Aspen Valley Hospital District

Auditor's Report and Financial Statements

December 31, 2014 and 2013

BKD LLP
CPAs & Advisors

Aspen Valley Hospital District

December 31, 2014 and 2013

Contents

BKD LLP
CPAs & Advisors
1551 N. Waterfront Parkway, Suite 300 // Wichita, KS 67206-6601
316.265.2811 // fax 316.265.9405 // bkd.com

Independent Auditor's Report

Board of Directors
Aspen Valley Hospital District
Aspen, Colorado

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and the fiduciary fund information of Aspen Valley Hospital District as of and for the years ended December 31, 2014 and 2013, and the related notes to the basic financial statements, which collectively comprise Aspen Valley Hospital District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, and the fiduciary fund information of Aspen Valley Hospital District as of December 31, 2014 and 2013, 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.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2014, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

BKD, LLP

Wichita, Kansas
April 6, 2015

Aspen Valley Hospital District
Management's Discussion and Analysis
Years Ended December 31, 2014 and 2013

Introduction

As management of Aspen Valley Hospital District, we offer readers of the financial statements this discussion and analysis of the financial activities of Aspen Valley Hospital District (the District) for the calendar years ended on December 31, 2014 and 2013.

The financial statements are presented in two columns – one for the District which includes Aspen Valley Hospital Foundation and one for Component Units. The Component Units column represents the financial statements of joint ventures that are owned in part by the District. Please see *Note 1* in the Notes to the Financial Statements for a complete explanation of these arrangements. For purposes of this discussion and analysis, the financial results of the component units are considered immaterial to the total District's finances, and therefore are not specifically discussed herein.

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

Financial Highlights

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of four components:

1. **Balance Sheets:** provides information about the District's assets and liabilities and reflect the District's financial position as of December 31, 2014 and 2013.
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, 2014 and 2013.
3. **Statements of Cash Flows:** outlines the cash inflows and outflows related to the activity of providing health care services for the year ended December 31, 2014 and 2013.
4. **Notes to the Financial Statements:** provide explanation and clarification on specific items within the previously mentioned financial statements.

This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Balance Sheets

The District's total assets at the end of 2014 were $203,592,136 compared to $192,543,730 for 2013 and $179,864,438 at the end of 2012. The $11,048,406 increase from 2013 total assets is attributable to the increase in estimated amounts due from third-party payers, contributions receivable, other receivables, inventory, noncurrent cash internally designated for capital acquisitions, noncurrent cash restricted by donors for capital and specific operating activities, net contributions receivable and other assets; and decreases in cash and cash equivalents, patient accounts receivable, short-term investments, due from Aspen Valley Hospital Foundation, prepaid expenses, noncurrent cash held by Aspen Community

Foundation, bond funds restricted for capital acquisitions and deferred outflows of resources. The $12,679,292 increase from 2012 total assets and deferred outflows of resources is attributable to the increase in cash and cash equivalents, patient accounts receivable, Aspen Valley Hospital Foundation receivable, third-party payer receivable, prepaid expenses, cash from contributions for capital and operating activities and other assets; and decreases in short-term investments, other receivables, cash internally designated for capital acquisitions, cash held by Aspen Community Foundation, funds restricted for capital acquisitions and held by trustee for debt service.

At December 31, 2014, total assets were $203,592,136, which consisted primarily of cash and cash equivalents of $24,726,039; short-term investments of $17,259,170; net patient accounts receivable of $7,932,511; estimated amounts due from third-party payers of $1,800,000; contributions receivable of $1,087,500; inventories of $1,991,676; prepaid expenses of $1,193,928; noncurrent cash as follows: internally designated for capital acquisitions of $7,446,032; restricted by donors for capital acquisitions of $6,020,612; net contributions receivable of $5,971,428; assets held by trustee for debt service of $2,335,100; net capital assets of $122,397,916 and other assets of $1,625,206.

At December 31, 2013, total assets were $192,543,730, which consisted primarily of cash and cash equivalents of $30,934,799; short-term investments of $18,222,946; net patient accounts receivable of $8,617,397; due from Aspen Valley Hospital Foundation of $1,305,582; inventories of $1,825,820; prepaid expenses of $1,257,740; noncurrent cash restricted by donors for capital acquisitions of $1,309,103; contributions receivable held by Aspen Community Foundation of $4,195,404; assets held by trustee for debt service of $2,334,865; net capital assets of $119,029,441 and other assets of $1,395,407.

Comparable asset balances at December 31, 2012, consisted primarily of cash and cash equivalents of $19,609,591; short-term investments of $27,240,620; net patient accounts receivable of $7,896,322; inventories of $1,807,588; prepaid expenses of $1,014,891; assets internally designated for capital acquisitions of $10,617,992; contributions receivable held by Aspen Community Foundation of $2,147,384; assets held by Aspen Community Foundation for capital acquisitions of $1,947,842; assets held by trustee for debt service of $2,372,552; net capital assets of $101,279,351 and other assets of $1,382,712. The $3,368,475 increase in capital assets during 2014 resulted from the continuance of the Master Facilities Plan construction project which was funded in the majority by the proceeds of the 2010 General Obligation Bond Issuances, Series 2010A Tax-Exempt Bonds in the amount of $12,045,000 and Series 2010B Taxable Direct Pay Build America Bonds in the amount of $37,955,000. The bonds issued constitute general obligations of the District. All the taxable property located in the district is subject to the levy of an ad valorem tax to pay the principal, interest and premium on the bonds without limitation as to the rate and in an amount sufficient to pay the bonds when due. The proceeds of the bonds have been used to finance the acquisition, improvement, construction, equipping and furnishing of specific improvements to the District's facility, previously referred to as the Master Facilities Plan.

The continued stabilization in net patient accounts receivable and the increase in cash and cash equivalents during 2014, 2013 and 2012 resulted from the reliable revenue cycle management of MedAssist (a division of Firstsource Solutions), an outside billing specialist. An emphasis on timely communication with third-party payers and effective claims management were instrumental in the retention of cash and cash equivalents, investments and assets internally designated for capital acquisitions for 2014, 2013 and 2012.

The District's total liabilities at December 31, 2014, were $71,407,872; noting accounts payable of $2,435,299; construction payable of $1,944,365; accrued liabilities of $3,349,992; patient and insurance refunds payable of $62,892; unclaimed refunds payable of $111,436; long-term bonds payable of $60,024,325; long-term capital lease obligations of $476,524 and current maturities of long-term debt of $3,003,039.

The District's total liabilities at December 31, 2013, were $77,352,035; noting accounts payable of $2,873,403; construction payable of $3,836,142; accrued liabilities of $3,692,773; patient and insurance refunds payable of $90,556; unclaimed refunds payable of $85,734; long-term bonds payable of $62,777,796; long-term capital lease obligations of $979,632 and current maturities of long-term debt of $3,015,999.

At December 31, 2012, total liabilities were $85,870,587; noting accounts payable of $2,746,000; construction payable of $9,527,123; accrued liabilities of $3,563,518; patient and insurance refunds payable of $84,719; unclaimed refunds payable of $131,740; estimated amounts due to third-party payers of $129,543; long-term bonds payable of $65,467,746; long-term capital lease obligations of $759,268 and current maturities of long-term debt of $3,460,930.

The $5,944,163 net decrease in total liabilities for 2014 was attributed mainly to the decrease in construction payable and long-term debt. The construction payable decrease resulted from the construction of the final stages of Phase II of the Master Facilities Plan project which has an expected date of completion of March 31, 2015. The project's construction began in December 2010 and is expected to expand the facility by 62,200 square feet, while renovating another 26,330 square feet. These square footages do not include an additional 15,500 square feet in employee housing units which provide an additional 18 units and the new three-level parking garage providing 235 parking spaces. The construction payable includes smaller outstanding construction invoices and a reduced construction retainage balance resulting from releases performed during the 2014 year. The District did not issue additional debt during 2014.

The $8,518,552 net decrease in total liabilities for 2013 was attributed mainly to the decrease in construction payable resulting from the Master Facilities Plan project that began in December 2010. This payable includes outstanding construction invoices and related construction retainage. The District did not issue additional debt during 2013.

The $2,130,823 net increase in total liabilities for 2012 was attributed to the increase in construction payable resulting from the Master Facilities Plan Project. This payable includes outstanding construction invoices and related construction retainage. The District did not issue additional debt during 2012. However, on August 28, 2012, the District refunded its Variable Rate Demand Revenue Bonds, Series 2003 through the issuance of its Refunding Revenue Bonds, Series 2012. The net effect of the transaction resulted in a reduction in bonds payable of $675,000 and recognition of a loss on refunding of $194,770. The proceeds from the bonds were used to refund the Series 2003 Variable Rate Bonds, to fund the Reserve Fund for the Series 2012 Refunding Revenue Bonds and to pay expenses related to the issuance of the bonds.

The District reported unrestricted net position of $56,588,019 in 2014, $55,108,209 in 2013 and $54,304,757 in 2012. The increase in total net position of $16,992,569 from 2013, $21,197,844 from 2012 and $15,582,603 from 2011 represent net income reported by the District for each year. Net position represents the cumulative changes in gains and losses since the inception of the entity.

Statements of Revenues, Expenses and Changes in Net Position

Patient Service Revenues

The District classifies revenues as operating and nonoperating revenues. Operating revenues consist of net patient service revenues and other revenues. Net patient service revenues result from direct patient care.

Net patient service revenues increased $4,877,664 or 7.7% in 2014 compared to $5,421,831 or 8.8% in 2013. Net patient service revenue for 2014 in total was $72,204,729 compared to $67,327,065 in 2013 and $61,905,234 in 2012. The increase in revenues during 2014 resulted primarily from increased outpatient volumes in surgery ($1.4M), laboratory ($400K), pharmacy ($1.4M), CT Scan ($1M) and the emergency department ($1M). The most significant factors giving rise to the increase in revenues in 2013, was the increase in joint replacement surgeries driven by the purchase of the Makoplasty Robotic technology, which was acquired during the last quarter of 2012. In addition, the acuity of the patients (the level of severity of the illness) increased by 12.4%. The level of acuity of the patients increased in 2012 by 8.4% from 2011, resulting in increased revenues during that year. These more severe patients require more resources for their treatments in all areas of the hospital, and in particular, the ancillary services (laboratory, radiology and pharmacy).

