

Denver Health and Hospital Authority

Independent Auditor's Reports and Financial Statements

December 31, 2014 and 2013

Denver Health and Hospital Authority

December 31, 2014 and 2013

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Independent Auditor's Report

Board of Directors
Denver Health and Hospital Authority
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying basic financial statements of Denver Health and Hospital Authority (the Authority) and its discretely presented component units, which are comprised of the balance sheets as of December 31, 2014 and 2013, and the statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Denver Health Medical Plan, Inc., a component unit included in the financial statements as a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

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.

Board of Directors
Denver Health and Hospital Authority

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 Denver Health and Hospital Authority and its discretely presented component units as of December 31, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Board of Directors
Denver Health and Hospital Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2015, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
March 26, 2015

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Denver Health and Hospital Authority

Management's Discussion and Analysis (Unaudited)

December 31, 2014 and 2013

This discussion and analysis of the financial performance of Denver Health and Hospital Authority (the Authority) provides an overall review of the Authority's financial activities and balances as of and for the years ended December 31, 2014 and 2013.

Management's Discussion and Analysis is designed to provide a comparative discussion on significant activities, resulting changes, and currently known facts; therefore, this discussion should be read in conjunction with the Authority's financial statements.

2014 Highlights

In 2014, the Authority had two changes that significantly impacted financial results. The first was the effect of the Affordable Care Act (ACA) on the organization's payor mix. Beginning with January 2014 results, there was an immediate switch in the patient payor mix with a decrease in patient services and charges related to patients enrolled in the Colorado Indigent Care Program (CICP), and other uninsured categories, offset by a corresponding increase in Medicaid patient services and charges. In 2013, the Authority's enrollment staff screened and assisted thousands of patients seen here as CICP to apply for and become determined as Medicaid eligible or to enroll in Colorado's Insurance Exchange, ConnectForHealthColorado, as applicable. This activity resulted in a shift from uninsured status, primarily to Medicaid, of approximately 19,000 individual patients. Additionally, this has resulted in an increase in the net patient service revenue of approximately \$75 million. Total net patient service revenue is \$81.2 million higher than the prior year; the remainder of the increase is primarily in commercial insurance categories.

In 2013, the Authority implemented its first formal strategic planning process as well as implementation of a new productivity management system. The strategic planning process consisted primarily of development of strategic "pillars" for the organization and departmental plans designed to closely align with the pillars. The six core pillars are: Patient Safety and Quality, Financial Vitality, Patient Experience, Community, Workforce Engagement, and Growth. The planning process also included a comprehensive update of the facilities Master Plan including a five-year actionable plan and a 20-year directional plan. These measures were taken in order to improve financial and operational performance.

Starting in 2013, costs were incurred as part of the implementation of these initiatives, but return on investment on these initiatives has been demonstrated in the 2014 financial results. The Authority's implementation of a productivity system that calculates a staffing ratio target for each department in the hospital has resulted in significant payroll savings. On a per adjusted discharge basis, the cost of salaries and benefits is 4% lower than calendar 2013.

The productivity management initiative did not include the physician and other billable provider staff, but a separate productivity initiative for providers has been developed in 2014 and will be implemented in 2015. Currently physician productivity is managed to the 50th percentile Relative Value Unit (RVU) based on University Healthsystem Consortium (UHC) faculty benchmarks for academic medical center faculty practices.

Denver Health and Hospital Authority
Management's Discussion and Analysis (Unaudited)
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With respect to financial results:

- Net patient service revenue increased \$81.2 million, or 22.0%, and exceeded budget by \$19.8 million, or 4.6%, primarily due to a change in payor mix related to the ACA. Inpatient admissions were 4.7% more than the prior year and 4.8% more than budget in 2014.
- The Authority's prepaid provider contract with the State of Colorado Health Care Policy and Financing (HCPF) for managed care Medicaid, Denver Health Medicaid Choice (DH Medicaid Choice) realized an increase in membership due to the change in Medicaid eligibility due to the ACA. Revenue from this program increased \$18.2 million, or 14.1%, due to an 18.8% increase in membership. Because of the membership increase, and higher health care acuity often requiring specialized out of network care, external claims costs incurred increased \$8.8 million or 19.7%. External claims cost was above budget by \$7.0 million, or 15.2%. Net funds available for care at the Authority increased \$7.0 million, or 9.9%; however, the Authority billed charges for such care increased \$49.3 million, or 22.8%, which caused a net decrease in the amount realized on care provided within the Denver Health network.
- The Authority recorded an increase in Medicaid disproportionate share and other safety net reimbursement in 2014 of \$1.9 million, or 1.5%. Revenue approximated budget. The provider fee is a State of Colorado tax approved by the Colorado General Assembly in April 2009 on hospitals that is matched with federal funding. This impacts Medicaid disproportionate share hospital (DSH) and other safety net reimbursement line items.
- Federal, state, and other grant revenue was \$6.7 million, or 9.3%, lower than the prior year. The decrease is associated with federal and local grants to remodel the Lowry Clinic in east Denver. This project began in late 2012, with the majority of the construction occurring in 2013 and completed in 2014. Grant revenue for the Lowry Clinic remodel was \$1.3 million in 2014, and was \$4.8 million in 2013. The Authority also obtained a Federal Centers for Medicaid and Medicare Innovation Grant (CMMI) totaling \$19.8 million in 2012. This is a three-year grant, which started in late 2012, with the majority of the expenses incurred in 2013. In 2013, the Authority recognized \$8.4 million of grant revenue for this grant, compared to \$5.7 million in 2014.
- Poison and drug center contract revenue for the year ended December 31, 2014 was \$4.1 million, or 19.8% higher than 2013, and 11.9% above budget. This is related to higher than budgeted Researched Abuse, Diversion and Addiction-Related Surveillance (RADARS®) program subscribers to services provided by the Rocky Mountain Poison and Drug Center (RMPDC), with some of the increases coming from international subscribers. For the year ended December 31, 2014, RMPDC had an increase in net assets of \$2.6 million.
- Other operating revenue decreased by \$4.3 million, or 13.9%, compared to 2013, but was within 1.0% of the budget. The Authority continued to progress in its implementation of a fully Electronic Health Record (EHR). During 2014, the Authority recorded \$2.4 million in federal "meaningful use" funds; in 2013, the Authority recorded \$5.5 million of meaningful use funds. These funds are related to a program under which the Medicare and Medicaid Electronic Health Care Record Incentive Programs provide incentive payments to eligible professionals and eligible hospitals, as they adopt, implement, upgrade or demonstrate meaningful use of certified EHR technology.

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- Operating expenses for 2014 increased by 6.7%, or \$53.0 million. Compared to budget, total operating expenses exceeded budget by \$6.9 million but were within 1% of the budget. The overage was due to higher than anticipated out of network claims experience on its Medicaid Managed Care plan as well as Information Technology expenses caused by a delay in the managed care claims processing system. Salaries and benefits increased by \$21.8 million, or 4.7%, over 2013. This was due to normal wage increases as well as growth in staffing necessary to meet increased patient demand resulting from ACA. Salaries and benefits were less than budget by 1.9%, or \$9.1 million in 2014. On a per-adjusted discharge basis, the cost of salaries and benefits is 4% lower than calendar 2013.
- Contracted services and nonmedical supplies expense was \$12.9 million, or 8.1%, higher than in 2013, and exceeded budget by \$2.8 million, or 1.7%. In 2013, the Authority elected to transition away from its current core information systems vendor. This transition began in 2014. During 2014, the Authority began expending costs related to the replacement of its EHR. Certain noncapital expenditures were incurred in 2014 related to this project, which increased expense year over year, but were under the amount included in the 2014 budget. In addition, the claims and membership software platform for DH Medicaid Choice was also replaced, and was fully implemented in December of 2014. This implementation was behind schedule and did incur costs that were over budget. This delay in the implementation caused DH Medicaid Choice administrative costs to exceed budget by \$2.3 million in 2014.
- Medical supplies and pharmaceuticals were \$12.5 million, or 17.3%, above the prior year, and were \$3.5 million, or 4.3%, above budget. This increase is driven by the increase in patient days and surgical operating room hours, which increased over the prior year 4.3% and 2.5%, respectively. On a volume-adjusted basis this line item was within budget but exceeded the prior year by \$110 per adjusted discharge due to patient activity in surgery and cardiology. Also driving costs up were pharmaceutical costs for drugs that were disbursed to patients newly eligible under Medicaid or Accountable Care Organizations due to the ACA. This increase in expense was covered by an increase in outpatient pharmacy revenue. In 2014, outpatient pharmacy cash receipts increased by \$7.5 million, or 45%.
- Depreciation and amortization expense decreased over the prior year by \$2.9 million, or 5.9%, but was over budget by \$2.7 million, or 6.1%. In 2013 and early 2014, the Authority accelerated depreciation on certain capitalized software, due to a re-evaluation of the useful life. As these items became fully depreciated, depreciation expense decreased in total over the prior year. However, the Authority also accelerated depreciation on construction trailers used for Lowry Clinic construction, once it was determined they would not be used in future clinic construction. This caused the budget overage in depreciation expense.
- Net nonoperating expense increased \$2.0 million, or 43.9%, over the prior year. Interest expense increased \$3.5 million due to the issuance of the 2014 bonds in May, and also due to the accretion of interest on the long-term note payable recorded in December 2013, as a contract renegotiation with a software vendor. A large fluctuation in the unrealized market value of investments caused an unrealized loss on fair value of investments of \$6.1 million in 2013 to change to a \$2.5 million unrealized gain in 2014. Both market conditions and changes in the Board-approved investment approach were the drivers of this increase in market value. \$806,000 of bond issuance costs were recorded in 2014 as a result of the bond issuance process. Bond issuance costs can no longer be capitalized and amortized over the life of the debt, they are expensed in the period incurred.

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- In 2013, the Authority made early principal payments on the 2007B Bonds totaling \$4.4 million. Because the payments were made at approximately 76% of face value, a gain on early extinguishment of debt was recorded of \$1,047,926. The original debt maturities were between 2013 and 2018. In 2014, there were no early debt extinguishments.
- Capital contributions for 2014 included \$1,850,000 from the City for application towards debt service on the 2014 taxable bonds issued to secure New Market Tax Credit (NMTC) financing on DHHA Southwest Clinic, Inc. (Southwest Clinic) construction. Also in 2014, the Authority received a \$100,000 capital contribution from the Denver Health and Hospitals Foundation to use toward clinic equipment at the Southwest Clinic. The remaining 2014 capital contributions were the City's contributions toward public health capital improvements, and the debt service for the Park Hill Clinic.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements, which consist of a business-type activity, and includes a blended component unit, and notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The *statement of net position* presents information on the Authority's assets, deferred outflows of resources, and liabilities, with the difference between these items as net position. Over time, increases or decreases in net position may indicate whether the financial position of the Authority is improving or deteriorating.

The *statement of revenues, expenses and change in net position* presents both the operating revenues and expenses and nonoperating revenues and expenses along with other changes in net position for the year. This statement is an indication of the success of the Authority's operations over the past year.

The *statement of cash flows* presents the change in cash and cash equivalents for the year resulting from operating activities, capital and related financing activities and investing activities. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the year.

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Management's Discussion and Analysis (Unaudited)
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Financial Analysis and Results of Operations

Changes to net position over time may serve as a useful indicator of the Authority's financial position. At December 31, 2014, the Authority's total net position increased by \$46.4 million over 2013, or 11.2%. The Authority had restricted net position at December 31, 2013 of \$447,000 and none at December 31, 2014. The restricted net position at December 2013 relates to a profit distribution from the Denver Health Medical Plan, Inc. (the Plan) received in 2012, which was designated for certain expenditures related to patient care. Those funds were released from restriction in 2014. The following table summarizes total assets, deferred outflows of resources, total liabilities, and net position at December 31:

	Net Position		
	2014	2013	2012
Current and noncurrent assets	\$ 535,272,171	\$ 372,518,665	\$ 381,201,925
Capital assets	397,222,513	411,774,928	409,259,304
Total assets	932,494,684	784,293,593	790,461,229
Deferred outflows	19,970,870	14,756,971	23,420,908
Total assets and deferred outflows of resources	\$ 952,465,554	\$ 799,050,564	\$ 813,882,137
Current liabilities	\$ 122,456,136	\$ 102,341,054	\$ 104,899,351
Other long-term liabilities	24,855,963	19,217,052	25,649,519
Long-term debt outstanding	345,885,188	264,611,705	254,663,835
Total liabilities	\$ 493,197,287	\$ 386,169,811	\$ 385,212,705
Net investment in capital assets	\$ 65,345,766	\$ 168,216,323	\$ 155,285,432
Restricted expendable	-	447,517	929,729
Unrestricted	393,922,501	244,216,913	272,454,271
Total net position	\$ 459,268,267	\$ 412,880,753	\$ 428,669,432

At December 31, 2014, the Authority's cash and unrestricted investments increased by \$88.6 million, or 57.0%, compared to December 31, 2013. The increase in cash inflow from operations was driven by net patient service revenue collections, which increased \$89.4 million, or 24.8%. Cash outflows for capital expenditures decreased by \$15.4 million. Offsetting these net inflows were the Plan's distribution to the Authority of \$7.1 million in 2013, with none in 2014.

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Patient Accounts Receivable

Patient accounts receivable (AR), net of contractual allowances decreased by \$4.4 million in 2014, or 6.4%. As noted above, cash collections from net patient service revenue increased by \$89.5 million over the prior year. Due to patients now qualifying for Medicaid as a result of the ACA, Medicaid receivables decreased \$5.2 million, as receivables from "Medicaid Pending" decreased dramatically. Medicaid Pending accounts have historically had a long period from application until payment. Reserving methods are unchanged from the prior year, and are based on analysis of historical collections as a percentage of billed charges by payor, as well as aging.

Due from Governmental Entities

In 2014, due from governmental entities decreased by \$4.8 million, or 8.6%. A portion of this receivable is comprised of governmental grants. Those receivables decreased by \$2.1 million over the 2013 balance. The safety net receivable decreased \$4.1 million due to the timing of payments. An increase in State Teaching receivables of \$1.6 million is due to Medicaid expansion and a higher number of qualifying encounters. RMPDC receivables increased \$240,000.

Due from the City and County of Denver

Due from the City decreased \$1.4 million compared to the prior year-end. In 2013, the City allowed the Authority to retain any surplus related to City Purchased Services revenue.

Other Receivables

Other receivables increased by \$5.1 million from the 2013 balance. \$2.6 million of the increase relates to encounter billing for Federally Qualified Health Center Services (FQHC) wraparound payment related to DH Medicaid Choice. \$1.4 million of the increase is due to amounts billed to other agencies, including the University of Colorado, and the receivable varies year over year based on the timing of payments. \$837,000 of the increase relates to the timing of meaningful use payments.

Prepaid Expenses and Other Assets

In 2014, the Authority began expending costs related to the replacement of its EHR. Certain costs paid in accordance with contract terms are license fees that are expensed over the term of use, and therefore increased prepaid expenses, which increased \$2.2 million over 2013.

Notes Receivable

Notes receivable increased \$15.4 million due to the NMTC transaction executed to provide for construction of Southwest Clinic. The note is comprised of amounts due from a third-party equity investor, and is interest only through 2021. Prior year amounts are comprised of a note receivable of \$29.0 million, also due from a third-party equity investor related to the financing of construction of DHHA Pavilion M, Inc. (Pavilion M). The amount is an interest only receivable through mid-2017.

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Estimated Third-party Payor Settlement Receivables

Estimated third-party payor settlement receivables are comprised of receivables for Medicare cost report settlements for prior years and accrual of outstationing revenue to reimburse for certain enrollment-based services provided by the Authority. Payments typically take more than one year to settle, which accounts for the significant balance. This receivable balance increased from the prior year by \$1.7 million, due to the timing of receipts and current year accruals.

Restricted Investments

Restricted investments increased by \$59.9 million in 2014 compared to the prior year. In mid-2014, the Authority issued debt for the purposes of capital construction throughout the main campus in line with the master facilities planning, and to provide funds to implement the NMTC financing of Southwest Clinic. Net proceeds from that bond issuance was \$85.9 million, of which \$15.4 million was disbursed to the equity partner in the NMTC financing for Southwest Clinic, in return for a note receivable. Construction expenses and debt service payments account for the offsetting decrease.

Capital Assets

Capital assets, net of depreciation, decreased \$14.6 million over the prior year. Additions totaled \$31.4 million, compared to \$51.4 in 2013. Major capital projects in 2014 included the completion of the Lowry Clinic remodel for \$2.6 million spent in 2014. The remodel of the Surgical Intensive Care Unit was also completed in 2014, and related spend in 2014 was \$2.9 million. The main campus parking garage construction was also completed, with a spend of \$4.0 million. Capital costs related to the replacement of the Authority's EHR totaled \$4.3 million. The Authority also installed new radiology equipment at a cost of \$2.2 million through a capital lease. Depreciation expense for the year was \$45.9 million. Listed below is a summary of capital assets, net of accumulated depreciation at December 31, 2014 and 2013:

	December 31,	
	2014	2013
Land	\$ 26,388,299	\$ 25,915,903
Buildings and improvements	319,265,804	313,192,959
Equipment and software	40,640,467	47,759,936
Construction in process	10,927,943	24,906,130
Total	\$ 397,222,513	\$ 411,774,928

Long-term and Board-designated Investments

Long-term and board designated investments in aggregate increased \$87.6 million over the prior year. The increase in cash provided by operating activities during 2014 resulted in more cash available for investment. During 2014, due to changes in the market, the Authority recognized a \$2.5 million increase in the market value of investments. During 2013, the Authority revised its investment policy to allow more diversification of investment vehicles, and in 2014 it was again amended to increase the allowable percentage of short-term bond mutual funds to achieve better yield and diversification. As of December 2014, the Authority has invested \$104.2 million in mutual funds, compared to \$20.0 million in 2013.

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Other Liabilities

Accrued salaries, wages and employee benefits payable increased \$9.7 million, or 40.3%. The majority of this increase is due to the timing of the pay dates between years. Contributing to the increase is normal wage increases, and the accrual of management and physician incentives accrued but not paid.

Accrued claims liability represents the Incurred But Not Reported claims liability (IBNR) for DH Medicaid Choice. Although claims cost increased compared to prior year due to higher membership, the liability is comparable to the prior year due to the timing of year-end payment cut-off.

Postemployment benefit liability represents the actuarially estimated cost of the Authority's provision of postretirement health benefits for certain employees hired in 2001 or after. The cost and liability increases each year as more employees become eligible for the benefit. The liability is funded at the time of an employee's retirement by paying a third-party administrator.

Debt

Bonds and notes payable and capital leases payable, excluding the deferred loss on refunding, increased by \$84.0 million due to the issuance of bonds payable in the amount of \$85.9 million, as well as the issuance of capital leases for radiology equipment totaling \$2.2 million.

Total Assets, Liabilities and Net Position

Overall, current and noncurrent assets, not including capital assets, increased \$162.8 million from December 31, 2013 to December 31, 2014, primarily due to an increase in cash, investments and restricted investments.

Total liabilities as of December 31, 2014 increased \$107.0 million compared to December 31, 2013, due to the issuance of bonds and capital leases payable.

The Authority's net position increased from the prior year by \$46.4 million, which was comprised of operating income of \$50.7 million, nonoperating net expenses of \$6.5 million, and contributed capital of \$2.2 million.

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The following table compares 2014, 2013 and 2012 revenues and expenses and shows the resulting increase in net position:

	Changes in Net Position		
	2014	2013	2012
Operating revenues			
Net patient service revenue	\$ 449,814,246	\$ 368,610,938	\$ 352,831,995
Capitation earned net of reinsurance expense	147,394,223	129,185,021	122,970,708
Medicaid disproportionate share and other safety net reimbursement	126,880,378	125,002,310	112,254,391
City and County of Denver payment for patient care services	30,777,300	27,977,304	27,977,304
Federal, state and other grants	65,003,762	71,688,004	55,990,106
City and County of Denver purchased services	19,040,933	19,410,933	18,746,252
Poison and drug center contracts	24,959,447	20,839,018	21,639,182
Other operating revenue	26,376,835	30,640,599	31,461,595
Total operating revenues	<u>890,247,124</u>	<u>793,354,127</u>	<u>743,871,533</u>
Operating expenses			
Salaries and benefits	483,393,656	461,601,916	444,199,653
Contracted services and nonmedical supplies	171,995,784	159,100,698	142,219,965
Medical supplies and pharmaceuticals	84,563,712	72,102,699	70,917,203
Managed care outside provider claims	53,289,427	44,532,898	35,332,315
Depreciation and amortization	46,300,056	49,184,278	45,663,497
Total operating expenses	<u>839,542,635</u>	<u>786,522,489</u>	<u>738,332,633</u>
Operating income	<u>50,704,489</u>	<u>6,831,638</u>	<u>5,538,900</u>
Nonoperating revenues (expenses)			
Increase in equity in joint venture	204,500	149,000	20,896
Bond issuance costs	(805,627)	-	-
Gain on early extinguishment of debt	-	1,047,926	-
Distribution from discretely presented component unit	-	7,100,000	4,000,000
Interest income	6,380,661	4,772,791	4,488,636
Interest expense	(14,910,031)	(11,460,677)	(11,413,726)
Net increase (decrease) in fair value of investments	2,533,258	(6,142,037)	3,143,408
Gain (loss) on disposition of capital assets	67,970	(5,536)	286,125
Total nonoperating revenues (expenses)	<u>(6,529,269)</u>	<u>(4,538,533)</u>	<u>525,339</u>
Income before capital contributions and loss on contract restructuring	44,175,220	2,293,105	6,064,239
Contributions restricted for capital assets	2,212,294	418,216	702,702
Special item - loss on contract restructuring	-	(18,500,000)	-
Increase (decrease) in net position	46,387,514	(15,788,679)	6,766,941
Total net position, beginning of year	<u>412,880,753</u>	<u>428,669,432</u>	<u>421,902,491</u>
Total net position, end of year	<u>\$ 459,268,267</u>	<u>\$ 412,880,753</u>	<u>\$ 428,669,432</u>

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Revenues and Expenses

Gross Patient Service Revenue

Gross patient service revenue increased \$117.3 million, or 6.7%, for the year ended December 31, 2014, compared with the year ended December 31, 2013, as shown in the following table:

	Gross Patient Revenue		Dollar Change	Percentage Change
	2014	2013		
Inpatient revenue	\$ 798,865,286	\$ 778,753,968	\$ 20,111,318	2.6%
Outpatient revenue	803,801,586	730,148,509	73,653,077	10.1%
Physician billing	177,483,024	170,680,711	6,802,313	4.0%
Ambulance	98,725,894	82,032,657	16,693,237	20.3%
	<u>\$ 1,878,875,790</u>	<u>\$ 1,761,615,845</u>	<u>\$ 117,259,945</u>	<u>6.7%</u>

Inpatient charges increased by 2.6%, or \$20.1 million over 2013, primarily due to price increases in the inpatient room and board charges that accounted for \$10.5 million of the increase. Additionally, patient services increased with inpatient census days 1.5% above budget, and 5.5% above 2013. Admissions were 4.7% above 2013, and 4.8% above budget.

