Aurora Health Care, Inc.
and Affiliates

Unaudited Consolidated Financial Statements and Other Information
For the Period Ended June 30, 2017

Document Dated as of August 23, 2017

AURORA HEALTH CARE, INC. AND AFFILIATES
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AURORA HEALTH CARE, INC. AND AFFILIATES
UNAUDITED CONSOLIDATED BALANCE SHEETS
(In thousands)

	June 30, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 108,448	$ 107,664
Investments	1,677,169	1,614,843
Assets whose use is limited or restricted	5,977	5,484
Patient accounts receivable — net of allowance for doubtful accounts of $101,942 and $97,349 in 2017 and 2016, respectively	711,462	731,746
Other receivables	86,519	102,791
Inventory	69,151	70,031
Prepaids and other current assets	59,375	48,026
Estimated third-party payor settlements	7,548	9,989
Total current assets	2,725,649	2,690,574
ASSETS WHOSE USE IS LIMITED OR RESTRICTED:		
Board-designated and other	176,087	164,168
Contractually-restricted	170,693	154,267
Donor restricted	58,987	53,821
Debt service reserve	25,926	25,792
Total assets whose use is limited or restricted	431,693	398,048
PROPERTY, PLANT, AND EQUIPMENT — Net	2,062,133	2,066,286
OTHER ASSETS:		
Intangible assets — net	14,081	15,786
Investments in unconsolidated entities	73,298	72,313
Other	53,949	56,835
Total other assets	141,328	144,934
TOTAL	$ 5,360,803	$ 5,299,842

(Continued)

AURORA HEALTH CARE, INC. AND AFFILIATES
UNAUDITED CONSOLIDATED BALANCE SHEETS
(In thousands)

	June 30, 2017	December 31, 2016
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current installments of long-term debt	$ 248,089	$ 161,936
Accounts payable	171,260	222,528
Accrued salaries and wages	204,941	259,225
Other accrued expenses	138,659	213,684
Estimated third-party payor settlements	32,366	34,041
Total current liabilities	795,315	891,414
LONG-TERM DEBT — Less current installments	1,301,894	1,403,091
OTHER LIABILITIES:		
Pension and other employee benefit liabilities	254,281	243,574
Self-insured liabilities	61,809	61,592
Deferred gain	33,870	36,662
Other	58,849	61,822
Total other liabilities	408,809	403,650
Total liabilities	2,506,018	2,698,155
NET ASSETS:		
Unrestricted:		
Controlling interest	2,687,444	2,439,653
Noncontrolling interest in subsidiaries	103,535	100,119
Total unrestricted net assets	2,790,979	2,539,772
Temporarily restricted	45,062	43,171
Permanently restricted	18,744	18,744
Total net assets	2,854,785	2,601,687
TOTAL	$ 5,360,803	$ 5,299,842

See accompanying notes to unaudited consolidated financial statements.

(Concluded)

AURORA HEALTH CARE, INC. AND AFFILIATES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS

(In thousands)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016
REVENUE:		
Patient service revenue (net of contractual allowances and discounts)	$ 1,250,635	$ 1,202,532
Less provision for bad debts	36,600	32,415
Net patient service revenue less provision for bad debts	1,214,035	1,170,117
Other revenue	107,808	104,742
Total revenue	1,321,843	1,274,859
EXPENSES:		
Salaries, wages and fringe benefits	730,881	677,913
Professional fees	22,159	19,087
Supplies	250,341	240,395
Depreciation and amortization	56,402	53,056
Interest	13,929	14,058
Maintenance and service contracts	31,859	28,392
Building and equipment rental	17,163	16,201
Hospital tax assessment	23,809	23,947
Utilities	12,020	11,072
Purchased services	31,717	35,318
Other expenses	39,077	41,241
Total expenses	1,229,357	1,160,680
OPERATING INCOME	92,486	114,179
NONOPERATING INCOME:		
Investment income — net	34,697	31,042
Other nonoperating income — net	760	—
Total nonoperating income — net	35,457	31,042
EXCESS OF REVENUE OVER EXPENSES	127,943	145,221
Pension-related changes other than periodic pension cost	2,149	1,533
Net assets released from restriction for purchase of property and equipment	701	77
Distributions to noncontrolling interests	(6,629)	(7,304)
Other — net	1	(11)
INCREASE IN UNRESTRICTED NET ASSETS	$ 124,165	$ 139,516

See accompanying notes to unaudited consolidated financial statements.

AURORA HEALTH CARE, INC. AND AFFILIATES
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS

(In thousands)

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
REVENUE:		
Patient service revenue (net of contractual allowances and discounts)	$ 2,481,014	$ 2,390,334
Less provision for bad debts	76,098	70,949
Net patient service revenue less provision for bad debts	2,404,916	2,319,385
Other revenue	214,962	204,006
Total revenue	2,619,878	2,523,391
EXPENSES:		
Salaries, wages and fringe benefits	1,463,870	1,370,260
Professional fees	42,516	37,871
Supplies	485,064	468,130
Depreciation and amortization	111,606	104,575
Interest	27,648	27,965
Maintenance and service contracts	60,993	53,252
Building and equipment rental	33,863	32,811
Hospital tax assessment	48,377	48,102
Utilities	24,379	23,073
Purchased services	62,977	65,910
Other expenses	71,920	80,272
Total expenses	2,433,213	2,312,221
OPERATING INCOME	186,665	211,170
NONOPERATING INCOME:		
Investment income — net	78,727	59,137
Other nonoperating income — net	1,182	740
Total nonoperating income — net	79,909	59,877
EXCESS OF REVENUE OVER EXPENSES	266,574	271,047
Pension-related changes other than periodic pension cost	4,205	3,065
Net assets released from restriction for purchase of property and equipment	1,139	304
Distributions to noncontrolling interests	(20,708)	(23,279)
Other — net	(3)	(12)
INCREASE IN UNRESTRICTED NET ASSETS	$ 251,207	$ 251,125

See accompanying notes to unaudited consolidated financial statements.

AURORA HEALTH CARE, INC. AND AFFILIATES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
THREE MONTHS ENDED JUNE 30, 2017 AND 2016
(In thousands)

	Controlling Interest Unrestricted	Noncontrolling Interest Unrestricted	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
NET ASSETS — March 31, 2016	$ 2,183,313	$ 82,968	$ 2,266,281	$ 44,165	$ 18,733	$ 2,329,179
Excess of revenue over expenses	130,096	15,125	145,221	—	—	145,221
Pension-related changes other than net periodic pension costs	1,533	—	1,533	—	—	1,533
Contributions	—	—	—	1,527	—	1,527
Investment income	—	—	—	854	—	854
Net assets released from restrictions for operations	—	—	—	(2,479)	—	(2,479)
Net assets released from restrictions for purchase of property and equipment	77	—	77	(77)	—	—
Distributions to noncontrolling interest	—	(7,304)	(7,304)	—	—	(7,304)
Other — net	(11)	—	(11)	38	—	27
Increase (decrease) in net assets	131,695	7,821	139,516	(137)	—	139,379
NET ASSETS — June 30, 2016	$ 2,315,008	$ 90,789	$ 2,405,797	$ 44,028	$ 18,733	$ 2,468,558
NET ASSETS — March 31, 2017	$ 2,568,812	$ 98,002	$ 2,666,814	$ 47,004	$ 18,744	$ 2,732,562
Excess of revenue over expenses	115,781	12,162	127,943	—	—	127,943
Pension-related changes other than net periodic pension costs	2,149	—	2,149	—	—	2,149
Contributions	—	—	—	1,798	—	1,798
Investment income	—	—	—	1,563	—	1,563
Net assets released from restrictions for operations	—	—	—	(2,322)	—	(2,322)
Net assets released from restrictions for purchase of property and equipment	701	—	701	(701)	—	—
Distributions to noncontrolling interest	—	(6,629)	(6,629)	—	—	(6,629)
Other — net	1	—	1	(2,280)	—	(2,279)
Increase (decrease) in net assets	118,632	5,533	124,165	(1,942)	—	122,223
NET ASSETS — June 30, 2017	$ 2,687,444	$ 103,535	$ 2,790,979	$ 45,062	$ 18,744	$ 2,854,785

See accompanying notes to unaudited consolidated financial statements.

