

Aspen Valley Hospital District

Independent Auditor's Report and Financial Statements

December 31, 2022 and 2021



Aspen Valley Hospital District
December 31, 2022 and 2021

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Independent Auditor's Report

Board of Directors
Aspen Valley Hospital District
Aspen, Colorado

Opinions

We have audited the financial statements of the business-type activities and the fiduciary fund information of Aspen Valley Hospital District (the District) as of and for the years ended December 31, 2022 and 2021, 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 respective financial position of the business-type activities and the fiduciary fund information of Aspen Valley Hospital District, as of December 31, 2022 and 2021, 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). 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 Aspen Valley Hospital District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in *Note 18* to the financial statements, during the year ended December 31, 2022, Aspen Valley Hospital District adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are 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 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, 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 and the combining financial statements (collectively, supplementary information) are presented for purposes of additional analysis and are 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.

FORVIS, LLP

Wichita, Kansas
June 9, 2023

Aspen Valley Hospital District

Management's Discussion and Analysis

Years Ended December 31, 2022 and 2021

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, 2022 and 2021. Please note that the financial information for the year 2021 was restated to reflect the effects of the new GASB Statement 87 - *Leases* standard.

The consolidated financial statements of the District reflect the financial activity of the Aspen Valley Hospital, Aspen Valley Hospital Clinics, PLLC, Midvalley Imaging Center, LLC (MIC) and Aspen Valley Hospital Foundation. Please see *Note 1* in the Notes to the Financial Statements for a complete explanation of these entities' association.

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

Financial Highlights

- Cash and investments decreased in 2022 by \$12,689,408, decreased in 2021 by \$1,273,773 and increased in 2020 by \$32,897,339, or 13.7%, 1.4% and 54.2%, respectively. The 2020 increase in cash is a result of the *Coronavirus Aid, Relief and Economic Security Act (CARES Act)* and other COVID-19 funding.
- The District's net position increased in 2022 and 2021 by \$18,717,999 and \$14,805,445 respectively, and decreased in 2020 by \$852,199.
- The District reported an operating gain in both 2022 and 2021 of \$5,963,982 and \$1,285,756 respectively, and an operating loss of \$14,974,318 in 2020. The operating gain in 2022 increased by \$4,678,226 or 363.9% over the operating gain reported in 2021. The operating gain in 2021 increased by \$16,260,074 or 108.6% over the operating loss reported in 2020.
- Net nonoperating revenues decreased by \$434,287 or 4.1% in 2022 and \$1,022,298 or 8.8% in 2021.

Aspen Valley Hospital District
Management's Discussion and Analysis (Continued)
Years Ended December 31, 2022 and 2021

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, 2022 and 2021 (as restated).
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, 2022 and 2021 (as restated).
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, 2022 and 2021 (as restated).
4. **Notes to the Financial Statements:** provide explanation and clarification on specific items within the previously mentioned financial statements including the restatement of the 2021 calendar year.

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

Aspen Valley Hospital District
Management's Discussion and Analysis (Continued)
Years Ended December 31, 2022 and 2021

The Balance Sheets

The District's total assets and deferred outflows of resources at the end of 2022 were \$280,206,395 compared to \$271,773,555 for 2021 and \$270,055,924 for 2020. The District's net position increased in 2022 and 2021 and decreased in 2020.

	2022	2021	2020
Assets		<i>(As Restated)</i>	
Cash, cash equivalents and investments	\$ 79,675,894	\$ 92,365,302	\$ 93,639,075
Patient accounts receivable, net	23,825,983	14,594,920	13,536,674
Other current assets	14,933,804	14,269,655	14,520,078
Capital assets, net	129,466,331	127,140,814	127,320,076
Lease assets, net	4,519,128	5,004,955	5,545,206
Contributions receivables	3,978,149	3,269,711	3,648,029
Assets restricted for capital acquisition	10,384,619	4,944,830	1,678,767
Other noncurrent assets	7,282,748	4,863,025	5,647,044
Net pension asset	4,529,069	2,143,102	201,692
Total assets	278,595,725	268,596,314	265,736,641
Deferred Outflows of Resources	1,610,670	3,177,241	4,319,283
Total assets and deferred outflows of resources	\$ 280,206,395	\$ 271,773,555	\$ 270,055,924
Liabilities			
Bonds payable and financed capital purchases	\$ 36,966,827	\$ 40,944,300	\$ 49,491,000
Net pension liability	3,915,448	4,230,537	4,549,112
Other current and noncurrent liabilities	25,987,819	32,537,799	37,523,991
Total liabilities	66,870,094	77,712,636	91,564,103
Deferred Inflows of Resources	14,873,334	14,315,951	13,552,298
Net Position			
Net investment in capital assets	85,598,051	80,567,542	82,011,173
Restricted expendable	16,678,236	10,509,152	7,319,413
Unrestricted	96,186,680	88,668,274	75,608,937
Total net position	198,462,967	179,744,968	164,939,523
Total liabilities, deferred inflows of resources and net position	\$ 280,206,395	\$ 271,773,555	\$ 270,055,924

Aspen Valley Hospital District
Management's Discussion and Analysis (Continued)
Years Ended December 31, 2022 and 2021

Capital Asset and Debt Administration

At the end of 2022, the District had \$256,291,369 invested in capital assets, gross of total accumulated depreciation of \$126,825,038, as detailed in *Note 5* to the financial statements. In 2022, the Hospital implemented a new Electronic Health Record system, Epic, along with expanding its Primary Care Clinic located in the hospital campus and upgrading other areas of the facility. In 2021, the District had \$240,904,994 invested in capital assets, gross of total accumulated depreciation of \$113,764,180. During that same year, the District expended \$12,244,495 on capital additions, adding a fourth operating room and other facilities upgrades. In 2020, the District had \$230,404,078 invested in capital assets, gross of total accumulated depreciation of \$103,084,002 which included the acquisition of new equipment in the amount of \$2,919,423.

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, 2022 and 2021

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 fourth and last phase of the Master Facilities Plan, estimated to cost \$11 million, until the funds are raised through philanthropy commensurate with the completion of the \$60 million capital campaign. As of December 31, 2022, the Aspen Valley Hospital Foundation anticipates that the campaign will be completed in early 2023.

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

Aspen Valley Hospital District
Management's Discussion and Analysis (Continued)
Years Ended December 31, 2022 and 2021

	2022	2021	2020
Operating Revenues		<i>(As Restated)</i>	
Net patient service revenue	\$ 129,864,987	\$ 107,267,959	\$ 93,173,263
Other	5,388,277	3,226,855	2,840,330
Total operating revenues	<u>135,253,264</u>	<u>110,494,814</u>	<u>96,013,593</u>
Operating Expenses			
Salaries and wages	42,770,600	40,479,499	42,422,071
Contract labor	11,500,313	4,024,364	3,140,873
Supplies and other	60,298,807	51,080,823	52,830,302
Depreciation	13,567,396	11,999,681	12,594,665
Amortization	1,152,166	1,624,691	-
Total operating expenses	<u>129,289,282</u>	<u>109,209,058</u>	<u>110,987,911</u>
Operating Gain (Loss)	<u>5,963,982</u>	<u>1,285,756</u>	<u>(14,974,318)</u>
Nonoperating Revenues (Expenses)			
Ad valorem taxes	8,527,027	7,692,068	8,535,221
Investment income	423,193	370,030	457,495
Interest expense	(1,162,896)	(1,142,693)	(1,516,768)
Community assistance programs	(431,916)	(462,835)	(484,752)
Noncapital contributions	2,832,526	1,467,141	2,938,007
Change in equity interests	(119,617)	(737,634)	(2,007,153)
Gain on sale of capital assets	35,012	12,749	91,760
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>10,103,329</u>	<u>10,537,616</u>	<u>11,559,914</u>
Excess of Revenues Over Expenses Before Capital Contributions and Provision (Credit) for Uncollectible Capital Contributions	<u>16,067,311</u>	<u>11,823,372</u>	<u>(3,414,404)</u>
Capital contributions	2,450,864	4,276,521	2,487,581
Provision (credit) for uncollectible capital contributions	<u>199,824</u>	<u>(1,294,448)</u>	<u>74,624</u>
Change in Net Position	18,717,999	14,805,445	(852,199)
Net Position, Beginning of Year	<u>179,744,968</u>	<u>164,939,523</u>	<u>165,791,722</u>
Net Position, End of Year	<u>\$ 198,462,967</u>	<u>\$ 179,744,968</u>	<u>\$ 164,939,523</u>

Aspen Valley Hospital District
Management's Discussion and Analysis (Continued)
Years Ended December 31, 2022 and 2021

Patient Service Revenues and Nonoperating Revenues

The District's net patient service revenues in 2022 reflect a 21.1% increase as a result of multiple factors including a 12.2% increase in surgeries (23.1% inpatient and 11.1% outpatient), a 12.7% increase in clinic visits and a 6.9% increase in emergency room visits. In 2021, The District's net patient service revenues reflect a 15.1% increase as a result of multiple factors including the 39.5% 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. Net patient revenues were impacted favorably in 2022 and 2021 by the annual price increases of 5.0% and 4.0% respectively, along with increases in clinic revenues from our primary care clinic and the expanded hours of the After-Hours Clinic and the Snowmass Clinic. These clinics generated net revenues of \$2,921,938, \$2,557,168 and \$3,783,843 the years 2022, 2021 and 2020, respectively.

The District's outpatient service revenues continue to exceed the inpatient service revenues, with 88.7% of the District's 2022 patient service revenue generated by outpatient services, compared to 87.4% in 2021 and 83.6% in 2020. 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, 54.1% during 2022, 52.9% during 2021 and 55.0% during 2020. In addition, the District derived 33.6% of gross revenues from Medicare in 2022 compared to 33.2% in 2021 and 32.0% during 2020. 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 noncapital contributions.

Aspen Valley Hospital District
Management's Discussion and Analysis (Continued)
Years Ended December 31, 2022 and 2021

Operating and Nonoperating Expenses

In 2022, operating expenses increased by \$20,080,224 due to multiple factors: the increased costs of labor due to the need to hire agency staff to fill vacancies created by employed staff that moved away to take on traveling positions with significantly higher wages, the increase in permanent staffing wages to maintain recruitment and retention, the increase in supply costs due to the national supply chain challenges and shortages and lastly, the overall inflationary pressures. During 2021, operating expenses decreased by \$1,778,853 mainly as a result of the transition of our employed orthopedic practice, OrthoAspen, to The Steadman Clinic. In 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 telehealth 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.

During 2022, nonoperating expenses decreased due to the community assistance programs requiring a smaller subsidy than in 2021 and also from not having any changes in equity interests during the year. In 2021, nonoperating expenses decreased as a result of incurring less interest expense and not issuing or refinancing debt. In contrast, 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.

The capital contributions and pledges during 2022 were lower than in 2021 due to the completion of the Aspen Valley Hospital Foundation \$60 million Capital Campaign for the Master Facilities Plan. The provision for uncollectible pledges reflects a larger amount of pledge payments than new pledges. As a result, the provision decreased by \$1,494,272 in 2022 compared to 2021. In 2021, the Foundation received various new pledges and also increased the provision for pledges with longer payment terms. This resulted in an increase in the provision of \$1,369,072 in 2021 compared to 2020.

