

Aspen Valley Hospital District

Independent Auditor's Reports and Financial Statements

December 31, 2021 and 2020

Aspen Valley Hospital District

December 31, 2021 and 2020

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Independent Auditor's Report

Board of Directors
Aspen Valley Hospital District
Aspen, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2021 and 2020, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the 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, 2021 and 2020, 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.

Basis for Opinions

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

Emphasis of Matter

As discussed in *Notes 1 and 18* to the financial statements, in 2021, the reporting entity changed to include Mid-Valley Imaging Center, LLC (MIC) as part of its combined financial statements, which was previously reported as a discretely presented component unit. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Aspen Valley Hospital District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Aspen Valley Hospital District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Aspen Valley Hospital District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Aspen Valley Hospital District's basic financial statements. The statement of budgeted and actual revenues and expenses, the combining financial statements, and the schedule of expenditures of federal awards (collectively, supplementary information) as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2022, on our consideration of Aspen Valley Hospital District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Aspen Valley Hospital District's internal control over financial reporting and compliance.

BKD, LLP

Wichita, Kansas
April 13, 2022

Aspen Valley Hospital District

Management's Discussion and Analysis

Years Ended December 31, 2021 and 2020

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, 2021 and 2020.

The financial statements are presented in two columns – one for the District which includes the Aspen Valley Hospital, Aspen Valley Hospital Clinics, PLLC, Mid-Valley Imaging Center, LLC (MIC) and Aspen Valley Hospital Foundation and one for a discretely presented component unit, the Mid-Valley Ambulatory Surgery Center, LLC (ASC). The ASC is 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 result of the discretely presented component unit is considered immaterial to the total District's finances, and therefore is 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 decreased in 2021 by \$1,273,773 and increased in 2020 by \$32,897,339, or 1.4% and 54%, respectively. The 2020 increase in cash is a result of the *CARES Act* and other COVID-19 funding.
- The District reported changes in net position of \$14,934,673 in 2021, \$(852,199) in 2020 and \$(465,260) in 2019.
- The District reported an operating gain of \$1,235,657 in 2021 and an operating loss of \$14,974,318 in 2020. The operating gain in 2021 increased by \$16,209,975 or 108% over the operating loss reported in 2020. The operating loss in 2020 increased by \$3,374,437 or 29% from the operating loss reported in 2019.
- Net nonoperating revenues decreased by \$842,971 or 7% in 2021 and increased by \$3,701,262 or 47% in 2020.

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, 2021 and 2020.
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, 2021 and 2020.

Aspen Valley Hospital District
Management's Discussion and Analysis (Continued)
Years Ended December 31, 2021 and 2020

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, 2021 and 2020.
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.

The Balance Sheets

The District's total assets and deferred outflows of resources at the end of 2021 were \$257,156,413 compared to \$255,042,357 for 2020 and \$232,843,036 for 2019. The District's net position increased in 2021 and decreased in 2020 and 2019.

	2021	2020	2019
Assets			
Cash, cash equivalents and investments	\$ 92,365,302	\$ 93,639,075	\$ 60,741,736
Patient accounts receivable, net	14,594,920	13,536,674	12,657,812
Other current assets	5,271,976	6,376,242	6,065,618
Capital assets, net	127,895,759	127,728,266	137,597,658
Contributions receivables	3,269,711	3,648,029	3,905,087
Assets restricted for capital acquisition	4,944,830	1,678,767	331,589
Other noncurrent assets	3,493,572	3,914,329	5,775,263
Net pension asset	2,143,102	201,692	-
Total assets	<u>253,979,172</u>	<u>250,723,074</u>	<u>227,074,763</u>
Deferred Outflows of Resources			
	<u>3,177,241</u>	<u>4,319,283</u>	<u>5,768,273</u>
Total assets and deferred outflows of resources	<u><u>\$ 257,156,413</u></u>	<u><u>\$ 255,042,357</u></u>	<u><u>\$ 232,843,036</u></u>
Liabilities			
Bonds payable and capital leases	\$ 41,590,726	\$ 49,645,696	\$ 45,404,369
Net pension liability	-	-	3,614,024
Other current and noncurrent liabilities	<u>31,717,684</u>	<u>36,781,391</u>	<u>16,621,954</u>
Total liabilities	<u>73,308,410</u>	<u>86,427,087</u>	<u>65,640,347</u>
Deferred Inflows of Resources			
	<u>3,973,807</u>	<u>3,675,747</u>	<u>1,410,967</u>
Net Position			
Net investment in capital assets	80,721,758	82,011,173	88,634,058
Restricted expendable	10,509,152	7,319,413	6,268,154
Unrestricted	<u>88,643,286</u>	<u>75,608,937</u>	<u>70,889,510</u>
Total net position	<u>179,874,196</u>	<u>164,939,523</u>	<u>165,791,722</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 257,156,413</u></u>	<u><u>\$ 255,042,357</u></u>	<u><u>\$ 232,843,036</u></u>

Aspen Valley Hospital District
Management's Discussion and Analysis (Continued)
Years Ended December 31, 2021 and 2020

Capital Asset and Debt Administration

Capital Assets

At the end of 2021, the District had \$242,371,740 invested in capital assets, gross of total accumulated depreciation of \$114,475,981, as detailed in *Note 4* to the financial statements. In 2021, the Hospital expended \$12,909,118 on equipment, adding a fourth operating room and other facilities upgrades. In 2020, the District had \$230,812,268 invested in capital assets, gross of total accumulated depreciation of \$103,084,002. During that same year, the District acquired new equipment in the amount of \$2,919,423. In 2019, the District had \$231,334,351 invested in capital assets and gross of total accumulated depreciation of \$93,736,693 after acquiring a total of \$6,971,843 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

Aspen Valley Hospital District
Management's Discussion and Analysis (Continued)
Years Ended December 31, 2021 and 2020

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.

The 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 and 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, debt issuance costs and forgiveness of related party debt.

Aspen Valley Hospital District
Management's Discussion and Analysis (Continued)
Years Ended December 31, 2021 and 2020

	2021	2020	2019
Operating Revenues			
Net patient service revenue	\$ 107,267,959	\$ 93,173,263	\$ 92,258,464
Other	3,258,507	2,840,330	2,837,096
Total operating revenues	<u>110,526,466</u>	<u>96,013,593</u>	<u>95,095,560</u>
Operating Expenses			
Salaries and wages	40,479,499	42,422,071	39,623,896
Contract labor	4,024,364	3,140,873	3,526,869
Supplies and other	52,075,464	52,830,302	50,759,274
Depreciation	12,711,482	12,594,665	12,785,402
Total operating expenses	<u>109,290,809</u>	<u>110,987,911</u>	<u>106,695,441</u>
Operating Gain (Loss)	<u>1,235,657</u>	<u>(14,974,318)</u>	<u>(11,599,881)</u>
Nonoperating Revenues (Expenses)			
Ad valorem taxes	7,692,068	8,535,221	7,969,302
Investment income	313,390	457,495	831,319
Interest expense	(906,726)	(1,516,768)	(1,926,626)
Community assistance programs	(462,835)	(484,752)	(694,877)
Noncapital contributions	1,467,141	2,938,007	1,698,868
Change in equity interests	(737,634)	(2,007,153)	(7,927)
Gain (loss) on sale of capital assets	12,749	91,760	(11,407)
Provider Relief Funds (<i>CARES Act</i>) and other COVID-19 funding	3,338,790	4,337,014	-
Debt issuance costs	-	(237,663)	-
Forgiveness of related party debt	-	(553,247)	-
Total nonoperating revenues	<u>10,716,943</u>	<u>11,559,914</u>	<u>7,858,652</u>
Excess of Revenues Over Expenses Before Capital Contributions and Provision (Credit) for Uncollectible Capital Contributions	<u>11,952,600</u>	<u>(3,414,404)</u>	<u>(3,741,229)</u>
Capital contributions	4,276,521	2,487,581	3,680,467
Provision (credit) for uncollectible capital contributions	<u>(1,294,448)</u>	<u>74,624</u>	<u>(404,498)</u>
Change in Net Position	14,934,673	(852,199)	(465,260)
Net Position, Beginning of Year	<u>164,939,523</u>	<u>165,791,722</u>	<u>166,256,982</u>
Net Position, End of Year	<u>\$ 179,874,196</u>	<u>\$ 164,939,523</u>	<u>\$ 165,791,722</u>

Aspen Valley Hospital District
Management's Discussion and Analysis (Continued)
Years Ended December 31, 2021 and 2020

Patient Service Revenues and Nonoperating Revenues

The District's net patient service revenues in 2021 reflect a 15% increase as a result of multiple factors including the 39% growth in orthopedic related activity stemming from a new partnership with The Steadman Clinic and the dissolution of our previously employed orthopedic group, OrthoAspen, effective December 1, 2020; the expansion of our primary care and specialty clinics; and rebounding tourism over the summer and fall; and immigration into the Aspen area. These factors more than off-set the significantly decreased activity levels during the 2021 ski season (January through April) that was greatly impacted by continuing COVID-19 restrictions. In 2020, the District's net patient service revenues reflect a modest increase 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 in 2021 and 2020 by 4% price increases, increases in clinic revenues from the first two full years of both our primary care clinic and the new electrophysiology program which opened in July 2019, as well as, the expanded hours of the After-Hours Clinic and the Snowmass Clinic. These clinics generated net revenues of \$2,557,168, \$3,783,843 and \$3,678,635 the years 2021, 2020 and 2019, respectively.

The District's outpatient service revenues continue to exceed the inpatient service revenues, with 87% of the District's 2021 patient service revenue generated by outpatient services, compared to 84% in 2020 and 82% in 2019. The significant shift to outpatient revenues is primarily the result of the increased demand for orthopedic services from The Steadman Clinic, along with increased activity noted above. 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 continues to be derived from commercial plans, 53% during 2021, 55% during 2020 and 54% during 2019. In addition, the District derived 33% of gross revenues from Medicare in 2021 and 32% during 2020 and 2019. 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 the *CARES Act* and other sources along with changes in equity interests and investment income related to the disposition of the Mid-Valley Surgery Center and the larger joint-venture in partnership with The Steadman Clinic.

Aspen Valley Hospital District
Management's Discussion and Analysis (Continued)
Years Ended December 31, 2021 and 2020

Operating and Nonoperating Expenses

In 2021, operating expenses decreased by \$1,697,102 mainly as a result of the above mentioned transition of our employed orthopedic practice, OrthoAspen, to The Steadman Clinic. During 2020, operating expenses increased \$4,292,470 due to being the first full year of operations of the primary care clinic, electrophysiology program under the cardiology clinic and expanded operating hours of the After-Hours Clinic and the seasonal Snowmass Clinic. Additionally, the District altered its operations in 2020 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 equipping 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 by \$7,720,418 as a result of the before mentioned clinic expansion implemented July of that year.

During 2021, nonoperating expenses decreased as a result of incurring less interest expense and not issuing or refinancing debt. In 2020, nonoperating expenses increased as a result of the closure of the Mid-Valley Ambulatory Surgery Center that took place on October 1, 2020, which resulted in the recognition of an equity loss along with the forgiveness of their debt. 2019 nonoperating expenses 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 2021, the District reported a provision for uncollectible accounts of \$3,694,020, compared to \$3,072,198 for 2020 and \$3,769,469 for 2019. The District's low write-off percentage from gross revenues of 2.2% for 2021 and 2.3% for 2020 and 2.7% for 2019 is a result of a combination of continued outsourcing success through MedAssist (a division of Firstsource Solutions) located in Belleville, Illinois 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.

Aspen Valley Hospital District

Management's Discussion and Analysis (Continued)

Years Ended December 31, 2021 and 2020

Patient accounts written-off as charity and indigent care are included in net patient service revenue. Charity and indigent care write-offs for 2021 were \$2,265,698 or 1.4% of gross patient service revenues, compared to \$1,585,052 or 1.2% of gross patient service revenue during 2020 and \$2,033,690 or 1.5% of gross patient service revenue for 2019. The early closure of the skiing mountains in March 2020 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 during that year.