The District's outpatient service revenues continue to exceed the inpatient service revenues, with 74% of the District's 2014 patient service revenue generated by outpatient services, compared to 69% in 2013 and 73% in 2012. The departments contributing most to outpatient revenues during these years were Outpatient Surgeries, Emergency Room, Laboratory and Diagnostic Imaging.

The payer mix for the District has changed somewhat compared to prior years' experience. The largest portion of the District's patient service revenues were derived from commercial health plans, 57% during 2014 and 62% during 2013 and 63% during 2012. In addition, the District continued to derive approximately 28% of gross revenues from Medicare in 2014 and 2013 as compared to 26% in 2012. 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 governmental programs, the actual payments received could differ from the estimates.

Other operating revenues consist of services provided by the District not directly related to patient care. In 2014, the District received $244,713 of fees from the Aspen Ambulance District, related to the management of their operations, compared to $307,826 of fees received in 2013 and $353,635 in 2012. The increase in other operating revenues for both 2014 and 2013 of $336,200 and $248,892 respectively, resulted from increases in rental income from new medical office space and employee housing. The $206,110 decrease in other operating revenues in 2012 was attributable to a reduction in rents in the assisted living facility as mitigation on the disruption created by the District's construction, and a reduction in rental income from employee housing.

Nonoperating revenues and expenses are comprised of ad valorem taxes, investment income, interest expense, community assistance programs, noncapital contributions, gain or loss on investment in joint venture, gain on equity interests in ASC and MIC and loss on sale of capital assets. During 2012, nonoperating revenues of the District reflected a net loss from operating their newly formed foundation, Aspen Valley Hospital Foundation. Historically, the District received financial support from the Aspen Valley Medical Foundation, which was governed by an independent board of directors and whose fund raising efforts were devoted to the District and numerous other nonprofit organizations. The Aspen Valley Medical Foundation Board and the District's Board determined that the entities' missions were diverging sufficiently that a separation of the entities was in order. Consequently, on June 15, 2012, the entities separated and the District formed the Aspen Valley Hospital Foundation, whose mission is to solely support the fund raising efforts for the District. During 2013, the District relinquished control of Aspen Valley Hospital Foundation's Board of Directors and, therefore, the 2013 financial statements reflect this entity's 2013 activity under the component units column. During 2014, the District regained control of Aspen Valley Hospital Foundation's operations and, therefore, the 2014 financial statements reflect the operations of Aspen Valley Hospital Foundation within the Aspen Valley Hospital financials and no longer reflects their activity under the Component Units columns. Nonoperating revenues and expenses for 2014 were $6,013,728 compared to $7,984,899 in 2013 and $6,461,574 for 2012. The

$1,971,171 decrease from 2013 in nonoperating revenues was primarily attributable to a decrease in ad valorem taxes of $1,408,068 and an increase in interest expense of $750,173. The $1,523,325 increase from 2012 in nonoperating revenues was primarily attributable to an increase in ad valorem taxes of $873,896, a decrease in Aspen Valley Hospital Foundation expenses of $483,203, and an increase in noncapital contributions of $378,386.

Expenses

In 2014, operating expenses increased $9,306,609 from the 2013 reported data. The factors giving rise to this increase were an increase in salaries and wages of $2,684,198, an increase in contract labor of $426,421, an increase in supplies and other of $2,992,472 and an increase in depreciation and amortization of $3,203,518. The most significant factors causing the increase in the salaries and wages were the increase in outpatient volumes generating increases in surgery, emergency department, diagnostic imaging, cardiopulmonary and pharmacy; the integration of Aspen Valley Hospital Foundation wages; the staffing of the newly open intensive care unit pavilion and lastly the hiring of the Executive Director of the Valley Health Alliance (the Valley Health Alliance is an organization made up of the five largest employers in Aspen, Colorado; its purpose is to increase the quality of healthcare in the community while also lowering healthcare costs). The increase in contract labor was driven by the integration of Aspen Valley Hospital Foundation expenses into the District's contract labor. Within the supplies and other increase, there was an increase in physician compensation of $468,473 (resulting from a change in the physician providers for general surgery services and a change in the classification of physician salaries in the outpatients clinics); an increase in patient care supplies of $470,818 (resulting from drug expense); an increase in advertising and marketing of $137,584 (generated by Aspen Valley Hospital Foundation expenses); an increase in dues, subscriptions and licenses of $779,524 (resulting from joining the Mayo Clinic Care Network, changing our payroll processing and radiology imaging storage applications and an internal reclassification from maintenance expense); a decrease in legal, consulting and audit of $232,553; an increase in outsourcing of $259,196 (driven by an internal reclassification from contract labor); a decrease in maintenance & utilities of $13,619; an increase in small furniture and minor equipment of $60,339 (due to the Master Facilities Plan construction); an increase in rent & storage of $24,035; an increase in employee benefits of $1,357,571 and a decrease in miscellaneous expense of $87,920 (driven primarily by the Medicaid Provider Fee tax charged by the state of Colorado).

In 2013, operating expenses increased $4,721,246 from the 2012 reported data. The factors giving rise to this increase were an increase in salaries and wages of $1,152,430, a decrease in contract labor of $193,071, an increase in supplies and other of $4,293,582 and a decrease in depreciation and amortization of $531,695. The most significant cause of the increase in the salaries and wages was the increased volumes in the inpatient surgeries which drove an increase in surgery, inpatient unit, ancillary services and physical therapy departments. In addition, there was a Chief Medical Officer position hired during 2013 and a change in the Chief Executive Officer position which resulted in increased wages in the administration department. Within the supplies and other increase, there was an increase in physician compensation of $338,527 (resulting from new orthopedic call in the emergency department, increase in the hospitalist call fees and increase in locums coverage for the surgery department); an increase in patient care supplies of $1,619,751 (resulting from drug and implantable expense); an increase in advertising and marketing of $98,991; an increase in dues, subscriptions and licenses of $591,763 (resulting from an internal reclassification from maintenance contract expense); an increase in legal and consulting of $751,250; an increase in outsourcing of $218,436 (driven by increased cash collections); an increase in maintenance & utilities of $133,073; an increase in small furniture and minor equipment of $7,439; an increase in rent & storage of $27,146; a decrease in employee benefits of $316,828 and an increase in miscellaneous expenses of $762,497 (resulting from an increase in the Medicaid Provider Fee, which was more than offset by the Medicaid Provider Payments).

In 2012, operating expenses increased $1,301,429 from the 2011 reported data. The factors giving rise to this increase were an increase in salaries and wages of $633,911, a decrease in contract labor of $79,989, an increase in supplies and other of $1,016,694 and a decrease in depreciation and amortization of $429,165. Within the supplies and other increase, there was a decrease in physician compensation of $311,913; an increase in patient care supplies of $295,293 (resulting from drug and implantable expense); an increase in advertising and marketing of $37,078; an increase in dues, subscriptions and licenses of $99,120; an increase in legal and consulting of $69,662; an increase in outsourcing of $343,843; an increase in small furniture and minor equipment of $93,862; an increase in employee benefits of $587,242 and a decrease in miscellaneous expenses of $104,816. The District continued participating in the Colorado Medicaid Provider Fee Program, which is part of the *Colorado Health Care Affordability Act* signed on April 2009 and as a result was charged with provider fees totaling $1,005,050 in 2014, $1,349,443 in 2013 and $720,447 in 2012 (which were offset by a reduction in Medicaid and the Indigent Care Program contractuals of $2,208,847 in 2014, $2,072,763 for 2013 and $1,450,792 in 2012). Such provider fees are being reported within the supplies and other category.

Provision for Uncollectible Accounts

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 Hospital estimates the allowance for uncollectible accounts based primarily upon the age of 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 accounts receivable, cash flows and results of operations.

In 2014, the District reported a provision for uncollectible accounts of $2,705,643, compared to $2,041,933 for 2013 and $2,150,432 for 2012. The increased provision in 2014 resulted from the increase in patient service revenue and the reduction in uncompensated care and to individuals who are covered under high-deductible insurance plans. The reduction in the provision during 2013 resulted from an increase in efficiency of the billing process. These procedures resulted in faster collections from third-party payers allowing the District to increase collections on the patients' payment portions for both 2013 and 2012. 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.

Accounts written-off as charity and indigent care are included in net patient service revenue. Charity and indigent care write-offs for 2014 were $1,724,252 or 1.8% of gross patient service revenues, compared to $3,345,549 or 3.7% of gross patient service revenue during 2013 and $3,024,386 or 3.7% of gross patient service revenue for 2012. The decrease in charity and indigent care write-offs resulted from the decrease in uninsured patients that are now covered under either Medicaid or high-deductible insurance plans.

Statements of Cash Flows

Liquidity and Capital Resources

The District's cash flows from operations and ad valorem taxes provide the primary sources of funding for the District's ongoing cash needs.

