

Aspen Valley Hospital District

Independent Auditor's Report and Financial Statements

December 31, 2020 and 2019

Aspen Valley Hospital District
December 31, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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

Aspen Valley Hospital District

Management's Discussion and Analysis

Years Ended December 31, 2020 and 2019

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, 2020 and 2019.

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 2020 and 2019 by \$32,762,497 and \$5,278,579, or 54% and 10%, respectively.
- The District's net position decreased in 2020 by \$852,199 or 0.5% and in 2019 by \$465,260 or 0.3%.
- The District reported operating losses in both 2020 and 2019 of \$14,960,974 and \$11,778,555, respectively. The operating loss in 2020 increased by \$3,182,419 or 27% over the operating loss reported in 2019. The operating loss in 2019 increased by \$5,819,600 or 98% from the operating loss reported in 2018.
- Net nonoperating revenues increased by \$3,509,244 or 44% in 2020 and by \$573,462 or 8% in 2019.

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, 2020 and 2019.
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, 2020 and 2019.
3. **Statements of Cash Flows:** outlines the cash inflows and outflows related to the activity of providing health care services for the years ended December 31, 2020 and 2019.
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 and deferred outflows of resources at the end of 2020 were \$255,036,425 compared to \$232,831,081 for 2019 and \$229,797,543 for 2018. The District's net position decreased in 2020 and 2019 and increased in 2018.

	2020	2019	2018
Assets			
Cash, cash equivalents and investments	\$ 92,997,520	\$ 60,235,023	\$ 54,956,444
Patient accounts receivable, net	13,492,998	12,532,759	12,481,518
Other current assets	6,399,293	6,055,315	5,541,134
Capital assets, net	127,594,413	137,445,836	143,256,108
Contributions receivables	3,648,029	3,905,087	4,078,460
Assets restricted for capital acquisition	1,678,767	331,589	333,991
Other noncurrent assets	4,704,430	6,557,199	6,400,594
Net pension asset	201,692	-	-
	<u>250,717,142</u>	<u>227,062,808</u>	<u>227,048,249</u>
Deferred Outflows of Resources	<u>4,319,283</u>	<u>5,768,273</u>	<u>2,749,294</u>
Total assets and deferred outflows of resources	<u>\$ 255,036,425</u>	<u>\$ 232,831,081</u>	<u>\$ 229,797,543</u>
Liabilities			
Bonds payable and capital leases	\$ 49,645,696	\$ 45,404,369	\$ 49,052,356
Net pension liability	-	3,614,024	558,051
Other current and noncurrent liabilities	36,775,459	16,609,999	12,812,217
	<u>86,421,155</u>	<u>65,628,392</u>	<u>62,422,624</u>
Deferred Inflows of Resources	<u>3,675,747</u>	<u>1,410,967</u>	<u>1,117,937</u>
Net Position			
Net investment in capital assets	82,011,173	88,634,058	91,035,249
Restricted expendable	7,319,413	6,268,154	6,371,511
Unrestricted	75,608,937	70,889,510	68,850,222
	<u>164,939,523</u>	<u>165,791,722</u>	<u>166,256,982</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 255,036,425</u>	<u>\$ 232,831,081</u>	<u>\$ 229,797,543</u>

Capital Asset and Debt Administration

Capital Assets

At the end of 2020, the District had \$229,680,571 invested in capital assets, gross of total accumulated depreciation of \$102,086,158, as detailed in *Note 4* to the financial statements. In 2020, the Hospital purchased new equipment costing \$2,919,423. In 2019, the District had \$230,202,654 invested in capital assets, gross of total accumulated depreciation of \$92,756,818. During that same year, the District acquired new equipment in the amount of \$6,971,843. In 2018, the District had \$226,014,751 invested in capital assets and gross of total accumulated depreciation of \$82,758,643 after acquiring a total of \$2,480,699 in new assets.

Outstanding Debt Securities

On September 2, 2020, the District refunded its Taxable General Obligation Direct Pay Build America Bonds – Series 2010B in the amount of \$31,180,000, through the issuance of its General Obligation Refunding Bonds, Series 2020 in the amount of \$26,125,000. As discussed below, on November 2, 2010, the electors of the District approved increased ad valorem property taxes to pay debt service on these bonds as they constitute general obligations of the District. The proceeds from the bonds were used to refund the Taxable General Obligation Direct Pay Build America Bonds – Series 2010B and to pay expenses related to the issuance of the bonds.

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 do 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 cafeteria sales, Aspen Ambulance District fees for the management of their operations, rents at the assisted living facility, Whitcomb Terrace and employee housing units. Nonoperating revenues are comprised of ad valorem taxes, investment income, noncapital contributions, gains on sale of capital assets, provider relief funds (*CARES Act*) and other COVID-19 funds. 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, change in equity interests, losses on the sale of capital assets and forgiveness of related party debt.

	2020	2019	2018
Operating Revenues			
Net patient service revenue	\$ 92,814,345	\$ 91,668,876	\$ 90,274,660
Other	2,840,330	2,837,096	2,741,408
Total operating revenues	<u>95,654,675</u>	<u>94,505,972</u>	<u>93,016,068</u>
Operating Expenses			
Salaries and wages	42,329,038	39,521,380	38,027,190
Contract labor	3,140,873	3,526,869	2,277,473
Supplies and other	52,569,042	50,468,870	45,078,719
Depreciation	12,576,696	12,767,408	13,591,641
Total operating expenses	<u>110,615,649</u>	<u>106,284,527</u>	<u>98,975,023</u>
Operating Loss	<u>(14,960,974)</u>	<u>(11,778,555)</u>	<u>(5,958,955)</u>
Nonoperating Revenues (Expenses)			
Ad valorem taxes	8,535,221	7,969,302	7,844,446
Investment income	435,986	831,640	457,831
Interest expense	(1,516,768)	(1,926,626)	(2,027,257)
Community assistance programs	(484,752)	(694,877)	(446,107)
Noncapital contributions	2,938,007	1,698,868	1,725,035
Change in equity interests	(1,998,988)	170,426	(88,674)
Gain (loss) on sale of capital assets	91,760	(11,407)	(1,410)
Provider Relief Funds (<i>CARES Act</i>) and other COVID-19 funding	4,337,014	-	-
Debt issuance costs	(237,663)	-	-
Forgiveness of related party debt	(553,247)	-	-
Total nonoperating revenues	<u>11,546,570</u>	<u>8,037,326</u>	<u>7,463,864</u>
Excess of Revenues Over Expenses Before Capital Contributions and Provision (Credit) for Uncollectible Capital Contributions			
	(3,414,404)	(3,741,229)	1,504,909
Capital contributions	2,487,581	3,680,467	3,707,616
Provision (credit) for uncollectible capital contributions	<u>74,624</u>	<u>(404,498)</u>	<u>(207,780)</u>
Change in Net Position	(852,199)	(465,260)	5,004,745
Net Position, Beginning of Year	<u>165,791,722</u>	<u>166,256,982</u>	<u>161,252,237</u>
Net Position, End of Year	<u>\$ 164,939,523</u>	<u>\$ 165,791,722</u>	<u>\$ 166,256,982</u>

Patient Service Revenues and Nonoperating Revenues

The District's net patient service revenues in 2020 reflect a modest increase in net patient revenue from the prior year, compared to the much higher budgeted expectations, due to the cancellation and postponement of elective and non-emergent surgeries, diagnostic procedures, and medical services in response to the coronavirus pandemic, during the months of March and April, and the ensuing diminished hospital volumes over the remainder of the year associated with the reduced tourism in the community. Net patient revenues were impacted favorably by a 4% price increase, increases due to clinic revenues from the first full year of both the new primary care clinic and the new electrophysiology program which were both opened in July 2019, and the expanded hours of both After-Hours Clinic and the Snowmass Clinic. These clinics generated net revenues of \$3,783,843 during 2020 and \$3,678,635 during 2019.

The District's outpatient service revenues continue to exceed the inpatient service revenues, with 84% of the District's 2020 patient service revenue generated by outpatient services, compared to 82% in 2019 and 79% in 2018. 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, 55% during 2020, 54% during 2019 and 53% during 2018. In addition, the District derived 32% of gross revenues from Medicare in 2020, 2019 and 2018. 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 the receipt of Provider Relief Funds through both the *CARES Act* and other sources along with changes in equity interests and investment income related to the disposition of the Midvalley Surgery Center and the larger joint-venture in partnership with The Steadman Clinic.

Operating and Nonoperating Expenses

In 2020, operating expenses increased \$4,331,122 due to this year being the first full year of operations of the expanded clinic offerings such as the new primary care clinic, electrophysiology program under the cardiology clinic, increased operating hours of the After-Hours Clinic and the seasonal Snowmass Clinic, all of which were implemented during 2019. Additionally, the District altered its operations in order to respond to the coronavirus pandemic by opening a Respiratory Evaluation Center to safely treat patients with COVID-19 symptoms, and perform testing, as well as the establishment of a central screening function at the entrance to the building, the creation of a robust tele-health program, and remodeling of areas of the hospital to create negative pressure conditions in order to attend to suspected COVID-19 patients while minimizing potential air-borne transmission to other areas. The costs of testing for COVID-19 presented a significant increase in supplies and other during 2020. In 2019, operating expenses increased \$7,309,504 as a result of the before mentioned clinic expansions implemented during the year. In 2018, operating expenses increased by \$1,133,908 resulting primarily from an increase in depreciation due to the completion of the third phase of the Master Facilities Plan.

During 2020, nonoperating expenses increased as a result of the closure of the Midvalley Ambulatory Surgery Center that took place on October 1, 2020, resulting in the recognition of an equity loss along with the forgiveness of their debt. Over the past 3 years, nonoperating expenses also increased due to increased subsidies to numerous community assistance programs.

Provision for Uncollectible Accounts & Charity Care

The collection of 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 2020, the District reported a provision for uncollectible accounts of \$3,072,198, compared to \$3,769,469 for 2019 and \$2,730,391 for 2018. The District's low write-off percentage from gross revenues of 2.3% for 2020 and 2.7% for 2019 and 2.1% for 2018 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 2020 were \$1,585,052 or 1.2% of gross patient service revenues, compared to \$2,033,690 or 1.5% of gross patient service revenue during 2019 and \$1,937,590 or 1.5% of gross patient service revenue for 2018. The early closure of the skiing mountains in March along with the cancellation of elective and non-emergent medical procedures due to the coronavirus pandemic played a key role in the decrease of indigent care visits.

The District's Change in Net Position

The District's change in net position decreased in 2020 by \$852,199 or 0.5% over the prior year. In 2019 it decreased by \$465,260 or 0.3% over 2018 and it increased by \$5,004,745 or 3% in 2018.

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 2020, 2019 and 2018, 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 2021 and 2020 budgets during the last quarter of the 2020 and 2019 calendar years, respectively. There were no amendments made to the original budgets presented to the State of Colorado for the calendar years 2021 and 2020.

During 2020, net patient service revenue was \$7,081,228 (7.1%) lower than budget, while operating expenses were \$6,121,948 (5.3%) lower than budget. This significant drop in actual revenues compared to budget was driven by the early closure of the skiing mountains along with cessation of elective and non-emergent surgeries and medical procedures during the months of March and April. The District resumed operations in the month of May, but due to the previously mentioned closures, the District was not able to recover all lost revenues. In 2019, net patient service revenue was \$1,333,699 (1.4%) lower than budget, while operating expenses were \$1,056,609 (1%) higher than budget.

Please see page 55 for the statement of budgeted and actual revenues and expenses for the year ended December 31, 2020.