The District's Change in Net Position

The District's change in net position increased in 2021 by \$14,934,673 or 9.1% over the prior year. In 2020 it decreased by \$852,199 or 0.5% over 2019 and it decreased by \$465,260 or 0.3% in 2019.

The Statement of Cash Flows

The Statement 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 gains (losses) and nonoperating revenues and expenses for 2021, 2020 and 2019, 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 2022 and 2021 budgets during the last quarter of the 2021 and 2020 calendar years, respectively. There were no amendments made to the original budgets presented to the State of Colorado for the calendar years 2022 and 2021.

During 2021, net patient service revenue was \$6,873,808 (6.8%) higher than budget, while operating expenses were \$6,252,199 (5.5%) lower than budget. The increase in revenues resulted from the change in our orthopedic group from our employed physicians to the world-renowned physicians of The Steadman Clinic and the demand for their services. 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.

Please see Supplementary Information for the statement of budgeted and actual revenues and expenses for the year ended December 31, 2021.

Aspen Valley Hospital District

Management's Discussion and Analysis (Continued)

Years Ended December 31, 2021 and 2020

Economic Factors and Next Year's Budget

During 2021, the District continued to experience changes in its payer mix resulting in commercial insurance representing 52.9% of gross patient revenues compared to 55% in 2020 and 52.9% in 2019. Medicare revenues were 33.2% of gross patient revenues in 2021 and 32% of gross revenues in 2020 and 2019. Revenues related to indigent care have remained stable over the past 3 years representing 1.4% of gross patient revenues in 2021 and 1.2% of gross patient revenues in 2020 and 1.5% of gross patient revenues in 2019. 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 2021 totaled 7.5% compared to 2020 at 6.7% of gross patient service revenues and 2019 at 7.1%. During 2021, the District experienced a 2% decrease in operating expenses resulting from the restructuring of its owned orthopedic clinic, OrthoAspen, which resulted in the District contracting with The Steadman Clinic to take care of the orthopedic needs of its patients. During 2020, the District saw a 4.0% 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 and continued restrictions throughout the community, the District continued to offer telemedicine visits to safely maintain care continuity for patients and also continued to maintain its expanded clinic offerings implemented in 2019. Additionally, the District continued to extend price concessions to local self-funded employers and commercial payers with products available to local insureds.

The District continues to outsource its billing office to MedAssist. 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 49 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 healthcare costs through population health management while improving the access to quality healthcare. 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.

Aspen Valley Hospital District
Management's Discussion and Analysis (Continued)
Years Ended December 31, 2021 and 2020

In constructing the District's 2022 budget, management made the decision to project the coming year based on the District's experience in 2019 while also reducing outpatient surgeries (and related expenses) to account for the expected outmigration of orthopedic surgeries to the new Steadman Philippon Surgery Center in Basalt, Colorado which is expected to open in April 2022. In addition, it considered the local and national economy, anticipated reduction in reimbursement from current legislation and lastly, the philanthropic efforts of Aspen Valley Hospital Foundation. This resulted in gross patient service revenues for 2022 being budgeted to decrease by approximately 11% over 2021, generating an anticipated net loss after contributions for 2022 of \$6.4 million. After implementing a new electronic medical record (EPIC) that is scheduled to go live in October 2022, expanding the employee housing units for on-call staff and allowing for the expansion of our primary care clinic, the District is estimated to have 164 days of cash on hand at the end of 2022 (with a starting position of 316 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, 2021 and 2020

Assets and Deferred Outflows of Resources

	2021		2020	
	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units
Current Assets				
Cash and cash equivalents	\$ 82,668,429	\$ -	\$ 77,817,115	\$ -
Short-term investments	9,696,873	-	15,821,960	-
Patient accounts receivable, net	14,594,920	-	13,536,674	-
Estimated amounts due from third-party payers	20,997	-	1,022,491	-
Other receivables	911,959	-	1,056,907	-
Inventories	2,786,591	-	2,682,118	-
Prepaid expenses	1,552,429	-	1,614,726	-
Total current assets	<u>112,232,198</u>	<u>-</u>	<u>113,551,991</u>	<u>-</u>
Noncurrent Cash and Investments				
Restricted by donors for capital acquisitions	4,944,830	-	1,378,347	-
Restricted by donors for specific operating activities	80,785	-	79,397	-
Contributions receivable, net	3,269,711	-	3,648,029	-
Bond funds restricted for capital acquisitions	-	-	300,420	-
Held by trustee for debt service	2,213,826	-	2,213,640	-
	<u>10,509,152</u>	<u>-</u>	<u>7,619,833</u>	<u>-</u>
Capital Assets, Net	<u>127,895,759</u>	<u>-</u>	<u>127,728,266</u>	<u>-</u>
Other Assets				
Equity interests in joint ventures	768,380	-	1,185,461	-
Net pension asset	2,143,102	-	201,692	-
Other	430,581	-	435,831	-
	<u>3,342,063</u>	<u>-</u>	<u>1,822,984</u>	<u>-</u>
Total assets	<u>253,979,172</u>	<u>-</u>	<u>250,723,074</u>	<u>-</u>
Deferred Outflows of Resources				
Pensions	2,733,823	-	3,768,109	-
Unamortized loss on refunding's of prior bond issuances	443,418	-	551,174	-
	<u>3,177,241</u>	<u>-</u>	<u>4,319,283</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 257,156,413</u>	<u>\$ -</u>	<u>\$ 255,042,357</u>	<u>\$ -</u>

See Notes to Financial Statements

Liabilities, Deferred Inflows of Resources and Net Position

	2021		2020	
	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units
Current Liabilities				
Current maturities of long-term debt	\$ 5,910,972	\$ -	\$ 4,628,379	\$ -
Accounts payable	5,229,920	-	3,873,568	-
Accrued salaries, benefits and payroll taxes	3,354,957	-	3,189,311	-
Other accrued liabilities	2,098,181	-	3,485,792	-
Construction payable	-	-	410,559	-
Estimated amounts due to third-party payers	8,190,499	-	5,367,046	-
Advance from Medicare	6,863,155	-	3,670,150	-
Unearned revenue	-	-	2,831,602	-
Total current liabilities	<u>31,647,684</u>	<u>-</u>	<u>27,456,407</u>	<u>-</u>
Long-term Debt				
Note payable	-	-	7,797,739	-
Bonds payable	37,725,534	-	41,693,261	-
Capital lease obligations	3,865,192	-	154,696	-
	<u>41,590,726</u>	<u>-</u>	<u>49,645,696</u>	<u>-</u>
Long-term Liabilities				
Contributions payable	70,000	-	41,667	-
Advance from Medicare	-	-	9,283,317	-
	<u>70,000</u>	<u>-</u>	<u>9,324,984</u>	<u>-</u>
Total liabilities	<u>73,308,410</u>	<u>-</u>	<u>86,427,087</u>	<u>-</u>
Deferred Inflows of Resources				
Pensions	<u>3,973,807</u>	<u>-</u>	<u>3,675,747</u>	<u>-</u>
Net Position				
Net investment in capital assets	80,721,758	-	82,011,173	-
Restricted - expendable for				
Debt service	2,213,826	-	2,213,640	-
Capital acquisitions	8,214,541	-	5,026,376	-
Specific operating activities	80,785	-	79,397	-
Unrestricted	<u>88,643,286</u>	<u>-</u>	<u>75,608,937</u>	<u>-</u>
Total net position	<u>179,874,196</u>	<u>-</u>	<u>164,939,523</u>	<u>-</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 257,156,413</u>	<u>\$ -</u>	<u>\$ 255,042,357</u>	<u>\$ -</u>

Aspen Valley Hospital District
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2021 and 2020

	2021		2020	
	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units
Operating Revenues				
Net patient service revenue	\$ 107,267,959	\$ -	\$ 93,173,263	\$ 1,279,380
Other	3,258,507	-	2,840,330	-
Total operating revenues	<u>110,526,466</u>	<u>-</u>	<u>96,013,593</u>	<u>1,279,380</u>
Operating Expenses				
Salaries and wages	40,479,499	-	42,422,071	499,631
Contract labor	4,024,364	-	3,140,873	-
Supplies and other	52,075,464	-	52,830,302	1,202,962
Depreciation	12,711,482	-	12,594,665	87,419
Total operating expenses	<u>109,290,809</u>	<u>-</u>	<u>110,987,911</u>	<u>1,790,012</u>
Operating Income (Loss)	<u>1,235,657</u>	<u>-</u>	<u>(14,974,318)</u>	<u>(510,632)</u>
Nonoperating Revenues (Expenses)				
Ad valorem taxes	7,692,068	-	8,535,221	-
Investment income	313,390	-	457,495	9,021
Interest expense	(906,726)	-	(1,516,768)	-
Community assistance programs	(462,835)	-	(484,752)	-
Noncapital contributions	1,467,141	-	2,938,007	-
Change in equity interests in joint ventures	37,933	-	60,079	-
Change in equity interests in ASC and MIC	(775,567)	-	(2,067,232)	-
Gain (loss) on sale of capital assets	12,749	-	91,760	(92,251)
Provider Relief Funds (<i>CARES Act</i>) and other COVID-19 funding	3,338,790	-	4,337,014	-
Debt issuance costs	-	-	(237,663)	-
Forgiveness of related party debt	-	-	(553,247)	553,247
Total nonoperating revenues	<u>10,716,943</u>	<u>-</u>	<u>11,559,914</u>	<u>470,017</u>
Excess (Deficiency) of Revenues Over Expenses Before Capital Contributions and Provision (Credit) for Uncollectible Capital Contributions				
Capital contributions	11,952,600	-	(3,414,404)	(40,615)
Provision (credit) for uncollectible capital contributions	4,276,521	-	2,487,581	-
	<u>(1,294,448)</u>	<u>-</u>	<u>74,624</u>	<u>-</u>
Change in Net Position	14,934,673	-	(852,199)	(40,615)
Net Position, Beginning of Year	<u>164,939,523</u>	<u>-</u>	<u>165,791,722</u>	<u>40,615</u>
Net Position, End of Year	<u>\$ 179,874,196</u>	<u>\$ -</u>	<u>\$ 164,939,523</u>	<u>\$ -</u>

Aspen Valley Hospital District
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021		2020	
	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units
Cash Flows From Operating Activities				
Receipts from and on behalf of patients	\$ 103,940,805	\$ -	\$ 106,453,076	\$ 1,676,521
Payments to suppliers	(56,573,791)	-	(55,702,443)	(1,344,453)
Payments to employees	(40,922,917)	-	(42,095,306)	(499,631)
Other receipts (payments), net	971,510	-	6,477,779	-
Net cash provided by (used in) operating activities	<u>7,415,607</u>	<u>-</u>	<u>15,133,106</u>	<u>(167,563)</u>
Cash Flows From Noncapital Financing Activities				
Ad valorem taxes	5,025,414	-	4,911,482	-
Community assistance programs	(431,166)	-	(540,669)	-
Noncapital contributions	1,467,141	-	2,938,007	-
Provider Relief Funds (<i>CARES Act</i>) and other COVID-19 funding	3,338,790	-	4,337,014	-
Net cash provided by noncapital financing activities	<u>9,400,179</u>	<u>-</u>	<u>11,645,834</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities				
Ad valorem taxes	2,672,982	-	3,621,539	-
Purchases of capital assets	(6,856,635)	-	(2,836,041)	(5,843)
Proceeds from sale of capital assets	42,892	-	285,910	-
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	(12,192,595)	-	(3,743,889)	(149,761)
Interest payments on long-term debt	(1,841,794)	-	(2,197,376)	-
Capital contributions	3,360,391	-	2,819,263	-
Net cash provided by (used in) capital and related financing activities	<u>(14,814,759)</u>	<u>-</u>	<u>7,074,157</u>	<u>(155,604)</u>
Cash Flows From Investing Activities				
Proceeds from sale of investments	6,125,087	-	9,856,268	-
Investment income	367,837	-	507,751	9,021
Purchase of equity interests in joint ventures	(375,000)	-	(155,155)	-
Net cash provided by investing activities	<u>6,117,924</u>	<u>-</u>	<u>10,208,864</u>	<u>9,021</u>
Increase (Decrease) Cash and Cash Equivalents	<u>8,118,951</u>	<u>-</u>	<u>44,061,961</u>	<u>(314,146)</u>
Cash and Cash Equivalents, Beginning of Year	<u>81,788,919</u>	<u>-</u>	<u>37,726,958</u>	<u>314,146</u>
Cash and Cash Equivalents, End of Year	<u>\$ 89,907,870</u>	<u>\$ -</u>	<u>\$ 81,788,919</u>	<u>\$ -</u>