The following is a summary of cash flows for the calendar years ended on December 31, 2014, 2013 and 2012:

Cash Flows	2014	2013	2012
Operating activities	$ 7,896,389	$ 7,804,319	$ 7,023,084
Noncapital financing activities	3,613,127	3,596,606	3,052,960
Capital and related financing activities	(7,111,085)	(20,333,350)	(35,051,977)
Investing activities	1,298,574	21,222,714	4,018,775
Net increase (decrease) in cash	$ 5,697,005	$ 12,290,289	$ (20,957,158)

In 2014, the District's cash flow from operations increased $92,070 as compared to 2013 from increased receipts from and on behalf of patients of $5,249,011, increased payments to suppliers of $4,099,186 (a decrease in cash), increased payments to employees of $3,568,036 (a decrease in cash) and increased other receipts of $2,510,281. During 2013, the District's cash flow from operations increased $781,235 as compared to 2012 from increased receipts from and on behalf of patients of $5,854,342, increased payments to suppliers of $3,373,602 (a decrease in cash), increased payments to employees of $1,165,688 (a decrease in cash) and decreased other receipts of $533,817. The District's cash flow from operations decreased $2,748,932 as compared to 2011 from increased receipts from patients and third-party payers of $1,983,091, increased payments to suppliers of $2,096,498 (a decrease in cash), increased payments to employees of $571,570 (a decrease in cash) and decreased cash receipts from others of $2,063,956.

Noncapital financing reflects an increase in cash flows in 2014 of $16,521 resulting from an increase in ad valorem tax receipts of $25,787, an decrease in community assistance programs of $40,150 (an increase in cash), and a decrease in noncapital contributions of $49,416. In 2013, noncapital financing reflects an increase in cash flows of $543,646 resulting from a decrease in ad valorem tax receipts of $65,396, an increase in community assistance programs of $64,803 (a decrease in cash), a decrease in Aspen Valley Hospital Foundation expense of $483,203 (an increase in cash) and an increase in noncapital contributions of $190,642. In 2012, noncapital financing reflects a decrease in cash flows of $632,476 resulting from a decrease in ad valorem tax receipts of $61,053, an increase in community assistance program payments of $29,122 (a decrease in cash) and a decrease in noncapital contributions of $59,109.

In 2014, the net cash used in capital and related financing activities decreased by $13,222,265 primarily due to a decrease in ad valorem tax receipts of $1,366,672, a decrease in the purchase of capital assets of $13,636,369 (an increase in cash), a decrease in principal payments on long-term debt of $600,463 (an increase in cash), an increase in interest payments on long-term debt of $748,478 (a decrease in cash) and an increase in capital contributions of $1,103,996. In 2013, the net cash used in capital and related financing activities increased by $14,718,627 primarily due to an increase in ad valorem tax receipts of $780,202, a decrease in the purchase of capital assets of $9,164,852 (an increase in cash), a decrease in principal payments on long-term debt of $603,980 (an increase in cash) and an increase in capital contributions of $4,190,869. In 2012, cash flow used in capital and related financing activities increased by $6,605,992 primarily due to an increase in the purchases of capital assets of $7,603,631 (a decrease in cash), an increase in principal payments on long-term debt of $831,274 (a decrease in cash) and an increase in interest payments on long-term debt of $105,772 (an increase in cash). In addition, the District refunded its Variable Rate Demand Revenue Bonds, Series 2003 through the issuance of its Refunding Revenue Bonds, Series 2012, dated August 28, 2012.

In 2014, investing activities reflected a decrease of $19,924,140 as compared to 2013 from a decrease in proceeds from sale of investments of $18,721,752, an increase in investment income of $228,989, a decrease in transfer of equity of $1,443,885 and an increase in member distributions of $12,508. During 2014, the District regained control of its fundraising entity, Aspen Valley Hospital Foundation, which resulted in the District transferring the net position of this entity ($960,923 loss) into the District's net position. In 2013, investing activities reflected an increase of $17,203,939 as compared to 2012 from an increase in proceeds from sale of investments of $17,280,544, a decrease in investment income of $37,165 (a decrease in cash) and a decrease in member distributions of $522,402 (a decrease in cash). In 2012, investing activities reflected an increase of $8,964,001 as compared to 2011 from an increase in purchases of investments (a decrease in cash) of $8,260,949, a decrease in investment income of $240,147 and an increase in member distributions (an increase in cash) of $943,199. In 2013, the District retained in cash certificates of deposits that matured in order to continue to fund the Master Facilities Plan Expansion with its own cash in contrast to 2012 and 2011, when the District purchased investments, in addition to holding investments purchased in previous years while the proceeds from the Series 2010 General Obligation Bonds were unexpended.

Outstanding Debt Securities

The District did not issue additional debt in either 2014 or 2013. On August 28, 2012, the District refunded its Variable Rate Demand Revenue Bonds, Series 2003 (which included an irrevocable letter of credit), in the amount of $11,715,000, through the issuance of its Refunding Revenue Bonds, Series 2012 in the amount of $10,040,000. The proceeds from the bonds were used to refund Variable Rate Demand Revenue Bonds, Series 2003 to fund the Reserve Fund for the Refunding Revenue Bonds, Series 2012 and to pay expenses related to the issuance of the bonds.

At the November 2, 2010, election, the electors of the District approved the issuance of general obligation bonds to be held by the District in an amount not to exceed $50,000,000, with a total repayment cost not to exceed $86,850,000 and a maximum annual repayment cost not to exceed $4,363,000. The electors also approved increased ad valorem property taxes to pay debt service on such bonds, provided that the annual amount of such taxes not exceed $4,363,000. As a result of the favorable election, on December 15, 2010, the District issued two General Obligation Bonds: Series 2010A Tax-Exempt General Obligation Bonds in the amount of $12,045,000 and Series 2010B Taxable General Obligation Direct Pay Build America Bonds in the amount of $37,955,000. The bonds constitute general obligations of the District. As approved in the election, all of the taxable property located in the District is subject to the levy of the ad valorem tax to pay the principal and interest on the bonds, without limitation as to rate and in an amount sufficient to pay the bonds when due. The bonds were issued in order to finance the modernization and expansion of the District's facility to meet contemporary standards for treatment and technology, enhancing the quality, safety and privacy of patient care and rightsizing and reconfiguring of the facility to meet the present and future health care needs of the community. The District's Master Facility Plan Phase II Expansion and Renovation Project was approved by the City of Aspen on July 12, 2010, and construction began during the month of December 2010. Construction on Phase II is expected to be completed by March 31, 2015.

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 2015 and 2014 budgets during the last quarter of the 2014 and 2013 calendar years, respectively. There were no amendments made to the original budgets presented to the State of Colorado for the calendar years 2014 and 2013.

During 2014, net patient service revenue was $4,081,283 (6%) higher than budget, while operating expenses were $3,615,551 (5.3%) higher than budget. In 2013, net patient service revenue was $3,644,021 (5.7%) higher than budget, while operating expenses were $460,102 (0.7%) lower than budget.

Please see the Statement of Budgeted and Actual Revenues and Expenses for the year ended December 31, 2014.

Economic Factors and Next Year's Budget

During 2014, the District continued to see declines in inpatient revenues and increases in outpatient revenues. In 2013, outpatient revenues were 69.2% of total revenues, while in 2014 outpatient revenues were 74.3% of total revenues. In addition, the District experienced changes in payer mix over a 3-year period. Commercial insurance represented 63% of gross patient revenues in 2012, while in 2014 commercial insurance represented only 57% of gross patient revenues. Medicare revenues were 26% of gross patient revenues in 2012, and 28% of gross patient revenues in 2014. Revenues related to indigent care were 3.7% ($3,024,386) of gross patient revenues in 2012, while in 2014 those revenues were 1.8% ($1,724,252) of gross patient revenues. This change in the amount of indigent care is due to the fact that the State of Colorado is a Medicaid expansion State under the Affordable Care Act. Consequently, many of the patients who were previously uninsured patients are now covered under Medicaid. During 2014, Medicaid revenues were three times as high as they were in 2013. From 2013 to 2014, the District saw an increase in operating expenses of $9.3 million. This increase was primarily driven by additional depreciation expense due to the Master Facilities Plan of $3,203,518; by an increase in employee benefits of $1,349,684; and by an increase in salaries of $2,684,198.

The District continues to outsource its billing office to MedAssist (a division of Firstsource Solutions) located in Belleville, Illinois. This arrangement continues to result in the extraordinary management of accounts receivable and increased unrestricted cash. Evidence of this is in the fact that net days in accounts receivable for the past three years averaged 42 days. Net accounts receivable decreased by $684,886 (8%) despite growth of net patient service revenues of $4,877,664 during 2014.

In November of 2013, the District became a part of the Mayo Clinic Care Network. This affiliation allows the District's physicians to access highly skilled physicians at the Mayo Clinic when a second opinion is needed on complex cases. In addition, the Clinic provides on-going educational opportunities for the District's physicians, nurses and other clinicians.

Several years ago, the five largest self-insured employers in Aspen, Colorado, joined together to form the Valley Health Alliance. This alliance has as its objective the development of programs and protocols that will lower healthcare costs and enhance the patient experience while increasing healthcare quality in the Aspen community. This alliance is governed by a board that continues to implement various initiatives that advance its objectives.

In constructing the District's 2015 budget, management took into account the effects of the local and national economy, and anticipated changes in volumes in both outpatient and inpatient populations. As a result of these assumptions, gross patient service revenues for 2015 are budgeted to increase by approximately 5.6% over the 2014 levels; and operating expenses are expected to increase by approximately 2.3%, generating an anticipated net position for 2015 of $7.5 million, which is a decrease of $9.5 million from 2014.

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 for the 2014, 2013 and 2012 calendar years and to demonstrate the District's accountability for its management of the finances of the District. Questions about this report should be directed to Terry Collins, Aspen Valley Hospital District's Chief Financial Officer, at 0401 Castle Creek Road, Aspen, Colorado 81611.

