TELLURIDE HOSPITAL DISTRICT

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2013 and 2012

DALBY, WENDLAND & CO., P.C.
CPAs and Business Advisors

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Board of Directors
Telluride Hospital District
Telluride, Colorado

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and the blended component units of Telluride Hospital District (the District), which comprise the statement of net position as of December 31, 2013, and the related statements of revenue, expenses, and changes in net position, and cash flows and for the year then ended, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. The financial statements of the Telluride Medical Center Foundation (Foundation) were audited in accordance with the *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.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the blended component units of the District as of December 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report of Summarized Comparative Information

We have previously audited the District's 2012 financial statements, and our report dated June 19, 2013, expressed an unmodified opinion on those audited, financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Boards, 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 out audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The schedule of revenue, non-operating revenues, expenses, and non-operating expenses - departments on page 22 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Dalby, Wendland & Co, P.C.

DALBY, WENDLAND & CO., P.C.
Grand Junction, Colorado

April 28, 2014

TELLURIDE HOSPITAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2013

The Telluride Medical Center (TMC) operates two healthcare business units 1) a trauma & emergency services department offering a full service level V trauma center providing emergency care twenty four hours a day seven days a week and 2) a primary care department that is a multi-specialty medical practice with two doctors, two mid-level providers and visiting specialists.

The Telluride Medical Center has two affiliated organizations: the TMC Foundation, a charitable fundraising organization, and IFAM, the Institute for Altitude Medicine, an altitude medicine charitable research organization. For additional financial information on the TMC Foundation, please see the TMC Foundation's December 31, 2013 audited financial statements.

The Telluride Medical Center is governed by a five member Board of Directors elected by the voters within a Special District established under Colorado law (the Telluride Hospital District).

Financial Overview

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

- The Statements of Net Position provides information about the District's assets and liabilities and reflects the District's financial position as of December 31, 2013 and 2012.
- The Statements of Revenue, Expenses and Changes in Net Position reports the cumulative activity of providing healthcare services and the expenses related to such activity for the years ended December 31, 2013 and 2012.
- The Statements of Cash Flows outlines the cash inflows and outflows related to the activity of providing healthcare services for the years ended December 31, 2013 and 2012.
- The Notes to Financial Statements provide explanation and clarification on specific items within the previously mentioned financial statements and should be read in their entirety.

This report also contains other supplemental information in addition to the basic financial statements themselves.

1. Statement of Net Position

Financial Analysis
The District's total assets at the end of the 2013 calendar year were $7,467,275 as compared to $7,537,249 at the end of the 2012 calendar year. The $69,974 decrease reflects a decrease in the ad valorem taxes receivable of $284,565, a decrease in the due affiliates of $111,571 related to the timing of payments and a decrease in cash and cash equivalents of $186,259 offset by an increase in a Colotrust investment of $500,466, net accounts receivable from patient services and pledges of $56,524 related to a 9% increase in December revenues, and a decrease in net capital assets of $55,106 related to depreciation. The increase in cash and cash equivalents relates to a 1% increase in net patient service revenue, and a 133% increase in patient related grant revenues. In addition, staff made deliberate reductions where possible anticipating the reduced ad valorem tax revenue.

At December 31, 2013, assets consisted primarily of cash and cash equivalents of $2,376,804, net capital assets of $2,235,965, current year ad valorem taxes receivable of $1,537,313, and net accounts receivable from patient services and pledges of $559,027.

Comparable asset balances at December 31, 2012 were as follows: cash and cash equivalents of $2,563,063, net capital assets of $2,291,071, prior year ad valorem taxes receivable of $1,821,878, and net accounts receivable from patient services and pledges of $502,503.

The District's total liabilities at December 31, 2013 were $869,691 consisting of accrued liabilities of $688,211, and accounts payables and due to affiliates of $172,892. The increase in accrued liabilities of $19,172 reflects an increase in accrued compensation relating to the timing of the pay period end as well as an increase in paid time off balances and the current year's incentive. The decrease in accounts payable and due to affiliates relates directly to the timing of program support from the Foundation to the District.

Comparable liability balances at December 31, 2012 were as follows: total liabilities of $921,922, consisting of accrued liabilities of $669,039, and accounts payable and due to affiliates of $252,883. The 2012 due to affiliates balance included a program expense settlement of $132,227 from the Foundation to the District that occurred early in 2013.

The District's deferred inflows of resources at December 31, 2013 were $1,532,457 and the comparable balance in 2012 was $1,825,470. The decrease of $293,013 is a direct result of reduced ad valorem taxes relating to a drop in the District's assessed values. The District does not have any debt nor any estimated liability for potential losses.

2. Statements of Revenue, Expenses and Changes in Net Position

Patient Service Revenues

The District's net patient service revenue is divided between revenues from its 24-hour emergency service (55%) and revenues from its primary care clinic (45%). However, the emergency service accounts for only 19% of the patient encounters while the primary care accounts for 81%. Eighty-nine percent (89%) of the District's patient charges are billable to insurance companies and 11% of charges are considered self pay or without insurance. Because payments for services rendered to patients under insurance programs are less than billed charges, the District estimates a provision for contractual adjustments to reduce the total charges to these patients to estimated receipts, based upon either the program's principles or the contractual arrangements. Due to the complicated nature of claim adjudication, the payments received could differ from the provision.

The District's revenues are classified as operating and non-operating revenues. Operating revenues consist of net patient service revenues which increased between the calendar years 2013 and 2012 by 1%. Net patient service revenue for the 2013 calendar year was reported as $3,820,837 compared to the 2012 calendar year net patient revenue of $3,777,314. Patient visits increased 6% during the same period relating to local office closure and a general improvement in the economy.