Economic Factors and Next Year's Budget

Although during 2020 the District experienced a closure of all elective and non-urgent surgeries and medical services due to the coronavirus pandemic, for much of March and April, its payer mix remained stable as compared to prior years. In 2020, commercial insurance represented 55% of gross patient revenues compared to 52.9% in 2019 and 53.4% in 2018. Medicare revenues were 32% of gross patient revenues in 2020, 2019 and 2018. Revenues related to indigent care have remained stable over the past 3 years representing 1.2% of gross patient revenues in 2020 and 1.5% of gross patient revenues in both 2019 and 2018. 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 still covered under Medicaid. The Medicaid revenues as a percentage of gross patient service revenues for 2020 totaled 6.7% compared to 2019 at 7.1%, which remained fairly steady compared to 2018. During 2020, the District experienced a 4.1% increase in operating expenses resulting from the additional expenses incurred in order to respond to the effects of the coronavirus pandemic and further prevent its spread. Additionally, during the summer of 2019, the District added a new primary care clinic, expanded its services in the ophthalmology, cardiology and otorhinolaryngology clinics and it also extended hours of the After-Hours Clinic and seasonal Snowmass Clinic. During 2019, the District saw an increase in operating expenses of 7.4%, driven primarily by the before mentioned service expansions that took place during the month of July 2019.

In an effort to continue to expand access to quality health care services for the entire community, especially in response to the coronavirus pandemic, the District implemented telemedicine visits in order to safely maintain care continuity for patients. Additionally, the District maintained its expanded clinic offerings implemented in 2019 while continuing to extend price concessions to local self-funded employers and commercial payers with products available to local insureds. Lastly, the District continued to see an increase in utilization of its Direct Access Program for physical therapy services which negates the need for physician referrals.

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 51 days.

Four of the five largest self-insured employers in Aspen, Colorado, joined together in 2012 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 health management while improving the access to quality health care. During 2020, this alliance was successful in partnering with two insurance companies to create lower premium insurance plan offerings in the Roaring Fork Valley for individual members through the exchange and small group employers, therefore extending its mission to lower the costs of healthcare in our community.

In constructing the District's 2021 budget, management made the decision to project the coming year based on the District's experience in 2019. Additionally, it took into account the remaining effects of the coronavirus pandemic during the ski season. In addition, it considered the local and national economy, the anticipated changes in volumes in both outpatient and inpatient populations, anticipated reductions in reimbursement from current legislation such as the Reinsurance and Surprise Billing and lastly, the philanthropic efforts of Aspen Valley Hospital Foundation. This resulted in gross patient service revenues for 2021 being budgeted to increase by approximately 13% over 2020, generating an anticipated net loss after contributions for 2021 of \$1.1 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 185 days of cash on hand at the end of 2021 (with a starting position of 254 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, 2020 and 2019

Assets and Deferred Outflows of Resources

	2020		2019	
	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units
Current Assets				
Cash and cash equivalents	\$ 77,175,560	\$ 641,555	\$ 34,556,795	\$ 820,859
Short-term investments	15,821,960	-	25,678,228	-
Patient accounts receivable, net	13,492,998	43,676	12,532,759	522,194
Estimated amounts due from third-party payers	1,022,491	-	232,116	-
Other receivables	1,079,958	5,000	1,821,246	10,303
Inventories	2,682,118	-	2,771,344	165,771
Prepaid expenses	1,614,726	-	1,230,609	-
Total current assets	<u>112,889,811</u>	<u>690,231</u>	<u>78,823,097</u>	<u>1,519,127</u>
Noncurrent Cash and Investments				
Restricted by donors for capital acquisitions	1,378,347	-	31,206	-
Restricted by donors for specific operating activities	79,397	-	118,431	-
Contributions receivable, net	3,648,029	-	3,905,087	-
Bond funds restricted for capital acquisitions	300,420	-	300,383	-
Held by trustee for debt service	2,213,640	-	2,213,430	-
	<u>7,619,833</u>	<u>-</u>	<u>6,568,537</u>	<u>-</u>
Capital Assets, Net	<u>127,594,413</u>	<u>133,853</u>	<u>137,445,836</u>	<u>314,344</u>
Other Assets				
Equity interests in joint ventures	409,894	-	244,916	-
Equity interests in ASC and MIC	1,565,668	-	3,624,735	-
Net pension asset	201,692	-	-	-
Other	435,831	-	355,687	-
	<u>2,613,085</u>	<u>-</u>	<u>4,225,338</u>	<u>-</u>
Total assets	<u>250,717,142</u>	<u>824,084</u>	<u>227,062,808</u>	<u>1,833,471</u>
Deferred Outflows of Resources				
Pensions	3,768,109	-	5,392,428	-
Unamortized loss on refunding's of prior bond issuances	551,174	-	375,845	-
	<u>4,319,283</u>	<u>-</u>	<u>5,768,273</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 255,036,425</u>	<u>\$ 824,084</u>	<u>\$ 232,831,081</u>	<u>\$ 1,833,471</u>

See Notes to Financial Statements

Liabilities, Deferred Inflows of Resources and Net Position

	2020		2019	
	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units
Current Liabilities				
Current maturities of long-term debt	\$ 4,628,379	\$ -	\$ 3,666,946	\$ 70,838
Accounts payable	3,873,568	-	4,606,629	11,577
Accrued salaries, benefits and payroll taxes	3,189,311	-	2,935,929	-
Other accrued liabilities	3,479,860	33,983	1,522,321	860,887
Construction payable	410,559	-	416,691	-
Estimated amounts due to third-party payers	5,367,046	-	3,369,816	-
Advance from Medicare	3,670,150	-	-	-
Unearned revenue	2,831,602	-	-	-
Total current liabilities	27,450,475	33,983	16,518,332	943,302
Long-term Debt				
Note payable	7,797,739	-	-	-
Bonds payable	41,693,261	-	45,082,738	-
Capital lease obligations	154,696	-	321,631	67,618
	49,645,696	-	45,404,369	67,618
Long-term Liabilities				
Contributions payable	41,667	-	91,667	-
Advance from Medicare	9,283,317	-	-	-
Net pension liability	-	-	3,614,024	-
	9,324,984	-	3,705,691	-
Total liabilities	86,421,155	33,983	65,628,392	1,010,920
Deferred Inflows of Resources				
Pensions	3,675,747	-	1,410,967	-
Net Position				
Net investment in capital assets	82,011,173	133,853	88,634,058	175,888
Restricted - expendable for				
Debt service	2,213,640	-	2,213,430	-
Capital acquisitions	5,026,376	-	3,936,293	-
Specific operating activities	79,397	-	118,431	-
Unrestricted	75,608,937	656,248	70,889,510	646,663
Total net position	164,939,523	790,101	165,791,722	822,551
Total liabilities, deferred inflows of resources and net position	\$ 255,036,425	\$ 824,084	\$ 232,831,081	\$ 1,833,471

Aspen Valley Hospital District
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2020 and 2019

	2020		2019	
	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units
Operating Revenues				
Net patient service revenue	\$ 92,814,345	\$ 1,638,298	\$ 91,668,876	\$ 2,789,428
Other	2,840,330	-	2,837,096	-
Total operating revenues	<u>95,654,675</u>	<u>1,638,298</u>	<u>94,505,972</u>	<u>2,789,428</u>
Operating Expenses				
Salaries and wages	42,329,038	592,664	39,521,380	779,051
Contract labor	3,140,873	-	3,526,869	-
Supplies and other	52,569,042	1,464,222	50,468,870	1,777,395
Depreciation	12,576,696	105,388	12,767,408	113,562
Total operating expenses	<u>110,615,649</u>	<u>2,162,274</u>	<u>106,284,527</u>	<u>2,670,008</u>
Operating Income (Loss)	<u>(14,960,974)</u>	<u>(523,976)</u>	<u>(11,778,555)</u>	<u>119,420</u>
Nonoperating Revenues (Expenses)				
Ad valorem taxes	8,535,221	-	7,969,302	-
Investment income	435,986	30,530	831,640	1,010
Interest expense	(1,516,768)	-	(1,926,626)	-
Community assistance programs	(484,752)	-	(694,877)	-
Noncapital contributions	2,938,007	-	1,698,868	-
Change in equity interest in joint venture	60,079	-	50,000	-
Change in equity interests in ASC and MIC	(2,059,067)	-	120,426	-
Gain (loss) on sale of capital assets	91,760	(92,251)	(11,407)	-
Provider Relief Funds (<i>CARES Act</i>) and other COVID-19 funding	4,337,014	-	-	-
Debt issuance costs	(237,663)	-	-	-
Forgiveness of related party debt	(553,247)	553,247	-	-
Total nonoperating revenues	<u>11,546,570</u>	<u>491,526</u>	<u>8,037,326</u>	<u>1,010</u>
Excess (Deficiency) of Revenues Over Expenses Before Capital Contributions and Provision (Credit) for Uncollectible Capital Contributions				
Capital contributions	(3,414,404)	(32,450)	(3,741,229)	120,430
Provision (credit) for uncollectible capital contributions	2,487,581	-	3,680,467	-
	<u>74,624</u>	<u>-</u>	<u>(404,498)</u>	<u>-</u>
Change in Net Position	(852,199)	(32,450)	(465,260)	120,430
Net Position, Beginning of Year	<u>165,791,722</u>	<u>822,551</u>	<u>166,256,982</u>	<u>702,121</u>
Net Position, End of Year	<u>\$ 164,939,523</u>	<u>\$ 790,101</u>	<u>\$ 165,791,722</u>	<u>\$ 822,551</u>

Aspen Valley Hospital District
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020		2019	
	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units
Cash Flows From Operating Activities				
Receipts from and on behalf of patients	\$ 106,012,781	\$ 2,116,816	\$ 93,894,476	\$ 2,745,066
Payments to suppliers	(55,435,160)	(1,583,685)	(54,289,381)	(1,510,855)
Payments to employees	(42,002,273)	(592,664)	(38,915,898)	(779,051)
Other receipts (payments), net	6,444,425	5,303	3,388,499	(4,989)
Net cash provided by (used in) operating activities	<u>15,019,773</u>	<u>(54,230)</u>	<u>4,077,696</u>	<u>450,171</u>
Cash Flows From Noncapital Financing Activities				
Ad valorem taxes	4,911,482	-	4,574,853	-
Community assistance programs	(540,669)	-	(640,274)	-
Noncapital contributions	2,938,007	-	1,698,868	-
Provider Relief Funds (<i>CARES Act</i>) and other COVID-19 funding	4,337,014	-	-	-
Net cash provided by noncapital financing activities	<u>11,645,834</u>	<u>-</u>	<u>5,633,447</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities				
Ad valorem taxes	3,621,539	-	3,424,326	-
Purchases of capital assets	(2,836,041)	(5,843)	(6,726,185)	(1,353)
Proceeds from sale of capital assets	285,910	-	3,300	-
Proceeds from issuance of long-term debt	8,249,800	-	-	-
Proceeds from refunding of long-term debt	32,292,614	-	-	-
Refunding of Series 2010 bonds	(31,180,000)	-	-	-
Debt issuance costs	(237,663)	-	-	-
Principal payments on long-term debt	(3,743,889)	(149,761)	(3,505,400)	(71,255)
Interest payments on long-term debt	(2,197,376)	-	(1,917,101)	-
Capital contributions	2,819,263	-	3,449,342	-
Net cash provided by (used in) capital and related financing activities	<u>7,074,157</u>	<u>(155,604)</u>	<u>(5,271,718)</u>	<u>(72,608)</u>
Cash Flows From Investing Activities				
Proceeds from sale of investments	9,856,268	-	1,397,009	-
Investment income	486,242	30,530	909,240	1,010
Purchase of equity interest in joint venture	(155,155)	-	-	-
Net cash provided by investing activities	<u>10,187,355</u>	<u>30,530</u>	<u>2,306,249</u>	<u>1,010</u>
Increase (Decrease) Cash and Cash Equivalents	43,927,119	(179,304)	6,745,674	378,573
Cash and Cash Equivalents, Beginning of Year	<u>37,220,245</u>	<u>820,859</u>	<u>30,474,571</u>	<u>442,286</u>
Cash and Cash Equivalents, End of Year	<u>\$ 81,147,364</u>	<u>\$ 641,555</u>	<u>\$ 37,220,245</u>	<u>\$ 820,859</u>

Aspen Valley Hospital District
Statements of Cash Flows (Continued)
Years Ended December 31, 2020 and 2019

