

cPa DIXON, WALLER & CO., INC.

WALSH DISTRICT HOSPITAL

DBA WALSH HEALTHCARE CENTER

WALSH, COLORADO

FINANCIAL STATEMENTS

DECEMBER 31, 2016



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*By the Office of the State Auditor at 1:51 pm, May 31, 2017*

**DIXON, WALLER & CO., INC.**

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**DBA WALSH HEALTHCARE CENTER**

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**FINANCIAL SECTION**

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Independent Auditor's Report

Board of Directors  
Walsh District Hospital  
DBA Walsh Healthcare Center  
Walsh, CO 81090

We have audited the accompanying financial statements of the business-type activities of Walsh District Hospital DBA Walsh Healthcare Center as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Walsh District Hospital DBA Walsh Healthcare Center as of December 31, 2016 and 2015, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Walsh District Hospital DBA Walsh Healthcare Center's basic financial statements. The combining statement of operations is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining statement of operations is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 combining statement of operations is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



May 1, 2017

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Walsh Hospital District**  
**DbA: Walsh Healthcare Center**  
**Management Discussion and Analysis**  
**Year Ended December 31, 2016**

**Introduction**

Our discussion and analysis of the Walsh Hospital District's financial performance provides an overview of the District's financial activities for the year 2016. This should be read with the accompanying financial statements of the Walsh Hospital District. A comparative Management Discussion and Analysis has been prepared for 2016. This is our 13th year in the adoption of GASB 34.

**Financial Highlights**

- The District's net position at the end of 2016 was \$3,626,728 compared to \$2,879,039 in 2015.
- Operating revenues increased by approximately \$221,031 in 2016 compared to 2015.
- Non-operating revenues decreased by approximately \$434,470 in 2016 compared to 2015.
- Walsh Healthcare Center resident census was below the budgeted number of 22 with an average of 21.15. Maplewood Homes' resident census was also below the budgeted number of 10 with an average of 8.83.
- The Ambulance Service had a total of 207 runs with 128 actual transports.
- The Walsh Medical Clinic had a total of 3721 office visits.

**Using this Annual Report**

Walsh Hospital District's financial statements consist of three statements: 1). a balance sheet, 2). a statement of revenues, expenses and changes in net position and, 3). a statement of cash flows. These statements provide information about the activities of the Walsh Hospital District, including resources held by the District but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The District is accounted for as a business-type activity and presents its financial statements using the *accrual basis* of accounting.

**Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position**

One of the most important questions to ask about the Walsh Hospital District's finances is, "Is the District, as a whole, in a better financial position as a result of the year's activities?" The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position report information about the District's resources and its activities helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. One can think of the District's net position (the difference between assets and liabilities) as one way to measure its financial health or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. One would also need to consider other non-financial factors, such as changes in the District's client base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Walsh Hospital District.

### **The Statement of Cash Flows**

The final required statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from operations, investing, non-capital financing and capital related financing activities. It provides answers to such questions as from where did cash come, for what was cash used, and what was the change in cash and cash equivalents during the reporting period.

### **Walsh Hospital District Net Position**

The District's net position is the difference between its assets and liabilities reported in the Balance Sheet. The Nursing Home's net position increased in the 2016 year by \$747,689

**Table 1: Net Position**

#### **NET POSITION**

	2016 <b>Business Type</b> <b>Activities</b>	2015 <b>Business Type</b> <b>Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current and Other Assets	2,495,321	2,669,880	5,165,201
Capital Assets	<u>2,504,093</u>	<u>1,251,792</u>	<u>3,755,885</u>
Total Assets	<u>4,999,414</u>	<u>3,921,672</u>	<u>8,921,086</u>
Deferred Outflows	-	-	-
<b>LIABILITIES</b>			
Current and Other Liabilities	376,878	265,701	642,579
Long Term Liabilities	260,000	-	260,000
Total Liabilities	<u>636,878</u>	<u>265,701</u>	<u>902,579</u>
Deferred Inflows	<u>735,808</u>	<u>776,932</u>	<u>1,512,740</u>
<b>NET ASSETS</b>			
Net Investment in Capital Assets	2,214,093	1,251,792	3,465,885
Restricted for:			
Tabor Reserve	26,000	22,250	48,250
Capital Outlay	7,250	196,379	203,629
Unrestricted	<u>1,379,385</u>	<u>1,408,618</u>	<u>2,788,003</u>
	<u>3,626,728</u>	<u>2,879,039</u>	<u>6,505,767</u>

The most noteworthy changes in the Walsh Hospital District's assets are the increase in cash and cash equivalents. The mill levy increase, from 10 mills to 20 mills, continues to make a significant difference in cash for 2016. The census in the Nursing Home averaged 21.20 and the census in the Assisted Living averaged 8.64 for the year. A worthy mention would be the increase in Capital Assets; this is due to the HVAC renovation, nurse call systems upgrade and addition of security systems.

