after the employee is credited with a second year of service. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. The contribution requirements of the plan members and the District are established and may be amended by the District. Plan participants are not permitted to contribute to the Plan.

Contributions to the Plan for years ended December 31, 2018 and 2017, were \$1,952,317 and \$1,827,477, respectively.

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Pension Reporting

GASB 67 sets forth the requirements for governmental pension plan financial statement reporting, including pension plan financial statements included as a pension trust fund of a government. Accordingly, GASB 67 applies to the District’s reporting of its statements of fiduciary net position, statements of changes in fiduciary net position, certain notes to the financial statements, and certain required supplementary information (RSI). GASB 68, adopted in 2015, sets forth the pension reporting requirements for the District in its balance sheets, statements of revenues, expenses and changes in net position, statements of cash flows, certain notes to the financial statements and certain RSI. Because different measurement dates are used for GASB 67 and GASB 68 (GASB 68 is one year earlier than GASB 67), GASB 68 disclosures will correspond to the District’s basic financial statements, except for the fiduciary fund statements reported under GASB 67.

GASB STATEMENT NO. 67

Investments

Investment policy. The Plan’s policy in regard to the allocation of invested assets is established and may be amended by the District Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. It also allows the use of derivatives.

Principal Financial Advisors, Inc., a registered investment advisor and wholly-owned subsidiary of Principal Financial Group, has been hired to manage the asset allocation for the Plan. The following was the Board’s adopted asset allocation policy as of December 31:

Asset Class	2018 Target Allocation	2017 Target Allocation
U.S. equity - Large cap	32%	34%
U.S. equity - Mid cap	4%	4%
U.S. equity - Small cap	2%	2%
Non-U.S. equity	17%	15%
Real estate (direct property)	6%	6%
TIPS	1%	1%
Core bond	28%	28%
High yield	10%	10%
Total	<u>100%</u>	<u>100%</u>

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Concentrations. The following are investments (other than those issued or explicitly guaranteed by the U.S. Government), in any one organization, that represent five percent or more of the Plan's fiduciary net position at December 31:

	2018	2017
Principal Financial Group	\$ 24,831,459	\$ 25,941,205

Separate accounts held at the Principal Financial Group are commingled pools, rather than individual securities. As a result, these accounts are not rated.

Rate of return. The money-weighted rate of return is calculated as a rate of return on the plan investments incorporating the timing and amount of cash flows, net of investment expense. For the years ended December 31, 2018 and 2017, the annual money-weighted rate of return on plan investments was (5.94)% and 14.45%, respectively.

Net Pension Liability of the District

The components of the net pension liability of the District were as follows at December 31:

	2018	2017
Total pension liability	\$ 28,445,483	\$ 26,499,256
Plan fiduciary net position	(24,831,459)	(25,941,205)
District's net pension liability	\$ 3,614,024	\$ 558,051
Plan fiduciary net position as percentage of the total pension liability	87.29%	97.89%

Actuarial assumptions. The 2018 total pension liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to December 31, 2018, and the 2017 total pension liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, respectively:

	2018	2017
Long-term inflation, wage base, and compensation limit	2.25%	2.00%
Salary increases	Table S-5 from Actuary's Pension Handbook plus 1.00%	
Investment rate of return	6.00%	6.00%

Mortality rates for the years ended 2018 and 2017 were based on the RP-2014 Mortality with Scale MP-2018 and MP-2017, respectively, – Generational Annuitant, Male and Female.

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The long-term expected rate of return on pension plan investments was determined by using the actual weighted average asset allocation for the four quarterly dates from March 31, 2018 to December 31, 2018. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation are summarized in the following table as of December 31:

Asset Class	2018 Long-term Expected Rate of Return	2017 Long-term Expected Rate of Return
U.S. equity - Large cap	7.70%	7.85%
U.S. equity - Mid cap	7.95%	8.10%
U.S. equity - Small cap	8.50%	8.55%
Non-U.S. equity	7.95%	8.10%
Real estate (direct property)	5.55%	5.80%
TIPS	3.50%	3.05%
Core bond	4.00%	3.75%
High yield	6.45%	6.70%

Discount rate. The discount rate used to measure the total pension liability at December 31, 2018 and 2017, was 6.00%. The Plan's fiduciary net position and benefit payments were projected to determine the discount rate. Projected fiduciary net position includes expected employer contributions, projected benefit and administrative payments and expected investment return. Projected benefit payments are based on plan provisions and participant data as of the measurement date, and include the effects of automatic cost-of-living adjustments, projected salary changes and projected service credits. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the District, calculated using the discount rate of 6.00%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1% lower (5.00%) or 1% higher (7.00%) than the current rate as of:

	December 31, 2018		
	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
District's net pension liability	\$ 5,235,832	\$ 3,614,024	\$ 2,182,291

Aspen Valley Hospital District
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GASB STATEMENT NO. 68

Net Pension Liability of the District

Actuarial assumptions. The net pension liability reported as of December 31, 2018 and 2017, was measured as of December 31, 2017 and 2016, respectively, using the total pension liability that was determined by actuarial valuations as of December 31, 2016 and 2015, respectively, rolled forward to December 31, 2017 and 2016, respectively, using the following actuarial assumptions:

	<u>2018</u>	<u>2017</u>
Long-term inflation, wage base, and compensation limit	2.00%	2.00%
Salary increases	Table S-5 from Actuary's Pension Handbook plus 1.00%	
Investment rate of return	6.00%	7.00%

Mortality rates for the years ended 2018 and 2017 were based on the RP-2014 Mortality with Scale MP-2017 and MP-2017, respectively, – Generational Annuitant, Male and Female.