	2020		2019	
	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units
Reconciliation of Cash and Cash Equivalents to the Balance Sheets				
Cash and cash equivalents	\$ 77,175,560	\$ 641,555	\$ 34,556,795	\$ 820,859
Restricted by donors for capital acquisitions	1,378,347	-	31,206	-
Restricted by donors for specific operating	79,397	-	118,431	-
Bond funds restricted for capital acquisitions	300,420	-	300,383	-
Held by trustee for debt service	2,213,640	-	2,213,430	-
Total cash and cash equivalents	<u>\$ 81,147,364</u>	<u>\$ 641,555</u>	<u>\$ 37,220,245</u>	<u>\$ 820,859</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	\$ (14,960,974)	\$ (523,976)	\$ (11,778,555)	\$ 119,420
Depreciation	12,576,696	105,388	12,767,408	113,562
Provision for uncollectible accounts	3,072,198	-	3,769,469	-
Change in operating assets and liabilities				
Patient accounts receivable	(4,032,437)	478,518	(3,820,710)	(44,362)
Other receivables	743,488	5,303	(64,620)	(4,989)
Inventories	89,226	165,771	(347,086)	64,642
Prepaid expenses	(384,117)	-	(174,019)	-
Other assets	(633,391)	-	8,709	-
Accounts payable	(727,144)	(11,577)	792,448	(10,734)
Accrued salaries, benefits and payroll taxes	253,382	-	357,742	-
Other accrued liabilities	1,957,539	(273,657)	113,280	212,632
Estimated amounts due from and to third-party payers	14,160,322	-	2,205,890	-
Unearned revenue	2,831,602	-	-	-
Net pension asset/liability	73,383	-	247,740	-
Net cash provided by (used in) operating activities	<u>\$ 15,019,773</u>	<u>\$ (54,230)</u>	<u>\$ 4,077,696</u>	<u>\$ 450,171</u>
Noncash Investing, Capital and Financing Activities				
Capital lease obligations for equipment	\$ 10,342	\$ 90,477	\$ -	\$ 26,839
Capital lease obligations assumed by Aspen Valley Hospital	\$ 79,172	\$ (79,172)	\$ -	\$ -
Capital asset acquisitions included in current liabilities	\$ 410,559	\$ -	\$ 416,691	\$ -
Amortization of loss on refunding	\$ 85,538	\$ -	\$ 82,284	\$ -
Amortization of bond premiums	\$ 505,279	\$ -	\$ 72,759	\$ -
Change in equity interests	\$ (1,998,988)	\$ -	\$ 170,426	\$ -

Aspen Valley Hospital District
Statements of Fiduciary Net Position
December 31, 2020 and 2019

	2020	2019
Assets		
Investments		
Large U.S. equity	\$ 10,434,458	\$ 9,103,959
Small/Mid U.S. equity	1,767,234	1,620,949
International equity	6,208,739	5,847,022
Balanced/Asset allocation	-	611,480
Fixed income	13,468,622	11,477,070
Other	1,828,827	1,782,184
Total investments	33,707,880	30,442,664
Total assets	33,707,880	30,442,664
Net Position Restricted for Pensions	\$ 33,707,880	\$ 30,442,664

Aspen Valley Hospital District
Statements of Changes in Fiduciary Net Position
Years Ended December 31, 2020 and 2019

	2020	2019
Additions		
Contributions:		
Employer	\$ 1,651,833	\$ 2,148,306
Total contributions	1,651,833	2,148,306
Investment income:		
Net increase in fair value of investments	3,525,962	4,696,800
Less investment expense	(16,136)	(15,298)
Net income from investments	3,509,826	4,681,502
Total additions	5,161,659	6,829,808
Deductions		
Benefit payments	1,764,387	1,086,492
Administrative expense	132,056	132,111
Total deductions	1,896,443	1,218,603
Net increase in net position	3,265,216	5,611,205
Net Position Restricted for Pensions		
Beginning of year	30,442,664	24,831,459
End of year	\$ 33,707,880	\$ 30,442,664

Aspen Valley Hospital District

Notes to Financial Statements

December 31, 2020 and 2019

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

Nature of Operations and Reporting Entity

Aspen Valley Hospital District (District), a political subdivision of the State of Colorado, operates the Aspen Valley Hospital (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 (ACMC), is a legally separate component unit of the District. ACMC is a wholly-owned subsidiary of the District and the District is the sole member of ACMC. As a wholly-owned subsidiary of the District, the governance of ACMC is vested in the District's Board of Directors. ACMC is organized and operated exclusively for providing medical care to patients. The exclusive purposes and objectives of ACMC 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 ACMC inure to the benefit of the District. ACMC 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 ACMC are not available.

Aspen Valley Hospital Foundation (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. The District disposed of the ASC in October 2020 as part of a larger strategy to enhance orthopedic services for the community and visitors through a joint venture in partnership with The Steadman Clinic.

Aspen Valley Hospital District

Notes to Financial Statements

December 31, 2020 and 2019

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.

Midvalley Healthcare Solutions, LLC (MVHCS) has been organized as a Colorado limited liability company in 2020. The District is the sole member of MVHSC. 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 Hospital Chief Medical Officer. The purpose of MVHSC is to hold a 25% equity investment in Basalt Orthopedic Surgery Center, LLC (BOSC). MVHCS meets the definition of an investment as defined in GASB Statement No. 72, *Fair Value Measurement and Application*, and thus the equity interest is reported as equity interest in joint venture in the accompanying balance sheets and measured using the equity method of accounting. MVHCS is not considered to be a component unit of the District in accordance with GASB Statement No. 90, *Majority Equity Interests*. Separate financial statements of MVHSC 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.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2020 and 2019

Use of Estimates

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

Cash Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2020 and 2019, cash equivalents consisted primarily of money market accounts with financial institutions.

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 other joint ventures 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.

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.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2020 and 2019

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

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, 2020 and 2019.

Deferred Outflows of Resources

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

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.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2020 and 2019

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.

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; professional liability; 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.

Paycheck Protection Program (PPP) Loan

The District received a PPP loan established by the *Coronavirus Aid, Relief and Economic Security Act (CARES Act)* and has accounted for the funding as debt in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Interest is accrued in accordance with the loan agreement. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration (SBA), or lender; as a result of such audit, adjustment could be required to any revenue recognized. Subsequent to year-end, the District paid off the PPP loan, including accrued interest, in its entirety.

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.

Aspen Valley Hospital District

Notes to Financial Statements

December 31, 2020 and 2019

Deferred Inflows of Resources

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

Net Position

Net position of the Hospital is classified in three components on its balance sheets.

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

Net Patient Service Revenue

The District has agreements with third-party 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 \$1,585,052 and \$2,033,691 for 2020 and 2019, respectively.

Aspen Valley Hospital District

Notes to Financial Statements

December 31, 2020 and 2019

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 2020 and 2019. These funds were used to support the operating and capital needs of the District. The District received approximately 2% of its sources of funds from ad valorem taxes related to the general obligation bond and interest mill levy in 2020 and 2019, respectively.

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

Provider Relief Funds (CARES Act)

On March 27, 2020, the *CARES Act* was signed into law as part of the government's response to the spread of the SARS-CoV-2 virus and the incidence of COVID-19. The *CARES Act* contained provisions for certain healthcare providers to receive Provider Relief Funds (PRF) from the U.S. Department of Health and Human Services (HHS). The distributions from the Provider Relief Funds are not subject to repayment, provided the District is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by HHS. The District is accounting for such payments as voluntary nonexchange transactions. Payments are recognized as revenue once the applicable terms and conditions required to retain the funds have been met and are classified as nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions is recorded as unearned revenue in the accompanying balance sheets.

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.

Note 2: 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, 2020 and 2019

At December 31, 2020 and 2019, \$1,000,000 of the District's bank balances of \$97,760,402 and \$74,334,510 were insured by FDIC coverage, respectively. The remainder of the District's bank balances of \$96,760,402 and \$73,334,510, 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, 2020 and 2019, investments, not including fiduciary fund assets, amounted to \$2,213,640 and \$2,213,430, 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). These investments are carried at amortized cost and have maturities of less than one year.

Summary of Carrying Values

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

	2020	2019
Carrying value		
Deposits	\$ 94,752,425	\$ 60,681,434
Investments	2,213,640	2,213,430
Fiduciary fund assets	33,707,880	30,442,664
Cash on hand and change funds	3,259	3,609
	\$ 130,677,204	\$ 93,341,137
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 77,175,560	\$ 34,556,795
Short-term investments	15,821,960	25,678,228
Restricted by donors for capital acquisitions	1,378,347	31,206
Restricted by donors for specific operating activities	79,397	118,431
Bond funds restricted for capital acquisitions	300,420	300,383
Held by trustee for debt service	2,213,640	2,213,430
Held by trustee under pension plan agreement (fiduciary fund assets)	33,707,880	30,442,664
	\$ 130,677,204	\$ 93,341,137

Aspen Valley Hospital District
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Note 3: 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:

	2020	2019
Medicare	\$ 2,862,323	\$ 2,971,770
Medicaid	279,853	397,699
Blue Cross	3,596,076	2,584,098
Other third-party payers	6,824,407	6,522,399
Self-pay	939,699	1,014,589
	<u>14,502,358</u>	<u>13,490,555</u>
Less allowance for uncollectible accounts	<u>1,009,360</u>	<u>957,796</u>
	<u><u>\$ 13,492,998</u></u>	<u><u>\$ 12,532,759</u></u>

Note 4: Capital Assets

Capital assets activity for the years ended December 31 was:

	2020				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 267,057	\$ -	\$ -	\$ -	\$ 267,057
Land improvements	27,699,058	-	(27,194)	-	27,671,864
Buildings	75,635,889	677,957	(584,420)	2,753,298	78,482,724
Fixed equipment	71,839,587	29,354	-	-	71,868,941
Moveable equipment	37,392,974	976,367	(2,829,892)	340,127	35,879,576
Employee housing	13,425,173	75,140	-	68,046	13,568,359
Construction in progress	3,942,916	1,160,605	-	(3,161,471)	1,942,050
	<u>230,202,654</u>	<u>2,919,423</u>	<u>(3,441,506)</u>	<u>-</u>	<u>229,680,571</u>
Less accumulated depreciation					
Land improvements	8,103,498	1,707,624	(27,194)	-	9,783,928
Buildings	25,955,985	3,482,628	(583,046)	-	28,855,567
Fixed equipment	22,611,806	4,677,599	-	-	27,289,405
Moveable equipment	29,531,577	2,258,700	(2,637,116)	-	29,153,161
Employee housing	6,553,952	450,145	-	-	7,004,097
	<u>92,756,818</u>	<u>12,576,696</u>	<u>(3,247,356)</u>	<u>-</u>	<u>102,086,158</u>
Capital assets, net	<u><u>\$ 137,445,836</u></u>	<u><u>\$ (9,657,273)</u></u>	<u><u>\$ (194,150)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 127,594,413</u></u>

Aspen Valley Hospital District
Notes to Financial Statements
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	2019				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 267,057	\$ -	\$ -	\$ -	\$ 267,057
Land improvements	27,678,174	20,884	-	-	27,699,058
Buildings	75,070,127	-	-	565,762	75,635,889
Fixed equipment	70,439,430	36,445	(9,621)	1,373,333	71,839,587
Moveable equipment	38,234,651	1,772,062	(2,774,319)	160,580	37,392,974
Employee housing	13,389,318	35,855	-	-	13,425,173
Construction in progress	935,994	5,106,597	-	(2,099,675)	3,942,916
	<u>226,014,751</u>	<u>6,971,843</u>	<u>(2,783,940)</u>	<u>-</u>	<u>230,202,654</u>
Less accumulated depreciation					
Land improvements	6,380,342	1,723,156	-	-	8,103,498
Buildings	22,453,765	3,502,220	-	-	25,955,985
Fixed equipment	17,989,140	4,632,287	(9,621)	-	22,611,806
Moveable equipment	29,835,461	2,455,728	(2,759,612)	-	29,531,577
Employee housing	6,099,935	454,017	-	-	6,553,952
	<u>82,758,643</u>	<u>12,767,408</u>	<u>(2,769,233)</u>	<u>-</u>	<u>92,756,818</u>
Capital assets, net	<u>\$ 143,256,108</u>	<u>\$ (5,795,565)</u>	<u>\$ (14,707)</u>	<u>\$ -</u>	<u>\$ 137,445,836</u>