### **Operating Results and Changes in the Walsh Hospital District's Net Assets**

In 2016, the Hospital District net assets increased by approximately \$747,689. This increase will now be evaluated by looking at the District's revenue and expenses as shown in Table 2.

**Table 2: Operating Results and Changes in Net Position**

	<u>2016</u>				
<u>Operating Revenues</u>	NH	AMB	ACF	WMC	TOTAL
Net Client Service Revenue - LTC	1,796,104		256,756		2,052,860
Net Client Service Revenue - Clinic				209,495	209,495
Net Ambulance Revenue		46,266			46,266
Other Revenue	121,633	0	1,300	28,348	151,281
<b><u>Total Operating Revenues</u></b>	<b><u>1,917,737</u></b>	<b><u>46,266</u></b>	<b><u>258,056</u></b>	<b><u>237,843</u></b>	<b><u>2,459,902</u></b>
<u>Operating Expenses</u>					
Professional Care of Clients	1,225,427		202,774	264,406	1,692,607
Dietary Services	282,355		62,592		344,947
General Services	214,195		49,590	2,440	266,225
Administrative Services	332,516		17,099	32,208	381,823
Ambulance		53,499			53,499
Depreciation	64,966	45,462	31,908	7,618	149,954
Provision for Bad Debts				7,595	7,595
<b><u>Total Operating Expenses</u></b>	<b><u>2,119,459</u></b>	<b><u>98,961</u></b>	<b><u>363,963</u></b>	<b><u>314,267</u></b>	<b><u>2,896,650</u></b>
<u>Income/Loss/Operations</u>	<b><u>-201,722</u></b>	<b><u>-52,695</u></b>	<b><u>-105,907</u></b>	<b><u>-76,424</u></b>	<b><u>-436,748</u></b>
<u>Non-operating Revenues</u>					-
Property Tax Revenue	659,150	29,406	51,460	88,217	828,233
Contributions and Grants	171,313	24,548	11,550	51,524	258,935
Investment Income	3,332	39	18	25	3,414
<b><u>Total Non-Op Revenues</u></b>	<b><u>833,795</u></b>	<b><u>53,993</u></b>	<b><u>63,028</u></b>	<b><u>139,766</u></b>	<b><u>1,090,582</u></b>
					-
<u>Change in Net Position</u>	<b><u>632,073</u></b>	<b><u>1,298</u></b>	<b><u>-42,879</u></b>	<b><u>63,342</u></b>	<b><u>653,834</u></b>

	<u>2015</u>				
<u>Operating Revenues</u>	NH	AMB	ACF	WMC	TOTAL
Net Client Service Revenue - LTC	1,771,531		236,625		2,008,156
Net Client Service Revenue - Clinic				260,641	260,641
Net Ambulance Revenue		57,083			57,083
Other Revenue	157,819	30	1080	37,850	196,779
<b><u>Total Operating Revenues</u></b>	<b><u>1,929,350</u></b>	<b><u>57,113</u></b>	<b><u>237,705</u></b>	<b><u>298,491</u></b>	<b><u>2,522,659</u></b>
<u>Operating Expenses</u>					
Professional Care of Clients	1,342,093		223,129	361,772	1,926,994
Dietary Services	298,929		54,911		353,840
General Services	223,477		27,070	2,567	253,114
Administrative Services	411,393		20,300	40,008	471,701
Ambulance		63,206			63,206
Depreciation	71,028	45,634	34,639	9,951	161,252
Provision for Bad Debts	10,000				10,000
<b><u>Total Operating Expenses</u></b>	<b><u>2,356,920</u></b>	<b><u>108,840</u></b>	<b><u>360,049</u></b>	<b><u>414,298</u></b>	<b><u>3,240,107</u></b>
<u>Income/Loss/Operations</u>	<b><u>-427,570</u></b>	<b><u>-51,727</u></b>	<b><u>-122,344</u></b>	<b><u>-115,807</u></b>	<b><u>-717,448</u></b>
<u>Non-operating Revenues</u>					-
Property Tax Revenue	656,387	29,689	66,800	81,644	834,520
Contributions and Grants	36,331	11,172	100	22,974	70,577
Investment Income	4,257	179	27	47	4,510
<b><u>Total Non-Op Revenues</u></b>	<b><u>696,975</u></b>	<b><u>41,040</u></b>	<b><u>66,927</u></b>	<b><u>104,665</u></b>	<b><u>909,607</u></b>
					-
<u>Change in Net Position</u>	<b><u>269,405</u></b>	<b><u>-10,687</u></b>	<b><u>-55,417</u></b>	<b><u>-11,142</u></b>	<b><u>192,159</u></b>

### ***Operating Revenue***

The first component of the overall change in the District's net assets is its operating revenue. In the fiscal year 2016, the District's operating revenue increased from that of 2015 by \$221,031. This can be attributed to an increase in all divisions. The Nursing Home and Assisted Living revenue increased due to census. The Ambulance revenue increased due to assisting the local hospital with transfers to other medical facilities. The Medical Clinic increased due to the increased number of office visits.