Aspen Valley Hospital District
Statements of Cash Flows (Continued)
Years Ended December 31, 2021 and 2020

	2021		2020	
	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units
Reconciliation of Cash and Cash Equivalents to the Balance Sheets				
Cash and cash equivalents	\$ 82,668,429	\$ -	\$ 77,817,115	\$ -
Restricted by donors for capital acquisitions	4,944,830	-	1,378,347	-
Restricted by donors for specific operating activities	80,785	-	79,397	-
Bond funds restricted for capital acquisitions	-	-	300,420	-
Held by trustee for debt service	2,213,826	-	2,213,640	-
	<u>\$ 89,907,870</u>	<u>\$ -</u>	<u>\$ 81,788,919</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	\$ 1,235,657	\$ -	\$ (14,974,318)	\$ (510,632)
Depreciation	12,711,482	-	12,594,665	87,419
Provision for uncollectible accounts	3,694,020	-	3,072,198	-
Change in operating assets and liabilities				
Patient accounts receivable	(4,752,266)	-	(3,951,060)	397,141
Other receivables	138,620	-	776,842	-
Inventories	(104,473)	-	89,226	165,771
Prepaid expenses	62,297	-	(384,117)	-
Other assets	5,250	-	(633,391)	-
Accounts payable	1,353,320	-	(731,194)	(7,527)
Accrued salaries, benefits and payroll taxes	165,646	-	253,382	-
Other accrued liabilities	(1,387,915)	-	1,955,566	(299,735)
Estimated amounts due from and to third-party payers	(2,265,365)	-	14,160,322	-
Unearned revenue	(2,831,602)	-	2,831,602	-
Net pension asset/liability	(609,064)	-	73,383	-
	<u>\$ 7,415,607</u>	<u>\$ -</u>	<u>\$ 15,133,106</u>	<u>\$ (167,563)</u>
Noncash Investing, Capital and Financing Activities				
Capital lease obligations for equipment	\$ 6,463,042	\$ -	\$ 10,342	\$ 90,477
Capital lease obligations assumed by Aspen Valley Hospital	\$ -	\$ -	\$ 79,172	\$ (79,172)
Capital asset acquisitions included in current liabilities	\$ -	\$ -	\$ 410,559	\$ -
Amortization of loss on refunding	\$ 107,756	\$ -	\$ 85,538	\$ -
Amortization of bond premiums	\$ 1,042,824	\$ -	\$ 505,279	\$ -
Change in equity interests in joint ventures	\$ (142,452)	\$ -	\$ (1,998,988)	\$ -

Aspen Valley Hospital District
Statements of Fiduciary Net Position
December 31, 2021 and 2020

	2021	2020
Assets		
Investments		
Large U.S. equity	\$ 12,000,907	\$ 10,434,458
Small/Mid U.S. equity	1,974,082	1,767,234
International equity	6,765,182	6,208,739
Fixed income	13,257,834	13,468,622
Other	2,360,443	1,828,827
Total investments	36,358,448	33,707,880
Total assets	36,358,448	33,707,880
Net Position Restricted for Pensions	\$ 36,358,448	\$ 33,707,880

Aspen Valley Hospital District
Statements of Changes in Fiduciary Net Position
Years Ended December 31, 2021 and 2020

	2021	2020
Additions		
Contributions:		
Employer	\$ 1,354,525	\$ 1,651,833
Total contributions	1,354,525	1,651,833
Investment income:		
Net increase in fair value of investments	4,123,526	3,525,962
Less investment expense	(17,902)	(16,136)
Net income from investments	4,105,624	3,509,826
Total additions	5,460,149	5,161,659
Deductions		
Benefit payments	2,676,860	1,764,387
Administrative expense	132,721	132,056
Total deductions	2,809,581	1,896,443
Net increase in net position	2,650,568	3,265,216
Net Position Restricted for Pensions		
Beginning of year	33,707,880	30,442,664
End of year	\$ 36,358,448	\$ 33,707,880

Aspen Valley Hospital District

Notes to Financial Statements

December 31, 2021 and 2020

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. 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.

Mid-Valley 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. The MIC was previously reported as a component unit of the District using the discrete presentation method. In 2021, due to a change in circumstance in which the District took over management responsibility, the MIC is now considered a component unit of the District and is presented in the District's financial statements using the blending presentation method. The change in presentation method has been applied to the earliest year presented in these financial statements. Separate financial statements of MIC 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.

Aspen Valley Hospital District

Notes to Financial Statements

December 31, 2021 and 2020

Mid-Valley 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.

Mid-Valley Healthcare Solutions, LLC (MVHCS) has been organized as a Colorado limited liability company in 2020. The District is the sole member of MVHCS. 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 MVHCS is to hold a 25% equity investment in Basalt Orthopedic Surgery Center, LLC (BOSC). The other 75% equity interest holders are Vail Health Services, Orthopedic Care Partners Management, LLC and The Steadman Clinic, which each have an equal 25% equity interest. 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 MVHCS 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.

Aspen Valley Hospital District

Notes to Financial Statements

December 31, 2021 and 2020

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

Use of Estimates

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

Cash Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2021 and 2020, 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.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2021 and 2020

Inventories

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

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, 2021 and 2020.

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, 2021 and 2020

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. During the year ended December 31, 2021, 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, 2021 and 2020

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.

Guarantee

The District has guaranteed the debt of various loan agreements entered into by BOSC. The District is the sole member of MVHCS, and MVHCS holds a 25% equity interest in BOSC. The aggregate amount of the loan agreements is approximately \$24,000,000. The District's share of the guarantee is \$8,000,000. In accordance with accounting principles generally accepted in the United States of America, no liability is required to be recorded for this arrangement.

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.

Aspen Valley Hospital District

Notes to Financial Statements

December 31, 2021 and 2020

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 \$2,265,699 and \$1,585,052 for 2021 and 2020, respectively.

Other Operating Revenues

Other operating revenues are revenues generated from ongoing operations (*i.e.*, exchange transactions) that do not meet the definition of patient service revenues.

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 2021 and 2020. These funds were used to support the operating and capital needs of the District. The District received approximately 1% and 2% of its sources of funds from ad valorem taxes related to the general obligation bond and interest mill levy in 2021 and 2020, 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, if any, of Provider Relief Fund distributions is recorded as unearned revenue in the accompanying balance sheets.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2021 and 2020

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*.

At December 31, 2021 and 2020, \$750,000 and \$1,000,000 of the District's bank balances of \$102,047,762 and \$97,760,402 were insured by FDIC coverage, respectively. The remainder of the District's bank balances of \$101,297,762 and \$96,760,402, 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, 2021 and 2020, investments, not including fiduciary fund assets, amounted to \$2,213,826 and \$2,213,640, 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.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2021 and 2020

Summary of Carrying Values

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

	<u>2021</u>	<u>2020</u>
Carrying value		
Deposits	\$ 97,387,658	\$ 95,393,980
Investments	2,213,826	2,213,640
Fiduciary fund assets	36,358,448	33,707,880
Cash on hand and change funds	<u>3,259</u>	<u>3,259</u>
	<u><u>\$ 135,963,191</u></u>	<u><u>\$ 131,318,759</u></u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 82,668,429	\$ 77,817,115
Short-term investments	9,696,873	15,821,960
Restricted by donors for capital acquisitions	4,944,830	1,378,347
Restricted by donors for specific operating activities	80,785	79,397
Bond funds restricted for capital acquisitions	-	300,420
Held by trustee for debt service	2,213,826	2,213,640
Held by trustee under pension plan agreement (fiduciary fund assets)	<u>36,358,448</u>	<u>33,707,880</u>
	<u><u>\$ 135,963,191</u></u>	<u><u>\$ 131,318,759</u></u>

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:

	<u>2021</u>	<u>2020</u>
Medicare	\$ 3,453,624	\$ 2,863,427
Medicaid	424,630	280,062
Blue Cross	3,138,707	3,596,076
Other third-party payers	7,453,634	6,897,600
Self-pay	<u>1,094,705</u>	<u>939,699</u>
	15,565,300	14,576,864
Less allowance for uncollectible accounts	<u>970,380</u>	<u>1,040,190</u>
	<u><u>\$ 14,594,920</u></u>	<u><u>\$ 13,536,674</u></u>

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2021 and 2020

Note 4: Capital Assets

Capital assets activity for the years ended December 31 was:

	2021				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 267,057	\$ -	\$ -	\$ -	\$ 267,057
Land improvements	27,671,864	-	-	-	27,671,864
Buildings	78,482,724	776,974	-	76,328	79,336,026
Fixed equipment	71,868,941	2,381,904	-	838,516	75,089,361
Moveable equipment	37,011,273	1,796,278	(1,349,646)	152,274	37,610,179
Employee housing	13,568,359	95,205	-	-	13,663,564
Construction in progress	1,942,050	7,858,757	-	(1,067,118)	8,733,689
	<u>230,812,268</u>	<u>12,909,118</u>	<u>(1,349,646)</u>	<u>-</u>	<u>242,371,740</u>
Less accumulated depreciation					
Land improvements	9,783,928	1,707,623	-	-	11,491,551
Buildings	28,855,567	3,637,848	-	-	32,493,415
Fixed equipment	27,199,385	4,693,771	-	-	31,893,156
Moveable equipment	30,241,025	2,237,752	(1,319,503)	-	31,159,274
Employee housing	7,004,097	434,488	-	-	7,438,585
	<u>103,084,002</u>	<u>12,711,482</u>	<u>(1,319,503)</u>	<u>-</u>	<u>114,475,981</u>
Capital assets, net	<u>\$ 127,728,266</u>	<u>\$ 197,636</u>	<u>\$ (30,143)</u>	<u>\$ -</u>	<u>\$ 127,895,759</u>

Aspen Valley Hospital District
Notes to Financial Statements
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	2020				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
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	38,524,671	976,367	(2,829,892)	340,127	37,011,273
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>231,334,351</u>	<u>2,919,423</u>	<u>(3,441,506)</u>	<u>-</u>	<u>230,812,268</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	22,584,019	4,615,366	-	-	27,199,385
Moveable equipment	30,539,239	2,338,902	(2,637,116)	-	30,241,025
Employee housing	6,553,952	450,145	-	-	7,004,097
	<u>93,736,693</u>	<u>12,594,665</u>	<u>(3,247,356)</u>	<u>-</u>	<u>103,084,002</u>
Capital assets, net	<u>\$ 137,597,658</u>	<u>\$ (9,675,242)</u>	<u>\$ (194,150)</u>	<u>\$ -</u>	<u>\$ 127,728,266</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, 2021 and 2020

Note 6: Long-term Debt

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

	2021					
	Beginning Balance	Additions	Payments	Ending Balance	Amounts Due Within One Year	Long-term Portion
2012 revenue bonds	\$ 9,790,000	\$ -	\$ (65,000)	\$ 9,725,000	\$ 70,000	\$ 9,655,000
2016 refunding revenue note	5,910,000	-	(930,000)	4,980,000	955,000	4,025,000
2020 general obligation refunding bonds	23,600,000	-	(1,885,000)	21,715,000	1,980,000	19,735,000
PPP loan payable	8,249,800	-	(8,249,800)	-	-	-
Capital leases	408,190	6,463,042	(1,062,795)	5,808,437	1,943,245	3,865,192
	<u>47,957,990</u>	<u>6,463,042</u>	<u>(12,192,595)</u>	<u>42,228,437</u>	<u>4,948,245</u>	<u>37,280,192</u>
Unamortized premium on Series 2012 bonds	422,279	-	(42,329)	379,950	42,144	337,806
Unamortized premium on Series 2020 bonds	5,893,806	-	(1,000,495)	4,893,311	920,583	3,972,728
	<u>\$ 54,274,075</u>	<u>\$ 6,463,042</u>	<u>\$ (13,235,419)</u>	<u>\$ 47,501,698</u>	<u>\$ 5,910,972</u>	<u>\$ 41,590,726</u>
	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>

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2021 and 2020

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, 2021 and 2020.