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.

Aspen Valley Hospital District
Management's Discussion and Analysis (Continued)
Years Ended December 31, 2022 and 2021

In 2022, the District reported a provision for uncollectible accounts of \$5,136,818, compared to \$3,694,020 for 2021 and \$3,072,198 for 2020. The District's low write-off percentage from gross revenues of 2.6% for 2022 and 2.2% for 2021 and 2.2% for 2020 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.

Patient accounts written-off as charity and indigent care are included in net patient service revenue. Charity and indigent care write-offs for 2022 were \$1,429,021 or 0.7% of gross patient service revenues, compared to \$2,265,698 or 1.4% of gross patient service revenue during 2021 and \$1,585,052 or 1.2% of gross patient service revenue for 2020. The stabilization in the amount of indigent care over the past years was due to the fact that the State of Colorado was a Medicaid expansion State under the *Affordable Care Act* and consequently, many of the patients who were previously uninsured patients received coverage through Medicaid. In January 2020, the U.S. Department of Health and Human Services declared a Public Health Emergency in response to the Coronavirus pandemic which led to Congress passing legislation that ensured continuous coverage for anyone enrolled in Medicaid (regardless of continued eligibility) for the duration of the Public Health Emergency. 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 also 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 2022 by \$18,717,999 or 10.4% over the prior year. In 2021 it increased by \$14,805,445 or 9.0% over 2020 and it decreased by \$852,199 or 0.5% in 2020.

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 2022, 2021 and 2020, discussed earlier.

Aspen Valley Hospital District

Management's Discussion and Analysis (Continued)

Years Ended December 31, 2022 and 2021

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 2023 and 2022 budgets during the last quarter of the 2022 and 2021 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 2022, net patient service revenue was \$30,709,214 (31.0%) higher than budget and operating expenses were \$8,510,502 (7.1%) higher than budget. The increase in revenues in both 2022 and 2021 resulted from the change in our orthopedic group from our employed physicians to the world-renowned physicians of The Steadman Clinic, effective December 1, 2020, and the demand for their services. The increase in expenses during 2022 resulted mainly from the increased costs of agency staffing to fill vacancies and increases in costs related to supplies and implants used in orthopedic surgical cases. During 2021, net patient service revenue was \$6,873,808 (6.8%) higher than budget as explained above, while operating expenses were \$6,252,199 (5.5%) lower than budget.

Please see Supplementary Information for the statement of budgeted and actual revenues and expenses for the year ended December 31, 2022.

Economic Factors and Next Year's Budget

During 2022, the District continued to experience changes in its payer mix resulting in commercial insurance representing 54.1% of gross patient revenues compared to 52.9% in 2021 and 55.0% in 2020. Medicare revenues were 33.6% of gross patient revenues in 2022 and 33.2% of gross revenues in 2021 and 32.0% in 2020. Revenues related to indigent care have remained stable over the past 3 years with a slight decrease in 2022 representing 0.7% of gross patient revenues during the year, 1.4% of gross patient revenues in 2021 and 1.2% of gross patient revenues in 2020. The stabilization in the amount of indigent care over the past few years was 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 were still covered under Medicaid. In January 2020, the U.S. Department of Health and Human Services declared a Public Health Emergency in response to the Coronavirus pandemic. Congress then passed legislation that ensured continuous coverage for anyone enrolled in Medicaid for the duration of the Public Health Emergency which ends in May 2023. This means that in our State, many of the previously covered patients will lose their coverage. Only eligible individuals' coverage (based on the state requirements) will move from Medicaid to the Colorado Indigent Care Program. The Colorado Hospital Discounted Care legislation, which became effective on September 1, 2022, limits Colorado hospitals' ability to collect for services provided to patients who meet the statutory criteria of household incomes that are less than 250.0% of the Federal Poverty Level. The expected reimbursement from these programs is lower than Medicaid and as a result, the District expects to see an increase in indigent care starting in 2023. The Medicaid revenues as a percentage of gross patient service revenues for 2022 totaled 6.5% compared to 2021 at 7.5% of gross patient service revenues and 2020 at 6.7%. During 2022, the District experienced a 18.4% increase in

Aspen Valley Hospital District
Management's Discussion and Analysis (Continued)
Years Ended December 31, 2022 and 2021

operating expenses resulting from mainly the unexpected increase in agency staffing utilization due to the large number of vacancies from employees leaving to work as travelers at much higher rates of compensation, an increase in costs of supplies due to national supply chain challenges and inflationary pressures, increased surgical supply and implant utilization associated with increased orthopedic surgical volumes, and the depreciation related to the implementation of our new Electronic Health Record, Epic, which went live on October 1, 2022. During 2021, the District experienced a 1.6% 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.

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. With the implementation of Epic as our new Electronic Health Record on October 1, 2022, AVH experienced an increase in net days in accounts receivable as of the end of the year totaling 65 days. Due to the young nature of the accounts receivable, the District is not concerned regarding the increase in days. Historically, the District's net days in patient accounts receivable for the prior three years averaged 49 days.

Four of the largest self-insured employers in Aspen, Colorado, joined together in 2012 to form the Valley Health Alliance (Alliance). Today, this group has expanded throughout the valley and beyond, and now it is comprised of six self-funded employers representing 7,000 insured lives. The 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, the Alliance was successful in partnering with an insurance company to create lower premium insurance plan offerings in the Roaring Fork Valley for individual members through the Connect for Health Colorado exchange, therefore serving its vision to lower the costs of healthcare in our community. In 2022, one of the products created by the Alliance resulted in lower premium costs to the community as compared to the only option previously available on the exchange for the second consecutive year following its introduction in 2021.

Aspen Valley Hospital District
Management's Discussion and Analysis (Continued)
Years Ended December 31, 2022 and 2021

In constructing the District's 2023 budget, management made the decision to project the coming year based on the District's experience during both 2019 and 2021 (depending on the department), 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 had anticipated an opening date of March 2022. Additionally, it considered the local and national economy, anticipated reduction in reimbursement from recent legislation (such as the Hospital Discounted Care discussed above) and lastly, the philanthropic efforts of Aspen Valley Hospital Foundation. This resulted in gross patient service revenues for 2023 being budgeted to decrease by approximately 11% over 2022, generating an anticipated net loss after contributions for 2023 of \$15.7 million, and a near breakeven total cash margin. After expending cash reserves in accordance with the 2023 capital budget, including finalizing construction of the last phase of the Master Facilities Plan, Phase 4, expanding the employee housing units for on-call staff and allowing for the expansion of our midvalley primary care clinic, the District is estimated to have 182 days of cash on hand at the end of 2023 (with a starting position of 249 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, 2022 and 2021

Assets and Deferred Outflows of Resources

	<u>2022</u>	<u>2021</u> <i>(As Restated)</i>
Current Assets		
Cash and cash equivalents	\$ 79,675,894	\$ 82,668,429
Short-term investments	-	9,696,873
Patient accounts receivable, net of allowance; 2022 - \$1,176,325, 2021 - \$970,380	23,825,983	14,594,920
Estimated amounts due from third-party payers	374,422	20,997
Property tax levy receivable	8,539,513	8,634,417
Other receivables	988,452	911,959
Leases receivable	414,686	363,262
Inventories	3,004,799	2,786,591
Prepaid expenses	1,611,932	1,552,429
	<u>118,435,681</u>	<u>121,229,877</u>
Noncurrent Cash and Investments		
Restricted by donors for capital acquisitions	10,384,619	4,944,830
Restricted by donors for specific operating activities	85,515	80,785
Contributions receivable, net	3,978,149	3,269,711
Held by trustee for debt service	2,229,953	2,213,826
	<u>16,678,236</u>	<u>10,509,152</u>
Capital Assets, Net	<u>129,466,331</u>	<u>127,140,814</u>
Lease Assets, Net	<u>4,519,128</u>	<u>5,004,955</u>
Other Assets		
Equity interests in joint ventures	3,098,763	768,380
Leases receivable	1,382,036	1,369,453
Net pension asset	4,529,069	2,143,102
Other	486,481	430,581
	<u>9,496,349</u>	<u>4,711,516</u>
Total assets	<u>278,595,725</u>	<u>268,596,314</u>
Deferred Outflows of Resources		
Pensions	1,262,972	2,733,823
Unamortized loss on refunding's of prior bond issuances	347,698	443,418
	<u>1,610,670</u>	<u>3,177,241</u>
Total assets and deferred outflows of resources	<u>\$ 280,206,395</u>	<u>\$ 271,773,555</u>

See Notes to Financial Statements

Liabilities, Deferred Inflows of Resources and Net Position

	2022	2021 <i>(As Restated)</i>
Current Liabilities		
Current maturities of long-term debt	\$ 5,977,882	\$ 5,650,304
Current portion of lease liabilities	964,655	1,080,783
Accounts payable	8,843,170	5,229,920
Accrued salaries, benefits and payroll taxes	3,828,222	3,354,957
Other accrued liabilities	2,192,054	2,098,181
Estimated amounts due to third-party payers	4,059,979	8,190,499
Advance from Medicare	51,857	6,863,155
	<u>25,917,819</u>	<u>32,467,799</u>
Long-term Debt		
Bonds payable	33,726,953	37,725,534
Financed capital purchases	3,239,874	3,218,766
	<u>36,966,827</u>	<u>40,944,300</u>
Long-term Liabilities		
Contributions payable	70,000	70,000
Lease liabilities	3,915,448	4,230,537
	<u>3,985,448</u>	<u>4,300,537</u>
	<u>66,870,094</u>	<u>77,712,636</u>
Deferred Inflows of Resources		
Leases	1,747,134	1,707,727
Deferred property tax levy	8,539,513	8,634,417
Pensions	4,586,687	3,973,807
	<u>14,873,334</u>	<u>14,315,951</u>
Net Position		
Net investment in capital assets	85,598,051	80,567,542
Restricted - expendable for		
Debt service	2,229,953	2,213,826
Capital acquisitions	14,362,768	8,214,541
Specific operating activities	85,515	80,785
Unrestricted	96,186,680	88,668,274
	<u>198,462,967</u>	<u>179,744,968</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 280,206,395</u>	<u>\$ 271,773,555</u>

Aspen Valley Hospital District
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2022 and 2021

	2022	2021
		<i>(As Restated)</i>
Operating Revenues		
Net patient service revenue	\$ 129,864,987	\$ 107,267,959
Other	5,388,277	3,226,855
Total operating revenues	135,253,264	110,494,814
Operating Expenses		
Salaries and wages	42,770,600	40,479,499
Contract labor	11,500,313	4,024,364
Supplies and other	60,298,807	51,080,823
Depreciation	13,567,396	11,999,681
Amortization	1,152,166	1,624,691
Total operating expenses	129,289,282	109,209,058
Operating Income	5,963,982	1,285,756
Nonoperating Revenues (Expenses)		
Ad valorem taxes	8,527,027	7,692,068
Investment income	423,193	370,030
Interest expense	(1,162,896)	(1,142,693)
Community assistance programs	(431,916)	(462,835)
Noncapital contributions	2,832,526	1,467,141
Change in equity interests in joint ventures	(119,617)	37,933
Change in equity interest in MIC	-	(775,567)
Gain (loss) on sale of capital assets	35,012	12,749
Provider Relief Funds (<i>CARES Act</i>) and other COVID-19 funding	-	3,338,790
Total nonoperating revenues	10,103,329	10,537,616
Excess (Deficiency) of Revenues Over Expenses Before Capital Contributions and Provision (Credit) for Uncollectible Capital Contributions	16,067,311	11,823,372
Capital contributions	2,450,864	4,276,521
Provision (credit) for uncollectible capital contributions	199,824	(1,294,448)
Change in Net Position	18,717,999	14,805,445
Net Position, Beginning of Year	179,744,968	164,939,523
Net Position, End of Year	\$ 198,462,967	\$ 179,744,968