The long-term expected rate of return on pension plan investments was determined by using the actual weighted average asset allocation for the four quarterly dates from March 31, 2017 to December 31, 2017. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation are summarized in the following table as of December 31, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
U.S. equity - Large cap	36%	7.85%
U.S. equity - Mid cap	4%	8.10%
U.S. equity - Small cap	2%	8.55%
Non-U.S. equity	13%	8.10%
Real estate (direct property)	6%	5.80%
TIPS	1%	3.05%
Core bond	28%	3.75%
High yield	10%	6.70%
	<u>100%</u>	

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Discount rate. The discount rate used to measure the total pension liability at December 31, 2018 and 2017, was 6.00% and 7.00%, respectively. The Plan's fiduciary net position and benefit payments were projected to determine the discount rate. Projected fiduciary net position includes expected employer contributions, projected benefit and administrative payments, and expected investment return. Projected benefit payments are based on plan provisions and participant data as of the measurement date, and include the effects of automatic cost-of-living adjustments, projected salary changes and projected service credits. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	December 31, 2018		
	Increases (Decreases)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances, beginning of year	\$ 25,535,857	\$ 22,258,765	\$ 3,277,092
Changes for the year			
Service cost	1,117,611	-	1,117,611
Interest	1,834,455	-	1,834,455
Benefit payments	(1,281,502)	(1,281,502)	-
Differences between expected and actual experience	(434,374)	-	(434,374)
Changes in assumptions	(272,791)	-	(272,791)
Employer contributions	-	1,827,477	(1,827,477)
Net investment income	-	3,271,296	(3,271,296)
Administrative expenses	-	(134,831)	134,831
Net changes	963,399	3,682,440	(2,719,041)
Balances, end of year	\$ 26,499,256	\$ 25,941,205	\$ 558,051

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	December 31, 2017		
	Increases (Decreases)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances, beginning of year	\$ 23,959,803	\$ 20,855,459	\$ 3,104,344
Changes for the year			
Service cost	1,020,686	-	1,020,686
Interest	1,695,279	-	1,695,279
Benefit payments	(1,421,746)	(1,421,746)	-
Differences between expected and actual experience	314,061	-	314,061
Changes in assumptions	(22,423)	-	(22,423)
Changes in benefit terms	(9,803)	-	(9,803)
Employer contributions	-	1,555,740	(1,555,740)
Other contributions	-	8,354	(8,354)
Net investment income	-	1,329,355	(1,329,355)
Administrative expenses	-	(68,397)	68,397
Net changes	1,576,054	1,403,306	172,748
Balances, end of year	\$ 25,535,857	\$ 22,258,765	\$ 3,277,092

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the District, calculated using the discount rate of 6.00%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1% lower (5.00%) or 1% higher (7.00%) than the current rate as of:

	December 31, 2018		
	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
District's net pension liability	\$ 2,033,677	\$ 558,051	\$ (748,780)

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2018 and 2017

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

For the years ended December 31, 2018 and 2017, the District recognized pension expense of \$1,524,194 and \$2,050,699, respectively. At December 31, 2018 and 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	December 31, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 279,614	\$ 337,199
Changes in assumptions	59,234	227,689
Net differences between projected and actual earnings on pension plan investments	-	553,049
District's contributions subsequent to the measurement date	1,952,317	-
Total	\$ 2,291,165	\$ 1,117,937
	December 31, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 482,993	\$ -
Changes in assumptions	139,283	23,366
Net differences between projected and actual earnings on pension plan investments	1,213,503	-
District's contributions subsequent to the measurement date	1,827,477	-
Total	\$ 3,663,256	\$ 23,366

At December 31, 2018, the District reported \$1,952,317 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability at December 31, 2019.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2018 and 2017

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2019	\$ 145,711
2020	(73,405)
2021	(439,798)
2022	(411,597)
	<hr/>
	\$ (779,089)
	<hr/> <hr/>

Payable to the Pension Plan

At December 31, 2018 and 2017, the District reported a payable of \$0 and \$185,988, respectively, for the outstanding amount of contributions to the Plan required for the years ended December 31, 2018 and 2017.

Note 15: Contingencies

Litigation

In the normal course of business, the District is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the District’s self-insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding performance of contracts. The District evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2018 and 2017

Note 16: Condensed Combining Information

The following tables include condensed combining balance sheet information for the District and its component units as of December 31, 2018 and 2017:

	2018							
	Blended Component Unit				Discretely Presented Component Units			
	Aspen Valley		Aspen Valley		Midvalley		Midvalley	
	Aspen Valley Hospital	Hospital District Clinics, PLLC	Aspen Valley Hospital Foundation	Eliminations	Total	Ambulatory Surgery Center, LLC	Imaging Center, LLC	Total
Assets and Deferred								
Outflows of Resources								
Current assets	\$ 80,741,207	\$ (1,229,169)	\$ (6,532,942)	\$ -	\$ 72,979,096	\$ 709,906	\$ 445,939	\$ 1,155,845
Noncurrent cash and investments	2,551,483	-	4,120,341	-	6,671,824	-	-	-
Capital assets, net	142,993,190	262,918	-	-	143,256,108	229,898	169,816	399,714
Other assets	4,141,221	-	-	-	4,141,221	-	-	-
Total assets	230,427,101	(966,251)	(2,412,601)	-	227,048,249	939,804	615,755	1,555,559
Deferred outflows of resources	2,749,294	-	-	-	2,749,294	-	-	-
Total assets and deferred outflows of resources	\$ 233,176,395	\$ (966,251)	\$ (2,412,601)	\$ -	\$ 229,797,543	\$ 939,804	\$ 615,755	\$ 1,555,559
Liabilities, Deferred Inflows of Resources and Net Position								
Current liabilities	\$ 12,796,458	\$ 15,759	\$ -	\$ -	\$ 12,812,217	\$ 728,463	\$ 12,172	\$ 740,635
Long-term debt	49,052,356	-	-	-	49,052,356	112,803	-	112,803
Net pension liability	558,051	-	-	-	558,051	-	-	-
Total liabilities	62,406,865	15,759	-	-	62,422,624	841,266	12,172	853,438
Deferred inflows of resources	1,117,937	-	-	-	1,117,937	-	-	-
Net position	169,651,593	(982,010)	(2,412,601)	-	166,256,982	98,538	603,583	702,121
Total liabilities, deferred inflows of resources and net position	\$ 233,176,395	\$ (966,251)	\$ (2,412,601)	\$ -	\$ 229,797,543	\$ 939,804	\$ 615,755	\$ 1,555,559