Aspen Valley Hospital District

Balance Sheets

December 31, 2014 and 2013

Assets and Deferred Outflows of Resources

	2014		2013	
	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units
Current Assets				
Cash and cash equivalents	$ 24,726,039	$ 187,077	$ 30,934,799	$ 191,895
Short-term investments	17,259,170	-	18,222,946	-
Patient accounts receivable, net	7,932,511	661,600	8,617,397	645,789
Estimated amounts due from third-party payers	1,800,000	-	298,818	-
Contributions receivable	1,087,500	-	-	11,231
Due from Aspen Valley Hospital Foundation	-	-	1,305,582	-
Other receivables	517,441	5,000	431,701	13,926
Inventories	1,991,676	212,493	1,825,820	177,158
Prepaid expenses	1,193,928	-	1,257,740	-
Total current assets	56,508,265	1,066,170	62,894,803	1,039,999
Noncurrent Cash and Investments				
Internally designated for capital acquisitions	7,446,032	-	-	-
Restricted by donors for capital acquisitions	6,020,612	-	1,309,103	324,502
Restricted by donors for specific operating activities	106,112	-	63,610	-
Contributions receivable, net	5,971,428	-	-	-
Contributions receivable held by Aspen Community Foundation	217,863	-	4,195,404	-
Held by Aspen Community Foundation for capital acquisitions	31,574	-	28,641	-
Bond funds restricted for capital acquisitions	200,500	-	495,013	-
Held by trustee for debt service	2,335,100	-	2,334,865	-
	22,329,221	-	8,426,636	324,502
Capital Assets, Net	122,397,916	398,792	119,029,441	446,449
Other Assets				
Investment in joint venture	206,029	-	198,492	-
Equity interests in ASC and MIC	600,512	-	594,359	-
Net pension asset	399,397	-	357,908	-
Other	419,268	-	244,648	-
	1,625,206	-	1,395,407	-
Deferred Outflows of Resources				
Unamortized loss on refunding 2003 bonds	171,661	-	182,507	-
Unamortized loss on refunding 2000 and 2001 bonds	559,867	-	614,936	-
	731,528	-	797,443	-
Total assets and deferred outflows of resources	$ 203,592,136	$ 1,464,962	$ 192,543,730	$ 1,810,950

Liabilities and Net Position

	2014		2013	
	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units
Current Liabilities				
Current maturities of long-term debt	$ 3,003,039	$ 38,049	$ 3,015,999	$ 40,321
Accounts payable	2,435,299	35,642	2,873,403	55,290
Accrued salaries, benefits and payroll taxes	1,855,236	-	2,499,159	-
Other accrued liabilities	1,494,756	200,669	1,193,614	1,510,850
Refunds payable	62,892	-	90,556	-
Unclaimed refunds payable	111,436	-	85,734	-
Construction payable	1,944,365	-	3,836,142	-
Total current liabilities	10,907,023	274,360	13,594,607	1,606,461
Long-term Debt				
Bonds payable	60,024,325	-	62,777,796	-
Capital lease obligations	476,524	13,123	979,632	-
	60,500,849	13,123	63,757,428	-
Total liabilities	71,407,872	287,483	77,352,035	1,606,461
Net Position				
Net investment in capital assets	59,826,056	-	53,548,470	-
Restricted - expendable for				
Debt service	2,335,100	-	2,334,865	-
Capital acquisitions	12,063,780	-	3,823,849	-
Specific operating activities	1,371,309	-	376,302	-
Reserved for minority interests	-	576,965	-	571,052
Unrestricted	56,588,019	600,514	55,108,209	(366,563)
Total net position	132,184,264	1,177,479	115,191,695	204,489
Total liabilities and net position	$ 203,592,136	$ 1,464,962	$ 192,543,730	$ 1,810,950

Aspen Valley Hospital District

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2014 and 2013

	2014		2013	
	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units
Operating Revenues				
Net patient service revenue	$ 72,204,729	$ 4,895,153	$ 67,327,065	$ 4,673,983
Other	2,400,005	-	2,063,805	-
Total operating revenues	74,604,734	4,895,153	69,390,870	4,673,983
Operating Expenses				
Salaries and wages	27,294,627	735,601	24,610,429	1,015,206
Contract labor	1,334,032	-	907,611	21,939
Supplies and other	36,723,776	2,261,886	33,731,304	2,387,068
Depreciation and amortization	6,992,074	87,255	3,788,556	170,782
Total operating expenses	72,344,509	3,084,742	63,037,900	3,594,995
Operating Income	2,260,225	1,810,411	6,352,970	1,078,988
Nonoperating Revenues (Expenses)				
Ad valorem taxes	6,401,729	-	7,809,797	-
Investment income	330,582	21,271	122,192	40,296
Interest expense	(1,749,206)	-	(999,033)	-
Community assistance programs	(165,865)	-	(162,833)	-
Noncapital contributions	329,774	-	376,302	66,714
Gain on investment in joint venture	47,604	-	63,940	-
Gain on equity interests in ASC and MIC	934,158	-	905,138	-
Loss on sale of capital assets	(115,048)	-	(130,604)	-
Total nonoperating revenues	6,013,728	21,271	7,984,899	107,010
Excess of Revenues Over Expenses Before Capital Contributions, Provision for Uncollectible Capital Contributions, Forgiveness of Debt, Transfer of Equity, and Member Distributions	8,273,953	1,831,682	14,337,869	1,185,998
Capital contributions	8,468,422	-	6,089,513	110,821
Provision for uncollectible capital contributions	830,726	-	287,500	-
Forgiveness of debt	380,391	-	-	-
Transfer of equity	(960,923)	960,923	482,962	(482,962)
Member distributions	-	(1,819,615)	-	(1,795,206)
Change in Net Position	16,992,569	972,990	21,197,844	(981,349)
Net Position, Beginning of Year	115,191,695	204,489	93,993,851	1,185,838
Net Position, End of Year	$ 132,184,264	$ 1,177,479	$ 115,191,695	$ 204,489

Aspen Valley Hospital District
Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014		2013	
	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units
Operating Activities				
Receipts from and on behalf of patients	$ 71,386,471	$ 4,879,342	$ 66,137,460	$ 4,777,597
Payments to suppliers	(38,475,651)	(3,598,981)	(34,376,465)	(1,235,022)
Payments to employees	(27,980,039)	(735,601)	(24,412,003)	(1,015,206)
Other receipts (payments), net	2,965,608	20,157	455,327	(20,157)
Net cash provided by operating activities	7,896,389	564,917	7,804,319	2,507,212
Noncapital Financing Activities				
Ad valorem taxes	3,449,218	-	3,423,431	-
Community assistance programs	(165,865)	-	(206,015)	-
Noncapital contributions	329,774	-	379,190	66,714
Net cash provided by noncapital financing activities	3,613,127	-	3,596,606	66,714
Capital and Related Financing Activities				
Ad valorem taxes	2,994,532	-	4,361,204	-
Purchases of capital assets	(12,810,515)	(40,907)	(26,446,884)	(27,609)
Proceeds from sale of capital assets	887	1,309	4,300	-
Principal payments on long-term debt	(2,823,007)	(17,218)	(3,423,470)	(38,278)
Interest payments on long-term debt	(1,778,243)	-	(1,029,765)	-
Capital contributions	7,305,261	-	6,201,265	110,821
Net cash provided by (used in) capital and related financing activities	(7,111,085)	(56,816)	(20,333,350)	44,934
Investing Activities				
Proceeds from sale of investments, net	960,843	-	19,682,595	-
Investment income	370,649	21,271	141,660	40,296
Transfer of equity	(960,923)	960,923	482,962	(482,962)
Member distributions	928,005	(1,819,615)	915,497	(1,795,206)
Net cash provided by (used in) investing activities	1,298,574	(837,421)	21,222,714	(2,237,872)
Increase (Decrease) in Cash and Cash Equivalents	5,697,005	(329,320)	12,290,289	380,988
Cash and Cash Equivalents, Beginning of Year	35,137,390	516,397	22,847,101	135,409
Cash and Cash Equivalents, End of Year	$ 40,834,395	$ 187,077	$ 35,137,390	$ 516,397

Aspen Valley Hospital District
Statements of Cash Flows (Continued)
Years Ended December 31, 2014 and 2013

	2014		2013	
	Aspen Valley Hospital	Component Units	Aspen Valley Hospital	Component Units
Reconciliation of Cash and Cash Equivalents to the Balance Sheets				
Cash and cash equivalents	$ 24,726,039	$ 187,077	$ 30,934,799	$ 191,895
Internally designated for capital acquisitions	7,446,032	-	-	-
Restricted by donors for capital acquisitions and specific operating activities	6,020,612	-	1,309,103	324,502
Restricted by donors for specific operating activities	106,112	-	63,610	-
Bond funds restricted for capital acquisitions	200,500	-	495,013	-
Held by trustee for debt service	2,335,100	-	2,334,865	-
Total cash and cash equivalents	$ 40,834,395	$ 187,077	$ 35,137,390	$ 516,397
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	$ 2,260,225	$ 1,810,411	$ 6,352,970	$ 1,078,988
Depreciation and amortization	6,992,074	87,255	3,788,556	170,782
Provision for uncollectible accounts	2,705,643	-	2,041,933	-
Change in operating assets and liabilities				
Patient accounts receivable	(2,020,757)	(15,811)	(2,763,008)	103,614
Contributions receivable	(1,087,500)	11,231	-	(11,231)
Other receivables	522,141	8,926	(300,224)	(8,926)
Inventories	(165,856)	(35,335)	(18,232)	(11,959)
Prepaid expenses	63,812	-	(242,849)	-
Net pension asset	(41,489)	-	24,090	-
Other assets	1,130,962	-	(1,308,254)	-
Accounts payable	(728,427)	(19,648)	92,493	14,472
Accrued salaries, benefits and payroll taxes	(643,923)	-	174,336	-
Other accrued liabilities	412,628	(1,282,112)	431,038	1,171,472
Refunds payable	(27,664)	-	5,837	-
Unclaimed refunds payable	25,702	-	(46,006)	-
Estimated amounts due from and to third-party payers	(1,501,182)	-	(428,361)	-
Net cash provided by operating activities	$ 7,896,389	$ 564,917	$ 7,804,319	$ 2,507,212
Supplemental Cash Flows Information				
Capital lease obligations for equipment	$ 28,811	$ -	$ 605,601	$ -
Capital asset acquisitions included in current liabilities	$ 3,830,943	$ -	$ 6,274,385	$ -
Amortization of loss on refunding	$ 65,915	$ -	$ 65,916	$ -
Amortization of bond premiums	$ 94,952	$ -	$ 96,648	$ -