Aspen Valley Hospital District
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
		<i>(As Restated)</i>
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	\$ 109,347,881	\$ 103,940,805
Payments to suppliers	(68,852,567)	(55,579,150)
Payments to employees	(42,599,571)	(40,922,917)
Other receipts (payments), net	5,238,490	562,297
	<u>3,134,233</u>	<u>8,001,035</u>
Cash Flows From Noncapital Financing Activities		
Ad valorem taxes	5,441,286	5,025,414
Community assistance programs	(361,166)	(431,166)
Noncapital contributions	2,832,526	1,467,141
Provider Relief Funds (<i>CARES Act</i>) and other COVID-19 funding	-	3,338,790
	<u>7,912,646</u>	<u>9,400,179</u>
Cash Flows From Capital and Related Financing Activities		
Ad valorem taxes	3,082,995	2,672,982
Purchases of capital assets	(13,893,367)	(6,882,519)
Proceeds from sale of capital assets	35,875	42,892
Principal payments on long-term debt	(4,687,577)	(11,854,707)
Interest payments on long-term debt	(1,870,523)	(1,973,060)
Principal payments received on leases receivable	398,449	352,573
Interest payments received on leases receivable	59,076	56,639
Principal paid on leases payable	(1,097,556)	(1,070,678)
Interest paid on leases payable	(218,456)	(161,340)
Capital contributions	1,942,250	3,360,391
	<u>(16,248,834)</u>	<u>(15,456,827)</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	9,696,873	6,125,087
Investment income	423,193	424,477
Purchase of equity interests in joint ventures	(2,450,000)	(375,000)
	<u>7,670,066</u>	<u>6,174,564</u>
Increase in Cash and Cash Equivalents	2,468,111	8,118,951
Cash and Cash Equivalents, Beginning of Year	<u>89,907,870</u>	<u>81,788,919</u>
Cash and Cash Equivalents, End of Year	<u>\$ 92,375,981</u>	<u>\$ 89,907,870</u>

Aspen Valley Hospital District
Statements of Cash Flows (Continued)
Years Ended December 31, 2022 and 2021

	2022	2021
		<i>(As Restated)</i>
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents	\$ 79,675,894	\$ 82,668,429
Restricted by donors for capital acquisitions	10,384,619	4,944,830
Restricted by donors for specific operating activities	85,515	80,785
Held by trustee for debt service	2,229,953	2,213,826
	<u>\$ 92,375,981</u>	<u>\$ 89,907,870</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 5,963,982	\$ 1,285,756
Depreciation	13,567,396	11,999,681
Amortization	1,152,166	1,624,691
Provision for uncollectible accounts	5,136,818	3,694,020
Change in operating assets and liabilities		
Patient accounts receivable	(14,367,881)	(4,752,266)
Other receivables	(73,747)	138,620
Inventories	(218,208)	(104,473)
Prepaid expenses	(59,503)	62,297
Other assets	(55,900)	5,250
Accounts payable	3,541,981	1,353,320
Accrued salaries, benefits and payroll taxes	473,265	165,646
Other accrued liabilities	94,392	(1,387,915)
Estimated amounts due from and to third-party payers	(11,295,243)	(2,265,365)
Unearned revenue	-	(2,831,602)
Deferred inflows of resources - leases	(423,049)	(377,561)
Net pension asset/liability	(302,236)	(609,064)
	<u>\$ 3,134,233</u>	<u>\$ 8,001,035</u>
Noncash Investing, Capital and Financing Activities		
Long-term debt incurred for purchase of capital assets	\$ 2,000,409	\$ 5,626,250
Lease obligation incurred for lease assets	\$ 666,339	\$ 836,792
Additions to leases receivable	\$ 462,456	\$ -
Amortization of loss on refunding	\$ 95,720	\$ 107,756
Amortization of bond premiums	\$ 962,727	\$ 1,042,824
Change in equity interests in joint ventures	\$ (406,086)	\$ (142,452)

Aspen Valley Hospital District
Statements of Fiduciary Net Position
December 31, 2022 and 2021

	2022	2021
Assets		
Investments		
Large U.S. equity	\$ 8,888,605	\$ 12,000,907
Small/Mid U.S. equity	1,567,384	1,974,082
International equity	4,567,119	6,765,182
Fixed income	11,528,568	13,257,834
Other	2,382,893	2,360,443
Total investments	28,934,569	36,358,448
Total assets	28,934,569	36,358,448
Net Position Restricted for Pensions	\$ 28,934,569	\$ 36,358,448

Aspen Valley Hospital District
Statements of Changes in Fiduciary Net Position
Years Ended December 31, 2022 and 2021

	2022	2021
Additions		
Contributions:		
Employer	\$ 584,991	\$ 1,354,525
Total contributions	584,991	1,354,525
Investment income:		
Net increase (decrease) in fair value of investments	(5,045,853)	4,123,526
Less investment expense	(17,008)	(17,902)
Net income (loss) from investments	(5,062,861)	4,105,624
Total additions	(4,477,870)	5,460,149
Deductions		
Benefit payments	2,813,438	2,676,860
Administrative expense	132,571	132,721
Total deductions	2,946,009	2,809,581
Net increase (decrease) in net position	(7,423,879)	2,650,568
Net Position Restricted for Pensions		
Beginning of year	36,358,448	33,707,880
End of year	\$ 28,934,569	\$ 36,358,448

Aspen Valley Hospital District

Notes to Financial Statements

December 31, 2022 and 2021

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 has 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 is considered a component unit of the District and is presented in the District's financial statements using the blending presentation method. 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, 2022 and 2021

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.

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 blended component units that use proprietary fund reporting. The only other fund of the District is a fiduciary fund (employee retirement fund) that is excluded from the government-wide financial statements and is presented separately as fund financial statements. The District utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis using the economic resources measurement focus.

Use of Estimates

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

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2022 and 2021

Cash Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2022 and 2021, 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 interest in MVHCS is 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 restricted by donors for capital acquisitions, restricted by donors for specific operating activities, contributions receivable restricted by donors, and held by trustees under the Bond Indenture Agreements for debt service. The internally designated funds remain under the control of the District's Board of Directors, which may at its discretion later use the funds for other purposes.

Patient Accounts Receivable

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

Inventories

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. 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

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2022 and 2021

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Capital and Lease Asset Impairment

The Hospital evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation or accumulated amortization is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended December 31, 2022 and 2021.

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.

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.

Aspen Valley Hospital District

Notes to Financial Statements

December 31, 2022 and 2021

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.

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 \$19,725,000. The District's share of the guarantee is \$4,931,250. In accordance with accounting principles generally accepted in the United States of America, no liability is required to be recorded for this arrangement.

Aspen Valley Hospital District

Notes to Financial Statements

December 31, 2022 and 2021

Net Position

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

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

Net Patient Service Revenue

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

Charity Care

The District provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Net patient service revenue is reported net of charity care. Charges excluded from revenue under the District's charity care policy were \$1,429,021 and \$2,265,699 for 2022 and 2021, 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 2022 and 2021. These funds were used to support the operating and capital needs of the District. The District received approximately 1% of its sources of funds from ad valorem taxes related to the general obligation bond and interest mill levy in 2022 and 2021.

Aspen Valley Hospital District

Notes to Financial Statements

December 31, 2022 and 2021

Taxes are recorded as receivables when levied. Deferred inflows of resources are recorded when the taxes are levied and recognized as tax revenues in the following fiscal year.

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.

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.

Revision

An immaterial revision has been made to the 2021 financial statements to record a receivable and related deferred inflows of resources for the 2022 property tax levy. This revision is in response to guidance stating that hospital districts should recognize assets from nonexchange revenue transactions in the period when an enforceable legal claim to the asset arises. The property tax receivable and the related deferred inflows of resources are recorded during the month in which the mill levy is established. The property tax is levied and recognized as tax revenues in the following fiscal year. This revision was isolated to the balance sheet and had no impact on the statement of revenues, expenses and changes in net position or the change in net position for 2021.

Note 2: Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

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

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2022 and 2021

At December 31, 2022 and 2021, \$750,000 of the District's bank balances of \$98,178,732 and \$102,047,762 were insured by FDIC coverage, respectively. The remainder of the District's bank balances of \$97,428,732 and \$101,297,762, 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, 2022 and 2021, investments, not including fiduciary fund assets, amounted to \$2,229,953 and \$2,213,826, respectively. Investments under bond agreements, with the exception of those included in deposits, were invested in direct obligations of the U.S. Government through pooled investments (*i.e.*, money markets). These investments are carried at amortized cost and have maturities of less than one year.

Summary of Carrying Values

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

	2022	2021
Carrying value		
Deposits	\$ 90,142,774	\$ 97,387,658
Investments	2,229,953	2,213,826
Fiduciary fund assets	28,934,569	36,358,448
Cash on hand and change funds	3,254	3,259
	\$ 121,310,550	\$ 135,963,191
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 79,675,894	\$ 82,668,429
Short-term investments	-	9,696,873
Restricted by donors for capital acquisitions	10,384,619	4,944,830
Restricted by donors for specific operating activities	85,515	80,785
Held by trustee for debt service	2,229,953	2,213,826
Held by trustee under pension plan agreement (fiduciary fund assets)	28,934,569	36,358,448
	\$ 121,310,550	\$ 135,963,191

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2022 and 2021

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:

	2022	2021
Medicare	\$ 5,257,469	\$ 3,453,624
Medicaid	322,592	424,630
Blue Cross	3,911,935	3,138,707
Other third-party payers	13,785,710	7,453,634
Self-pay	1,724,602	1,094,705
	25,002,308	15,565,300
Less allowance for uncollectible accounts	1,176,325	970,380
	\$ 23,825,983	\$ 14,594,920

Note 4: Leases Receivable

The Hospital leases a portion of its space to various third parties, the terms of which expire on February 28, 2032. Payments increase annually based upon the Consumer Price Index (Index). The leases were measured based upon the Index at lease commencement.