Note 5: 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.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2020 and 2019

Note 6: Long-term Debt

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

	2020					
	Beginning Balance	Additions	Payments	Ending Balance	Amounts Due Within One Year	Long-term Portion
2010 general obligation bonds	\$ 31,180,000	\$ -	\$ (31,180,000)	\$ -	\$ -	\$ -
2012 revenue bonds	9,850,000	-	(60,000)	9,790,000	65,000	9,725,000
2016 refunding revenue note	6,825,000	-	(915,000)	5,910,000	930,000	4,980,000
2020 general obligation refunding bonds	-	26,125,000	(2,525,000)	23,600,000	1,885,000	21,715,000
PPP loan payable	-	8,249,800	-	8,249,800	452,061	7,797,739
Capital leases	562,565	89,514	(243,889)	408,190	253,494	154,696
	<u>48,417,565</u>	<u>34,464,314</u>	<u>(34,923,889)</u>	<u>47,957,990</u>	<u>3,585,555</u>	<u>44,372,435</u>
Unamortized premium on Series 2010 bonds	188,985	-	(188,985)	-	-	-
Unamortized premium on Series 2012 bonds	464,765	-	(42,486)	422,279	42,329	379,950
Unamortized premium on Series 2020 bonds	-	6,167,614	(273,808)	5,893,806	1,000,495	4,893,311
	<u>\$ 49,071,315</u>	<u>\$ 40,631,928</u>	<u>\$ (35,429,168)</u>	<u>\$ 54,274,075</u>	<u>\$ 4,628,379</u>	<u>\$ 49,645,696</u>
	2019					
	Beginning Balance	Additions	Payments	Ending Balance	Amounts Due Within One Year	Long-term Portion
2010 general obligation bonds	\$ 33,495,000	\$ -	\$ (2,315,000)	\$ 31,180,000	\$ 2,380,000	\$ 28,800,000
2012 revenue bonds	9,910,000	-	(60,000)	9,850,000	60,000	9,790,000
2016 refunding revenue note	7,720,000	-	(895,000)	6,825,000	915,000	5,910,000
Capital leases	797,968	-	(235,403)	562,565	240,934	321,631
	<u>51,922,968</u>	<u>-</u>	<u>(3,505,403)</u>	<u>48,417,565</u>	<u>3,595,934</u>	<u>44,821,631</u>
Unamortized premium on Series 2010 bonds	219,114	-	(30,129)	188,985	28,526	160,459
Unamortized premium on Series 2012 bonds	507,392	-	(42,627)	464,765	42,486	422,279
	<u>\$ 52,649,474</u>	<u>\$ -</u>	<u>\$ (3,578,159)</u>	<u>\$ 49,071,315</u>	<u>\$ 3,666,946</u>	<u>\$ 45,404,369</u>

Aspen Valley Hospital District
Notes to Financial Statements
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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 (collectively, Series 2010 bonds), 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.

The Series 2010 bonds were refunded during 2020 with the issuance of the General Obligation Refunding Bonds, Series 2020.

Revenue Bonds – Series 2012

Hospital Refunding Revenue Bonds – Series 2012 (Series 2012 bonds) 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 Series 2012 bonds, 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, 2020 and 2019.

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 (Series 2016 notes) 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.

Aspen Valley Hospital District

Notes to Financial Statements

December 31, 2020 and 2019

Upon issuance and delivery of the Series 2016 note, 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, 2020.

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.

General Obligation Refunding Bonds – Series 2020

The District issued General Obligation Refunding Bonds, Series 2020 (Series 2020 bonds), for the purpose of refunding the Series 2010 bonds and to pay the costs of issuance of the 2020 bonds. The 2020 bonds are payable in increasing varying annual installments through December 1, 2030, bearing an interest rate of 5% payable semiannually. The Series 2020 bonds are general obligations of the District payable from revenues derived from the voter-approved ad valorem tax appropriations.

The advance refunding of the Series 2010 bonds resulted in an overall future economic benefit of approximately \$4,800,000 for the District. However, an accounting loss of \$260,867 on the extinguishment of the long-term debt was recorded in 2020. 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 2020 bonds.

Paycheck Protection Program (PPP) Loan

The *CARES Act* and other subsequent legislation provides an SBA loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The District received a PPP loan of \$8,249,800 in 2020. The loan has an interest rate of 1%, with monthly payments due starting October 4, 2021. The amounts due within one year is included as a component of current maturities of long-term debt in the accompanying balance sheet. The long-term portion of the loan payable is included as note payable in the accompanying balance sheet.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2020 and 2019

Capital Lease Obligations

The District is obligated under leases for equipment that are accounted for as capital leases at varying rates of imputed interest. The capital leases are secured by the related assets as collateral. Property and equipment include the following property under capital leases at December 31, 2020 and 2019:

	2020	2019
Major moveable equipment	\$ 1,260,959	\$ 1,171,445
Less accumulated depreciation	878,653	641,778
	\$ 382,306	\$ 529,667

Debt Service Requirements

Debt service requirements on long-term debt and capital lease obligations as of December 31, 2020, are as follows:

Year Ending December 31,	General Obligation and Revenue Bonds Payable		PPP Loan Payable		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 2,880,000	\$ 1,794,750	\$ 452,061	\$ 128,548	\$ 253,494	\$ 6,659
2022	3,005,000	1,677,833	2,254,788	67,648	138,292	3,756
2023	3,120,000	1,555,364	2,277,439	44,997	11,280	458
2024	3,250,000	1,427,554	2,300,239	22,197	5,124	102
2025	3,380,000	1,293,916	965,273	2,408	-	-
2026-2030	19,265,000	4,049,984	-	-	-	-
2031-2033	4,400,000	447,250	-	-	-	-
	\$ 39,300,000	\$ 12,246,651	\$ 8,249,800	\$ 265,798	\$ 408,190	\$ 10,975

Note 7: Professional Liability Claims

The District purchases professional liability 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 professional liability 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 \$100,000 and \$124,000 has been recorded as of December 31, 2020 and 2019, 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.

Aspen Valley Hospital District
Notes to Financial Statements
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Note 8: 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, 2020 and 2019, 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 2020 and 2019 is summarized as follows:

	2020	2019
Balance, beginning of year	\$ 679,979	\$ 691,289
Current year claims incurred and changes in estimates for claims incurred in prior years	6,629,531	6,071,852
Claims and expenses paid	(6,401,891)	(6,083,162)
Balance, end of year	\$ 907,619	\$ 679,979

Note 9: 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.

Aspen Valley Hospital District
Notes to Financial Statements
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Approximately 35% and 33% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2020 and 2019, 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 10: Charity Care

The costs of charity care provided under the District’s charity care policy were approximately \$1,106,000 and \$1,337,000 for 2020 and 2019, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges from the 2020 and 2019 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 2029. Future minimum lease payments under these noncancelable leases at December 31, 2020, are:

2021	\$ 1,003,968
2022	586,385
2023	563,407
2024	532,027
2025	444,696
2026-2029	<u>1,583,562</u>
Future minimum lease payments	<u>\$ 4,714,045</u>

Rental expense for all operating leases at December 31, 2020 and 2019, was \$1,424,468 and \$1,227,326, respectively.

Note 12: Fiduciary Funds

Investments

Fiduciary fund assets included in the Cash Balance Retirement Plan (the Plan) of \$33,707,880 and \$30,442,664 at December 31, 2020 and 2019, respectively, are invested in PSAs and are reported at estimated fair value using 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. None of the funds are subject to concentration of credit risk, custodial credit risk or foreign currency risk.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2020 and 2019

Note 13: Pension Plans

Defined Contribution Plan

The District 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 does not have the ability to direct the use, exchange, or employment of the 401(a) plan assets. The service capacity of the 401(a) plan assets are owned by the individual participants. 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 \$723,904 and \$693,410 for the years ended December 31, 2020 and 2019, respectively.

Deferred Compensation Plan

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. The District does not have the ability to direct the use, exchange, or employment of the 457(b) plan assets. The service capacity of the 457(b) plan assets are owned by the individual participants. Contributions from employees to the 457(b) plan were \$3,173,391 and \$2,779,565 for the years ended December 31, 2020 and 2019, respectively. The District does not make contributions to the 457(b) plan.

Note 14: Defined Benefit Plan

Plan Description

Plan administration. The District administers the Plan providing retirement 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.

Aspen Valley Hospital District
Notes to Financial Statements
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Plan membership. Pension plan membership consisted of the following, which includes employees covered by the benefit terms, at December 31:

	2020	2019
Inactive plan members or beneficiaries currently receiving benefits	17	15
Inactive plan members entitled to but not yet receiving benefits	237	216
Active plan members	392	369
	646	600

Benefits Provided

The Plan provides retirement 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. 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, 2020 and 2019, were \$1,651,833 and \$2,148,306, respectively.

Aspen Valley Hospital District
Notes to Financial Statements
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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 (GASB 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	2020 Target Allocation	2019 Target Allocation
U.S. equity - Large cap	31%	31%
U.S. equity - Mid cap	3%	3%
U.S. equity - Small cap	2%	2%
Non-U.S. equity	18%	19%
Real estate (direct property)	6%	6%
TIPS	0%	1%
Core bond	38%	36%
High yield	2%	2%
	<hr/>	<hr/>
Total	<u>100%</u>	<u>100%</u>

Aspen Valley Hospital District
Notes to Financial Statements
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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:

	2020	2019
Principal Financial Group	\$ 33,707,880	\$ 30,442,664

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, 2020 and 2019, the annual money-weighted rate of return on plan investments was 11.51% and 18.49%, respectively.

Net Pension (Asset) Liability of the District

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

	2020	2019
Total pension liability	\$ 31,564,778	\$ 30,240,972
Plan fiduciary net position	(33,707,880)	(30,442,664)
District's net pension (asset) liability	\$ (2,143,102)	\$ (201,692)
Plan fiduciary net position as percentage of the total pension (asset) liability	106.79%	100.67%

Actuarial assumptions. The 2020 total pension liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to December 31, 2020, and the 2019 total pension liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to December 31, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, respectively:

	2020	2019
Long-term inflation, wage base, and compensation limit	2.25%	2.25%
Salary increases	Table S-5 from Actuary's Pension Handbook plus 1.00%	
Investment rate of return	5.20%	6.00%

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Mortality rates for the year ended 2020 were based on the Pri-2012 Total Dataset Base Rate Mortality table projected generationally using MP-2020.

Mortality rates for the year ended 2019 were based on the Pri-2012 Total Dataset Base Rate Mortality table projected generationally using MP-2019.

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, 2020 to December 31, 2020. 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	2020 Long-term Expected Rate of Return	2019 Long-term Expected Rate of Return
U.S. equity - Large cap	7.70%	7.70%
U.S. equity - Mid cap	8.80%	7.95%
U.S. equity - Small cap	8.55%	8.50%
Non-U.S. equity	8.00%	7.95%
REITs	7.30%	0.00%
Real estate (direct property)	5.35%	5.55%
TIPS	1.70%	3.50%
Core bond	2.60%	4.00%
High yield	5.45%	6.45%

Discount rate. The discount rate used to measure the total pension liability at December 31, 2020 and 2019, was 5.20% and 6.00%, 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.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2020 and 2019

Sensitivity of the net pension (asset) liability to changes in the discount rate. The following presents the net pension (asset) liability of the District, calculated using the discount rate of 5.20%, as well as what the District's net pension (asset) liability would be if it were calculated using a discount rate that is 1% lower (4.20%) or 1% higher (6.20%) than the current rate as of:

	December 31, 2020		
	1% Decrease (4.20%)	Current Discount Rate (5.20%)	1% Increase (6.20%)
District's net pension (asset) liability	\$ (352,640)	\$ (2,143,102)	\$ (3,715,793)

GASB STATEMENT NO. 68 (GASB 68)

Net Pension (Asset) Liability of the District

Actuarial assumptions. The net pension (asset) liability reported as of December 31, 2020 and 2019, was measured as of December 31, 2019 and 2018, respectively, using the total pension liability that was determined by actuarial valuations as of December 31, 2018 and 2017, respectively, rolled forward to December 31, 2019 and 2018, respectively, using the following actuarial assumptions:

	2020	2019
Long-term inflation, wage base, and compensation limit	2.25%	2.25%
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 year ended 2020 were based on the Pri-2012 Total Dataset Base Rate Mortality table projected generationally using MP-2019.