Outpatient charges increased by \$73.7 million, or 10.1%, due to an increase in outpatient pharmacy charges of \$30.1 million, as well as an increase in outpatient operating room hours of 8.4% over 2013. Outpatient medical services price increases accounted for \$3.7 million of the increase. Emergency outpatient visits also increased 2.3% over the prior year.

Physician billing revenue increased \$6.8 million, or 4.0%, due to volume increases, as well as a change to charge for certain dental visits as professional billing, which account for \$3.8 million of the increase.

Ambulance revenue increased 20.3%, or \$16.7 million, primarily due to a 2014 10% price increase as well as an 8.7% increase in the trip volume.

Indigent Care, Charity Care and Community Service

The Authority, as part of its mission, provides healthcare services to the City's residents, regardless of ability to pay. Many of the Authority's patients are unable to obtain benefits from insurance companies or do not have personal resources to cover costs. The financial burden, however, is in part offset by various federal, state, local and private programs in which such patients are enrolled.

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Records are maintained to identify and monitor the level of charity care the Authority provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. This policy directly relates to that of the state CACP program and an internal charity program as required by Denver Health Bureau of Primary Health Care Section 330 Grant for primary care. The level of charity care provided during the years ended December 31, 2014 and 2013 is as follows:

	2014	2013
Charges forgone, based on established rates	\$ 132,410,924	\$ 326,391,344
	2014	2013
Uncompensated care		
Contractual adjustments	\$ 1,035,264,772	\$ 812,102,372
Provision for bad debts	113,991,625	125,326,170
Charity care	132,410,924	326,391,344
	\$ 1,281,667,321	\$ 1,263,819,886

The Authority estimates the level of uncompensated care by payor classification based on established rates. The decrease in charity care and provision for bad debts corresponds with the change in payor mix, with more Medicaid eligible encounters and less self-pay and indigent care, as a result of the ACA.

Net Patient Service Revenue

Net patient service revenue increased by \$81.2 million, or 22.0%, in line with the increase in billed charges and the change in payor mix.

For the year ended 2013, net patient service revenue increased by \$15.8 million, or 4.5%, in line with a 5.8% increase in billed charges, offset by the uncompensated portion of those charge increases.

Capitation Earned Net of Reinsurance

Capitation earned net of reinsurance for DH Medicaid Choice increased by 14.1%, or \$18.2 million, due to an 18.8% increase in membership. On a per member per month (PMPM) basis, the revenue paid to the Authority decreased by 3.9% due to State of Colorado capitation rate changes.

For the year ended December 31, 2013, capitation earned net of reinsurance for DH Medicaid Choice increased by 5.1%, or \$6.2 million, due to a 7.5% increase in membership. On a PMPM basis, the capitation paid to the Authority decreased by 4.4% due to State of Colorado capitation rate decreases.

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Medicaid Disproportionate Share Hospital (DSH) and Other Safety Net Reimbursement

Medicaid DSH revenue and other safety net reimbursement increased \$1.9 million, or 1.5%, over 2013. The recalculation of provider fee revenue by the Provider Fee Oversight Board for the period October 1, 2014 to September 30, 2015, has not yet been approved by the Oversight Board or the Centers for Medicare and Medicaid (CMS), and therefore amounts recorded for the federal fiscal period are estimates, based on the 2013-2014 finalized amounts.

In 2013, Medicaid DSH revenue and other safety net reimbursement increased \$12.7 million, or 11.4%, over 2012. The recalculation of provider fee revenue by the Provider Fee Oversight Board for the period October 1, 2013 to September 30, 2014, resulted in significant increases in the supplemental Medicaid payments shown below. It also resulted in a decrease in the provider fee expense.

Medicaid DSH, other safety net revenue and expense, and primary care funds for 2014 and 2013 are as follows:

	2014	2013
Colorado Indigent Care Program revenue	\$ 89,826,779	\$ 90,120,467
Supplemental Medicaid base rate revenue	17,669,760	15,061,000
Supplemental Medicaid outpatient hospital revenue	3,654,768	3,448,250
Supplemental Medicaid psychiatric revenue	417,395	539,650
Supplemental Medicaid high level neonatal intensive care unit	1,404,000	1,133,625
Hospital quality incentive payment	2,882,255	2,886,475
Outstationing revenue	3,057,060	3,125,471
Primary care funds	5,106,497	5,474,960
Physician certification revenue	2,861,864	3,212,412
	<hr/>	<hr/>
	126,880,378	125,002,310
Provider fee expense	(19,847,380)	(19,940,102)
	<hr/>	<hr/>
Net revenue after provider fee expense	<u>\$ 107,032,998</u>	<u>\$ 105,062,208</u>

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City and County of Denver Payment for Patient Care Services

For the years ended December 31, 2014, 2013 and 2012, as part of the Operating Agreement between the Authority and the City (Note 1 to the basic financial statements), the City paid \$30.8 million, \$27.9 million and \$27.9 million, respectively, to the Authority to cover a portion of the cost of treating the medically indigent.

Grant Revenue

Federal, state and other grant revenue decreased by \$6.7 million, or 9.3%, due to large grant expenditures (and related revenue) for the CMMI program and Lowry Clinic in 2013 which did not repeat in 2014. Additionally in 2013, the Authority expended \$4.5 million on a tobacco cessation grant; spending on that grant in 2014 was \$1.6 million.

In 2013, federal, state and other grant revenue increased by \$15.7 million, or 28.0%, and was \$2.0 million above budget. During 2013, the Authority expended \$8.4 million related to the CMMI grant for health interventions related to high risk patients with chronic conditions. Also, expenditures for the remodel of the Authority's Lowry Clinic, which started in 2012, increased to \$4.8 million in 2013.

City and County of Denver Purchased Services

As part of the Operating Agreement between the Authority and the City (Note 1 to the basic financial statements), the Authority receives payments from the City to provide services, including, but not limited to, care for the city prisoners, public health, and to operate Denver C.A.R.E.S., which is a 100-bed nonmedical detoxification center. Revenue for reimbursement of these costs totaled \$19.0 million in 2014, which is comparable to the prior year.

In 2013, City revenue for reimbursement of these costs totaled \$19.4 million, which is comparable to 2012.

Poison and Drug Center Contracts

The RMPDC is a certified regional poison center, recognized by the American Association of Poison Control Centers and serves as a regional drug information center. The RMPDC includes RADARS® System, which collects, compiles, analyzes and maintains certain de-identified health care and other information in proprietary databases containing data from several signal detection system networks. The program provides expert analysis and interpretation of data and includes a Scientific Advisory Board. Subscribing organizations are provided with timely geographic-specific surveillance and monitoring reports to detect and characterize prescription drug abuse, misuse, and diversion. Typical organizations using such information include the pharmaceutical industry, regulatory agencies, policymakers and medical/public health officials to aid in understanding trends in the abuse, misuse, and diversion of prescription drugs in the United States. Poison and drug center contract revenue for the year ended December 31, 2014 was \$4.1 million, or 19.8%, higher than 2013, and 11.9% above budget. This is related to higher than budgeted RADARS® System subscribers, with some of the increases coming from international subscribers. For the year ended December 31, 2014, RMPDC had an increase in net assets of \$2.6 million.

Denver Health and Hospital Authority

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Poison and drug center contract revenue for the year ended December 31, 2013 was \$20.8 million, which was 3.7%, or \$800,000, less than the prior year, and \$870,000, or 4.0%, less than budget. This is related to lower than budgeted RADARS® System subscribers, as well as a downsizing of certain industry related contracts. In reaction to these reductions, the RMPDC has successfully decreased salary and related expenses. Despite the downturn in the revenue, the success in correspondingly reducing expenses resulted in a net income for this fund of \$769,000 for 2013.

Other Operating Revenue

Other operating revenue includes meaningful use revenues as well as revenue from sources such as reimbursement for medical staff, reimbursement of guard services for non-Denver County prisoners, DH Nurseline revenue, and emergency medical services (EMS) education revenue, along with a variety of other smaller sources. This revenue decreased by \$4.3 million, or 13.9%, compared to 2013. Meaningful use revenues related to EHR implementation decreased over the prior year by \$3.1 million, which was the primary driver of the year over year decrease.

In 2013, this revenue decreased by approximately \$821,000, or 2.6%, compared to 2012. Meaningful use revenues related to EHR implementation of \$5.5 million are included in this item.

Operating Expenses

Year ended December 31, 2014 compared with year ended December 31, 2013

Operating expenses increased \$53.0 million, or 6.7%, for the year ended December 31, 2014, compared with the prior year.

- Salaries and benefits increased \$21.8 million, or 4.7%, but were less than budget for the year by \$9.1 million, or 1.9%. Approximately \$8.3 million of the budget positive variance was in actual wage expense, with the remainder in benefits. During 2013, the Authority implemented a productivity management system which assists in staffing to volume adjusted targets. Departmental goals are to stay within a small range over or above 100% of their target. For the year ended December 31, 2014, overall personnel productivity was at 105.9%, compared to 101.5% in 2013. This demonstrates that the Authority has improved response to changes in patient volumes. In addition, the Authority has instituted greater full-time equivalent (FTE) control through the budgeting process. On a per adjusted discharge basis, the personnel cost is 4.1% less than prior year. In 2014, the Authority instituted both a management and physician incentive compensation model. Based on quality and financial indicators linked to our strategic initiatives and pillars, employees eligible for the incentive compensation do not receive regular merit increases, and instead receive a payment in early 2015 based on the results of these indicators. As of December 31, 2014, the Authority has accrued an estimated incentive payout of \$6.2 million.
- Contracted services and nonmedical supplies expense increased \$12.9 million, or 8.1%, over the prior year and was 1.7% above budget. This expense category includes, among other things, provider fee expense, costs for agency nursing, contracted physician services, other contracted labor, noncapital furniture and nonmedical equipment, and professional consultants. A portion of the increase in 2014 is due to the installation of a new membership and claims platform for DH Medicaid Choice. Certain cost overruns in this installation, along with higher DH Medicaid Choice membership, caused this initiative to exceed budget in 2014 by approximately \$2.3 million. During 2014, the Authority began expending costs related to the replacement of the

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EHR. Certain noncapital expenditures were incurred in 2014 related to this project, which increased expense year over year, but were under the amount included in the 2014 budget. On a per adjusted discharge basis, this approximated the prior year.

- Medical supplies and pharmaceuticals were \$12.5 million, or 17.3%, above the prior year, and were \$3.5 million, or 4.3%, above budget. This increase is driven by the increase in patient days and surgical operating room hours, which increased over the prior year 5.5% and 2.5%, respectively. Also driving costs up were pharmaceutical costs for drugs that were disbursed to patients newly eligible under Medicaid or Accountable Care Organizations due to the ACA. This increase in expense was covered by an increase in outpatient pharmacy revenue. In 2014, outpatient pharmacy cash receipts increased by \$7.5 million, or 45%.
- Managed Care outside provider claims represents the costs incurred for medical care and pharmaceuticals obtained by DH Medicaid Choice members outside of the Authority's system of care. These claims are primarily paid on the Medicaid fee schedule, and include urgent or emergent care, as well as some other services such as home durable medical equipment, and similar services allowed to be obtained out of network. This line item increased by \$8.8 million, or 19.7%, over the prior year due to the 18.8% increase in membership noted above.
- Depreciation and amortization expense decreased over the prior year by \$2.9 million, or 5.9%, but was over budget by \$2.7 million, or 6.1%. In 2013 and early 2014, the Authority accelerated depreciation on certain capitalized software, due to a re-evaluation of the useful life. As these items became fully depreciated, depreciation expense decreased in total over the prior year. However, the Authority also accelerated depreciation on construction trailers used for Lowry Clinic construction, once it was determined they would not be used in future clinic construction. This caused the budget overage in depreciation expense.

Year ended December 31, 2013 compared with year ended December 31, 2012

Operating expenses increased \$48.2 million, or 6.5%, for the year ended December 31, 2013, compared with the prior year.

- Salaries and benefits increased \$17.4 million, or 3.9%, and exceeded budget for the year by \$3.1 million, or less than one percent. During 2013, the Authority implemented a productivity management system which assists in staffing to volume adjusted targets. As a result, the Authority has improved response to changes in patient volumes, and has reduced the overall FTE employee count. Wage expense exceeded budget in the first half of 2013 but was significantly reduced to near or below budget in the second half of the year. Also, for those employees eligible for retirement through the Denver Employee Retirement Plan, a financial incentive to retire was offered to approximately 230 eligible employees, with 70 employees retiring.
- Contracted services and nonmedical supplies expense rose \$16.9 million, or 11.9%, over the prior year and was 5.1% above budget. This expense category includes, among other things, costs for agency nursing, contracted physician services, other contracted labor, noncapital furniture and nonmedical equipment, and professional consultants. Advertising increased \$3.0 million due to a fully grant-funded campaign for tobacco use cessation. Temporary or contract labor expense increased \$3.8 million, due to the mid-2012 outsourcing of certain information system functions.

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- Medical supplies and pharmaceuticals increased from the prior year by \$1.2 million, or 1.7%, and is over budget by less than one percent. The increase is almost entirely comprised of pharmacy expense increases.
- Managed Care outside provider claims represents the costs incurred for medical care and pharmaceuticals obtained by DH Medicaid Choice members outside of the Authority's system of care. These claims are primarily paid on the Medicaid fee schedule, and include urgent or emergent care, as well as some other services such as home durable medical equipment, and similar services allowed to be obtained out of network. Membership in this program increased 7.4% over 2012; however external claims cost increased by \$9.2 million, or 26.0%, over the prior year. These costs were \$7.9 million, or 21.6%, above budget. The Authority is developing and implementing approaches to reducing the PMPM claims cost for out of network care by addressing waiting lists for clinic appointments, identifying opportunities for preventive care, more aggressive health coaching, continued examination of network utilization contracts and payment rates. In addition, reinsurance coverage was increased in 2014.
- Depreciation and amortization expense was \$3.5 million, or 7.7%, higher than the prior year, and \$5.1 million above budget. During 2013, the Authority inventoried fixed assets that were scheduled to be demolished by year-end for new construction or remodeling, and accelerated the depreciation in anticipation of removing the capitalized costs at the point of demolition. Capitalized software costs were also re-evaluated for remaining useful and prospective adjustments to depreciation implemented. This increased depreciation expense throughout 2013.

Nonoperating Net Expenses

Nonoperating revenues and expenses consist primarily of income from the Authority's cash, short- and long-term investments, interest expense, the change in the fair value of investments, the increase in equity investment in joint venture, bond issuance costs, distribution from the Plan, and the gain or loss on disposal of capital assets.

Net nonoperating expenses in 2014 were \$6.5 million, compared to \$4.5 million in 2013. Interest expense increased over the prior year by \$3.4 million, due to the accretion of interest on the note payable recorded in late 2013, as well as interest on the 2014 bonds issued. Additionally, no distribution was received from the Plan in 2014 versus \$7.1 million in 2013; these two items were the primary drivers of the increase in this line.

Net nonoperating expenses in 2013 were \$4.5 million, which was a \$5.1 million decrease from the net nonoperating income of approximately \$525,000 in 2012. The change in fair value of investments was the largest factor in the 2013 nonoperating revenue change. Changes in the fair value were lower by \$9.3 million than the prior year, totaling a decrease in fair value of \$6.1 million, compared to the 2012 increase in fair value of \$3.1 million. Offsetting this decrease, in 2013 the Authority received \$7.1 million in distribution from the Plan, compared to \$4.0 million in 2012. Interest expense decreased somewhat in accordance with scheduled principal pay down on debt.

Capital Contributions

Capital contributions for 2014 totaled \$2.2 million, and included \$1.9 million from the City towards the NMTC financing for Southwest Clinic. The City also contributed toward a van for Denver C.A.R.E.S., and the debt service for the Park Hill Clinic.

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Capital contributions for 2013 totaled \$418,000, and included \$300,000 from the City towards Lowry Clinic remodel costs. The City also contributed toward public health capital improvements, and the debt service for the Park Hill Clinic.

Special Item – Loss on Contract Restructuring

In 2013, the Authority elected to transition to a new information systems vendor. As part of an amendment and a restructuring of the agreement with the vendor, the Authority has agreed in principle to execute a note payable with a present value of \$18,500,000, payable in 2014 through 2020. The payable carries no interest rate; however, the Authority has discounted the principal to the net present value based on market borrowing rates. The loss on contract restructuring meets the qualifications as unusual and infrequent in nature, and is therefore reflected as a special item on the accompanying Statements of Revenues, Expenses and Changes in Net Position.

Budgetary Highlights

During the course of the year, the Authority revised its 2014 budget among budget categories, keeping constant the net income budgeted. The positive variance in total operating revenue was primarily related the change in payor mix due to the ACA, which reduced uncompensated care costs more than contemplated in the 2014 budget process. Also affected was DH Medicaid Choice enrollment, which drove the increase in net capitation revenue and associated outside claims costs.

The negative variance to budget in expenses of \$6.9 million related primarily to medical supplies and pharmaceuticals, over budget in response to the increase in operating room hours and patient days, as well as the effect of the ACA on prescription volume, as well as contracted services and supplies, over budget due to the managed care information systems platform implementation. Offsetting those budget overages were savings in personnel and benefit-related costs. The Authority was more successful in flexing personnel in response to changes in patient census, while still providing better access to patient care, particularly in the outpatient clinics. On a per-adjusted discharge basis, there was a \$1,034 per adjusted discharge positive variance to budget for expenses.

Capital Assets and Debt Administration

Capital Assets

Capital assets net of depreciation decreased \$14.6 million over the prior year. Additions totaled \$31.4 million, compared to \$51.4 million in 2013. Major capital projects in 2014 included the completion of the Lowry Clinic remodel, the remodel of the Surgical Intensive Care Unit, main campus parking garage, implementation of EHR, and new radiology equipment.

Denver Health and Hospital Authority
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Capital assets, net of accumulated depreciation, are \$411.8 million at December 31, 2013, compared with \$409.2 million at December 31, 2012, an increase of \$2.5 million, or less than one percent. Capital additions for the year totaled \$51.4 million. Significant additions included the Surgical Intensive Care Unit remodel, Lowry Clinic remodel, and ambulances.

Long-term Debt

Long-term debt at December 31, 2014, net of current portion and excluding deferred loss on bond refunding, is approximately \$345.9 million compared with \$264.7 million and \$254.7 million at December 31, 2013 and 2012, respectively. Below is a listing of the Authority's outstanding long-term debt, net of current portion at December 31, 2014, 2013 and 2012:

	2014	2013	2012
2007 A and B Revenue Bonds	\$ 171,220,820	\$ 174,525,153	\$ 181,354,488
2009 Revenue Bonds	2,780,000	3,410,000	3,985,000
2010 Healthcare Recovery Zone			
Facility Revenue Bonds	26,251,381	26,752,321	27,233,260
2014 Revenue Bonds	85,939,901	-	-
Pavilion M notes payable	37,607,050	37,607,050	37,607,050
Other notes payable	20,432,767	22,317,181	4,395,181
Capital lease obligation	1,653,269	-	88,856
	<u>\$ 345,885,188</u>	<u>\$ 264,611,705</u>	<u>\$ 254,663,835</u>

Long-term debt increased by \$81.3 million in 2014 due to the issuance of the 2014 bonds for capital construction, and the acquisition of radiology equipment under capital lease. Long-term debt increased by \$9.9 million in 2013 due to normal and accelerated principal payments during the year, offset by a new note payable (\$17.4 million long-term) to a software vendor related to contract restructuring. Other notes payable also consists of a Housing and Urban Development (HUD) loan of \$2.9 million, the proceeds of which were utilized to build the Park Hill Clinic. Also included in other notes payable, is a Community Development Block Grant (C.D.B.G.) loan of \$1.2 million. Both loans are between the Authority and the City.

The Authority's 2014, 2010, 2009, 2007A and 2007B bond series ratings are BBB by Standard and Poor's and BBB+ by Fitch at December 31, 2014 and 2013, respectively.

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Economic Factors and Next Year's Budget

The Authority's budget for 2015 is conservatively set, allowing for price increases for room and board charges, and for growth initiatives that support the mission and pillar objectives of the organization. Changes in payor mix related to the Medicaid expansion under ACA were assumed to have been completed during calendar 2014; therefore very little further change was made in this regard. However, significant service growth is still projected, with a 7% increase in admissions anticipated and 12% increase in outpatient visits. This drives an increase in net patient service revenue projected of 15.3%.

Payroll and benefit costs are budgeted at a 10.8% increase over the 2014 actual personnel cost, due to normal wage progressions and additional staff hired, due to growth initiatives and increases in patient service volumes. As 58% of the Authority's cost is personnel-related, this drives most of the overall increase in budgeted 2015 expense compared to actual 2014 of 9%. The Authority has implemented tight budget controls around growth initiatives requiring regular reporting to the internal budget committee, targets and metrics that are regularly reviewed, and an exit strategy that must be in place if initiatives do not meet target. In this way, growth in cost can be mitigated if the related revenue that is budgeted is not achieved. The 2015 budget reflects an increase in net position of \$39.9 million, compared to the 2014 actual increase of \$46.4 million. The Authority's 2015 budget reflects the continued focus on our six core pillars: Patient Safety and Quality, Financial Vitality, Patient Experience, Community, Workforce Engagement, and Growth and continued implementation of its strategic plans organized around these pillars.