### ***Non-operating Revenues and Expenses***

Non-operating revenues and expenses consist primarily of property tax, investment interest, grant money, and contributions. Tabor law and valuation of property has an impact on the district revenues. The property tax increased from that of 2015. There was an increase in the amount of grants received for the 2016 year compared to that of 2015. Expenses increased due to the minimum wage requirements and bad debt allowances.

### ***Walsh Hospital District Cash Flows***

Changes in the District's operating cash flows are consistent with changes in operating income and non-operating revenues and expenses.

### ***Capital Asset and Debt Administration***

#### **Capital Assets**

The District began a mechanical systems upgrade to replace the heating and air-conditioning throughout the nursing home building. The replacement of an obsolete Nurse Call system for the nursing home and assisted living buildings began in the third quarter of 2016. Funding was awarded and the majority of the DOLA funding was received in 2016 to assist in accomplishing both projects. Additional funding was received from Bernard and Hazel Neill Foundation and Cooper Clark to assist with these upgrades. The District incurred a long term debt from Southeast Colorado Power to complete the projects. Remodeling of the nursing home to provide private rooms to the residents will remain a vision for the future.

Capital improvements in 2016 for the Healthcare Center include the purchase of a HVAC and Nurse Call Systems. Lease Chiropractic Clinic added an awning to the building. No other capital items were added during 2016.

A summary of changes in Walsh Healthcare Center's capital assets in 2016 are as follows

Capital Assets ( Net of Depreciation )

	<u>2016</u>	<u>2015</u>
Land & Sites	20,974	20,974
Buildings & Improvements	2,318,694	1,014,310
Equipment & Vehicles	74,747	95,651
Ambulance	89,678	120,857
Total Capital Assets	<u>2,504,093</u>	<u>1,251,792</u>

**Debt**

The Walsh Hospital District operations incurred a 10 year debt in 2016 from Southeast Colorado Power to assist is the HVAC and Nurse Call Systems upgrades.

***Contacting the Walsh Hospital District's Financial Management***

This financial report is designed to provide our customers, suppliers, creditors and citizens with a general overview of the District's finances and accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rita Hetrick, Administrator at Walsh Healthcare Center, 150 Nevada Street, Walsh, CO 81090. [rita.hetrick@walshhealthcarecenter.com](mailto:rita.hetrick@walshhealthcarecenter.com)

**BASIC FINANCIAL STATEMENTS**

**WALSH DISTRICT HOSPITAL DBA WALSH HEALTHCARE CENTER**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**December 31, 2016 and 2015**

	<u>Business-Type Activities</u>	
	<u>2016</u>	<u>2015</u>
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	1,307,789	1,469,740
Accounts Receivable, Net of Estimated Uncollectibles of \$81,400 in 2016, and \$55,000 in 2015	265,175	260,542
Property Taxes Receivable	735,808	776,932
Prepaid Expenses	61,016	64,059
Supplies Inventory	120,680	94,985
<b>Assets Limited As To Use</b>		
Cash Held as Trustee-Resident Personal Needs	4,853	3,622
<b><u>Total Current Assets</u></b>	<b>2,495,321</b>	<b>2,669,880</b>
<b>Capital Assets</b>		
Less Accumulated Depreciation	(3,612,164)	(3,471,867)
<b><u>Net Capital Assets</u></b>	<b>2,504,093</b>	<b>1,251,792</b>
<b><u>TOTAL ASSETS</u></b>	<b>4,999,414</b>	<b>3,921,672</b>
<b><u>LIABILITIES</u></b>		
Accounts Payable	124,507	50,397
Accrued Expenses	202,337	192,041
Resident Personal Needs	4,853	3,622
Other Current Liabilities	15,181	19,641
Long Term Debt		
Current	30,000	-
Long Term	260,000	-
<b><u>TOTAL LIABILITIES</u></b>	<b>636,878</b>	<b>265,701</b>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>		
Property Taxes	735,808	776,932
<b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	2,214,093	1,251,792
Restricted		
Reserve for Emergency	26,000	22,250
Capital Outlay	7,250	196,379
Unrestricted	1,379,385	1,408,618
<b><u>TOTAL NET POSITION</u></b>	<b>3,626,728</b>	<b>2,879,039</b>

The accompanying notes are an integral part of these financial statements.