Aspen Valley Hospital District
Statements of Fiduciary Net Position
December 31, 2014 and 2013

	2014	2013
Assets		
Receivables		
Employer contribution receivable	$ 133,912	$ -
Total receivables	133,912	-
Investments		
Large U.S. equity	6,100,325	5,694,329
Small/Mid U.S. equity	1,577,529	1,446,711
International equity	2,476,017	2,395,459
Balanced/Asset allocation	1,007,628	952,346
Fixed income	7,967,558	8,541,235
Other	1,226,014	-
Total investments	20,355,071	19,030,080
Total assets	20,488,983	19,030,080
Net Position Restricted for Pensions	$ 20,488,983	$ 19,030,080

Aspen Valley Hospital District
Statements of Changes in Fiduciary Net Position
Years Ended December 31, 2014 and 2013

	2014	2013
Additions		
Contributions:		
Employer	$ 1,158,533	$ 1,258,938
Total contributions	1,158,533	1,258,938
Investment income:		
Net increase in fair value of investments	1,026,172	2,483,408
Less investment expense	(11,716)	-
Net income from investments	1,014,456	2,483,408
Total additions	2,172,989	3,742,346
Deductions		
Benefit payments	711,956	873,669
Administrative expense	2,130	13,256
Total deductions	714,086	886,925
Net increase in net position	1,458,903	2,855,421
Net Position Restricted for Pensions		
Beginning of year	19,030,080	16,174,659
End of year	$ 20,488,983	$ 19,030,080

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

Nature of Operations and Reporting Entity

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

Aspen Valley Hospital Foundation (the Foundation) is a legally separate, tax-exempt component unit of the District. 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 CEO). 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 2014 financial statements using blended presentation. Prior to 2014, the District did not have a controlling interest in the Foundation and was discretely presented in the District's 2013 financial statements. Separate complete financial statements are not prepared other than what is included in these financial statements.

Midvalley Ambulatory Surgery Center, LLC (ASC) has been organized as a Colorado limited liability company to acquire, own and operate an ambulatory surgery center located in Basalt, Colorado. The members of ASC include the District and Surgical Management, LLC (SM), a Colorado corporation. The equity interests are 51% and 49%, respectively. The operating agreement between the District and SM states that the District shall elect three persons as board members and SM shall elect two persons as board members. As the District has a 51% ownership interest in ASC and appoints a voting majority of ASC's board members, the District can impose its will on ASC. The purpose of the Hospital's equity interest in ASC is to further enhance the services provided by the District. As a result, ASC is considered a component unit of the District and included in the financial statements of the District using discrete presentation. Separate complete financial statements are not prepared other than what is included in these financial statements.

Midvalley Imaging Center, LLC (MIC) has been organized as a Colorado limited liability company to operate one or more imaging centers in Basalt, Colorado, and the surrounding area. The members of MIC include the District and Midvalley Imaging Investors, LLC. The equity interests are 51% and 49%, respectively. As the District has a 51% ownership interest in MIC, the District can impose its will on MIC. The purpose of the Hospital's equity interest in MIC is to further enhance the services provided by the District. As a result, MIC is considered a component unit of the District and included in the financial statements of the District using discrete presentation. Separate complete financial statements are not prepared other than what is included in these financial statements.

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 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 nonexchange transactions. Government-mandated nonexchange transactions that are not program specific such as county appropriations), ad valorem taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net positions are available.

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

Use of Estimates

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

Cash Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2014 and 2013, cash equivalents consisted primarily of money market accounts with financial institutions.

Risk Management

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

The District is self-insured for a portion of its exposure to risk of loss from employee health claims. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Investments and Investment Income

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in nonnegotiable certificates of deposit are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income consists predominantly of interest income.

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

Patient Accounts Receivable

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

Inventories

Inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the District:

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

The District capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized and incurred was:

	2014	2013
Total interest expense incurred on borrowings for project	$ 771,878	$ 2,262,528
Build America Bonds credit and interest income from investment of proceeds of borrowings for project	659,806	648,663
Net interest cost capitalized	$ 112,072	$ 1,613,865
Interest capitalized	$ 771,878	$ 2,262,528
Interest charged to expense	1,749,206	999,033
	$ 2,521,084	$ 3,261,561

Construction contracts of approximately $77,830,000 exist for the Hospital expansion. At December 31, 2014, the remaining commitment on these contracts is approximately $1,743,246.

Compensated Absences

District policies permit employees to accumulate vacation and sick leave benefits that may be realized as paid time off (PTO) or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as PTO benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Bond Premium and Loss on Refunding

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

Net Position

Net position of the District is classified in four components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the District, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Reserved for minority interests consist of the component units minority interests held by outside parties. Unrestricted net position is remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets or restricted expendable.

Net Patient Service Revenue

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

Charity Care

The District provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Net patient service revenue is reported net of charity care. Charges excluded from revenue under the District's charity care policy were \$1,724,252 and \$3,345,549 for 2014 and 2013, respectively.

Ad Valorem Taxes

The District received approximately 3% of its sources of funds from ad valorem taxes related to the general operating mill levy in both years ending 2014 and 2013. These funds were used to support the operating and capital needs of the District. In November 2010, the voters in the District approved the District's mill levy for a five-year period through 2015. In addition, the voters also approved a separate general obligation bond and interest mill levy to fund the debt service of the Series 2010 bond issuance. The District received approximately 3% and 4% of its sources of funds from ad valorem taxes related to the general obligation bond and interest mill levy in 2014 and 2013, respectively.

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

Income Taxes

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

Reclassifications

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 presentation. The reclassifications had no effect on the changes in financial position.

Implementation of New Accounting Principles

In 2014, the District implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25,* which has as its objective improving the usefulness of pension information included in the general purpose external financial reports of state and local governmental pension plans for making decisions and assessing accountability. Adoption of GASB 67 had no effect on net position restricted for pensions or on net increase (decrease) in net position. It did however, change the requirements for information disclosed in the footnotes to the financial statements and information required to be presented as required supplementary information. The provisions of GASB 67 are applied prospectively beginning in 2014. As a result, certain 2013 footnote disclosures required under the provisions of GASB 67 have not been included due to the fact that actuarial valuation information under GASB 67 for 2013 was not prepared.

Note 2: Net Patient Service Revenue

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

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

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

Approximately 32% and 25% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2014 and 2013, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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.

Net patient service revenue is computed as follows for the years ended December 31:

	2014	2013
Gross patient service revenue	$ 94,418,205	$ 91,158,048
Less		
Medicare contractual adjustments	7,497,640	10,997,250
Medicaid contractual adjustments	2,169,034	(538,075)
Other contractuals and adjustments	8,116,907	7,984,326
Charity care	1,724,252	3,345,549
Provision for uncollectible accounts	2,705,643	2,041,933
Net patient service revenue	$ 72,204,729	$ 67,327,065

Note 3: Deposits and Investments

Deposits

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

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

At December 31, 2014 and 2013, $1,000,000 of the District's bank balances of $58,450,282 and $53,514,082 were insured by FDIC coverage, respectively. The remainder of the District's bank balances of $57,450,282 and $52,514,082 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, 2014 and 2013, investments, not including fiduciary fund assets, amounted to $1,265,017 and $1,264,136, 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. Investments held by the Aspen Community Foundation are invested in money markets. Investments are reported at fair value and have maturities of less than one year.

Fiduciary fund assets of $20,488,983 and $19,030,080 at December 31, 2014 and 2013, respectively, are invested in pooled separate accounts and are reported at fair value. None of the funds are subject to concentration of credit risk, custodial credit risk or foreign currency risk.

Summary of Carrying Values

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

	2014	2013
Carrying value		
Deposits	$ 56,857,282	$ 52,122,001
Investments	1,265,017	1,264,136
Fiduciary fund assets	20,488,983	19,030,080
Cash on hand and change funds	2,840	2,840
	$ 78,614,122	$ 72,419,057
Included in the following balance sheet captions		
Cash and cash equivalents	$ 24,726,039	$ 30,934,799
Short-term investments	17,259,170	18,222,946
Internally designated for capital acquisitions	7,446,032	-
Restricted by donors for capital acquisitions	6,020,612	1,309,103
Restricted by donors for specific operating activities	106,112	63,610
Held by Aspen Community Foundation	31,574	28,641
Bond funds restricted for capital acquisitions	200,500	495,013
Held by trustee under bond agreement	2,335,100	2,334,865
Held by trustee under pension plan agreement (fiduciary fund assets)	20,488,983	19,030,080
	$ 78,614,122	$ 72,419,057

Note 4: Patient Accounts Receivable

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

	2014	2013
Medicare	$ 1,571,162	$ 1,443,511
Medicaid	338,473	90,994
Blue Cross	1,376,618	1,394,294
Other third-party payers	4,558,431	5,435,010
Self-pay	467,130	763,662
	8,311,814	9,127,471
Less allowance for uncollectible accounts	(379,303)	(510,074)
	$ 7,932,511	$ 8,617,397

Note 5: Capital Assets

Capital assets activity for the years ended December 31 was:

	2014				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 267,057	$ -	$ -	$ -	$ 267,057
Land improvements	325,225	-	(40,393)	17,093,948	17,378,780
Buildings	13,862,457	-	-	35,141,371	49,003,828
Fixed equipment	4,127,941	-	(22,733)	34,626,772	38,731,980
Moveable equipment	33,841,928	776,690	(2,331,714)	2,323,338	34,610,242
Employee housing	8,598,278	37,106	(33,724)	4,605,762	13,207,422
Construction in progress	95,372,939	9,662,688	-	(93,791,191)	11,244,436
	156,395,825	10,476,484	(2,428,564)	-	164,443,745
Less accumulated depreciation					
Land improvements	125,289	577,027	(23,525)	-	678,791
Buildings	8,791,986	1,522,097	-	-	10,314,083
Fixed equipment	1,788,150	1,542,745	(18,436)	-	3,312,459
Moveable equipment	22,736,968	2,974,544	(2,239,560)	-	23,471,952
Employee housing	3,923,991	375,661	(31,108)		4,268,544
	37,366,384	6,992,074	(2,312,629)	-	42,045,829
Capital assets, net	$119,029,441	$ 3,484,410	$ (115,935)	$ -	$122,397,916