The Telluride Medical Center Foundation (TMCF) had a successful year with fund raising of $281,857 in 2013 compared to $302,050 in 2012, which includes in-kind contributions from the District of $102,768 and $104,389, respectively. The decrease does not reflect the program funding to the District which increased to $139,641 in 2013 from $110,176 in 2012. TMCF received grants in 2013 totaling $1,292,719 of which all funds were dispersed per the program. Comparable grants in 2012 totaled $1,077,647. The Institute for Altitude Medicine (IFAM) contributions and grants were minimal in 2013 due to both the economy and a planned reduction in fundraising.

Total non-operating revenues for the 2013 calendar year ended at $3,555,668, compared to the non-operating revenues in 2012 of $3,346,078. Non-operating revenue is comprised of ad valorem taxes, contributions and grants, interest income and other non-operating revenues. Contributions and grants are the biggest contributor to the variance in non-operating revenue and had a $244,358 increase from 2012. Ad valorem taxes decreased $33,067 in 2013 based on the decrease in assessed property values.

The major expenses incurred by the District during the 2013 calendar year were compensation and employee benefits of $3,317,196 and $649,495, respectively; information technology and professional services of $331,298; depreciation and amortization of $265,005, IT, equipment, and service contracts of $238,658, and materials and supplies of $236,872.

The District's net position at the end of the 2013 calendar year was $5,065,127 as compared to $4,789,857 at the end of the 2012 calendar year. The year progressed with better than anticipated revenues and expenses. The success of the TMCF also attributed to the increase in net assets.

Provision for Doubtful Accounts

The collection of receivables from patients and third party payers is the District's primary source of cash and is therefore, critical to the District's operating performance.

During the 2013 calendar year, the primary collection risks relate to the uninsured patient and to aged insurance claims. The District estimated the Provisions for Doubtful Accounts based upon previous experience.

Significant changes in payer mix, economic conditions and trends in federal and state governmental health care coverage affect the District's collection of accounts receivable, cash flows, and results of operation. The provision for doubtful accounts for the 2013 calendar year was $106,969 and fully reserves all self-pay balances over 120 days old. The calendar year 2012 provision was $118,044.

3. Cash Flow Statements

The District's 2013 total cash used by operating activities was $1,421,443 as compared to $1,308,430 used in 2012. The increase of $104,013 is associated with staffing an additional provider and medical assistant during the peak times in order to meet increased demand, as well as the initial incentive payout as a part of the compensation plan, plus an increase in the cost of employee healthcare benefits. There was also a large increase in patient related grant activities which was included in both revenues and expenses.

Other sources of cash are primarily ad valorem taxes, but also consist of federal grant revenues. All federal grant monies were spent in the year received thus offset the revenues.

Capital uses of cash during 2013 were $209,899 and reflect an increase of $53,859 over the prior year. The 2013 purchases include a digital xray machine, server equipment upgrades, and the purchase of multiyear Microsoft office licenses. The 2012 capital use of cash was $156,040.

The 2013 increase in investing activities relates mostly to purchasing investments in Colotrust, a trust designed to offer Colorado local governments safe and liquid opportunities to diversify investments.

4. Budgetary Highlights

The District is responsible for funding expenses from cash generated through its operations and from the ad valorem taxes received during the calendar year. The District prepares a budget to reflect the expected revenues and expenses generated through its operations. The District's Board of Directors approved a 2014 budget during the last quarter of the 2013 calendar year.

The original budget was updated and approved during the last quarter of the 2013 calendar year. The variance between the original and final budgets relate to operating and non-operating grant revenue and expenses that were received and spent after the original budget was approved.

The variance between the final budget and actual amounts are due to multiple revenue and expense items. Budgeted net patient service revenue was not realized offset by unanticipated non-operating grant revenues. Significant variances between the budgeted total compensation and benefits and the actual results relate to reduced patient services revenue as well as unanticipated grant reimbursement, the impact of salary deferment and utilization of non-benefitted staff. Other variances include planned projects and patient related grant expenses not incurred.

5. Economic and Other Factors

The days in accounts receivable ratio (DAR) at year end yielded 38 and 69 days in the primary care and emergency department business units, respectively. The healthy accounts receivable ratio is largely due to staff dedicated to working the self-pay accounts receivable. The primary care and emergency department DAR at year ended 2012 was 36 and 68, respectively. A distinctive issue for the District is the number of patient visitors from out of state presenting a non-participating insurance. Each insurance company has unique requirements for claim submission which most times require individual handling. During 2013, the District filed insurance claims with 1,522 different insurance companies of which 48% were non-participating and represented 20% of the total patient revenue.

The day's cash on hand ratio at December 31, 2013 was 123 days versus day's cash on hand in December 2012 of 125 days. The decrease is linked to decrease in property values. Management will continue to monitor this ratio to ensure that adequate cash reserves are available.

A number of major factors affect the ongoing financial situation of the District. They are a combination of healthcare legislation, significant revenue cycle adjustments, and the cost of living in a resort community impacting the District's ability to retain qualified staff and remain the premier provider of healthcare in the region.

The table below reflects the reductions in revenue related to the Care Support program over the last three years.

Charity Care	2013	2012	2011
Emergency Department	$ 73,382	$ 75,343	$ 105,111
Primary care Department	56,884	57,111	77,736
Total Charity Care	$ 130,266	$ 132,454	$ 182,847

Contacting the District's Financial Management

This management discussion and analysis report is designed to provide interested parties with a general overview of the District financial activity for the 2013 calendar year and to demonstrate the District's accountability for the money it received for providing healthcare services to members of this community and others. If you have questions about this report or need additional information, please contact Telluride Hospital District's Financial Director, 500 West Pacific Avenue, Telluride, CO 81435.