**WALSH DISTRICT HOSPITAL DBA WALSH HEALTHCARE CENTER  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUND**

**For the Years Ended December 31, 2016 and 2015**

	<u>Business-Type Activities</u>	
	<u>2016</u>	<u>2015</u>
<b><u>OPERATING REVENUES</u></b>		
Net Patient Service Revenue - Long Term Care	2,095,819	2,008,156
Net Patient Service Revenue - Clinic	265,220	260,641
Net Ambulance Revenue	128,511	57,083
Other Revenue	<u>254,140</u>	<u>196,779</u>
<u>Total Operating Revenues</u>	<u>2,743,690</u>	<u>2,522,659</u>
 <b><u>OPERATING EXPENSES</u></b>		
Professional Care of Patients	1,943,619	1,926,994
Dietary Services	357,746	353,840
General Services	307,628	253,114
Administrative Services	454,631	471,701
Ambulance	91,812	63,206
Depreciation	140,297	161,252
Provision for Bad Debts	<u>44,345</u>	<u>10,000</u>
<u>Total Expenses</u>	<u>3,340,078</u>	<u>3,240,107</u>
 <b><u>INCOME (LOSS) FROM OPERATIONS</u></b>	 <u>(596,388)</u>	 <u>(717,448)</u>
 <b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Property and Other Taxes	865,214	834,520
Contributions and Grants	473,079	70,577
Investment Income	<u>5,784</u>	<u>4,510</u>
<u>Total Non-Operating Revenues (Expenses)</u>	<u>1,344,077</u>	<u>909,607</u>
 <b><u>CHANGE IN NET POSITION</u></b>	 747,689	 192,159
 <b><u>NET POSITION – Beginning</u></b>	 <u>2,879,039</u>	 <u>2,686,880</u>
 <b><u>NET POSITION – Ending</u></b>	 <u>3,626,728</u>	 <u>2,879,039</u>

The accompanying notes are an integral part of these financial statements.

**WALSH DISTRICT HOSPITAL DBA WALSH HEALTHCARE CENTER  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND**

For the Years Ended December 31, 2016 and 2015

	<u>Business-Type Activities</u>	
	<u>2016</u>	<u>2015</u>
<b><u>Cash Flows from Operating Activities</u></b>		
Receipts from Services	2,440,573	2,281,684
Other Operating Receipts	254,140	196,779
Payments to Employees	(2,162,555)	(2,094,528)
Payments to Vendors	(935,587)	(939,520)
<b><u>Net Cash Provided by (Used for) Operating Activities</u></b>	<b><u>(403,429)</u></b>	<b><u>(555,585)</u></b>
<b><u>Cash Flows from Non Capital Financing Activities</u></b>		
Receipts from Taxes	865,214	834,520
Contributions and Grants	9,824	39,777
Change in Patient Deposits	1,231	305
<b><u>Net Cash from Non-Capital Financing Activities</u></b>	<b><u>876,269</u></b>	<b><u>874,602</u></b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>		
Purchase of Property and Equipment	(1,392,598)	(140,761)
Contributions for Capital Additions	463,254	30,800
Proceeds from Debt	300,000	-
Principal Paid on Long-Term Debt	(10,000)	-
<b><u>Net Cash from Capital and Related Financing Activities</u></b>	<b><u>(639,344)</u></b>	<b><u>(109,961)</u></b>
<b><u>Cash Flows from Investing Activities</u></b>		
Investment Earnings	5,784	4,510
Sale of Investments	-	-
<b><u>Net Cash from Investing Activities</u></b>	<b><u>5,784</u></b>	<b><u>4,510</u></b>
<b><u>Net Increase (Decrease) in Cash and Cash Equivalents</u></b>	<b><u>(160,720)</u></b>	<b><u>213,566</u></b>
<b><u>Cash and Cash Equivalents, Beginning of Year</u></b>	<b><u>1,473,362</u></b>	<b><u>1,259,796</u></b>
<b><u>Cash and Cash Equivalents, End of Year</u></b>	<b><u>1,312,642</u></b>	<b><u>1,473,362</u></b>
<b><u>Reconciliation of Cash Flows from Operating Activities</u></b>		
Operating Income (Loss)	(596,388)	(717,448)
<b><u>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</u></b>		
Depreciation	140,297	161,252
Provision for Bad Debts	44,345	10,000
(Increase) Decrease in Patient Accounts Receivable	(48,977)	(44,196)
(Increase) Decrease in Prepaid Expenses	3,043	(8,465)
(Increase) Decrease in Inventory	(25,695)	29
Increase (Decrease) in Accounts Payable	74,110	26,782
Increase (Decrease) in Accrued Expenses	10,296	16,411
Increase (Decrease) in Other Liabilities	(4,460)	50
<b><u>Net Cash Provided by (Used) in Operating Activities</u></b>	<b><u>(403,429)</u></b>	<b><u>(555,585)</u></b>

The accompanying notes are an integral part of these financial statements.