	2013				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 267,057	$ -	$ -	$ -	$ 267,057
Land improvements	332,002	-	(6,777)	-	325,225
Buildings	13,862,457	-	-	-	13,862,457
Fixed equipment	4,129,514	-	(1,573)	-	4,127,941
Moveable equipment	30,751,262	3,751,626	(660,960)	-	33,841,928
Employee housing	8,626,246	94,980	(122,948)	-	8,598,278
Construction in progress	77,550,120	17,826,944	(4,125)	-	95,372,939
	135,518,658	21,673,550	(796,383)	-	156,395,825
Less accumulated depreciation					
Land improvements	109,505	21,732	(5,948)	-	125,289
Buildings	8,220,076	571,910	-	-	8,791,986
Fixed equipment	1,447,983	341,739	(1,572)	-	1,788,150
Moveable equipment	20,668,506	2,599,470	(531,008)	-	22,736,968
Employee housing	3,793,237	253,705	(122,951)	-	3,923,991
	34,239,307	3,788,556	(661,479)	-	37,366,384
Capital assets, net	$101,279,351	$ 17,884,994	$ (134,904)	$ -	$119,029,441

Note 6: Medical Malpractice Claims

The District purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the District's claims experience an accrual of $150,000 has been recorded as of December 31, 2014. 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 7: Employee Health Claims

The District partially self-insures the cost of employee health care benefits as it purchases annual stop-loss insurance coverage for all claims in excess of $150,000 for the years ended December 31, 2014 and 2013, 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 2014 and 2013 is summarized as follows:

	2014	2013
Balance, beginning of year	$ 637,974	$ 677,645
Current year claims incurred and changes in estimates for claims incurred in prior years	5,205,328	3,983,407
Claims and expenses paid	(5,146,504)	(4,023,078)
Balance, end of year	$ 696,798	$ 637,974

Note 8: Taxes, Spending and Debt Limitations

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

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

Note 9: Long-term Debt

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

2014

	Beginning Balance	Additions	Payments	Ending Balance	Amounts Due Within One Year	Long-term Portion
2007 revenue bonds payable	$ 10,030,000	$ -	$ (575,000)	$ 9,455,000	$ 600,000	$ 8,855,000
2010 general obligation bonds payable	44,160,000	-	(2,020,000)	42,140,000	2,060,000	40,080,000
2012 revenue bonds payable	10,040,000	-	-	10,040,000	-	10,040,000
Capital leases	1,305,681	28,811	(608,398)	726,094	249,570	476,524
	65,535,681	28,811	(3,203,398)	62,361,094	2,909,570	59,451,524
Unamortized premium on Series 2007 bonds	126,902	-	(16,125)	110,777	15,298	95,479
Unamortized premium on Series 2010 bonds	389,088	-	(35,932)	353,156	35,276	317,880
Unamortized premium on Series 2012 bonds	721,756	-	(42,895)	678,861	42,895	635,966
	$ 66,773,427	$ 28,811	$ (3,298,350)	$ 63,503,888	$ 3,003,039	$ 60,500,849

2013

	Beginning Balance	Additions	Payments	Ending Balance	Amounts Due Within One Year	Long-term Portion
2007 revenue bonds payable	$ 10,575,000	$ -	$ (545,000)	$ 10,030,000	$ 575,000	$ 9,455,000
2010 general obligation bonds payable	46,125,000	-	(1,965,000)	44,160,000	2,020,000	42,140,000
2012 revenue bonds payable	10,040,000	-	-	10,040,000	-	10,040,000
Note payable	545,418	-	(545,418)	-	-	-
Capital leases	1,068,131	605,601	(368,051)	1,305,681	326,047	979,634
	68,353,549	605,601	(3,423,469)	65,535,681	2,921,047	62,614,634
Unamortized premium on Series 2007 bonds	143,877	-	(16,975)	126,902	16,125	110,777
Unamortized premium on Series 2010 bonds	425,867	-	(36,779)	389,088	35,932	353,156
Unamortized premium on Series 2012 bonds	764,651	-	(42,895)	721,756	42,895	678,861
	$ 69,687,944	$ 605,601	$ (3,520,118)	$ 66,773,427	$ 3,015,999	$ 63,757,428

Revenue Bonds Payable – Series 2007

Hospital Refunding Revenue Bonds – Series 2007 payable in increasing varying annual installments through October 15, 2026, bearing interest rates of 4.375% to 4.75%, payable semiannually. The Series 2007 Bonds are issued and pursuant to and are secured by the Bond Resolution. The bonds are limited obligations payable solely from the net revenues derived from operations of the District.

Upon issuance and delivery of the Refunding Revenue Bonds, Series 2007, the District defeased its outstanding Series 2000 and 2001 bonds. Proceeds from the bonds were used to purchase securities that were deposited in trust under an escrow agreement sufficient in amount to pay future principal, interest and redemption premiums on the defeased bonds. This advance refunding transaction resulted in an extinguishment of debt since the District was legally released from its obligation on the Series 2001 bonds at the time of defeasance. There are no Series 2001 and Series 2000 bonds outstanding which have not been called as of December 31, 2014 and 2013.

The advance refunding of the Series 2000 and 2001 bonds resulted in an overall future economic benefit for the District. However, an accounting loss of $991,240 on the extinguishment of the long-term debt was recorded in 2007. 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 2000 bonds.

General Obligation Bonds Payable – Series 2010A and Series 2010B

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

Revenue Bonds Payable – Series 2012

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

Upon issuance and delivery of the Refunding Revenue Bonds, Series 2012, the District defeased its outstanding Series 2003 bonds. Proceeds from the bonds were used to pay the principal, interest and redemption premiums on the defeased bonds on September 4, 2012. This advance refunding transaction resulted in an extinguishment of debt since the District was legally released from its obligation on the Series 2003 bonds at the time of defeasance. There are no Series 2003 bonds outstanding which have not been called as of December 31, 2014.

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.

Note Payable to Bank

The District had a note payable with principal and interest payable monthly and a final balloon payment due in 2013. This note was paid off during 2013. The note was collateralized by property and had a variable interest rate. The variable rate for the year ending December 31, 2013, was 2.04%.

Capital Lease Obligations

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

The debt service requirements as of December 31, 2014, are as follows:

Year Ending	General Obligation and Revenue Bonds Payable		Capital Leases	
December 31,	Principal	Interest	Principal	Interest
2015	$ 2,660,000	$ 3,130,861	$ 249,569	$ 20,978
2016	2,750,000	3,039,210	237,363	9,604
2017	2,920,000	2,931,836	177,229	7,379
2018	3,005,000	2,817,085	61,933	3,193
2019	3,100,000	2,689,490	-	-
2020-2024	17,190,000	11,169,556	-	-
2025-2029	20,890,000	6,149,856	-	-
2030-2033	9,120,000	938,811	-	-
	$ 61,635,000	$ 32,866,705	$ 726,094	$ 41,154

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

	2014	2013
Major moveable equipment	$ 1,668,373	$ 1,639,562
Less accumulated depreciation	559,643	269,984
	$ 1,108,730	$ 1,369,578

Note 10: Charity Care

The costs of charity care provided under the District's charity care policy were $1,087,577 and $2,208,611 for 2014 and 2013, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges from the 2013 and 2012 filed Medicare cost reports, respectively, to the gross uncompensated charges.

Note 11: Operating Leases

The District leases various facility spaces and equipment under operating leases expiring through 2018. Future minimum lease payments under these noncancelable leases at December 31, 2014, are:

2015	$ 718,998
2016	562,459
2017	401,969
2018	47,963
Future minimum lease payments	$ 1,731,389

Rental expense for all operating leases at December 31, 2014 and 2013, was $935,220 and $896,437, respectively.

Note 12: The Aspen Valley Medical Foundation, Limited

The Aspen Valley Medical Foundation, Limited (AVMF) is an independent nonprofit corporation incorporated in 1974. AVMF's primary objective is the betterment of health care in the Roaring Fork Valley of Colorado. Effective June 15, 2012, the District and AVMF severed its relationship. Prior to June 15, 2012, the District received contribution pledges from AVMF for operations and capital-related items. There were no contribution pledges for the years ended December 31, 2014 and 2013. Contribution payments received from AVMF during 2013 totaled $1,686,638. During 2014, the District and AVMF signed a separation agreement, which released the District from paying off their outstanding balance for a capital lease that was outstanding to AVMF in the amount of $380,391.

Note 13: Aspen Community Foundation

The Aspen Community Foundation (ACF) is an independent nonprofit corporation incorporated in 1980. ACF's primary objective is to improve the quality of life in Aspen and the communities of the greater Roaring Fork and Colorado River valleys. The Aspen Valley Hospital Fund was established with ACF for the purpose of receiving contributions that are to benefit the District. Total contributions received and held by ACF on behalf of the District for the years ending December 31, 2014 and 2013, were $1,542,504 and $2,607,980, respectively. All contributions received by ACF during 2014 and 2013, are classified as capital contributions as the contributions are to be used to support the District's construction project. Contributions receivable maintained by ACF on behalf of the District consisted of the following at December 31:

	2014	2013
Due within one year	$ 150,000	$ 2,600,000
Due within one to four years	200,000	3,950,000
	350,000	6,550,000
Less		
Allowance for uncollectible contributions	112,500	1,987,500
Unamortized discount	19,637	367,096
	$ 217,863	$ 4,195,404

Note 14: Defined Contribution Plans

The District provides a 457(b) plan to substantially all employees of the District. The employees may contribute up to 100% of their salary to the 457(b) plan. The employees' total salary deferral is limited by the Internal Revenue Service (IRS) annually. Employees are always 100% vested in the contributions they choose to defer. If an employee is 50 years old or older and has met the annual IRS deferral limit, the employee may contribute a catch-up deferral that is also limited by the IRS annually. Contributions from employees to the 457(b) plan were $2,024,333 and $1,713,260 for the years ended December 31, 2014 and 2013, respectively. The District does not make contributions to the 457(b) plan.