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2018 and 2017

	2017							
	Blended Component Unit					Discretely Presented Component Units		
	Aspen Valley		Aspen Valley			Midvalley		Total
	Aspen Valley	Hospital	District	Aspen Valley	Hospital	Eliminations	Total	
Hospital	Clinics, PLLC	Foundation	Eliminations	Total	Ambulatory	Midvalley	Total	
	Hospital	Clinics, PLLC	Foundation	Eliminations	Total	Surgery	Imaging	Total
Center, LLC	Center, LLC							
Assets and Deferred								
Outflows of Resources								
Current assets	\$ 66,101,592	\$ -	\$ (5,299,004)	\$ -	\$ 60,802,588	\$ 652,787	\$ 341,210	\$ 993,997
Noncurrent cash and investments	3,317,446	-	4,225,154	-	7,542,600	-	-	-
Capital assets, net	154,371,660	-	-	-	154,371,660	57,354	187,233	244,587
Other assets	4,254,018	-	-	-	4,254,018	-	-	-
Total assets	228,044,716	-	(1,073,850)	-	226,970,866	710,141	528,443	1,238,584
Deferred outflows of resources	4,211,720	-	-	-	4,211,720	-	-	-
Total assets and deferred outflows of resources	\$ 232,256,436	\$ -	\$ (1,073,850)	\$ -	\$ 231,182,586	\$ 710,141	\$ 528,443	\$ 1,238,584
Liabilities, Deferred Inflows of Resources and Net Position								
Current liabilities	\$ 14,054,439	\$ -	\$ -	\$ -	\$ 14,054,439	\$ 374,054	\$ 15,154	\$ 389,208
Long-term debt	52,575,452	-	-	-	52,575,452	-	-	-
Net pension liability	3,277,092	-	-	-	3,277,092	-	-	-
Total liabilities	69,906,983	-	-	-	69,906,983	374,054	15,154	389,208
Deferred inflows of resources	23,366	-	-	-	23,366	-	-	-
Net position	162,326,087	-	(1,073,850)	-	161,252,237	336,087	513,289	849,376
Total liabilities, deferred inflows of resources and net position	\$ 232,256,436	\$ -	\$ (1,073,850)	\$ -	\$ 231,182,586	\$ 710,141	\$ 528,443	\$ 1,238,584

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2018 and 2017

The following tables include condensed combining statements of revenues, expenses and changes in net position information for the District and its component units for the years ended December 31, 2018 and 2017:

	2018							
	Blended Component Unit					Discretely Presented Component Units		
	Aspen Valley		Aspen Valley		Total	Midvalley		Total
	Aspen Valley Hospital	Hospital District Clinics, PLLC	Hospital Foundation	Hospital Eliminations		Ambulatory Surgery Center, LLC	Midvalley Imaging Center, LLC	
Operating revenues	\$ 92,729,352	\$ 560,486	\$ -	\$ (273,770)	\$ 93,016,068	\$ 1,666,484	\$ 469,481	\$ 2,135,965
Operating expenses	96,163,528	1,542,496	1,542,769	(273,770)	98,975,023	1,918,625	394,588	2,313,213
Operating income (loss)	(3,434,176)	(982,010)	(1,542,769)	-	(5,958,955)	(252,141)	74,893	(177,248)
Nonoperating revenues	5,836,386	-	1,627,478	-	7,463,864	14,592	15,401	29,993
Excess (deficiency) of revenues over expenses	2,402,210	(982,010)	84,709	-	1,504,909	(237,549)	90,294	(147,255)
Other	4,923,296	-	(1,423,460)	-	3,499,836	-	-	-
Change in net position	7,325,506	(982,010)	(1,338,751)	-	5,004,745	(237,549)	90,294	(147,255)
Net position, beginning of year	162,326,087	-	(1,073,850)	-	161,252,237	336,087	513,289	849,376
Net position, end of year	\$ 169,651,593	\$ (982,010)	\$ (2,412,601)	\$ -	\$ 166,256,982	\$ 98,538	\$ 603,583	\$ 702,121

	2017							
	Blended Component Unit					Discretely Presented Component Units		
	Aspen Valley		Aspen Valley		Total	Midvalley		Total
	Aspen Valley Hospital	Hospital District Clinics, PLLC	Hospital Foundation	Hospital Eliminations		Ambulatory Surgery Center, LLC	Midvalley Imaging Center, LLC	
Operating revenues	\$ 92,791,251	\$ -	\$ -	\$ (72,841)	\$ 92,718,410	\$ 1,416,745	\$ 481,746	\$ 1,898,491
Operating expenses	96,408,834	-	1,505,122	(72,841)	97,841,115	1,808,891	407,903	2,216,794
Operating income (loss)	(3,617,583)	-	(1,505,122)	-	(5,122,705)	(392,146)	73,843	(318,303)
Nonoperating revenues	5,920,918	-	1,786,960	-	7,707,878	1,000	12,354	13,354
Excess (deficiency) of revenues over expenses	2,303,335	-	281,838	-	2,585,173	(391,146)	86,197	(304,949)
Other	6,520,534	-	(2,646,999)	-	3,873,535	-	-	-
Change in net position	8,823,869	-	(2,365,161)	-	6,458,708	(391,146)	86,197	(304,949)
Net position, beginning of year	153,502,218	-	1,291,311	-	154,793,529	727,233	427,092	1,154,325
Net position, end of year	\$ 162,326,087	\$ -	\$ (1,073,850)	\$ -	\$ 161,252,237	\$ 336,087	\$ 513,289	\$ 849,376

Aspen Valley Hospital District

Notes to Financial Statements

December 31, 2018 and 2017

The following tables include condensed combining statements of cash flows information for the District and its component units for the years ended December 31, 2018 and 2017:

	2018							
	Blended Component Unit				Discretely Presented Component Units			
	Aspen Valley		Aspen Valley		Midvalley		Midvalley	
	Aspen Valley Hospital	Hospital District Clinics, PLLC	Hospital Foundation	Eliminations	Total	Ambulatory Surgery Center, LLC	Imaging Center, LLC	Total
Net cash provided by (used in):								
Operating activities	\$ 7,302,540	\$ 502,475	\$ (107,852)	\$ -	\$ 7,697,163	\$ (7,815)	\$ 38,666	\$ 30,851
Noncapital financing activities	4,221,488	-	1,627,478	-	5,848,966	-	-	-
Capital and related financing activities	(6,342,829)	(276,756)	3,703,085	-	(2,916,500)	(99,417)	(823)	(100,240)
Investing activities	5,175,851	-	(5,035,446)	-	140,405	14,592	15,401	29,993
Increase (decrease) in cash and cash equivalents	10,357,050	225,719	187,265	-	10,770,034	(92,640)	53,244	(39,396)
Cash and cash equivalents, beginning of year	19,643,972	-	60,565	-	19,704,537	247,141	234,541	481,682
Cash and cash equivalents, end of year	<u>\$ 30,001,022</u>	<u>\$ 225,719</u>	<u>\$ 247,830</u>	<u>\$ -</u>	<u>\$ 30,474,571</u>	<u>\$ 154,501</u>	<u>\$ 287,785</u>	<u>\$ 442,286</u>