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, 2021 and 2020

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, 2021.

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. During the year ended December 31, 2021, the District paid off the PPP loan, including accrued interest, in its entirety.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2021 and 2020

Capital Lease Obligations

The District is obligated under leases for equipment and software 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, 2021 and 2020:

	2021	2020
Major moveable equipment	\$ 1,466,746	\$ 1,260,959
Software	5,869,400	-
Less accumulated depreciation	1,341,286	878,653
	\$ 5,994,860	\$ 382,306

Debt Service Requirements

Debt service requirements on long-term debt and capital lease obligations as of December 31, 2021, are as follows:

Year Ending December 31,	General Obligation and Revenue Bonds Payable		Capital Leases	
	Principal	Interest	Principal	Interest
2022	\$ 3,005,000	\$ 1,677,833	\$ 1,943,245	\$ 147,734
2023	3,120,000	1,555,364	2,016,935	90,422
2024	3,250,000	1,427,554	1,622,706	24,262
2025	3,380,000	1,293,916	141,213	-
2026	3,515,000	1,154,234	84,338	-
2027-2031	17,145,000	3,115,750	-	-
2032-2033	3,005,000	227,250	-	-
	\$ 36,420,000	\$ 10,451,901	\$ 5,808,437	\$ 262,418

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 \$70,000 and \$100,000 has been recorded as of December 31, 2021 and 2020, 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
December 31, 2021 and 2020

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, 2021 and 2020, 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 2021 and 2020 is summarized as follows:

	2021	2020
Balance, beginning of year	\$ 907,619	\$ 679,979
Current year claims incurred and changes in estimates for claims incurred in prior years	7,126,460	6,629,531
Claims and expenses paid	(7,263,961)	(6,401,891)
Balance, end of year	\$ 770,118	\$ 907,619

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.

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

Approximately 33% and 35% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2021 and 2020, 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 \$1,275,000 and \$1,106,000 for 2021 and 2020, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges from the 2021 and 2020 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, 2021, are:

2022	\$ 1,130,114
2023	810,555
2024	785,847
2025	717,455
2026	691,282
2027-2029	<u>1,225,001</u>
Future minimum lease payments	<u><u>\$ 5,360,254</u></u>

Rental expense for all operating leases at December 31, 2021 and 2020, was \$1,305,106 and \$1,424,468, respectively.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2021 and 2020

Note 12: Fiduciary Funds

Investments

Fiduciary fund assets included in the Cash Balance Retirement Plan (the Plan) of \$36,358,448 and \$33,707,880 at December 31, 2021 and 2020, 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.

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 \$743,885 and \$723,904 for the years ended December 31, 2021 and 2020, respectively. The District does not control the plan assets.

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 \$3,297,554 and \$3,173,391 for the years ended December 31, 2021 and 2020, respectively. The District does not make contributions to the 457(b) plan. The District does not control the plan assets.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2021 and 2020

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.

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

	2021	2020
Inactive plan members or beneficiaries currently receiving benefits	19	17
Inactive plan members entitled to but not yet receiving benefits	266	237
Active plan members	385	392
	670	646

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.

Aspen Valley Hospital District

Notes to Financial Statements

December 31, 2021 and 2020

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, 2021 and 2020, were \$1,354,525 and \$1,651,833, respectively.

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.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2021 and 2020

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	2021 Target Allocation	2020 Target Allocation
U.S. equity - Large cap	32%	31%
U.S. equity - Mid cap	4%	3%
U.S. equity - Small cap	2%	2%
Non-U.S. equity	18%	18%
Real estate (direct property)	6%	6%
Core bond	35%	38%
High yield	3%	2%
Total	<u>100%</u>	<u>100%</u>

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:

	2021	2020
Principal Financial Group	<u>\$ 36,358,448</u>	<u>\$ 33,707,880</u>

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, 2021 and 2020, the annual money-weighted rate of return on plan investments was 12.38% and 11.51%, 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:

	2021	2020
Total pension liability	\$ 31,829,379	\$ 31,564,778
Plan fiduciary net position	<u>(36,358,448)</u>	<u>(33,707,880)</u>
District's net pension (asset) liability	<u>\$ (4,529,069)</u>	<u>\$ (2,143,102)</u>
Plan fiduciary net position as percentage of the total pension (asset) liability	114.23%	106.79%

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2021 and 2020

Actuarial assumptions. The 2021 total pension liability was determined by an actuarial valuation as of December 31, 2020, rolled forward to December 31, 2021, and the 2020 total pension liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to December 31, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, respectively:

	2021	2020
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%	5.20%

Mortality rates for the year ended 2021 were based on the Pri-2012 Total Dataset Base Rate Mortality table projected generationally using MP-2021.

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

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, 2021 to December 31, 2021. 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	2021 Long-term Expected Rate of Return	2020 Long-term Expected Rate of Return
U.S. equity - Large cap	7.70%	7.70%
U.S. equity - Mid cap	8.00%	8.80%
U.S. equity - Small cap	8.55%	8.55%
Non-U.S. equity	8.00%	8.00%
REITs	7.30%	7.30%
Real estate (direct property)	5.35%	5.35%
TIPS	2.35%	1.70%
Core bond	2.70%	2.60%
High yield	4.65%	5.45%

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2021 and 2020

Discount rate. The discount rate used to measure the total pension liability at December 31, 2021 and 2020, was 5.20%. The Plan’s fiduciary net position and benefit payments were projected to determine the discount rate. Projected fiduciary net position includes expected employer contributions, projected benefit and administrative payments and expected investment return. Projected benefit payments are based on plan provisions and participant data as of the measurement date and include the effects of automatic cost-of-living adjustments, projected salary changes and projected service credits. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension (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, 2021		
	1% Decrease (4.20%)	Current Discount Rate (5.20%)	1% Increase (6.20%)
District’s net pension (asset) liability	\$ (2,611,217)	\$ (4,529,069)	\$ (6,202,344)

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, 2021 and 2020, was measured as of December 31, 2020 and 2019, respectively, using the total pension liability that was determined by actuarial valuations as of December 31, 2019 and 2018, respectively, rolled forward to December 31, 2020 and 2019, respectively, using the following actuarial assumptions:

	2021	2020
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%

Aspen Valley Hospital District
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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 RP-2014 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. 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, 2020:

Asset Class	Target Allocation	Long-term Expected Rate of Return
U.S. equity - Large cap	31%	7.70%
U.S. equity - Mid cap	3%	8.00%
U.S. equity - Small cap	2%	8.55%
Non-U.S. equity	18%	8.00%
Real estate (direct property)	6%	5.35%
Core bond	38%	2.60%
High yield	2%	5.45%
	<u>100%</u>	

Discount rate. The discount rate used to measure the total pension liability at December 31, 2021 and 2020, 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, 2021 and 2020

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, 2021		
	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)

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

For the years ended December 31, 2021 and 2020, the District recognized pension expense of \$746,464 and \$1,725,216, respectively. At December 31, 2021 and 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	December 31, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 114,301	\$ 205,710
Changes in assumptions	523	189,440
Net differences between projected and actual earnings on pension plan investments	1,264,474	3,578,657
District's contributions subsequent to the measurement date	1,354,525	-
Total	\$ 2,733,823	\$ 3,973,807

	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, 2021 and 2020

At December 31, 2021, the District reported \$1,354,525 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, 2022.

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:	
2022	\$ (795,465)
2023	(424,277)
2024	(1,031,363)
2025	(343,404)
	<hr/>
	\$ (2,594,509)
	<hr/> <hr/>

Payable to the Pension Plan

At December 31, 2021 and 2020, there are no reported payables for the outstanding amount of contributions to the Plan required for the years ended December 31, 2021 and 2020.

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, 2021 and 2020

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, 2021 and 2020:

	2021						Discretely Presented Component Units	
	Blended Component Units					Total	Mid-Valley Ambulatory Surgery Center, LLC	
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Mid-Valley Imaging Center, LLC	Aspen Valley Hospital Foundation	Eliminations		Total	-
Assets and Deferred								
Outflows of Resources								
Current assets	\$ 134,859,244	\$ 4,108,256	\$ 552,560	\$ 1,739,938	\$ (29,027,800)	\$ 112,232,198	\$ -	\$ -
Noncurrent cash and investments	6,186,350	-	-	4,322,802	-	10,509,152	-	-
Capital assets, net	127,682,855	97,183	115,721	-	-	127,895,759	-	-
Other assets	3,951,779	-	-	-	(609,716)	3,342,063	-	-
Total assets	272,680,228	4,205,439	668,281	6,062,740	(29,637,516)	253,979,172	-	-
Deferred outflows of resources	3,177,241	-	-	-	-	3,177,241	-	-
Total assets and deferred outflows of resources	\$ 275,857,469	\$ 4,205,439	\$ 668,281	\$ 6,062,740	\$ (29,637,516)	\$ 257,156,413	\$ -	\$ -
Liabilities, Deferred Inflows of Resources and Net Position								
Current liabilities	\$ 31,517,089	\$ 25,805,225	\$ 58,565	\$ 3,294,605	\$ (29,027,800)	\$ 31,647,684	\$ -	\$ -
Long-term debt	41,590,726	-	-	-	-	41,590,726	-	-
Long-term liabilities	70,000	-	-	-	-	70,000	-	-
Total liabilities	73,177,815	25,805,225	58,565	3,294,605	(29,027,800)	73,308,410	-	-
Deferred inflows of resources	3,973,807	-	-	-	-	3,973,807	-	-
Net position	198,705,847	(21,599,786)	609,716	2,768,135	(609,716)	179,874,196	-	-
Total liabilities, deferred inflows of resources and net position	\$ 275,857,469	\$ 4,205,439	\$ 668,281	\$ 6,062,740	\$ (29,637,516)	\$ 257,156,413	\$ -	\$ -

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2021 and 2020

	2020							
	Blended Component Units					Discretely Presented Component Units		
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Mid-Valley Imaging Center, LLC	Aspen Valley Hospital Foundation	Eliminations	Total	Mid-Valley Ambulatory Surgery Center, LLC	Total
Assets and Deferred Outflows of Resources								
Current assets	\$ 139,091,517	\$ 1,525,749	\$ 690,231	\$ 666,838	\$ (28,422,344)	\$ 113,551,991	\$ -	\$ -
Noncurrent cash and investments	3,673,463	-	-	3,946,370	-	7,619,833	-	-
Capital assets, net	127,441,879	152,534	133,853	-	-	127,728,266	-	-
Other assets	2,613,085	-	-	-	(790,101)	1,822,984	-	-
Total assets	272,819,944	1,678,283	824,084	4,613,208	(29,212,445)	250,723,074	-	-
Deferred outflows of resources	4,319,283	-	-	-	-	4,319,283	-	-
Total assets and deferred outflows of resources	<u>\$ 277,139,227</u>	<u>\$ 1,678,283</u>	<u>\$ 824,084</u>	<u>\$ 4,613,208</u>	<u>\$ (29,212,445)</u>	<u>\$ 255,042,357</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities, Deferred Inflows of Resources and Net Position								
Current liabilities	\$ 27,372,464	\$ 18,927,217	\$ 33,983	\$ 9,545,087	\$ (28,422,344)	\$ 27,456,407	\$ -	\$ -
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	19,102,252	33,983	9,545,087	(28,422,344)	86,427,087	-	-
Deferred inflows of resources	3,675,747	-	-	-	-	3,675,747	-	-
Net position	187,295,371	(17,423,969)	790,101	(4,931,879)	(790,101)	164,939,523	-	-
Total liabilities, deferred inflows of resources and net position	<u>\$ 277,139,227</u>	<u>\$ 1,678,283</u>	<u>\$ 824,084</u>	<u>\$ 4,613,208</u>	<u>\$ (29,212,445)</u>	<u>\$ 255,042,357</u>	<u>\$ -</u>	<u>\$ -</u>