Mortality rates for the year ended 2019 were based on the RP-2014 Mortality table projected generationally using MP-2018.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2020 and 2019

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, 2019 to December 31, 2019. 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, 2019:

Asset Class	Target Allocation	Long-term Expected Rate of Return
U.S. equity - Large cap	31%	7.70%
U.S. equity - Mid cap	3%	7.95%
U.S. equity - Small cap	2%	8.50%
Non-U.S. equity	19%	7.95%
Real estate (direct property)	6%	5.55%
TIPS	1%	3.50%
Core bond	36%	4.00%
High yield	2%	6.45%
	<u>100%</u>	

Discount rate. The discount rate used to measure the total pension liability at December 31, 2020 and 2019, 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.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2020 and 2019

Changes in the Net Pension (Asset) Liability

	December 31, 2020		
	Increases (Decreases)		
	Total Pension Liability	Fiduciary Net Position	Net Pension (Asset) Liability
Balances, beginning of year	\$ 28,445,483	\$ 24,831,459	\$ 3,614,024
Changes for the year			
Service cost	1,433,736	-	1,433,736
Interest	1,757,931	-	1,757,931
Benefit payments	(1,086,492)	(1,086,492)	-
Differences between expected and actual experience	(300,418)	-	(300,418)
Changes in assumptions	(9,268)	-	(9,268)
Changes in benefit terms	-	-	-
Employer contributions	-	2,148,306	(2,148,306)
Net investment income	-	4,681,502	(4,681,502)
Administrative expenses	-	(132,111)	132,111
Net changes	<u>1,795,489</u>	<u>5,611,205</u>	<u>(3,815,716)</u>
Balances, end of year	<u>\$ 30,240,972</u>	<u>\$ 30,442,664</u>	<u>\$ (201,692)</u>
	December 31, 2019		
	Increases (Decreases)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances, beginning of year	\$ 26,499,256	\$ 25,941,205	\$ 558,051
Changes for the year			
Service cost	1,338,539	-	1,338,539
Interest	1,638,650	-	1,638,650
Benefit payments	(1,356,934)	(1,356,934)	-
Differences between expected and actual experience	294,722	-	294,722
Changes in assumptions	1,639	-	1,639
Changes in benefit terms	29,611	-	29,611
Employer contributions	-	1,952,317	(1,952,317)
Net investment income	-	(1,572,858)	1,572,858
Administrative expenses	-	(132,271)	132,271
Net changes	<u>1,946,227</u>	<u>(1,109,746)</u>	<u>3,055,973</u>
Balances, end of year	<u>\$ 28,445,483</u>	<u>\$ 24,831,459</u>	<u>\$ 3,614,024</u>

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2020 and 2019

Sensitivity of the net pension (asset) liability to changes in the discount rate. The following presents the net pension (asset) liability of the District, calculated using the discount rate of 6.00%, as well as what the District's net pension (asset) 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, 2020		
	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
District's net pension (asset) liability	\$ 1,473,439	\$ (201,692)	\$ (1,678,460)

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

For the years ended December 31, 2020 and 2019, the District recognized pension expense of \$1,725,216 and \$2,396,046, respectively. At December 31, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	December 31, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 192,515	\$ 373,076
Changes in assumptions	895	99,080
Net differences between projected and actual earnings		
on pension plan investments	1,922,866	3,203,591
District's contributions subsequent to the measurement date	1,651,833	-
Total	\$ 3,768,109	\$ 3,675,747

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2020 and 2019

	December 31, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 335,582	\$ 240,024
Changes in assumptions	1,267	159,221
Net differences between projected and actual earnings on pension plan investments	2,907,273	1,011,722
District's contributions subsequent to the measurement date	2,148,306	-
Total	\$ 5,392,428	\$ 1,410,967

At December 31, 2020, the District reported \$1,651,833 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, 2021.

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:	
2021	\$ (444,841)
2022	(416,640)
2023	(45,452)
2024	(652,538)
	\$ (1,559,471)

Payable to the Pension Plan

At December 31, 2020 and 2019, there are no reported payables for the outstanding amount of contributions to the Plan required for the years ended December 31, 2020 and 2019.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2020 and 2019

Note 15: Contingencies

Professional Liability Claims

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

Employee Health Claims

Estimates related to the accrual for employee health claims are described in *Notes 1* and *8*.

General 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 employment practices or 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, 2020 and 2019

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, 2020 and 2019:

	2020							
	Blended Component Units				Discretely Presented Component Units			
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Aspen Valley Hospital Foundation	Eliminations	Total	Midvalley Ambulatory Surgery Center, LLC	Midvalley Imaging Center, LLC	Total
Assets and Deferred								
Outflows of Resources								
Current assets	\$ 139,091,517	\$ (17,323,457)	\$ (8,878,249)	\$ -	\$ 112,889,811	\$ -	\$ 690,231	\$ 690,231
Noncurrent cash and investments	3,673,463	-	3,946,370	-	7,619,833	-	-	-
Capital assets, net	127,441,879	152,534	-	-	127,594,413	-	133,853	133,853
Other assets	2,613,085	-	-	-	2,613,085	-	-	-
Total assets	272,819,944	(17,170,923)	(4,931,879)	-	250,717,142	-	824,084	824,084
Deferred outflows of resources	4,319,283	-	-	-	4,319,283	-	-	-
Total assets and deferred outflows of resources	\$ 277,139,227	\$ (17,170,923)	\$ (4,931,879)	\$ -	\$ 255,036,425	\$ -	\$ 824,084	\$ 824,084
Liabilities, Deferred Inflows of Resources and Net Position								
Current liabilities	\$ 27,372,464	\$ 78,011	\$ -	\$ -	\$ 27,450,475	\$ -	\$ 33,983	\$ 33,983
Long-term debt	49,645,696	-	-	-	49,645,696	-	-	-
Long-term liabilities	9,149,949	175,035	-	-	9,324,984	-	-	-
Total liabilities	86,168,109	253,046	-	-	86,421,155	-	33,983	33,983
Deferred inflows of resources	3,675,747	-	-	-	3,675,747	-	-	-
Net position	187,295,371	(17,423,969)	(4,931,879)	-	164,939,523	-	790,101	790,101
Total liabilities, deferred inflows of resources and net position	\$ 277,139,227	\$ (17,170,923)	\$ (4,931,879)	\$ -	\$ 255,036,425	\$ -	\$ 824,084	\$ 824,084

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2020 and 2019

	2019							
	Blended Component Units				Discretely Presented Component Units			
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Aspen Valley Hospital Foundation	Eliminations	Total	Midvalley Ambulatory Surgery Center, LLC	Midvalley Imaging Center, LLC	Total
Assets and Deferred								
Outflows of Resources								
Current assets	\$ 96,327,069	\$ (9,446,671)	\$ (8,057,301)	\$ -	\$ 78,823,097	\$ 877,058	\$ 642,069	\$ 1,519,127
Noncurrent cash and investments	2,617,634	-	3,950,903	-	6,568,537	-	-	-
Capital assets, net	137,238,110	207,726	-	-	137,445,836	162,522	151,822	314,344
Other assets	4,225,338	-	-	-	4,225,338	-	-	-
Total assets	240,408,151	(9,238,945)	(4,106,398)	-	227,062,808	1,039,580	793,891	1,833,471
Deferred outflows of resources	5,768,273	-	-	-	5,768,273	-	-	-
Total assets and deferred outflows of resources	\$ 246,176,424	\$ (9,238,945)	\$ (4,106,398)	\$ -	\$ 232,831,081	\$ 1,039,580	\$ 793,891	\$ 1,833,471
Liabilities, Deferred Inflows of Resources and Net Position								
Current liabilities	\$ 16,506,875	\$ 10,457	\$ 1,000	\$ -	\$ 16,518,332	\$ 931,347	\$ 11,955	\$ 943,302
Long-term debt	45,404,369	-	-	-	45,404,369	67,618	-	67,618
Long-term liabilities	3,705,691	-	-	-	3,705,691	-	-	-
Total liabilities	65,616,935	10,457	1,000	-	65,628,392	998,965	11,955	1,010,920
Deferred inflows of resources	1,410,967	-	-	-	1,410,967	-	-	-
Net position	179,148,522	(9,249,402)	(4,107,398)	-	165,791,722	40,615	781,936	822,551
Total liabilities, deferred inflows of resources and net position	\$ 246,176,424	\$ (9,238,945)	\$ (4,106,398)	\$ -	\$ 232,831,081	\$ 1,039,580	\$ 793,891	\$ 1,833,471

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2020 and 2019

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, 2020 and 2019:

	2020							
	Blended Component Units				Discretely Presented Component Units			
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Aspen Valley Hospital Foundation	Eliminations	Total	Midvalley Ambulatory Surgery Center, LLC	Midvalley Imaging Center, LLC	Total
Operating revenues	\$ 92,435,659	\$ 3,881,412	\$ -	\$ (662,396)	\$ 95,654,675	\$ 1,279,380	\$ 358,918	\$ 1,638,298
Operating expenses	98,048,991	12,129,004	1,100,050	(662,396)	110,615,649	1,790,012	372,262	2,162,274
Operating income (loss)	(5,613,332)	(8,247,592)	(1,100,050)	-	(14,960,974)	(510,632)	(13,344)	(523,976)
Nonoperating revenues	8,604,071	73,025	2,869,474	-	11,546,570	470,017	21,509	491,526
Excess (deficiency) of revenues over expenses	2,990,739	(8,174,567)	1,769,424	-	(3,414,404)	(40,615)	8,165	(32,450)
Other	5,156,110	-	(2,593,905)	-	2,562,205	-	-	-
Change in net position	8,146,849	(8,174,567)	(824,481)	-	(852,199)	(40,615)	8,165	(32,450)
Net position, beginning of year	179,148,522	(9,249,402)	(4,107,398)	-	165,791,722	40,615	781,936	822,551
Net position, end of year	<u>\$ 187,295,371</u>	<u>\$ (17,423,969)</u>	<u>\$ (4,931,879)</u>	<u>\$ -</u>	<u>\$ 164,939,523</u>	<u>\$ -</u>	<u>\$ 790,101</u>	<u>\$ 790,101</u>

	2019							
	Blended Component Units				Discretely Presented Component Units			
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Aspen Valley Hospital Foundation	Eliminations	Total	Midvalley Ambulatory Surgery Center, LLC	Midvalley Imaging Center, LLC	Total
Operating revenues	\$ 91,434,651	\$ 3,678,635	\$ -	\$ (607,314)	\$ 94,505,972	\$ 2,199,840	\$ 589,588	\$ 2,789,428
Operating expenses	93,411,085	11,946,924	1,533,832	(607,314)	106,284,527	2,259,094	410,914	2,670,008
Operating income (loss)	(1,976,434)	(8,268,289)	(1,533,832)	-	(11,778,555)	(59,254)	178,674	119,420
Nonoperating revenues	6,669,477	897	1,366,952	-	8,037,326	1,331	(321)	1,010
Excess (deficiency) of revenues over expenses	4,693,043	(8,267,392)	(166,880)	-	(3,741,229)	(57,923)	178,353	120,430
Other	4,803,886	-	(1,527,917)	-	3,275,969	-	-	-
Change in net position	9,496,929	(8,267,392)	(1,694,797)	-	(465,260)	(57,923)	178,353	120,430
Net position, beginning of year	169,651,593	(982,010)	(2,412,601)	-	166,256,982	98,538	603,583	702,121
Net position, end of year	<u>\$ 179,148,522</u>	<u>\$ (9,249,402)</u>	<u>\$ (4,107,398)</u>	<u>\$ -</u>	<u>\$ 165,791,722</u>	<u>\$ 40,615</u>	<u>\$ 781,936</u>	<u>\$ 822,551</u>