	2017							
	Blended Component Unit				Discretely Presented Component Units			
	Aspen Valley		Aspen Valley		Midvalley		Midvalley	
	Aspen Valley Hospital	Hospital District Clinics, PLLC	Hospital Foundation	Eliminations	Total	Ambulatory Surgery Center, LLC	Imaging Center, LLC	Total
Net cash provided by (used in):								
Operating activities	\$ 7,197,165	\$ -	\$ (890)	\$ -	\$ 7,196,275	\$ (9,872)	\$ 123,936	\$ 114,064
Noncapital financing activities	4,060,240	-	1,786,960	-	5,847,200	-	-	-
Capital and related financing activities	(16,262,543)	-	3,927,667	-	(12,334,876)	(1,830)	-	(1,830)
Investing activities	(2,383,979)	-	(6,510,534)	-	(8,894,513)	1,000	12,354	13,354
Increase (decrease) in cash and cash equivalents	(7,389,117)	-	(796,797)	-	(8,185,914)	(10,702)	136,290	125,588
Cash and cash equivalents, beginning of year	27,033,089	-	857,362	-	27,890,451	257,843	98,251	356,094
Cash and cash equivalents, end of year	<u>\$ 19,643,972</u>	<u>\$ -</u>	<u>\$ 60,565</u>	<u>\$ -</u>	<u>\$ 19,704,537</u>	<u>\$ 247,141</u>	<u>\$ 234,541</u>	<u>\$ 481,682</u>

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2018 and 2017

Note 17: Future Change in Accounting Principle

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* (GASB 87) provides a new framework for accounting for leases under the principle that leases are financings. No longer will leases be classified between capital and operating. Lessees will recognize an intangible asset and a corresponding liability. The liability will be based on the payments expected to be paid over the lease term, which includes an evaluation of the likelihood of exercising renewal or termination options in the lease. Lessors will recognize a lease receivable and related deferred inflow of resources. Lessors will not derecognize the underlying asset. An exception to the general model is provided for short-term leases that cannot last more than 12 months. Contracts that contain lease and nonlease components will need to be separated so each component is accounted for accordingly. GASB 87 is effective for financial statements for fiscal years beginning after December 15, 2019. Governments will be allowed to transition using the facts and circumstances in place at the time of adoption, rather than retroactive to the time each lease was begun. The District does not believe the statement will significantly impact the financial statements.

Required Supplementary Information

Aspen Valley Hospital District
Schedule of Changes in the District's Net Pension Liability and Related Ratios
Cash Balance Retirement Plan
GASB Statement No. 67
Years Ended December 31

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability				
Service cost	\$ 1,338,539	\$ 1,117,611	\$ 1,020,686	\$ 962,923
Interest	1,638,650	1,834,455	1,695,279	1,590,521
Differences between expected and actual experience	294,722	(434,374)	314,061	50,485
Changes in assumptions	1,639	(272,791)	(22,423)	(10,786)
Changes in benefit terms	29,611	-	(9,803)	-
Benefit payments	(1,356,934)	(1,281,502)	(1,421,746)	(836,696)
Net change in total pension liability	1,946,227	963,399	1,576,054	1,756,447
Total pension liability - beginning	26,499,256	25,535,857	23,959,803	22,203,356
Total pension liability - ending (a)	<u>\$ 28,445,483</u>	<u>\$ 26,499,256</u>	<u>\$ 25,535,857</u>	<u>\$ 23,959,803</u>
Plan fiduciary net position				
Contributions - employer	\$ 1,952,317	\$ 1,827,477	\$ 1,555,740	\$ 1,365,917
Contributions - other	-	-	8,354	-
Net investment income (expense)	(1,572,858)	3,271,296	1,329,355	(156,525)
Benefit payments	(1,356,934)	(1,281,502)	(1,421,746)	(836,696)
Administrative expense	(132,271)	(134,831)	(68,397)	(6,220)
Net change in plan fiduciary net position	(1,109,746)	3,682,440	1,403,306	366,476
Plan fiduciary net position - beginning	25,941,205	22,258,765	20,855,459	20,488,983
Plan fiduciary net position - ending (b)	<u>\$ 24,831,459</u>	<u>\$ 25,941,205</u>	<u>\$ 22,258,765</u>	<u>\$ 20,855,459</u>
District's net pension liability - ending (a) - (b)	<u>\$ 3,614,024</u>	<u>\$ 558,051</u>	<u>\$ 3,277,092</u>	<u>\$ 3,104,344</u>
Plan fiduciary net position as a percentage of the total pension liability	87.29%	97.89%	87.17%	87.04%
Covered payroll	\$ 33,387,929	\$ 30,308,890	\$ 26,159,424	\$ 23,424,173
District's net pension liability as a percentage of covered payroll	10.82%	1.84%	12.53%	13.25%

Notes to Schedule:

GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25* was implemented during 2014 and therefore only 2014 through 2018 are the years in which information is available. This schedule will include ten-year trend information once available.

The covered payroll shown in this statement is the reported payroll for the measurement period.

The long-term inflation, wage base, and compensation limit used in 2018 was 2.25%, 2017 and 2016 was 2.00%, and 2015 and 2014 was 2.25%.

2014

\$ 1,013,451
1,416,739

576,188
379,430

-
(711,956)

2,673,852

19,529,504

\$ 22,203,356

\$ 1,158,533

-
1,014,456
(711,956)
(2,130)

1,458,903

19,030,080

\$ 20,488,983

\$ 1,714,373

92.28%

\$ 20,859,646

8.22%

Aspen Valley Hospital District
Schedule of the District's Contributions
Cash Balance Retirement Plan
GASB Statements No. 67 and 68
Years Ended December 31

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 1,766,329	\$ 1,878,025	\$ 1,586,110	\$ 1,260,846
Contributions in relation to the actuarially determined contribution	<u>1,952,317</u>	<u>1,827,477</u>	<u>1,555,740</u>	<u>1,365,917</u>
Contribution deficiency (excess)	<u>\$ (185,988)</u>	<u>\$ 50,548</u>	<u>\$ 30,370</u>	<u>\$ (105,071)</u>
Covered payroll	\$ 33,387,929	\$ 30,308,890	\$ 26,159,424	\$ 23,424,173
Contributions as a percentage of covered payroll	5.85%	6.03%	5.95%	5.83%

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age			
Amortization method	Level percentage of payroll			
Remaining amortization period	10 years			
Asset valuation method	Market value of assets, as of the measurement date			
Long-term inflation	2.25%	2.00%	2.00%	2.25%
Salary increases	Table S-5 from Actuary Pension Handbook plus 1%			
Investment rate of return	6.00%	6.00%	7.00%	7.00%
Retirement age	Active and inactive participants are assumed to retire at Normal Retirement Age as defined in Plan Provisions.			
Mortality Scale	RP-2014 - Generational Annuitant, Male and Female			
	MP-2018	MP-2017	MP-2016	MP-2015