Requests for Information

This financial report is designed to provide a general overview of the Authority's financial results for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Chief Financial Officer, 777 Bannock Street, Mail Code 0278, Denver, Colorado 80204.

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Denver Health and Hospital Authority
Statements of Net Position
December 31, 2014 and 2013

Assets and Deferred Outflows of Resources

	<u>2014</u>	<u>2013</u>
Current Assets		
Cash and cash equivalents	\$ 44,542,202	\$ 43,508,784
Restricted cash and cash equivalents	565,940	733,045
Patient accounts receivable, net of estimated uncollectibles of approximately \$26,491,000 and \$29,578,000 in 2014 and 2013, respectively	64,470,534	68,903,884
Due from other governmental entities	50,560,277	55,334,511
Due from City and County of Denver	-	1,247,356
Other receivables	18,632,104	13,503,600
Interest receivable	1,205,076	991,746
Due from other funds and investment in discretely presented component unit	1,356,235	1,088,068
Inventories	9,808,583	10,382,435
Prepaid expenses and other assets	7,488,859	5,254,479
	<u>198,629,810</u>	<u>200,947,908</u>
Noncurrent Assets		
Note receivable	44,393,015	28,961,015
Estimated third-party payor settlements receivable	13,821,457	12,165,669
Equity interest in joint venture	972,500	768,000
Restricted investments	76,697,034	16,841,593
Capital assets, net of accumulated depreciation	397,222,513	411,774,928
Long-term investments	162,485,240	111,894,686
Board-designated investments	36,995,714	-
Other long-term assets	1,277,401	939,794
	<u>733,864,874</u>	<u>583,345,685</u>
Total noncurrent assets	<u>733,864,874</u>	<u>583,345,685</u>
Total assets	<u>932,494,684</u>	<u>784,293,593</u>
Deferred Outflows of Resources		
Accumulated change in fair value of hedging derivatives	15,083,811	9,575,704
Loss on refunding of debt	4,887,059	5,181,267
	<u>19,970,870</u>	<u>14,756,971</u>
Total deferred outflows of resources	<u>19,970,870</u>	<u>14,756,971</u>
Total assets and deferred outflows of resources	<u>\$ 952,465,554</u>	<u>\$ 799,050,564</u>

Denver Health and Hospital Authority
Statements of Net Position (Continued)
December 31, 2014 and 2013

Liabilities and Net Position

	<u>2014</u>	<u>2013</u>
Current Liabilities		
Current maturities of bonds payable	\$ 4,455,000	\$ 4,240,000
Current maturities of capital leases	436,510	88,856
Current maturities of notes payable	2,768,036	578,000
Medical malpractice liability	2,634,638	1,869,342
Accounts payable and accrued expenses	40,497,760	39,363,515
Due to the City and County of Denver	137,054	-
Accrued salaries, wages and employee benefits	33,640,490	23,979,246
Accrued compensated absences	22,501,080	20,702,504
Unearned revenue	4,013,728	4,069,560
Derivative interest rate swap liability	2,194,840	2,262,031
Accrued claims	9,177,000	5,188,000
	<u>122,456,136</u>	<u>102,341,054</u>
Long-term Liabilities		
Long-term portion of liability for estimated third-party settlements	6,847,756	7,379,143
Long-term portion of compensated absences	300,249	369,434
Bonds payable, less current maturities	286,192,102	204,687,474
Capital lease obligations, less current maturities	1,653,269	-
Notes payable	58,039,817	59,924,231
Derivative interest rate swap liability	13,070,589	7,603,795
Postemployment benefits	4,637,369	3,864,680
	<u>370,741,151</u>	<u>283,828,757</u>
Total long-term liabilities	<u>370,741,151</u>	<u>283,828,757</u>
Total liabilities	<u>493,197,287</u>	<u>386,169,811</u>
Net Position		
Net investment in capital assets	65,345,766	168,216,323
Restricted expendable	-	447,517
Unrestricted	393,922,501	244,216,913
	<u>459,268,267</u>	<u>412,880,753</u>
Total net position	<u>459,268,267</u>	<u>412,880,753</u>
Total liabilities and net position	<u>\$ 952,465,554</u>	<u>\$ 799,050,564</u>

Denver Health Medical Plan, Inc.
(A Component Unit of Denver Health and Hospital Authority)
Balance Sheets
December 31, 2014 and 2013

Assets

	2014	2013
Current Assets		
Cash and cash equivalents	\$ 135,698	\$ 1,264,771
Reinsurance recoverable on paid losses	1,065,791	-
Interest receivable	262,855	228,873
Premiums and other receivables	1,792,038	1,539,791
Prepaid expenses	263,663	280,101
Total current assets	3,520,045	3,313,536
Noncurrent Assets		
Restricted investments	597,184	564,592
Unrestricted investments	41,596,009	40,157,381
Total noncurrent assets	42,193,193	40,721,973
Total assets	\$ 45,713,238	\$ 44,035,509

Liabilities and Net Assets

Current Liabilities		
Accounts payable and accrued expenses	\$ 2,677,933	\$ 1,664,154
Aggregate health policy reserves	378,628	305,914
Due to Denver Health and Hospital Authority	854,283	588,068
Unearned premiums	39,330	16,816
Liability for amounts held under uninsured plans	978,311	212,924
Accrued claims and loss adjustment expenses	11,182,000	8,239,000
Total current liabilities	16,110,485	11,026,876
Total liabilities	16,110,485	11,026,876
Net Assets		
Unrestricted net assets	29,602,753	33,008,633
Total net assets	29,602,753	33,008,633
Total liabilities and net assets	\$ 45,713,238	\$ 44,035,509

DHHA Southwest Clinic, Inc.
(A Component Unit of Denver Health and Hospital Authority)
Statement of Financial Position
December 31, 2014

Assets

Current Assets

Restricted cash and cash equivalents	\$ 17,065,474
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Noncurrent Assets

Land	4,809,588
Construction in progress	1,768,001
Deferred financing costs	1,089,730

Total noncurrent assets	7,667,319
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Total assets	\$ 24,732,793
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Liabilities and Net Assets

Current Liabilities

Accounts payable for construction	\$ 294,351
Due to Denver Health and Hospital Authority	1,952

Total current liabilities	296,303
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Notes Payable

	21,640,000
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Total liabilities	21,936,303
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Net Assets

Unrestricted	2,796,490
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Total net assets	2,796,490
------------------	-----------

Total liabilities and net assets	\$ 24,732,793
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Denver Health and Hospital Authority
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2014 and 2013

	2014	2013
Operating Revenues		
Net patient service revenue	\$ 449,814,246	\$ 368,610,938
Capitation earned net of reinsurance expense	147,394,223	129,185,021
Medicaid disproportionate share and other safety net reimbursement, net of expense	126,880,378	125,002,310
City and County of Denver payment for patient care services	30,777,300	27,977,304
Federal, state and other grants	65,003,762	71,688,004
City and County of Denver purchased services	19,040,933	19,410,933
Poison and drug center contracts	24,959,447	20,839,018
Other operating revenue	26,376,835	30,640,599
	<hr/>	<hr/>
Total operating revenues	890,247,124	793,354,127
	<hr/>	<hr/>
Operating Expenses		
Salaries and benefits	483,393,656	461,601,916
Contracted services and nonmedical supplies	171,995,784	159,100,698
Medical supplies and pharmaceuticals	84,563,712	72,102,699
Managed care outside provider claims	53,289,427	44,532,898
Depreciation and amortization	46,300,056	49,184,278
	<hr/>	<hr/>
Total operating expenses	839,542,635	786,522,489
	<hr/>	<hr/>
Operating income	50,704,489	6,831,638
	<hr/>	<hr/>
Nonoperating Revenues (Expenses)		
Increase in equity in joint venture	204,500	149,000
Bond issuance costs	(805,627)	-
Gain on early extinguishment of debt	-	1,047,926
Distribution from discretely presented component unit	-	7,100,000
Interest income	6,380,661	4,772,791
Interest expense	(14,910,031)	(11,460,677)
Net increase (decrease) in fair value of investments	2,533,258	(6,142,037)
Gain (loss) on disposition of capital assets	67,970	(5,536)
	<hr/>	<hr/>
Total nonoperating revenues (expenses)	(6,529,269)	(4,538,533)
	<hr/>	<hr/>
Income before capital contributions and loss on contract restructuring	44,175,220	2,293,105
	<hr/>	<hr/>
Contributions Restricted for Capital Assets	2,212,294	418,216
	<hr/>	<hr/>
Special Item - Loss on Contract Restructuring	-	(18,500,000)
	<hr/>	<hr/>
Increase (decrease) in net position	46,387,514	(15,788,679)
	<hr/>	<hr/>
Total Net Position, Beginning of Year	412,880,753	428,669,432
	<hr/>	<hr/>
Total Net Position, End of Year	\$ 459,268,267	\$ 412,880,753
	<hr/>	<hr/>

Denver Health Medical Plan, Inc.
(A Component Unit of Denver Health and Hospital Authority)
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2014 and 2013

	2014	2013
Operating Revenues		
Premiums earned, net of reinsurance, including \$50 million received from Denver Health and Hospital Authority in 2014 and 2013	\$ 114,084,946	\$ 108,867,013
Total operating revenues	114,084,946	108,867,013
Operating Expenses		
Leased employee services from Denver Health and Hospital Authority	6,365,089	5,548,924
Rent and other administrative expenses paid to Denver Health and Hospital Authority	365,417	498,394
Contracted services and nonmedical supplies	8,718,787	6,619,749
Medical claims and capitation paid to Denver Health and Hospital Authority	59,647,735	50,994,511
Medical and pharmacy claims incurred	44,783,358	38,791,468
Total operating expenses	119,880,386	102,453,046
Operating income	(5,795,440)	6,413,967
Nonoperating Revenues (Expenses)		
Distribution to Denver Health and Hospital Authority	-	(7,100,000)
Investment income	778,376	785,168
Net increase (decrease) in fair value of investments	1,611,184	(2,248,614)
Total nonoperating revenues (expenses)	2,389,560	(8,563,446)
Decrease in net assets	(3,405,880)	(2,149,479)
Total Net Assets, Beginning of Year	33,008,633	35,158,112
Total Net Assets, End of Year	\$ 29,602,753	\$ 33,008,633

DHHA Southwest Clinic, Inc.
(A Component Unit of Denver Health and Hospital Authority)
Statement of Activities
Period September 18, 2014 (Inception) Through December 31, 2014

Revenues, Gains and Other Support	
Contributed management services	\$ 29,747
Interest income	5,911
	<hr/>
Total revenues, gains and other support	35,658
	<hr/>
Operating Expenses	
Contributed management services	29,747
Other operating expenses	694
Amortization expense	25,298
Interest expense	85,053
	<hr/>
Total operating expenses	140,792
	<hr/>
Operating Loss	(105,134)
Capital Contribution	2,901,624
	<hr/>
Change in Net Assets	2,796,490
Net Assets, Beginning of Period (Inception)	-
	<hr/>
Net Assets, End of Period	\$ 2,796,490
	<hr/> <hr/>

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Denver Health and Hospital Authority
Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Collections from patient services	\$ 450,626,141	\$ 361,196,716
Collections from capitation, net of reinsurance	147,099,134	120,827,251
Medicaid disproportionate share reimbursement and upper payment limit reimbursement, net of expense	130,943,337	131,470,929
City and County of Denver payment for hospital services	31,292,981	28,008,480
Collections from poison and drug center contracts	24,768,024	20,442,815
Collections from federal, state and other grants	65,328,044	72,100,489
City and County of Denver purchased services	20,515,041	20,157,706
Other operating receipts	25,282,963	28,560,305
Payments for salaries and benefits	(471,328,760)	(462,593,018)
Payments to suppliers	(255,067,064)	(231,496,051)
Payments for managed care outside provider claims	(49,550,583)	(44,407,066)
	<u>119,909,258</u>	<u>44,268,556</u>
Net cash provided by operating activities		
Cash Flows from Capital and Related Financing Activities		
Distribution from discretely presented component unit	-	7,100,000
Purchases of capital assets	(33,449,698)	(48,879,584)
Receipt of capital contributions	2,212,294	418,216
Repayments of bonds payable and other long-term debt	(5,731,563)	(7,687,319)
Proceeds from the issuance of bonds	85,961,069	-
Payment of bond issuance costs	(805,627)	-
Issuance of note receivable	(15,432,000)	-
Proceeds from the sale of capital assets	67,970	52,920
Cash paid for interest	(13,124,270)	(11,169,640)
	<u>19,698,175</u>	<u>(60,165,407)</u>
Net cash provided by (used in) capital and related financing activities		
Cash Flows from Investing Activities		
Proceeds from sale and maturities of investments	58,535,727	81,642,371
Purchases of investments	(203,422,819)	(62,791,595)
Interest income	6,145,972	5,197,588
	<u>(138,741,120)</u>	<u>24,048,364</u>
Net cash provided by (used in) investing activities		
Net increase in cash and cash equivalents	866,313	8,151,513
Cash and Cash Equivalents, Beginning of Year	<u>44,241,829</u>	<u>36,090,316</u>
Cash and Cash Equivalents, End of Year	<u>\$ 45,108,142</u>	<u>\$ 44,241,829</u>

Denver Health and Hospital Authority
Statements of Cash Flows (Continued)
Years Ended December 31, 2014 and 2013

	2014	2013
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Cash and cash equivalents	\$ 44,542,202	\$ 43,508,784
Restricted cash and cash equivalents	565,940	733,045
Total cash and cash equivalents	\$ 45,108,142	\$ 44,241,829
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 50,704,489	\$ 6,831,638
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	46,300,056	49,184,278
Provision for bad debts	113,991,625	125,326,170
Changes in assets and liabilities		
Patient accounts receivable, net	(109,558,275)	(134,643,297)
Due from other governmental entities	4,774,234	6,300,972
Due from discretely presented component unit	(268,167)	157,506
Due from City and County of Denver	1,384,410	746,773
Other receivables	(5,128,504)	(5,222,899)
Inventories	567,398	392,648
Prepaid expenses and other assets	(2,563,348)	(1,833,292)
Accounts payable and accrued expenses	5,129,155	(3,568,068)
Accrued salaries, wages and employee benefits	10,335,505	3,058,730
Accrued compensated absences	1,729,391	(4,049,831)
Estimated third-party payor settlements	(2,187,175)	1,096,638
Medical malpractice liability	765,296	(508,329)
Unearned revenue	(55,832)	815,919
Accrued claims	3,989,000	183,000
Total adjustments	69,204,769	37,436,918
Net cash provided by operating activities	\$ 119,909,258	\$ 44,268,556
During 2014 and 2013, the Authority Recorded the Following Noncash Transactions		
Net increase (decrease) in fair value of investments	\$ 2,533,258	\$ (6,142,037)
Gain (loss) on disposal of fixed assets	\$ 67,970	\$ (5,536)
Capital asset acquisitions included in accounts payable	\$ 1,689,153	\$ 5,997,721
Capital lease obligations incurred for capital assets	\$ 2,222,511	\$ -
Note payable obligation incurred in contract restructuring	\$ -	\$ 18,500,000

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Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2014 and 2013

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

Organization

The Denver Health and Hospital Authority (the Authority) was created in 1994 by the State of Colorado (the State) as a political subdivision of the State pursuant to Article 29 of Title 25, Colorado Revised Statutes, as amended (the Act). As contemplated in the Act, on January 1, 1997, substantially all of the programs, services, and facilities of the City and County of Denver's (the City) Department of Health and Hospitals Enterprise Fund were transferred to the Authority pursuant to the Transfer Agreement between the Authority and the City.

Definition of Reporting Entity

The Authority follows Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which activities, organizations, and functions are included within the financial reporting entity. GASB pronouncements set forth the financial accountability of an organization's elected governing body as the basic criterion for including a possible component organization in the primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

The Authority is financially accountable for DHHA Pavilion M, Inc. a blended component unit. The Authority is not a component unit of any other primary governmental entity.

The Authority

The Authority is a fully integrated healthcare delivery system, which employs a single physician group and operates four divisions: the Denver Health Medical Center, the City Fund, the Rocky Mountain Poison and Drug Center (RMPDC), and what is referred to by the Authority as the Restricted Fund. The Restricted Fund consists of a majority of grants the Authority has been awarded where the funds are used as directed by the grantor.

The Denver Health Medical Center is an acute care hospital licensed for 525 total beds, including 84 intensive care beds, that provides inpatient medical and mental health services, an ambulatory care center, emergency medical services including Level 1 Trauma, eight federally qualified community health centers in Denver that provide outpatient services, as well as a Women's Mobile Clinic that is also qualified. The Authority also operates 16 Denver school-based clinics that provide outpatient services to students.

The City Fund is 100% funded by the City (except for depreciation expense) in accordance with an operating agreement between the Authority and the City, which is amended each year. Operations included in the City Fund are the Public Health Department, which assesses community public health needs in areas such as HIV and AIDS treatment and prevention, and provides services related to the medical investigation of disease, medical recommendations to the City for disease control, and provision of disease control, administration of vital records, and maintenance of vital statistics. Also included in the City Fund is prisoner care at the Denver Justice Center and Denver

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2014 and 2013

County Jail and the Denver C.A.R.E.S. shelter, which is a 100-bed nonmedical detoxification center, including limited services for residential treatment.

The RMPDC is a certified regional poison center as recognized by the American Association of Poison Control Centers and serves as a regional drug information center. It also provides poison and drug information services to medical professionals and consumers in other states through contractual agreements.

DHHA Pavilion M, Inc.

DHHA Pavilion M, Inc. (Pavilion M) is a Colorado organization formed by the Authority in March 2010 to construct, finance and own a four-story facility to house certain inpatient, outpatient and medical services associated with the Authority's operations. The Authority created Pavilion M for the sole purpose of financing and constructing the facility. By structuring the arrangements for owning and financing the facility to take advantage of New Market Tax Credits, the Authority significantly reduced the net funding that it must provide to construct the facility. Pavilion M is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code.

In June 2010, the Authority issued bonds which were subsequently invested with an equity investor in the form of a note receivable. The equity investor contributed \$10.6 million and the total was invested in three Community Development Entities (CDEs). Pavilion M was loaned the proceeds of these funds in six note payables to these CDEs related to New Market Tax Credit financing. The proceeds of this financing were used to construct the facility. The land occupied by the building is leased to Pavilion M by the Authority. The Pavilion M Board of Directors consists of three Authority employees. Pavilion M is presented as a blended component unit because it provides services entirely to the Authority and exclusion of Pavilion M's financial statements would cause the Authority's financial statements to be misleading. All significant balances and transactions between Pavilion M and the Authority have been eliminated in the basic financial statements. Separate financial statements of Pavilion M can be obtained from the Authority at 303.602.7045, or by writing to the Denver Health and Hospital Authority, Division of Finance, MC 1925, 655 Broadway, Denver, Colorado 80203.

Denver Health Medical Plan, Inc.

Denver Health Medical Plan, Inc. (the Plan) is a Colorado nonprofit organization formed by the Authority in 1997 as a health maintenance organization to provide comprehensive healthcare services on a prepaid basis to its members. The Plan is governed by a nine-member Board of Directors, which is appointed by the Authority. The majority of the Plan's Board of Directors consists of Board members and executive staff of the Authority. The Plan's members consist of current and former employees of the Authority and their dependents, the City, the Denver Employee Retirement Plan, Child Health Plan Plus participants, and Medicare Choice (dual eligibles) and Medicare Select Low Income Plan. In 2014, the Plan began offering individual commercial coverage through Connect for Health Colorado, the Colorado insurance marketplace developed as a result of the Affordable Care Act. The Authority is able to impose its will on the Plan and is financially accountable for the Plan. Accordingly, the Plan is presented as a discretely presented component unit.

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2014 and 2013

Financial statements for the Plan, prepared on a statutory basis of accounting, can be obtained from the Authority at 303.602.2005, or by writing to the Denver Health and Hospital Authority, Division of Finance, MC 1925, 655 Broadway, Denver, Colorado 80203.

DHHA Southwest Clinic, Inc.

DHHA Southwest Clinic, Inc. (Southwest Clinic) is a Colorado organization formed by the Authority in September 2014 to purchase land and construct, finance and own an outpatient and urgent care clinic in Southwest Denver, which when completed, will provide outpatient medical services associated with the Authority's operations. The Authority created Southwest Clinic for the sole purpose of financing and constructing the facility. By structuring the arrangements for owning and financing the facility to take advantage of New Market Tax Credits, the Authority significantly reduced the net funding that it must provide to construct the facility. Southwest Clinic is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code.

The members of Southwest Clinic are the Authority and Denver Community Health Service Inc., (DCHS) a Colorado nonprofit corporation. The Board of Directors of Southwest Clinic consists of one member who is an Authority Board Director, and two members who are DCHS Board Directors. Two Authority employees act as non-voting officers of Southwest Clinic. The Authority is financially accountable for Southwest Clinic, and therefore it is a discretely presented component unit.

In May 2014, the Authority issued bonds which were subsequently invested with an equity investor in the form of a note receivable. The equity investor contributed \$7.3 million and the total was invested in three CDEs. Southwest Clinic was loaned the proceeds of these funds in six note payables to these CDEs related to New Market Tax Credit financing. The proceeds of this financing were used to purchase land and is being used to construct the facility. Construction is expected to be complete in the fall of 2015. The Authority will lease the building from Southwest Clinic when construction is complete. No lease payments were made in 2014.

Denver Health and Hospitals Foundation

The Denver Health and Hospitals Foundation (the Foundation) is a not-for-profit charity formed for the benefit of the Authority. The Foundation's mission is to support the Authority in its mission to provide quality patient care. Significant areas of support include, but are not limited to, maternal and child health, community health, volunteer functions, trauma prevention and care, among others. Fund-raising efforts for the benefit of the Authority are undertaken by the Foundation, and the Authority is entitled to and has the ability to access resources held by the Foundation to fund its programs; however, the assets held by the Foundation and the annual funding are not significant to the Authority's operations as a whole and the Authority does not appoint a voting majority of the Foundation's Board. Therefore, the Foundation is not presented as a component unit of the Authority.