Revenue recognized under lease contracts during the years ended December 31, 2022 and 2021, were \$457,525 and \$409,212, respectively, which includes both lease revenue and interest.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2022 and 2021

Note 5: Capital and Lease Assets

Capital assets activity for the years ended December 31 was:

	2022				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 267,057	\$ -	\$ -	\$ -	\$ 267,057
Land improvements	27,671,864	-	-	-	27,671,864
Buildings	79,336,026	324,431	-	170,571	79,831,028
Fixed equipment	75,089,361	864,630	-	-	75,953,991
Moveable equipment	36,143,433	9,441,718	(507,401)	7,366,818	52,444,568
Employee housing	13,663,564	24,870	-	38,781	13,727,215
Construction in progress	8,733,689	5,238,127	-	(7,576,170)	6,395,646
	<u>240,904,994</u>	<u>15,893,776</u>	<u>(507,401)</u>	<u>-</u>	<u>256,291,369</u>
Less accumulated depreciation					
Land improvements	11,491,551	1,654,610	-	-	13,146,161
Buildings	32,493,415	3,484,707	-	-	35,978,122
Fixed equipment	31,893,156	4,826,948	-	-	36,720,104
Moveable equipment	30,447,473	3,166,413	(506,538)	-	33,107,348
Employee housing	7,438,585	434,718	-	-	7,873,303
	<u>113,764,180</u>	<u>13,567,396</u>	<u>(506,538)</u>	<u>-</u>	<u>126,825,038</u>
Capital assets, net	<u>\$ 127,140,814</u>	<u>\$ 2,326,380</u>	<u>\$ (863)</u>	<u>\$ -</u>	<u>\$ 129,466,331</u>

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2022 and 2021

	2021				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
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	36,603,083	1,131,655	(1,743,579)	152,274	36,143,433
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
	230,404,078	12,244,495	(1,743,579)	-	240,904,994
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	1,525,951	(1,319,503)	-	30,447,473
Employee housing	7,004,097	434,488	-	-	7,438,585
	103,084,002	11,999,681	(1,319,503)	-	113,764,180
Capital assets, net	\$ 127,320,076	\$ 244,814	\$ (424,076)	\$ -	\$ 127,140,814

Lease assets activity for the years ended December 31 was:

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Buildings	\$ 5,051,744	\$ 134,135	\$ -	\$ -	\$ 5,185,879
Moveable equipment	1,577,902	532,204	(39,498)	-	2,070,608
	6,629,646	666,339	(39,498)	-	7,256,487
Less accumulated amortization					
Buildings	867,073	871,309	-	-	1,738,382
Moveable equipment	757,618	280,857	(39,498)	-	998,977
	1,624,691	1,152,166	(39,498)	-	2,737,359
Lease assets, net	\$ 5,004,955	\$ (485,827)	\$ -	\$ -	\$ 4,519,128

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2022 and 2021

	2021				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Buildings	\$ 5,051,744	\$ -	\$ -	\$ -	\$ 5,051,744
Moveable equipment	493,462	1,101,066	(16,626)	-	1,577,902
	<u>5,545,206</u>	<u>1,101,066</u>	<u>(16,626)</u>	<u>-</u>	<u>6,629,646</u>
Less accumulated amortization					
Buildings	-	867,073	-	-	867,073
Moveable equipment	-	757,618	-	-	757,618
	<u>-</u>	<u>1,624,691</u>	<u>-</u>	<u>-</u>	<u>1,624,691</u>
Lease assets, net	<u>\$ 5,545,206</u>	<u>\$ (523,625)</u>	<u>\$ (16,626)</u>	<u>\$ -</u>	<u>\$ 5,004,955</u>

Note 6: 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, 2022 and 2021

Note 7: Long-term Obligations

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

	2022					
	Beginning Balance	Additions	Payments	Ending Balance	Amounts Due Within One Year	Long-term Portion
Long-term debt						
Bonds payable						
2012 revenue bonds	\$ 9,725,000	\$ -	\$ (70,000)	\$ 9,655,000	\$ 75,000	\$ 9,580,000
2016 refunding revenue note	4,980,000	-	(955,000)	4,025,000	970,000	3,055,000
2020 general obligation refunding bonds	21,715,000	-	(1,980,000)	19,735,000	2,075,000	17,660,000
Unamortized premium on Series 2012 bonds	379,950	-	(42,144)	337,806	41,938	295,868
Unamortized premium on Series 2020 bonds	4,893,311	-	(920,583)	3,972,728	836,643	3,136,085
Financed capital purchases	4,901,343	2,000,409	(1,682,577)	5,219,175	1,979,301	3,239,874
Total long-term debt	<u>46,594,604</u>	<u>2,000,409</u>	<u>(5,650,304)</u>	<u>42,944,709</u>	<u>5,977,882</u>	<u>36,966,827</u>
Other long-term liabilities						
Contributions payable	70,000	-	-	70,000	-	70,000
Lease liabilities	5,311,320	666,339	(1,097,556)	4,880,103	964,655	3,915,448
Total other long-term liabilities	<u>5,381,320</u>	<u>666,339</u>	<u>(1,097,556)</u>	<u>4,950,103</u>	<u>964,655</u>	<u>3,985,448</u>
Total long-term obligations	<u>\$ 51,975,924</u>	<u>\$ 2,666,748</u>	<u>\$ (6,747,860)</u>	<u>\$ 47,894,812</u>	<u>\$ 6,942,537</u>	<u>\$ 40,952,275</u>

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2022 and 2021

	2021					
	Beginning Balance	Additions	Payments	Ending Balance	Amounts Due Within One Year	Long-term Portion
Long-term debt						
Bonds payable						
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
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
PPP loan payable	8,249,800	-	(8,249,800)	-	-	-
Financed capital purchases	-	5,626,250	(724,907)	4,901,343	1,682,577	3,218,766
Total long-term debt	53,865,885	5,626,250	(12,897,531)	46,594,604	5,650,304	40,944,300
Other long-term liabilities						
Contributions payable	41,667	28,333	-	70,000	-	70,000
Lease liabilities	5,545,206	836,792	(1,070,678)	5,311,320	1,080,783	4,230,537
Total other long-term liabilities	5,586,873	865,125	(1,070,678)	5,381,320	1,080,783	4,300,537
Total long-term obligations	<u>\$ 59,452,758</u>	<u>\$ 6,491,375</u>	<u>\$ (13,968,209)</u>	<u>\$ 51,975,924</u>	<u>\$ 6,731,087</u>	<u>\$ 45,244,837</u>

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, 2022 and 2021.

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.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2022 and 2021

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.

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, 2022.

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. 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
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Financed Capital Purchases

Financed capital purchases are in the form of notes payable to bank and/or vendor, with maturity dates of November 1, 2024 and January 1, 2030, respectively. Principal and interest is payable monthly. The interest rates are 3.00% and 2.10%, respectively. The notes are secured by certain capital assets.

Debt Service Requirements

Debt service requirements on long-term debt and financed capital purchases as of December 31, 2022, are as follows:

Year Ending December 31,	General Obligation and Revenue Bonds Payable		Financed Capital Purchases	
	Principal	Interest	Principal	Interest
2023	\$ 3,120,000	\$ 1,555,364	\$ 1,979,301	\$ 113,736
2024	3,250,000	1,427,554	1,758,320	58,490
2025	3,380,000	1,293,916	279,105	28,436
2026	3,515,000	1,154,234	285,022	22,518
2027	3,660,000	1,007,500	291,066	16,475
2028-2032	14,950,000	2,258,500	626,361	14,350
2033	1,540,000	77,000	-	-
	<u>\$ 33,415,000</u>	<u>\$ 8,774,068</u>	<u>\$ 5,219,175</u>	<u>\$ 254,005</u>

Lease Liabilities

The District leases buildings and equipment, the terms of which expire in various years through 2028. Payments are based on the lease agreements in each specific lease.

The following is a schedule by year of payments under the leases as of December 31, 2022:

Year Ending December 31	Total to Be Paid	Principal	Interest
2023	\$ 1,156,788	\$ 964,655	\$ 192,133
2024	1,191,483	1,040,035	151,448
2025	1,011,213	899,838	111,375
2026	837,929	764,672	73,257
2027	601,856	556,960	44,896
Thereafter	678,492	653,943	24,549
	<u>\$ 5,477,761</u>	<u>\$ 4,880,103</u>	<u>\$ 597,658</u>

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2022 and 2021

Note 8: Professional Liability Claims

The District purchases professional liability insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of professional liability claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the District’s claims experience, an accrual of \$100,000 and \$70,000 has been recorded as of December 31, 2022 and 2021, 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.

Note 9: 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, 2022 and 2021, 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 2022 and 2021 is summarized as follows:

	2022	2021
Balance, beginning of year	\$ 770,118	\$ 907,619
Current year claims incurred and changes in estimates for claims incurred in prior years	5,732,354	7,126,460
Claims and expenses paid	(5,669,110)	(7,263,961)
Balance, end of year	\$ 833,362	\$ 770,118

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2022 and 2021

Note 10: Net Patient Service Revenue

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

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

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

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

Approximately 33% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2022 and 2021. 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 11: Charity Care

The costs of charity care provided under the District's charity care policy were approximately \$786,000 and \$1,275,000 for 2022 and 2021, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges from the 2022 and 2021 interim Medicare cost reports, respectively, to the gross uncompensated charges.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2022 and 2021

Note 12: Fiduciary Funds

Investments

Fiduciary fund assets included in the Cash Balance Retirement Plan (the Plan) of \$28,934,569 and \$36,358,448 at December 31, 2022 and 2021, 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 \$739,411 and \$743,885 for the years ended December 31, 2022 and 2021, 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 \$3,380,612 and \$3,297,554 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021

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:

	2022	2021
Inactive plan members or beneficiaries currently receiving benefits	20	19
Inactive plan members entitled to but not yet receiving benefits	285	266
Active plan members	354	385
	659	670

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, 2022 and 2021

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, 2022 and 2021, were \$584,991 and \$1,354,525, 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
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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	2022 Target Allocation	2021 Target Allocation
U.S. equity - Large cap	31%	32%
U.S. equity - Mid cap	4%	4%
U.S. equity - Small cap	2%	2%
Non-U.S. equity	16%	18%
Real estate (direct property)	8%	6%
Core bond	36%	35%
High yield	3%	3%
Total	100%	100%

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:

	2022	2021
Principal Financial Group	\$ 28,934,569	\$ 36,358,448

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, 2022 and 2021, the annual money-weighted rate of return on plan investments was (14.40%) and 12.38%, respectively.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2022 and 2021

Net Pension (Asset) Liability of the District

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

	2022	2021
Total pension liability	\$ 32,235,852	\$ 31,829,379
Plan fiduciary net position	<u>(28,934,569)</u>	<u>(36,358,448)</u>
District's net pension (asset) liability	<u>\$ 3,301,283</u>	<u>\$ (4,529,069)</u>
Plan fiduciary net position as percentage of the total pension (asset) liability	89.76%	114.23%

Actuarial assumptions. The 2022 total pension liability was determined by an actuarial valuation as of December 31, 2021, rolled forward to December 31, 2022, and the 2021 total pension liability was determined by an actuarial valuation as of December 31, 2020, rolled forward to December 31, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, respectively:

	2022	2021
Long-term inflation, wage base, and compensation limit	2.40%	2.25%
Salary increases	Table S-5 from Actuary's Pension Handbook plus 1.00%	
Investment rate of return	6.00%	5.20%

Mortality rates for the year ended 2022 were based on the Pri-2012 Total Dataset Base Rate Mortality table projected generationally using MP-2021.