AURORA HEALTH CARE, INC. AND AFFILIATES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(In thousands)

	Controlling Interest Unrestricted	Noncontrolling Interest Unrestricted	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
NET ASSETS — December 31, 2015	$ 2,066,225	$ 88,447	$ 2,154,672	$ 43,779	$ 18,733	$ 2,217,184
Excess of revenue over expenses	245,426	25,621	271,047	—	—	271,047
Pension-related changes other than net periodic pension costs	3,065	—	3,065	—	—	3,065
Contributions	—	—	—	3,317	—	3,317
Investment income	—	—	—	1,170	—	1,170
Net assets released from restrictions for operations	—	—	—	(3,947)	—	(3,947)
Net assets released from restrictions for purchase of property and equipment	304	—	304	(304)	—	—
Distributions to noncontrolling interest	—	(23,279)	(23,279)	—	—	(23,279)
Other — net	(12)	—	(12)	13	—	1
Increase in net assets	248,783	2,342	251,125	249	—	251,374
NET ASSETS — June 30, 2016	$ 2,315,008	$ 90,789	$ 2,405,797	$ 44,028	$ 18,733	$ 2,468,558
NET ASSETS — December 31, 2016	$ 2,439,653	$ 100,119	$ 2,539,772	$ 43,171	$ 18,744	$ 2,601,687
Excess of revenue over expenses	242,450	24,124	266,574	—	—	266,574
Pension-related changes other than net periodic pension costs	4,205	—	4,205	—	—	4,205
Contributions	—	—	—	4,921	—	4,921
Investment income	—	—	—	4,049	—	4,049
Net assets released from restrictions for operations	—	—	—	(3,658)	—	(3,658)
Net assets released from restrictions for purchase of property and equipment	1,139	—	1,139	(1,139)	—	—
Distributions to noncontrolling interest	—	(20,708)	(20,708)	—	—	(20,708)
Other — net	(3)	—	(3)	(2,282)	—	(2,285)
Increase in net assets	247,791	3,416	251,207	1,891	—	253,098
NET ASSETS — June 30, 2017	$ 2,687,444	$ 103,535	$ 2,790,979	$ 45,062	$ 18,744	$ 2,854,785

See accompanying notes to unaudited consolidated financial statements.

AURORA HEALTH CARE, INC. AND AFFILIATES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Six Months Ended June 30,	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 253,098	$ 251,374
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Pension-related changes other than net periodic pension cost	(4,205)	(3,065)
Realized and unrealized gains on investments, net	(68,853)	(46,528)
Loss (gain) on sale of property, plant, and equipment	1,031	(478)
Amortization of intangible assets and other items	3,040	2,028
Amortization of deferred gains	(2,791)	(2,750)
Depreciation and amortization	111,606	104,575
Provision for bad debts	76,098	70,949
Distribution to noncontrolling interest	25,959	30,547
Increase in accounts receivable	(55,814)	(26,411)
Decrease in accounts payable and accrued expenses	(178,167)	(99,343)
Increase (decrease) in estimated third-party payor settlements	766	(3,599)
Increase in pension and other employee benefit liabilities	14,912	9,474
Increase (decrease) in self-insured liabilities	217	(1,834)
Other changes in assets and liabilities, net	5,099	17,767
Net cash provided by operating activities	181,996	302,706
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(111,016)	(111,768)
Proceeds from sales of property, plant, and equipment	650	416
Investment in unconsolidated entities	(4,731)	(11,185)
Distributions from unconsolidated entities	2,874	2,654
Purchases of investments	(317,979)	(161,754)
Sales of investments	290,368	58,949
Net cash used in investing activities	(139,834)	(222,688)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	215	—
Repayments of long-term debt	(15,634)	(15,161)
Distribution to noncontrolling interest	(25,959)	(30,547)
Net cash used in financing activities	(41,378)	(45,708)
NET INCREASE IN CASH AND CASH EQUIVALENTS	784	34,310
CASH AND CASH EQUIVALENTS:		
Beginning of period	107,664	176,626
End of period	$ 108,448	$ 210,936

See accompanying notes to unaudited consolidated financial statements.

1. DESCRIPTION OF BUSINESS

Aurora Health Care, Inc. and its affiliates (collectively, "Aurora", "we", "our" or "us") constitute an integrated health care system providing health care services to communities throughout eastern Wisconsin, northern Illinois, and the upper peninsula of Michigan. Aurora provides a variety of health care related activities, education, philanthropic, medical research and other benefits to the communities in which it operates. Health care services include primary and specialty care, pharmacies, behavioral health care, emergency care, rehabilitation, home care, and end-of-life care.

Aurora Health Care, Inc. (the Corporation) is a Wisconsin nonstock, not-for-profit corporation. The Corporation is the parent corporation of a group of nonprofit and for profit corporations and other organizations that own and operate 14 acute-care hospital campuses, one psychiatric hospital, a network of approximately 160 physician clinic facilities, a home health services organization, over 70 retail pharmacies, and provides other health care related services.

The accompanying unaudited consolidated financial statements include the Corporation and its wholly owned or controlled affiliates. All intercompany accounts and transactions have been eliminated in the preparation of the unaudited consolidated financial statements.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited consolidated financial statements of Aurora as of June 30, 2017, and for the three and six months ended June 30, 2017 and 2016, include all adjustments that management considers necessary to present such information on a basis consistent with that of the audited consolidated financial statements.

The unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim reporting and, accordingly, do not include all of the disclosures required in annual financial statements. As such, these unaudited consolidated financial statements should be read in conjunction with the information included under Management’s Discussion and Analysis of Results of Operations and Financial Position included in this quarterly report, and the audited consolidated financial statements as of and for the years ended December 31, 2016 and 2015, and the related notes. The audited consolidated financial statements are available from the Municipal Securities Rulemaking Board (MSRB) on its Electronic Municipal Market Access (EMMA) system, found at http://emma.msrb.org. Additional information can be obtained from the Investor Relations section on Aurora's website found at https://www.aurorahealthcare.org.

The results of operations for the six months ended June 30, 2017 are not necessarily indicative of the operating results to be expected for the entire year ending December 31, 2017.

The preparation of consolidated 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, revenues, and expenses as of the date and period of the consolidated financial statements. Actual results could differ from those estimates.

New Accounting Pronouncements **-** In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance, and requires significantly expanded disclosures about revenue recognition. The core principal of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. This ASU is effective for Aurora as of January 1, 2018. Management of Aurora is currently in the process of evaluating the impact of this guidance on its consolidated financial position, results of operations and cash flows.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. This ASU introduces a lessee model that brings most leases on to the balance sheet. The standard also aligns certain of the underlying principles of the new lessor model with those in ASU No. 2014-09, the new revenue recognition standard. This ASU is effective for Aurora as of January 1, 2019. Management of Aurora is currently in the process of evaluating the impact of this guidance on its consolidated financial position, results of operations and cash flows.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to simplify how a not-for-profit presents net assets and other information in the financial statements. Specifically focusing on the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, lack of consistency in the type of information provided about expenses and investment return, and misunderstandings about and opportunities to enhance the utility of the statement of cash flows. This ASU will be effective for Aurora as of January 1, 2018. Management of Aurora is currently in the process of evaluating the impact of this guidance on its consolidated financial position, results of operations and cash flows.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, which amends guidance in Accounting Standards Codification (ASC) 230 on the classification of certain cash receipts and payments in the statement of cash flows. The primary purpose of the ASU is to reduce the diversity of practice that has resulted from the lack of consistent principles on this topic. This ASU is effective for Aurora beginning January 1, 2018. Management of Aurora is currently in the process of evaluating the impact of this guidance on its cash flows.

In March 2017, the FASB issued ASU 2017-07, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This ASU requires the service cost component of net periodic benefit cost related to defined benefit pension and postretirement benefit plans to be reported in the same financial statement line as other compensation costs arising from services rendered during the period. The other components of net periodic benefit cost are required to be presented separately from service costs and outside of operating income in the statement of operations. Only the service cost component of net periodic benefit cost will be eligible for capitalization in assets. This ASU is effective for Aurora beginning January 1, 2018. Management of Aurora currently does not believe this ASU will have a significant impact on its consolidated financial position, results of operations, or cash flows.

3. PATIENT SERVICE REVENUE AND PATIENT RECEIVABLES

Wisconsin assesses a fee or tax on gross patient service revenue. The revenues from this assessment are used to increase payments made to hospitals for services provided to Medicaid and other medically indigent patients. Aurora's patient service revenue reflects this increase in payment for services to Medicaid and other medically indigent patients, and hospital tax assessment expense reflects the fees assessed by the State. For the six months ended June 30, 2017 and 2016, patient service revenue includes $55.4 million and $55.3 million, respectively, related to this program, and expenses include $48.4 million and $48.1 million, respectively, of tax assessment fees.

The composition of patient service revenue, net of contractual allowances and discounts (before the provision for bad debts), by payor is as follows for the six months ended June 30, 2017 and 2016:

	June 30,	
	2017	**2016**
Managed care and all other	63%	64%
Medicare	27	27
Medicaid	9	8
Self-pay	1	1
	100%	100%

The self-pay revenue above includes only revenue from patients without insurance. The revenue related to amounts due from patients for co-insurance and deductibles is included with the related primary insurance coverage.

Laws and regulations governing government and other payment programs are complex and subject to interpretation. As a result, there is a reasonable possibility that recorded estimated third-party settlements could change by a material amount. Changes in estimates relating to prior years increased patient service revenue by approximately $3.3 million and $0.7 million for the six months ended June 30, 2017 and 2016, respectively.

Aurora has filed formal appeals relating to the settlement of certain prior-year Medicare cost reports. The outcome of other appeals cannot be determined at this time.

The composition of patient accounts receivable, net of contractual allowances (before the allowance for doubtful accounts) is summarized as follows as of June 30, 2017 and December 31, 2016:

	June 30, 2017	**December 31, 2016**
Managed care and all other	45%	51%
Medicare	17	16
Medicaid	5	4
Self-pay	33	29
	100%	100%

The self-pay patient accounts receivable above includes amounts due from patients for co-insurance, deductibles, and amounts due from patients without insurance. Self-pay patient accounts receivable also includes amounts due from patients on installment payment plans.