**NOTES TO BASIC FINANCIAL STATEMENTS**

**WALSH DISTRICT HOSPITAL DBA WALSH HEALTHCARE CENTER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2016**

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**NOTE 1**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Walsh District Hospital DBA Walsh Healthcare Center (Center) conform with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Center's accounting policies are described below.

The center operates under an elected Board with five members.

**A. Reporting Entity**

Governmental Accounting Standards Board (GASB) Statement No. 14, (as amended by Statement No. 34, No. 39 and No. 61) "*The Financial Reporting Entity*" (GASB No. 14) describes the financial reporting entity as it relates to governmental accounting. According to this Statement, the financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations whose exclusion from the reporting entity's financial statements would cause those statements to be misleading or incomplete. Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

This Center is not included in any other governmental "reporting entity" as defined in GASB No. 14 and does not include any other component unit as part of its "reporting entity". As required by accounting principles generally accepted in the USA, these basic financial statements present the Center (the primary government) and its component units.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The proprietary fund types are accounted for on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The measurement focus in these funds is on the flow of economic resources and emphasizes the determination of net income. All assets, liabilities and deferred flows associated with their activity are included on their statements of net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's ongoing operations. The principal operating revenues of the Center's proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Center's policy to use restricted resources first, then unrestricted resources, as they are needed.

WALSH DISTRICT HOSPITAL DBA WALSH HEALTHCARE CENTER  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2016

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**NOTE 1**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C.    Fund Accounting**

The accounts of the Center are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred flows, fund equity, revenues and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

- **Major Proprietary Funds – Business –Type Activities**

**Enterprise Funds** – used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Enterprise funds are considered major funds because of community interests in the activities and sources of funding supporting these operations.

**D.    Charity Care**

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

**E.    Net Patient Service Revenue**

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

**F.    Receivables**

Patient accounts receivable are recorded at established rates as services are provided. Provision for uncollectible accounts is made in amounts required to maintain an adequate allowance for anticipated losses. In some cases, services to patients are paid for by Medicare, Medicaid, or other third parties. The amount reimbursed is generally based upon the cost of the services provided, as defined by government regulations. Account balances are reduced for the estimated amount of contractual allowances.

**G.    Property Taxes**

Property taxes represent ad valorem taxes levied by the Center, which are payable to the County Treasurer, and are recognized as revenue by the Center in the year for which they are levied.

WALSH DISTRICT HOSPITAL DBA WALSH HEALTHCARE CENTER  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2016

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**NOTE 1**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G.    Property Taxes (Continued)**

Property taxes are levied in December for collection in the subsequent year.

Property taxes attach as an enforceable lien on property as of January 1. Taxes may be paid without penalty in either of two ways: (a) Full payment by April 30, or (b) First half must be paid by last day of February, and second half must be paid by June 15.

**H.    Inventories**

Inventories are stated at cost, calculated using the first-in, first-out method.

**I.    Property, Plant and Equipment**

Capital assets, which include property, vehicles and equipment, are utilized for general Center operations and are capitalized at actual or estimated cost. Donations of such assets are recorded at estimated fair value at the time of donation.

Maintenance, repairs, and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized

The monetary threshold for capitalization of assets is \$3,000. The Center's capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets (5-20 years). Depreciation of all capital assets is charged as an expense against their operations. Depreciation is recorded in the year of acquisition.

**J.    Compensated Absences (Accrued Vacation Payable)**

At December 31, 2016 and 2015, the Center had a liability for accrued vacation of \$43,792 and \$39,581, respectively.

**K.    Sick Leave**

All regular full time and regular part time employees accrue one sick day every 200 hours worked. Maximum accrual of sick leave is thirty days. Any employee retiring at the age of sixty-five or having twenty years of continuous employment at the Care Center will be paid their accrued sick leave up to thirty days at termination. No current liability is accrued in the financial statement for sick leave.

**L.    Budgetary Accounting**

Revenues and expenditures are controlled by budgetary accounting system in accordance with various legal requirements. The budgeted revenues and expenditures represent the original adopted budget as in accordance with Colorado Laws. Budgets are generally prepared on the same basis as that used for accounting purposes except for depreciation which is not budgeted and capital outlay which is budgeted.