2014	2013	2012	2011	2010	2009
\$ 1,158,533	\$ 1,328,791	\$ 1,522,841	\$ 1,438,808	\$ 1,480,454	\$ 1,666,196
<u>1,158,533</u>	<u>1,328,791</u>	<u>1,522,841</u>	<u>1,438,808</u>	<u>1,508,000</u>	<u>1,675,000</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (27,546)</u>	<u>\$ (8,804)</u>
\$ 20,859,646	\$ 21,581,130	\$ 20,295,889	\$ 20,262,974	\$ 19,358,574	\$ 18,360,934
5.55%	6.16%	7.50%	7.10%	7.79%	9.12%

2.25%

7.00%

MP-2014

Aspen Valley Hospital District
Schedule of Investment Returns
Cash Balance Retirement Plan
GASB Statement No. 67
Years Ended December 31

	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	-5.94%	14.45%	6.41%	-1.54%

Notes to Schedule:

GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25* was implemented during 2014 and therefore only 2014 through 2018 are the years in which information is available. This schedule will include ten-year trend information once available.

2014

5.34%

Aspen Valley Hospital District
Schedule of Changes in the District's Net Pension Liability and Related Ratios
Cash Balance Retirement Plan
GASB Statement No. 68
Years Ended December 31

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability				
Service cost	\$ 1,117,611	\$ 1,020,686	\$ 962,923	\$ 1,013,451
Interest	1,834,455	1,695,279	1,590,521	1,416,739
Differences between expected and actual experience	(434,374)	314,061	50,485	576,188
Changes of assumptions	(272,791)	(22,423)	(10,786)	379,430
Changes of benefit terms	-	(9,803)	-	-
Benefit payments	(1,281,502)	(1,421,746)	(836,696)	(711,956)
Net change in total pension liability	<u>963,399</u>	<u>1,576,054</u>	<u>1,756,447</u>	<u>2,673,852</u>
Total pension liability - beginning	<u>25,535,857</u>	<u>23,959,803</u>	<u>22,203,356</u>	<u>19,529,504</u>
Total pension liability - ending (a)	<u>\$ 26,499,256</u>	<u>\$ 25,535,857</u>	<u>\$ 23,959,803</u>	<u>\$ 22,203,356</u>
Plan fiduciary net position				
Contributions - employer	\$ 1,827,477	\$ 1,555,740	\$ 1,365,917	\$ 1,158,533
Contributions - other	-	8,354	-	-
Net investment income	3,271,296	1,329,355	(156,525)	1,014,456
Benefit payments	(1,281,502)	(1,421,746)	(836,696)	(711,956)
Administrative expense	(134,831)	(68,397)	(6,220)	(2,130)
Net change in plan fiduciary net position	<u>3,682,440</u>	<u>1,403,306</u>	<u>366,476</u>	<u>1,458,903</u>
Plan fiduciary net position - beginning	<u>22,258,765</u>	<u>20,855,459</u>	<u>20,488,983</u>	<u>19,030,080</u>
Plan fiduciary net position - ending (b)	<u>\$ 25,941,205</u>	<u>\$ 22,258,765</u>	<u>\$ 20,855,459</u>	<u>\$ 20,488,983</u>
District's net pension liability - ending (a) - (b)	<u>\$ 558,051</u>	<u>\$ 3,277,092</u>	<u>\$ 3,104,344</u>	<u>\$ 1,714,373</u>
Plan fiduciary net position as a percentage of the total pension liability	97.89%	87.17%	87.04%	92.28%
Covered payroll	\$ 30,308,890	\$ 26,159,424	\$ 23,424,173	\$ 20,859,646
District's net pension liability as a percentage of covered payroll	1.84%	12.53%	13.25%	8.22%

Notes to Schedule:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68* was implemented during 2015 and therefore only 2015 through 2018 are the years in which information is available. This schedule will include ten-year trend information once available.

The covered payroll shown in this statement is the reported payroll for the measurement period.

The long-term inflation, wage base, and compensation limit used in 2018 and 2017 was 2.00% and 2016 and 2015 was 2.25%.

Supplementary Information

Aspen Valley Hospital District
Statement of Budgeted and Actual Revenues and Expenses
Year Ended December 31, 2018

	Budgeted Amount Original	Actual	Favorable (Unfavorable) Variance
Operating Revenues			
Net patient service revenue	\$ 93,455,106	\$ 89,714,196	\$ (3,740,910)
Other	2,816,620	3,015,156	198,536
Total operating revenues	<u>96,271,726</u>	<u>92,729,352</u>	<u>(3,542,374)</u>
Operating Expenses	<u>98,885,055</u>	<u>96,163,528</u>	<u>2,721,527</u>
Operating Loss	<u>(2,613,329)</u>	<u>(3,434,176)</u>	<u>(820,847)</u>
Nonoperating Revenues (Expenses)			
Ad valorem taxes	7,961,694	7,844,446	(117,248)
Investment income	292,849	457,831	164,982
Interest expense	(2,034,715)	(2,027,257)	7,458
Community assistance programs	(483,084)	(446,107)	36,977
Noncapital contributions	28,899	97,557	68,658
Change in equity interest in joint venture	60,000	58,579	(1,421)
Change in equity interests in ASC and MIC	-	(147,253)	(147,253)
Gain on sale of capital assets	-	(1,410)	(1,410)
Total nonoperating revenues	<u>5,825,643</u>	<u>5,836,386</u>	<u>10,743</u>
Excess of Revenues Over Expenses Before Capital Contributions, Provision for Uncollectible Capital Contributions and Transfers			
Capital contributions	3,212,314	2,402,210	(810,104)
Capital contributions	-	350	350
Provision for uncollectible capital contributions	-	(112,500)	(112,500)
Transfers from related party	5,500,000	5,035,446	(464,554)
Change in Net Position	<u>\$ 8,712,314</u>	<u>\$ 7,325,506</u>	<u>\$ (1,386,808)</u>

Notes to Schedule:

Annual budgets are adopted as required by Colorado statutes. Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis that is consistent with generally accepted accounting principles.

Budgeted Amount Original and Actual columns only include the financial information for Aspen Valley Hospital District and not its blended or discretely presented component units.