TELLURIDE HOSPITAL DISTRICT

STATEMENTS OF NET POSITION

December 31, 2013 and 2012

	2013				2012
	THD *	IFAM **	TMCF ***	**Total**	Total
ASSETS					
Current Assets					
Cash and cash equivalents	$ 2,004,559	$ 30,403	$ 341,842	**$ 2,376,804**	$ 2,563,063
Investments	500,466	-	-	**500,466**	-
Accounts receivable from patient services & pledges, net of estimated uncollectibles of $297,886 (2013) and $282,662 (2012)	497,849	44	61,134	**559,027**	502,503
Other receivables	12,026	-	-	**12,026**	32,153
Ad valorem taxes receivable	1,537,313	-	-	**1,537,313**	1,821,878
Due from affiliates	20,656	-	-	**20,656**	132,227
Inventory	104,038	-	-	**104,038**	95,154
Other current assets	67,530	-	-	**67,530**	65,605
Total Current Assets	4,744,437	30,447	402,976	**5,177,860**	5,212,583
Capital Assets, net	2,216,438	19,527	-	**2,235,965**	2,291,071
Other Assets	53,450	-	-	**53,450**	33,595
Total Assets	7,014,325	49,974	402,976	**7,467,275**	7,537,249
LIABILITIES					
Current Liabilities					
Accounts payable	103,678	47	48,511	**152,236**	120,656
Due to affiliates	-	-	20,656	**20,656**	132,227
Accrued compensation and employee benefits	591,373	-	-	**591,373**	566,550
Other accrued liabilities	96,838	-	-	**96,838**	102,489
Unearned revenue	8,588	-	-	**8,588**	-
Total Current Liabilities	800,477	47	69,167	**869,691**	921,922
Total Liabilities	800,477	47	69,167	**869,691**	921,922
DEFERRED INFLOWS OF RESOURCES					
Imposed nonexchange revenue - ad valorem taxes	1,532,457	-	-	**1,532,457**	1,825,470
Total Deferred Inflows of Resources	1,532,457	-	-	**1,532,457**	1,825,470
NET POSITION					
Invested in capital assets, net of related debt	2,216,438	19,527	-	**2,235,965**	2,291,071
Unrestricted components of net position					
Unrestricted	1,839,953	29,413	330,138	**2,199,504**	2,114,405
Board designated	500,000	-	-	**500,000**	250,000
Temporarily restricted components of net position	125,000	987	3,671	**129,658**	134,381
Total Net Position	$ 4,681,391	$ 49,927	$ 333,809	**$ 5,065,127**	$ 4,789,857

* Telluride Hospital District - See Note 1

** Institute for Altitude Medicine - See Note 1 and Note 14

*** Telluride Medical Center Foundation - See Note 1 and Note 15

See accompanying notes.

TELLURIDE HOSPITAL DISTRICT

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

For the years ended December 31, 2013 and 2012

	2013				2012
	THD	IFAM	TMCF	**Total**	Total
Operating Revenues					
Net patient service revenue	$ 3,796,617	$ 24,220	$ -	**$ 3,820,837**	$ 3,777,314
Contribution and donation income - Note 1 and 15	-	-	281,857	**281,857**	302,050
Other revenue	54,560	40	-	**54,600**	59,917
Patient related grant revenue	205,080	-	-	**205,080**	88,083
Total Operating Revenues	4,056,257	24,260	281,857	**4,362,374**	4,227,364
Operating Expenses					
Compensation	3,189,494	14,411	113,291	**3,317,196**	3,382,651
Contract services	151,862	2,815	-	**154,677**	76,941
Employee benefits	644,283	5,212	-	**649,495**	642,121
Program expenses	-	-	139,641	**139,641**	110,176
Information technology and professional services	325,696	1,352	4,250	**331,298**	343,444
Other operating expenses	232,102	2,301	11,479	**245,882**	241,175
Materials and supplies	235,079	1,557	236	**236,872**	242,006
Depreciation and amortization	260,212	4,793	-	**265,005**	242,814
IT, equipment, and service contracts	227,856	10,802	-	**238,658**	247,788
Patient related grant expense	189,057	-	-	**189,057**	56,235
Building and facilities	120,569	2,590	-	**123,159**	125,409
Utilities and support services	67,726	-	1,745	**69,471**	66,376
Insurance	88,831	525	1,175	**90,531**	76,943
Travel and entertainment	-	55	602	**657**	3,791
Research and development	-	343	-	**343**	405
Interest and loan fees	10	-	-	**10**	22
Total Operating Expenses	5,732,777	46,756	272,419	**6,051,952**	5,858,297
Income (Loss) From Operations	(1,676,520)	(22,496)	9,438	**(1,689,578)**	(1,630,933)
Non-operating Revenues					
Ad valorem taxes	1,873,101	-	-	**1,873,101**	1,906,168
Contributions and grants	271,787	40,109	1,292,719	**1,604,615**	1,360,257
Interest income	8,161	-	373	**8,534**	11,554
Other non-operating revenues	69,418	-	-	**69,418**	68,099
Total Non-operating Revenues	2,222,467	40,109	1,293,092	**3,555,668**	3,346,078
Non-operating Expenses					
Contributions and grants	92,297	-	1,292,719	**1,385,016**	1,177,308
Distribution to TMCF	187,667	-	-	**187,667**	195,035
Distribution to IFAM	2,400	-	-	**2,400**	5,479
Lhotka Conference	-	15,737	-	**15,737**	-
Total Non-operating Expenses	282,364	15,737	1,292,719	**1,590,820**	1,377,822
Total Non-operating Revenues, net	1,940,103	24,372	373	**1,964,848**	1,968,256
Increase in Net Position	263,583	1,876	9,811	**275,270**	337,323
Net Position - beginning of the year	4,417,808	48,051	323,998	**4,789,857**	4,452,534
Net Position - end of the year	$ 4,681,391	$ 49,927	$ 333,809	**$ 5,065,127**	$ 4,789,857

See accompanying notes.