Aspen Valley Hospital District

Notes to Financial Statements

December 31, 2021 and 2020

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, 2021 and 2020:

	2021							
	Blended Component Units						Discretely Presented Component Units	
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Mid-Valley Imaging Center, LLC	Aspen Valley Hospital Foundation	Eliminations	Total	Mid-Valley Ambulatory Surgery Center, LLC	Total
Operating revenues	\$ 108,399,772	\$ 2,557,221	\$ (29,792)	\$ -	\$ (400,735)	\$ 110,526,466	\$ -	\$ -
Operating expenses	101,474,599	6,758,035	150,593	1,308,317	(400,735)	109,290,809	-	-
Operating income (loss)	6,925,173	(4,200,814)	(180,385)	(1,308,317)	-	1,235,657	-	-
Nonoperating revenues	1,501,612	24,997	-	9,009,949	180,385	10,716,943	-	-
Excess (deficiency) of revenues over expenses	8,426,785	(4,175,817)	(180,385)	7,701,632	180,385	11,952,600	-	-
Other	2,983,691	-	-	(1,618)	-	2,982,073	-	-
Change in net position	11,410,476	(4,175,817)	(180,385)	7,700,014	180,385	14,934,673	-	-
Net position, beginning of year	187,295,371	(17,423,969)	790,101	(4,931,879)	(790,101)	164,939,523	-	-
Net position, end of year	<u>\$ 198,705,847</u>	<u>\$ (21,599,786)</u>	<u>\$ 609,716</u>	<u>\$ 2,768,135</u>	<u>\$ (609,716)</u>	<u>\$ 179,874,196</u>	<u>\$ -</u>	<u>\$ -</u>

	2020							
	Blended Component Units						Discretely Presented Component Units	
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Mid-Valley Imaging Center, LLC	Aspen Valley Hospital Foundation	Eliminations	Total	Mid-Valley Ambulatory Surgery Center, LLC	Total
Operating revenues	\$ 92,435,659	\$ 3,881,412	\$ 358,918	\$ -	\$ (662,396)	\$ 96,013,593	\$ 1,279,380	\$ 1,279,380
Operating expenses	98,048,991	12,129,004	372,262	1,100,050	(662,396)	110,987,911	1,790,012	1,790,012
Operating income (loss)	(5,613,332)	(8,247,592)	(13,344)	(1,100,050)	-	(14,974,318)	(510,632)	(510,632)
Nonoperating revenues	8,604,071	73,025	21,509	2,869,474	(8,165)	11,559,914	470,017	470,017
Excess (deficiency) of revenues over expenses	2,990,739	(8,174,567)	8,165	1,769,424	(8,165)	(3,414,404)	(40,615)	(40,615)
Other	5,156,110	-	-	(2,593,905)	-	2,562,205	-	-
Change in net position	8,146,849	(8,174,567)	8,165	(824,481)	(8,165)	(852,199)	(40,615)	(40,615)
Net position, beginning of year	179,148,522	(9,249,402)	781,936	(4,107,398)	(781,936)	165,791,722	40,615	40,615
Net position, end of year	<u>\$ 187,295,371</u>	<u>\$ (17,423,969)</u>	<u>\$ 790,101</u>	<u>\$ (4,931,879)</u>	<u>\$ (790,101)</u>	<u>\$ 164,939,523</u>	<u>\$ -</u>	<u>\$ -</u>

Aspen Valley Hospital District

Notes to Financial Statements

December 31, 2021 and 2020

The following tables include condensed combining statements of cash flows information for the District and its component units for the years ended December 31, 2021 and 2020:

	2021							Discretely Presented Component Units	
	Blended Component Units					Total	Mid-Valley Ambulatory Surgery Center, LLC		Total
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Mid-Valley Imaging Center, LLC	Aspen Valley Hospital Foundation	Eliminations				
Net cash provided by (used in):									
Operating activities	\$ 4,928,515	\$ 2,499,384	\$ (96,912)	\$ 84,620	\$ -	\$ 7,415,607	\$ -	\$ -	
Noncapital financing activities	7,968,058	25,000	-	1,407,121	-	9,400,179	-	-	
Capital and related financing activities	(18,153,700)	-	-	3,338,941	-	(14,814,759)	-	-	
Investing activities	9,077,340	(3)	-	(2,959,413)	-	6,117,924	-	-	
Increase (decrease) in cash and cash equivalents	3,820,213	2,524,381	(96,912)	1,871,269	-	8,118,951	-	-	
Cash and cash equivalents, beginning of year	79,129,607	1,193,324	641,555	824,433	-	81,788,919	-	-	
Cash and cash equivalents, end of year	<u>\$ 82,949,820</u>	<u>\$ 3,717,705</u>	<u>\$ 544,643</u>	<u>\$ 2,695,702</u>	<u>\$ -</u>	<u>\$ 89,907,870</u>	<u>\$ -</u>	<u>\$ -</u>	
	2020								
	Blended Component Units					Total	Discretely Presented Component Units		Total
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Mid-Valley Imaging Center, LLC	Aspen Valley Hospital Foundation	Eliminations				
Net cash provided by (used in):									
Operating activities	\$ 14,865,697	\$ 30,513	\$ 113,333	\$ 123,563	\$ -	\$ 15,133,106	\$ (167,563)	\$ (167,563)	
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	21,509	(5,100,040)	-	10,208,864	9,021	9,021	
Increase (decrease) in cash and cash equivalents	43,167,391	103,538	134,842	656,190	-	44,061,961	(314,146)	(314,146)	
Cash and cash equivalents, beginning of year	35,962,216	1,089,786	506,713	168,243	-	37,726,958	314,146	314,146	
Cash and cash equivalents, end of year	<u>\$ 79,129,607</u>	<u>\$ 1,193,324</u>	<u>\$ 641,555</u>	<u>\$ 824,433</u>	<u>\$ -</u>	<u>\$ 81,788,919</u>	<u>\$ -</u>	<u>\$ -</u>	

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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 2020, the District deferred all nonessential medical and surgical procedures and suspended elective procedures, which resumed at different dates during the final quarter of 2020.

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.

The extent of the COVID-19 pandemic's adverse effect on the District's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the District's control and ability to forecast.

Because of these and other uncertainties, the District cannot estimate the length or severity of the effect of the pandemic on the District's business. Decreases in cash flows and 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 the years ended December 31, 2021 and 2020, the District received \$0 and \$7,007,360, respectively, of distributions from the *CARES Act* Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the District is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by HHS.

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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, 2021 and 2020, the District recognized \$2,831,602 and \$4,175,758, respectively, 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. As of the years ended December 31, 2021 and 2020, the unrecognized amount of Provider Relief Fund distributions of \$0 and \$2,831,602, respectively, is recorded as unearned revenue in the accompanying balance sheets.

Guidance for reporting use of Provider Relief Fund payments received has changed significantly since distributions were authorized through the *CARES Act* in March 2020. The District has evaluated the "Post-Payment Notice of Reporting Requirements" (Notice) and the Frequently Asked Questions (FAQs) issued by HHS for the years ended December 31, 2021 and 2020 and has recognized revenue accordingly. The District will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the District's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the District is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the financial statements compared to the District's Provider Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

Medicare Accelerated and Advanced Payment Program

During the year ended December 31, 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 the year ended December 31, 2020, the District received \$12,953,467 from these accelerated Medicare payment requests. During the year ended December 31, 2021, Medicare has applied \$6,090,312 from these accelerated Medicare payment requests against filed claims. 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, 2021 and 2020.

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Paycheck Protection Program (PPP) Loan

During the year ended December 31, 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. During the year ended December 31, 2021, the District paid off the PPP loan, including accrued interest, in its entirety.

Other COVID-19 Funding

During the years ended December 31, 2021 and 2020, the District received various other COVID-19 funding primarily through the Coronavirus Small Rural Hospital Improvement Program (SHIP) grant, the Assistant Secretary for Preparedness and Response (ASPR) grant and the Coronavirus Relief Fund. 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 *CARES Act* established the Coronavirus Relief Fund. Payments must be used for necessary expenditures incurred due to the public health emergency with respect to the coronavirus. The District received and recognized \$507,188 and \$161,256 during 2021 and 2020, respectively, 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: Change in Reporting Entity

The MIC was previously reported as a component unit of the District using the discrete presentation method. In 2021, due to a change in circumstance in which the District took over management responsibility, the MIC is now considered a component unit of the District and is presented in the District's financial statements using the blending presentation method. The change in presentation method has been applied to the earliest year presented in these financial statements.

Aspen Valley Hospital District
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The effects of the changes made to our 2020 balance sheet for the change in reporting entity was as follows:

	2020		2020		2020	
	As Reported		Change in Reporting Entity		As Adjusted	
	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units
Assets and Deferred Outflows of Resources						
Current Assets						
Cash and cash equivalents	\$ 77,175,560	\$ 641,555	\$ 641,555	\$ (641,555)	\$ 77,817,115	\$ -
Short-term investments	15,821,960	-	-	-	15,821,960	-
Patient accounts receivable, net	13,492,998	43,676	43,676	(43,676)	13,536,674	-
Estimated amounts due from third-party payers	1,022,491	-	-	-	1,022,491	-
Other receivables	1,079,958	5,000	(23,051)	(5,000)	1,056,907	-
Inventories	2,682,118	-	-	-	2,682,118	-
Prepaid expenses	1,614,726	-	-	-	1,614,726	-
Total current assets	112,889,811	690,231	662,180	(690,231)	113,551,991	-
Noncurrent Cash and Investments						
Restricted by donors for capital acquisitions	1,378,347	-	-	-	1,378,347	-
Restricted by donors for specific operating activities	79,397	-	-	-	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	-
	7,619,833	-	-	-	7,619,833	-
Capital Assets, Net	127,594,413	133,853	133,853	(133,853)	127,728,266	-
Other Assets						
Equity interests in joint ventures	409,894	-	775,567	-	1,185,461	-
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	-	(790,101)	-	1,822,984	-
Total assets	250,717,142	824,084	5,932	(824,084)	250,723,074	-
Deferred Outflows of Resources						
Pensions	3,768,109	-	-	-	3,768,109	-
Unamortized loss on refunding's of prior bond issuances	551,174	-	-	-	551,174	-
	4,319,283	-	-	-	4,319,283	-
Total assets and deferred outflows of resources	\$ 255,036,425	\$ 824,084	\$ 5,932	\$ (824,084)	\$ 255,042,357	\$ -

Aspen Valley Hospital District
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	2020		2020		2020	
	As Reported		Change in Reporting Entity		As Adjusted	
	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units
Liabilities, Deferred Inflows of Resources and Net Position						
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	3,479,860	33,983	5,932	(33,983)	3,485,792	-
Construction payable	410,559	-	-	-	410,559	-
Estimated amounts due to third-party payers	5,367,046	-	-	-	5,367,046	-
Advance from Medicare	3,670,150	-	-	-	3,670,150	-
Unearned revenue	2,831,602	-	-	-	2,831,602	-
Total current liabilities	27,450,475	33,983	5,932	(33,983)	27,456,407	-
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	-
	49,645,696	-	-	-	49,645,696	-
Long-term Liabilities						
Contributions payable	41,667	-	-	-	41,667	-
Advance from Medicare	9,283,317	-	-	-	9,283,317	-
	9,324,984	-	-	-	9,324,984	-
Total liabilities	86,421,155	33,983	5,932	(33,983)	86,427,087	-
Deferred Inflows of Resources						
Pensions	3,675,747	-	-	-	3,675,747	-
Net Position						
Net investment in capital assets	82,011,173	133,853	-	(133,853)	82,011,173	-
Restricted - expendable for						
Debt service	2,213,640	-	-	-	2,213,640	-
Capital acquisitions	5,026,376	-	-	-	5,026,376	-
Specific operating activities	79,397	-	-	-	79,397	-
Unrestricted	75,608,937	656,248	-	(656,248)	75,608,937	-
Total net position	164,939,523	790,101	-	(790,101)	164,939,523	-
Total liabilities, deferred inflows of resources and net position	\$ 255,036,425	\$ 824,084	\$ 5,932	\$ (824,084)	\$ 255,042,357	\$ -