The District also provides a 401(a) governmental money purchase pension plan covering substantially all employees who are scheduled to work more than 20 hours per week or 5 months per year. Contribution expense is recorded for the amount of the District's required contributions, determined in accordance with the terms of the 401(a) plan. The 401(a) plan is administered by the District's governing body. The 401(a) plan provides retirement and death benefits to 401(a) plan members and their beneficiaries. Benefit and contribution provisions are contained in the 401(a) plan document and were established and can be amended by action of the District's governing body. The District's contribution for each eligible employee is calculated as of the contribution date and is equal to 50% of the employee's elective deferral contributions. The District's contributions, for purposes of all employees, excluding the chief executive officer (CEO), does not exceed 2.5% of their annual compensation; 5% for purposes of the CEO. Contribution expense to the 401(a) plan was $491,734 and $391,400 for the years ended December 31, 2014 and 2013, respectively.

Note 15: Defined Benefit Plan

GASB Statement No. 67 Disclosures

Summary of Significant Accounting Policies

Method used to value investments. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation.

Plan Description

Plan administration. The District administers a Cash Balance Retirement Plan (the Plan) providing retirement, disability and death benefits to full-time and half-time employees and their beneficiaries. This Plan is a single-employer defined benefit 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 CEO of the Hospital, but in no case is less than three.

Plan membership. At December 31, 2014 and 2013, pension plan membership consisted of the following:

	2014	2013
Inactive plan members or beneficiaries currently receiving benefits	7	5
Inactive plan members entitled to but not yet receiving benefits	184	179
Active plan members	283	274
	474	458

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

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

Investments

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

Principal Financial Advisors, Inc., a registered investment advisor and wholly-owned subsidiary of Principal Financial Group, has been hired to manage the asset allocation for the Plan. The following was the Board's adopted asset allocation policy as of December 31, 2014 and 2013:

Asset Class	Target Allocation
U.S. equity - Large cap	33.03%
U.S. equity - Mid cap	3.87%
U.S. equity - Small cap	3.83%
Non-U.S. equity	12.41%
REITs	1.01%
Real estate (direct property)	5.12%
TIPS	1.52%
Core bond	30.62%
High yield	8.59%
Total	100%

Concentrations. At December 31, 2014 and 2013, 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 of the Plan's fiduciary net position:

	2014	2013
Principal Financial Group	$ 20,355,071	$ 19,030,080

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 year ended December 31, 2014, the annual money-weighted rate of return on plan investments was 5.29%. The money-weighted rate of return on plan investments as of December 31, 2013, was not prepared due to the fact that the provisions of GASB 67 are applied prospectively beginning in 2014.

Net Pension Liability of the District

The components of the net pension liability of the District at December 31, 2014 and 2013, were as follows:

	2014	2013
Total pension liability	$ 21,511,104	$ 19,529,504
Plan fiduciary net position	(20,488,983)	(19,030,080)
District's net pension liability	$ 1,022,121	$ 499,424
Plan fiduciary net position as percentage of the total pension liability	95.25%	97.44%

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2013, projected to December 31, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Long-term inflation	2.25%
Salary increases	Table S-5 from Actuary's Pension Handbook plus 1.00%
Projected salary increases after 10 years	5.00%
Investment rate of return	7.00%

Mortality rates were based on the 2013 IRS Prescribed Mortality-Optional Combined Table for Small Plans, Male and Female.

The long-term expected rate of return on pension plan investments was determined by using the actual weighted average asset allocation for the four quarterly dates from March 31, 2014 to December 31, 2014. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2014, are summarized in the following table:

Asset Class	Long-term Expected Rate of Return
U.S. equity - Large cap	8.80%
U.S. equity - Mid cap	9.10%
U.S. equity - Small cap	9.55%
Non-U.S. equity	9.20%
REITs	8.35%
Real estate (direct property)	6.30%
TIPS	4.10%
Core bond	4.25%
High yield	6.30%

The best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2013, was not prepared due to the fact that the provisions of GASB 67 are applied prospectively beginning in 2014.

Discount rate. The discount rate used to measure the total pension liability at December 31, 2014 and 2013, was 7.00%. The Plan's fiduciary net position and benefit payments were projected to determine the discount rate. Projected fiduciary net position includes expected employer contributions, projected benefit and administrative payments, and expected investment return. Projected benefit payments are based on plan provisions and participant data as of the measurement date, and include the effects of automatic cost-of-living adjustments, projected salary changes and projected service credits.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the District, calculated using the discount rate of 7.00%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate as of December 31, 2014:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's net pension liability	$ 2,049,153	$ 1,022,121	$ 85,625

Sensitivity of the net pension liability to changes in the discount rate as of December 31, 2013, was not prepared due to the fact that the provisions of GASB 67 are applied prospectively beginning in 2014.

GASB Statement No. 27 Disclosures

The District has not yet adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (*Note 18*), therefore, its reporting for pensions in its government-wide statement falls under the guidance of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*.

Annual Pension Cost and Net Pension Assets

The District's annual pension cost and net pension asset to the Plan for the years ended December 31, 2014 and 2013, was as follows:

	2014	2013
Annual required contribution	$ 1,158,533	$ 1,328,791
Interest on net pension asset	(25,054)	(26,740)
Adjustment to annual required contribution	47,624	50,830
Annual pension cost	1,181,103	1,352,881
Contributions made	(1,222,592)	(1,328,791)
Decrease in net pension asset	(41,489)	24,090
Net pension asset at beginning of year	357,908	381,998
Net pension asset at end of year	$ 399,397	$ 357,908

The annual required contribution for the years ended December 31, 2014 and 2013, was determined as part of the January 1, 2014 and 2013, actuarial valuation using the projected unit credit cost method, respectively.

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over future years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2014 and 2013, is 10 years.

As of January 1, 2014, the most recent actuarial valuation dated, the Plan was 106% funded. The actuarial accrued liability for benefits was $18,087,810 and actuarial value of assets was $19,099,933 resulting in an actuarial accrued benefit (UAAL) of $1,012,123. The covered payroll was $21,581,130, and the ratio of the UAAL to the covered payroll was 5%.

The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Three-year Trend Information

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2012	$ 1,548,552	98%	$ 381,998
2013	1,352,881	98%	357,908
2014	1,181,103	98%	399,397

The Plan does not issue stand-alone financial statements and is not included in the report of any other public employee retirement system or another entity.

Note 16: Patient Protection and Affordable Care Act

The *Patient Protection and Affordable Care Act* (PPACA) will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Starting in 2014, the legislation requires the establishment of health insurance exchanges, which will provide individuals without employer provided health care coverage the opportunity to purchase insurance. It is anticipated that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. It is possible that the reimbursement rates paid by insurers participating in the insurance exchanges may be different than rates paid under current health insurance products.

Another significant component of the PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs, such as Medicare disproportionate share, will be substantially decreased. Each state's participation in an expanded Medicaid program is optional. The state of Colorado has currently indicated it participates in the Medicaid expansion program.

The PPACA is extremely complex and may be difficult for the federal government and each state to implement. While the overall impact of the PPACA cannot be currently estimated, it is possible that it will have a negative impact on the District's net patient service revenue. Additionally, it is possible that the District will experience payment delays and other operational challenges during PPACA's implementation.

Note 17: Contingencies

Litigation

In the normal course of business, the District is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the District's self-insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding 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.

Note 18: Future Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB No. 27*. This Statement will be implemented for the fiscal year ending December 31, 2015. The revised requirements establish new financial reporting requirements for the District which provide its employees with pension benefits, including additional note disclosures and required supplementary information. The Statement requires the District to recognize a liability equal to the net pension liability.

Required Supplementary Information

Aspen Valley Hospital District

Schedule of Funding Progress –
Cash Balance Retirement Plan
Years Ended December 31

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(a-b)	(a/b)	(c)	(a-b/c)
6/1/05	$ 7,778,060	$ 8,439,829	$ (661,769)	92%	$ 12,717,916	-5%
6/1/06	8,834,727	9,692,585	(857,858)	91%	12,777,017	-7%
6/1/07	10,198,381	10,220,086	(21,705)	100%	14,584,176	0%
1/1/08	9,990,736	10,615,471	(624,735)	94%	16,039,223	-4%
1/1/09	7,418,510	11,844,382	(4,425,872)	63%	17,094,569	-26%
1/1/10	10,045,588	12,613,235	(2,567,647)	80%	18,360,934	-14%
1/1/11	12,489,481	14,158,352	(1,668,871)	88%	19,358,574	-9%
1/1/12	13,432,989	15,464,139	(2,031,150)	87%	20,262,974	-10%
1/1/13	16,174,659	16,861,148	(686,489)	96%	20,295,889	-3%
1/1/14	19,099,933	18,087,810	1,012,123	106%	21,581,130	5%

Aspen Valley Hospital District

Schedule of Employer Contributions – Cash Balance Retirement Plan Years Ended December 31

Fiscal Year	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2005	$ 778,430	96%
2006	887,556	109%
2007	492,369	100%
2008	1,043,735	110%
2009	1,666,196	101%
2010	1,480,454	102%
2011	1,438,808	100%
2012	1,522,841	100%
2013	1,328,791	100%
2014	1,158,533	106%

Aspen Valley Hospital District

Schedule of Changes in the District's Net Pension Liability and Related Ratios – Cash Balance Retirement Plan

Years Ended December 31

	2014
Total pension liability	
Service cost	$ 1,013,451
Interest	1,332,822
Differences between expected and actual experience	347,283
Changes of assumptions	-
Benefit payments	(711,956)
Net change in total pension liability	1,981,600
Total pension liability - beginning	19,529,504
Total pension liability - ending (a)	$ 21,511,104
Plan fiduciary net position	
Contributions - employer	$ 1,158,533
Net investment income	1,014,456
Benefit payments	(711,956)
Administrative expense	(2,130)
Net change in plan fiduciary net position	1,458,903
Plan fiduciary net position - beginning	19,030,080
Plan fiduciary net position - ending (b)	$ 20,488,983
District's net pension liability - ending (a) - (b)	$ 1,022,121
Plan fiduciary net position as a percentage of the total pension liability	95.25%
Covered-employee payroll	$ 20,859,646
District's net pension liability as a percentage of covered-employee payroll	4.90%

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 that is the only year in which information is available.