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

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2022 and 2021

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, 2022 to December 31, 2022. 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	2022 Long-term Expected Rate of Return	2021 Long-term Expected Rate of Return
U.S. equity - Large cap	7.70%	7.70%
U.S. equity - Mid cap	8.00%	8.00%
U.S. equity - Small cap	8.55%	8.55%
Non-U.S. equity	8.00%	8.00%
REITs	0.00%	7.30%
Real estate (direct property)	5.35%	5.35%
TIPS	0.00%	2.35%
Core bond	4.20%	2.70%
High yield	6.10%	4.65%

Discount rate. The discount rate used to measure the total pension liability at December 31, 2022 and 2021, was 6.00% and 5.20%, 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, 2022 and 2021

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 (5.00%) or 1% higher (7.00%) than the current rate as of:

	December 31, 2022		
	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
District's net pension (asset) liability	\$ 5,349,245	\$ 3,301,283	\$ 1,514,580

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, 2022 and 2021, was measured as of December 31, 2021 and 2020, respectively, using the total pension liability that was determined by actuarial valuations as of December 31, 2020 and 2019, respectively, rolled forward to December 31, 2021 and 2020, respectively, using the following actuarial assumptions:

	2022	2021
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%

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2022 and 2021

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 RP-2014 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. 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, 2021:

Asset Class	Target Allocation	Long-term Expected Rate of Return
U.S. equity - Large cap	32%	7.70%
U.S. equity - Mid cap	4%	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	35%	2.70%
High yield	3%	4.65%
	<u>100%</u>	

Discount rate. The discount rate used to measure the total pension liability at December 31, 2022 and 2021, 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.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2022 and 2021

Changes in the Net Pension (Asset) Liability

	December 31, 2022		
	Increases (Decreases)		
	Total Pension Liability	Fiduciary Net Position	Net Pension (Asset) Liability
Balances, beginning of year	\$ 31,564,778	\$ 33,707,880	\$ (2,143,102)
Changes for the year			
Service cost	1,557,931	-	1,557,931
Interest	1,660,033	-	1,660,033
Benefit payments	(2,676,860)	(2,676,860)	-
Differences between expected and actual experience	(282,912)	-	(282,912)
Changes in assumptions	6,409	-	6,409
Changes in benefit terms	-	-	-
Employer contributions	-	1,354,525	(1,354,525)
Net investment income	-	4,105,624	(4,105,624)
Administrative expenses	-	(132,721)	132,721
Net changes	264,601	2,650,568	(2,385,967)
Balances, end of year	\$ 31,829,379	\$ 36,358,448	\$ (4,529,069)

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2022 and 2021

	December 31, 2021		
	Increases (Decreases)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances, beginning of year	\$ 30,240,972	\$ 30,442,664	\$ (201,692)
Changes for the year			
Service cost	1,422,852	-	1,422,852
Interest	1,843,314	-	1,843,314
Benefit payments	(1,764,387)	(1,764,387)	-
Differences between expected and actual experience	27,000	-	27,000
Changes in assumptions	(204,973)	-	(204,973)
Changes in benefit terms	-	-	-
Employer contributions	-	1,651,833	(1,651,833)
Net investment income	-	3,509,826	(3,509,826)
Administrative expenses	-	(132,056)	132,056
Net changes	1,323,806	3,265,216	(1,941,410)
Balances, end of year	\$ 31,564,778	\$ 33,707,880	\$ (2,143,102)

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, 2022		
	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)

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2022 and 2021

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

For the years ended December 31, 2022 and 2021, the District recognized pension expense of \$282,755 and \$746,464, respectively. At December 31, 2022 and 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	December 31, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 40,844	\$ 299,464
Changes in assumptions	4,900	109,438
Net differences between projected and actual earnings on pension plan investments	632,237	4,177,785
District's contributions subsequent to the measurement date	584,991	-
	<u>\$ 1,262,972</u>	<u>\$ 4,586,687</u>
Total		
	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	-
	<u>\$ 2,733,823</u>	<u>\$ 3,973,807</u>
Total		

At December 31, 2022, the District reported \$584,991 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, 2023.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2022 and 2021

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

Year Ended December 31:	
2023	\$ (972,108)
2024	(1,579,194)
2025	(881,206)
2026	(476,198)
	<hr/>
	\$ (3,908,706)
	<hr/> <hr/>

Payable to the Pension Plan

At December 31, 2022 and 2021, there are no reported payables for the outstanding amount of contributions to the Plan required for the years ended December 31, 2022 and 2021.

Note 15: Contingencies

Professional Liability Claims

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

Employee Health Claims

Estimates related to the accrual for employee health claims are described in *Notes 1* and *9*.

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, 2022 and 2021

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, 2022 and 2021:

	2022					
	Aspen Valley Hospital	Blended Component Units			Eliminations	Total
		Aspen Valley Hospital Clinics, PLLC	Mid-Valley Imaging Center, LLC	Aspen Valley Hospital Foundation		
Assets and Deferred Outflows of Resources						
Current assets	\$ 144,324,100	\$ 3,065,392	\$ 558,185	\$ 713,946	\$ (30,225,942)	\$ 118,435,681
Noncurrent cash and investments	9,032,695	-	-	7,645,541	-	16,678,236
Capital assets, net	128,520,092	41,832	904,407	-	-	129,466,331
Lease assets, net	3,055,620	1,333,609	129,899	-	-	4,519,128
Other assets	9,819,596	-	-	-	(323,247)	9,496,349
Total assets	294,752,103	4,440,833	1,592,491	8,359,487	(30,549,189)	278,595,725
Deferred outflows of resources	1,610,670	-	-	-	-	1,610,670
Total assets and deferred outflows of resources	\$ 296,362,773	\$ 4,440,833	\$ 1,592,491	\$ 8,359,487	\$ (30,549,189)	\$ 280,206,395
Liabilities, Deferred Inflows of Resources and Net Position						
Current liabilities	\$ 25,662,439	\$ 29,294,309	\$ 1,187,013	\$ -	\$ (30,225,942)	\$ 25,917,819
Long-term debt	36,966,827	-	-	-	-	36,966,827
Long-term liabilities	2,656,197	1,247,020	82,231	-	-	3,985,448
Total liabilities	65,285,463	30,541,329	1,269,244	-	(30,225,942)	66,870,094
Deferred inflows of resources	14,873,334	-	-	-	-	14,873,334
Net position	216,203,976	(26,100,496)	323,247	8,359,487	(323,247)	198,462,967
Total liabilities, deferred inflows of resources and net position	\$ 296,362,773	\$ 4,440,833	\$ 1,592,491	\$ 8,359,487	\$ (30,549,189)	\$ 280,206,395

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2022 and 2021

	2021					
	Blended Component Units					Total
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Mid-Valley Imaging Center, LLC	Aspen Valley Hospital Foundation	Eliminations	
Assets and Deferred Outflows of Resources						
Current assets	\$ 143,856,923	\$ 4,108,256	\$ 552,560	\$ 1,739,938	\$ (29,027,800)	\$ 121,229,877
Noncurrent cash and investments	6,186,350	-	-	4,322,802	-	10,509,152
Capital assets, net	126,927,910	97,183	115,721	-	-	127,140,814
Lease assets, net	3,259,397	1,745,558	-	-	-	5,004,955
Other assets	5,321,232	-	-	-	(609,716)	4,711,516
Total assets	285,551,812	5,950,997	668,281	6,062,740	(29,637,516)	268,596,314
Deferred outflows of resources	3,177,241	-	-	-	-	3,177,241
Total assets and deferred outflows of resources	\$ 288,729,053	\$ 5,950,997	\$ 668,281	\$ 6,062,740	\$ (29,637,516)	\$ 271,773,555
Liabilities, Deferred Inflows of Resources and Net Position						
Current liabilities	\$ 32,013,704	\$ 26,128,725	\$ 58,565	\$ 3,294,605	\$ (29,027,800)	\$ 32,467,799
Long-term debt	40,944,300	-	-	-	-	40,944,300
Long-term liabilities	2,823,130	1,477,407	-	-	-	4,300,537
Total liabilities	75,781,134	27,606,132	58,565	3,294,605	(29,027,800)	77,712,636
Deferred inflows of resources	14,315,951	-	-	-	-	14,315,951
Net position	198,631,968	(21,655,135)	609,716	2,768,135	(609,716)	179,744,968
Total liabilities, deferred inflows of resources and net position	\$ 288,729,053	\$ 5,950,997	\$ 668,281	\$ 6,062,740	\$ (29,637,516)	\$ 271,773,555

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2022 and 2021

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, 2022 and 2021:

	2022					
	Blended Component Units					Total
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Mid-Valley Imaging Center, LLC	Aspen Valley Hospital Foundation	Eliminations	
Operating revenues	\$ 132,717,322	\$ 2,924,356	\$ 14,495	\$ -	\$ (402,909)	\$ 135,253,264
Operating expenses	120,571,057	7,314,141	299,329	1,507,664	(402,909)	129,289,282
Operating income (loss)	12,146,265	(4,389,785)	(284,834)	(1,507,664)	-	5,963,982
Nonoperating revenues	2,501,417	(55,576)	(1,635)	7,372,654	286,469	10,103,329
Excess (deficiency) of revenues over expenses	14,647,682	(4,445,361)	(286,469)	5,864,990	286,469	16,067,311
Other	2,924,326	-	-	(273,638)	-	2,650,688
Change in net position	17,572,008	(4,445,361)	(286,469)	5,591,352	286,469	18,717,999
Net position, beginning of year	198,631,968	(21,655,135)	609,716	2,768,135	(609,716)	179,744,968
Net position, end of year	<u>\$ 216,203,976</u>	<u>\$ (26,100,496)</u>	<u>\$ 323,247</u>	<u>\$ 8,359,487</u>	<u>\$ (323,247)</u>	<u>\$ 198,462,967</u>
	2021					
	Blended Component Units					
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Mid-Valley Imaging Center, LLC	Aspen Valley Hospital Foundation	Eliminations	Total
Operating revenues	\$ 108,368,120	\$ 2,557,221	\$ (29,792)	\$ -	\$ (400,735)	\$ 110,494,814
Operating expenses	101,337,499	6,813,384	150,593	1,308,317	(400,735)	109,209,058
Operating income (loss)	7,030,621	(4,256,163)	(180,385)	(1,308,317)	-	1,285,756
Nonoperating revenues	1,322,285	24,997	-	9,009,949	180,385	10,537,616
Excess (deficiency) of revenues over expenses	8,352,906	(4,231,166)	(180,385)	7,701,632	180,385	11,823,372
Other	2,983,691	-	-	(1,618)	-	2,982,073
Change in net position	11,336,597	(4,231,166)	(180,385)	7,700,014	180,385	14,805,445
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>\$ 198,631,968</u>	<u>\$ (21,655,135)</u>	<u>\$ 609,716</u>	<u>\$ 2,768,135</u>	<u>\$ (609,716)</u>	<u>\$ 179,744,968</u>

Aspen Valley Hospital District

Notes to Financial Statements

December 31, 2022 and 2021

The following tables include condensed combining statements of cash flows information for the District and its component units for the years ended December 31, 2022 and 2021:

2022						
Blended Component Units						
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Mid-Valley Imaging Center, LLC	Aspen Valley Hospital Foundation	Eliminations	Total
Net cash provided by (used in):						
Operating activities	\$ 3,088,655	\$ (871,121)	\$ 948,287	\$ (31,588)	\$ -	\$ 3,134,233
Noncapital financing activities	5,322,974	20,350	-	2,569,322	-	7,912,646
Capital and related financing activities	(16,983,917)	(255,843)	(944,324)	1,935,250	-	(16,248,834)
Investing activities	10,582,163	-	-	(2,912,097)	-	7,670,066
Increase (decrease) in cash and cash equivalents	2,009,875	(1,106,614)	3,963	1,560,887	-	2,468,111
Cash and cash equivalents, beginning of year	82,949,820	3,717,705	544,643	2,695,702	-	89,907,870
Cash and cash equivalents, end of year	<u>\$ 84,959,695</u>	<u>\$ 2,611,091</u>	<u>\$ 548,606</u>	<u>\$ 4,256,589</u>	<u>\$ -</u>	<u>\$ 92,375,981</u>
2021						
Blended Component Units						
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Mid-Valley Imaging Center, LLC	Aspen Valley Hospital Foundation	Eliminations	Total
Net cash provided by (used in):						
Operating activities	\$ 5,513,943	\$ 2,499,384	\$ (96,912)	\$ 84,620	\$ -	\$ 8,001,035
Noncapital financing activities	7,968,058	25,000	-	1,407,121	-	9,400,179
Capital and related financing activities	(18,795,768)	-	-	3,338,941	-	(15,456,827)
Investing activities	9,133,980	(3)	-	(2,959,413)	-	6,174,564
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>

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2022 and 2021

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.