Aspen Valley Hospital District

Notes to Financial Statements

December 31, 2020 and 2019

The following tables include condensed combining statements of cash flows information for the District and its component units for the years ended December 31, 2020 and 2019:

	2020								
	Blended Component Units					Discretely Presented Component Units			
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Aspen Valley Hospital Foundation	Eliminations	Total	Midvalley Ambulatory Surgery Center, LLC	Midvalley Imaging Center, LLC	Total	
Net cash provided by (used in):									
Operating activities	\$ 14,865,697	\$ 30,513	\$ 123,563	\$ -	\$ 15,019,773	\$ (167,563)	\$ 113,333	\$ (54,230)	
Noncapital financing activities	8,703,871	73,004	2,868,959	-	11,645,834	-	-	-	
Capital and related financing activities	4,310,449	-	2,763,708	-	7,074,157	(155,604)	-	(155,604)	
Investing activities	15,287,374	21	(5,100,040)	-	10,187,355	9,021	21,509	30,530	
Increase (decrease) in cash and cash equivalents	43,167,391	103,538	656,190	-	43,927,119	(314,146)	134,842	(179,304)	
Cash and cash equivalents, beginning of year	35,962,216	1,089,786	168,243	-	37,220,245	314,146	506,713	820,859	
Cash and cash equivalents, end of year	<u>\$ 79,129,607</u>	<u>\$ 1,193,324</u>	<u>\$ 824,433</u>	<u>\$ -</u>	<u>\$ 81,147,364</u>	<u>\$ -</u>	<u>\$ 641,555</u>	<u>\$ 641,555</u>	
	2019								
	Blended Component Units					Discretely Presented Component Units			
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Aspen Valley Hospital Foundation	Eliminations	Total	Midvalley Ambulatory Surgery Center, LLC	Midvalley Imaging Center, LLC	Total	
Net cash provided by (used in):									
Operating activities	\$ 3,306,521	\$ 863,170	\$ (91,995)	\$ -	\$ 4,077,696	\$ 230,922	\$ 219,249	\$ 450,171	
Noncapital financing activities	4,266,495	-	1,366,952	-	5,633,447	-	-	-	
Capital and related financing activities	(8,697,290)	-	3,425,572	-	(5,271,718)	(72,608)	-	(72,608)	
Investing activities	7,085,468	897	(4,780,116)	-	2,306,249	1,331	(321)	1,010	
Increase (decrease) in cash and cash equivalents	5,961,194	864,067	(79,587)	-	6,745,674	159,645	218,928	378,573	
Cash and cash equivalents, beginning of year	30,001,022	225,719	247,830	-	30,474,571	154,501	287,785	442,286	
Cash and cash equivalents, end of year	<u>\$ 35,962,216</u>	<u>\$ 1,089,786</u>	<u>\$ 168,243</u>	<u>\$ -</u>	<u>\$ 37,220,245</u>	<u>\$ 314,146</u>	<u>\$ 506,713</u>	<u>\$ 820,859</u>	

Aspen Valley Hospital District

Notes to Financial Statements

December 31, 2020 and 2019

Note 17: COVID-19 Pandemic & CARES Act Funding

On March 22, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

While some of these policies have eased and states have lifted moratoriums on non-emergent procedures, some restrictions remain in place, and some state and local governments are re-imposing certain restrictions due to increasing rates of COVID-19 cases.

Beginning in mid-March, the District deferred all nonessential medical and surgical procedures and suspended elective procedures, which resumed at different dates during the final quarter of the fiscal year.

The District's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The District has taken precautionary steps to enhance its operational and financial flexibility and react to the risks the COVID-19 pandemic presents to its business.

In addition, the District received \$7,007,360 in general and targeted Provider Relief Fund distributions, both as provided for under the *CARES Act*, \$12,953,467 of accelerated Medicare payments, a PPP loan of \$8,249,800, and other COVID-19 funding of \$161,256.

The extent of the COVID-19 pandemic's adverse effect on the District's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the District's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, continued declines in patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure.

Because of these and other uncertainties, the District cannot estimate the length or severity of the effect of the pandemic on the District's business. Decreases in cash flows and result of operations may have an effect on debt covenant compliance and on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured and other patient accounts.

Provider Relief Fund

During 2020, the District received \$7,007,360 of distributions from the *CARES Act* Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the District is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by HHS.

Aspen Valley Hospital District

Notes to Financial Statements

December 31, 2020 and 2019

The District accounts for such payments as voluntary nonexchange transactions. Payments are recognized as revenue once the applicable terms and conditions to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the District's operating revenues and expenses through December 31, 2020, the District recognized \$4,175,758, related to the Provider Relief Fund, and these payments are recorded as Provider Relief Funds (*CARES Act*) and other COVID-19 funding, classified as nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions of \$2,831,602 is recorded as unearned revenue in the accompanying balance sheets.

The District will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the District's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the District is unable to attest to or comply with current or future terms and conditions the District's ability to retain some or all of the distributions received may be affected. The Provider Relief Funds are subject to government oversight, including potential audits.

Medicare Accelerated and Advanced Payment Program

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

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

During 2020, the District received \$12,953,467 from these accelerated Medicare payment requests. The unapplied amount of accelerated Medicare payment requests is recorded under the caption advance from Medicare in the accompanying balance sheets and classified as a current and a long-term liability based upon payback provisions in effect at December 31, 2020.

Paycheck Protection Program (PPP) Loan

During 2020, the District received a PPP loan of \$8,249,800 established by the *CARES Act* and has accounted for the funding as debt in accordance with GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Interest is accrued in accordance with the loan agreement. PPP loans are subject to audit and acceptance by the SBA, or lender; as a result of such audit, adjustment could be required to any revenue recognized. Subsequent to year-end, the District paid off the PPP loan, including accrued interest, in its entirety.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2020 and 2019

Other COVID-19 Funding

During 2020, the District received various other COVID-19 funding through the Coronavirus Small Rural Hospital Improvement Program (SHIP) grant and the Assistant Secretary for Preparedness and Response (ASPR) grant. The SHIP grant provided support to small rural and Critical Access Hospitals (CAHs) which were seeing increased demands for clinical services and equipment, as well as experiencing short-term financial and workforce challenges related to responding to meeting the needs of patients with COVID-19 seeking care at their facilities. The ASPR grant provided support to aid hospitals and health care systems in preparing for a surge in COVID-19 patients. The District received and recognized \$161,256 during 2020, related to this funding, and these payments are recorded as Provider Relief Funds (*CARES Act*) and other COVID-19 funding, classified as nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position.

Note 18: Subsequent Events

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the District. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 19: Future Change in Accounting Principle

Leases

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.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2020 and 2019

In response to the challenges arising from COVID-19, on May 7, 2020, GASB approved Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. While the proposal included an extra year to implement all guidance, GASB, in a unanimous vote, approved an 18-month postponement for GASB 87. All statements and implementation guides with a current effective date of reporting periods beginning after June 15, 2018, and later will have a one-year postponement. This change is effective immediately. GASB 87 is effective for financial statements for fiscal years beginning after June 15, 2021. Earlier application is permitted. 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 is evaluating the impact the statement will have on the financial statements.

Required Supplementary Information

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

	2020	2019	2018	2017
Total pension liability				
Service cost	\$ 1,422,852	\$ 1,433,736	\$ 1,338,539	\$ 1,117,611
Interest	1,843,314	1,757,931	1,638,650	1,834,455
Differences between expected and actual experience	27,000	(300,418)	294,722	(434,374)
Changes in assumptions	(204,973)	(9,268)	1,639	(272,791)
Changes in benefit terms	-	-	29,611	-
Benefit payments	(1,764,387)	(1,086,492)	(1,356,934)	(1,281,502)
Net change in total pension liability	1,323,806	1,795,489	1,946,227	963,399
Total pension liability - beginning	30,240,972	28,445,483	26,499,256	25,535,857
Total pension liability - ending (a)	\$ 31,564,778	\$ 30,240,972	\$ 28,445,483	\$ 26,499,256
Plan fiduciary net position				
Contributions - employer	\$ 1,651,833	\$ 2,148,306	\$ 1,952,317	\$ 1,827,477
Contributions - other	-	-	-	-
Net investment income (expense)	3,509,826	4,681,502	(1,572,858)	3,271,296
Benefit payments	(1,764,387)	(1,086,492)	(1,356,934)	(1,281,502)
Administrative expense	(132,056)	(132,111)	(132,271)	(134,831)
Net change in plan fiduciary net position	3,265,216	5,611,205	(1,109,746)	3,682,440
Plan fiduciary net position - beginning	30,442,664	24,831,459	25,941,205	22,258,765
Plan fiduciary net position - ending (b)	\$ 33,707,880	\$ 30,442,664	\$ 24,831,459	\$ 25,941,205
District's net pension (asset) liability - ending (a) - (b)	\$ (2,143,102)	\$ (201,692)	\$ 3,614,024	\$ 558,051
Plan fiduciary net position as a percentage of the total pension liability	106.79%	100.67%	87.29%	97.89%
Covered payroll	\$ 35,094,297	\$ 33,492,762	\$ 33,387,929	\$ 30,308,890
District's net pension (asset) liability as a percentage of covered payroll	-6.11%	-0.60%	10.82%	1.84%
Long-term inflation, wage base, and compensation limit	2.25%	2.25%	2.25%	2.00%

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 2020 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.

2016	2015	2014
\$ 1,020,686	\$ 962,923	\$ 1,013,451
1,695,279	1,590,521	1,416,739
314,061	50,485	576,188
(22,423)	(10,786)	379,430
(9,803)	-	-
<u>(1,421,746)</u>	<u>(836,696)</u>	<u>(711,956)</u>
1,576,054	1,756,447	2,673,852
<u>23,959,803</u>	<u>22,203,356</u>	<u>19,529,504</u>
<u>\$ 25,535,857</u>	<u>\$ 23,959,803</u>	<u>\$ 22,203,356</u>
\$ 1,555,740	\$ 1,365,917	\$ 1,158,533
8,354	-	-
1,329,355	(156,525)	1,014,456
(1,421,746)	(836,696)	(711,956)
<u>(68,397)</u>	<u>(6,220)</u>	<u>(2,130)</u>
1,403,306	366,476	1,458,903
<u>20,855,459</u>	<u>20,488,983</u>	<u>19,030,080</u>
<u>\$ 22,258,765</u>	<u>\$ 20,855,459</u>	<u>\$ 20,488,983</u>
<u>\$ 3,277,092</u>	<u>\$ 3,104,344</u>	<u>\$ 1,714,373</u>
87.17%	87.04%	92.28%
\$ 26,159,424	\$ 23,424,173	\$ 20,859,646
12.53%	13.25%	8.22%
2.00%	2.25%	2.25%

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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 1,651,833	\$ 2,148,306	\$ 1,766,329	\$ 1,878,025
Contributions in relation to the actuarially determined contribution	<u>1,651,833</u>	<u>2,148,306</u>	<u>1,952,317</u>	<u>1,827,477</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (185,988)</u>	<u>\$ 50,548</u>
Covered payroll	\$ 35,094,297	\$ 33,492,762	\$ 33,387,929	\$ 30,308,890
Contributions as a percentage of covered payroll	4.71%	6.41%	5.85%	6.03%
Long-term inflation	2.25%	2.25%	2.25%	2.00%
Investment rate of return	5.20%	6.00%	6.00%	6.00%
Mortality Scale	MP-2020	MP-2019	MP-2018	MP-2017

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
Salary increases	Table S-5 from Actuary Pension Handbook plus 1%
Retirement age	Active and inactive participants are assumed to retire at Normal Retirement Age as defined in Plan Provisions.
Mortality	Pri-2012 Total dataset base rate mortality table

2016	2015	2014	2013	2012	2011
\$ 1,586,110	\$ 1,260,846	\$ 1,158,533	\$ 1,328,791	\$ 1,522,841	\$ 1,438,808
<u>1,555,740</u>	<u>1,365,917</u>	<u>1,158,533</u>	<u>1,328,791</u>	<u>1,522,841</u>	<u>1,438,808</u>
<u>\$ 30,370</u>	<u>\$ (105,071)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 26,159,424	\$ 23,424,173	\$ 20,859,646	\$ 21,581,130	\$ 20,295,889	\$ 20,262,974
5.95%	5.83%	5.55%	6.16%	7.50%	7.10%
2.00%	2.25%	2.25%	Not available	Not available	Not available
7.00%	7.00%	7.00%	Not available	Not available	Not available
MP-2016	MP-2015	MP-2014	Not available	Not available	Not available

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

	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	11.51%	18.49%	-5.94%	14.45%

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 2020 are the years in which information is available. This schedule will include ten-year trend information once available.