WALSH DISTRICT HOSPITAL DBA WALSH HEALTHCARE CENTER  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2016

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**NOTE 1**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L.    Budgetary Accounting (Continued)**

The Center has set procedures to be followed in establishing the budgetary data reflected in the financial statements:

1.    Prior to October 1, the Business Manager submits to the Center Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2.    Public notices are released to obtain taxpayer comments.
3.    Prior to December 31, the budget is legally enacted through passage of a resolution.
4.    The Business Manager is authorized to transfer budgeted amounts between categories, however, any revisions that alter the total expenditures must be approved by the Center Board.
5.    Formal budgetary integration should be employed as a management control device during the year.
6.    The budget is adopted on a basis not consistent with generally accepted accounting principles (GAAP). See Note 4.

**M.   Costs of Borrowing**

Interest cost incurred on borrowed funds during the period of construction or capital assets is capitalized as a component of the cost of acquiring those assets.

**N.   Assets Whose Use is Limited**

Assets whose use is limited include cash held for patients for personal needs.

**O.   Risk Management**

The Center is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The Center maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**WALSH DISTRICT HOSPITAL DBA WALSH HEALTHCARE CENTER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2016**

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**NOTE 1**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**P.    Use of Estimates**

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

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on customer accounts receivable. In connection with the determination of the estimated losses on receivables, management evaluates accounts and relies on historical data.

While management uses available information to recognize losses on receivables, further reductions in the carrying amounts of receivables may be necessary based on changes in economic conditions. Because of these factors, it is reasonable possible that the estimated losses on receivables may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

**Q.    Cash and Cash Equivalents**

Cash and cash equivalents include investments in highly liquid instruments with an original maturity of three months or less.

**NOTE 2**      **NET PATIENT SERVICE REVENUE**

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates.

**WALSH DISTRICT HOSPITAL DBA WALSH HEALTHCARE CENTER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 3**      **CAPITAL ASSETS**

**Business -Type Activities**

A summary of changes in the Center's capital assets for 2016 and 2015 is as follows:

	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
	<u>Jan. 1, 2016</u>			<u>Dec. 31, 2016</u>
<b><u>Assets</u></b>				
Land	20,974	-	-	20,974
Building & Improvements	3,232,003	1,392,598	-	4,624,601
Equipment	731,039	-	-	731,039
Vehicles	100,753	-	-	100,753
Ambulance	<u>638,890</u>	-	-	<u>638,890</u>
	<u>4,723,659</u>	<u>1,392,598</u>	-	<u>6,116,257</u>
<b><u>Accumulated Depreciation</u></b>				
Building & Improvements	2,217,693	88,214	-	2,305,907
Equipment	641,788	19,304	-	661,092
Vehicles	94,353	1,600	-	95,953
Ambulance	<u>518,033</u>	<u>31,179</u>	-	<u>549,212</u>
	<u>3,471,867</u>	<u>140,297</u>	-	<u>3,612,164</u>
<b>Total</b>	<u>1,251,792</u>	<u>1,252,301</u>	-	<u>2,504,093</u>
<b><u>Business - Type Activities Depreciation Expense:</u></b>				
Walsh Healthcare Center				<u>140,297</u>
<b>Total Depreciation Expense – Business Type Activities</b>				<u>140,297</u>
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
	<u>Jan. 1, 2015</u>			<u>Dec. 31, 2015</u>
<b><u>Assets</u></b>				
Land	20,974	-	-	20,974
Building & Improvements	3,161,527	70,476	-	3,232,003
Equipment	682,440	48,599	-	731,039
Vehicles	95,903	8,000	3,150	100,753
Ambulance	<u>625,204</u>	<u>13,686</u>	-	<u>638,890</u>
	<u>4,586,048</u>	<u>140,761</u>	<u>3,150</u>	<u>4,723,659</u>
<b><u>Accumulated Depreciation</u></b>				
Building & Improvements	2,134,083	83,610	-	2,217,693
Equipment	611,379	30,409	-	641,788
Vehicles	95,904	1,599	3,150	94,353
Ambulance	<u>472,399</u>	<u>45,634</u>	-	<u>518,033</u>
	<u>3,313,765</u>	<u>161,252</u>	<u>3,150</u>	<u>3,471,867</u>
<b>Total</b>	<u>1,272,283</u>	<u>(20,491)</u>	-	<u>1,251,792</u>
<b><u>Business - Type Activities Depreciation Expense:</u></b>				
Walsh Healthcare Center				<u>161,252</u>
<b>Total Depreciation Expense – Business Type Activities</b>				<u>161,252</u>

**WALSH DISTRICT HOSPITAL DBA WALSH HEALTHCARE CENTER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
December 31, 2016