Aurora's allowance for doubtful accounts increased $4.6 million (4.7%), from 11.7% of gross accounts receivable less contractual allowances at December 31, 2016 to 12.5% at June 30, 2017. The increase in the allowance for doubtful accounts is due to an increase in amounts receivable from patients for co-insurance, deductibles and amounts due from patients without insurance.

4. FAIR VALUE

Financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, estimated third-party settlements, and long-term debt. Except for long-term debt, the fair values of these instruments approximate their carrying amounts at June 30, 2017 and December 31, 2016, due to their short-term maturities. The estimated fair value of long-term debt, based on discounted cash flows at estimated current borrowing rates, was $1,390.0 million and $1,394.0 million at June 30, 2017 and December 31, 2016, respectively, and is categorized as Level 2 within the fair value hierarchy.

The fair values of financial assets and liabilities that are measured by the level of significant input as of June 30, 2017 and December 31, 2016 are as follows (in thousands):

Assets	June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring fair value measurements:				
Cash equivalents	$ 29,998	$ 21,797	$ 8,201	$ —
Fixed-income securities:				
U.S. Treasury	91,535	—	91,535	—
Corporate bonds and other debt securities	208,058	—	208,058	—
Federal agency	89,191	—	89,191	—
Fixed income mutual funds	920,837	920,837	—	—
Domestic equity securities:				
Large-cap	19,508	19,508	—	—
Mid-cap	21,647	21,647	—	—
Small-cap	22,213	22,213	—	—
Real estate	51,545	51,545	—	—
Equity mutual funds and exchange-traded funds	467,088	467,088	—	—
International equity securities	160,733	160,733	—	—
Other	7,993	7,741	—	252
Total recurring fair value measurements	$ 2,090,346	$ 1,693,109	$ 396,985	$ 252
Cash	109,065			
Assets valued at net asset value	23,876			
Total cash and cash equivalents, investments and assets whose use is limited	$ 2,223,287			
Nonrecurring fair value measurements:				
Long-lived assets held for sale	$ 4,109	$ —	$ 4,109	$ —
Total nonrecurring fair value measurements	$ 4,109	$ —	$ 4,109	$ —

Assets	December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring fair value measurements:				
Cash equivalents	$ 26,006	$ 22,037	$ 3,969	$ —
Fixed-income securities:				
U.S. Treasury	94,596	—	94,596	—
Corporate bonds and other debt securities	194,651	—	194,651	—
Federal agency	97,665	—	97,665	—
Fixed income mutual funds	990,518	990,518	—	—
Domestic equity securities:				
Large-cap	17,961	17,961	—	—
Mid-cap	19,257	19,257	—	—
Small-cap	22,106	22,106	—	—
Real estate	470	470	—	—
Equity mutual funds and exchange-traded funds	384,410	384,410	—	—
International equity securities	142,192	142,192	—	—
Other	7,104	6,853	—	251
Total recurring fair value measurements	$ 1,996,936	$ 1,605,804	$ 390,881	$ 251
Cash	106,653			
Assets valued at net asset value	22,450			
Total cash and cash equivalents, investments and assets whose use is limited	$ 2,126,039			
Nonrecurring fair value measurements:				
Long-lived assets held for sale	$ 5,467	$ —	$ 5,467	$ —
Total nonrecurring fair value measurements	$ 5,467	$ —	$ 5,467	$ —

Aurora categorizes assets and liabilities measured at fair value in the consolidated financial statements based upon whether the inputs used to determine their fair values are observable or unobservable. Observable inputs are inputs which are based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about pricing the asset or liability, based on the best information available under the circumstances.

The fair value of all assets and liabilities recognized or disclosed at fair value are classified based on the lowest level of significant inputs. Assets and liabilities that are measured at fair value are disclosed and classified in one of the three categories. Category inputs are defined as follows:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities on the reporting date. Investments in this level generally include exchange-traded equity securities, futures, pooled short-term investment funds, options, and exchange-traded mutual funds.

Level 2 — Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Investments in this level generally include fixed income securities, including fixed income government obligations; certificates of deposit, and derivatives, which are not traded on an active exchange.

Level 3 — Inputs that are unobservable for the asset or liability.

Aurora believes its valuation methods and classification in fair value levels are appropriate and consistent with other market participants based on information readily available from its service providers. Transfers between fair value levels are only done when new or additional information regarding the observability of pricing inputs is received that could result in a different classification as of the reporting date. Aurora measures the transfer between fair value levels as of the end of the reporting period, December 31. There were no significant transfers between fair value levels during the six months ended June 30, 2017.

The Level 2 and 3 instruments listed in the fair value tables above utilize the following valuation techniques and inputs:

Cash Equivalents — Cash equivalents are comprised primarily of money market funds, which are valued based upon a net asset value of $1.

Fixed-Income Securities — The fair value of fixed-income securities is primarily determined with techniques consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications.

Aurora holds interests in a real estate investment trust and an international equity limited partnership where the fair value of the investment held is estimated based on the net asset value of the fund. The following table summarizes the attributes relating to the nature and risk of such investments at June 30, 2017 and December 31, 2016 (dollars in thousands):

	Fair Value				
	June 30, 2017	**December 31, 2016**	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Real estate investment trust	$ 14,086	$ 13,953	$ —	Quarterly	90 days
International equity limited partnership	9,790	8,497	—	Monthly	15 days
Total	$ 23,876	$ 22,450			

The real estate investment trust is a core return, fully specified, open-end commingled equity real estate fund diversified by property type and location designed to provide stable, income-driven rate of return over the long term with potential for growth of net investment income and appreciation of value. The objective of the real estate investment trust is to achieve long term aggregate annual return on invested equity of 8% to 10%, gross of fees, by investing in real estate and real estate-related investments, broadly defined, with the majority of the return being realized from income, with modest appreciation, and using leverage when appropriate.

The fair value of the real estate investment trust is determined using the calculated net asset value provided by the fund. The fair value of the underlying real estate properties held in the trust is determined giving consideration to the income, cost and sales comparison approaches of estimating property value.

The international equity limited partnership's investment objective is long-term total return. The fund pursues its investment objective primarily by investing in equity securities of non-U.S. emerging market companies. The fair value of this fund is determined using the calculated net asset value provided by the fund.

5. INVESTMENTS IN UNCONSOLIDATED ENTITIES AND NONCONTROLLING INTEREST IN SUBSIDIARIES

In April 2016, Aurora partnered with Anthem Blue Cross and Blue Shield of Wisconsin (Anthem) to form a new joint venture, called the Wisconsin Collaborative Insurance Company (WCIC). WCIC is a health insurance company. Aurora acquired a 50% interest in the joint venture for cash consideration of $5.0 million and accounts for this investment under the equity method of accounting within investments in unconsolidated entities in the accompanying unaudited consolidated balance sheets. Aurora's investment in WCIC as of June 30, 2017 and December 31, 2016 was $2.7 million and $1.8 million, respectively.

Aurora has a 6.25% interest in StartUp Health Holdings, Inc., (StartUp Health), a global health innovation company with more than 100 digital health portfolio companies. Aurora's goal is to help accelerate the review and adoption of innovations aimed at transforming the delivery of care. Aurora's investment in StartUp Health was $5.1 million and $5.0 million as of June 30, 2017 and December 31, 2016, respectively. Aurora's investment in StartUp Health is accounted for under the equity method of accounting and is presented within investments in unconsolidated entities in the accompanying unaudited consolidated balance sheets.

Aurora has a 49% interest in Bay Area Medical Center ("BAMC"), a 99 bed general acute care hospital located in Marinette, Wisconsin. Aurora's investment in BAMC is accounted for under the equity method of accounting and is presented within investments in unconsolidated entities in the accompanying unaudited consolidated balance sheets. Aurora's investment in BAMC as of June 30, 2017 and December 31, 2016, was $32.8 million and $36.3 million, respectively. The carrying amount of Aurora's investment in BAMC was $33.9 million and $33.0 million less than the underlying equity in the net assets of BAMC as of June 30, 2017 and December 31, 2016, respectively. This difference represents a contingent gain which would be recognized in the event of dissolution of BAMC or if Aurora's interest in BAMC were to increase requiring BAMC to be included in the consolidated financial statements of Aurora.

Aurora has a 27% interest in Aurora Bay Area Medical Group (ABAMG), which provides inpatient, outpatient and other necessary professional medical services in Marinette, Wisconsin and its surrounding communities. BAMC owns the remaining 73% of ABAMG. Aurora's investment in ABAMG is accounted for under the equity method and is presented within investments in unconsolidated entities in the accompanying unaudited consolidated balance sheets. Aurora leases employees and buildings to ABAMG and recognized $11.1 million and $11.2 million of other revenue for the six months ended June 30, 2017 and 2016, respectively. Aurora made additional capital contributions to ABAMG of $2.9 million during the six months ended June 30, 2017. Aurora's investment in ABAMG was $0.6 million and $0.8 million as of June 30, 2017 and December 31, 2016, respectively.

Aurora has a 50% investment in the Menomonee Falls Ambulatory Surgery Center, LLC, and a 20% investment in Froedtert Surgery Center, LLC (collectively, the "Surgery Centers"). The Surgery Centers provide various types of outpatient surgical procedures. Aurora's investment in the Surgery Centers of $5.7 million as of June 30, 2017 and December 31, 2016, is accounted for under the equity method of accounting and is presented within investments in unconsolidated entities in the accompanying unaudited consolidated balance sheets. The carrying amount of Aurora's investment in the Surgery Centers is different from the underlying equity in the net assets of the investees due to goodwill recorded upon the initial investment in the Surgery Centers.