The Authority does provide certain accounting and administrative functions for the Foundation at no cost. During 2014 and 2013, the Foundation paid the Authority \$4.1 million and \$6.1 million, respectively, in pass through grants and donations. During 2014, the Foundation made a \$2.9 million capital contribution to Southwest Clinic as part of a Foundation capital campaign to

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2014 and 2013

contribute to the construction of an outpatient and urgent care clinic in Southwest Denver. The Foundation also made a \$100,000 capital contribution to the Authority for future capital equipment purchases for the clinic.

HSS, Inc.

The Authority is an equity owner of HSS, Inc. (HSS). HSS services customers in the healthcare industry, as well as other organizations and governmental agencies. Services provided by HSS include security services and courier services, which are utilized by the Authority. In 2009, the Authority was granted 9.5% of the outstanding shares of stock in HSS at no cost. The Authority has recorded this as an investment in equity of a joint venture. The change in the value of the Authority's share of net equity has been recorded as nonoperating income. The Authority paid HSS over \$3 million, in each of the years 2014 and 2013, for services rendered for security and transportation.

Relationship with the City and County of Denver

The Act states that the City shall have no control over the operations of the Authority. Principal agreements between the Authority and the City dated January 1, 1997 include the Operating Agreement and the Personnel Services Agreement. The Operating Agreement is amended annually.

The Operating Agreement provides for and defines the services the Authority will provide to the City and be provided by the City to the Authority as well as the basis for determining compensation for such services. The agreement was entered into in order to ensure the citizens of the City would have access to quality preventative, acute, and chronic healthcare regardless of their ability to pay. The Authority and the City intend to continue to be collaborative and supportive in carrying out the objectives through annual City payments to the Authority.

The Personnel Services Agreement provides for the lease of City employees to the Authority and the Authority's payment obligations with respect to such employees.

During the years ended December 31, 2014 and 2013, the Authority recognized revenue from the City for Authority services of approximately \$30,777,000 and \$27,977,000, respectively, as compensation for costs incurred for treatment of medically indigent Denver residents.

The City purchased services revenue includes amounts relating to support services and expenses incurred by the Authority for other City agencies. These costs are reimbursed by the City and amounted to approximately \$19,041,000 and \$19,411,000 in 2014 and 2013, respectively. Revenue is recognized as services are provided. As of December 31, 2014, the City has an outstanding commitment to provide funding to the Authority not to exceed \$20,300,000 for debt financed clinic construction within the City limits of Denver, Colorado.

Basis of Presentation

The Authority prepares its financial statements as a business-type activity in conformity with applicable pronouncements of GASB.

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2014 and 2013

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 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 and Cash Equivalents

The Authority 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 operational depository and checking accounts.

Investments, Restricted and Board Designated Investments

Investments consist of U.S. treasuries and government obligations, commercial paper, asset-backed securities, corporate notes and bonds, and mutual funds. Investments are carried at fair value, which is based upon quoted market prices, except the bond reserve funds invested in guaranteed investment contracts, which are carried at cost. Investments whose maturities at the time of acquisition are one year or less are classified as short-term investments. All other investments are classified as long-term.

Restricted investments include assets held in investment accounts restricted for future debt service as specified in the related bond agreement. Interest, dividends, and realized and unrealized gains and losses, based on the specific-identification method, are included in nonoperating revenue and expenses when earned or realized.

Board designated investments include assets held in investment accounts set aside by the Board of Directors for future capital projects, over which the Board retains control and at its discretion subsequently use for other purposes.

Patient Accounts Receivable

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

Inventories

Inventories consist principally of medical and surgical supplies, pharmaceuticals, and food products and are stated at the lower of cost or market, with cost determined on an average-cost basis.

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2014 and 2013

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 lives of the related assets. The Authority uses the estimated useful lives recommended by the American Hospital Association. Useful lives for building and improvements are 15 to 40 years and equipment and software are 3 to 20 years. The Authority's capitalization threshold for capital purchases is \$5,000.

Accrued Compensated Absences

The Authority has vacation and sick leave policies covering substantially all of its employees. Employees may accumulate earned but unused benefits up to a specified maximum. The Authority has recorded the accrued liability for these compensated absences in the basic financial statements. The Authority has recorded a long-term liability for supplemental sick leave benefits for certain employees that were eligible for this benefit as of January 1, 1997, at the time the Department of Health and Hospitals Enterprise Fund was transferred to the Authority.

Unearned Revenue

Unearned revenue consists primarily of certain grant receipts received in advance of the applicable expenditures, as well as RMPDC contract revenue received in advance of performing contract services.

Accrued Claims

Claim liabilities are based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Claim liabilities are recomputed using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made.

Deferred Loss on Refunding

The cost of debt refunding is deferred and amortized using the straight-line method over the remaining life of the old debt or the life of the new debt, whichever is shorter, and reported as a deferred outflow of resources on the Authority's statements of net position.

Net Position

The Authority's net position are classified as follows:

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, construction or improvement of those assets. Any significant unspent related debt proceeds and the corresponding portion of the debt would be included in either restricted or unrestricted net position.

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2014 and 2013

Restricted Expendable – consists of unspent income from contributions whose use has been restricted for certain expenditures related to patient care.

Unrestricted – consists of the remaining net position and deferred inflows that are available for unrestricted use.

When the Authority has both restricted and unrestricted resources available to finance a particular program, it is the Authority's policy to use restricted resources before unrestricted resources.

Revenues and Expenses

The Authority's statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services and include patient service and other revenue. Nonoperating revenues include investment income and unrealized gains/losses on investments, change in equity in joint venture, gain on early extinguishment of debt, gain on disposition of capital assets, as well as amounts received from the Plan, a discretely presented component unit, as a distribution of profit. Nonoperating expenses include interest expense on outstanding debt obligations and losses on disposition of capital assets. Operating expenses are all expenses incurred to provide healthcare services, excluding financing costs.

Net Patient Service Revenue

The Authority has agreements with third-party payers that provide for payments to the Authority 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 a provision for uncollectible accounts. 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.

Capitation Earned

Capitation revenue is earned based on the month in which members are entitled to healthcare services. Excess of loss reinsurance expense is deducted from gross capitation revenue.

Managed Care – Outside Provider Claims

Costs of healthcare services delivered by outside providers are accrued and included in expense in the period the service is rendered, including estimates for healthcare costs, which have been incurred but not yet reported, and are included in accrued claims liability.

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2014 and 2013

Federal, State and Other Grants

Grants and contracts consist primarily of contractual agreements with governments and private entities for the Authority to conduct research and education and to provide healthcare services. These agreements represent exchange transactions between the Authority and the grantors and, accordingly, are included in operating activity. Revenue is recognized under these agreements as related expenses are incurred.

Poison and Drug Center Contracts

Poison and Drug Center contract revenue is derived primarily from contractual agreements with public and private entities for the provision of a medical call center and other consultative services. Revenue is recognized based on the performance of contract deliverables or as related (cost-reimbursable) expenses are incurred.

Income Taxes

The income generated by the Authority, as an instrumentality of the state, is excluded from federal income taxes under Section 115 of the Internal Revenue Code (the Code). However, taxes will be assessed on income derived from business activities not substantially related to the Authority's or Pavilion M's exempt function (unrelated business income). The Authority does receive unrelated income due to the rental of space financed by tax-exempt bonds in an administrative office building.

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services (CMS). Payment under both programs are specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Authority recognizes revenue at the end of the reporting period starting when management is reasonably assured it will meet all of the meaningful use objectives and all other contingencies have been met.

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2014 and 2013

Regarding meaningful use for eligible hospitals, in 2014, the Authority attested that it met all applicable federal fiscal year 2014 Stage 1 Year 2 Core and Menu Set objectives for the Medicare and Medicaid EHR Incentive Programs during the 90-day period July through September 2014. The Authority anticipates attesting that it will meet the federal fiscal year 2015 Stage 2 Year 1 Core and Menu Set objectives for the Medicare and Medicaid EHR Incentive Programs during a full-year period ending September 30, 2015. The Authority is also anticipating being able to attest that it meets the Stage 2 Year 2 Core and Menu Set objectives for the federal fiscal year 2016 annual reporting period, and continuing to abide by the meaningful use guidelines every year thereafter. During 2014, the Authority recorded \$1.9 million of meaningful use revenue for the hospital, compared to \$5.4 million in 2013.

Regarding meaningful use for eligible providers, the Authority attested on behalf of 22 eligible providers that they met the AIU (Adopt, Implementation, Upgrade) guidelines for the Medicaid EHR Incentive Program. In the future, the Authority will attest for additional eligible providers upon completion and implementation of a certified system that meets the applicable meaningful use Core and Menu Set objectives for the outpatient setting. In 2014, the Authority recorded \$467,500 of meaningful use for eligible providers, compared to \$106,000 in 2013.

Reclassifications

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

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2014 and 2013

Note 2: Net Patient Service Revenue

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. A summary of the payment arrangements with major third-party payors is as follows:

Medicare. Inpatient acute care services and rehabilitation services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Hospital outpatient services are reimbursed on a prospective payment system. Outpatient services and procedures that are clinically comparable and use similar resources are grouped into Ambulatory Payment Classifications. Federally Qualified Healthcare (FQHC) facilities are paid based on a cost-reimbursement methodology, which includes a payment limit. The limit is increased each year by the Medicare Economic Index (MEI). The Authority is also reimbursed for certain capital and medical education costs and allowable bad debts at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare fiscal intermediary. The Authority's classification of patients under the Medicare program and the appropriateness of the admissions are subject to an independent audit by a peer review organization under contract with the Authority. The Authority's Medicare cost reports have been audited by the Medicare Administrative Contractor through December 31, 2009.

Medicaid. Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospectively determined system similar to Medicare. Outpatient services are primarily reimbursed by the Medicaid program based on the costs incurred. The Authority is reimbursed for outpatient services at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicaid fiscal intermediary. The Authority's Medicaid cost reports have been audited by the Colorado Department of Health Care Policy and Financing through the year ended December 31, 2008. The Authority also provides services under a Medicaid prepaid health plan referred to as the Denver Health Medicaid Choice (DH Medicaid Choice) program for which it receives capitation for services.

Other Payors. The Authority has also entered into payment agreements with commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Authority under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined rates per day or visit.

Denver Health and Hospital Authority

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Indigent Care, Charity Care and Community Service. The Authority, as part of its mission, provides healthcare services to City residents, regardless of ability to pay. Many of the Authority's patients are unable to obtain benefits from insurance companies or do not have personal resources to cover costs. The financial burden, however, is in part offset by various federal, state, local, and private programs in which such patients are enrolled.

Records are maintained to identify and monitor the level of charity care the Authority provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. This policy directly relates to that of the Colorado Disproportionate Share Hospital Program (DSH Program). The level of charity care provided during the years ended December 31, 2014 and 2013 is as follows:

	2014	2013
Charges foregone, based on established rates	\$ 132,410,924	\$ 326,391,344

Gross patient service revenue and the level of uncompensated care provided, based on the Authority's established rates, during the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Gross patient service revenue	\$ 1,878,875,790	\$ 1,761,615,845
Capitation earned under prepaid health plans	(147,394,223)	(129,185,021)
Contractual adjustments	(1,035,264,772)	(812,102,372)
Provision for bad debts	(113,991,625)	(125,326,170)
Charity care	(132,410,924)	(326,391,344)
Net patient service revenue	\$ 449,814,246	\$ 368,610,938
Uncompensated care		
Contractual adjustments	\$ 1,035,264,772	\$ 812,102,372
Provision for bad debts	113,991,625	125,326,170
Charity care	132,410,924	326,391,344
	\$ 1,281,667,321	\$ 1,263,819,886

The Authority receives partial reimbursement for uncompensated care from the DSH Program, provider fee payments and the City. The Authority estimates the level of uncompensated care by payor classification based on established rates.

Denver Health and Hospital Authority

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Note 3: Disproportionate Share Hospital (DSH) Program and Upper Payment Limit (UPL) Programs

The Authority participates in the DSH Program (the DSH Program). The Authority qualifies as a DSH as it serves a high proportion of medically indigent and uninsured patients. The DSH Program was created in 1991 through an amendment to the Colorado State Medicaid Program and was approved by the CMS.

Under the DSH Program, the State utilizes provider fee as the local match for federal funding. This results in a corresponding due from other governmental entities included in the statements of net position. The payments received through the DSH Program are based on the cost of uncompensated charity care.

In addition, the Authority receives upper payment limit reimbursements (UPL), which is designed to increase the Medicaid reimbursement rate up to the hospital's Medicaid cost not to exceed the Medicare reimbursement rate.

The provider fee serves as the state match for federal DSH and UPL funds which are drawn by the state and paid to the Authority using the provider fee methodology developed as part of the Colorado Healthcare Affordability Act. The Authority recognizes revenue in the year in which notification of the award amount has been received and approved by the State of Colorado and CMS. The Authority recorded safety net reimbursements (net of provider fee expense paid) totaling approximately \$107,033,000 and \$105,062,000 for the years ended December 31, 2014 and 2013, respectively. The Authority records as expense the corresponding provider fee assessment due the State and the Colorado Hospital Association.

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The Colorado Healthcare Affordability Act, designated as House Bill 1293 (HB 1293), was passed during 2009 implementing a fee on hospitals to generate matching funds to the State from federal sources. Implementation of this act occurred during April of 2010. The resulting safety net revenue and expense for 2014 and 2013 had the following effect on the financial statements:

	<u>2014</u>	<u>2013</u>
Colorado Indigent Care Program revenue	\$ 89,826,779	\$ 90,120,467
Supplemental Medicaid base rate revenue	17,669,760	15,061,000
Supplemental Medicaid outpatient hospital revenue	3,654,768	3,448,250
Supplemental Medicaid psychiatric revenue	417,395	539,650
Supplemental Medicaid high level neonatal intensive care unit	1,404,000	1,133,625
Hospital quality incentive payment	2,882,255	2,886,475
Outstationing revenue	3,057,060	3,125,471
Primary care funds	5,106,497	5,474,960
Physician certification revenue	2,861,864	3,212,412
	<u>126,880,378</u>	<u>125,002,310</u>
Provider fee expense	<u>(19,847,380)</u>	<u>(19,940,102)</u>
	<u>\$ 107,032,998</u>	<u>\$ 105,062,208</u>

At December 31, 2014 and 2013, the Authority had a payable for provider fee which is recorded on the statements of net position in the amounts of approximately \$6,740,000 and \$5,814,000, respectively.

Note 4: Investments and Restricted Investments

Colorado Statutes require that the Authority use eligible depositories for all cash deposits, as defined by the Public Deposit Protection Act (PDPA). Under PDPA, the depository is required to pledge eligible collateral having a market value at all times equal to at least 102% of the aggregate public deposits held by the depository not insured by the Federal Deposit Insurance Corporation (FDIC).

The Authority uses eligible depositories for all its deposits and investments. Remaining cash balances are swept daily to a Class I money market account. Any cash balances in other bank accounts are negligible and covered by FDIC insurance.

Denver Health and Hospital Authority
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Cash, cash equivalents and investments at December 31, 2014 and 2013 are as follows:

	2014	2013
	<hr/>	<hr/>
Cash and cash equivalents	\$ 44,542,202	\$ 43,508,784
Restricted cash and cash equivalents	565,940	733,045
Long-term and board designated investments		
Mortgage-backed securities	7,745,152	2,621,733
U.S. government agency notes	23,093,387	24,212,291
Corporate bonds	47,445,427	31,715,891
Corporate asset-backed bonds	110,058	117,327
Municipal bonds	16,847,643	33,225,567
Mutual funds		
Global equity fund	3,674,177	1,304,176
Commodity and commodity futures fund	3,966,174	2,339,342
Debt fund	77,729,125	5,249,530
Domestic equity fund	9,810,618	3,710,596
International equity fund	2,126,511	1,408,596
Emerging markets fund	1,385,631	791,144
Alternative funds	5,547,051	5,198,493
	<hr/>	<hr/>
Total long-term and board designated investments	199,480,954	111,894,686
	<hr/>	<hr/>
Total cash, cash equivalents and investments, excluding restricted investments	\$ 244,589,096	\$ 156,136,515
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Restricted investments at December 31, 2014 and 2013 are as follows:

	2014	2013
	<hr/>	<hr/>
Bond proceeds restricted as provided in bond agreements		
Cash equivalents	\$ 1,947,732	\$ 852,506
Long-term investments	60,137,491	1,392,380
Guaranteed investment contract	14,611,811	14,596,707
	<hr/>	<hr/>
	\$ 76,697,034	\$ 16,841,593
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Notes to Financial Statements

December 31, 2014 and 2013

Credit Risk

The Authority’s investment policy applies the prudent person standard and is applied in the context of managing an overall portfolio. Investment responsibilities shall be undertaken “with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use.”

The Authority’s investments are restricted to the following Standard & Poor’s (S&P) or equivalent investment quality ratings or higher, and must be rated by at least two major credit rating agencies at the time of purchase:

Straight-debt securities – BBB

Asset-backed securities – AA

Money market mutual funds – AAA

Commercial paper – A-1, P-1

Local government investment pools – AAAm-G or AAAM

U.S. treasuries and U.S. government agencies – AA+

The following is a summary of the Authority’s investments at December 31, 2014 and 2013 with average credit ratings based on S&P ratings or equivalent:

	2014		2013	
	Investments	S & P Rating	Investments	S & P Rating
Cash and cash equivalents				
Cash and cash equivalents	\$ 44,328,300	N/A	\$ 43,178,494	N/A
Restricted cash and cash equivalents	565,940	N/A	733,045	N/A
Class I or government money market fund	<u>213,902</u>	AAA	<u>330,290</u>	AAA
Total cash and cash equivalents	<u>45,108,142</u>		<u>44,241,829</u>	

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2014 and 2013

	2014		2013	
	Investments	S & P Rating	Investments	S & P Rating
Long-term and board designated investments				
Mortgage-backed securities	7,745,152	AA+	2,621,733	AA+
U.S. government agency notes	23,093,387	AA+	24,212,291	AA+
Corporate bonds	2,195,000	AAA	2,121,820	AAA
Corporate bonds	2,862,050	AA+	6,353,850	AA+
Corporate bonds	-	N/A	2,561,777	AA
Corporate bonds	2,990,760	A+	-	N/A
Corporate bonds	6,415,201	A	6,718,898	A
Corporate bonds	15,685,516	A-	10,193,972	A-
Corporate bonds	15,471,696	BBB+	2,150,900	BBB+
Corporate bonds	1,676,580	BBB	1,468,488	BBB
Corporate bonds	148,624	N/A	146,185	N/A
Corporate asset-backed bonds	-	N/A	117,327	CCC
Corporate asset-backed bonds	110,058	D	-	N/A
Municipal bonds	-	N/A	1,415,416	AAA
Municipal bonds	1,974,132	AA+	5,678,657	AA+
Municipal bonds	5,741,831	AA	6,661,818	AA
Municipal bonds	4,592,353	AA-	12,689,632	AA-
Municipal bonds	729,258	A+	1,068,042	A+
Municipal bonds	-	N/A	1,312,998	A
Municipal bonds	-	N/A	1,348,130	A-
Municipal bonds	3,038,424	N/A	2,958,912	N/A
Municipal bonds	771,645	N/R	91,963	N/R
Mutual funds	104,239,287	N/A	20,001,877	N/A
Total long-term and board designated investments	199,480,954		111,894,686	
Total cash, cash equivalents and investments, excluding restricted investments	\$ 244,589,096		\$ 156,136,515	

Denver Health and Hospital Authority
Notes to Financial Statements
December 31, 2014 and 2013

The following is a summary of the Authority's restricted investments at December 31, 2014 and 2013 with average credit ratings based on S&P ratings or equivalent:

	2014		2013	
	Investments	S & P Rating	Investments	S & P Rating
Bond proceeds restricted as provided in bond agreements				
Cash equivalents	\$ 1,947,732	N/A	\$ 852,506	N/A
Long-term investments	7,330,040	AA+	1,392,380	AA+
Long-term investments	52,807,451	N/R	-	N/R
Guaranteed investment contracts	14,611,811	AA+	14,596,707	AA+
	\$ 76,697,034		\$ 16,841,593	

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Interest Rate Risk

The Authority's investment policy manages exposure to market value losses arising from rising interest rates in several ways. The maximum maturity for any single security is 31 years. The duration of total assets must be less than five years. As of December 31, 2014, approximately \$7,855,000, or 3.9% of total long-term investments were in corporate asset-backed and government mortgage-backed bonds, as of December 31, 2013, approximately \$2,739,000, or 2.4%, of total long-term investments were in these types of securities. The following is a summary of the duration, average weighted maturity of the portfolio, and average weighted effective maturity as of December 31, 2014:

Portfolio Component	Par Value	Duration	Average Weighted Maturity (Years)	Average Weighted Effective Maturity (Years)
Working capital account	\$ 101,844,399	2.47	3.75	2.84
Investment account	30,701,319	4.52	7.82	7.72
Other reserve account	357,462	5.19	5.41	5.41
Medical malpractice reserve account	<u>4,772,724</u>	<u>4.8</u>	<u>8.70</u>	<u>4.71</u>
Total components	<u>\$ 137,675,904</u>	<u>3.03</u>	<u>4.86</u>	<u>4.03</u>

Concentration of Credit Risk

The Authority's investment policy requires diversification of the portfolio to limit credit risk and states as follows:

Diversification: The investments shall be diversified by:

- i) Limiting investments to avoid over concentration in securities from a specific issuer or business.
- ii) Limiting investments in securities that have higher credit risks.
- iii) Investing in securities with varying maturities.
- iv) Continuously investing a portion of the portfolio in readily available funds, such as money market accounts, repurchase agreements, local government investment pools, and bank account sweep programs, to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

Denver Health and Hospital Authority

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- v) No single financial institution will hold more than 10% of the Authority's portfolio value, excluding U.S. government or U.S. government agency securities. As of December 31, 2014, the Authority owned \$6.1 million (4.47% of the portfolio) of Goldman Sachs bonds, \$5.1 million (3.72% of the portfolio) of JP Morgan Chase bonds, \$4.6 million (3.39% of the portfolio) of Morgan Stanley bonds, and \$3.3 million (2.4% of the portfolio) of City of Kansas City, Missouri.
- vi) The following maximum limits, by investment type, are established for the Authority's total investments portfolio, including cash and cash equivalents. It is the intent of the Authority to invest in the following investment categories. The percentage stated is a "not to exceed" limitation. Investments are not required in every investment type. For example, it is permitted to own 80% in agency securities and 20% in repurchase agreements, and own no other securities.