**NOTE 4**      **BUDGET**

A comparison for budgeted and actual revenues and expenditures as of December 31, 2016, is presented in the following schedule: (This comparison is not a schedule of operations.) The Center prepares its budget on a Non-GAAP Basis.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b><u>REVENUE</u></b>	<b><u>5,741,709</u></b>	<b><u>4,087,767</u></b>	<b><u>(1,653,942)</u></b>
<b><u>EXPENDITURES – NON GAAP</u></b>			
Operations	4,271,571	3,155,436	1,116,135
Capital Outlay	<u>1,470,000</u>	<u>1,392,598</u>	<u>77,402</u>
	<u>5,741,571</u>	4,548,034	<u>1,193,537</u>
Items to Reconcile to GAAP			
Depreciation		140,297	
Provision for Bad Debts		44,345	
Capital Additions		<u>(1,392,598)</u>	
		<u>3,340,078</u>	

A comparison for budgeted and actual revenues and expenditures as of December 31, 2015, is presented in the following schedule: (This comparison is not a schedule of operations.) The Center prepares its budget on a Non-GAAP Basis.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b><u>REVENUE</u></b>	<b><u>5,370,170</u></b>	<b><u>3,432,266</u></b>	<b><u>(1,937,904)</u></b>
<b><u>EXPENDITURES – NON GAAP</u></b>			
Operations	4,213,332	3,068,855	1,144,477
Capital Outlay	<u>1,110,000</u>	<u>140,761</u>	<u>969,239</u>
	<u>5,323,332</u>	3,209,616	<u>2,113,716</u>
Items to Reconcile to GAAP			
Depreciation		161,252	
Provision for Bad Debts		10,000	
Capital Additions		<u>(140,761)</u>	
		<u>3,240,107</u>	

**NOTE 5**      **DEPOSITS**

The Colorado Public Deposit Protection Act (PDPA), requires that all units of local government deposit cash in eligible public depositories, eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

**WALSH DISTRICT HOSPITAL DBA WALSH HEALTHCARE CENTER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5**      **DEPOSITS (Continued)**

At December 31, 2016, the Center's bank balance and corresponding carrying balance were as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Insured (FDIC)(FSLIC)	250,000	250,000
Uninsured, Collateralized under the Public Deposit Protection Act of the State of Colorado	1,056,326	1,146,502
Cash with County Treasurer	6,031	-
Cash on Hand	285	-
<b><u>Total Cash and Deposits</u></b>	<b><u>1,312,642</u></b>	<b><u>1,396,502</u></b>

As presented above, deposits with a carrying balance of \$1,056,326 and a bank balance of \$1,146,502 as of December 31, 2016 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

Deposits with a carrying balance of \$1,215,948 and a bank balance of \$1,298,617 as of December 31, 2015 were uninsured, exposed to custodial risk, and were collateralized with securities held by the pledging financial institution.

**NOTE 6**      **INVESTMENTS**

The types of investment which are authorized to be made with Center funds are controlled by state statute and the investment policies of the Center. Colorado statutes and the Center's investment policies specify investment instruments meeting defined rating and risk criteria in which the Center may invest:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local Government investment pools
- Repurchase agreements
- Money market funds
- Guaranteed investment contracts
- Corporate or bank debt issued by eligible corporations or banks

**Credit Risk**

The Center's investment policy calls for investment diversification within the portfolio to avoid unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. The Center's investment policy allows for the Center to invest in local government investment pools.

WALSH DISTRICT HOSPITAL DBA WALSH HEALTHCARE CENTER  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2016

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**NOTE 6**      **INVESTMENTS (Continued)**

**Interest Rate Risk**

Colorado Revised Statutes and the Center's investment policy limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair values arising from increasing interest rates.

**NOTE 7**      **SELF FUNDED INSURANCE PROGRAM**

During 1997 the Center established a partial self-fund health program and a self-funded dental program. The plan administrators, CNIC Health Solutions Inc., are responsible for the approval, processing and payment of claims, after which they bill the Center for reimbursement. The Center is also responsible for a monthly administrative fee. The program contract year is December 1 through November 30 each year.

The program is available to employees who work a minimum of thirty-two hours per week and have met a ninety day waiting period.

**Medical and Dental Claims**

The Center has reported a liability of \$15,181 and \$19,641 for the years ended December 31, 2016 and 2015 respectively which represents unreported claims which were incurred on or before December 31, but were not paid by the Center as of that date. The amounts not reported to the Center were estimated using historical cost data by the plan administrator.