Budgets are adopted by resolution in total. There were no supplemental budgets adopted during 2018.

Aspen Valley Hospital District
Combining Schedule – Balance Sheet Information
December 31, 2018

Assets and Deferred Outflows of Resources

	<u>Blended Component Units</u>				<u>Discretely Presented Component Units</u>			
	<u>Aspen Valley</u>		<u>Aspen Valley</u>		<u>Midvalley</u>		<u>Midvalley</u>	
	<u>Aspen Valley</u>	<u>Hospital</u>	<u>Hospital</u>	<u>Eliminations</u>	<u>Total</u>	<u>Ambulatory</u>	<u>Imaging</u>	<u>Total</u>
	<u>Hospital</u>	<u>Clinics, PLLC</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>	<u>Center, LLC</u>	<u>Center, LLC</u>	<u>Total</u>
Current Assets								
Cash and cash equivalents	\$ 27,449,539	\$ 225,719	\$ 205,949	\$ -	\$ 27,881,207	\$ 154,501	\$ 287,785	\$ 442,286
Short-term investments	27,075,237	-	-	-	27,075,237	-	-	-
Patient accounts receivable, net	12,124,014	357,504	-	-	12,481,518	324,992	152,840	477,832
Estimated amounts due from third-party payers	232,116	-	-	-	232,116	-	-	-
Due from (to) related party	8,728,184	(1,812,392)	(6,915,792)	-	-	-	-	-
Other receivables	1,609,602	-	176,901	-	1,786,503	-	5,314	5,314
Inventories	2,424,258	-	-	-	2,424,258	230,413	-	230,413
Prepaid expenses	1,098,257	-	-	-	1,098,257	-	-	-
Total current assets	<u>80,741,207</u>	<u>(1,229,169)</u>	<u>(6,532,942)</u>	<u>-</u>	<u>72,979,096</u>	<u>709,906</u>	<u>445,939</u>	<u>1,155,845</u>
Noncurrent Cash and Investments								
Restricted by donors for capital acquisitions	4,803	-	28,875	-	33,678	-	-	-
Restricted by donors for specific operating activities	49,247	-	13,006	-	62,253	-	-	-
Contributions receivable, net	-	-	4,078,460	-	4,078,460	-	-	-
Bond funds restricted for capital acquisitions	300,313	-	-	-	300,313	-	-	-
Held by trustee for debt service	2,197,120	-	-	-	2,197,120	-	-	-
	<u>2,551,483</u>	<u>-</u>	<u>4,120,341</u>	<u>-</u>	<u>6,671,824</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Assets, Net	<u>142,993,190</u>	<u>262,918</u>	<u>-</u>	<u>-</u>	<u>143,256,108</u>	<u>229,898</u>	<u>169,816</u>	<u>399,714</u>
Other Assets								
Equity interest in joint venture	272,516	-	-	-	272,516	-	-	-
Equity interests in ASC and MIC	3,504,309	-	-	-	3,504,309	-	-	-
Other	364,396	-	-	-	364,396	-	-	-
	<u>4,141,221</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,141,221</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>230,427,101</u>	<u>(966,251)</u>	<u>(2,412,601)</u>	<u>-</u>	<u>227,048,249</u>	<u>939,804</u>	<u>615,755</u>	<u>1,555,559</u>
Deferred Outflows of Resources								
Pensions	2,291,165	-	-	-	2,291,165	-	-	-
Unamortized loss on refunding 2007 bonds	329,827	-	-	-	329,827	-	-	-
Unamortized loss on refunding 2003 bonds	128,302	-	-	-	128,302	-	-	-
	<u>2,749,294</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,749,294</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$233,176,395</u>	<u>\$ (966,251)</u>	<u>\$ (2,412,601)</u>	<u>\$ -</u>	<u>\$229,797,543</u>	<u>\$ 939,804</u>	<u>\$ 615,755</u>	<u>\$ 1,555,559</u>

Liabilities, Deferred Inflows of Resources and Net Position

	Blended Component Units					Discretely Presented Component Units			
	Aspen Valley		Aspen Valley		Eliminations	Total	Midvalley		Total
	Aspen Valley Hospital	Hospital District Clinics, PLLC	Hospital Foundation	Hospital			Ambulatory Surgery Center, LLC	Midvalley Imaging Center, LLC	
Current Liabilities									
Current maturities of long-term debt	\$ 3,597,118	\$ -	\$ -	\$ -	\$ 3,597,118	\$ 70,069	\$ -	\$ 70,069	
Accounts payable	3,801,245	-	-	-	3,801,245	21,084	1,227	22,311	
Estimated amounts due to third-party payers	1,163,926	-	-	-	1,163,926	-	-	-	
Accrued salaries, benefits and payroll taxes	2,578,187	-	-	-	2,578,187	-	-	-	
Other accrued liabilities	1,335,345	-	-	-	1,335,345	637,310	10,945	648,255	
Refunds payable	131,788	15,759	-	-	147,547	-	-	-	
Unclaimed refunds payable	17,816	-	-	-	17,816	-	-	-	
Construction payable	171,033	-	-	-	171,033	-	-	-	
Total current liabilities	12,796,458	15,759	-	-	12,812,217	728,463	12,172	740,635	
Long-term Debt									
Bonds payable	48,508,749	-	-	-	48,508,749	-	-	-	
Capital lease obligations	543,607	-	-	-	543,607	112,803	-	112,803	
	49,052,356	-	-	-	49,052,356	112,803	-	112,803	
Net Pension Liability	558,051	-	-	-	558,051	-	-	-	
Total liabilities	62,406,865	15,759	-	-	62,422,624	841,266	12,172	853,438	
Deferred Inflows of Resources									
Pensions	1,117,937	-	-	-	1,117,937	-	-	-	
Net Position									
Net investment in capital assets	90,772,331	262,918	-	-	91,035,249	47,026	169,816	216,842	
Restricted - expendable for									
Debt service	2,197,120	-	-	-	2,197,120	-	-	-	
Capital acquisitions	4,803	-	4,107,335	-	4,112,138	-	-	-	
Specific operating activities	49,247	-	13,006	-	62,253	-	-	-	
Unrestricted	76,628,092	(1,244,928)	(6,532,942)	-	68,850,222	51,512	433,767	485,279	
Total net position	169,651,593	(982,010)	(2,412,601)	-	166,256,982	98,538	603,583	702,121	
Total liabilities, deferred inflows of resources and net position	\$233,176,395	\$ (966,251)	\$ (2,412,601)	\$ -	\$229,797,543	\$ 939,804	\$ 615,755	\$ 1,555,559	