Investment Type	Maximum Percentage of Portfolio
Repurchase agreements	25%
Collateralized certificates of deposit	25%
U.S. Treasury notes and bills	100%
U.S. government agency securities	90%
U.S. government CMOs	20%
Bankers acceptances	10%
Commercial paper	50%
Money market funds	30%
Eurodollar certificates of deposit	10%
Local government investment pools	25%
State and local government bonds	35%
Corporate bonds	35%
Commercial asset-backed securities	25%
Short-term bond mutual funds	50%
Long-term Growth Portfolio (Mutual Funds)	25%

- vii) Additional investments established for bond proceeds include the above investment contracts, and flexible repurchase agreements (Flex Repos), which can be up to 100% of bond proceeds.

In the event that an allocation percentage is exceeded, such event is disclosed to the Finance Committee of the Board of Directors and corrected as soon as possible. The portfolio was in compliance with the allocation percentages as of December 31, 2014 and 2013.

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2014 and 2013

Note 5: Capital Assets

Capital assets, by major category, at December 31, 2014 and 2013 are as follows:

December 31, 2014	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 25,915,903	\$ 472,396	\$ -	\$ 26,388,299
Construction in progress	24,906,130	23,902,059	(37,880,246)	10,927,943
	<u>50,822,033</u>	<u>24,374,455</u>	<u>(37,880,246)</u>	<u>37,316,242</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated				
Buildings and improvements	503,064,406	31,122,670	(644,528)	533,542,548
Equipment and software	247,923,866	13,746,764	(2,402,670)	259,267,960
	<u>750,988,272</u>	<u>44,869,434</u>	<u>(3,047,198)</u>	<u>792,810,508</u>
Total capital assets, being depreciated				
Less accumulated depreciation				
Buildings and improvements	189,871,447	25,048,865	(643,568)	214,276,744
Equipment and software	200,163,930	20,867,193	(2,403,630)	218,627,493
	<u>390,035,377</u>	<u>45,916,058</u>	<u>(3,047,198)</u>	<u>432,904,237</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	<u>360,952,895</u>	<u>(1,046,624)</u>	<u>-</u>	<u>359,906,271</u>
Capital assets, net	<u>\$ 411,774,928</u>	<u>\$ 23,327,831</u>	<u>\$ (37,880,246)</u>	<u>\$ 397,222,513</u>

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2014 and 2013

December 31, 2013	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 25,915,903	\$ -	\$ -	\$ 25,915,903
Construction in progress	<u>20,028,836</u>	<u>46,601,059</u>	<u>(41,723,765)</u>	<u>24,906,130</u>
Total capital assets, not being depreciated	<u>45,944,739</u>	<u>46,601,059</u>	<u>(41,723,765)</u>	<u>50,822,033</u>
Capital assets, being depreciated				
Buildings and improvements	488,917,876	19,419,729	(5,273,199)	503,064,406
Equipment and software	<u>232,257,805</u>	<u>27,077,340</u>	<u>(11,411,279)</u>	<u>247,923,866</u>
Total capital assets, being depreciated	<u>721,175,681</u>	<u>46,497,069</u>	<u>(16,684,478)</u>	<u>750,988,272</u>
Less accumulated depreciation				
Buildings and improvements	171,930,745	23,213,901	(5,273,199)	189,871,447
Equipment and software	<u>185,930,371</u>	<u>25,586,382</u>	<u>(11,352,823)</u>	<u>200,163,930</u>
Total accumulated depreciation	<u>357,861,116</u>	<u>48,800,283</u>	<u>(16,626,022)</u>	<u>390,035,377</u>
Total capital assets, being depreciated, net	<u>363,314,565</u>	<u>(2,303,214)</u>	<u>(58,456)</u>	<u>360,952,895</u>
Capital assets, net	<u>\$ 409,259,304</u>	<u>\$ 44,297,845</u>	<u>\$ (41,782,221)</u>	<u>\$ 411,774,928</u>

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2014 and 2013

Note 6: Concentrations of Credit Risk – Patient Accounts Receivable and Due from Other Governmental Entities

The Authority grants credit without collateral to its patients, most of whom are residents of the City and, except for the patient self-pay category, are generally insured under third-party payor agreements. Expected credit losses are provided for in the allowance for estimated uncollectibles. Net patient accounts receivable by payor category at December 31, 2014 and 2013 are as follows:

	2014	2013
Medicare	\$ 19,143,266	\$ 17,474,692
Medicaid	16,019,219	21,245,206
Commercial insurance carriers	26,470,644	27,570,973
Patient self-pay	2,837,405	2,613,013
Total	<u>\$ 64,470,534</u>	<u>\$ 68,903,884</u>

Receivables from the Medicare and Medicaid programs represent a concentrated credit risk for the Authority. Management does not believe that there is a significant risk of loss associated with these programs. Management believes various other payors, subject to differing economic conditions, do not represent significant concentrated credit risks to the Authority.

Note 7: Long-term Debt and Other Long-term Liabilities

2007, 2009, 2010 and 2014 Revenue Bonds

In May 2007, the Authority issued \$130,650,000 of Healthcare Revenue Bonds, Series 2007A. The bond agreement provides for the payment of principal at maturity ranging from \$2,355,000 to \$4,230,000 that began in 2008 and continues through 2020 and mandatory sinking fund redemption payments ranging from \$4,445,000 to \$12,930,000 beginning in 2021 through 2036. Interest is payable semiannually at fixed rates ranging from 4.75% to 5.25%.

Also in May 2007, the Authority issued \$79,385,000 of Healthcare Revenue Bonds, Series 2007B. The bond agreement provides for mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount and accrued interest to the redemption date. Sinking fund payments ranging from \$1,095,000 to \$9,220,000 began in 2008 and continue until 2033. Interest is payable each quarter and will equal 67% of the three-month LIBOR, plus a spread equal to 1.10% (1.257% at December 1, 2014).

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The net proceeds of the Series 2007 Bonds were used to: (i) refund all the outstanding 1998A, 2001A and 2004A Healthcare Revenue Bonds in the total principal of \$132.5 million, (ii) to pay or reimburse the costs of acquiring, constructing, renovating, and equipping Authority facilities, (iii) to fund the reserve fund under the master indenture in the amount of \$13.5 million, and (iv) to pay certain expenses incurred in connection with this bond issuance. Bonds are to be repaid from operations of the Authority, excluding revenue from grants, gifts, donations, pledges, or contributions specified by the donor for a specific purpose.

In connection with the Series 2007B Bonds, the Authority entered into an interest rate swap agreement with a counterparty (the Swap) in a notional amount equal to the principal amount of the Series 2007B Bonds. The Swap provides that the Authority pay the counterparty a fixed rate of 4.688% on the notional amount and the counterparty pay the Authority a floating rate based on 67% of the three-month LIBOR, plus a specified fixed spread. Due to fluctuations in the interest rate market there is a negative fair value of approximately \$(15,265,000) and \$(9,866,000) at December 31, 2014 and 2013, respectively. The fair value is classified as another liability on the statements of net position at December 31, 2014 and 2013. The Authority does not currently have a policy of requiring the counterparty post collateral in the event the Authority becomes exposed to credit risk. The Authority does not currently have a policy requiring a master netting agreement with the counterparty and does not currently have such an agreement in place. Together, these agreements negate any interest rate risk and in effect resulted in a fixed rate transaction. The Swap is subject to additional termination event risk whereby early termination could occur if the counterparty's (a) long-term senior unsecured debt rating from S&P is withdrawn, suspended, or falls below BBB-; and (b) the long-term senior unsecured debt rating from Fitch is withdrawn, suspended, or falls below BBB- or if the Authority's, (a) debt rating from S&P is withdrawn, suspended, or falls below BBB-; and (b) debt rating from Fitch is withdrawn, suspended, or falls below BBB-. If the Swap is terminated, the variable-rate notes would no longer have a synthetic fixed rate of interest. Also, if the Swap has a negative fair value at the time of termination, the Authority would be liable to the counterparty for a payment equal to the Swap's then fair value.

During 2013, the Authority made early discounted principal payments on the 2007B Bonds on original principal totaling \$4,395,000, for a net payment of \$3,348,000. These principal payments were normally due between December 2013 and December 2018. The associated Swap was not amended for this early extinguishment of principal. As a result, the Authority recorded a gain on early extinguishment of debt of approximately \$1,047,000. A loss on Swap ineffectiveness of \$290,000, which is included in interest expense, was also incurred resulting in a net gain of \$758,000. The difference between the Swap liability and the loss from the portion of the Swap that is ineffective is approximately \$15,084,000 at December 31, 2014, and is a deferred outflow of resources on the Authority's statements of net position. Total payments during 2014 for principal and interest on the 2007A and 2007B Bonds were approximately \$3,170,000 and \$8,658,000, respectively.

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In December 2009, the Authority issued \$6,240,000 of Healthcare Revenue Bonds Series 2009A bearing interest at 6.25%. The net proceeds of the bonds were used by the Authority to purchase and cancel \$7,725,000 of the Authority's Healthcare Revenue Bonds, Series 2007B, to pay the costs of issuance, and to fund an interest rate exchange agreement termination payment. The bond agreement provides for the payment of principal that began in 2010 and continues through 2033 in amounts ranging from \$85,000 to \$640,000. Interest is payable semiannually at a fixed rate of 6.25%. Payments during 2014 for principal and interest on the bonds were approximately \$575,000 and \$249,000, respectively.

The 2009 defeasance resulted in a difference between the reacquisition price and the carrying value (\$7,725,000) of the defeased debt of \$1.5 million, which was recorded as a deferred gain. The difference between the present value of the old debt service on the debt refunded in 2009 and the new debt service resulted in an economic gain of approximately \$746,000.

The 2007 defeasance resulted in a difference between the reacquisition price and the net carrying amount of the debt of \$2.0 million, \$2.7 million and \$4.4 million on the 1998A Bonds, 2001A Bonds and the 2004A Bonds, respectively. These differences, which are reported in the accompanying basic financial statements as a net deferred loss on refunding, is being charged to operations through 2033 using the straight-line method. At December 31, 2014, the unamortized deferred loss on refunding is approximately \$4.9 million.

Total debt considered defeased at December 31, 2014 is \$140.2 million.

In June 2010, the Authority issued \$29,000,000 of Healthcare Recovery Zone Facility Revenue Bonds Series 2010, bearing interest rates from 4.00% to 5.625%. The net proceeds of the bonds were used by the Authority to make a loan to an investment fund created by a tax credit investor. The investor used the proceeds of the loan, and also contributed \$10.6 million, in order to facilitate the financing of the construction of Pavilion M. Principal payments began in 2011 and continue through 2040 in amounts ranging from \$440,000 to \$1,890,000. In 2014, principal and interest payments were made of \$495,000 and \$1.5 million, respectively.

In June 2010, Pavilion M received the proceeds of six note payables to three separate CDEs related to New Market Tax Credit financing. The proceeds of this financing were used to build a 74,500 square foot four-story building on the Authority campus to house outpatient and inpatient adolescent psychiatry, a dialysis center, and outpatient surgery. The notes payable have interest only payments through June 2017. Beginning December 2017, principal payments will be made through June 2045, ranging from approximately \$998,000 to \$1,549,000. During 2014, Pavilion M made interest payments of \$455,454.

In May 2014, the Authority issued \$67,870,000 of Healthcare Revenue Bonds Series 2014A. These bonds had a net premium of \$1,146,069 which will be amortized over the life of the debt. The net proceeds of the bonds will be used to renovate the Authority's Westside Clinic and improve and construct facilities at the main healthcare campus in accordance with master facilities planning. The 2014A Bonds bear interest rates from 4.00% to 5.25%, with principal payments beginning in 2027 through 2045 ranging from \$2,000,000 to \$5,470,000. During 2014, the Authority made interest payments of approximately \$1,880,000.

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In May 2014, the Authority issued \$16,945,000 of Healthcare Revenue Bonds Taxable Services 2014B Bonds. The net proceeds of the bonds were used by the Authority to make a loan to an investment fund created by a tax credit investor. The investor used the proceeds of the loan, and also contributed \$7.3 million, in order to facilitate the financing of the construction of an outpatient and urgent care clinic in Southwest Denver. The 2014B Bonds bear interest from 1.70% to 5.15%, with principal payments beginning in 2016 and continuing through 2026 in amounts ranging from \$845,000 to \$2,255,000. During 2014, the Authority made interest payments of approximately \$351,000.

Debt Covenants

Per the Master Trust Indentures, the Authority's long-term debt service coverage ratio, calculated at the end of each fiscal year, cannot be less than 1.15% for the 2007, 2009, 2010 and 2014 Bonds. The Authority believes it is in compliance with these requirements.

Other Long-term Debt

In September 2007, the Authority entered into an agreement with the City to enable its acquisition of property for use in the construction and operation of a clinic providing healthcare services. The amount of the loan is \$1,200,000 due in one payment on January 1, 2026 and does not bear interest.

On February 8, 2008, the Authority signed a promissory note with the City's Office of Economic Development, as the borrower of \$4,300,000, advanced by the City, pursuant to a Loan Agreement between the Authority and the City dated December 18, 2007, in which the City received funds from the Housing and Urban Development (HUD) in connection with the Northeast Park Hill Urban Redevelopment Plan. Interest is paid quarterly at a variable interest rate on the unpaid principal balance on the first day of January, April, July and October. Beginning July 1, 2009, and on each July 1 thereafter, the Authority will make, in addition to quarterly payments of interest, payments of principal sufficient to repay amounts due under the Section 108 note. The entire unpaid balance of the principal and accrued interest will be due and payable on or before July 1, 2025. As of December 31, 2014 and 2013, the Authority has received \$4,070,181 from the City under this loan. During 2014 and 2013, the Authority paid \$205,000 and \$195,000, respectively, in principal payments to HUD. Interest and HUD fees paid on this loan for 2014 totaled \$13,833. One half of both the principal and interest was reimbursed as a capital contribution by the City.

In 2013, the Authority elected to transition to a new information systems vendor. As part of the restructuring agreement with the prior vendor, the Authority has executed a note payable in the amount of \$18,500,000, payable in 2014 through 2020 for restructuring of the existing long-term agreement. The note carries no interest; however, the Authority has discounted the principal to the net present value based on market borrowing rates. During 2014, the Authority accreted interest expense of approximately \$1,582,000, and made principal and interest payments of approximately \$1,071,000, bringing the liability to approximately \$19,011,000 at December 31, 2014.

Denver Health and Hospital Authority
Notes to Financial Statements
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Year-end Debt Balances

Long-term debt (including capital leases) at December 31 consisted of the following:

	Balance December 31,	
	2014	2013
Revenue Bonds, Series 2007A and B and Series 2009, due in increasing annual installments beginning 2007 through 2034 (net of unamortized bond discount of \$124,180 as of December 31, 2014)	\$ 177,940,820	\$ 181,680,153
Revenue Bonds, Series 2010, due in increasing annual installments beginning 2011 through 2040 (net of unamortized bond discount of \$363,619 as of December 31, 2014)	26,766,381	27,247,321
Revenue Bonds, Series 2014, due in increasing annual installments beginning 2016 through 2045 (net of unamortized bond premium of \$1,124,901 as of December 31, 2014)	85,939,901	-
Pavilion M notes payable to CDEs	37,607,050	37,607,050
Other long-term debt	23,200,803	22,895,181
Capital lease obligations	2,089,779	88,856
	<hr/>	<hr/>
Total current and long-term debt	353,544,734	269,518,561
Less current portion	(7,659,546)	(4,906,856)
	<hr/>	<hr/>
Total long-term debt	<u>\$ 345,885,188</u>	<u>\$ 264,611,705</u>

Denver Health and Hospital Authority
Notes to Financial Statements
December 31, 2014 and 2013

Changes in Long-term Debt and Other Long-term Liabilities

Changes in long-term debt and other long-term liabilities for the years ended December 31 are as follows:

December 31, 2014	Date of Issuance	Beginning Balance	Additions and Discount/ Premium Amortization	Principal Payments or Reductions	Ending Balance	Due Within One Year
Series 2007A and B, net of discount	May 2007	\$ 177,695,153	\$ 5,667	\$ (3,170,000)	\$ 174,530,820	\$ 3,310,000
Series 2009	December 2009	3,985,000	-	(575,000)	3,410,000	630,000
Series 2010, net of discount	June 2010	27,247,321	14,060	(495,000)	26,766,381	515,000
Series 2014A and B, net of premium	May, 2014	-	85,939,901	-	85,939,901	-
Pavilion M notes payable	June 2010	37,607,050	-	-	37,607,050	-
Other long-term debt	Various	22,895,181	1,582,051	(1,276,429)	23,200,803	2,768,036
Capital leases	Various	88,856	2,222,511	(221,588)	2,089,779	436,510
Compensated absences liability		21,071,938	1,729,391	-	22,801,329	22,501,080
Postemployment benefits		3,864,680	1,075,089	(302,400)	4,637,369	-
Total		<u>\$ 294,455,179</u>	<u>\$ 92,568,670</u>	<u>\$ (6,040,417)</u>	<u>\$ 380,983,432</u>	<u>\$ 30,160,626</u>

Denver Health and Hospital Authority
Notes to Financial Statements
December 31, 2014 and 2013

December 31, 2013	Date of Issuance	Beginning Balance	Additions and Discount/ Premium Amortization	Principal Payments or Reductions	Ending Balance	Due Within One Year
Series 2007A and B, net of discount	May 2007	\$ 185,089,488	\$ 5,665	\$ (7,400,000)	\$ 177,695,153	\$ 3,170,000
Series 2009	December 2009	4,555,000	-	(570,000)	3,985,000	575,000
Series 2010, net of discount	June 2010	27,708,260	14,061	(475,000)	27,247,321	495,000
Pavilion M notes payable	June 2010	37,607,050	-	-	37,607,050	-
Other long-term debt	Various	4,590,181	18,500,000	(195,000)	22,895,181	578,000
Capital leases	Various	184,101	-	(95,245)	88,856	88,856
Compensated absences liability		25,121,769	-	(4,049,831)	21,071,938	20,702,504
Postemployment benefits		3,094,293	1,072,787	(302,400)	3,864,680	-
Total		<u>\$ 287,950,142</u>	<u>\$ 19,592,513</u>	<u>\$ (13,087,476)</u>	<u>\$ 294,455,179</u>	<u>\$ 25,609,360</u>

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2014 and 2013

Debt Service Requirements

Annual debt service requirements to maturity for the healthcare revenue bonds, capital leases and other long-term debt are as follows at December 31:

Year Ending December 31,	Principal	Interest	Interest Rate Swaps, Net	Total
2015	\$ 7,659,546	\$ 16,185,640	\$ 2,194,840	\$ 26,040,026
2016	10,271,654	15,693,823	1,764,394	27,729,871
2017	11,748,600	15,130,718	1,403,649	28,282,967
2018	12,398,132	14,509,649	1,214,347	28,122,128
2019	13,108,259	13,847,783	1,087,241	28,043,283
2020 - 2024	55,566,731	60,825,636	4,088,763	120,481,130
2025 - 2029	63,500,690	48,613,331	2,651,414	114,765,435
2030 - 2034	78,506,032	33,351,956	860,781	112,718,769
2035 - 2039	59,979,740	15,647,953	-	75,627,693
2040 - 2044	33,920,367	5,740,536	-	39,660,903
2045 - 2049	6,247,881	292,218	-	6,540,099
	<u>352,907,632</u>	<u>\$ 239,839,243</u>	<u>\$ 15,265,429</u>	<u>\$ 608,012,304</u>
Total long-term debt payments	352,907,632	<u>\$ 239,839,243</u>	<u>\$ 15,265,429</u>	<u>\$ 608,012,304</u>
Unamortized discount on 2007A and 2010B Bonds	(487,799)			
Unamortized premium on 2014 A Bonds	<u>1,124,901</u>			
Total carrying amount of long-term debt	<u>\$ 353,544,734</u>			

The net swap payments were calculated using rates as of December 31, 2014 and making assumptions regarding interest rate changes between 2014 and 2033. As rates vary, variable rate bond interest payments and net swap payments will vary.

Denver Health and Hospital Authority
Notes to Financial Statements
December 31, 2014 and 2013

Note 8: Managed Care Initiatives

Denver Health Medicaid Choice

Effective May 1, 2004, the Authority entered into a prepaid provider contract with State of Colorado Health Care Policy and Financing (HCPF), to provide healthcare to Medicaid members enrolled in the State's Primary Care Provider (PCP) program, and formerly capitated with the Authority through Rocky Mountain Health Maintenance Organization (HMO). This program is known as DH Medicaid Choice, and started with 1,100 members in May 2004. This program is a prepaid provider contract, not an HMO. As of December 31, 2014, there were 67,313 eligible enrollees of DH Medicaid Choice.

The Authority is at full risk for all covered benefits, including outpatient pharmacy and authorized care provided at non-Authority care sites, for all members assigned to it.

Capitation from the State of Colorado HCPF is recognized as revenue during the period in which the Authority is obligated to provide services to these designated members. For services rendered by non-Authority providers to eligible members, the Authority pays in accordance with Medicaid fee schedules or contracted rates.

The cost of healthcare services is accrued in the period in which treatment is provided to a member, based in part on estimates, including an accrual for claims Incurred But Not Reported (IBNR). The Authority maintains reinsurance coverage for inpatient claims above \$200,000, subject to certain per diem limitations. For services rendered by the Authority, the gross charges are included in patient service revenue prior to contractual adjustments, and are also included in deductions from revenue as contractual adjustments.

For the years ended December 31, 2014 and 2013, net capitation revenue after reinsurance, before administrative fees for this initiative totaled approximately \$147,394,000 and \$129,185,000, respectively.

Pharmacy claims, and costs for non-Authority care, including IBNR accruals for the same periods totaled approximately \$53,289,000 and \$44,533,000, respectively. These amounts are included in managed care outside provider claims.