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

Aspen Valley Hospital District
Schedule of the District's Contributions – Cash Balance Retirement Plan
Years Ended December 31

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	$ 1,158,533	$ 1,328,791	$ 1,522,841	$ 1,438,808	$ 1,480,454	$ 1,666,196	$ 1,043,735	$ 492,369	$ 887,556	$ 778,430
Contributions in relation to the actuarially determined contribution	1,228,045	1,328,791	1,522,841	1,438,808	1,508,000	1,675,000	1,130,713	492,369	938,296	778,430
Contribution deficiency (excess)	$ (69,512)	$ -	$ -	$ -	$ (27,546)	$ (8,804)	$ (86,978)	$ -	$ (50,740)	$ -
Covered-employee payroll	$ 20,859,646	$ 21,581,130	$ 20,295,889	$ 20,262,974	$ 19,358,574	$ 18,360,934	$ 17,094,569	$ 16,039,223	$ 14,584,176	$ 12,777,017
Contributions as a percentage of covered-employee payroll	5.89%	6.16%	7.50%	7.10%	7.79%	9.12%	6.61%	3.07%	6.43%	6.09%

Notes to Schedule:

Valuation date:

A measurement period of January 1, 2014 to December 31, 2014, has been used for the plan year ending December 31, 2014. The net pension liability reported for Aspen Valley Hospital District's fiscal year-end of December 31, 2014, was measured as of December 31, 2014, using the total pension liability that was determined by an actuarial valuation as of December 31, 2013, and projected to December 31, 2014.

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	5-year smoothed market
Long-term inflation	2.25%
Salary increases	Table S-5 from Actuary Pension Handbook plus 1%
Investment rate of return	7.00%
Retirement age	The probability of retirement is as follows for the applicable age categories:
Age 55-59	6.00%
Age 60-64	12.00%
Age 65-69	40.00%
Age 70	Remaining participants
Mortality	The mortality table was updated to the 2014 IRS Prescribed Mortality-Optional Combined Table for Small Plans, male and female.

Other Information:

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

Aspen Valley Hospital District
Schedule of Investment Returns –
Cash Balance Retirement Plan
Years Ended December 31

	2014
Annual money-weighted rate of return, net of investment expense	5.29%

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 that is the only year in which information is available.

Supplementary Information

Aspen Valley Hospital District

Statement of Budgeted and Actual Revenues and Expenses

Year Ended December 31, 2014

	Budgeted Amount Original	Actual	Favorable (Unfavorable) Variance
Operating Revenues			
Net patient service revenue	$ 68,123,446	$ 72,204,729	$ 4,081,283
Other	2,245,559	2,400,005	154,446
Total operating revenues	70,369,005	74,604,734	4,235,729
Operating Expenses	67,668,142	71,283,693	(3,615,551)
Operating Income	2,700,863	3,321,041	620,178
Nonoperating Revenues (Expenses)			
Ad valorem taxes	6,931,007	6,401,729	(529,278)
Investment income	93,000	330,582	237,582
Interest expense	(1,761,109)	(1,749,206)	11,903
Community assistance programs	(245,000)	(165,865)	79,135
Aspen Valley Hospital Foundation, net	(600,000)	-	600,000
Noncapital contributions	-	154,226	154,226
Gain on investment in joint venture	1,020,085	47,604	(972,481)
Gain on equity interests in ASC and MIC	-	934,158	934,158
Loss on sale of capital assets	-	(115,048)	(115,048)
Total nonoperating revenues	5,437,983	5,838,180	400,197
Excess of Revenues Over Expenses Before Capital Contributions, Provision for Uncollectible Capital Contributions, Transfer of Equity and Member Distributions	8,138,846	9,159,221	1,020,375
Capital contributions	3,475,680	(2,664,844)	(6,140,524)
Provision for uncollectible capital contributions	-	1,512,500	1,512,500
Forgiveness of principal on AVMF note	-	380,391	380,391
Transfer of equity	-	(960,923)	(960,923)
Change in Net Position	$ 11,614,526	$ 7,426,345	$ (4,188,181)

Notes to Schedule:

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

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

Budgets are adopted by resolution in total. There were no supplemental budgets adopted during 2014.

Aspen Valley Hospital District

Combining Schedule – Balance Sheet Information – Component Units

December 31, 2014

	Midvalley Ambulatory Surgery Center, LLC	Midvalley Imaging Center, LLC	Total
Assets			
Current Assets			
Cash and cash equivalents	$ 123,216	$ 63,861	$ 187,077
Patient accounts receivable, net	475,087	186,513	661,600
Contributions receivable	-	-	-
Other receivables	-	5,000	5,000
Inventories	212,493	-	212,493
Total current assets	810,796	255,374	1,066,170
Noncurrent Cash and Investments			
Restricted by donors for capital acquisitions and specific operating activities	-	-	-
Capital Assets, Net	156,898	241,894	398,792
Total assets	$ 967,694	$ 497,268	$ 1,464,962
Liabilities and Net Position			
Current Liabilities			
Current maturities of long-term debt	$ 38,049	$ -	$ 38,049
Accounts payable	34,863	779	35,642
Other accrued liabilities	181,760	18,909	200,669
Total current liabilities	254,672	19,688	274,360
Long-term Debt	13,123	-	13,123
Total liabilities	267,795	19,688	287,483
Net Position			
Reserved for minority interests	342,951	234,014	576,965
Unrestricted	356,948	243,566	600,514
Total net position	699,899	477,580	1,177,479
Total liabilities and net position	$ 967,694	$ 497,268	$ 1,464,962

Aspen Valley Hospital District
Combining Schedule – Revenues, Expenses and Changes in Net Position Information – Component Units
Year Ended December 31, 2014

	Midvalley Ambulatory Surgery Center, LLC	Midvalley Imaging Center, LLC	Total
Operating Revenues			
Net patient service revenue	$ 4,053,807	$ 841,346	$ 4,895,153
Operating Expenses			
Salaries and wages	648,540	87,061	735,601
Supplies and other	1,950,094	311,792	2,261,886
Depreciation and amortization	69,012	18,243	87,255
Total operating expenses	2,667,646	417,096	3,084,742
Operating Income	1,386,161	424,250	1,810,411
Nonoperating Revenues			
Investment income	7,935	13,336	21,271
Total nonoperating revenues	7,935	13,336	21,271
Excess of Revenues Over Expenses Before Member Distributions	1,394,096	437,586	1,831,682
Member distributions	(1,424,897)	(394,718)	(1,819,615)
Change in Net Position	(30,801)	42,868	12,067
Net Position, Beginning of Year	730,700	434,712	1,165,412
Net Position, End of Year	$ 699,899	$ 477,580	$ 1,177,479

Aspen Valley Hospital District

Combining Schedule – Cash Flows Information – Component Units

Year Ended December 31, 2014

	Midvalley Ambulatory Surgery Center, LLC	Midvalley Imaging Center, LLC	Total
Operating Activities			
Receipts from and on behalf of patients	$ 4,096,084	$ 783,258	$ 4,879,342
Payments to suppliers	(1,973,529)	(319,870)	(2,293,399)
Payments to employees	(648,540)	(87,061)	(735,601)
Net cash provided by operating activities	1,474,015	376,327	1,850,342
Capital and Related Financing Activities			
Purchases of capital assets	(40,508)	(399)	(40,907)
Principal payments on long-term debt	(17,218)	-	(17,218)
Proceeds from sale of capital assets	1,309	-	1,309
Net cash used in capital and related financing activities	(56,417)	(399)	(56,816)
Investing Activities			
Investment income	7,935	13,336	21,271
Member distributions	(1,424,897)	(394,718)	(1,819,615)
Net cash used in investing activities	(1,416,962)	(381,382)	(1,798,344)
Increase (Decrease) in Cash and Cash Equivalents	636	(5,454)	(4,818)
Cash and Cash Equivalents, Beginning of Year	122,580	69,315	191,895
Cash and Cash Equivalents, End of Year	$ 123,216	$ 63,861	$ 187,077

Aspen Valley Hospital District

Combining Statement – Cash Flows Information – Component Units (Continued)

Year Ended December 31, 2014

	Midvalley Ambulatory Surgery Center, LLC	Midvalley Imaging Center, LLC	Total
Reconciliation of Cash and Cash Equivalents to the Balance Sheets			
Cash and cash equivalents	$ 123,216	$ 63,861	$ 187,077
Total cash and cash equivalents	$ 123,216	$ 63,861	$ 187,077
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	$ 1,386,161	$ 424,250	$ 1,810,411
Depreciation and amortization	69,012	18,243	87,255
Change in operating assets and liabilities			
Patient accounts receivable	42,277	(58,088)	(15,811)
Inventories	(35,335)	-	(35,335)
Accounts payable	(15,819)	(3,829)	(19,648)
Other accrued liabilities	27,719	(4,249)	23,470
Net cash provided by operating activities	$ 1,474,015	$ 376,327	$ 1,850,342