2016	2015	2014
6.41%	-1.54%	5.34%

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

	2020	2019	2018	2017
Total pension liability				
Service cost	\$ 1,433,736	\$ 1,338,539	\$ 1,117,611	\$ 1,020,686
Interest	1,757,931	1,638,650	1,834,455	1,695,279
Differences between expected and actual experience	(300,418)	294,722	(434,374)	314,061
Changes of assumptions	(9,268)	1,639	(272,791)	(22,423)
Changes of benefit terms	-	29,611	-	(9,803)
Benefit payments	(1,086,492)	(1,356,934)	(1,281,502)	(1,421,746)
Net change in total pension liability	1,795,489	1,946,227	963,399	1,576,054
Total pension liability - beginning	28,445,483	26,499,256	25,535,857	23,959,803
Total pension liability - ending (a)	\$ 30,240,972	\$ 28,445,483	\$ 26,499,256	\$ 25,535,857
Plan fiduciary net position				
Contributions - employer	\$ 2,148,306	\$ 1,952,317	\$ 1,827,477	\$ 1,555,740
Contributions - other	-	-	-	8,354
Net investment income	4,681,502	(1,572,858)	3,271,296	1,329,355
Benefit payments	(1,086,492)	(1,356,934)	(1,281,502)	(1,421,746)
Administrative expense	(132,111)	(132,271)	(134,831)	(68,397)
Net change in plan fiduciary net position	5,611,205	(1,109,746)	3,682,440	1,403,306
Plan fiduciary net position - beginning	24,831,459	25,941,205	22,258,765	20,855,459
Plan fiduciary net position - ending (b)	\$ 30,442,664	\$ 24,831,459	\$ 25,941,205	\$ 22,258,765
District's net pension (asset) liability - ending (a) - (b)	\$ (201,692)	\$ 3,614,024	\$ 558,051	\$ 3,277,092
Plan fiduciary net position as a percentage of the total pension liability	100.67%	87.29%	97.89%	87.17%
Covered payroll	\$ 33,492,762	\$ 33,387,929	\$ 30,308,890	\$ 26,159,424
District's net pension (asset) liability as a percentage of covered payroll	-0.60%	10.82%	1.84%	12.53%
Long-term inflation, wage base, and compensation limit	2.25%	2.25%	2.00%	2.00%

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 2020 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 2020 and 2019 was 2.25% and 2018 and 2017 was 2.00% and 2016 and 2015 was 2.25%.

<u>2016</u>	<u>2015</u>
\$ 962,923	\$ 1,013,451
1,590,521	1,416,739
50,485	576,188
(10,786)	379,430
-	-
<u>(836,696)</u>	<u>(711,956)</u>
1,756,447	2,673,852
<u>22,203,356</u>	<u>19,529,504</u>
<u>\$ 23,959,803</u>	<u>\$ 22,203,356</u>
\$ 1,365,917	\$ 1,158,533
-	-
(156,525)	1,014,456
(836,696)	(711,956)
<u>(6,220)</u>	<u>(2,130)</u>
366,476	1,458,903
<u>20,488,983</u>	<u>19,030,080</u>
<u>\$ 20,855,459</u>	<u>\$ 20,488,983</u>
<u>\$ 3,104,344</u>	<u>\$ 1,714,373</u>
87.04%	92.28%
\$ 23,424,173	\$ 20,859,646
13.25%	8.22%
2.25%	2.25%

Supplementary Information

Aspen Valley Hospital District
Statement of Budgeted and Actual Revenues and Expenses
Year Ended December 31, 2020

	Budgeted Amount Original	Actual	Favorable (Unfavorable) Variance
Operating Revenues			
Net patient service revenue	\$ 99,895,573	\$ 92,814,345	\$ (7,081,228)
Other	3,648,352	3,502,726	(145,626)
Total operating revenues	<u>103,543,925</u>	<u>96,317,071</u>	<u>(7,226,854)</u>
Operating Expenses	<u>116,299,943</u>	<u>110,177,995</u>	<u>6,121,948</u>
Operating Loss	<u>(12,756,018)</u>	<u>(13,860,924)</u>	<u>(1,104,906)</u>
Nonoperating Revenues (Expenses)			
Ad valorem taxes	8,365,692	8,535,221	169,529
Investment income	575,000	435,471	(139,529)
Interest expense	(1,837,099)	(1,516,768)	320,331
Community assistance programs	(570,000)	(484,752)	85,248
Noncapital contributions	2,466	69,048	66,582
Change in equity interest in joint venture	160,000	60,079	(99,921)
Change in equity interests in ASC and MIC	-	(2,059,067)	(2,059,067)
Gain on sale of capital assets	-	91,760	91,760
Provider Relief Funds (<i>CARES Act</i>) and other COVID-19 funding	-	4,337,014	4,337,014
Debt issuance costs	-	(237,663)	(237,663)
Forgiveness of related party debt	-	(553,247)	(553,247)
Total nonoperating revenues	<u>6,696,059</u>	<u>8,677,096</u>	<u>1,981,037</u>
Excess (Deficiency) of Revenues Over Expenses Before Capital Contributions, Capital Contributions and Transfers	<u>(6,059,959)</u>	<u>(5,183,828)</u>	<u>876,131</u>
Capital contributions	-	55,555	55,555
Transfers from related party	3,000,000	5,100,555	2,100,555
Change in Net Position	<u><u>\$ (3,059,959)</u></u>	<u><u>\$ (27,718)</u></u>	<u><u>\$ 3,032,241</u></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 the Hospital and APMC and does not include the Foundation, ASC and MIC.

Budgets are adopted by resolution in total. There were no supplemental budgets adopted during 2020.

Aspen Valley Hospital District

Combining Schedule – Balance Sheet Information

December 31, 2020

Assets and Deferred Outflows of Resources

	Blended Component Units				Discretely Presented Component Units			
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Aspen Valley Hospital Foundation	Eliminations	Total	Midvalley Ambulatory Surgery Center, LLC	Midvalley Imaging Center, LLC	Total
Current Assets								
Cash and cash equivalents	\$ 75,456,144	\$ 1,193,324	\$ 526,092	\$ -	\$ 77,175,560	\$ -	\$ 641,555	\$ 641,555
Short-term investments	15,821,960	-	-	-	15,821,960	-	-	-
Patient accounts receivable, net	13,160,788	332,210	-	-	13,492,998	-	43,676	43,676
Estimated amounts due from third-party payers	1,022,491	-	-	-	1,022,491	-	-	-
Due from (to) related party	28,394,293	(18,849,206)	(9,545,087)	-	-	-	-	-
Other receivables	939,212	-	140,746	-	1,079,958	-	5,000	5,000
Inventories	2,682,118	-	-	-	2,682,118	-	-	-
Prepaid expenses	1,614,511	215	-	-	1,614,726	-	-	-
Total current assets	139,091,517	(17,323,457)	(8,878,249)	-	112,889,811	-	690,231	690,231
Noncurrent Cash and Investments								
Restricted by donors for capital acquisitions	1,103,568	-	274,779	-	1,378,347	-	-	-
Restricted by donors for specific operating activities	55,835	-	23,562	-	79,397	-	-	-
Contributions receivable, net	-	-	3,648,029	-	3,648,029	-	-	-
Bond funds restricted for capital acquisitions	300,420	-	-	-	300,420	-	-	-
Held by trustee for debt service	2,213,640	-	-	-	2,213,640	-	-	-
	3,673,463	-	3,946,370	-	7,619,833	-	-	-
Capital Assets, Net	127,441,879	152,534	-	-	127,594,413	-	133,853	133,853
Other Assets								
Equity interests in joint ventures	409,894	-	-	-	409,894	-	-	-
Equity interests in ASC and MIC	1,565,668	-	-	-	1,565,668	-	-	-
Net pension asset	201,692	-	-	-	201,692	-	-	-
Other	435,831	-	-	-	435,831	-	-	-
	2,613,085	-	-	-	2,613,085	-	-	-
Total assets	272,819,944	(17,170,923)	(4,931,879)	-	250,717,142	-	824,084	824,084
Deferred Outflows of Resources								
Pensions	3,768,109	-	-	-	3,768,109	-	-	-
Unamortized loss on refundings of prior bond issuances	551,174	-	-	-	551,174	-	-	-
	4,319,283	-	-	-	4,319,283	-	-	-
Total assets and deferred outflows of resources	\$ 277,139,227	\$ (17,170,923)	\$ (4,931,879)	\$ -	\$ 255,036,425	\$ -	\$ 824,084	\$ 824,084

Liabilities, Deferred Inflows of Resources and Net Position

	Blended Component Units				Discretely Presented Component Units			
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Aspen Valley Hospital Foundation	Eliminations	Total	Midvalley Ambulatory Surgery Center, LLC	Midvalley Imaging Center, LLC	Total
Current Liabilities								
Current maturities of long-term debt	\$ 4,628,379	\$ -	\$ -	\$ -	\$ 4,628,379	\$ -	\$ -	\$ -
Accounts payable	3,873,568	-	-	-	3,873,568	-	-	-
Accrued salaries, benefits and payroll taxes	3,189,311	-	-	-	3,189,311	-	-	-
Other accrued liabilities	3,471,050	8,810	-	-	3,479,860	-	33,983	33,983
Construction payable	410,559	-	-	-	410,559	-	-	-
Estimated amounts due to third-party payers	5,367,046	-	-	-	5,367,046	-	-	-
Advance from Medicare	3,600,949	69,201	-	-	3,670,150	-	-	-
Unearned revenue	2,831,602	-	-	-	2,831,602	-	-	-
Total current liabilities	27,372,464	78,011	-	-	27,450,475	-	33,983	33,983
Long-term Debt								
Note payable	7,797,739	-	-	-	7,797,739	-	-	-
Bonds payable	41,693,261	-	-	-	41,693,261	-	-	-
Capital lease obligations	154,696	-	-	-	154,696	-	-	-
Total long-term debt	49,645,696	-	-	-	49,645,696	-	-	-
Long-term Liabilities								
Contributions payable	41,667	-	-	-	41,667	-	-	-
Advance from Medicare	9,108,282	175,035	-	-	9,283,317	-	-	-
Net pension liability	-	-	-	-	-	-	-	-
Total long-term liabilities	9,149,949	175,035	-	-	9,324,984	-	-	-
Total liabilities	86,168,109	253,046	-	-	86,421,155	-	33,983	33,983
Deferred Inflows of Resources								
Pensions	3,675,747	-	-	-	3,675,747	-	-	-
Net Position								
Net investment in capital assets	81,858,639	152,534	-	-	82,011,173	-	133,853	133,853
Restricted - expendable for								
Debt service	2,213,640	-	-	-	2,213,640	-	-	-
Capital acquisitions	1,103,568	-	3,922,808	-	5,026,376	-	-	-
Specific operating activities	55,835	-	23,562	-	79,397	-	-	-
Unrestricted	102,063,689	(17,576,503)	(8,878,249)	-	75,608,937	-	656,248	656,248
Total net position	187,295,371	(17,423,969)	(4,931,879)	-	164,939,523	-	790,101	790,101
Total liabilities, deferred inflows of resources and net position	\$ 277,139,227	\$ (17,170,923)	\$ (4,931,879)	\$ -	\$ 255,036,425	\$ -	\$ 824,084	\$ 824,084