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The Authority establishes liabilities for both reported and unreported medical and hospital expenses related to DH Medicaid Choice, which includes estimates of both future payments of claims and related claim adjustment expenses. Changes in the aggregate liability during the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Unpaid claims and claim adjustment expenses, beginning of year	\$ 5,188,000	\$ 5,005,000
Incurred claims and claim adjustment expenses		
Provision for insured events of the current year	53,713,703	44,973,511
Decrease in provision for insured events of prior years	(424,276)	(440,613)
Total incurred claims and claim adjustment expenses	53,289,427	44,532,898
Payments		
Claims and claim adjustment expenses attributable to insured events of the current year	45,703,762	40,055,390
Claims and claim adjustment expenses attributable to insured events of prior year	3,596,665	4,294,508
Total payments	49,300,427	44,349,898
Unpaid claims and claim adjustment expenses, end of year	\$ 9,177,000	\$ 5,188,000

Incurred claims and claim payments directly above do not include billed charges of approximately \$266 million and \$217 million for 2014 and 2013, respectively, for the cost of care provided at the Denver Health Medical Center for DH Medicaid Choice members.

Denver Health and Hospital Authority
Notes to Financial Statements
December 31, 2014 and 2013

Denver Health Medical Plan, Inc. – Discretely Presented Component Unit

Denver Health Medical Plan, Inc. (the Plan) is a Colorado HMO whose enrollment includes employees of the Authority, the City, retirees enrolled with the Denver Employees Retirement Plan (DERP), and Child Health Plan Plus participants. In 2006, the Plan became licensed as a Special Needs Medicare Advantage Prescription Drug Plan provided to residents of Denver County, Colorado. At December 31, 2014 and 2013, there were 21,225 and 19,904 members enrolled in the Plan, respectively. Approximately 48.1% of Plan enrollment originates through Authority employee enrollment. The Plan is presented as a discretely presented component unit. There have been no eliminations of 2014 or 2013 financial transactions between the Plan and the Authority on either the Authority's statements of net position or the Authority's statements of revenues, expenses and changes in net position.

The Plan recognizes premiums from subscribing groups as revenue in the period to which healthcare coverage relates. Premiums earned include premiums from the Authority for the years ended December 31, 2014 and 2013 of approximately \$49,747,000 and \$49,964,000, respectively. Such premiums are included in the accompanying statements of revenues, expenses and changes in net position as premiums earned. Excess risk insurance is maintained by the Plan for inpatient claims in excess of \$250,000 per patient per year, subject to certain per diem limits.

A significant portion of healthcare services are provided by the Authority, for which the Authority is reimbursed on a capitated or fee-for-service basis, depending on the healthcare network chosen by the member. For the years ended December 31, 2014 and 2013, respectively, the Plan incurred capitation expense to the Authority totaling approximately \$22,932,000 and \$21,387,000, and fee-for-service claims of approximately \$36,715,000 and \$29,607,000.

During 2013, the Plan made a profit distribution to the Authority of \$7.1 million. At December 31, 2014 and 2013, the Plan has a capital contribution from the Authority of \$500,000, which is restricted and invested in a long-term investment held jointly by the Plan and the Colorado Division of Insurance. The Plan has no employees, and is managed by employees leased from the Authority. In addition, the Plan pays the Authority certain other administrative expenses. The amounts paid by the Plan to the Authority for management services and other expenses totaled approximately \$7,113,000 for 2014 and \$6,047,000 for 2013.

Denver Health and Hospital Authority
Notes to Financial Statements
December 31, 2014 and 2013

The Plan establishes liabilities for both reported and unreported medical and Authority expenses, which includes estimates of both future payments of claims and related claim adjustment expenses. Changes in the aggregate liability during the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Unpaid claims and claim adjustment expenses, beginning of year	\$ 8,239,000	\$ 8,780,000
Incurred claims and claim adjustment expenses		
Provision for insured events of the current year	105,777,606	91,674,093
Decrease in provision for insured events of prior years	(1,346,513)	(1,888,114)
Total incurred claims and claim adjustment expenses	104,431,093	89,785,979
Payments		
Claims and claim adjustment expenses attributable to insured events of the current year	109,148,130	82,917,454
Claims and claim adjustment expenses attributable to insured events of prior year	(7,660,037)	7,409,525
Total payments	101,488,093	90,326,979
Unpaid claims and claim adjustment expenses, end of year	\$ 11,182,000	\$ 8,239,000

Denver Health and Hospital Authority
Notes to Financial Statements
December 31, 2014 and 2013

Note 9: Operating Lease Commitments

The Authority leases certain property and equipment under noncancelable operating leases. Future minimum lease payments under noncancelable operating leases as of December 31, 2014 are as follows:

Year Ending December 31,	Minimum Operating Lease Payments
2015	\$ 2,617,908
2016	2,367,052
2017	2,136,838
2018	1,920,564
2019	545,115
Thereafter	730,000
	\$ 10,317,477

Rental expense under operating noncancelable leases totaled approximately \$2,493,000 and \$2,371,000 for the years ended December 31, 2014 and 2013, respectively.

Note 10: Pension and OPEB Plans

Certain employees of the Authority as well as other nonuniformed employees of the City and certain related agencies, including employees leased to the Authority, participate in DERP. DERP is a cost-sharing, multiple-employer defined benefit plan established by the City to provide pension benefits for its employees. DERP is no longer available to Authority employees hired January 1, 2001 or later. As a result, the Authority established an Enhanced Defined Contribution Plan. Authority employees hired prior to January 1, 2001 have the option to elect to drop their DERP participation and join the Enhanced Defined Contribution Plan, which is described in Note 12. Sections 18.401 through 18.430.7 of the City's Revised Municipal Code establish the plan and provide complete information on DERP. DERP issues a publicly available financial report that includes financial statements and required supplementary information. That report is available by contacting DERP at 777 Pearl Street, Denver, Colorado 80203.

Denver Health and Hospital Authority

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DERP provides retirement benefits plus death and disability benefits for its members and their beneficiaries. Participants who retire at or after age 65 or age 55 if the sum of age plus credited service is 75 or more (rule of 75) are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to as much as 2% of their final average salary, for each year of credited service. Final average salary is the average salary based on the employee's highest salary in a 36-consecutive month period of credited service. Employees with five years of credited service may retire at or after age 55 and receive a reduced retirement benefit. Benefit and contribution provisions are determined annually by an independent actuary, recommended by DERP's board, and enacted into ordinance by the Denver City Council.

For the years ended December 31, 2014 and 2013, the Authority contributed 11.2% and 11.0%, respectively, of the salary of covered employees to DERP. For the years ended December 31, 2014 and 2013, employees contributed 7.3% and 7.0%, respectively, in pretax salary. During 2014, 17.25% of the contribution from the Authority was for pension benefits and 1.25% was for health benefits. During 2013, 16.8% of the contribution from the Authority and covered employees was for pension benefits and 1.2% was for health benefits.

The health benefits' account was established by City Ordinance in 1991 to provide, beginning January 1, 1992, postemployment healthcare benefits in the form of a premium supplement to retired members, their spouses and dependents, spouses and dependents of deceased active and retired members, and members of the Plan awaiting approval of retirement applications. During 2014 and 2013, the monthly health insurance premium supplement was \$12.50 per year of service for retired participants under the age of 65, and \$6.25 per year of service for retirees aged 65 and older. The health insurance premium supplement can be applied to the payment of medical, dental, and/or vision insurance premiums. The benefit recipient pays any remaining portion of the premiums.

Before consideration of the premium supplement or premiums paid by the employer, the premiums charged to retirees are the same as charged to active employees for the same coverage. This results in an implicit rate subsidy, which is considered another postretirement benefit (OPEB). Because the Plan is a cost-sharing multiple-employer plan, the actuarially determined obligation for OPEB is not reflected as a liability in the financial statements of the participating employers. Expense related to the implicit rate subsidy OPEB represents contractually required contributions under the cost-sharing multi-employer plan.

Effective January 1, 2001 and until October 1, 2003, active members of DERP who were eligible for a normal or rule of 75 retirement could choose to enter the Deferred Retirement Option Plan (DROP) for a maximum of four years. While participating in DROP, the member continues to work for the employer, earning a regular salary. The member's monthly retirement benefits are deposited into a DROP account maintained by DERP. The balance in a member's DROP account earns interest at a rate equal to the actuarial assumed rate of return. Sections 18-422 through 18-429 of the Revised Municipal Code of the City and County of Denver should be referred to for more complete information on DROP. Upon retirement, members have access to the funds accumulated during their participation in DROP.

Denver Health and Hospital Authority

Notes to Financial Statements

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During 2013, the Authority offered a financial retirement incentive to 230 Authority or Career Service employees who met the rule of 75 and were eligible for retirement through DERP. Seventy employees elected to take the incentive and retire in 2013, with a cost to the Authority of approximately \$2.0 million. No retirement incentives were offered in 2014.

Employer-made Contributions Based on the Legally Required Rates

Total annual employee and employer contributions to DERP by the Authority in 2014, 2013 and 2012 were approximately \$9,972,000, \$10,449,000 and \$9,874,000, respectively. This represents 2.6% in 2014, 2.8% in 2013, and 2.7% in 2012, of the Authority's total payroll of all employees. The Authority's total payroll for all employees was approximately \$388,841,000, \$371,872,000 and \$360,389,000 for 2014, 2013 and 2012, respectively.

Total annual contributions to DERP by the Authority for postretirement healthcare benefits were approximately \$524,000, \$581,000 and \$633,000 for 2014, 2013 and 2012, respectively. This represents 0.13%, 0.16% and 0.18% of the Authority's total payroll for 2014, 2013 and 2012, respectively.

Note 11: Deferred Compensation Plan

The Authority and the City offer their employees deferred compensation plans created in accordance with Code Section 457. The plans are available to all Authority employees and permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees or their beneficiaries until termination, retirement, death, or approval for hardship cases.

The Authority's plan is administered and operated by the Authority through a Board Retirement Plan Committee. A trust agreement was established between the Authority and a third party to hold and invest the plan assets and for assistance in administering the plan.

The assets of the plans are held irrevocably by a third-party administrator; consequently, neither the assets nor liabilities are reflected in the accompanying basic financial statements of the Authority.

Note 12: Defined Contribution Plan and Enhanced Defined Contribution Plan

The Denver Health and Hospital Authority 401(a) Defined Contribution Plan (Defined Contribution Plan) was established to extend benefits to employees in lieu of those benefits provided by the Social Security Act, as allowed by Colorado Revised Statutes Section 24-54-101. The plan was created in accordance with Code Sections 401 and 501. Benefits are not available to employees or their beneficiaries until retirement or death. Employees are required to contribute 6.2% of base compensation to the Defined Contribution Plan. The Authority has elected to contribute 3% of base compensation as a matching contribution. The contributions are not to exceed the maximum permissible amounts of the social security tax.

Denver Health and Hospital Authority

Notes to Financial Statements

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Because employees hired subsequent to January 1, 2001 are not eligible to participate in DERP, the Enhanced Defined Contribution Plan was established as a benefit to these Authority employees. Authority employees hired prior to January 1, 2001 may exercise an option to drop DERP participation and join the Enhanced Defined Contribution Plan. For the Enhanced Defined Contribution Plan, the Authority has elected to contribute 6.0% of base compensation up to the maximum compensation allowable by the Internal Revenue Service.

Total annual contributions to the Defined Contribution Plan and the Enhanced Defined Contribution Plan by the Authority in 2014, 2013 and 2012 were approximately \$28,906,000, \$27,302,000 and \$25,655,000, respectively. Employee contributions in 2014, 2013 and 2012 were approximately \$22,853,000, \$21,954,000 and \$20,722,000, respectively.

A trust agreement was established between the Authority and a third party to hold and invest plan assets and to assist in administering the plans. These plan assets are not recorded in the Authority's basic financial statements.

Note 13: Healthcare Premium Supplement Plan

The Denver Health and Hospital Authority Healthcare Premium Supplement Plan (the Supplement Plan) was established in January 1, 2001 and is administered by the Authority as a single-employer defined benefit OPEB plan. Any employee of the Authority is eligible for healthcare premium supplement payments if the employee: (1) has attained the age of at least 55; (2) retires and commences benefits under the Enhanced Defined Contribution Plan (see Note 12) after completing at least 10 years of service; and (3) has been eligible to receive enhanced benefits under the Enhanced Defined Contribution Plan for at least 10 full years beginning on or after January 1, 2001.

The Plan was amended effective January 1, 2011, so that the benefits provided can be used for any allowable healthcare expense or premium.

The total lifetime benefit paid by the Supplement Plan is based on years of service as follows:

Years of Services	Total Benefit
10 - 14	\$ 14,400
15 - 19	21,600
20 - 24	28,800
25 - 29	36,000
30 - 34	43,200

Each additional five-year increment above year 34 results in an additional \$7,200 benefit.

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Members are not required to contribute to the Supplement Plan. For both years ended December 31, 2014 and 2013, the Authority funded \$302,400 to a third-party beneficiary for retirees qualified for the benefit and retiring after 2010. Otherwise, the Supplement Plan is unfunded as of December 31, 2014. However, any eligible retirees retiring in the future will have their lifetime benefit deposited with a third-party administrator in the year in which they retire.

The annual OPEB cost for 2014 and 2013 was approximately \$1,075,000 and \$1,073,000, respectively. The net OPEB obligation at December 31, 2014 and 2013 is \$4,637,369 and \$3,864,680, respectively.

Relevant actuarial methods and significant assumptions are as follows:

Actuarial valuation date	January 1, 2015
Actuarial cost method	Projected Unit Credit
Actuarial accrued liability	\$7,457,019
Discount rate	3.75%
Salary increase liability	3.5%
Amortization period	30 years, open

Note 14: Supplemental Executive Retirement Plan

In 2014, the Authority created a Supplemental Executive Retirement Plan (SERP Plan) for the purpose of providing deferred compensation for a select group of executive managers. The SERP Plan is an unfunded, non-qualified deferred compensation arrangement under Section 457(f) of the Internal Revenue Code. The effective date of the SERP Plan was January 1, 2014. In January 2015, the Authority contributed to a Rabbi Trust retirement account an amount equal to 5% of the executive base pay, and 10% of the base pay of the Chief Executive Officer of the Authority. Participants become vested to the contribution three calendar years after the contribution, or the year in which they turn 65 years of age, whichever is sooner. Distributions will be made annually in February of each year to vested participants. As of December 31, 2014, only one contribution was fully vested due to age, and that amount was accrued as a liability at year-end 2014, in the amount of \$11,500. Executive managers participating in DERP are not eligible to be included in the SERP Plan.

Denver Health and Hospital Authority

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Note 15: Risk Management

The Authority is exposed to various risks and losses related to torts, theft, damage or destruction of assets, errors and omissions, natural disasters, property damage, workers' compensation, auto liability, and unemployment.

The Authority is covered under the limits of the Colorado Governmental Immunity Act. For 2014, in tort litigation covered by the Colorado Governmental Immunity Act, injury to one person in any single occurrence is limited to the amount of \$350,000 (increased from \$150,000 in mid-2013), and for injury to two or more persons in a single occurrence, the limitation is \$990,000 (increased from \$600,000 in mid-2013) with the stated limitation that no person may recover in excess of \$350,000 (increased from \$150,000 in mid-2013). With respect to malpractice liability, the Authority carries excess healthcare professional and general liability coverage with limits of \$1,000,000 per occurrence and \$3,000,000 in the aggregate with a self-insured retention amount of \$250,000. In addition, the Authority carries an umbrella policy with limits of \$5,000,000 per occurrence and \$5,000,000 in the aggregate. The Authority carries a separate professional liability policy to cover physicians who provide services under contract with the Authority. This policy provides coverage with limits of \$1,000,000 per occurrence and \$3,000,000 in the aggregate. At December 31, 2014, the amount of medical malpractice and other liability was \$2,634,638. The Authority relied upon an actuarial estimate of the medical malpractice to record IBNR losses and loss adjustment expenses. A discount rate of 2.65% was applied to the actuarially determined liability as of December 31, 2014. Changes in the reported liability for the years ended December 31, 2014 and 2013 are as follows:

	Beginning Balance	Provision and Changes in Estimates	Claims Paid	Ending Balance
2013	\$ 2,377,671	\$ (248,393)	\$ (259,936)	\$ 1,869,342
2014	1,869,342	1,546,122	(780,826)	2,634,638

The Authority carries a separate healthcare professional and general liability policy to cover the Authority's healthcare services provided in the City's jail medical facilities. This policy provides coverage in the amount of \$1,000,000 per occurrence and \$3,000,000 in the aggregate with a self-insured retention of \$150,000. A second policy provides excess umbrella liability coverage in the jail medical facilities in the amount of \$5,000,000 per occurrence and \$5,000,000 in the aggregate.

For other types of risk, the Authority generally carries commercial policies with deductibles ranging from \$50,000 to \$500,000 and limits of \$1,000,000 to \$10,000,000.

Denver Health and Hospital Authority

Notes to Financial Statements

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On January 1, 2002, the Authority was issued a “self-insurance permit” by the Colorado Department of Labor and Employment, Division of Workers’ Compensation, which allows the Authority to be its own insurance carrier for workers’ compensation risk. The Authority carries an excess workers’ compensation insurance policy with a self-insured retention limit of \$600,000. At December 31, 2014, the amount of workers’ compensation liability was \$3,622,528. This liability is based on actuarial estimates of the workers’ compensation to record IBNR losses and loss adjustment expenses. Changes in the reported liability for the years ended December 31, 2014 and 2013 are as follows:

	Beginning Balance	Provision and Changes in Estimates	Claims Paid	Ending Balance
2013	\$ 3,299,320	\$ 1,966,026	\$(1,788,833)	\$ 3,476,513
2014	3,476,513	2,224,168	(2,078,153)	3,622,528

There were no significant reductions in insurance coverage from the prior year. There have been no claim settlements in excess of insurance coverage in the last three years. In the opinion of the Authority’s legal counsel and management, resolution of actions relating to the Authority will not have a material effect on the financial position of the Authority or the results of its operations.

Note 16: Contingencies

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures. Such audits could lead to reimbursement to the grantor agencies. The Authority has recorded all known and estimable liabilities related to such issues. Management believes unrecorded disallowances, if any, will not be significant.

The Authority believes it is exempt from the provisions of Article X, Section 20 of the Colorado Constitution Taxpayer Bill of Rights (TABOR) because the Authority is not a “district” within the meaning of Section 2(b) of TABOR. In addition, the Authority believes it is exempt from TABOR because the Authority meets the definition of an “enterprise,” as defined by Section 2(d) of TABOR.

In the normal course of operations, the Authority is at times involved in litigation related to claims made under insurance contracts, employee liability, and general liability. In the opinion of management, all known material liabilities have been recorded, and the resolution of these matters will not have a material effect on the Authority’s financial position, results of operations, or liquidity.

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2014 and 2013

Note 17: Commitments

The Authority entered into multiple construction contracts to remodel existing buildings during 2013 and prior. Under these contracts, the Authority has committed to pay contractors approximately \$33,661,000 in future periods.

Note 18: Condensed Combining Financial Information

The following schedules show condensed combining financial information for the Authority and its blended component unit Pavilion M.

	Total Authority	DHHA Pavilion M, Inc.	Total
Condensed Statement of Net Position			
Current assets	\$ 198,063,870	\$ 565,940	\$ 198,629,810
Noncurrent Assets			
Capital assets, net of accumulated depreciation	366,665,154	30,557,359	397,222,513
Other long-term assets	336,421,625	220,736	336,642,361
Total noncurrent assets	<u>703,086,779</u>	<u>30,778,095</u>	<u>733,864,874</u>
Total assets	901,150,649	31,344,035	932,494,684
Deferred outflows of resources	<u>19,970,870</u>	<u>-</u>	<u>19,970,870</u>
Total assets and deferred outflows of resources	<u><u>\$ 921,121,519</u></u>	<u><u>\$ 31,344,035</u></u>	<u><u>\$ 952,465,554</u></u>
Liabilities			
Current liabilities	\$ 122,418,270	\$ 37,866	\$ 122,456,136
Long-term liabilities	<u>333,134,101</u>	<u>37,607,050</u>	<u>370,741,151</u>
Total liabilities	<u>455,552,371</u>	<u>37,644,916</u>	<u>493,197,287</u>
Net Position			
Net investment in capital assets	65,345,766	-	65,345,766
Unrestricted	<u>400,223,382</u>	<u>(6,300,881)</u>	<u>393,922,501</u>
Total net position	<u>465,569,148</u>	<u>(6,300,881)</u>	<u>459,268,267</u>
Total liabilities and net position	<u><u>\$ 921,121,519</u></u>	<u><u>\$ 31,344,035</u></u>	<u><u>\$ 952,465,554</u></u>

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2014 and 2013

	Total Authority	DHHA Pavilion M, Inc.	Total
Operating Revenues			
Net patient service revenue	\$ 449,814,246	\$ -	\$ 449,814,246
Capitation earned net of reinsurance expense	147,394,223	-	147,394,223
Medicaid disproportionate share and other safety net reimbursement, net of expense	126,880,378	-	126,880,378
City and County of Denver payment for patient care services	30,777,300	-	30,777,300
Federal, state and other grants	65,003,762	-	65,003,762
City and County of Denver purchased services	19,040,933	-	19,040,933
Poison and drug center contracts	24,959,447	-	24,959,447
Other operating revenue	25,982,639	394,196	26,376,835
	889,852,928	394,196	890,247,124
Operating Expenses			
Salaries and benefits	483,393,656	-	483,393,656
Contracted services and nonmedical supplies	171,889,235	106,549	171,995,784
Medical supplies and pharmaceuticals	84,563,712	-	84,563,712
Managed care outside provider claims	53,289,427	-	53,289,427
Depreciation and amortization	44,933,543	1,366,513	46,300,056
	838,069,573	1,473,062	839,542,635
Total operating expenses	838,069,573	1,473,062	839,542,635
Operating income (loss)	51,783,355	(1,078,866)	50,704,489
Nonoperating Revenues (Expenses)			
Increase in equity in joint venture	204,500	-	204,500
Bond issuance costs	(805,627)	-	(805,627)
Gain on early extinguishment of debt	-	-	-
Interest income	6,379,953	708	6,380,661
Interest expense	(14,454,571)	(455,460)	(14,910,031)
Net increase in fair value of investments	2,533,258	-	2,533,258
Gain on disposition of capital assets	67,970	-	67,970
	(6,074,517)	(454,752)	(6,529,269)
Total nonoperating revenues (expenses)	(6,074,517)	(454,752)	(6,529,269)
Income before capital contributions	45,708,838	(1,533,618)	44,175,220
Contributions Restricted for Capital Assets	2,212,294	-	2,212,294
Increase (decrease) in net position	47,921,132	(1,533,618)	46,387,514
Total Net Position, Beginning of Year	417,648,016	(4,767,263)	412,880,753
Total Net Position, End of Year	\$ 465,569,148	\$ (6,300,881)	\$ 459,268,267

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2014 and 2013

	Total Authority	DHHA Pavilion M, Inc.	Total
Condensed Statement of Cash Flows			
Net cash provided by (used in) operating activities	\$ 120,076,363	\$ (167,105)	\$ 119,909,258
Net cash provided by capital and related financing activities	19,698,175	-	19,698,175
Net cash used in investing activities	<u>(138,741,120)</u>	<u>-</u>	<u>(138,741,120)</u>
 Net increase (decrease) in cash and cash equivalents	 1,033,418	 (167,105)	 866,313
 Cash and Cash Equivalents, Beginning of Year	 <u>43,508,784</u>	 <u>733,045</u>	 <u>44,241,829</u>
 Cash and Cash Equivalents, End of Year	 <u>\$ 44,542,202</u>	 <u>\$ 565,940</u>	 <u>\$ 45,108,142</u>

Note 19: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

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Supplementary Information

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Denver Health and Hospital Authority
Other Postemployment Benefits
Years Ended December 31, 2014 and 2013

Schedule of Funding Progress - Unaudited

Healthcare Premium Supplement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percentage Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
January 1, 2015	\$ -	\$ 7,457,019	0%	\$ 7,457,019	\$ 321,087,311	2.32%
January 1, 2013	\$ -	\$ 5,732,568	0%	\$ 5,732,568	\$ 268,282,209	2.14%
January 1, 2011	\$ -	\$ 3,782,682	0%	\$ 3,782,682	\$ 225,461,933	1.68%

The required supplementary information is based on a biennial actuarial valuation of the Authority's Healthcare Premium Supplement Plan for the year January 1, 2014 through December 31, 2014, updated for additional accrued benefits in the subsequent fiscal year.