The District's pandemic response plan has multiple facets and continues to evolve as the lasting impact of 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.

Provider Relief Fund

The District received \$0 from the CARES Act Provider Relief Fund for the years ended December 31, 2022 and 2021. 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.

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, 2022 and 2021, the District recognized \$0 and \$2,831,602, respectively, related to the Provider Relief Fund. These payments are recorded as Provider Relief Funds (*CARES Act*) in the accompanying statements of revenues, expenses and changes in net position.

The District will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the lasting 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, the District's ability to retain some or all of the distributions received may be affected. The 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.

Aspen Valley Hospital District

Notes to Financial Statements

December 31, 2022 and 2021

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 years ended December 31, 2022 and 2021, Medicare applied \$6,811,298 and \$6,090,312, respectively, 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 liability as of December 31, 2022 and 2021, respectively, based upon payback provisions in effect at December 31, 2022 and 2021, respectively.

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 year ended December 31, 2021, 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 during the year ended December 31, 2021, related to other COVID-19 funding, and these payments are recorded as other COVID-19 funding in the accompanying statements of revenues, expenses and changes in net position.

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2022 and 2021

Note 18: Adoption of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases

Effective January 1, 2022, the District adopted GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement required a retrospective transition method using the facts and circumstances that existed at the beginning of the earliest year presented. As a result, the District was required to retroactively restate December 31, 2021, amounts as follows:

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2022 and 2021

	As Restated	Previously Reported	Effect of Adoption
Balance Sheet			
Capital assets, net	\$ 127,140,814	\$ 127,895,759	\$ (754,945)
Leases receivable	363,262	-	363,262
Total current assets	121,229,877	112,232,198	8,997,679
Lease assets, net	5,004,955	-	5,004,955
Long-term leases receivable	1,369,453	-	1,369,453
Total assets and deferred outflows of resources	271,773,555	257,156,413	14,617,142
Current maturities of long-term debt	5,650,304	5,910,972	(260,668)
Current portion of lease liabilities	1,080,783	-	1,080,783
Total current liabilities	32,467,799	31,647,684	820,115
Financed capital purchases	3,218,766	3,865,192	(646,426)
Lease liabilities	4,230,537	-	4,230,537
Total liabilities	77,712,636	73,308,410	4,404,226
Deferred inflows of resources - leases	1,707,727	-	1,707,727
Total deferred inflows of resources	14,315,951	3,973,807	10,342,144
Net position - net investment in capital assets	80,567,542	80,721,758	(154,216)
Net position - unrestricted	88,668,274	88,643,286	24,988
Total liabilities, deferred inflows of resources and net position	271,773,555	257,156,413	14,617,142
Statements of Revenues, Expenses and Changes in Net Position			
Operating revenues - other	3,226,855	3,258,507	(31,652)
Supplies and other	51,080,823	52,075,464	(994,641)
Depreciation	11,999,681	12,711,482	(711,801)
Amortization	1,624,691	-	1,624,691
Total operating expenses	109,209,058	109,290,809	(81,751)
Operating income	1,285,756	1,235,657	50,099
Investment income	370,030	313,390	56,640
Interest expense	(1,142,693)	(906,726)	(235,967)
Total nonoperating revenues	10,537,616	10,716,943	(179,327)
Change in net position	14,805,445	14,934,673	(129,228)
Net position, end of year	179,744,968	179,874,196	(129,228)
Statements of Cash Flows			
Payments to suppliers	(55,579,150)	(56,573,791)	994,641
Other receipts (payments), net	562,297	971,510	(409,213)
Purchases of capital assets	(6,882,519)	(6,856,635)	(25,884)
Principal payments on long-term debt	(11,854,707)	(12,192,595)	337,888
Interest payments on long-term debt	(1,973,060)	(1,841,794)	(131,266)
Principal payments received on leases receivable	352,573	-	352,573
Interest payments received on leases receivable	56,639	-	56,639
Principal paid on leases payable	(1,070,678)	-	(1,070,678)
Interest paid on leases payable	(161,340)	-	(161,340)
Investment income	424,477	367,837	56,640
Operating income	1,285,756	1,235,657	50,099
Depreciation	11,999,681	12,711,482	(711,801)
Amortization	1,624,691	-	1,624,691
Deferred inflows of resources - leases	(377,561)	-	(377,561)

Aspen Valley Hospital District
Notes to Financial Statements
December 31, 2022 and 2021

Note 19: Future Change in Accounting Principle

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA) provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

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

	2022	2021	2020
Total pension liability			
Service cost	\$ 1,494,143	\$ 1,557,931	\$ 1,422,852
Interest	1,652,754	1,660,033	1,843,314
Differences between expected and actual experience	(119,555)	(282,912)	27,000
Changes in assumptions	192,569	6,409	(204,973)
Changes in benefit terms	-	-	-
Benefit payments	<u>(2,813,438)</u>	<u>(2,676,860)</u>	<u>(1,764,387)</u>
Net change in total pension liability	406,473	264,601	1,323,806
Total pension liability - beginning	<u>31,829,379</u>	<u>31,564,778</u>	<u>30,240,972</u>
Total pension liability - ending (a)	<u><u>\$ 32,235,852</u></u>	<u><u>\$ 31,829,379</u></u>	<u><u>\$ 31,564,778</u></u>
Plan fiduciary net position			
Contributions - employer	\$ 584,991	\$ 1,354,525	\$ 1,651,833
Contributions - other	-	-	-
Net investment income (expense)	(5,062,861)	4,105,624	3,509,826
Benefit payments	(2,813,438)	(2,676,860)	(1,764,387)
Administrative expense	<u>(132,571)</u>	<u>(132,721)</u>	<u>(132,056)</u>
Net change in plan fiduciary net position	(7,423,879)	2,650,568	3,265,216
Plan fiduciary net position - beginning	<u>36,358,448</u>	<u>33,707,880</u>	<u>30,442,664</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 28,934,569</u></u>	<u><u>\$ 36,358,448</u></u>	<u><u>\$ 33,707,880</u></u>
District's net pension (asset) liability - ending (a) - (b)	<u><u>\$ 3,301,283</u></u>	<u><u>\$ (4,529,069)</u></u>	<u><u>\$ (2,143,102)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	89.76%	114.23%	106.79%
Covered payroll	\$ 31,812,683	\$ 30,885,159	\$ 35,094,297
District's net pension (asset) liability as a percentage of covered payroll	10.38%	-14.66%	-6.11%
Long-term inflation, wage base, and compensation limit	2.40%	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 2022 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.

	2019	2018	2017	2016	2015	2014
\$	1,433,736	\$ 1,338,539	\$ 1,117,611	\$ 1,020,686	\$ 962,923	\$ 1,013,451
	1,757,931	1,638,650	1,834,455	1,695,279	1,590,521	1,416,739
	(300,418)	294,722	(434,374)	314,061	50,485	576,188
	(9,268)	1,639	(272,791)	(22,423)	(10,786)	379,430
	-	29,611	-	(9,803)	-	-
	<u>(1,086,492)</u>	<u>(1,356,934)</u>	<u>(1,281,502)</u>	<u>(1,421,746)</u>	<u>(836,696)</u>	<u>(711,956)</u>
	1,795,489	1,946,227	963,399	1,576,054	1,756,447	2,673,852
	<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>	<u>19,529,504</u>
\$	<u>30,240,972</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>
\$	2,148,306	\$ 1,952,317	\$ 1,827,477	\$ 1,555,740	\$ 1,365,917	\$ 1,158,533
	-	-	-	8,354	-	-
	4,681,502	(1,572,858)	3,271,296	1,329,355	(156,525)	1,014,456
	(1,086,492)	(1,356,934)	(1,281,502)	(1,421,746)	(836,696)	(711,956)
	<u>(132,111)</u>	<u>(132,271)</u>	<u>(134,831)</u>	<u>(68,397)</u>	<u>(6,220)</u>	<u>(2,130)</u>
	5,611,205	(1,109,746)	3,682,440	1,403,306	366,476	1,458,903
	<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>19,030,080</u>
\$	<u>30,442,664</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>(201,692)</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>
	100.67%	87.29%	97.89%	87.17%	87.04%	92.28%
\$	33,492,762	\$ 33,387,929	\$ 30,308,890	\$ 26,159,424	\$ 23,424,173	\$ 20,859,646
	-0.60%	10.82%	1.84%	12.53%	13.25%	8.22%
	2.25%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined contribution	\$ -	\$ 1,354,525	\$ 1,651,833	\$ 2,148,306
Contributions in relation to the actuarially determined contribution	<u>584,991</u>	<u>1,354,525</u>	<u>1,651,833</u>	<u>2,148,306</u>
Contribution deficiency (excess)	<u>\$ (584,991)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 31,812,683	\$ 30,885,159	\$ 35,094,297	\$ 33,492,762
Contributions as a percentage of covered payroll	1.84%	4.39%	4.71%	6.41%
Long-term inflation	2.40%	2.25%	2.25%	2.25%
Investment rate of return	6.00%	5.20%	5.20%	6.00%
Mortality scale	MP-2021	MP-2021	MP-2020	MP-2019

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

2018	2017	2016	2015	2014	2013
\$ 1,766,329	\$ 1,878,025	\$ 1,586,110	\$ 1,260,846	\$ 1,158,533	\$ 1,328,791
<u>1,952,317</u>	<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>\$ (185,988)</u>	<u>\$ 50,548</u>	<u>\$ 30,370</u>	<u>\$ (105,071)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 33,387,929	\$ 30,308,890	\$ 26,159,424	\$ 23,424,173	\$ 20,859,646	\$ 21,581,130
5.85%	6.03%	5.95%	5.83%	5.55%	6.16%
2.25%	2.00%	2.00%	2.25%	2.25%	Not available
6.00%	6.00%	7.00%	7.00%	7.00%	Not available
MP-2018	MP-2017	MP-2016	MP-2015	MP-2014	Not available

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

	2022	2021	2020	2019
Annual money-weighted rate of return, net of investment expense	-14.40%	12.38%	11.51%	18.49%

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 2022 are the years in which information is available. This schedule will include ten-year trend information once available.