TELLURIDE HOSPITAL DISTRICT

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2013 and 2012

	2013				2012
	THD	IFAM	TMCF	**Total**	Total
Cash Flows From Operating Activities					
Cash received from patients and third-party payors	$ 3,754,959	$ 25,107	$ -	**$ 3,780,066**	$ 3,746,143
Cash received from other operating activities	279,767	40	266,100	**545,907**	312,836
Cash paid to suppliers and others	(1,495,322)	(19,478)	(240,363)	**(1,755,163)**	(1,549,412)
Cash paid to employees for services	(3,960,815)	(22,438)	-	**(3,983,253)**	(3,817,997)
Net Cash Provided (Used) by Operating Activities	(1,421,411)	(16,769)	25,737	**(1,412,443)**	(1,308,430)
Cash Flows From Non-capital Financing Activities					
Ad valorem taxes - Telluride Hospital District	1,864,653	-	-	**1,864,653**	1,913,449
Change in due to/from affiliate, net	110,892	-	(110,892)	**-**	373
Non-operating revenues	341,205	40,109	1,154,717	**1,536,031**	1,295,559
Non-operating expenses	(282,364)	(15,733)	(1,154,717)	**(1,452,814)**	(1,245,025)
Net Cash Provided (Used) by Non-capital Financing Activities	2,034,386	24,376	(110,892)	**1,947,870**	1,964,356
Cash Flows From Capital and Related Financing Activities					
Acquisition of property and equipment	(209,899)	-	-	**(209,899)**	(156,040)
Net Cash Used for Capital and Related Financing Activities	(209,899)	-	-	**(209,899)**	(156,040)
Cash Flows From Investing Activities					
Purchase of investments	(500,466)	-	-	**(500,466)**	-
Interest income received	8,161	-	373	**8,534**	11,554
Investment in HealthCare Management, Inc.	(19,855)	-	-	**(19,855)**	(33,595)
Net Cash Provided (Used) by Investing Activities	(512,160)	-	373	**(511,787)**	(22,041)
Increase (Decrease) in Cash and Cash Equivalents	(109,084)	7,607	(84,782)	**(186,259)**	477,845
Cash and Cash Equivalents - beginning of the year	2,113,643	22,796	426,624	**2,563,063**	2,085,218
Cash and Cash Equivalents - end of the year	$ 2,004,559	$ 30,403	$ 341,842	**$ 2,376,804**	$ 2,563,063

See accompanying notes.

TELLURIDE HOSPITAL DISTRICT

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2013 and 2012

	2013				2012
	THD	IFAM	TMCF	**Total**	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Income (loss) from operations	$ (1,676,520)	$ (22,496)	$ 9,438	**$ (1,689,578)**	$ (1,630,933)
Adjustments to reconcile operating loss to net cash used for operating activities:					
Bad debts	201,472	80	-	**201,552**	206,969
Provision for contractual adjustments	1,605,678	8,188	-	**1,613,866**	1,543,629
Depreciation and amortization	260,212	4,793	-	**265,005**	242,814
Changes in:					
Accounts receivable from patient services & pledges	(1,848,808)	(7,381)	(15,757)	**(1,871,946)**	(1,783,163)
Other receivables	20,127	-	-	**20,127**	(21,803)
Inventory	(8,884)	-	-	**(8,884)**	(8,778)
Other current assets	(1,925)	-	-	**(1,925)**	(24,094)
Accounts payable and accrued liabilities	27,237	47	32,056	**59,340**	166,929
Net Cash Provided (Used) by Operating Activities	$ (1,421,411)	$ (16,769)	$ 25,737	**$ (1,412,443)**	$ (1,308,430)

See accompanying notes.

NOTE 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Telluride Hospital District (the District) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental financial reporting principles. The following is a summary of the District's significant accounting policies:

Financial Reporting Entity - The District was established in 1983 to operate and maintain a community health clinic and emergency center for the diagnosis and treatment of individuals requiring outpatient services and emergency care in the community and surrounding area of Telluride, Colorado.

The primary purpose of the District is to enhance and promote local health care by providing primary and emergency medical services, which includes establishing and operating a primary care medical center, TMC – Primary Care Enterprise and a 24-hour emergency medical care center, the Telluride Medical Center (TMC). In addition to its primary purpose, the District supports community health care through ongoing review and assessment of regional health care needs and cooperation with local, regional, state, and federal health care initiatives.

The financial statements of the District include all of the integral parts of the District's operations. To conform to GAAP as applicable to governments, criteria was considered to determine whether any organization should be included in the District's reporting entity. Based on these considerations, it was determined that the Institute For Altitude Medicine (IFAM), a separate legal entity, and the Telluride Medical Center Foundation (TMCF) meet the criteria to be included in the District's financial statements as blended component units. Additional financial information pertaining to the IFAM may be obtained from Institute For Altitude Medicine, P.O. Box 1229, Telluride, CO, 81435 (see Note 14). Additional financial information pertaining to the TMCF may be obtained from Telluride Medical Center Foundation, P.O. Box 1229, Telluride, CO, 81435 (see Note 15).

Accounting Standards - The District implemented GASB No. 62 Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements during the year ended December 31, 2012.

The District implemented GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* for the year ended December 31, 2012. GASB No. 63 implements a new presentation of certain assets as deferred outflows, certain liabilities as deferred inflows, and also replaces the term net assets with net position. The effect of implementation of GASB No. 63 for the District was a reclassification of deferred revenues to deferred inflows of resources.