Denver Health and Hospital Authority
Consolidating Schedule – Statement of Net Position Information
Year Ended December 31, 2014

	The Authority						DHHA Pavilion M, Inc.	Total
	Denver Health Medical Center	City Fund	RMPDC	Restricted Fund	Total Authority			
Assets and Deferred Outflows of Resources								
Current Assets								
Cash and cash equivalents	\$ 44,542,202	\$ -	\$ -	\$ -	\$ 44,542,202	\$ -	\$ 44,542,202	
Restricted cash and cash equivalents	-	-	-	-	-	565,940	565,940	
Patient accounts receivable, net	64,470,534	-	-	-	64,470,534	-	64,470,534	
Due from other governmental entities	44,407,887	223,623	-	5,928,767	50,560,277	-	50,560,277	
Other receivables	11,998,587	148,312	3,629,756	2,855,449	18,632,104	-	18,632,104	
Interest receivable	1,205,076	-	-	-	1,205,076	-	1,205,076	
Due from (to) other funds and investment in discretely presented component unit	(17,177,482)	(1,276,318)	20,643,032	(832,997)	1,356,235	-	1,356,235	
Inventories	9,808,583	-	-	-	9,808,583	-	9,808,583	
Prepaid expenses and other assets	7,237,377	-	242,203	9,279	7,488,859	-	7,488,859	
Total current assets	<u>166,492,764</u>	<u>(904,383)</u>	<u>24,514,991</u>	<u>7,960,498</u>	<u>198,063,870</u>	<u>565,940</u>	<u>198,629,810</u>	
Noncurrent Assets								
Note receivable	44,393,015	-	-	-	44,393,015	-	44,393,015	
Estimated third-party payor settlements receivable	13,821,457	-	-	-	13,821,457	-	13,821,457	
Equity interest in joint venture	972,500	-	-	-	972,500	-	972,500	
Restricted investments	76,697,034	-	-	-	76,697,034	-	76,697,034	
Capital assets, net of accumulated depreciation	362,272,828	2,886,665	1,505,661	-	366,665,154	30,557,359	397,222,513	
Long-term investments	162,485,240	-	-	-	162,485,240	-	162,485,240	
Board-designated investments	36,995,714	-	-	-	36,995,714	-	36,995,714	
Other long-term assets	343,375	713,290	-	-	1,056,665	220,736	1,277,401	
Total noncurrent assets	<u>697,981,163</u>	<u>3,599,955</u>	<u>1,505,661</u>	<u>-</u>	<u>703,086,779</u>	<u>30,778,095</u>	<u>733,864,874</u>	
Total assets	<u>864,473,927</u>	<u>2,695,572</u>	<u>26,020,652</u>	<u>7,960,498</u>	<u>901,150,649</u>	<u>31,344,035</u>	<u>932,494,684</u>	
Deferred Outflows of Resources								
Accumulated change in fair value of hedging derivatives	15,083,811	-	-	-	15,083,811	-	15,083,811	
Loss on refunding of debt	4,887,059	-	-	-	4,887,059	-	4,887,059	
Total deferred outflows of resources	<u>19,970,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,970,870</u>	<u>-</u>	<u>19,970,870</u>	
Total assets and deferred outflows of resources	<u>\$ 884,444,797</u>	<u>\$ 2,695,572</u>	<u>\$ 26,020,652</u>	<u>\$ 7,960,498</u>	<u>\$ 921,121,519</u>	<u>\$ 31,344,035</u>	<u>\$ 952,465,554</u>	

Denver Health and Hospital Authority
Consolidating Schedule – Statement of Net Position Information
Year Ended December 31, 2014

	The Authority					DHHA Pavilion M, Inc.	Total
	Denver Health Medical Center	City Fund	RMPDC	Restricted Fund	Total Authority		
Liabilities and Net Position							
Current Liabilities							
Current maturities of bonds payable	\$ 4,455,000	\$ -	\$ -	\$ -	\$ 4,455,000	\$ -	\$ 4,455,000
Current maturities of capital leases	436,510	-	-	-	436,510	-	436,510
Current maturities of notes payable	2,768,036	-	-	-	2,768,036	-	2,768,036
Medical malpractice liability	2,634,638	-	-	-	2,634,638	-	2,634,638
Accounts payable and accrued expenses	39,099,357	-	1,360,537	-	40,459,894	37,866	40,497,760
Due to the City and County of Denver	(817,377)	954,431	-	-	137,054	-	137,054
Accrued salaries, wages and employee benefits	33,640,490	-	-	-	33,640,490	-	33,640,490
Accrued compensated absences	22,501,080	-	-	-	22,501,080	-	22,501,080
Unearned revenue	546,859	-	94,336	3,372,533	4,013,728	-	4,013,728
Derivative interest rate swap liability	2,194,840	-	-	-	2,194,840	-	2,194,840
Accrued claims	9,177,000	-	-	-	9,177,000	-	9,177,000
Total current liabilities	116,636,433	954,431	1,454,873	3,372,533	122,418,270	37,866	122,456,136
Long-term Liabilities							
Long-term portion of liability for estimated third-party settlements	6,847,756	-	-	-	6,847,756	-	6,847,756
Long-term portion of compensated absences	300,249	-	-	-	300,249	-	300,249
Bonds payable, less current maturities	286,192,102	-	-	-	286,192,102	-	286,192,102
Capital lease obligations, less current maturities	1,653,269	-	-	-	1,653,269	-	1,653,269
Notes payable	20,432,767	-	-	-	20,432,767	37,607,050	58,039,817
Derivative interest rate swap liability	13,070,589	-	-	-	13,070,589	-	13,070,589
Postemployment benefits	4,637,369	-	-	-	4,637,369	-	4,637,369
Total long-term liabilities	333,134,101	-	-	-	333,134,101	37,607,050	370,741,151
Total liabilities	449,770,534	954,431	1,454,873	3,372,533	455,552,371	37,644,916	493,197,287
Net Position							
Net investment in capital assets	65,345,766	-	-	-	65,345,766	-	65,345,766
Unrestricted	369,328,497	1,741,141	24,565,779	4,587,965	400,223,382	(6,300,881)	393,922,501
Total net position	434,674,263	1,741,141	24,565,779	4,587,965	465,569,148	(6,300,881)	459,268,267
Total liabilities and net position	\$ 884,444,797	\$ 2,695,572	\$ 26,020,652	\$ 7,960,498	\$ 921,121,519	\$ 31,344,035	\$ 952,465,554

Denver Health and Hospital Authority
Consolidating Schedule – Statement of Net Position Information
December 31, 2013

	The Authority						DHHA Pavilion M, Inc.	Total
	Denver Health Medical Center	City Fund	RMPDC	Restricted Fund	Total Authority			
Assets and Deferred Outflows of Resources								
Current Assets								
Cash and cash equivalents	\$ 43,508,784	\$ -	\$ -	\$ -	\$ 43,508,784	\$ -	\$ 43,508,784	
Restricted cash and cash equivalents	-	-	-	-	-	733,045	733,045	
Patient accounts receivable, net	68,903,884	-	-	-	68,903,884	-	68,903,884	
Due from other governmental entities	47,278,948	2,682	-	8,052,881	55,334,511	-	55,334,511	
Due from City and County of Denver	1,125,671	121,685	-	-	1,247,356	-	1,247,356	
Other receivables	7,953,403	244,309	3,510,285	1,795,603	13,503,600	-	13,503,600	
Interest receivable	991,746	-	-	-	991,746	-	991,746	
Due from (to) other funds and investment in discretely presented component unit	(15,753,487)	(2,123,454)	20,401,198	(1,436,189)	1,088,068	-	1,088,068	
Inventories	10,382,435	-	-	-	10,382,435	-	10,382,435	
Prepaid expenses and other assets	5,203,441	-	48,152	2,886	5,254,479	-	5,254,479	
Total current assets	<u>169,594,825</u>	<u>(1,754,778)</u>	<u>23,959,635</u>	<u>8,415,181</u>	<u>200,214,863</u>	<u>733,045</u>	<u>200,947,908</u>	
Noncurrent Assets								
Note receivable	28,961,015	-	-	-	28,961,015	-	28,961,015	
Estimated third-party payor settlements receivable	12,165,669	-	-	-	12,165,669	-	12,165,669	
Equity interest in joint venture	768,000	-	-	-	768,000	-	768,000	
Restricted investments	16,841,593	-	-	-	16,841,593	-	16,841,593	
Capital assets, net of accumulated depreciation	376,446,567	3,409,737	84,542	-	379,940,846	31,834,082	411,774,928	
Long-term investments	111,894,686	-	-	-	111,894,686	-	111,894,686	
Other long-term assets	14,407	614,861	-	-	629,268	310,526	939,794	
Total noncurrent assets	<u>547,091,937</u>	<u>4,024,598</u>	<u>84,542</u>	<u>-</u>	<u>551,201,077</u>	<u>32,144,608</u>	<u>583,345,685</u>	
Total assets	<u>716,686,762</u>	<u>2,269,820</u>	<u>24,044,177</u>	<u>8,415,181</u>	<u>751,415,940</u>	<u>32,877,653</u>	<u>784,293,593</u>	
Deferred Outflows of Resources								
Accumulated change in fair value of hedging derivatives	9,575,704	-	-	-	9,575,704	-	9,575,704	
Loss on refunding of debt	5,181,267	-	-	-	5,181,267	-	5,181,267	
Total deferred outflows of resources	<u>14,756,971</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,756,971</u>	<u>-</u>	<u>14,756,971</u>	
Total assets and deferred outflows of resources	<u>\$ 731,443,733</u>	<u>\$ 2,269,820</u>	<u>\$ 24,044,177</u>	<u>\$ 8,415,181</u>	<u>\$ 766,172,911</u>	<u>\$ 32,877,653</u>	<u>\$ 799,050,564</u>	

Denver Health and Hospital Authority
Consolidating Schedule – Statement of Net Position Information
December 31, 2013

	The Authority						DHHA Pavilion M, Inc.	Total
	Denver Health Medical Center	City Fund	RMPDC	Restricted Fund	Total Authority			
Liabilities and Net Position								
Current Liabilities								
Current maturities of bonds payable	\$ 4,240,000	\$ -	\$ -	\$ -	\$ 4,240,000	\$ -	\$ 4,240,000	
Current maturities of capital leases	88,856	-	-	-	88,856	-	88,856	
Current maturities of notes payable	578,000	-	-	-	578,000	-	578,000	
Medical malpractice liability	1,869,342	-	-	-	1,869,342	-	1,869,342	
Accounts payable and accrued expenses	37,431,094	-	1,894,087	468	39,325,649	37,866	39,363,515	
Accrued salaries, wages and employee benefits	23,979,246	-	-	-	23,979,246	-	23,979,246	
Accrued compensated absences	20,702,504	-	-	-	20,702,504	-	20,702,504	
Unearned revenue	31,178	-	166,288	3,872,094	4,069,560	-	4,069,560	
Derivative interest rate swap liability	2,262,031	-	-	-	2,262,031	-	2,262,031	
Accrued claims	5,188,000	-	-	-	5,188,000	-	5,188,000	
Total current liabilities	<u>96,370,251</u>	<u>-</u>	<u>2,060,375</u>	<u>3,872,562</u>	<u>102,303,188</u>	<u>37,866</u>	<u>102,341,054</u>	
Long-term Liabilities								
Long-term portion of liability for estimated third-party settlements	7,379,143	-	-	-	7,379,143	-	7,379,143	
Long-term portion of compensated absences	369,434	-	-	-	369,434	-	369,434	
Bonds payable, less current maturities	204,687,474	-	-	-	204,687,474	-	204,687,474	
Notes payable	22,317,181	-	-	-	22,317,181	37,607,050	59,924,231	
Derivative interest rate swap liability	7,603,795	-	-	-	7,603,795	-	7,603,795	
Postemployment benefits	3,864,680	-	-	-	3,864,680	-	3,864,680	
Total long-term liabilities	<u>246,221,707</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>246,221,707</u>	<u>37,607,050</u>	<u>283,828,757</u>	
Total liabilities	<u>342,591,958</u>	<u>-</u>	<u>2,060,375</u>	<u>3,872,562</u>	<u>348,524,895</u>	<u>37,644,916</u>	<u>386,169,811</u>	
Net Position								
Net investment in capital assets	168,216,323	-	-	-	168,216,323	-	168,216,323	
Restricted expendable	447,517	-	-	-	447,517	-	447,517	
Unrestricted	220,187,935	2,269,820	21,983,802	4,542,619	248,984,176	(4,767,263)	244,216,913	
Total net position	<u>388,851,775</u>	<u>2,269,820</u>	<u>21,983,802</u>	<u>4,542,619</u>	<u>417,648,016</u>	<u>(4,767,263)</u>	<u>412,880,753</u>	
Total liabilities and net position	<u>\$ 731,443,733</u>	<u>\$ 2,269,820</u>	<u>\$ 24,044,177</u>	<u>\$ 8,415,181</u>	<u>\$ 766,172,911</u>	<u>\$ 32,877,653</u>	<u>\$ 799,050,564</u>	

Denver Health and Hospital Authority
Consolidating Schedule – Revenues and Expenses Information
Year Ended December 31, 2014

	The Authority						DHHA Pavilion M, Inc.	Total
	Denver Health Medical Center	City Fund	RMPDC	Restricted Fund	Total Authority			
Operating Revenues								
Net patient service revenue	\$ 446,803,144	\$ 3,011,102	\$ -	\$ -	\$ 449,814,246	\$ -	\$ 449,814,246	
Capitation earned net of reinsurance expense	147,394,223	-	-	-	147,394,223	-	147,394,223	
Medicaid disproportionate share and other safety net reimbursement	126,880,378	-	-	-	126,880,378	-	126,880,378	
City and County of Denver payment for patient care services	30,777,300	-	-	-	30,777,300	-	30,777,300	
Federal, state and other grants	501,084	2,329,093	-	62,173,585	65,003,762	-	65,003,762	
City and County of Denver purchased services	2,271,892	16,672,140	96,901	-	19,040,933	-	19,040,933	
Poison and drug center contracts	-	-	24,959,447	-	24,959,447	-	24,959,447	
Other operating revenue	24,254,300	1,725,970	-	2,369	25,982,639	394,196	26,376,835	
Total operating revenues	778,882,321	23,738,305	25,056,348	62,175,954	889,852,928	394,196	890,247,124	
Operating Expenses								
Salaries and benefits	408,677,286	19,222,747	13,477,264	42,016,359	483,393,656	-	483,393,656	
Contracted services and nonmedical supplies	142,265,882	3,134,510	8,710,390	17,778,453	171,889,235	106,549	171,995,784	
Medical supplies and pharmaceuticals	81,818,987	1,635,306	5,090	1,104,329	84,563,712	-	84,563,712	
Managed care outside provider claims	53,289,427	-	-	-	53,289,427	-	53,289,427	
Depreciation and amortization	44,088,535	543,380	301,628	-	44,933,543	1,366,513	46,300,056	
Total operating expenses	730,140,117	24,535,943	22,494,372	60,899,141	838,069,573	1,473,062	839,542,635	
Operating income (loss)	48,742,204	(797,638)	2,561,976	1,276,813	51,783,355	(1,078,866)	50,704,489	
Nonoperating Revenues (Expenses)								
Increase in equity in joint venture	204,500	-	-	-	204,500	-	204,500	
Interdepartmental transfers	(184,858)	5,040	20,000	159,818	-	-	-	
Bond issuance costs	(805,627)	-	-	-	(805,627)	-	(805,627)	
Grant funded capital expenditures	1,391,285	-	-	(1,391,285)	-	-	-	
Interest income	6,379,953	-	-	-	6,379,953	708	6,380,661	
Interest expense	(14,454,571)	-	-	-	(14,454,571)	(455,460)	(14,910,031)	
Net increase in fair value of investments	2,533,258	-	-	-	2,533,258	-	2,533,258	
Gain on disposition of capital assets	67,970	-	-	-	67,970	-	67,970	
Total nonoperating revenues (expenses)	(4,868,090)	5,040	20,000	(1,231,467)	(6,074,517)	(454,752)	(6,529,269)	
Income (loss) before capital contributions	43,874,114	(792,598)	2,581,976	45,346	45,708,838	(1,533,618)	44,175,220	
Contributions Restricted for Capital Assets	1,948,376	263,918	-	-	2,212,294	-	2,212,294	
Increase (decrease) in net position	\$ 45,822,490	\$ (528,680)	\$ 2,581,976	\$ 45,346	\$ 47,921,132	\$ (1,533,618)	\$ 46,387,514	

Denver Health and Hospital Authority
Consolidating Schedule – Revenues and Expenses Information
Year Ended December 31, 2013

	The Authority						DHHA Pavilion M, Inc.	Total
	Denver Health Medical Center	City Fund	RMPDC	Restricted Fund	Total Authority			
Operating Revenues								
Net patient service revenue	\$ 366,892,277	\$ 1,718,661	\$ -	\$ -	\$ 368,610,938	\$ -	\$ 368,610,938	
Capitation earned net of reinsurance expense	129,185,021	-	-	-	129,185,021	-	129,185,021	
Medicaid disproportionate share and other safety net reimbursement	125,002,310	-	-	-	125,002,310	-	125,002,310	
City and County of Denver payment for patient care services	27,977,304	-	-	-	27,977,304	-	27,977,304	
Federal, state and other grants	521,507	2,297,658	-	68,868,839	71,688,004	-	71,688,004	
City and County of Denver purchased services	2,375,426	16,950,743	96,900	(12,136)	19,410,933	-	19,410,933	
Poison and drug center contracts	-	-	20,839,018	-	20,839,018	-	20,839,018	
Other operating revenue	28,565,939	1,680,465	-	(1)	30,246,403	394,196	30,640,599	
Total operating revenues	680,519,784	22,647,527	20,935,918	68,856,702	792,959,931	394,196	793,354,127	
Operating Expenses								
Salaries and benefits	390,155,721	18,458,017	12,127,649	40,860,529	461,601,916	-	461,601,916	
Contracted services and nonmedical supplies	125,139,293	2,475,568	7,943,443	23,432,480	158,990,784	109,914	159,100,698	
Medical supplies and pharmaceuticals	69,968,686	1,230,262	319	903,432	72,102,699	-	72,102,699	
Managed care outside provider claims	44,532,898	-	-	-	44,532,898	-	44,532,898	
Depreciation and amortization	47,100,535	549,469	144,832	-	47,794,836	1,389,442	49,184,278	
Total operating expenses	676,897,133	22,713,316	20,216,243	65,196,441	785,023,133	1,499,356	786,522,489	
Operating income (loss)	3,622,651	(65,789)	719,675	3,660,261	7,936,798	(1,105,160)	6,831,638	
Nonoperating Revenues (Expenses)								
Increase in equity in joint venture	149,000	-	-	-	149,000	-	149,000	
Interdepartmental transfers	266,970	975	49,127	(317,072)	-	-	-	
Gain on early extinguishment of debt	1,047,926	-	-	-	1,047,926	-	1,047,926	
Distribution from discretely presented component unit	7,100,000	-	-	-	7,100,000	-	7,100,000	
Grant funded capital expenditures	4,857,855	-	-	(4,857,855)	-	-	-	
Interest income	4,771,643	-	-	-	4,771,643	1,148	4,772,791	
Interest expense	(11,005,217)	-	-	-	(11,005,217)	(455,460)	(11,460,677)	
Net decrease in fair value of investments	(6,142,037)	-	-	-	(6,142,037)	-	(6,142,037)	
Loss on disposition of capital assets	(5,536)	-	-	-	(5,536)	-	(5,536)	
Total nonoperating revenues (expenses)	1,040,604	975	49,127	(5,174,927)	(4,084,221)	(454,312)	(4,538,533)	
Income (loss) before capital contributions and loss on contract restructuring	4,663,255	(64,814)	768,802	(1,514,666)	3,852,577	(1,559,472)	2,293,105	
Contributions Restricted for Capital Assets	-	418,216	-	-	418,216	-	418,216	
Special Item - Loss on Contract Restructuring	(18,500,000)	-	-	-	(18,500,000)	-	(18,500,000)	
Increase (decrease) in net position	\$ (13,836,745)	\$ 353,402	\$ 768,802	\$ (1,514,666)	\$ (14,229,207)	\$ (1,559,472)	\$ (15,788,679)	