2018	2017	2016	2015	2014
-5.94%	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

	2022	2021	2020	2019
Total pension liability				
Service cost	\$ 1,557,931	\$ 1,422,852	\$ 1,433,736	\$ 1,338,539
Interest	1,660,033	1,843,314	1,757,931	1,638,650
Differences between expected and actual experience	(282,912)	27,000	(300,418)	294,722
Changes of assumptions	6,409	(204,973)	(9,268)	1,639
Changes of benefit terms	-	-	-	29,611
Benefit payments	(2,676,860)	(1,764,387)	(1,086,492)	(1,356,934)
Net change in total pension liability	264,601	1,323,806	1,795,489	1,946,227
Total pension liability - beginning	31,564,778	30,240,972	28,445,483	26,499,256
Total pension liability - ending (a)	\$ 31,829,379	\$ 31,564,778	\$ 30,240,972	\$ 28,445,483
Plan fiduciary net position				
Contributions - employer	\$ 1,354,525	\$ 1,651,833	\$ 2,148,306	\$ 1,952,317
Contributions - other	-	-	-	-
Net investment income	4,105,624	3,509,826	4,681,502	(1,572,858)
Benefit payments	(2,676,860)	(1,764,387)	(1,086,492)	(1,356,934)
Administrative expense	(132,721)	(132,056)	(132,111)	(132,271)
Net change in plan fiduciary net position	2,650,568	3,265,216	5,611,205	(1,109,746)
Plan fiduciary net position - beginning	33,707,880	30,442,664	24,831,459	25,941,205
Plan fiduciary net position - ending (b)	\$ 36,358,448	\$ 33,707,880	\$ 30,442,664	\$ 24,831,459
District's net pension (asset) liability - ending (a) - (b)	\$ (4,529,069)	\$ (2,143,102)	\$ (201,692)	\$ 3,614,024
Plan fiduciary net position as a percentage of the total pension liability	114.23%	106.79%	100.67%	87.29%
Covered payroll	\$ 30,885,159	\$ 35,094,297	\$ 33,492,762	\$ 33,387,929
District's net pension (asset) liability as a percentage of covered payroll	-14.66%	-6.11%	-0.60%	10.82%
Long-term inflation, wage base, and compensation limit	2.40%	2.25%	2.25%	2.25%

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 2022 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
\$	1,117,611	\$ 1,020,686	\$ 962,923	\$ 1,013,451
	1,834,455	1,695,279	1,590,521	1,416,739
	(434,374)	314,061	50,485	576,188
	(272,791)	(22,423)	(10,786)	379,430
	-	(9,803)	-	-
	<u>(1,281,502)</u>	<u>(1,421,746)</u>	<u>(836,696)</u>	<u>(711,956)</u>
	963,399	1,576,054	1,756,447	2,673,852
	<u>25,535,857</u>	<u>23,959,803</u>	<u>22,203,356</u>	<u>19,529,504</u>
\$	<u>26,499,256</u>	<u>\$ 25,535,857</u>	<u>\$ 23,959,803</u>	<u>\$ 22,203,356</u>
\$	1,827,477	\$ 1,555,740	\$ 1,365,917	\$ 1,158,533
	-	8,354	-	-
	3,271,296	1,329,355	(156,525)	1,014,456
	(1,281,502)	(1,421,746)	(836,696)	(711,956)
	<u>(134,831)</u>	<u>(68,397)</u>	<u>(6,220)</u>	<u>(2,130)</u>
	3,682,440	1,403,306	366,476	1,458,903
	<u>22,258,765</u>	<u>20,855,459</u>	<u>20,488,983</u>	<u>19,030,080</u>
\$	<u>25,941,205</u>	<u>\$ 22,258,765</u>	<u>\$ 20,855,459</u>	<u>\$ 20,488,983</u>
\$	<u>558,051</u>	<u>\$ 3,277,092</u>	<u>\$ 3,104,344</u>	<u>\$ 1,714,373</u>
	97.89%	87.17%	87.04%	92.28%
\$	30,308,890	\$ 26,159,424	\$ 23,424,173	\$ 20,859,646
	1.84%	12.53%	13.25%	8.22%
	2.00%	2.00%	2.25%	2.25%

Supplementary Information

Aspen Valley Hospital District
Statement of Budgeted and Actual Revenues and Expenses
Year Ended December 31, 2022

	Budgeted Amount Original	Actual	Favorable (Unfavorable) Variance
Operating Revenues			
Net patient service revenue	\$ 99,141,278	\$ 129,850,492	\$ 30,709,214
Other	4,097,366	5,791,186	1,693,820
Total operating revenues	<u>103,238,644</u>	<u>135,641,678</u>	<u>32,403,034</u>
Operating Expenses	<u>119,367,174</u>	<u>127,885,198</u>	<u>(8,518,024)</u>
Operating Loss	<u>(16,128,530)</u>	<u>7,756,480</u>	<u>23,885,010</u>
Nonoperating Revenues (Expenses)			
Ad valorem taxes	8,203,396	8,527,027	323,631
Investment income	81,375	417,964	336,589
Interest expense	(967,985)	(1,161,261)	(193,276)
Community assistance programs	(558,901)	(431,916)	126,985
Noncapital contributions	20,000	263,204	243,204
Change in equity interest in joint venture	150,000	(119,617)	(269,617)
Change in equity interest in MIC	-	(286,469)	(286,469)
Gain on sale of capital assets	-	35,012	35,012
Forgiveness of related party debt	-	(4,798,103)	(4,798,103)
Total nonoperating revenues	<u>6,927,885</u>	<u>2,445,841</u>	<u>(4,482,044)</u>
Excess (Deficiency) of Revenues Over Expenses Before Capital Contributions, Capital Contributions and Transfers			
	(9,200,645)	10,202,321	19,402,966
Capital contributions	-	7,000	7,000
Transfers from related party	<u>2,800,000</u>	<u>2,917,326</u>	<u>117,326</u>
Change in Net Position	<u>\$ (6,400,645)</u>	<u>\$ 13,126,647</u>	<u>\$ 19,527,292</u>

Notes to Schedule:

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

Budgeted Amount Original and Actual columns only include the financial information for the Hospital and APMC and does not include the MIC or Foundation.

Budgets are adopted by resolution in total. There were no supplemental budgets adopted during 2022.

Aspen Valley Hospital District
Combining Schedule – Balance Sheet Information
December 31, 2022

Assets and Deferred Outflows of Resources

	Blended Component Units					Total
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Mid-Valley Imaging Center, LLC	Aspen Valley Hospital Foundation	Eliminations	
Current Assets						
Cash and cash equivalents	\$ 75,927,000	\$ 2,611,091	\$ 548,606	\$ 589,197	\$ -	\$ 79,675,894
Patient accounts receivable, net of allowance; 2022 - \$1,176,325, 2021 - \$970,380	23,367,318	454,086	4,579	-	-	23,825,983
Estimated amounts due from third-party payers	374,422	-	-	-	-	374,422
Due from related party	30,225,942	-	-	-	(30,225,942)	-
Property tax levy receivable	8,539,513	-	-	-	-	8,539,513
Other receivables	858,703	-	5,000	124,749	-	988,452
Leases receivable	414,686	-	-	-	-	414,686
Inventories	3,004,799	-	-	-	-	3,004,799
Prepaid expenses	1,611,717	215	-	-	-	1,611,932
Total current assets	144,324,100	3,065,392	558,185	713,946	(30,225,942)	118,435,681
Noncurrent Cash and Investments						
Restricted by donors for capital acquisitions	6,751,985	-	-	3,632,634	-	10,384,619
Restricted by donors for specific operating activities	50,757	-	-	34,758	-	85,515
Contributions receivable, net	-	-	-	3,978,149	-	3,978,149
Held by trustee for debt service	2,229,953	-	-	-	-	2,229,953
	9,032,695	-	-	7,645,541	-	16,678,236
Capital Assets, Net	128,520,092	41,832	904,407	-	-	129,466,331
Lease Assets, Net	3,055,620	1,333,609	129,899	-	-	4,519,128
Other Assets						
Equity interests in joint ventures	3,098,763	-	-	-	-	3,098,763
Equity interest in MIC	323,247	-	-	-	(323,247)	-
Leases receivable	1,382,036	-	-	-	-	1,382,036
Net pension asset	4,529,069	-	-	-	-	4,529,069
Other	486,481	-	-	-	-	486,481
	9,819,596	-	-	-	(323,247)	9,496,349
Total assets	294,752,103	4,440,833	1,592,491	8,359,487	(30,549,189)	278,595,725
Deferred Outflows of Resources						
Pensions	1,262,972	-	-	-	-	1,262,972
Unamortized loss on refunding's of prior bond issuances	347,698	-	-	-	-	347,698
	1,610,670	-	-	-	-	1,610,670
Total assets and deferred outflows of resources	\$ 296,362,773	\$ 4,440,833	\$ 1,592,491	\$ 8,359,487	\$ (30,549,189)	\$ 280,206,395

Liabilities, Deferred Inflows of Resources and Net Position

	Blended Component Units					Total
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Mid-Valley Imaging Center, LLC	Aspen Valley Hospital Foundation	Eliminations	
Current Liabilities						
Current maturities of long-term debt	\$ 5,977,882	\$ -	\$ -	\$ -	\$ -	\$ 5,977,882
Current portion of lease liabilities	727,203	195,671	41,781	-	-	964,655
Accounts payable	8,842,871	215	84	-	-	8,843,170
Accrued salaries, benefits and payroll taxes	3,828,222	-	-	-	-	3,828,222
Other accrued liabilities	2,174,425	14,252	3,377	-	-	2,192,054
Due to related party	-	29,084,171	1,141,771	-	(30,225,942)	-
Estimated amounts due to third-party payers	4,059,979	-	-	-	-	4,059,979
Advance from Medicare	51,857	-	-	-	-	51,857
Total current liabilities	25,662,439	29,294,309	1,187,013	-	(30,225,942)	25,917,819
Long-term Debt						
Bonds payable	33,726,953	-	-	-	-	33,726,953
Financed capital purchases	3,239,874	-	-	-	-	3,239,874
	36,966,827	-	-	-	-	36,966,827
Long-term Liabilities						
Contributions payable	70,000	-	-	-	-	70,000
Lease liabilities	2,586,197	1,247,020	82,231	-	-	3,915,448
	2,656,197	1,247,020	82,231	-	-	3,985,448
Total liabilities	65,285,463	30,541,329	1,269,244	-	(30,225,942)	66,870,094
Deferred Inflows of Resources						
Leases	1,747,134	-	-	-	-	1,747,134
Deferred property tax levy	8,539,513	-	-	-	-	8,539,513
Pensions	4,586,687	-	-	-	-	4,586,687
	14,873,334	-	-	-	-	14,873,334
Net Position						
Net investment in capital assets	85,665,301	(67,250)	910,294	-	(910,294)	85,598,051
Restricted - expendable for						
Debt service	2,229,953	-	-	-	-	2,229,953
Capital acquisitions	6,751,985	-	-	7,610,783	-	14,362,768
Specific operating activities	50,757	-	-	34,758	-	85,515
Unrestricted	121,505,980	(26,033,246)	(587,047)	713,946	587,047	96,186,680
Total net position	216,203,976	(26,100,496)	323,247	8,359,487	(323,247)	198,462,967
Total liabilities, deferred inflows of resources and net position	\$ 296,362,773	\$ 4,440,833	\$ 1,592,491	\$ 8,359,487	\$ (30,549,189)	\$ 280,206,395