The summarized financial position and results of operations for the entities accounted for under the equity method as of and for the six month period ended June 30, 2017 and as of and for the year ended December 31, 2016, is as follows (in thousands):

	As of and for the Six Months Ended June 30, 2017				
	Bay Area Medical Center [1]	**ABAMG**	**Surgery Centers**	**Other Investees**	**Total**
Total assets	$ 204,708	$ 8,240	$ 12,808	$ 36,685	$ 262,441
Total liabilities	71,153	5,590	1,743	71,576	150,062
Equity	133,555	2,650	11,065	(34,891)	112,379
Total revenue	53,448	7,241	5,511	38,931	105,131
Net income (loss)	(2,899)	(5,577)	137	3,401	(4,938)

[1] ABAMG is included in the consolidated financial results of Bay Area Medical Center.

	As of and for the Twelve Months Ended December 31, 2016				
	Bay Area Medical Center [1]	**ABAMG**	**Surgery Centers**	**Other Investees**	**Total**
Total assets	$ 198,957	$ 6,896	$ 13,109	$ 28,800	247,762
Total liabilities	60,441	4,004	2,143	62,461	129,049
Equity	138,516	2,892	10,966	(33,661)	118,713
Total revenue	86,666	30,958	15,682	73,174	206,480
Net income (loss)	(3,902)	(21,928)	1,764	5,978	(18,088)

[1] ABAMG is included in the consolidated financial results of Bay Area Medical Center.

6. LONG-TERM DEBT

Long-term debt at June 30, 2017 and December 31, 2016 is summarized as follows (in thousands):

	June 30, 2017	December 31, 2016
Wisconsin Health and Educational Facilities Authority (WHEFA) fixed-rate bonds:		
Series 2009A (5.15% weighted average coupon for 2017 and 5.12% for 2016)	$ 22,750	$ 22,750
Series 2009B (1.25% weighted average coupon for 2017 and 3.22% for 2016)	65,000	65,000
Series 2010A (5.45% weighted average coupon for 2017 and 5.43% for 2016)	157,750	162,375
Series 2010B (5.00% weighted average coupon for 2017 and 2016)	61,895	61,895
Series 2012A (4.77% weighted average coupon for 2017 and 2016)	208,120	208,120
Series 2013A (5.19% weighted average coupon for 2017 and 2016)	115,750	115,750
	631,265	635,890
WHEFA variable-rate bonds:		
Series 1999C (0.77% effective rate for 2017 and 0.43% for 2016)	50,000	50,000
Series 2008A (0.91% effective rate for 2017 and 0.49% for 2016)	80,000	80,000
Series 2008B (0.85% effective rate for 2017 and 0.43% for 2016)	79,470	79,470
Series 2010C (0.85% effective rate for 2017 and 0.36% for 2016)	102,690	102,690
Series 2012B (0.69% effective rate for 2017 and 0.36% for 2016)	37,700	37,700
Series 2012C (0.69% effective rate for 2017 and 0.36% for 2016)	37,700	37,700
Series 2012D (0.75% effective rate for 2017 and 0.41% for 2016)	55,930	55,930
	443,490	443,490
Unamortized original issue premium, net	10,901	11,786
Total WHEFA debt	1,085,656	1,091,166
Taxable bonds:		
Taxable Bond Series 2015A (1.30% effective rate for 2017 and 0.88% for 2016)	40,000	40,000
Taxable Bond Series 2016A (1.97% effective rate for 2017 and 2016)	125,000	125,000
Taxable Bond Series 2016B (1.99% effective rate for 2017 and 2016)	93,000	93,000
Total taxable bonds	258,000	258,000
Capital lease obligations and financing arrangements	210,631	220,829
Notes payable	5,876	5,943
Deferred financing costs - net	(10,180)	(10,911)
Total long-term debt	1,549,983	1,565,027
Less amounts classified as current:		
Current installments	(179,305)	(144,480)
Long-term debt classified as current due to contractual requirements	(68,784)	(17,456)
Total amounts classified as current	(248,089)	(161,936)
Long-term debt — net of current portion	$ 1,301,894	$ 1,403,091

Under the terms of a Master Trust Indenture (the Aurora Indenture), Aurora's Obligated Group has issued revenue bonds through WHEFA. All outstanding debt under the Aurora Indenture represents joint and several obligations of the members of the Obligated Group. Of the total fixed-rate WHEFA bonds, $47.4 million is collateralized by bond insurance. Additionally, certain of the WHEFA variable-rate bonds are secured by letters of credit, as described below.

Aurora has three series of taxable bonds outstanding, which were issued directly by Aurora and placed with multiple commercial banks (the Taxable Bonds). The outstanding principal amount of the Taxable Bonds is $258.0 million at June 30, 2017 and December 31, 2016. The Taxable Bonds are secured by Obligations issued under the Master Indenture. The Series 2015A Taxable Bonds are subject to a mandatory tender on April 15, 2018 and are classified as current due to this requirement.

The variable-rate demand bonds (VRDBs) are collateralized by $460.7 million of irrevocable direct-pay letters of credit issued by commercial banks. Under certain circumstances, the VRDBs are subject to mandatory purchase by Aurora. The letters of credit provide interim financing to Aurora in the event Aurora is unable to remarket tendered bonds. The letters of credit expire at various dates through 2019 and have various repayment terms. For $327.4 million of the letters of credit, principal payments are due quarterly, beginning the earlier of one year from the date of the advance or two months after the expiration date of the letter of credit and amortize over a three-year period, not to exceed three years from the letter of credit's stated expiration date. For the remaining $133.3 million letters of credit, principal payments are due quarterly, beginning the earlier of one year from the date of the advance or two months after the expiration date of the letter of credit and shall amortize over a two-year period, not to exceed two years from the letter of credit's stated expiration date. At June 30, 2017 and December 31, 2016, no draws were outstanding under the letters of credit.

At June 30, 2017 and December 31, 2016, Aurora had outstanding a $65.0 million long-term rate bond. The long-term rate bond bears interest at a fixed rate for a specified period, and is subject to mandatory tender on August 15, 2017. There is no liquidity facility in effect with respect to the long-term rate bond to pay the purchase price on the mandatory tender date. Without a liquidity facility dedicated to this bond, the bond holder is required to put the bond to Aurora on the mandatory tender date. At June 30, 2017 and December 31, 2016, the $65.0 million long-term bond is classified as current due to this requirement.

At June 30, 2017 and December 31, 2016, Aurora had a $60.0 million line of credit with a commercial bank, bearing interest at a commercial bank floating rate or LIBOR plus 1.00%, based upon the option of Aurora. As of June 30, 2017 and December 31, 2016, three letters of credit issued under the line of credit totaling $38.8 million were outstanding. There were no outstanding draws on the line of credit or letters of credit as of June 30, 2017 or December 31, 2016.

7. EMPLOYEES' BENEFIT PLANS

Aurora has a defined benefit pension plan (the Pension Plan) covering substantially all of its employees, hired before January 1, 2013, with at least 1,000 hours of work in a calendar year. Benefits are based on years of service and the employees' final average earnings, as defined. Aurora funds the Pension Plan based on the amount calculated by the Pension Plan's actuaries to meet the minimum Employee Retirement Income Security Act (ERISA) funding requirements. During the six months ended June 30, 2017, Aurora made no contributions to the Pension Plan. The Pension Plan assets and obligations are measured at December 31.

Estimated amounts of the components of net periodic pension income for the six months ended June 30, 2017 and 2016 were as follows (in thousands):

	2017	2016
Interest cost on projected benefit obligation	$ 31,937	$ 31,567
Expected return on plan assets	(37,041)	(35,046)
Net amortization and deferral, and prior service credit	4,113	3,065
Net periodic pension income	$ (991)	$ (414)

The amount of net periodic pension income will be adjusted at year-end to reflect actual results, based upon the final annual actuarial valuation.

The net actuarial loss not yet recognized as a component of periodic pension income was $439.6 million and $443.7 million as of June 30, 2017 and December 31, 2016, and is included in unrestricted net assets in the accompanying unaudited consolidated balance sheets.

Assumptions used to determine the net periodic pension income for six months ended June 30, 2017 and 2016 were as follows:

	2017	2016
Discount rate	4.42%	4.70%
Expected long-term rate of return on assets	5.50%	5.50%

The discount rate used by Aurora is based on a hypothetical portfolio of high-quality bonds with cash flows matching the Pension Plan's expected benefit payments.

The expected long-term rate of return is based on the asset allocation of the total portfolio considering capital return assumptions from various sources. Aurora's investment objective is to achieve its targeted long-term rate of return while avoiding excessive risk. Risk is effectively managed through diversifying the asset allocation across a broad spectrum of assets including domestic and international equities and fixed income securities with varying correlations to movements in interest rates along the yield curve. These investments are readily marketable and can be sold to fund benefit payment obligations as they become payable. Overall funded status risk of the Pension Plan is managed by matching the duration of plan assets to plan liabilities to mitigate the impact of changes in interest rates on funded status.