The District elected to early implement GASB No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2012. GASB No. 65 defines which items previously reported as assets and liabilities are now required to be reported as either deferred outflows or deferred inflows of resources. Under this statement, the District is reporting $1,532,457 (2013) and $1,825,470 (2012) of ad valorem taxes as deferred inflows of resources. The District did not have any deferred outflows of resources as of December 31, 2013 and 2012.

Risk Management - The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the five preceding years (see Note 13 for discussion of coverage related to medical malpractice claims).

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents may include investments in highly liquid debt instruments with an original maturity of three months or less. The Board of Directors (the Board) has designated assets required to meet capital expenditures. These designated assets are included in cash and cash equivalents. At December 31, total Board designated assets to be used in the future purchase of land and a new facility was $500,000 (2013) and $250,000 (2012).

Patient Receivables - Patient receivables are uncollateralized patient and third-party payor obligations. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Ad Valorem Taxes - As of December 31, 2013 and 2012, the District's mill levy consisted of general operating expenses and a special levy for emergency medical care. Property taxes for the current year are levied in December of the previous year and attach as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. Property taxes for 2013 and 2012 are reportable as a receivable and a deferred inflow of resources at December 31. The deferred taxes are reported as revenue in the year in which the lien attaches and they are available and collected.

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

Capital Assets - Property and equipment are recorded at cost, or if donated, at fair market value at the date of receipt. The District defines capital assets as assets with an initial cost of more than $10,000. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method.

Net Position - Net position is presented in the following components:

Invested in capital assets, net of related debt - Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the current balances of any outstanding debt used to finance the purchase or construction of those assets.

Unrestricted - Unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Temporarily restricted - Temporarily restricted component of net position is used to differentiate resources, the uses of which are specified by donors or grantors, from resources of the unrestricted component of net position on which donors or grantors place no restrictions or that arise as a result of the District operating for its stated purposes. Donor restrictions for specific purposes are reported in other operating revenues to the extent used within the period. Temporarily restricted components of net position for plant replacement and expansion are added to the unrestricted component of net position balance when expended.

Accrued Compensated Absences - The District accrues paid time-off in the period the related liability vests with the respective employee. Paid time-off is granted to all full-time employees and is vested based on years of service.

Net Patient Service Revenue - The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Financial Hardship - The District provides care to patients who meet certain criteria under its financial hardship policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as financial hardship, they are not reported as revenue.

In-Kind Contributions - The District, specifically TMCF and IFAM, receives in-kind contributions to be used towards salaries and rent expense, respectively. Donated rent is recorded at its estimated value at the date of receipt.

Advertising - Advertising costs are charged to operations when incurred. For the years ended December 31, 2013 and 2012, advertising expenses were $15,353 and $11,199, respectively.

Income Taxes - As an essential government function of San Miguel County, the District is generally exempt from income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. With few exceptions, as of December 31, 2013, the District is no longer subject to U.S. Federal or state income tax examinations by tax authorities for years before 2008.

Reclassifications - Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 presentation. The reclassifications had no effect on the results of operations.

NOTE 2 - BUDGETS

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

A. Budgets are required by state law.

B. Public hearings are conducted by the District to obtain taxpayer comments.

C. Prior to December 31, the budget is adopted and appropriations are made by formal resolution.

D. Expenditures may not legally exceed appropriations. The Board's approval is required for changes in the budget. Budget amounts included in the financial statements are based on the final, legally amended budget. The District's original budgeted expenditures were $6,475,888 and the final budgeted expenditures were $6,334,494 for the year ended December 31, 2013. The District expended less than was appropriated during 2013.

E. Budget appropriations lapse at the end of each year.

F. The District adopts budgets that include all financing sources and uses. The following is a budgetary comparison and a summary of the adjustments necessary to convert to the budgetary basis from GAAP used in presentation of the statements of revenue and expenses - unrestricted funds for the year ended December 31, 2013:

		Actual		Budget		Variance - Favorable (Unfavorable)
Revenue:						
GAAP-based revenue	$	4,056,257	$	4,082,190	$	(25,933)
GAAP-based non-operating revenue		2,222,467		2,199,602		22,865
Total Budgetary Revenue	$	6,278,724	$	6,281,792	$	(3,068)
Expenses:						
GAAP-based expenses	$	5,732,777	$	5,883,049	$	150,272
GAAP-based non-operating expenses		282,364		239,261		(43,103)
Adjustments:						
Capital outlay		209,899		212,184		506
Total Budgetary Expenses	$	6,225,040	$	6,334,494	$	109,454

NOTE 3 - TAX, SPENDING, AND DEBT LIMITATIONS

Effective January 1, 2003, the District adopted a resolution that formalized the establishment of the TMC – Primary Care Enterprise as an enterprise under Article X, Section 20 of the Colorado Constitution, as amended (the TABOR amendment), which has several limitations including revenue raising, spending abilities, and other specific requirements of state and local governments. The TABOR amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment. However, the District has made certain interpretations of the TABOR amendment's language in order to determine its compliance. As stipulated in a resolution adopted by the District dated December 11, 2002, pursuant to and in accordance with the TABOR amendment, the TMC – Primary Care Enterprise shall be excluded from the provisions of the TABOR amendment.

NOTE 4 - CASH AND CASH EQUIVALENTS

The Colorado Public Deposit Protection Act (PDPA) governs the District's cash deposits. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets, to be maintained by another institution or held in trust for all of its local government depositors as a group, with a market value equal to at least 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and the reporting of uninsured deposits and assets maintained in the collateral pools.

The District had bank balances at December 31 as follows:

		2013		2012
Insured (FDIC) or collateralized with securities held by the District	$	548,743	$	599,456
Collateralized by securities held by the pledging financial institution in accordance with PDPA		1,761,750		2,025,036
Total	$	2,310,493	$	2,624,492
Carrying Value	$	2,376,804	$	2,563,063

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure the District would not be able to recover the value of its deposits. The District's deposits are not deemed to be exposed to custodial credit risk as they are held by the District, or the District's custody agent in the District's name.