Aspen Valley Hospital District
Combining Schedule – Revenues, Expenses and Changes
in Net Position Information
Year Ended December 31, 2022

	Blended Component Units					Total
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Mid-Valley Imaging Center, LLC	Aspen Valley Hospital Foundation	Eliminations	
Operating Revenues						
Net patient service revenue	\$ 126,928,556	\$ 2,921,936	\$ 14,495	\$ -	\$ -	\$ 129,864,987
Other	5,788,766	2,420	-	-	(402,909)	5,388,277
Total operating revenues	<u>132,717,322</u>	<u>2,924,356</u>	<u>14,495</u>	<u>-</u>	<u>(402,909)</u>	<u>135,253,264</u>
Operating Expenses						
Salaries and wages	37,281,295	5,024,977	19,867	444,461	-	42,770,600
Contract labor	11,036,740	101,958	-	361,615	-	11,500,313
Supplies and other	57,970,577	1,898,205	131,346	701,588	(402,909)	60,298,807
Depreciation	13,368,165	55,351	143,880	-	-	13,567,396
Amortization	914,280	233,650	4,236	-	-	1,152,166
Total operating expenses	<u>120,571,057</u>	<u>7,314,141</u>	<u>299,329</u>	<u>1,507,664</u>	<u>(402,909)</u>	<u>129,289,282</u>
Operating Income (Loss)	<u>12,146,265</u>	<u>(4,389,785)</u>	<u>(284,834)</u>	<u>(1,507,664)</u>	<u>-</u>	<u>5,963,982</u>
Nonoperating Revenues (Expenses)						
Ad valorem taxes	8,527,027	-	-	-	-	8,527,027
Investment income	417,964	-	-	5,229	-	423,193
Interest expense	(1,085,335)	(75,926)	(1,635)	-	-	(1,162,896)
Community assistance programs	(431,916)	-	-	-	-	(431,916)
Noncapital contributions	242,854	20,350	-	2,569,322	-	2,832,526
Change in equity interests in joint ventures	(119,617)	-	-	-	-	(119,617)
Change in equity interest in MIC	(286,469)	-	-	-	286,469	-
Gain (loss) on sale of capital assets	35,012	-	-	-	-	35,012
Forgiveness of related party debt	(4,798,103)	-	-	4,798,103	-	-
Total nonoperating revenues	<u>2,501,417</u>	<u>(55,576)</u>	<u>(1,635)</u>	<u>7,372,654</u>	<u>286,469</u>	<u>10,103,329</u>
Excess (Deficiency) of Revenues Over Expenses Before Capital Contributions, Provision (Credit) for Uncollectible Capital Contributions and Transfers	14,647,682	(4,445,361)	(286,469)	5,864,990	286,469	16,067,311
Capital contributions	7,000	-	-	2,443,864	-	2,450,864
Provision (credit) for uncollectible capital contributions	-	-	-	199,824	-	199,824
Transfers from (to) related party	2,917,326	-	-	(2,917,326)	-	-
Change in Net Position	<u>17,572,008</u>	<u>(4,445,361)</u>	<u>(286,469)</u>	<u>5,591,352</u>	<u>286,469</u>	<u>18,717,999</u>
Net Position, Beginning of Year	<u>198,631,968</u>	<u>(21,655,135)</u>	<u>609,716</u>	<u>2,768,135</u>	<u>(609,716)</u>	<u>179,744,968</u>
Net Position, End of Year	<u>\$ 216,203,976</u>	<u>\$ (26,100,496)</u>	<u>\$ 323,247</u>	<u>\$ 8,359,487</u>	<u>\$ (323,247)</u>	<u>\$ 198,462,967</u>

Aspen Valley Hospital District
Combining Schedule – Cash Flows Information
Year Ended December 31, 2022

	Blended Component Units					Total
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Mid-Valley Imaging Center, LLC	Aspen Valley Hospital Foundation	Eliminations	
Cash Flows From Operating Activities						
Receipts from and on behalf of patients	\$ 106,587,058	\$ 2,747,990	\$ 12,833	\$ -	\$ -	\$ 109,347,881
Payments to suppliers	(65,655,384)	(2,000,163)	(133,817)	(1,063,203)	-	(68,852,567)
Payments to employees	(37,110,266)	(5,024,977)	(19,867)	(444,461)	-	(42,599,571)
Other receipts (payments), net	(732,753)	3,406,029	1,089,138	1,476,076	-	5,238,490
Net cash provided by (used in) operating activities	3,088,655	(871,121)	948,287	(31,588)	-	3,134,233
Cash Flows From Noncapital Financing Activities						
Ad valorem taxes	5,441,286	-	-	-	-	5,441,286
Community assistance programs	(361,166)	-	-	-	-	(361,166)
Noncapital contributions	242,854	20,350	-	2,569,322	-	2,832,526
Net cash provided by noncapital financing activities	5,322,974	20,350	-	2,569,322	-	7,912,646
Cash Flows From Capital and Related Financing Activities						
Ad valorem taxes	3,082,995	-	-	-	-	3,082,995
Purchases of capital assets	(12,960,801)	-	(932,566)	-	-	(13,893,367)
Proceeds from sale of capital assets	35,875	-	-	-	-	35,875
Principal payments on long-term debt	(4,687,577)	-	-	-	-	(4,687,577)
Interest payments on long-term debt	(1,870,523)	-	-	-	-	(1,870,523)
Principal payments received on leases receivable	398,449	-	-	-	-	398,449
Interest payments received on leases receivable	59,076	-	-	-	-	59,076
Principal paid on leases payable	(907,516)	(179,917)	(10,123)	-	-	(1,097,556)
Interest paid on leases payable	(140,895)	(75,926)	(1,635)	-	-	(218,456)
Capital contributions	7,000	-	-	1,935,250	-	1,942,250
Net cash provided by (used in) capital and related financing activities	(16,983,917)	(255,843)	(944,324)	1,935,250	-	(16,248,834)
Cash Flows From Investing Activities						
Proceeds from sale of investments	9,696,873	-	-	-	-	9,696,873
Investment income	417,964	-	-	5,229	-	423,193
Transfer of equity	2,917,326	-	-	(2,917,326)	-	-
Purchase of equity interests in joint ventures	(2,450,000)	-	-	-	-	(2,450,000)
Net cash provided by (used in) investing activities	10,582,163	-	-	(2,912,097)	-	7,670,066
Increase (Decrease) in Cash and Cash Equivalents	2,009,875	(1,106,614)	3,963	1,560,887	-	2,468,111
Cash and Cash Equivalents, Beginning of Year	82,949,820	3,717,705	544,643	2,695,702	-	89,907,870
Cash and Cash Equivalents, End of Year	<u>\$ 84,959,695</u>	<u>\$ 2,611,091</u>	<u>\$ 548,606</u>	<u>\$ 4,256,589</u>	<u>\$ -</u>	<u>\$ 92,375,981</u>

Aspen Valley Hospital District
Combining Statement – Cash Flows Information (Continued)
Year Ended December 31, 2022

	Blended Component Units					Total
	Aspen Valley Hospital	Aspen Valley Hospital District Clinics, PLLC	Mid-Valley Imaging Center, LLC	Aspen Valley Hospital Foundation	Eliminations	
Reconciliation of Cash and Cash Equivalents to the Balance Sheets						
Cash and cash equivalents	\$ 75,927,000	\$ 2,611,091	\$ 548,606	\$ 589,197	\$ -	\$ 79,675,894
Restricted by donors for capital acquisitions	6,751,985	-	-	3,632,634	-	10,384,619
Restricted by donors for specific operating activities	50,757	-	-	34,758	-	85,515
Held by trustee for debt service	2,229,953	-	-	-	-	2,229,953
Total cash and cash equivalents	<u>\$ 84,959,695</u>	<u>\$ 2,611,091</u>	<u>\$ 548,606</u>	<u>\$ 4,256,589</u>	<u>\$ -</u>	<u>\$ 92,375,981</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities						
Operating income (loss)	\$ 12,146,265	\$ (4,389,785)	\$ (284,834)	\$ (1,507,664)	\$ -	\$ 5,963,982
Depreciation	13,368,165	55,351	143,880	-	-	13,567,396
Amortization	914,280	233,650	4,236	-	-	1,152,166
Provision for uncollectible accounts	5,073,451	63,367	-	-	-	5,136,818
Change in operating assets and liabilities						
Patient accounts receivable	(14,239,102)	(127,117)	(1,662)	-	-	(14,367,881)
Other receivables	(46,325)	-	-	(27,422)	-	(73,747)
Inventories	(218,208)	-	-	-	-	(218,208)
Prepaid expenses	(59,503)	-	-	-	-	(59,503)
Other assets	(6,052,145)	3,403,609	1,089,138	1,503,498	-	(55,900)
Accounts payable	3,541,981	-	-	-	-	3,541,981
Accrued salaries, benefits and payroll taxes	473,265	-	-	-	-	473,265
Other accrued liabilities	87,663	9,200	(2,471)	-	-	94,392
Estimated amounts due from and to third-party payers	(11,175,847)	(119,396)	-	-	-	(11,295,243)
Deferred inflows of resources - leases	(423,049)	-	-	-	-	(423,049)
Net pension asset/liability	(302,236)	-	-	-	-	(302,236)
Net cash provided by (used in) operating activities	<u>\$ 3,088,655</u>	<u>\$ (871,121)</u>	<u>\$ 948,287</u>	<u>\$ (31,588)</u>	<u>\$ -</u>	<u>\$ 3,134,233</u>
Noncash Investing, Capital and Financing Activities						
Long-term debt incurred for purchase of capital assets	\$ 2,000,409	\$ -	\$ -	\$ -	\$ -	\$ 2,000,409
Lease obligation incurred for lease assets	\$ 532,204	\$ -	\$ 134,135	\$ -	\$ -	\$ 666,339
Additions to leases receivable	\$ 462,456	\$ -	\$ -	\$ -	\$ -	\$ 462,456
Amortization of loss on refunding	\$ 95,720	\$ -	\$ -	\$ -	\$ -	\$ 95,720
Amortization of bond premiums	\$ 962,727	\$ -	\$ -	\$ -	\$ -	\$ 962,727
Change in equity interests in joint ventures	\$ (406,086)	\$ -	\$ -	\$ -	\$ -	\$ (406,086)
Forgiveness of related party debt	\$ (4,798,103)	\$ -	\$ -	\$ 4,798,103	\$ -	\$ -