The asset allocation of the Pension Plan assets at June 30, 2017 and December 31, 2016, was as follows:

	June 30, 2017		December 31, 2016	
	Strategic Target	**Actual**	**Strategic Target**	**Actual**
Equity securities	33%	33%	33%	33%
Fixed-income securities	64	61	64	62
Real estate	3	3	3	3
Cash and cash equivalents	—	3	—	2
Total	100%	100%	100%	100%

Aurora and certain affiliates sponsor defined contribution and retirement savings plans (the Defined Contribution Plans), whereby Aurora contributes a percentage of participants' qualifying compensation up to certain limits as outlined in the Defined Contribution Plans or other amounts as designated by the affiliates' board of directors. Included in salaries, wages and fringe benefits expense in the accompanying unaudited consolidated statements of operations and changes in unrestricted net assets for the six months ended June 30, 2017 and 2016 is $81.2 million and $76.5 million, respectively, for contributions to the Defined Contribution Plans.

Aurora also sponsors a noncontributory Section 457(b) defined contribution plan (the 457(b) Plan) covering select employees, where participants may contribute a percentage of qualifying compensation up to certain limits as defined by the 457(b) Plan. The 457(b) Plan assets and liabilities, each totaling $118.6 million and $102.6 million at June 30, 2017 and December 31, 2016, respectively, are included in long-term assets whose use is limited or restricted and pension and other employee benefit liabilities, in the accompanying unaudited consolidated balance sheets. The assets of this 457(b) Plan are subject to the claims of the general creditors of Aurora. Net investment income from the 457(b) Plan was $8.4 million and $3.5 million, for the six months ended June 30, 2017 and 2016, respectively. Net investment income from the 457(b) Plan is included in other operating revenue with an equal offsetting expense in salaries, wages and fringe benefits in the accompanying unaudited consolidated statements of operations and changes in unrestricted net assets.

8. GENERAL AND PROFESSIONAL LIABILITY INSURANCE

Commercial insurance companies have issued policies covering Aurora's primary professional, general and managed care errors and omission liability risks. Aurora's professional and general liability insurance is on an occurrence basis, while managed care errors and omissions liability risks are written on a claims-made basis.

Aurora's hospitals, clinics, surgery centers, physicians, and certified registered nurse anesthetist providers that provide health care in Wisconsin are qualified health care providers as defined by Wisconsin state statute, and have separate professional liability limits of $1.0 million per claim and $3.0 million annual aggregate applied to each qualified provider. Losses in excess of these amounts are fully covered through mandatory participation in the State of Wisconsin Injured Patients and Families Compensation Fund (the Fund).

Aurora also has professional liability coverage for its providers and affiliates that do not qualify for the Fund coverage, as well as general liability for all of its entities. These coverages provide a number of shared professional liability limits and shared general liability limits totaling $2.0 million per occurrence and $4.0 million annual aggregate for most providers. Losses in excess of these amounts are covered by Aurora's umbrella/excess insurance.

The professional, general and managed care liabilities discussed above have been ceded back to Aurora Liability Assurance, Ltd. (ALA), a wholly-owned subsidiary of Aurora, through reinsurance agreements. Independent actuaries evaluate the required provision for outstanding losses related to these risks. At June 30, 2017 and December 31, 2016, Aurora has recorded a liability for outstanding losses, including incurred but not reported, discounted at 4.0%, totaling $33.8 million and $35.2 million, respectively. Of this amount, a portion of the liability for outstanding losses was included in accrued expenses and a portion was included in self-insured liabilities in the accompanying unaudited consolidated balance sheets. In the opinion of management, the ultimate disposition of claims incurred to date will not have a material adverse effect on Aurora's consolidated financial position or results of operations. ALA maintains a reinsurance trust account, which in total represents security required by the reinsurance agreement between ALA and the insurance companies. At June 30, 2017 and December 31, 2016, assets held in the trust account were $53.0 million and $53.8 million, respectively.

9. SUBSEQUENT EVENTS

Aurora evaluated events and transactions subsequent to June 30, 2017 through August 23, 2017, the date of financial statement issuance. In August 2017, Aurora entered into a $250.0 million line of credit with a syndicate of commercial banks. Funds drawn on the line of credit in an amount equal to $58.5 million were used to refund the long-term rate bond on August 15, 2017.

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SUPPLEMENTAL CONSOLIDATING INFORMATION

AURORA HEALTH CARE, INC. AND AFFILIATES

UNAUDITED CONSOLIDATING BALANCE SHEET INFORMATION
(In thousands)

	June 30, 2017				December 31, 2016			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated
ASSETS								
CURRENT ASSETS:								
Cash and cash equivalents	$ (163,028)	$ 279,352	$ (7,876)	$ 108,448	$ (192,004)	$ 308,952	$ (9,284)	$ 107,664
Investments	1,677,169	—	—	1,677,169	1,614,843	—	—	1,614,843
Assets whose use is limited or restricted	—	5,977	—	5,977	—	5,484	—	5,484
Patient accounts receivable — net	531,923	185,029	(5,490)	711,462	542,493	195,162	(5,909)	731,746
Due from affiliates	219	136,439	(136,658)	—	142	151,017	(151,159)	—
Other receivables	65,803	20,716	—	86,519	89,528	21,787	(8,524)	102,791
Inventory	40,689	28,462	—	69,151	42,498	27,533	—	70,031
Prepaids and other current assets	60,986	10,197	(11,808)	59,375	52,650	7,234	(11,858)	48,026
Estimated third-party payor settlements	7,029	519	—	7,548	8,799	1,190	—	9,989
Total current assets	2,220,790	666,691	(161,832)	2,725,649	2,158,949	718,359	(186,734)	2,690,574
ASSETS WHOSE USE IS LIMITED OR RESTRICTED	148,883	282,810	—	431,693	131,021	267,027	—	398,048
PROPERTY, PLANT AND EQUIPMENT — Net	1,617,475	425,305	19,353	2,062,133	1,646,781	398,744	20,761	2,066,286
OTHER ASSETS:								
Intangible assets — net	4,845	10,677	(1,441)	14,081	5,079	12,148	(1,441)	15,786
Investments in unconsolidated entities	295,543	17,251	(239,496)	73,298	282,088	19,098	(228,873)	72,313
Other	339,408	46,197	(331,656)	53,949	323,314	52,345	(318,824)	56,835
Total other assets	639,796	74,125	(572,593)	141,328	610,481	83,591	(549,138)	144,934
TOTAL	$ 4,626,944	$ 1,448,931	$ (715,072)	$ 5,360,803	$ 4,547,232	$ 1,467,721	$ (715,111)	$ 5,299,842

(Continued)

AURORA HEALTH CARE, INC. AND AFFILIATES

UNAUDITED CONSOLIDATING BALANCE SHEET INFORMATION
(In thousands)

	June 30, 2017				December 31, 2016			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES:								
Current installments of long-term debt	$ 245,284	$ 13,648	$ (10,843)	$ 248,089	$ 159,215	$ 13,564	$ (10,843)	$ 161,936
Accounts payable	126,204	45,056	—	171,260	162,396	60,132	—	222,528
Accrued salaries and wages	161,705	43,236	—	204,941	209,014	50,211	—	259,225
Other accrued expenses	125,192	22,668	(9,201)	138,659	190,562	41,104	(17,982)	213,684
Due to Affiliates	136,439	219	(136,658)	—	151,018	141	(151,159)	—
Estimated third-party payor settlements	30,957	1,409	—	32,366	32,347	1,694	—	34,041
Total current liabilities	825,781	126,236	(156,702)	795,315	904,552	166,846	(179,984)	891,414
LONG-TERM DEBT — Less current installments	1,283,550	113,788	(95,444)	$ 1,301,894	1,383,192	115,343	(95,444)	1,403,091
OTHER LIABILITIES:								
Pension and other employee benefit liabilities	233,414	20,867	—	254,281	222,257	21,317	—	243,574
Self-insured liabilities	34,548	28,602	(1,341)	61,809	32,445	30,527	(1,380)	61,592
Deferred gain	33,870	—	—	33,870	36,662	—	—	36,662
Other	35,720	22,412	717	58,849	38,409	23,076	337	61,822
Total other liabilities	337,552	71,881	(624)	408,809	329,773	74,920	(1,043)	403,650
Total liabilities	2,446,883	311,905	(252,770)	2,506,018	2,617,517	357,109	(276,471)	2,698,155
NET ASSETS:								
Unrestricted:								
Controlling interest	1,871,983	1,043,898	(228,437)	2,687,444	1,637,568	1,020,447	(218,362)	2,439,653
Noncontrolling interest in subsidiaries	101,172	2,363	—	103,535	98,125	1,994	—	100,119
Total unrestricted net assets	1,973,155	1,046,261	(228,437)	2,790,979	1,735,693	1,022,441	(218,362)	2,539,772
Temporarily restricted	193,188	66,995	(215,121)	45,062	180,304	64,401	(201,534)	43,171
Permanently restricted	13,718	23,770	(18,744)	18,744	13,718	23,770	(18,744)	18,744
Total net assets	2,180,061	1,137,026	(462,302)	2,854,785	1,929,715	1,110,612	(438,640)	2,601,687
TOTAL	$ 4,626,944	$ 1,448,931	$ (715,072)	$ 5,360,803	$ 4,547,232	$ 1,467,721	$ (715,111)	$ 5,299,842

(Concluded)