Aspen Valley Hospital District
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The effects of the changes made to our 2020 statement of revenues, expenses and changes in net position for the change in reporting entity was as follows:

	2020		2020		2020	
	As Reported		Change in Reporting Entity		As Adjusted	
	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units
Operating Revenues						
Net patient service revenue	\$ 92,814,345	\$ 1,638,298	\$ 358,918	\$ (358,918)	\$ 93,173,263	\$ 1,279,380
Other	2,840,330	-	-	-	2,840,330	-
Total operating revenues	95,654,675	1,638,298	358,918	(358,918)	96,013,593	1,279,380
Operating Expenses						
Salaries and wages	42,329,038	592,664	93,033	(93,033)	42,422,071	499,631
Contract labor	3,140,873	-	-	-	3,140,873	-
Supplies and other	52,569,042	1,464,222	261,260	(261,260)	52,830,302	1,202,962
Depreciation	12,576,696	105,388	17,969	(17,969)	12,594,665	87,419
Total operating expenses	110,615,649	2,162,274	372,262	(372,262)	110,987,911	1,790,012
Operating Income (Loss)	(14,960,974)	(523,976)	(13,344)	13,344	(14,974,318)	(510,632)
Nonoperating Revenues (Expenses)						
Ad valorem taxes	8,535,221	-	-	-	8,535,221	-
Investment income	435,986	30,530	21,509	(21,509)	457,495	9,021
Interest expense	(1,516,768)	-	-	-	(1,516,768)	-
Community assistance programs	(484,752)	-	-	-	(484,752)	-
Noncapital contributions	2,938,007	-	-	-	2,938,007	-
Change in equity interests in joint ventures	60,079	-	-	-	60,079	-
Change in equity interests in ASC and MIC	(2,059,067)	-	(8,165)	-	(2,067,232)	-
Gain (loss) on sale of capital assets	91,760	(92,251)	-	-	91,760	(92,251)
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	-	-	(553,247)	553,247
Total nonoperating revenues	11,546,570	491,526	13,344	(21,509)	11,559,914	470,017
Excess (Deficiency) of Revenues Over Expenses Before Capital Contributions and Provision (Credit) for Uncollectible Capital Contributions	(3,414,404)	(32,450)	-	(8,165)	(3,414,404)	(40,615)
Capital contributions	2,487,581	-	-	-	2,487,581	-
Provision (credit) for uncollectible capital contributions	74,624	-	-	-	74,624	-
Change in Net Position	(852,199)	(32,450)	-	(8,165)	(852,199)	(40,615)
Net Position, Beginning of Year	165,791,722	822,551	-	(781,936)	165,791,722	40,615
Net Position, End of Year	\$ 164,939,523	\$ 790,101	\$ -	\$ (790,101)	\$ 164,939,523	\$ -

Aspen Valley Hospital District
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The effects of the changes made to our 2020 statement of cash flows for the change in reporting entity was as follows:

	2020		2020		2020	
	As Reported		Change in Reporting Entity		As Adjusted	
	Aspen Valley Hospital	Component Units	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	\$ 440,295	\$ (440,295)	\$ 106,453,076	\$ 1,676,521
Payments to suppliers	(55,435,160)	(1,583,685)	(267,283)	239,232	(55,702,443)	(1,344,453)
Payments to employees	(42,002,273)	(592,664)	(93,033)	93,033	(42,095,306)	(499,631)
Other receipts (payments), net	6,444,425	5,303	33,354	(5,303)	6,477,779	-
Net cash provided by (used in) operating activities	15,019,773	(54,230)	113,333	(113,333)	15,133,106	(167,563)
Cash Flows From Noncapital Financing Activities						
Ad valorem taxes	4,911,482	-	-	-	4,911,482	-
Community assistance programs	(540,669)	-	-	-	(540,669)	-
Noncapital contributions	2,938,007	-	-	-	2,938,007	-
Provider Relief Funds (<i>CARES Act</i>) and other COVID-19 funding	4,337,014	-	-	-	4,337,014	-
Net cash provided by noncapital financing activities	11,645,834	-	-	-	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)	(5,843)	-	-	(2,836,041)	(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)	(149,761)	-	-	(3,743,889)	(149,761)
Interest payments on long-term debt	(2,197,376)	-	-	-	(2,197,376)	-
Capital contributions	2,819,263	-	-	-	2,819,263	-
Net cash provided by (used in) capital and related financing activities	7,074,157	(155,604)	-	-	7,074,157	(155,604)
Cash Flows From Investing Activities						
Proceeds from sale of investments	9,856,268	-	-	-	9,856,268	-
Investment income	486,242	30,530	21,509	(21,509)	507,751	9,021
Purchase of equity interests in joint ventures	(155,155)	-	-	-	(155,155)	-
Net cash provided by investing activities	10,187,355	30,530	21,509	(21,509)	10,208,864	9,021
Increase (Decrease) Cash and Cash Equivalents	43,927,119	(179,304)	134,842	(134,842)	44,061,961	(314,146)
Cash and Cash Equivalents, Beginning of Year	37,220,245	820,859	506,713	(506,713)	37,726,958	314,146
Cash and Cash Equivalents, End of Year	\$ 81,147,364	\$ 641,555	\$ 641,555	\$ (641,555)	\$ 81,788,919	\$ -

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	2020		2020		2020	
	As Reported		Change in Reporting Entity		As Adjusted	
	Aspen Valley Hospital	Component Units	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	\$ 641,555	\$ (641,555)	\$ 77,817,115	\$ -
Restricted by donors for capital acquisitions	1,378,347	-	-	-	1,378,347	-
Restricted by donors for specific operating activities	79,397	-	-	-	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>\$ 81,147,364</u>	<u>\$ 641,555</u>	<u>\$ 641,555</u>	<u>\$ (641,555)</u>	<u>\$ 81,788,919</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities						
Operating income (loss)	\$ (14,960,974)	\$ (523,976)	\$ (13,344)	\$ 13,344	\$ (14,974,318)	\$ (510,632)
Depreciation	12,576,696	105,388	17,969	(17,969)	12,594,665	87,419
Provision for uncollectible accounts	3,072,198	-	-	-	3,072,198	-
Change in operating assets and liabilities						
Patient accounts receivable	(4,032,437)	478,518	81,377	(81,377)	(3,951,060)	397,141
Other receivables	743,488	5,303	33,354	(5,303)	776,842	-
Inventories	89,226	165,771	-	-	89,226	165,771
Prepaid expenses	(384,117)	-	-	-	(384,117)	-
Other assets	(633,391)	-	-	-	(633,391)	-
Accounts payable	(727,144)	(11,577)	(4,050)	4,050	(731,194)	(7,527)
Accrued salaries, benefits and payroll taxes	253,382	-	-	-	253,382	-
Other accrued liabilities	1,957,539	(273,657)	(1,973)	(26,078)	1,955,566	(299,735)
Estimated amounts due from and to third-party payers	14,160,322	-	-	-	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>\$ 15,019,773</u>	<u>\$ (54,230)</u>	<u>\$ 113,333</u>	<u>\$ (113,333)</u>	<u>\$ 15,133,106</u>	<u>\$ (167,563)</u>
Noncash Investing, Capital and Financing Activities						
Capital lease obligations for equipment	\$ 10,342	\$ 90,477	\$ -	\$ -	\$ 10,342	\$ 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 in joint ventures	\$ (1,998,988)	\$ -	\$ -	\$ -	\$ (1,998,988)	\$ -

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Note 19: 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 20: 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.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total pension liability			
Service cost	\$ 1,557,931	\$ 1,422,852	\$ 1,433,736
Interest	1,660,033	1,843,314	1,757,931
Differences between expected and actual experience	(282,912)	27,000	(300,418)
Changes in assumptions	6,409	(204,973)	(9,268)
Changes in benefit terms	-	-	-
Benefit payments	<u>(2,676,860)</u>	<u>(1,764,387)</u>	<u>(1,086,492)</u>
Net change in total pension liability	264,601	1,323,806	1,795,489
Total pension liability - beginning	<u>31,564,778</u>	<u>30,240,972</u>	<u>28,445,483</u>
Total pension liability - ending (a)	<u>\$ 31,829,379</u>	<u>\$ 31,564,778</u>	<u>\$ 30,240,972</u>
Plan fiduciary net position			
Contributions - employer	\$ 1,354,525	\$ 1,651,833	\$ 2,148,306
Contributions - other	-	-	-
Net investment income (expense)	4,105,624	3,509,826	4,681,502
Benefit payments	(2,676,860)	(1,764,387)	(1,086,492)
Administrative expense	<u>(132,721)</u>	<u>(132,056)</u>	<u>(132,111)</u>
Net change in plan fiduciary net position	2,650,568	3,265,216	5,611,205
Plan fiduciary net position - beginning	<u>33,707,880</u>	<u>30,442,664</u>	<u>24,831,459</u>
Plan fiduciary net position - ending (b)	<u>\$ 36,358,448</u>	<u>\$ 33,707,880</u>	<u>\$ 30,442,664</u>
District's net pension (asset) liability - ending (a) - (b)	<u>\$ (4,529,069)</u>	<u>\$ (2,143,102)</u>	<u>\$ (201,692)</u>
Plan fiduciary net position as a percentage of the total pension liability	114.23%	106.79%	100.67%
Covered payroll	\$ 30,885,159	\$ 35,094,297	\$ 33,492,762
District's net pension (asset) liability as a percentage of covered payroll	-14.66%	-6.11%	-0.60%
Long-term inflation, wage base, and compensation limit	2.25%	2.25%	2.25%

Notes to Schedule:

GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25* was implemented during 2014 and therefore only 2014 through 2021 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.