Aspen Valley Hospital District
Combining Schedule – Revenues, Expenses and Changes
in Net Position Information
Year Ended December 31, 2018

	<u>Blended Component Units</u>				<u>Total</u>	<u>Discretely Presented Component Units</u>		
	<u>Aspen Valley</u>		<u>Aspen Valley</u>			<u>Midvalley</u>	<u>Midvalley</u>	
	<u>Aspen Valley</u>	<u>Hospital</u>	<u>Hospital</u>	<u>Eliminations</u>		<u>Ambulatory</u>	<u>Imaging</u>	<u>Total</u>
	<u>Hospital</u>	<u>Clinics, PLLC</u>	<u>Foundation</u>	<u>Eliminations</u>		<u>Center, LLC</u>	<u>Center, LLC</u>	
Operating Revenues								
Net patient service revenue	\$ 89,714,196	\$ 560,464	\$ -	\$ -	\$ 90,274,660	\$ 1,666,484	\$ 469,481	\$ 2,135,965
Other	3,015,156	22	-	(273,770)	2,741,408	-	-	-
Total operating revenues	<u>92,729,352</u>	<u>560,486</u>	<u>-</u>	<u>(273,770)</u>	<u>93,016,068</u>	<u>1,666,484</u>	<u>469,481</u>	<u>2,135,965</u>
Operating Expenses								
Salaries and wages	36,695,723	770,270	561,197	-	38,027,190	667,373	95,817	763,190
Contract labor	2,139,280	59,452	78,741	-	2,277,473	-	-	-
Supplies and other	43,750,722	698,936	902,831	(273,770)	45,078,719	1,141,507	280,531	1,422,038
Depreciation	13,577,803	13,838	-	-	13,591,641	109,745	18,240	127,985
Total operating expenses	<u>96,163,528</u>	<u>1,542,496</u>	<u>1,542,769</u>	<u>(273,770)</u>	<u>98,975,023</u>	<u>1,918,625</u>	<u>394,588</u>	<u>2,313,213</u>
Operating Income (Loss)	<u>(3,434,176)</u>	<u>(982,010)</u>	<u>(1,542,769)</u>	<u>-</u>	<u>(5,958,955)</u>	<u>(252,141)</u>	<u>74,893</u>	<u>(177,248)</u>
Nonoperating Revenues (Expenses)								
Ad valorem taxes	7,844,446	-	-	-	7,844,446	-	-	-
Investment income	457,831	-	-	-	457,831	14,592	15,401	29,993
Interest expense	(2,027,257)	-	-	-	(2,027,257)	-	-	-
Community assistance programs	(446,107)	-	-	-	(446,107)	-	-	-
Noncapital contributions	97,557	-	1,627,478	-	1,725,035	-	-	-
Change in equity interest in joint venture	58,579	-	-	-	58,579	-	-	-
Change in equity interests in ASC and MIC	(147,253)	-	-	-	(147,253)	-	-	-
Gain on sale of capital assets	(1,410)	-	-	-	(1,410)	-	-	-
Total nonoperating revenues	<u>5,836,386</u>	<u>-</u>	<u>1,627,478</u>	<u>-</u>	<u>7,463,864</u>	<u>14,592</u>	<u>15,401</u>	<u>29,993</u>
Excess (Deficiency) of Revenues Over Expenses Before Capital Contributions, Provision for Uncollectible Capital Contributions and Transfers								
Capital contributions	2,402,210	(982,010)	84,709	-	1,504,909	(237,549)	90,294	(147,255)
Provision for uncollectible capital contributions	350	-	3,707,266	-	3,707,616	-	-	-
Transfers	(112,500)	-	(95,280)	-	(207,780)	-	-	-
	<u>5,035,446</u>	<u>-</u>	<u>(5,035,446)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>7,325,506</u>	<u>(982,010)</u>	<u>(1,338,751)</u>	<u>-</u>	<u>5,004,745</u>	<u>(237,549)</u>	<u>90,294</u>	<u>(147,255)</u>
Net Position, Beginning of Year	<u>162,326,087</u>	<u>-</u>	<u>(1,073,850)</u>	<u>-</u>	<u>161,252,237</u>	<u>336,087</u>	<u>513,289</u>	<u>849,376</u>
Net Position, End of Year	<u>\$ 169,651,593</u>	<u>\$ (982,010)</u>	<u>\$ (2,412,601)</u>	<u>\$ -</u>	<u>\$ 166,256,982</u>	<u>\$ 98,538</u>	<u>\$ 603,583</u>	<u>\$ 702,121</u>

Aspen Valley Hospital District
Combining Schedule – Cash Flows Information
Year Ended December 31, 2018