AURORA HEALTH CARE, INC. AND AFFILIATES
UNAUDITED CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS INFORMATION
FOR THE PERIODS ENDED JUNE 30, 2017 AND 2016
(In thousands)

	Three Months Ended June 30, 2017				Three Months Ended June 30, 2016			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated
REVENUES:								
Patient service revenue (net of contractual allowances and discounts)	$ 913,991	$ 348,980	$ (12,336)	$ 1,250,635	$ 873,741	$ 340,361	$ (11,570)	$ 1,202,532
Less provision for bad debts	28,138	8,462	—	36,600	24,073	8,342	—	32,415
Net patient service revenue less provision for bad debts	885,853	340,518	(12,336)	1,214,035	849,668	332,019	(11,570)	1,170,117
Other revenue	59,795	94,071	(46,058)	107,808	60,797	90,545	(46,600)	104,742
Total revenue	945,648	434,589	(58,394)	1,321,843	910,465	422,564	(58,170)	1,274,859
EXPENSES:								
Salaries, wages and fringe benefits	558,204	196,824	(24,147)	730,881	517,530	184,195	(23,812)	677,913
Professional fees	15,566	6,605	(12)	22,159	12,429	6,685	(27)	19,087
Supplies	150,506	99,835	—	250,341	151,938	88,460	(3)	240,395
Depreciation and amortization	46,214	10,188	—	56,402	44,067	8,989	—	53,056
Interest	14,702	(773)	—	13,929	17,366	(3,308)	—	14,058
Maintenance and service contracts	28,159	3,709	(9)	31,859	25,495	2,949	(52)	28,392
Building and equipment rental	10,738	8,282	(1,857)	17,163	10,641	7,785	(2,225)	16,201
Hospital tax assessment	19,825	3,984	—	23,809	19,411	4,536	—	23,947
Utilities	9,198	2,839	(17)	12,020	8,235	2,855	(18)	11,072
Purchased services	22,814	9,741	(838)	31,717	27,542	8,624	(848)	35,318
Other expenses	(12,430)	61,182	(9,675)	39,077	(7,604)	56,644	(7,799)	41,241
Total expenses	863,496	402,416	(36,555)	1,229,357	827,050	368,414	(34,784)	1,160,680
Operating income (loss)	82,152	32,173	(21,839)	92,486	83,415	54,150	(23,386)	114,179
NONOPERATING INCOME (LOSS):								
Investment income — net	25,347	9,350	—	34,697	27,602	3,440	—	31,042
Other nonoperating income (loss) — net	474	286	—	760	123	(123)	—	—
Total nonoperating income — net	25,821	9,636	—	35,457	27,725	3,317	—	31,042
EXCESS OF REVENUES OVER EXPENSES	107,973	41,809	(21,839)	127,943	111,140	57,467	(23,386)	145,221
Pension-related changes other than net periodic pension cost	2,149	—	—	2,149	1,533	—	—	1,533
Net assets released from restrictions for purchase of property and equipment	701	—	—	701	77	—	—	77
Distributions to noncontrolling interests	(6,629)	—	—	(6,629)	(7,304)	—	—	(7,304)
Other — net	1	—	—	1	(11)	—	—	(11)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ 104,195	$ 41,809	$ (21,839)	$ 124,165	$ 105,435	$ 57,467	$ (23,386)	$ 139,516

AURORA HEALTH CARE, INC. AND AFFILIATES
UNAUDITED CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS INFORMATION
FOR THE PERIODS ENDED JUNE 30, 2017 AND 2016
(In thousands)

	Six Months Ended June 30, 2017				Six Months Ended June 30, 2016			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated
REVENUES:								
Patient service revenue (net of contractual allowances and discounts)	$ 1,812,968	$ 689,548	$ (21,502)	$ 2,481,014	$ 1,743,235	$ 676,091	$ (28,992)	$ 2,390,334
Less provision for bad debts	55,993	20,105	—	76,098	52,692	18,257	—	70,949
Net patient service revenue less provision for bad debts	1,756,975	669,443	(21,502)	2,404,916	1,690,543	657,834	(28,992)	2,319,385
Other revenue	123,547	178,913	(87,498)	214,962	111,698	177,110	(84,802)	204,006
Total revenue	1,880,522	848,356	(109,000)	2,619,878	1,802,241	834,944	(113,794)	2,523,391
EXPENSES:								
Salaries, wages and fringe benefits	1,116,759	391,992	(44,881)	1,463,870	1,054,893	366,946	(51,579)	1,370,260
Professional fees	29,355	13,163	(2)	42,516	24,712	13,205	(46)	37,871
Supplies	295,670	189,404	(10)	485,064	289,950	178,183	(3)	468,130
Depreciation and amortization	91,875	19,731	—	111,606	85,568	19,007	—	104,575
Interest	30,936	(3,288)	—	27,648	28,276	(311)		27,965
Maintenance and service contracts	54,027	6,966	—	60,993	47,867	5,466	(81)	53,252
Building and equipment rental	21,080	16,479	(3,696)	33,863	20,959	15,728	(3,876)	32,811
Hospital tax assessment	39,650	8,727	—	48,377	38,904	9,198	—	48,102
Utilities	18,862	5,553	(36)	24,379	17,315	5,795	(37)	23,073
Purchased services	45,119	18,933	(1,075)	62,977	51,323	16,152	(1,565)	65,910
Other expenses	(23,852)	116,172	(20,400)	71,920	(15,943)	112,715	(16,500)	80,272
Total expenses	1,719,481	783,832	(70,100)	2,433,213	1,643,824	742,084	(73,687)	2,312,221
Operating income (loss)	161,041	64,524	(38,900)	186,665	158,417	92,860	(40,107)	211,170
NONOPERATING INCOME (LOSS):								
Investment income	62,130	16,597	—	78,727	53,665	5,472	—	59,137
Other nonoperating income (loss) — net	747	435	—	1,182	858	(118)	—	740
Total nonoperating income — net	62,877	17,032	—	79,909	54,523	5,354	—	59,877
EXCESS OF REVENUES OVER EXPENSES	223,918	81,556	(38,900)	266,574	212,940	98,214	(40,107)	271,047
Pension-related changes other than net periodic pension cost	4,205	—	—	4,205	3,065	—	—	3,065
Net assets released from restrictions for purchase of property and equipment	1,139	—	—	1,139	304	—	—	304
Distributions to noncontrolling interests	(20,708)	—	—	(20,708)	(23,279)	—	—	(23,279)
Other — net	(3)	—	—	(3)	(12)	—	—	(12)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ 208,551	$ 81,556	$ (38,900)	$ 251,207	$ 193,018	$ 98,214	$ (40,107)	$ 251,125

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

This quarterly report includes the consolidated financial statements and analysis for Aurora Health Care, Inc., a Wisconsin nonstock, nonprofit corporation (the Corporation), and its affiliates. References to "Aurora", "we", "our" and "us" in this document are to the Corporation and all of the affiliates and subsidiaries consolidated with it pursuant to accounting principles generally accepted in the United States of America (GAAP). References to the Corporation are references only to the parent corporation, and should not be read to include any of the Corporation's affiliates and subsidiaries.

We recommend that you read this discussion together with our unaudited consolidated financial statements and related notes included elsewhere in this quarterly report, as well as the audited consolidated financial statements of Aurora as of and for the year ended December 31, 2016. The audited consolidated financial statements are available from the Municipal Securities Rulemaking Board (MSRB) on its Electronic Municipal Market Access (EMMA) system, found at http://emma.msrb.org. Additional information can be obtained from the Investor Relations section on Aurora's website found at https://www.aurorahealthcare.org.

Certain statements included in this quarterly report constitute forward-looking statements that involve risks and uncertainties. Actual results may differ significantly from the results discussed in the forward-looking statements as a result of known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. We do not plan to issue any updates or revisions to those forward-looking statements if or when the expectations, or events, conditions or circumstances on which such statements are based occur.

AURORA HEALTH CARE, INC. AND AFFILIATES

KEY FINANCIAL RATIOS
FOR THE PERIOD ENDED JUNE 30, 2017

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Operating Performance:				
Operating margin(1)	7.0%	9.0%	7.1%	8.4%
EBIDA percent(2)	15.0%	16.7%	15.5%	16.0%

	As of June 30, 2017	As of December 31, 2016
Liquidity:		
Days cash on hand(3)	152.9	152.0
Financial Position/Leverage Ratios:		
Net AR days outstanding(4)	53.5	57.0
Unrestricted cash to debt(5)	127%	121%
Cash to puttable debt(6)	406%	390%
Debt to capitalization(7)	36%	38%
Debt to cash flow(8)	2.3	2.3
Debt service coverage ratio(9)	5.9x	5.9x

(1) Operating income/Total revenue.

(2) (Excess of revenues over expenses + Interest expense + Depreciation and amortization expense)/Total revenue.

(3) (Unrestricted cash and investments)/((Total expenses – Depreciation and amortization expense)/actual number of days in a period).

(4) Accounts receivable, net/(Net patient service revenue/actual number of days in a period).

(5) (Unrestricted cash and investments)/(Current installments of long-term debt + Long-term debt, less current installments).

(6) (Unrestricted cash and investments)/Total variable rate demand bonds outstanding.

(7) (Current installments of long-term debt + Long-term debt, less current installments)/(Current installments of long-term debt + Long-term debt, less current installments + Total Unrestricted net assets).