Aspen Valley Hospital District
Combining Schedule – Revenues, Expenses and Changes
in Net Position Information
Year Ended December 31, 2020

	Blended Component Units					Discretely Presented Component Units			
	Aspen Valley Hospital		Aspen Valley Hospital		Eliminations	Total	Midvalley Ambulatory Surgery Center, LLC	Midvalley Imaging Center, LLC	Total
	Aspen Valley Hospital	District Clinics, PLLC	District Clinics, PLLC	Foundation			Center, LLC	Center, LLC	
Operating Revenues									
Net patient service revenue	\$ 89,030,502	\$ 3,783,843	\$ -	\$ -	\$ 92,814,345	\$ 1,279,380	\$ 358,918	\$ 1,638,298	
Other	3,405,157	97,569	-	(662,396)	2,840,330	-	-	-	
Total operating revenues	92,435,659	3,881,412	-	(662,396)	95,654,675	1,279,380	358,918	1,638,298	
Operating Expenses									
Salaries and wages	32,672,924	9,062,478	593,636	-	42,329,038	499,631	93,033	592,664	
Contract labor	2,835,991	237,917	66,965	-	3,140,873	-	-	-	
Supplies and other	50,018,572	2,773,417	439,449	(662,396)	52,569,042	1,202,962	261,260	1,464,222	
Depreciation	12,521,504	55,192	-	-	12,576,696	87,419	17,969	105,388	
Total operating expenses	98,048,991	12,129,004	1,100,050	(662,396)	110,615,649	1,790,012	372,262	2,162,274	
Operating Income (Loss)	(5,613,332)	(8,247,592)	(1,100,050)	-	(14,960,974)	(510,632)	(13,344)	(523,976)	
Nonoperating Revenues (Expenses)									
Ad valorem taxes	8,535,221	-	-	-	8,535,221	-	-	-	
Investment income	435,450	21	515	-	435,986	9,021	21,509	30,530	
Interest expense	(1,516,768)	-	-	-	(1,516,768)	-	-	-	
Community assistance programs	(484,752)	-	-	-	(484,752)	-	-	-	
Noncapital contributions	69,048	-	2,868,959	-	2,938,007	-	-	-	
Change in equity interest in joint venture	60,079	-	-	-	60,079	-	-	-	
Change in equity interests in ASC and MIC	(2,059,067)	-	-	-	(2,059,067)	-	-	-	
Gain (loss) on sale of capital assets	91,760	-	-	-	91,760	(92,251)	-	(92,251)	
Provider Relief Funds (CARES Act) and other COVID-19 funding	4,264,010	73,004	-	-	4,337,014	-	-	-	
Debt issuance costs	(237,663)	-	-	-	(237,663)	-	-	-	
Forgiveness of related party debt	(553,247)	-	-	-	(553,247)	553,247	-	553,247	
Total nonoperating revenues	8,604,071	73,025	2,869,474	-	11,546,570	470,017	21,509	491,526	
Excess (Deficiency) of Revenues Over Expenses Before Capital Contributions, Provision (Credit) for Uncollectible Capital									
Contributions and Transfers	2,990,739	(8,174,567)	1,769,424	-	(3,414,404)	(40,615)	8,165	(32,450)	
Capital contributions	55,555	-	2,432,026	-	2,487,581	-	-	-	
Provision (credit) for uncollectible capital contributions	-	-	74,624	-	74,624	-	-	-	
Transfers from (to) related party	5,100,555	-	(5,100,555)	-	-	-	-	-	
Change in Net Position	8,146,849	(8,174,567)	(824,481)	-	(852,199)	(40,615)	8,165	(32,450)	
Net Position, Beginning of Year	179,148,522	(9,249,402)	(4,107,398)	-	165,791,722	40,615	781,936	822,551	
Net Position, End of Year	\$ 187,295,371	\$ (17,423,969)	\$ (4,931,879)	\$ -	\$ 164,939,523	\$ -	\$ 790,101	\$ 790,101	

Aspen Valley Hospital District

Combining Schedule – Cash Flows Information

Year Ended December 31, 2020

	Blended Component Units				Discretely Presented Component Units			
	Aspen Valley Hospital District		Aspen Valley Hospital Foundation		Midvalley Ambulatory Surgery Center, LLC		Midvalley Imaging Center, LLC	
	Aspen Valley Hospital	Clinics, PLLC	Eliminations	Total	Total	Total	Total	
Cash Flows From Operating Activities								
Receipts from and on behalf of patients	\$ 101,747,837	\$ 4,264,944	\$ -	\$ 106,012,781	\$ 1,676,521	\$ 440,295	\$ 2,116,816	
Payments to suppliers	(51,916,197)	(3,011,549)	(507,414)	(55,435,160)	(1,344,453)	(239,232)	(1,583,685)	
Payments to employees	(32,346,159)	(9,062,478)	(593,636)	(42,002,273)	(499,631)	(93,033)	(592,664)	
Other receipts (payments), net	(2,619,784)	7,839,596	1,224,613	6,444,425	-	5,303	5,303	
Net cash provided by (used in) operating activities	14,865,697	30,513	123,563	15,019,773	(167,563)	113,333	(54,230)	
Cash Flows From Noncapital Financing Activities								
Ad valorem taxes	4,911,482	-	-	4,911,482	-	-	-	
Community assistance programs	(540,669)	-	-	(540,669)	-	-	-	
Noncapital contributions	69,048	-	2,868,959	2,938,007	-	-	-	
Provider Relief Funds (CARES Act) and other COVID-19 funding	4,264,010	73,004	-	4,337,014	-	-	-	
Net cash provided by noncapital financing activities	8,703,871	73,004	2,868,959	11,645,834	-	-	-	
Cash Flows From Capital and Related Financing Activities								
Ad valorem taxes	3,621,539	-	-	3,621,539	-	-	-	
Purchases of capital assets	(2,836,041)	-	-	(2,836,041)	(5,843)	-	(5,843)	
Proceeds from sale of capital assets	285,910	-	-	285,910	-	-	-	
Proceeds from issuance of long-term debt	8,249,800	-	-	8,249,800	-	-	-	
Proceeds from refunding of long-term debt	32,292,614	-	-	32,292,614	-	-	-	
Refunding of Series 2010 bonds	(31,180,000)	-	-	(31,180,000)	-	-	-	
Debt issuance costs	(237,663)	-	-	(237,663)	-	-	-	
Principal payments on long-term debt	(3,743,889)	-	-	(3,743,889)	(149,761)	-	(149,761)	
Interest payments on long-term debt	(2,197,376)	-	-	(2,197,376)	-	-	-	
Capital contributions	55,555	-	2,763,708	2,819,263	-	-	-	
Net cash provided by (used in) capital and related financing activities	4,310,449	-	2,763,708	7,074,157	(155,604)	-	(155,604)	
Cash Flows From Investing Activities								
Purchase of investments	-	-	-	-	-	-	-	
Proceeds from sale of investments	9,856,268	-	-	9,856,268	-	-	-	
Investment income	485,706	21	515	486,242	9,021	21,509	30,530	
Transfer of equity	5,100,555	-	(5,100,555)	-	-	-	-	
Purchase of equity interest in joint venture	(155,155)	-	-	(155,155)	-	-	-	
Net cash provided by (used in) investing activities	15,287,374	21	(5,100,040)	10,187,355	9,021	21,509	30,530	
Increase (Decrease) in Cash and Cash Equivalents	43,167,391	103,538	656,190	43,927,119	(314,146)	134,842	(179,304)	
Cash and Cash Equivalents, Beginning of Year	35,962,216	1,089,786	168,243	37,220,245	314,146	506,713	820,859	
Cash and Cash Equivalents, End of Year	\$ 79,129,607	\$ 1,193,324	\$ 824,433	\$ 81,147,364	\$ -	\$ 641,555	\$ 641,555	

Aspen Valley Hospital District
Combining Statement – Cash Flows Information (Continued)
Year Ended December 31, 2020

	Blended Component Units				Discretely Presented Component Units			
	Aspen Valley Hospital District		Aspen Valley Hospital Foundation		Midvalley Ambulatory Surgery Center, LLC		Midvalley Imaging Center, LLC	
	Aspen Valley Hospital	Clinics, PLLC	Eliminations	Total	Total	Total	Total	
Reconciliation of Cash and Cash Equivalents to the Balance Sheets								
Cash and cash equivalents	\$ 75,456,144	\$ 1,193,324	\$ 526,092	\$ -	\$ 77,175,560	\$ -	\$ 641,555	\$ 641,555
Restricted by donors for capital acquisitions	1,103,568	-	274,779	-	1,378,347	-	-	-
Restricted by donors for specific operating activities	55,835	-	23,562	-	79,397	-	-	-
Bond funds restricted for capital acquisitions	300,420	-	-	-	300,420	-	-	-
Held by trustee for debt service	2,213,640	-	-	-	2,213,640	-	-	-
Total cash and cash equivalents	<u>\$ 79,129,607</u>	<u>\$ 1,193,324</u>	<u>\$ 824,433</u>	<u>\$ -</u>	<u>\$ 81,147,364</u>	<u>\$ -</u>	<u>\$ 641,555</u>	<u>\$ 641,555</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities								
Operating income (loss)	\$ (5,613,332)	\$ (8,247,592)	\$ (1,100,050)	\$ -	\$ (14,960,974)	\$ (510,632)	\$ (13,344)	\$ (523,976)
Depreciation	12,521,504	55,192	-	-	12,576,696	87,419	17,969	105,388
Provision for uncollectible accounts	2,914,849	157,349	-	-	3,072,198	-	-	-
Change in operating assets and liabilities								
Patient accounts receivable	(4,113,600)	81,163	-	-	(4,032,437)	397,141	81,377	478,518
Other receivables	605,669	-	137,819	-	743,488	-	5,303	5,303
Inventories	89,226	-	-	-	89,226	165,771	-	165,771
Prepaid expenses	(383,902)	(215)	-	-	(384,117)	-	-	-
Other assets	(9,462,212)	7,742,027	1,086,794	-	(633,391)	-	-	-
Accounts payable	(726,144)	-	(1,000)	-	(727,144)	(7,527)	(4,050)	(11,577)
Accrued salaries, benefits and payroll taxes	253,382	-	-	-	253,382	-	-	-
Other accrued liabilities	1,959,186	(1,647)	-	-	1,957,539	(299,735)	26,078	(273,657)
Estimated amounts due from and to third-party payers	13,916,086	244,236	-	-	14,160,322	-	-	-
Unearned revenue	2,831,602	-	-	-	2,831,602	-	-	-
Net pension asset/liability	73,383	-	-	-	73,383	-	-	-
Net cash provided by (used in) operating activities	<u>\$ 14,865,697</u>	<u>\$ 30,513</u>	<u>\$ 123,563</u>	<u>\$ -</u>	<u>\$ 15,019,773</u>	<u>\$ (167,563)</u>	<u>\$ 113,333</u>	<u>\$ (54,230)</u>
Noncash Investing, Capital and Financing Activities								
Capital lease obligations for equipment	\$ 10,342	\$ -	\$ -	\$ -	\$ 10,342	\$ 90,477	\$ -	\$ 90,477
Capital lease obligations assumed by Aspen Valley Hospital	\$ 79,172	\$ -	\$ -	\$ -	\$ 79,172	\$ (79,172)	\$ -	\$ (79,172)
Capital asset acquisitions included in current liabilities	\$ 410,559	\$ -	\$ -	\$ -	\$ 410,559	\$ -	\$ -	\$ -
Amortization of loss on refunding	\$ 85,538	\$ -	\$ -	\$ -	\$ 85,538	\$ -	\$ -	\$ -
Amortization of bond premiums	\$ 505,279	\$ -	\$ -	\$ -	\$ 505,279	\$ -	\$ -	\$ -
Change in equity interests	\$ (1,998,988)	\$ -	\$ -	\$ -	\$ (1,998,988)	\$ -	\$ -	\$ -
Forgiveness of related party debt	\$ (553,247)	\$ -	\$ -	\$ -	\$ (553,247)	\$ 553,247	\$ -	\$ 553,247