	<u>Blended Component Units</u>					<u>Discretely Presented Component Units</u>		
	<u>Aspen Valley</u>					<u>Midvalley</u>		
	<u>Aspen Valley</u>	<u>Hospital</u>	<u>Aspen Valley</u>	<u>Eliminations</u>	<u>Total</u>	<u>Ambulatory</u>	<u>Midvalley</u>	<u>Total</u>
	<u>Hospital</u>	<u>District</u>	<u>Hospital</u>			<u>Surgery</u>	<u>Imaging</u>	
	<u>Center, LLC</u>	<u>Center, LLC</u>						
Operating Activities								
Receipts from and on behalf of patients	\$ 91,679,799	\$ 218,719	\$ -	\$ -	\$ 91,898,518	\$ 1,580,700	\$ 417,996	\$ 1,998,696
Payments to suppliers	(46,511,929)	(758,388)	(981,572)	-	(48,251,889)	(921,142)	(283,513)	(1,204,655)
Payments to employees	(36,866,276)	(770,270)	(561,197)	-	(38,197,743)	(667,373)	(95,817)	(763,190)
Other receipts (payments), net	(999,054)	1,812,414	1,434,917	-	2,248,277	-	-	-
Net cash provided by (used in) operating activities	<u>7,302,540</u>	<u>502,475</u>	<u>(107,852)</u>	<u>-</u>	<u>7,697,163</u>	<u>(7,815)</u>	<u>38,666</u>	<u>30,851</u>
Noncapital Financing Activities								
Ad valorem taxes	4,570,038	-	-	-	4,570,038	-	-	-
Community assistance programs	(446,107)	-	-	-	(446,107)	-	-	-
Noncapital contributions	97,557	-	1,627,478	-	1,725,035	-	-	-
Net cash provided by noncapital financing activities	<u>4,221,488</u>	<u>-</u>	<u>1,627,478</u>	<u>-</u>	<u>5,848,966</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital and Related Financing Activities								
Ad valorem taxes	3,244,667	-	-	-	3,244,667	-	-	-
Purchases of capital assets	(4,205,036)	(276,756)	-	-	(4,481,792)	(18,857)	(823)	(19,680)
Proceeds from sale of capital assets	3,200	-	-	-	3,200	-	-	-
Principal payments on long-term debt	(3,424,684)	-	-	-	(3,424,684)	(80,560)	-	(80,560)
Interest payments on long-term debt	(2,011,326)	-	-	-	(2,011,326)	-	-	-
Capital contributions	50,350	-	3,703,085	-	3,753,435	-	-	-
Net cash provided by (used in) capital and related financing activities	<u>(6,342,829)</u>	<u>(276,756)</u>	<u>3,703,085</u>	<u>-</u>	<u>(2,916,500)</u>	<u>(99,417)</u>	<u>(823)</u>	<u>(100,240)</u>
Investing Activities								
Purchase of investments	(352,153)	-	-	-	(352,153)	-	-	-
Proceeds from sale of investments	404	-	-	-	404	-	-	-
Investment income	492,154	-	-	-	492,154	14,592	15,401	29,993
Transfer of equity	5,035,446	-	(5,035,446)	-	-	-	-	-
Net cash provided by (used in) investing activities	<u>5,175,851</u>	<u>-</u>	<u>(5,035,446)</u>	<u>-</u>	<u>140,405</u>	<u>14,592</u>	<u>15,401</u>	<u>29,993</u>
Increase (Decrease) in Cash and Cash Equivalents								
	10,357,050	225,719	187,265	-	10,770,034	(92,640)	53,244	(39,396)
Cash and Cash Equivalents, Beginning of Year								
	19,643,972	-	60,565	-	19,704,537	247,141	234,541	481,682
Cash and Cash Equivalents, End of Year								
	<u>\$ 30,001,022</u>	<u>\$ 225,719</u>	<u>\$ 247,830</u>	<u>\$ -</u>	<u>\$ 30,474,571</u>	<u>\$ 154,501</u>	<u>\$ 287,785</u>	<u>\$ 442,286</u>

Aspen Valley Hospital District
Combining Statement – Cash Flows Information (Continued)
Year Ended December 31, 2018

	<u>Blended Component Unit</u>				Total	<u>Discretely Presented Component Units</u>		
	<u>Aspen Valley</u>		<u>Aspen Valley</u>			<u>Midvalley</u>	<u>Midvalley</u>	
	<u>Aspen Valley</u>	<u>Hospital</u>	<u>Hospital</u>	<u>Eliminations</u>		<u>Ambulatory</u>	<u>Imaging</u>	<u>Total</u>
	<u>Hospital</u>	<u>Clinics, PLLC</u>	<u>Foundation</u>	<u>Eliminations</u>		<u>Center, LLC</u>	<u>Center, LLC</u>	
Reconciliation of Cash and Cash Equivalents to the Balance Sheets								
Cash and cash equivalents	\$ 27,449,539	\$ 225,719	\$ 205,949	\$ -	\$ 27,881,207	\$ 154,501	\$ 287,785	\$ 442,286
Restricted by donors for capital acquisitions	4,803	-	28,875	-	33,678	-	-	-
Restricted by donors for specific operating activities	49,247	-	13,006	-	62,253	-	-	-
Bond funds restricted for capital acquisitions	300,313	-	-	-	300,313	-	-	-
Held by trustee for debt service	2,197,120	-	-	-	2,197,120	-	-	-
Total cash and cash equivalents	<u>\$ 30,001,022</u>	<u>\$ 225,719</u>	<u>\$ 247,830</u>	<u>\$ -</u>	<u>\$ 30,474,571</u>	<u>\$ 154,501</u>	<u>\$ 287,785</u>	<u>\$ 442,286</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities								
Operating income (loss)	\$ (3,434,176)	\$ (982,010)	\$ (1,542,769)	\$ -	\$ (5,958,955)	\$ (252,141)	\$ 74,893	\$ (177,248)
Depreciation	13,577,803	13,838	-	-	13,591,641	109,745	18,240	127,985
Provision for uncollectible account	2,685,212	45,179	-	-	2,730,391	-	-	-
Change in operating assets and liabilities								
Patient accounts receivable	(4,011,066)	(402,683)	-	-	(4,413,749)	(85,784)	(51,485)	(137,269)
Other receivables	(608,702)	-	(147,999)	-	(756,701)	-	-	-
Inventories	(130,779)	-	-	-	(130,779)	(63,975)	-	(63,975)
Prepaid expenses	(126,597)	-	-	-	(126,597)	-	-	-
Other assets	(3,405,508)	1,812,392	1,582,916	-	(10,200)	-	-	-
Accounts payable	(191,771)	-	-	-	(191,771)	22,424	(541)	21,883
Accrued salaries, benefits and payroll taxes	81,826	-	-	-	81,826	-	-	-
Other accrued liabilities	(172,780)	-	-	-	(172,780)	261,916	(2,441)	259,475
Refunds payable	(64,080)	15,759	-	-	(48,321)	-	-	-
Unclaimed refunds payable	(9,888)	-	-	-	(9,888)	-	-	-
Estimated amounts due from and to third-party payers	3,365,425	-	-	-	3,365,425	-	-	-
Net pension liability	(252,379)	-	-	-	(252,379)	-	-	-
Net cash provided by (used in) operating activities	<u>\$ 7,302,540</u>	<u>\$ 502,475</u>	<u>\$ (107,852)</u>	<u>\$ -</u>	<u>\$ 7,697,163</u>	<u>\$ (7,815)</u>	<u>\$ 38,666</u>	<u>\$ 30,851</u>
Noncash Investing, Capital and Financing Activities								
Capital lease obligations for equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 263,432	\$ -	\$ 263,432
Capital asset acquisitions included in current liabilities	\$ 171,033	\$ -	\$ -	\$ -	\$ 171,033	\$ -	\$ -	\$ -
Amortization of loss on refunding	\$ 90,335	\$ -	\$ -	\$ -	\$ 90,335	\$ -	\$ -	\$ -
Amortization of bond premiums	\$ 74,404	\$ -	\$ -	\$ -	\$ 74,404	\$ -	\$ -	\$ -
Change in equity interests	\$ (88,674)	\$ -	\$ -	\$ -	\$ (88,674)	\$ -	\$ -	\$ -