(8) (Current installments of long-term debt + Long-term debt, less current installments)/(Excess of revenue over expenses + Depreciation and amortization expense) for the four consecutive quarters.

(9) (Excess of revenues over expenses + Interest expense + Depreciation and amortization expense)/(Principal payments + Interest expense) for the four consecutive quarters.

AURORA HEALTH CARE, INC. AND AFFILIATES

HISTORICAL UTILIZATION

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Adult inpatient days	110,107	110,880	224,557	226,480
Adult average daily census	1,223	1,232	1,241	1,244
Adult average length of stay	4.2	4.3	4.3	4.4
Adult discharges	26,174	25,715	52,298	51,281
Emergency room visits	100,687	97,408	201,186	199,577
Observation and bedded outpatients	9,821	9,733	19,249	19,058
Surgical cases	30,146	28,660	58,523	56,145
Physician clinic, hospital outpatient and other visits (includes emergency room visits)	1,894,875	1,838,583	3,809,110	3,679,564

ANALYSIS OF RESULTS OF OPERATIONS

Results of Operations – Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016

Operating income was $92.5 million for the three months ended June 30, 2017, resulting in an operating margin of 7.0%, as compared to operating income of $114.2 million and an operating margin of 9.0% for the three months ended June 30, 2016. Nonoperating income was $35.5 million for the three months ended June 30, 2017 compared to nonoperating income of $31.0 million for the same period in 2016. The increase in nonoperating income from the prior period is largely due to an increase in investment income both realized and unrealized, as a result of favorable changes in the financial markets. Overall, Aurora reported an excess of revenue over expenses of $127.9 million for the three months ended June 30, 2017 compared to $145.2 million for the same period in the prior year.

Patient service revenue increased $48.1 million (4.0%) in the three months ended June 30, 2017, compared to the same period in 2016. Patient service revenue increased primarily due to the annual price increase effective January 1, 2017, as well as increases in volumes. Surgical cases, emergency room visits, physician clinic, hospital outpatient and other visits, and adult discharges increased 5.2%, 3.4%, 3.1%, and 1.8%, respectively, for the three months ended June 30, 2017 compared to the same period in the prior year.

Provision for bad debts increased $4.2 million (12.9%) in the three months ended June 30, 2017, compared to the same period in the prior year due to an increase in amounts receivable from patients for co-insurance, deductibles and amounts due from patients without insurance. The provision for bad debts as a percentage of patient service revenue (net of contractual allowances and discounts) was 2.9% and 2.7%, respectively, for the three months ended June 30, 2017 and 2016.

Other revenue increased $3.1 million (2.9%) in the three months ended June 30, 2017, compared to the same period in the prior year. The increase in other revenue was driven by an increase in pharmacy prescription sales of $1.8 million, due to higher volumes resulting from the increase in inpatient and outpatient activity noted above. Other revenue also increased $1.5 million due to an increase in investment income on certain defined contribution funds resulting from favorable market conditions and an increase in fund balances.

Salaries, wages and fringe benefits expense increased $53.0 million (7.8%) in the three months ended June 30, 2017, compared to the same period in the prior year. The increase in salaries, wages and fringe benefits expense was driven by a 4.2% increase in full time equivalents (FTEs) over the comparative period and the annual merit increase of 2.9%, which became effective in July of 2016. The increase in FTEs is in response to an increase in patient volume from the same period in the prior year.

Supplies expense increased $9.9 million (4.1%) in the three month period ended June 30, 2017, compared to the same period in the prior year primarily due to an increase in patient volumes over the comparative period. Supplies expense as a percent of total revenue has remained consistent at 18.9% for the three months ended June 30, 2017 and 2016.

The remaining expenses including; professional fees, depreciation and amortization, interest, maintenance and service contracts, building and equipment rental, hospital tax assessment, utilities, purchased services, and other expenses, increased for the three months ended June 30, 2017 compared to the three months ended June 30, 2016, by $5.8 million (2.4%), in the aggregate primarily due to the increase in volumes period over period.

Results of Operations – Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Operating income was $186.7 million for the six months ended June 30, 2017, resulting in an operating margin of 7.1%, as compared to operating income of $211.2 million and an operating margin of 8.4% for the six months ended June 30, 2016. Nonoperating income was $79.9 million for the six months ended June 30, 2017 compared to nonoperating income of $59.9 million for the same period in 2016. The increase in nonoperating income is largely due to an increase in investment income, both realized and unrealized, as a result of favorable changes in the financial markets. Overall, Aurora reported an excess of revenue over expenses of $266.6 million for the six months ended June 30, 2017 compared to $271.0 million for the same period in the prior year.

Patient service revenue increased $90.7 million (3.8%) in the six months ended June 30, 2017, compared to the same period in 2016. Patient service revenue increased primarily due to the annual price increase effective January 1, 2017 and an increase in volume. Surgical cases, physician clinic, hospital outpatient and other visits, adult discharges and observation and bedded outpatients increased 4.2%, 3.5%, 2.0%, and 1.0%, respectively for the six months ended June 30, 2017 compared to the same period in the prior year.

Provision for bad debts increased $5.1 million (7.3%) in the six months ended June 30, 2017, compared to the same period in the prior year due to an increase in amounts receivable from patients for co-insurance, deductibles and amounts due from patients without insurance. The provision for bad debts as a percentage of patient service revenue (net of contractual allowances and discounts) was 3.1% and 3.0%, respectively for the six months ended June 30, 2017 and 2016.

Other revenue increased $11.0 million (5.4%) in the six months ended June 30, 2017, compared to the same period of the prior year. The increase in other revenue is primarily related to an increase of $5.3 million in revenue from risk share, quality, and administrative revenue related to managed care arrangements. Other revenue also increased $5.0 million due to an increase in unrealized gains associated with certain defined contribution plans which are included in other revenue.

Salaries, wages and fringe benefits expense increased $93.6 million (6.8%) in the six months ended June 30, 2017, compared to the same period in the prior year. The increase in salaries, wages and fringe benefits expense is primarily due to the annual merit increase of 2.9% which became effective in July of 2016. The increase is also due to a 4.2% increase in full time equivalents (FTEs) in response to an increase in volume period over period.

Supplies expense increased $16.9 million (3.6%) in the six months ended June 30, 2017, compared to the same period in the prior year primarily due to increased volumes. Supplies expense as a percent of total revenue has remained relatively consistent decreasing from 18.6% for the six months ended June 30, 2016 to 18.5% for the six months ended June 30, 2017.

The remaining expenses including; professional fees, depreciation and amortization, interest, maintenance and service contracts, building and equipment rental, hospital tax assessment, utilities, purchased services, and other expenses increased for the six months ended June 30, 2017 as compared to the six months ended June 30, 2016, by $10.4 million (2.2%), in the aggregate primarily due to the increase in volumes period over period.

ANALYSIS OF FINANCIAL CONDITION

Liquidity – Cash and Investments

Aurora's objectives for its investment portfolios are to target returns over the long-term within management determined reasonable and prudent levels of risk and to preserve and enhance its financial structure. The asset allocation of the portfolios, in aggregate, is broadly diversified across domestic and international equity, fixed income asset classes and cash equivalents and is designed to maximize the probability of achieving the long-term investment objectives at an appropriate level of risk while maintaining a level of liquidity to meet current business requirements. Portfolio performance is monitored throughout the year by comparing actual results to specific asset class appropriate benchmarks.

Pension plan investments are primarily maintained in a master trust fund administered using a bank as trustee. All other investments are held in bank accounts whereby the bank provides custody and safekeeping services. Management of Aurora's investments is conducted by external investment management organizations that are monitored by an investment committee of Aurora's Board of Directors, management and a third-party external advisor. Aurora has established formal investment policies that support Aurora's investment objectives.

The following table sets forth the allocation of Aurora's cash and cash equivalents, investments, and assets whose use is limited or restricted at June 30, 2017 and December 31, 2016 (dollars in thousands):

	June 30, 2017		December 31, 2016	
Cash and cash equivalents	$ 139,062	6.3%	$ 132,659	6.2%
Fixed-income securities	1,309,622	58.9	1,377,430	64.8
Equity securities	752,523	33.8	594,893	28.0
Real estate investments	14,086	0.6	13,953	0.7
Other	7,994	0.4	7,104	0.3
Total	2,223,287	100.0%	2,126,039	100.0%
Less restricted investments [1]	(261,583)		(239,364)	
Total unrestricted cash and investments	$ 1,961,704		$ 1,886,675	
Days cash on hand [2]	152.9		152.0	

[1] Restricted investments include donor restricted funds, contractually restricted funds and funds held by a trustee.

[2] Days cash on hand is calculated in accordance with Aurora's internal financial reporting methodology, and is not intended to conform to the Master Indenture calculation.

Aurora's unrestricted cash and investments increased by $75.0 million or 4.0% from December 31, 2016 to June 30, 2017. The increase in unrestricted cash and investments was primarily due to $182.0 million of cash generated from operations, offset by $111.0 million of capital expenditures.