Concentrations of Credit Risk - Deposits

A concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer or institution. The District holds 99% of its cash deposits in one financial institution and 1% in a second institution.

NOTE 5 - INVESTMENTS

As of December 31, 2013, the District had $500,466 invested in Colotrust, a local government investment pool established for local governments in Colorado to pool surplus funds. These pools operate similarly to a money market fund and each share is equal in value to $1. Investments in Colotrust consist of U.S. Treasury and agency securities, the highest rated commercial paper and repurchase agreements collateralized by U.S. Treasury and agency securities and is rated AAAm by Standard and Poor's.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that in the event of failure of the counter party to a transaction, the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are not deemed to be exposed to custodial credit risk as they are held by the District, or the District's custody agent in the District's name.

NOTE 6 - CAPITAL ASSETS

Capital asset activities for the years ended December 31 were as follows:

2013	Beginning Balance	Additions	Deletions	Ending Balance
Building improvements	$ 2,475,302	$ 5,407	$ -	$ 2,480,709
Medical equipment	1,194,348	125,281	-	1,319,629
Furniture and fixtures	65,614	-	-	65,614
Administrative equipment	248,893	76,684	-	325,577
Construction in process	-	2,527	-	2,527
Total Cost	3,984,157	209,899	-	4,194,056

Less accumulated depreciation and amortization:				
Building improvements	642,439	88,855	-	731,294
Medical equipment	811,769	136,165	-	947,934
Furniture and fixtures	60,895	2,394	-	63,289
Administrative equipment	177,983	37,591	-	215,574
Total Accumulated Depreciation and Amortization	1,693,086	265,005	-	1,958,091
Capital assets, net	$ 2,291,071	$ (55,106)	$ -	$ 2,235,965

	2012			
	Beginning Balance	Additions	Deletions	Ending Balance
Building improvements	$ 2,457,165	$ 18,137	$ -	$ 2,475,302
Medical equipment	1,115,877	94,096	15,625	1,194,348
Furniture and fixtures	65,614	-	-	65,614
Administrative equipment	212,572	43,807	7,486	248,893
Total Cost	3,851,228	156,040	23,111	3,984,157
Less accumulated depreciation and amortization:				
Building improvements	553,754	88,685	-	642,439
Medical equipment	702,798	124,596	15,625	811,769
Furniture and fixtures	58,501	2,394	-	60,895
Administrative equipment	158,330	27,139	7,486	177,983
Total Accumulated Depreciation and Amortization	1,473,383	242,814	23,111	1,693,086
Capital assets, net	$ 2,377,845	$ (86,774)	$ -	$ 2,291,071

NOTE 7 - INVESTMENT IN HEALTHCARE MANAGEMENT, INC.

The District invested in Healthcare Management, Inc. (HCM) during 2012. As of December 31, 2013 and 2012, the District had a 0.5% ownership interest in HCM. HCM is a for-profit limited liability corporation that owns and operates two companies that provide self-pay recovery services for hospitals and medical billing offices. Management of the District identified the investment in HCM as a potential source of income as mill levy proceeds continue to decrease.

NOTE 8 - EMPLOYEE BENEFITS

Retirement Plan - The District has a deferred compensation plan (the Plan) through annuity contracts with Colorado County Officials and Employees Retirement Association (CCOERA) in accordance with Section 457(b) of the Internal Revenue Code (IRC). The Plan allows participating employees to defer a portion of their compensation for retirement purposes. The deferred compensation is invested for the participants by the District under the agreements in the Plan. Under provisions of the IRC, all Plan assets are considered to be the property of the eligible participants and are, therefore, not considered to be assets of the District.

The District has offered a 401(a) Plan (the Plan) through CCOERA. Under terms of the Plan, all employees who have completed one year of service are eligible to participate. Participants may defer a portion of their compensation up to specified limits according to the IRC. The District will match 3% of the participants' contributions for a Plan month. For the years ended December 31, the District contributed $79,607 (2013) and $85,802 (2012) to the Plan.

Accrued Compensated Absences - The District's program pays for paid time-off (PTO) earned by regular, full-time employees. An employee may maintain a maximum of 300 PTO hours. Upon reaching 300 PTO hours, no additional time will accrue in an employee's PTO bank. At December 31, accrued PTO was $174,330 (2013) and $169,951 (2012).

NOTE 9 - LINE OF CREDIT

On December 10, 2012, the District renewed its line of credit ($400,000) with an interest rate of 0.025 percentage points over prime rate, with a 5% floor (5.0% at December 31, 2013 and 2012). This agreement has a maturity date of April 1, 2014. The line is collateralized by accounts receivable, inventory and equipment. As of December 31, 2013 and 2012, there were no draws on the line of credit.