	2018	2017	2016	2015	2014
\$	1,338,539	\$ 1,117,611	\$ 1,020,686	\$ 962,923	\$ 1,013,451
	1,638,650	1,834,455	1,695,279	1,590,521	1,416,739
	294,722	(434,374)	314,061	50,485	576,188
	1,639	(272,791)	(22,423)	(10,786)	379,430
	29,611	-	(9,803)	-	-
	<u>(1,356,934)</u>	<u>(1,281,502)</u>	<u>(1,421,746)</u>	<u>(836,696)</u>	<u>(711,956)</u>
	1,946,227	963,399	1,576,054	1,756,447	2,673,852
	<u>26,499,256</u>	<u>25,535,857</u>	<u>23,959,803</u>	<u>22,203,356</u>	<u>19,529,504</u>
\$	<u>28,445,483</u>	<u>26,499,256</u>	<u>25,535,857</u>	<u>23,959,803</u>	<u>22,203,356</u>
\$	1,952,317	\$ 1,827,477	\$ 1,555,740	\$ 1,365,917	\$ 1,158,533
	-	-	8,354	-	-
	(1,572,858)	3,271,296	1,329,355	(156,525)	1,014,456
	(1,356,934)	(1,281,502)	(1,421,746)	(836,696)	(711,956)
	<u>(132,271)</u>	<u>(134,831)</u>	<u>(68,397)</u>	<u>(6,220)</u>	<u>(2,130)</u>
	(1,109,746)	3,682,440	1,403,306	366,476	1,458,903
	<u>25,941,205</u>	<u>22,258,765</u>	<u>20,855,459</u>	<u>20,488,983</u>	<u>19,030,080</u>
\$	<u>24,831,459</u>	<u>25,941,205</u>	<u>22,258,765</u>	<u>20,855,459</u>	<u>20,488,983</u>
\$	<u>3,614,024</u>	<u>558,051</u>	<u>3,277,092</u>	<u>3,104,344</u>	<u>1,714,373</u>
	87.29%	97.89%	87.17%	87.04%	92.28%
\$	33,387,929	\$ 30,308,890	\$ 26,159,424	\$ 23,424,173	\$ 20,859,646
	10.82%	1.84%	12.53%	13.25%	8.22%
	2.00%	2.00%	2.25%	2.25%	2.25%

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 1,354,525	\$ 1,651,833	\$ 2,148,306	\$ 1,766,329
Contributions in relation to the actuarially determined contribution	<u>1,354,525</u>	<u>1,651,833</u>	<u>2,148,306</u>	<u>1,952,317</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (185,988)</u>
Covered payroll	\$ 30,885,159	\$ 35,094,297	\$ 33,492,762	\$ 33,387,929
Contributions as a percentage of covered payroll	4.39%	4.71%	6.41%	5.85%
Long-term inflation	2.25%	2.25%	2.25%	2.25%
Investment rate of return	5.20%	5.20%	6.00%	6.00%
Mortality Scale	MP-2021	MP-2020	MP-2019	MP-2018

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

2017	2016	2015	2014	2013	2012
\$ 1,878,025	\$ 1,586,110	\$ 1,260,846	\$ 1,158,533	\$ 1,328,791	\$ 1,522,841
<u>1,827,477</u>	<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>\$ 50,548</u>	<u>\$ 30,370</u>	<u>\$ (105,071)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 30,308,890	\$ 26,159,424	\$ 23,424,173	\$ 20,859,646	\$ 21,581,130	\$ 20,295,889
6.03%	5.95%	5.83%	5.55%	6.16%	7.50%
2.00%	2.00%	2.25%	2.25%	Not available	Not available
6.00%	7.00%	7.00%	7.00%	Not available	Not available
MP-2017	MP-2016	MP-2015	MP-2014	Not available	Not available

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

	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	12.38%	11.51%	18.49%	-5.94%

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 2021 are the years in which information is available. This schedule will include ten-year trend information once available.

2017	2016	2015	2014
14.45%	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

	2021	2020	2019	2018
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 of assumptions	(204,973)	(9,268)	1,639	(272,791)
Changes of 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	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. 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 2021 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.

2017	2016	2015
\$ 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%

Supplementary Information

Aspen Valley Hospital District
Statement of Budgeted and Actual Revenues and Expenses
Year Ended December 31, 2021

	Budgeted Amount Original	Actual	Favorable (Unfavorable) Variance
Operating Revenues			
Net patient service revenue	\$ 100,423,943	\$ 107,297,751	\$ 6,873,808
Other	3,493,622	3,659,242	165,620
Total operating revenues	<u>103,917,565</u>	<u>110,956,993</u>	<u>7,039,428</u>
Operating Expenses	<u>114,484,833</u>	<u>108,232,634</u>	<u>6,252,199</u>
Operating Loss	<u>(10,567,268)</u>	<u>2,724,359</u>	<u>13,291,627</u>
Nonoperating Revenues (Expenses)			
Ad valorem taxes	7,799,215	7,692,068	(107,147)
Investment income	224,531	310,562	86,031
Interest expense	(861,084)	(906,726)	(45,642)
Community assistance programs	(610,626)	(462,835)	147,791
Noncapital contributions	20,000	60,020	40,020
Change in equity interest in joint venture	100,000	37,933	(62,067)
Change in equity interests in ASC and MIC	-	(955,952)	(955,952)
Gain on sale of capital assets	-	12,749	12,749
Provider Relief Funds (<i>CARES Act</i>) and other COVID-19 funding	-	3,338,790	3,338,790
Debt issuance costs	-	-	-
Forgiveness of related party debt	-	(7,600,000)	(7,600,000)
Total nonoperating revenues	<u>6,672,036</u>	<u>1,526,609</u>	<u>(5,145,427)</u>
Excess (Deficiency) of Revenues Over Expenses Before Capital Contributions, Capital Contributions and Transfers			
	(3,895,232)	4,250,968	8,146,200
Capital contributions	-	21,450	21,450
Transfers from related party	<u>2,800,000</u>	<u>2,962,241</u>	<u>162,241</u>
Change in Net Position	<u>\$ (1,095,232)</u>	<u>\$ 7,234,659</u>	<u>\$ 8,329,891</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 ACMC and does not include the MIC or Foundation.

Budgets are adopted by resolution in total. There were no supplemental budgets adopted during 2021.

Aspen Valley Hospital District
Combining Schedule – Balance Sheet Information
December 31, 2021

Assets and Deferred Outflows of Resources

	Blended Component Units					Discretely Presented Component Units		
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Mid-Valley Imaging Center, LLC	Aspen Valley Hospital Foundation	Eliminations	Total	Mid-Valley Ambulatory Surgery Center, LLC	Total
Current Assets								
Cash and cash equivalents	\$ 76,763,470	\$ 3,717,705	\$ 544,643	\$ 1,642,611	\$ -	\$ 82,668,429	\$ -	\$ -
Short-term investments	9,696,873	-	-	-	-	9,696,873	-	-
Patient accounts receivable, net	14,201,667	390,336	2,917	-	-	14,594,920	-	-
Estimated amounts due from third-party payers	20,997	-	-	-	-	20,997	-	-
Due from related party	29,027,800	-	-	-	(29,027,800)	-	-	-
Other receivables	809,632	-	5,000	97,327	-	911,959	-	-
Inventories	2,786,591	-	-	-	-	2,786,591	-	-
Prepaid expenses	1,552,214	215	-	-	-	1,552,429	-	-
Total current assets	134,859,244	4,108,256	552,560	1,739,938	(29,027,800)	112,232,198	-	-
Noncurrent Cash and Investments								
Restricted by donors for capital acquisitions	3,921,894	-	-	1,022,936	-	4,944,830	-	-
Restricted by donors for specific operating activities	50,630	-	-	30,155	-	80,785	-	-
Contributions receivable, net	-	-	-	3,269,711	-	3,269,711	-	-
Held by trustee for debt service	2,213,826	-	-	-	-	2,213,826	-	-
	6,186,350	-	-	4,322,802	-	10,509,152	-	-
Capital Assets, Net	127,682,855	97,183	115,721	-	-	127,895,759	-	-
Other Assets								
Equity interests in joint ventures	768,380	-	-	-	-	768,380	-	-
Equity interests in ASC and MIC	609,716	-	-	-	(609,716)	-	-	-
Net pension asset	2,143,102	-	-	-	-	2,143,102	-	-
Other	430,581	-	-	-	-	430,581	-	-
	3,951,779	-	-	-	(609,716)	3,342,063	-	-
Total assets	272,680,228	4,205,439	668,281	6,062,740	(29,637,516)	253,979,172	-	-
Deferred Outflows of Resources								
Pensions	2,733,823	-	-	-	-	2,733,823	-	-
Unamortized loss on refundings of prior bond issuances	443,418	-	-	-	-	443,418	-	-
	3,177,241	-	-	-	-	3,177,241	-	-
Total assets and deferred outflows of resources	\$ 275,857,469	\$ 4,205,439	\$ 668,281	\$ 6,062,740	\$ (29,637,516)	\$ 257,156,413	\$ -	\$ -

Liabilities, Deferred Inflows of Resources and Net Position

	Blended Component Units					Discretely Presented Component Units		
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Mid-Valley Imaging Center, LLC	Aspen Valley Hospital Foundation	Eliminations	Total	Mid-Valley Ambulatory Surgery Center, LLC	Total
Current Liabilities								
Current maturities of long-term debt	\$ 5,910,972	\$ -	\$ -	\$ -	\$ -	\$ 5,910,972	\$ -	\$ -
Accounts payable	5,230,140	(304)	84	-	-	5,229,920	-	-
Accrued salaries, benefits and payroll taxes	3,354,957	-	-	-	-	3,354,957	-	-
Other accrued liabilities	2,086,762	5,571	5,848	-	-	2,098,181	-	-
Due to related party	-	25,680,562	52,633	3,294,605	(29,027,800)	-	-	-
Estimated amounts due to third-party payers	8,190,499	-	-	-	-	8,190,499	-	-
Advance from Medicare	6,743,759	119,396	-	-	-	6,863,155	-	-
Total current liabilities	31,517,089	25,805,225	58,565	3,294,605	(29,027,800)	31,647,684	-	-
Long-term Debt								
Bonds payable	37,725,534	-	-	-	-	37,725,534	-	-
Capital lease obligations	3,865,192	-	-	-	-	3,865,192	-	-
	41,590,726	-	-	-	-	41,590,726	-	-
Long-term Liabilities								
Contributions payable	70,000	-	-	-	-	70,000	-	-
	70,000	-	-	-	-	70,000	-	-
Total liabilities	73,177,815	25,805,225	58,565	3,294,605	(29,027,800)	73,308,410	-	-
Deferred Inflows of Resources								
Pensions	3,973,807	-	-	-	-	3,973,807	-	-
Net Position								
Net investment in capital assets	80,624,575	97,183	115,721	-	(115,721)	80,721,758	-	-
Restricted - expendable for								
Debt service	2,213,826	-	-	-	-	2,213,826	-	-
Capital acquisitions	3,921,894	-	-	4,292,647	-	8,214,541	-	-
Specific operating activities	50,630	-	-	30,155	-	80,785	-	-
Unrestricted	111,894,922	(21,696,969)	493,995	(1,554,667)	(493,995)	88,643,286	-	-
Total net position	198,705,847	(21,599,786)	609,716	2,768,135	(609,716)	179,874,196	-	-
Total liabilities, deferred inflows of resources and net position	\$ 275,857,469	\$ 4,205,439	\$ 668,281	\$ 6,062,740	\$ (29,637,516)	\$ 257,156,413	\$ -	\$ -

Aspen Valley Hospital District
Combining Schedule – Revenues, Expenses and Changes
in Net Position Information
Year Ended December 31, 2021