Total investment income for the six months ended June 30, 2017 and 2016, consisted of the following (in thousands):

	2017	2016
Interest income and dividends	$ 23,871	$ 18,624
Net realized gains (losses) on securities	2,122	(2,438)
Changes in unrealized gains on investments	66,732	48,965
Total	$ 92,725	$ 65,151

Investment income for the six months ended June 30, 2017 and 2016, is classified in the unaudited consolidated statements of operations and changes in unrestricted net assets and unaudited consolidated statement of changes in net assets as follows (in thousands):

	2017	2016
Other revenue	$ 9,949	$ 4,844
Investment income	78,727	59,137
Temporarily restricted net assets	4,049	1,170
Total	$ 92,725	$ 65,151

Liquidity – Accounts Receivable

Net accounts receivable days outstanding decreased from 57.0 days as of December 31, 2016 to 53.5 days as of June 30, 2017. The decrease in net accounts receivable days outstanding is primarily due to the timing of cash collections with significant collections occurring during the month of May 2017.

Indebtedness

Master Indenture Obligations: The Corporation has certain outstanding long-term indebtedness in the form of revenue bonds issued by the Wisconsin Health and Educational Facilities Authority on its behalf (the "Revenue Bonds"). The Corporation's obligation to pay debt service on the Revenue Bonds is secured by Obligations issued under a Second Restated Master Trust Indenture, dated January 1, 2012, between the Members of the Obligated Group created thereunder and U.S. Bank National Association, as Master Trustee (the "Master Indenture"). The obligations of the Corporation to repay advances made under the J.P. Morgan Line of Credit and the Letters of Credit described below are also secured by Obligations issued under the Master Indenture.

At June 30, 2017 and December 31, 2016, the aggregate principal amount of the Revenue Bonds outstanding was as follows (in thousands):

	June 30, 2017	December 31, 2016
Fixed rate revenue bonds	$ 577,166	$ 582,676
Long-term rate revenue bond	65,000	65,000
Variable rate revenue bonds	443,490	443,490
Total	$ 1,085,656	$ 1,091,166

Fixed Rate Revenue Bonds: At June 30, 2017 and December 31, 2016 the Corporation had outstanding $577.2 million (including $10.9 million of unamortized original premium, net) and $582.7 million (including $11.8 million of unamortized original premium, net) of Fixed Rate Bonds, respectively. The weighted average interest rate on the Fixed Rate Revenue Bonds was 4.69% for the six months ended June 30, 2017 and 4.89% for the year ended December 31, 2016.

Long-Term Rate Bond: At June 30, 2017 and December 31, 2016, Aurora had outstanding a $65.0 million long-term rate bond. The long-term rate bond bears interest at a fixed rate for a specified period, and is subject to mandatory tender on August 15, 2017. There is no liquidity facility in effect with respect to the long-term rate bond to pay the purchase price on the mandatory tender date. Without a liquidity facility dedicated to this bond, the bond holder is required to put the bond to Aurora on the mandatory tender date. At June 30, 2017 and December 31, 2016, the $65.0 million long-term bond is classified as current due to this requirement.

On August 15, 2017, Aurora refunded the long-term rate bond with proceeds of a draw on the line of credit issued by a syndicate of commercial banks.

Variable Rate Demand Bonds (VRDBs): At June 30, 2017 and December 31, 2016, the Corporation had outstanding $443.5 million of VRDBs. The VRDBs bear interest at variable rates (currently in daily, weekly, or Unit Pricing interest rate modes) and are subject to optional tender for purchase by their holders. At June 30, 2017 and December 31, 2016, all of the VRDBs are secured by letters of credit issued by commercial banks (the Letters of Credit). Subject to certain requirements in the related Reimbursement Agreements, the Letters of Credit may be drawn on to pay the purchase price of the VRDBs in the event they are not remarketed. The Letters of Credit expire at various dates through 2019 (as set forth in the table below) and have various repayment terms. Principal payments for any advances under each of the Letters of Credit begin the earlier of one year from the date of the advance and two months after the expiration date of the Letter of Credit. The principal payments for any advance under the Letters of Credit amortize over a two or three-year period. Each Letter of Credit is subject to extension of its expiration date at the sole discretion of the related commercial bank.

Bank		Par (in thousands)	Expiration
J.P. Morgan	$	50,822	9/29/2017
J.P. Morgan		84,384	9/29/2017
J.P. Morgan		83,824	9/29/2017
Bank of Montreal		38,270	2/7/2018
Bank of Montreal		56,776	2/7/2018
Bank of Montreal		108,317	1/31/2019
Bank of America		38,270	2/7/2018
Total	$	460,663	

Taxable Bonds: At June 30, 2017 and December 31, 2016, the Corporation had outstanding $258.0 million of fixed rate taxable bonds. The weighted average interest rate on the taxable bonds was 1.87%. At June 30, 2017, $40.0 million of the taxable bonds are subject to a mandatory tender on April 15, 2018, and are classified as current due to this requirement. The Taxable Bonds are secured by Obligations issued under the Master Indenture.

Other Indebtedness: Aurora is obligated under capital lease and financing arrangements entered into in connection with certain sale-leaseback transactions and capital leases of buildings which are reflected as long-term debt in the unaudited consolidated financial statements of Aurora. These arrangements, which relate to various administrative and medical support buildings, had initial lease terms of 15 to 25 years. At June 30, 2017 and December 31, 2016, the outstanding amount of capital lease obligations and financing arrangements was $210.6 million and $220.8 million, respectively.

Line of Credit: At June 30, 2017 and December 31, 2016, the Corporation had a $60.0 million line of credit, under which letters of credit can also be issued, with J.P. Morgan Chase Bank, N.A., bearing interest at the commercial bank floating rate or LIBOR plus a spread, based upon the option of the Corporation. As of June 30, 2017 and December 31, 2016, three letters of credit issued under the line of credit totaling $38.8 million, were outstanding. There are currently no outstanding draws on the line of credit or letters of credit. The line of credit is secured by an Obligation issued under the Master Indenture.

Aurora's total long-term debt at June 30, 2017 and December 31, 2016 is as follows (in thousands):

	June 30, 2017	December 31, 2016
Total revenue bonds	$ 1,085,656	$ 1,091,166
Taxable bonds	258,000	258,000
Capital lease obligations and financing arrangements	210,631	220,829
Various notes payable	5,876	5,943
Deferred financing costs — net	(10,180)	(10,911)
Total long-term debt	$ 1,549,983	$ 1,565,027

LEGAL AND REGULATORY COMPLIANCE

Aurora operates in a highly regulated and litigious industry. As a result, various lawsuits, claims and legal and regulatory proceedings are instituted or asserted against it from time to time. The results of claims, lawsuits and investigations cannot be predicted, and it is possible that the ultimate resolution of these matters, individually or in the aggregate, could have a material adverse effect on Aurora's consolidated financial position or results of operations.

Compliance and Internal Audit Programs

Aurora has a corporate compliance department and maintains a corporate compliance program intended to be consistent with laws and government guidance relating to compliance programs in health care entities. The program includes mandatory education of all employees about certain significant legal and regulatory requirements applicable to the organization, including HIPAA and other privacy regulations, and includes steps to monitor and promote compliance with these requirements. All employees are provided a copy of the Aurora Code of Ethical Conduct and sign a document acknowledging they have read it and understand it reflects Aurora's policy. A "hotline" is available to all employees and physicians to report any areas of potential concern. In addition, Aurora has adopted policies designed to address specific risk areas and has instituted processes intended to correct problems identified through the hotline or its other compliance activities. The corporate compliance department reports functionally to the Chief Administrative Officer and administratively to the Audit and Compliance Committee to the Board of Directors.

Aurora also has an internal audit department responsible for providing independent and objective assurance and consulting services designed to add value and improve Aurora's operations and control environment. The internal audit department reports functionally to the Chief Administrative Officer and administratively to the Audit and Compliance Committee to the Board of Directors. The responsibilities of the internal audit department include assessing the effectiveness of internal controls, reviewing compliance with applicable laws and regulations and assessing the reliability of financial reporting.

Debt Compliance Program

Aurora has adopted a debt compliance policy, which establishes uniform guidelines in connection with its tax-exempt bonds and other financial arrangements. The purpose of the policy is to ensure compliance with all federal tax laws relating to tax-exempt bonds including, but not limited to, rules relating to ownership and use of bond-financed property and investment of bond proceeds; compliance with all securities laws relating to Aurora and its bonds including ongoing public disclosure requirements and compliance with all financial and other covenants imposed under the Master Indenture, loan agreements and other agreements related to its bonds and financial arrangements. Preparing and maintaining documentation necessary to provide a record of compliance is an integral aspect of the policy.

INTERNAL CONTROL OVER FINANCIAL REPORTING PROGRAM

Aurora continues to strengthen and improve its internal control environment and create efficiencies in the financial reporting process. Aurora's internal controls program is based upon concepts established in the Sarbanes-Oxley Act of 2002 ("SOX"), even though Aurora is not subject to the provisions of SOX. The internal controls program is focused on ensuring the integrity and reliability of financial information, strengthening internal controls in the reporting process, reducing the risk of fraud and increasing efficiencies in the financial reporting process. The program includes the review of all aspects of the financial reporting process, identification of potential risks and ensure the risks have been mitigated utilizing a management self-assessment process.

BOND RATINGS

Aurora's outstanding bonds have been assigned ratings of A+ (stable outlook) and A2 (stable outlook) by Fitch and Moody's, respectively, as of June 30, 2017. Additional information on Aurora's bond rating can be obtained from the Investor Relations section on Aurora's website found at https://www.aurorahealthcare.org.