NOTE 10 - NET POSITION

The District is required to report information regarding its financial position and activities according to three components of net position. The table below represents the District's financial position and activities at December 31, 2013:

THD	Invested in Capital Assets	Unrestricted	Unrestricted – Board Designated	Temporarily Restricted	Permanently Restricted	Total
Beginning net position	$ 2,266,751	$ 1,776,057	$ 250,000	$ 125,000	$ -	$ 4,417,808
Fixed asset additions	209,899	(209,899)	-	-	-	-
Transfers to board designated	-	(250,000)	250,000	-	-	-
Increases (decreases) in net position	(260,212)	523,795	-	-	-	263,583
Ending net position	$ 2,216,438	$ 1,839,953	$ 500,000	$ 125,000	$ -	$ 4,681,391

IFAM	Invested in Capital Assets	Unrestricted	Unrestricted – Board Designated	Temporarily Restricted	Permanently Restricted	Total
Beginning net position	$ 24,320	$ 22,400	$ -	$ 1,331	$ -	$ 48,051
Components of net position released from restriction	-	344	-	(344)	-	-
Increases (decreases) in net position	(4,793)	6,669	-	-	-	1,876
Ending net position	$ 19,527	$ 29,413	$ -	$ 987	$ -	$ 49,927

TMCF	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning net position	$ 315,948	$ 8,050	$ -	$ 323,998
Components of net position released from restriction	4,800	(4,800)	-	-
Increases in net position	9,390	421	-	9,811
Ending net position	$ 330,138	$ 3,671	$ -	$ 333,809

NOTE 11 - OPERATING LEASES

The District has a non-cancellable operating lease for rental of office equipment. This is set to expire in 2017. Lease expense for the years ended December 31 was $3,900 (2013) and $2,925 (2012). Future minimum lease payments for the years ending December 31 are as follows:

2014	$ 3,900
2015	3,900
2016	3,900
2017	975
	$ 12,675

NOTE 12 - CONCENTRATIONS OF CREDIT RISK

The District is located in Telluride, Colorado and grants credit without collateral to its patients, who are local residents of, and visitors to, the San Miguel County, Colorado area. Most patients are insured under third-party payor agreements.

Receivables from patients and third-party payors were as follows at December 31:

	2013	2012
Other third-party payors	57.8%	53.6%
Patient self-pay	33.0%	37.3%
Medicare	4.8%	5.2%
Medicaid	4.4%	3.9%

A summary of net patient service revenue for the years ended December 31 was as follows:

	2013	2012
Patient service revenue		
Emergency care	$ 2,963,898	$ 2,981,827
Community clinic	2,770,135	2,634,598
IFAM	32,488	43,941
Gross Patient Service Revenue	5,766,521	5,660,366
Financial hardship	(130,266)	(132,454)
Gross Patient Service Revenue, Net of Financial Hardship	5,636,255	5,527,912
Contractual adjustments	(1,613,866)	(1,543,629)
Provision for bad debts	(201,552)	(206,969)
Net Patient Service Revenue	$ 3,820,837	$ 3,777,314

NOTE 13 - CONTINGENCIES

Malpractice Insurance - The District purchases professional and general liability insurance coverage to cover medical malpractice claims. These are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. This insurance coverage is on a “claims-made” basis.

The District’s management, using information provided by its insurance carrier, has determined that the estimated liability for potential losses incurred, but not reported at December 31, 2013 and 2012, is not material to the accompanying financial statements. Accordingly, no provision for such losses has been accrued.

Litigation - The District is, at times, involved in litigation arising in the normal course of business. Management has consulted with legal counsel and estimates that these matters will be resolved without a material impact on the operations or financial position of the District.

Grant Repayment - The District received a special initiatives grant in 2010 from the Telluride Foundation in support of the Telluride Medical Center Remodeling Project in the amount of $125,000. The grant set forth a condition that requires the District to remain in the facility located at 500 West Pacific Avenue for five years. If the District does not remain in the facility through 2015, they would be required to repay the grant in full. The District's management has determined there is a remote possibility that the grant would need to be repaid based on the amount of time required to build a new facility and the substantial amount of money required to fund the project. This grant is classified a temporarily restricted component of net position in the statements of net position at December 31, 2013 and 2012.

NOTE 14 - INSTITUTE FOR ALTITUDE MEDICINE

The Institute for Altitude Medicine (IFAM) was founded during 2007 to provide clinical care and consultation, conduct research and develop educational programs to optimize health as well as treat medical issues affecting people who either live at, or travel to, high altitude. IFAM is a not-for-profit, organized under section 501(c)(3) of the Internal Revenue Code.

IFAM received a gift in-kind from the District for the years ended December 31, 2013 and 2012 in the form of rent. The cost of office facilities, which are used by IFAM in connection with operations, is not reflected in IFAM in the statement of net position because asset title remains with the District. IFAM has reported contribution revenue and program expense amounting to $2,400 and $4,800 in the accompanying statement of revenue, expenses and changes in net position for the free use of the facilities during the years ended December 31, 2013 and 2012, respectively.

NOTE 15 - TELLURIDE MEDICAL CENTER FOUNDATION

During 2009, the Telluride Medical Center Foundation (TMCF) was formed exclusively for charitable purposes for the benefit of the District. TMCF is a not-for-profit, organized under section 501(c)(3) of the Internal Revenue Code.

As of December 31, TMCF had a payable to the District of $20,656 (2013) and $131,548 (2012).

As of December 31, TMCF had $281,857 (2013) and $302,050 (2012) of contribution and donation income, of which $102,768 (2013) and $104,389 (2012) was an in-kind donation from the District.

During 2012, TMCF was awarded four grants. The first, the Carol M. White Physical Education Program (PEP) provides grants to community-based organizations to initiate, expand, or enhance physical education programs, including after-school programs, for students in kindergarten through 12th grade. Revenue related to the PEP grant was $629,145 (2013) and $488,307 (2012). TMCF also received $138,002 (2013) and $132,797 (2012) in in-kind donations related to the PEP grant. Of that in-kind, $84,899 (2013) and $90,646 (2012) was support from the District. For the years ended December 31, 2013 and 2012, all monies were spent in the year received.

TMCF was awarded three grants under CFDA#93.912, Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program. The objective of which is to expand delivery of health care services in rural areas, for the planning and implementation of integrated health care networks in rural areas, and for planning and implementation of small health care provider quality improvement activities. The first program awarded was the Small Health Care Provider Quality Improvement Program which supports rural public, rural non-profit, or other providers of healthcare services, such as a critical access hospital or rural health clinic. The second and third programs awarded were the Rural Health Information Network Program and the Rural Health Care Services Outreach Program which both support the delivery of health care services. Revenue for 2013 and 2012 related to the three grants was $525,572 and $456,543, respectively. For the years ended December 31, 2013 and 2012, all monies were spent in the year received.