	Blended Component Units					Component Units		
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Mid-Valley Imaging Center, LLC	Aspen Valley Hospital Foundation	Eliminations	Total	Mid-Valley Ambulatory Surgery Center, LLC	Total
Operating Revenues								
Net patient service revenue	\$ 104,740,583	\$ 2,557,168	\$ (29,792)	\$ -	\$ -	\$ 107,267,959	\$ -	\$ -
Other	3,659,189	53	-	-	(400,735)	3,258,507	-	-
Total operating revenues	<u>108,399,772</u>	<u>2,557,221</u>	<u>(29,792)</u>	<u>-</u>	<u>(400,735)</u>	<u>110,526,466</u>	<u>-</u>	<u>-</u>
Operating Expenses								
Salaries and wages	35,217,920	4,666,094	3,947	591,538	-	40,479,499	-	-
Contract labor	3,702,285	249,302	-	72,777	-	4,024,364	-	-
Supplies and other	49,916,395	1,787,288	128,514	644,002	(400,735)	52,075,464	-	-
Depreciation	12,637,999	55,351	18,132	-	-	12,711,482	-	-
Total operating expenses	<u>101,474,599</u>	<u>6,758,035</u>	<u>150,593</u>	<u>1,308,317</u>	<u>(400,735)</u>	<u>109,290,809</u>	<u>-</u>	<u>-</u>
Operating Income (Loss)	<u>6,925,173</u>	<u>(4,200,814)</u>	<u>(180,385)</u>	<u>(1,308,317)</u>	<u>-</u>	<u>1,235,657</u>	<u>-</u>	<u>-</u>
Nonoperating Revenues (Expenses)								
Ad valorem taxes	7,692,068	-	-	-	-	7,692,068	-	-
Investment income	310,565	(3)	-	2,828	-	313,390	-	-
Interest expense	(906,726)	-	-	-	-	(906,726)	-	-
Community assistance programs	(462,835)	-	-	-	-	(462,835)	-	-
Noncapital contributions	35,020	25,000	-	1,407,121	-	1,467,141	-	-
Change in equity interests in joint ventures	37,933	-	-	-	-	37,933	-	-
Change in equity interests in ASC and MIC	(955,952)	-	-	-	180,385	(775,567)	-	-
Gain (loss) on sale of capital assets	12,749	-	-	-	-	12,749	-	-
Provider Relief Funds (<i>CARES Act</i>) and other COVID-19 funding	3,338,790	-	-	-	-	3,338,790	-	-
Forgiveness of related party debt	(7,600,000)	-	-	7,600,000	-	-	-	-
Total nonoperating revenues	<u>1,501,612</u>	<u>24,997</u>	<u>-</u>	<u>9,009,949</u>	<u>180,385</u>	<u>10,716,943</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenses Before Capital Contributions, Provision (Credit) for Uncollectible Capital								
Contributions and Transfers	8,426,785	(4,175,817)	(180,385)	7,701,632	180,385	11,952,600	-	-
Capital contributions	21,450	-	-	4,255,071	-	4,276,521	-	-
Provision (credit) for uncollectible capital contributions	-	-	-	(1,294,448)	-	(1,294,448)	-	-
Transfers from (to) related party	2,962,241	-	-	(2,962,241)	-	-	-	-
Change in Net Position	<u>11,410,476</u>	<u>(4,175,817)</u>	<u>(180,385)</u>	<u>7,700,014</u>	<u>180,385</u>	<u>14,934,673</u>	<u>-</u>	<u>-</u>
Net Position, Beginning of Year	<u>187,295,371</u>	<u>(17,423,969)</u>	<u>790,101</u>	<u>(4,931,879)</u>	<u>(790,101)</u>	<u>164,939,523</u>	<u>-</u>	<u>-</u>
Net Position, End of Year	<u>\$ 198,705,847</u>	<u>\$ (21,599,786)</u>	<u>\$ 609,716</u>	<u>\$ 2,768,135</u>	<u>\$ (609,716)</u>	<u>\$ 179,874,196</u>	<u>\$ -</u>	<u>\$ -</u>

Aspen Valley Hospital District
Combining Schedule – Cash Flows Information
Year Ended December 31, 2021

	Blended Component Units					Component Units		
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Mid-Valley Imaging Center, LLC	Aspen Valley Hospital Foundation	Eliminations	Total	Mid-Valley Ambulatory Surgery Center, LLC	Total
Cash Flows From Operating Activities								
Receipts from and on behalf of patients	\$ 101,559,179	\$ 2,370,659	\$ 10,967	\$ -	\$ -	\$ 103,940,805	\$ -	\$ -
Payments to suppliers	(53,691,908)	(2,036,590)	(128,514)	(716,779)	-	(56,573,791)	-	-
Payments to employees	(35,661,338)	(4,666,094)	(3,947)	(591,538)	-	(40,922,917)	-	-
Other receipts (payments), net	(7,277,418)	6,831,409	24,582	1,392,937	-	971,510	-	-
Net cash provided by (used in) operating activities	4,928,515	2,499,384	(96,912)	84,620	-	7,415,607	-	-
Cash Flows From Noncapital Financing Activities								
Ad valorem taxes	5,025,414	-	-	-	-	5,025,414	-	-
Community assistance programs	(431,166)	-	-	-	-	(431,166)	-	-
Noncapital contributions	35,020	25,000	-	1,407,121	-	1,467,141	-	-
Provider Relief Funds (CARES Act) and other COVID-19 funding	3,338,790	-	-	-	-	3,338,790	-	-
Net cash provided by noncapital financing activities	7,968,058	25,000	-	1,407,121	-	9,400,179	-	-
Cash Flows From Capital and Related Financing Activities								
Ad valorem taxes	2,672,982	-	-	-	-	2,672,982	-	-
Purchases of capital assets	(6,856,635)	-	-	-	-	(6,856,635)	-	-
Proceeds from sale of capital assets	42,892	-	-	-	-	42,892	-	-
Proceeds from issuance of long-term debt	-	-	-	-	-	-	-	-
Proceeds from refunding of long-term debt	-	-	-	-	-	-	-	-
Refunding of Series 2010 bonds	-	-	-	-	-	-	-	-
Principal payments on long-term debt	(12,192,595)	-	-	-	-	(12,192,595)	-	-
Interest payments on long-term debt	(1,841,794)	-	-	-	-	(1,841,794)	-	-
Capital contributions	21,450	-	-	3,338,941	-	3,360,391	-	-
Net cash provided by (used in) capital and related financing activities	(18,153,700)	-	-	3,338,941	-	(14,814,759)	-	-
Cash Flows From Investing Activities								
Purchase of investments	-	-	-	-	-	-	-	-
Proceeds from sale of investments	6,125,087	-	-	-	-	6,125,087	-	-
Investment income	365,012	(3)	-	2,828	-	367,837	-	-
Transfer of equity	2,962,241	-	-	(2,962,241)	-	-	-	-
Purchase of equity interests in joint ventures	(375,000)	-	-	-	-	(375,000)	-	-
Net cash provided by (used in) investing activities	9,077,340	(3)	-	(2,959,413)	-	6,117,924	-	-
Increase (Decrease) in Cash and Cash Equivalents	3,820,213	2,524,381	(96,912)	1,871,269	-	8,118,951	-	-
Cash and Cash Equivalents, Beginning of Year	79,129,607	1,193,324	641,555	824,433	-	81,788,919	-	-
Cash and Cash Equivalents, End of Year	\$ 82,949,820	\$ 3,717,705	\$ 544,643	\$ 2,695,702	\$ -	\$ 89,907,870	\$ -	\$ -

Aspen Valley Hospital District
Combining Statement – Cash Flows Information (Continued)
Year Ended December 31, 2021

	Blended Component Units					Discretely Presented Component Units		
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Mid-Valley Imaging Center, LLC	Aspen Valley Hospital Foundation	Eliminations	Total	Mid-Valley Ambulatory Surgery Center, LLC	Total
Reconciliation of Cash and Cash Equivalents to the Balance Sheets								
Cash and cash equivalents	\$ 76,763,470	\$ 3,717,705	\$ 544,643	\$ 1,642,611	\$ -	\$ 82,668,429	\$ -	\$ -
Restricted by donors for capital acquisitions	3,921,894	-	-	1,022,936	-	4,944,830	-	-
Restricted by donors for specific operating activities	50,630	-	-	30,155	-	80,785	-	-
Held by trustee for debt service	2,213,826	-	-	-	-	2,213,826	-	-
Total cash and cash equivalents	<u>\$ 82,949,820</u>	<u>\$ 3,717,705</u>	<u>\$ 544,643</u>	<u>\$ 2,695,702</u>	<u>\$ -</u>	<u>\$ 89,907,870</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities								
Operating income (loss)	\$ 6,925,173	\$ (4,200,814)	\$ (180,385)	\$ (1,308,317)	\$ -	\$ 1,235,657	\$ -	\$ -
Depreciation	12,637,999	55,351	18,132	-	-	12,711,482	-	-
Provision for uncollectible accounts	3,704,040	(10,020)	-	-	-	3,694,020	-	-
Change in operating assets and liabilities								
Patient accounts receivable	(4,744,919)	(48,106)	40,759	-	-	(4,752,266)	-	-
Other receivables	95,201	-	-	43,419	-	138,620	-	-
Inventories	(104,473)	-	-	-	-	(104,473)	-	-
Prepaid expenses	62,297	-	-	-	-	62,297	-	-
Other assets	(8,200,206)	6,831,356	24,582	1,349,518	-	5,250	-	-
Accounts payable	1,353,236	-	84	-	-	1,353,320	-	-
Accrued salaries, benefits and payroll taxes	165,646	-	-	-	-	165,646	-	-
Other accrued liabilities	(1,384,288)	(3,543)	(84)	-	-	(1,387,915)	-	-
Estimated amounts due from and to third-party payers	(2,140,525)	(124,840)	-	-	-	(2,265,365)	-	-
Unearned revenue	(2,831,602)	-	-	-	-	(2,831,602)	-	-
Net pension asset/liability	(609,064)	-	-	-	-	(609,064)	-	-
Net cash provided by (used in) operating activities	<u>\$ 4,928,515</u>	<u>\$ 2,499,384</u>	<u>\$ (96,912)</u>	<u>\$ 84,620</u>	<u>\$ -</u>	<u>\$ 7,415,607</u>	<u>\$ -</u>	<u>\$ -</u>
Noncash Investing, Capital and Financing Activities								
Capital lease obligations for equipment	\$ 6,463,042	\$ -	\$ -	\$ -	\$ -	\$ 6,463,042	\$ -	\$ -
Capital lease obligations assumed by Aspen Valley Hospital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization of loss on refunding	\$ 107,756	\$ -	\$ -	\$ -	\$ -	\$ 107,756	\$ -	\$ -
Amortization of bond premiums	\$ 1,042,824	\$ -	\$ -	\$ -	\$ -	\$ 1,042,824	\$ -	\$ -
Change in equity interests in joint ventures	\$ (142,452)	\$ -	\$ -	\$ -	\$ -	\$ (142,452)	\$ -	\$ -
Forgiveness of related party debt	\$ (7,600,000)	\$ -	\$ -	\$ 7,600,000	\$ -	\$ -	\$ -	\$ -

Aspen Valley Hospital District
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Health and Human Services</u>				
Direct Program				
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		\$ -	\$ 7,007,360
Passed Through Colorado Rural Health Center Small Rural Hospital Improvement Grant Program	93.301	None	-	7,188
Total Department of Health and Human Services			-	7,014,548
<u>U.S. Department of Treasury</u>				
Passed Through Colorado Department of Local Affairs				
COVID-19 Coronavirus Relief Fund	21.019	None	-	500,000
			\$ -	\$ 7,514,548

Aspen Valley Hospital District

Notes to the Schedule of Expenditures of Federal Awards Year Ended December 31, 2021

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Aspen Valley Hospital District under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Aspen Valley Hospital District, it is not intended to and does not present the financial position, changes in net position or cash flows of Aspen Valley Hospital District.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Aspen Valley Hospital District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. Aspen Valley Hospital District did not receive any donated Personal Protective Equipment (PPE) during the year ended December 31, 2021 (Unaudited).

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

Independent Auditor's Report

Board of Directors
Aspen Valley Hospital District
Aspen, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, the aggregate discretely presented component units, and the fiduciary fund information of Aspen Valley Hospital District, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Aspen Valley Hospital District's basic financial statements and have issued our reports thereon dated April 13, 2022, which contained an "Emphasis of Matter" paragraph regarding a reporting entity change.

Report on Internal Control over Financial Reporting

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

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

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

Board of Directors
Aspen Valley Hospital District
(Continued)

Report on Compliance and Other Matters

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

Purpose of this Report

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

BKD, LLP

Wichita, Kansas
April 13, 2022

Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Directors
Aspen Valley Hospital District
Aspen, Colorado

Report on Compliance for the Major Federal Program

We have audited Aspen Valley Hospital District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Aspen Valley Hospital District's major federal program for the year ended December 31, 2021. Aspen Valley Hospital District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Aspen Valley Hospital District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of Aspen Valley Hospital District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Aspen Valley Hospital District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Aspen Valley Hospital District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Aspen Valley Hospital District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Aspen Valley Hospital District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Aspen Valley Hospital District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Aspen Valley Hospital District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Board of Directors
Aspen Valley Hospital District
(Continued)

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

FORVIS, LLP

Wichita, Kansas
September 7, 2022

Aspen Valley Hospital District
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2021

Section II – Financial Statement Findings

Reference Number	Finding
	No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
	No matters are reportable.

Aspen Valley Hospital District

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2021

Reference Number	Summary of Finding	Status
No matters are reportable.		