Denver Health and Hospital Authority
Supplementary Budget to Actual Information
Year Ended December 31, 2014

	Actual	Budget	Variance – Favorable (Unfavorable)
Operating Revenues			
Net patient service revenue	\$ 449,814,246	\$ 430,016,254	\$ 19,797,992
Capitation earned net of reinsurance expense	147,394,223	132,397,469	14,996,754
Medicaid disproportionate share and other safety net reimbursement, net of expense	126,880,378	124,795,749	2,084,629
City and County of Denver payment for patient care services	30,777,300	30,777,300	-
Federal, state and other grants	65,003,762	70,058,940	(5,055,178)
City and County of Denver purchased services	19,040,933	19,961,208	(920,275)
Poison and drug center contracts	24,959,447	22,298,444	2,661,003
Other operating revenue	26,376,835	26,535,253	(158,418)
Total operating revenues	<u>890,247,124</u>	<u>856,840,617</u>	<u>33,406,507</u>
Operating Expenses (Revenues)			
Salaries and benefits	483,393,656	492,542,069	9,148,413
Contracted services and nonmedical supplies	171,995,784	169,154,242	(2,841,542)
Medical supplies and pharmaceuticals	84,563,712	81,080,296	(3,483,416)
Managed care outside provider claims	53,289,427	46,253,183	(7,036,244)
Depreciation and amortization	46,300,056	43,646,095	(2,653,961)
Total operating expenses (revenues)	<u>839,542,635</u>	<u>832,675,885</u>	<u>(6,866,750)</u>
Operating income	<u>50,704,489</u>	<u>24,164,732</u>	<u>26,539,757</u>
Nonoperating Revenues (Expenses)			
Increase in equity in joint venture	204,500	-	204,500
Bond issuance costs	(805,627)	-	(805,627)
Interest income	6,380,661	5,348,460	1,032,201
Interest expense	(14,910,031)	(14,310,572)	(599,459)
Total nonoperating revenues (expenses)	<u>(9,130,497)</u>	<u>(8,962,112)</u>	<u>(168,385)</u>
Reconciliation to Income Before Capital Contributions and Loss on Contract Restructuring			
Add:			
Net increase in fair value of investments	2,533,258	-	2,533,258
Gain on disposition of capital assets	67,970	-	67,970
Total nonoperating revenues (expenses)	<u>(6,529,269)</u>	<u>(8,962,112)</u>	<u>2,432,843</u>
Income Before Capital Contributions	<u><u>\$ 44,175,220</u></u>	<u><u>\$ 15,202,620</u></u>	<u><u>\$ 28,972,600</u></u>

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards

Board of Directors
Denver Health and Hospital Authority
Denver, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Denver Health and Hospital Authority (the Authority) and its discretely presented component units, as of and for the year ended December 31, 2014, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 26, 2015. The financial statements of Denver Health Medical Plan, Inc. and DHHA Southwest Clinic, Inc. are component units included on the financial statements as discretely presented component units, and were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Authority's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Board of Directors
Denver Health and Hospital Authority

Compliance and Other Matters

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

Purpose of this Report

The purpose of this communication is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
March 26, 2015

Denver Health and Hospital Authority

Single Audit Report

December 31, 2014

Denver Health and Hospital Authority
December 31, 2014

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Denver Health and Hospital Authority
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

Federal Grantor/Program or Cluster Title	Pass-through Grantor	Pass-through Identifying Number, If Applicable	Federal CFDA Number	Federal Expenditures
Department of Agriculture				
Special Supplemental Nutrition Program for for Women, Infants and Children (N)	State of Colorado Department of Public Health and Environment	14 FLA558810, PO FLA WIC1347900 15 FHLA 71837, 15 FHLA 71870	10.557	\$ <u>11,871,501</u>
Total Department of Agriculture				<u>11,871,501</u>
Department of Justice				
Developing, Testing and Demonstrating Promising New Programs			16.541	<u>188,233</u>
Total Department of Justice				<u>188,233</u>
Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	State of Colorado Department of Transportation	271001905	20.205	<u>86,161</u>
Total Highway Planning and Construction Cluster				<u>86,161</u>
Total Department of Transportation				<u>86,161</u>

Denver Health and Hospital Authority
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2014

Federal Grantor/Program or Cluster Title	Pass-through Grantor	Pass-through Identifying Number, If Applicable	Federal CFDA Number	Federal Expenditures
Department of Health and Human Services				
Harvard Pilgrim Health Care-Mini Sentinel	Harvard Pilgrim Healthcare, Inc.	HHHSF22301007T-0009	93.000	187,846
Birth Defects and Developmental Disabilities - Prevention and Surveillance			93.073	239,672
Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements	State of Colorado Department of Public Health and Environment	PF FJA EPR134188, PO FHJA EPR1569076	93.074	472,665
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	State of Colorado Department of Public Health and Environment	PO FHA EPI1351402, PO FHA EPI1464516	93.116	76,764
AIDS Education and Training Centers	University of Colorado Denver	FY14.163.005 AMD3	93.145	2,800
Health Program for Toxic Substances and Disease Registry	America College of Med Toxicology		93.161	23,489
Health Program for Toxic Substances and Disease Registry	Association of Occupational and Environmental Clinics		93.161	107,309
Graduate Psychology Education Program and Patient Navigator and Chronic Disease Prevention Program			93.191	51,037
Family Planning-Services	State of Colorado Department of Public Health and Environment	PO FLA PSD1355312, PO FLA PSD1355315	93.217	332,500
Health Centers Cluster				
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)			93.224	5,466,372
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program			93.527	<u>7,315,861</u>
Total Health Centers Cluster				<u>12,782,233</u>

Denver Health and Hospital Authority
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2014

Federal Grantor/Program or Cluster Title	Pass-through Grantor	Pass-through Identifying Number, If Applicable	Federal CFDA Number	Federal Expenditures
Poison Center Support and Enhancement Grant Program			93.253	541,660
Immunization Cooperative Agreements	State of Colorado Department of Public Health and Environment	PO FHA EPI1350101, PO FHA EPI1464382	93.268	247,618
Adult Viral Hepatitis Prevention and Control			93.270	415,294
Centers for Disease Control and Prevention - Investigations and Technical Assistance			93.283	292,039
Centers for Disease Control and Prevention - Investigations and Technical Assistance	State of Colorado Department of Public Health and Environment	PO FHA EPI1350521, PO FHA EPI1463368	93.283	50,898
Teenage Pregnancy Prevention Program			93.297	727,910
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood	State of Colorado Department of Health and Human Services	PO IHA MIEC1461338, 15IHA67532	93.505	1,083,953
Affordable Care Act (ACA) Building Epidemiology, Laboratory, and Health Information Systems Capacity	State of Colorado Department of Public Health and Environment	OE FHA EPI 13000089	93.521	109
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	Connect for Health Colorado	1 HBEIE130169-01-00	93.525	131,843
Affordable Care Act (ACA) Grants for Capital Development in Health Centers			93.526	1,837,316
The Patient Protection and Affordable Care Act of 2012 (PPACA) authorizes Community Transformation Grants and National Dissemination and Support for Community Transformation Grants			93.531	520,485

Denver Health and Hospital Authority
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2014

Federal Grantor/Program or Cluster Title	Pass-through Grantor	Pass-through Identifying Number, If Applicable	Federal CFDA Number	Federal Expenditures
Promoting Safe & Stable Families	State of Colorado Department of Public Health and Environment	PO EP I1460565	93.556	1,643
Refugee and Entrant Assistance_State Administered Programs	State of Colorado Department of Public Health and Environment	PO FHA EPI1348897, PO FHA EPI1460565	93.566	38,693
Head Start	City and County of Denver	MOEAI-201416477-00	93.600	388,950
Head Start	Clayton Family Futures		93.600	32,699
Health Care Innovation Awards (HCIA)			93.610	5,715,797
Health Care Innovation Awards (HCIA)	Dartmouth College	1103, 1343, 1566, 1567	93.610	287,118
Prevention Public Health Fund: Viral Hepatitis Prevention			93.736	17,005
Children's Health Insurance Program	State of Colorado Department of Health Care Policy and Financing	14-56684 and 15-68415	93.767	35,079
Medicaid Cluster				
Medical Assistance Program	State of Colorado Department of Health Care Policy and Financing	14-5668 and 15-68415	93.778	<u>179,680</u>
Total Medicaid Cluster				<u>179,680</u>

Denver Health and Hospital Authority
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2014

Federal Grantor/Program or Cluster Title	Pass-through Grantor	Pass-through Identifying Number, If Applicable	Federal CFDA Number	Federal Expenditures
Grants for Training in Primary Care Medicine and Dentistry	University of Colorado Denver	FY12.348.001AMD2	93.884	43,031
HIV Emergency Relief Project Grants	Colorado Nonprofit Development Center		93.914	1,745,544
HIV Care Formula Grants	State of Colorado Department of Public Health and Environment	EPI1354447	93.917	356,604
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease			93.918	773,148
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	Western Community Health Resources	WCHR FY2014	93.918	19,080
Healthy Start Initiative	Colorado Nonprofit Development Center		93.926	3,242
HIV Prevention Activities_ Non-Governmental Organization Based			93.939	574,219
HIV Prevention Activities_ Non-Governmental Organization Based	National Alliance of State and Territorial Aids Directors	CBA4390-005-1.0	93.939	31,880
HIV Prevention Activities_Health Department Based	State of Colorado Department of Public Health and Environment	PO FHA EPI1350332, PO FHA EPI1350819 PO FHA EPI1347296, PO FHA EPI1349553	93.940	1,023,431
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	State of Colorado Department of Public Health and Environment	PO FHA EPI1351144, PO FHA EPI131450	93.944	68,022
Block Grants for Prevention and Treatment of Substance Abuse	Signal Behavioral Health Network		93.959	1,994,356
Block Grants for Prevention and Treatment of Substance Abuse	State of Colorado Department of Health and Human Services	11070449	93.959	21,814
Preventive Health Services_Sexually Transmitted Diseases Control Grants	State of Colorado Department of Public Health and Environment	PO FHA EPI1351101 OE FHA EPI1467923	93.977	85,244
Preventive Health Services_Sexually Transmitted Diseases Control Grants			93.977	200,064
Maternal and Child Health Services Block Grant to the States	State of Colorado Department of Public Health and Environment	PO FLA PSD1348075	93.994	564,364
Total Department of Health and Human Services				34,326,147

Denver Health and Hospital Authority
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2014

Federal Grantor/Program or Cluster Title	Pass-through Grantor	Pass-through Identifying Number, If Applicable	Federal CFDA Number	Federal Expenditures
Department of Homeland Security				
Homeland Security Grant Program	Colorado Department of Public Safety	11MMR12NCD	97.067	121,765
Total Department of Homeland Security				<u>121,765</u>
Research and Development Cluster				
Department of Defense (Research and Development Cluster)				
Military Medical Research and Development	Flashback Technologies	GM3414	12.420	17,446
Military Medical Research and Development			12.420	573,007
Military Medical Research and Development	Johns Hopkins University	PO# 2000821015, PO# 2001820811	12.420	92,759
Military Medical Research and Development	University of Colorado Denver	FY13.645.001	12.420	49,397
Total Department of Defense (Research and Development Cluster)				<u>732,609</u>
Department of Health and Human Services (Research and Development Cluster)				
HEN with Intermountain and Collaborating Affinity Partners	Intermountain Healthcare	2-6-11-EH	93.000	74,376
The Respiratory Protection Effectiveness CT (ResPECT)	North Florida Foundation		93.000	160,010
Vaccine Safety Datalink	Kaiser Permanente		93.000	108,173
Clinical Research Network for Treatment of ALI and ARDS	University of Colorado Denver	FY13.342.004	93.000	9,941
Pediatric HIV Trials	University of Colorado Denver	FY14.043.001, FY14.043.008	93.000	38,892
Environmental Health	Colorado State University	G-4444-3	93.113	15,206
Oral Diseases and Disorders Research	University of Colorado Denver	FY13.245.003 AMD4, FY13.245.001 AMD6	93.121	72,727

Denver Health and Hospital Authority
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2014

Federal Grantor/Program or Cluster Title	Pass-through Grantor	Pass-through Identifying Number, If Applicable	Federal CFDA Number	Federal Expenditures
Centers for Research and Demonstration for Health Promotion and Disease Prevention	University of Colorado Denver	FY14.143.001 AMD4	93.135	31,679
Injury Prevention and Control Research and State and Community Based Programs	University of Colorado Denver	FY14.693-003, FY15.693.002	93.136	3,538
Coordinated Service and Access to Research for Women, Infants, Children, and Youth	University of Colorado Denver	FY13.043.004	93.153	(1,829)
Immunization Research, Demonstration, Public Information and Education_Training and Clinical Skills Improvement Projects	University of Colorado Denver	FY14.206.002AMD4, FY14.613.001	93.185	15,859
National Research Service Awards_Health Services Research Training			93.225	49,233
Research on Healthcare Costs, Quality and Outcomes			93.226	1,243,755
Research on Healthcare Costs, Quality and Outcomes	University of Colorado Denver	FY14.206.008AMD3, FY14.206.004, FY15.206.004AMD1, FY14.206.007AMD4	93.226	315,441
Research on Healthcare Costs, Quality and Outcomes	University of Cincinnati	COEUS#008300	93.226	14,802
Mental Health Research Grants			93.242	18,614
Mental Health Research Grants	University of Colorado Denver	FY14.083.005 AMD4/2-5-74808	93.242	25,116
Drug Abuse and Addiction Research Programs	University of Colorado Denver	FY13.209.001, FY13.098.002 FY14.098.002 , FY14.559.002	93.279	70,457
Drug Abuse and Addiction Research Programs			93.279	92,112
National Center for Advancing Translational Sciences	University of Colorado Denver	FY14.220.019, FY15 220.005AMD1, FY15.220.017/2-5-67801	93.350	123,377

Denver Health and Hospital Authority
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2014

Federal Grantor/Program or Cluster Title	Pass-through Grantor	Pass-through Identifying Number, If Applicable	Federal CFDA Number	Federal Expenditures
Nursing Research	Denver Research Institute	004	93.361	3,272
National Center for Research Resources	Colorado Foundation for Public Health and Environment	PO-217A	93.389	1,364
National Center for Research Resources	University of Colorado Denver	FY14.220.004 AMD6, FY14.220.004 AMD5, J-11-110	93.389	17,293
Cancer Research Manpower	University of Colorado Denver	FY15.301.001/2-5-27714	93.398	2,105
Cardiovascular Diseases Research	University of Colorado Denver	FY13.578.001, FY15.578.001, FY14.333.001, FY15.333.001, FY13.647.001, FY14.645.003	93.837	325,637
Cardiovascular Diseases Research	University of Colorado Boulder	154877	93.837	30,659
Cardiovascular Diseases Research	Yale University	Silver AMI-SITE #097	93.837	5,043
Lung Diseases Research	University of Colorado Denver	FY14.240.001, FY14.575.001, FY15.575.001	93.838	55,778
Lung Diseases Research	University of Minnesota	P001344009	93.838	15,607
Blood Diseases and Resources Research	University of Colorado Denver	FY15.575.003/2-5-23971	93.839	17,777
Arthritis, Musculoskeletal and Skin Diseases Research	University of Minnesota	N000188542	93.846	611
Diabetes, Digestive, and Kidney Diseases Extramural Research	University of Colorado Denver	FY14.585.001, FY14.687.001, FY12.031.003, FY15.031.006, FY15.585.001, FY15.687.001, FY14.690.001	93.847	286,869
Extramural Research Programs in the Neurosciences and Neurological Disorders	Columbia University	22 (GG04432)	93.853	(11,367)
Extramural Research Programs in the Neurosciences and Neurological Disorders	Yale University	A09394 M10A10509	93.853	5,135
Allergy, Immunology and Transplantation Research	Brigham and Women's Hospital		93.855	(501)
Allergy, Immunology and Transplantation Research	George Washington University	28554-27-CCLS590476F, 28554/40/CCLS90596F	93.855	100,881

Denver Health and Hospital Authority
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2014

Federal Grantor/Program or Cluster Title	Pass-through Grantor	Pass-through Identifying Number, If Applicable	Federal CFDA Number	Federal Expenditures
Allergy, Immunology and Transplantation Research	Institute for Clinical Research	M03-DN-017-0704-2	93.855	157,760
Allergy, Immunology and Transplantation Research	University of Colorado Denver	FY13.265.001, FY14.302.001	93.855	49,243
Allergy, Immunology and Transplantation Research			93.855	493,158
Biomedical Research and Research Training			93.859	34,607
Biomedical Research and Research Training	University of Colorado Denver	FY13.201.001, FY.201.002 AMD2	93.859	103,488
Child Health and Human Development Extramural Research	University of Colorado Denver	FY13.590.006, FY13.590.001, FY13.590.005, FY14.590.004, FY13.590.008, FY13.571.002, FY14.571.003, FY14.367.001, FY14.367.002, FY14.284.005	93.865	238,451
Aging Research	Dartmouth College	1185	93.866	24,155
Aging Research	Vanderbilt University Medical Center	VUMC38284, VUMC38536	93.866	33,423
Vision Research	Jaeb Center for Health Research	5U10EY014231	93.867	861
HIV Demonstration, Research, Public and Professional Education Projects			93.941	695,333
Assistance Programs for Chronic Disease Prevention and Control	University of Colorado Denver		93.945	2,502
International Research and Research Training	University of Colorado Denver	FY14.577.001	93.989	26,939
Total Department of Health and Human Services (Research and Development Cluster)				<u>5,197,562</u>
Total Research and Development Cluster				<u>5,930,171</u>
Total Federal Expenditures in 2014				<u><u>\$ 52,523,978</u></u>

(N) - Includes noncash federal assistance

See accompanying notes to schedule of expenditures of federal awards.

Denver Health and Hospital Authority
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

Notes to Schedule

1. This schedule includes the federal awards activity of Denver Health and Hospital Authority (the Authority) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Noncash Assistance

The Authority received noncash assistance of \$9,056,108 in the form of food instruments Catalog of Federal Domestic Assistance (CFDA) (CFDA No. 10.557) during the year ended December 31, 2014, which were passed through from the Colorado Department of Public Health and Environment. Distribution of the food instruments is reflected in the Schedule of Federal Expenditures.
3. Of the federal expenditures presented in this schedule, the Authority provided federal awards to subrecipients as follows:

Program	CFDA Number	Amount Provided
Military Medical Research and Development	12.420	\$ 309,473
Research on Healthcare Costs, Quality and Outcomes	93.226	311,314
Lung Diseases Research	93.838	14,727
Allergy, Immunology and Transplantation Research	93.855	142,664
HIV Demonstration, Research, Public and Professional Education Projects	93.941	<u>37,043</u>
Research and Development Cluster		<u>815,221</u>
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073	70,551
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	148,385
Teenage Pregnancy Prevention Program	93.297	464,243
Affordable Care Act (ACA) Grants for Capital Development in Health Centers	93.526	4,057
The Patient Protection and Affordable Care Act of 2012 (PPACA) authorizes Community Transformation Grants and National Dissemination and Support for Community Transformation Grants	93.531	243,642
Health Care Innovation Awards (HCIA)	93.610	658,338
Prevention Public Health Fund: Viral Hepatitis Prevention	93.736	10,000
HIV Prevention Activities_Non-Governmental Organization Board	93.939	60,285
HIV Prevention Activities_Health Department Based	93.940	<u>173,528</u>
		<u>1,833,029</u>
Total		<u><u>\$ 2,648,250</u></u>

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

Board of Directors
Denver Health and Hospital Authority
Denver, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Denver Health and Hospital Authority (the Authority) and its discretely presented component units, as of and for the year ended December 31, 2014, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 26, 2015.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Authority's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Board of Directors
Denver Health and Hospital Authority

Compliance and Other Matters

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

Purpose of this Report

The purpose of this communication is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
March 26, 2015

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Board of Directors
Denver Health and Hospital Authority
Denver, Colorado

Report on Compliance for Each Major Federal Program

We have audited the compliance of Denver Health and Hospital Authority's (the Authority) with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2014. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the Authority's major programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Board of Directors
Denver Health and Hospital Authority

Opinion on Each Major Program

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstance, for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Board of Directors
Denver Health and Hospital Authority

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Authority and its discretely presented component units, as of and for the year ended December 31, 2014, and have issued our report thereon dated March 26, 2015, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, 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 audit 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

Denver, Colorado
March 26, 2015

Denver Health and Hospital Authority
Schedule of Findings and Questioned Costs
Year Ended December 31, 2014

Section I – Summary of Auditor’s Results

Financial Statements

1. Type of auditor’s report issued:
 Unmodified Qualified Adverse Disclaimer
2. Internal control over financial reporting:
 Significant deficiency(ies) identified? Yes None reported
 Material weakness(es) identified? Yes No
3. Noncompliance material to financial statements noted? Yes No

Federal Awards

4. Internal control over major programs:
 Significant deficiency(ies) identified? Yes None reported
 Material weakness(es) identified? Yes No
5. Type of auditor’s report issued on compliance for major programs:
 Unmodified Qualified Adverse Disclaimer
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes No

7. Identification of major programs:

CFDA Number	Cluster/Program
Various	Research and Development Cluster
Various	Health Centers Cluster
93.914	HIV Emergency Relief Project Grants

8. Dollar threshold used to distinguish between type A and type B programs: \$1,575,719
9. Auditee qualified as low risk auditee? Yes No

Denver Health and Hospital Authority
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

Section II – Financial Statement Findings

Reference Number	Finding
	No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
	No matters are reportable.

Denver Health and Hospital Authority
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2014

Reference Number	Summary of Finding	Status
No matters are reportable.		