NOTE 16 - FINANCIAL HARDSHIP

The District provides care to patients who meet certain criteria under its financial hardship policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as financial hardship, they are not reported as revenue.

The District determines the costs associated with financial hardships by aggregating the applicable direct and indirect costs, including salaries, wages and benefits, medical equipment and supplies, pharmacy, and other operating expenses, based on data from its costing system. Financial hardship costs for the years ended December 31, 2013 and 2012 were $214,948 and $207,045, respectively.

NOTE 17 - SUBSEQUENT EVENTS

The District has evaluated subsequent events through April 28, 2014, the date at which the financial statements were available to be issued, and determined that no events have occurred that required disclosure.

REQUIRED SUPPLEMENTAL INFORMATION

TELLURIDE HOSPITAL DISTRICT

SCHEDULE OF REVENUE, NON-OPERATING REVENUES, EXPENSES
AND NON-OPERATING EXPENSES - BUDGET AND ACTUAL

For the year ended December 31, 2013

	Budgeted Amounts Original	Budgeted Amounts Final	THD Actual	Favorable (Unfavorable) Variance
Operating Revenues				
Net patient service revenue	$ 3,901,796	$ 3,823,492	$ 3,796,617	$ (26,875)
Other revenue	48,234	53,245	54,560	1,315
Patient related grant revenue	-	205,453	205,080	(373)
Total Operating Revenues	3,950,030	4,082,190	4,056,257	(25,933)
Non-operating Revenues				
Ad valorem taxes	1,861,068	1,867,639	1,873,101	5,462
Contributions and grants	212,252	259,805	271,787	11,982
Interest income	10,500	8,743	8,161	(582)
Other non-operating revenues	56,900	63,415	69,418	6,003
Total Non-operating Revenues	2,140,720	2,199,602	2,222,467	22,865
Total Budgetary Revenues, net	$ 6,090,750	$ 6,281,792	$ 6,278,724	$ (3,068)
Operating Expenses				
Compensation	$ 3,370,072	$ 3,265,905	$ 3,189,494	$ 76,411
Contract services	6,942	147,285	151,862	(4,577)
Employee benefits	718,448	677,666	644,283	33,383
Professional and consulting fees	377,163	327,311	325,696	1,615
Other operating expenses	244,083	238,664	232,102	6,562
Materials and supplies	261,016	237,286	235,079	2,207
Depreciation and amortization	241,835	259,890	260,212	(322)
IT, equipment, and service contracts	248,596	244,068	227,856	16,212
Patient related grant expense	-	206,524	189,057	17,467
Building and facilities	116,950	116,950	120,569	(3,619)
Utilities and support services	80,913	64,898	67,726	(2,828)
Insurance	95,617	96,590	88,831	7,759
Interest and loan fees	-	12	10	2
Total Operating Expenses	5,761,635	5,883,049	5,732,777	150,272
Non-operating Expenses				
Contributions and grants	211,368	131,861	92,297	39,564
Distribution to TMCF	102,345	105,000	187,667	(82,667)
Distribution to IFAM	2,400	2,400	2,400	-
Total Non-operating Expenses	316,113	239,261	282,364	(43,103)
Capital Outlay	398,140	212,184	209,899	2,285
Total Budgetary Expenses	$ 6,475,888	$ 6,334,494	$ 6,225,040	$ 109,454

OTHER SUPPLEMENTAL INFORMATION

TELLURIDE HOSPITAL DISTRICT

SCHEDULE OF REVENUE, NON-OPERATING REVENUES, EXPENSES, AND NON-OPERATING EXPENSES - DEPARTMENTS

For the year ended December 31, 2013

	Emergency Care	Primary Care	THD Total
Operating Revenues			
Net patient service revenue	$ 2,080,968	$ 1,715,649	$ 3,796,617
Other revenue	-	54,560	54,560
Patient related grant revenue	-	205,080	205,080
Total Operating Revenues	2,080,968	1,975,289	4,056,257
Operating Expenses			
Compensation	2,102,314	1,087,180	3,189,494
Contract services	142,825	9,037	151,862
Employee benefits	435,543	208,740	644,283
Professional and consulting fees	194,484	131,212	325,696
Other operating expenses	164,288	67,814	232,102
Materials and supplies	107,902	127,177	235,079
Depreciation and amortization	260,212	-	260,212
IT, equipment, and service contracts	208,703	19,153	227,856
Patient related grant expense	18,309	170,748	189,057
Building and facilities	117,274	3,295	120,569
Utilities and support services	64,585	3,141	67,726
Insurance	72,722	16,109	88,831
Interest and loan fees	2	8	10
Total Operating Expenses	3,889,163	1,843,614	5,732,777
Income (Loss) from Operations	(1,808,195)	131,675	(1,676,520)
Non-operating Revenues			
Ad valorem taxes	1,816,218	56,883	1,873,101
Contributions and grants	122,026	149,761	271,787
Interest income	8,039	122	8,161
Other non-operating revenues	27,253	42,165	69,418
Total Non-operating Revenues	1,973,536	248,931	2,222,467
Non-operating Expenses			
Contributions and grants	8,884	83,413	92,297
Distribution to TMCF	102,768	84,899	187,667
Distribution to IFAM	2,400	-	2,400
Total Non-operating Expenses	114,052	168,312	282,364
Total Non-operating Revenues, net	1,859,484	80,619	1,940,103
Increase in Net Position	$ 51,289	$ 212,294	$ 263,583

See independent auditor's report.