**NOTE 8**      **ACCRUED EXPENSES**

Accrued Expenses Consist of the Following Amounts:

<b><u>2016</u></b>	
Accrued Salaries	158,545
Accrued Vacation	<u>43,792</u>
<b><u>Total</u></b>	<b><u>202,337</u></b>
<b><u>2015</u></b>	
Accrued Salaries	152,460
Accrued Vacation	<u>39,581</u>
<b><u>Total</u></b>	<b><u>192,041</u></b>

**NOTE 9**      **CONTINGENCIES**

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's bill of rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

**WALSH DISTRICT HOSPITAL DBA WALSH HEALTHCARE CENTER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 December 31, 2016

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**NOTE 9      CONTINGENCIES (Continued)**

The Center operates as an enterprise fund, but does receive some property taxes for administrative costs. The Center calculates its TABOR reserve based on the amount of property taxes received.

The Center's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of the qualifications of an Enterprise will require judicial interpretation.

**NOTE 10      NOTE PAYABLE**

The District entered into a loan agreement with the Southeast Colorado Power Association on June 9, 2016 for the purpose of additional funding for the implementation of an HVAC system. The amount of the loan was \$300,000 with an interest rate of 0%. The term of the loan is 10 years with monthly payments in the amount of \$2,500 beginning September 1, 2016.

Below is a summary of the loan payment schedule.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 30,000	\$ -	\$ 30,000
2018	\$ 30,000	\$ -	\$ 30,000
2019	\$ 30,000	\$ -	\$ 30,000
2020	\$ 30,000	\$ -	\$ 30,000
2021	\$ 30,000	\$ -	\$ 30,000
2022	\$ 30,000	\$ -	\$ 30,000
2023	\$ 30,000	\$ -	\$ 30,000
2024	\$ 30,000	\$ -	\$ 30,000
2025	\$ 30,000	\$ -	\$ 30,000
2026	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 20,000</u>
	<u>\$290,000</u>	<u>\$ -</u>	<u>\$290,000</u>

**SUPPLEMENTAL INFORMATION**

**WALSH DISTRICT HOSPITAL DBA WALSH HEALTHCARE CENTER**  
**COMBINING STATEMENT OF OPERATIONS**  
**For the Years Ended December 31, 2016 and 2015**

	<u>2016</u>			
	<u>Nursing Home</u>	<u>Ambulance</u>	<u>Assisted Care Facility</u>	<u>Medical Clinic</u>
<b><u>OPERATING REVENUES</u></b>				
Net Patient Service Revenue-Long Term Care	1,834,308	-	261,511	-
Net Patient Service Revenue-Clinic	-	-	-	265,220
Net Ambulance Revenue	-	128,511	-	-
Other Revenue	174,963	403	1,440	77,334
<b><u>Total Revenue</u></b>	<b><u>2,009,271</u></b>	<b><u>128,914</u></b>	<b><u>262,951</u></b>	<b><u>342,554</u></b>
<b><u>OPERATING EXPENSES</u></b>				
Professional Care of Patients	1,341,785	-	216,716	385,118
Dietary Services	301,183	-	56,563	-
General Services	271,834	-	33,113	2,681
Administrative Services	403,022	-	17,283	34,326
Ambulance	-	91,812	-	-
Depreciation	67,042	31,179	33,335	8,741
Provision for Bad Debts	3,000	18,345	-	23,000
<b><u>Total Expenses</u></b>	<b><u>2,387,866</u></b>	<b><u>141,336</u></b>	<b><u>357,010</u></b>	<b><u>453,866</u></b>
<b><u>INCOME (LOSS) FROM OPERATIONS</u></b>	<b><u>(378,595)</u></b>	<b><u>(12,422)</u></b>	<b><u>(94,059)</u></b>	<b><u>(111,312)</u></b>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>				
Property and Other Taxes	663,547	31,026	62,051	108,590
Contributions and Grants	456,771	16,248	60	-
Investment Income	5,321	350	50	63
Gain on Sale of Investments	-	-	-	-
<b><u>Total Non-Operating Revenues (Expenses)</u></b>	<b><u>1,125,639</u></b>	<b><u>47,624</u></b>	<b><u>62,161</u></b>	<b><u>108,653</u></b>
<b><u>CHANGE IN NET POSITION</u></b>	<b><u>747,044</u></b>	<b><u>35,202</u></b>	<b><u>(31,898)</u></b>	<b><u>(2,659)</u></b>
<b><u>NET POSITION – Beginning</u></b>	<b><u>2,736,766</u></b>	<b><u>297,882</u></b>	<b><u>(172,296)</u></b>	<b><u>16,687</u></b>
<b><u>NET POSITION – Ending</u></b>	<b><u>3,483,810</u></b>	<b><u>333,084</u></b>	<b><u>(204,194)</u></b>	<b><u>14,028</u></b>

The accompanying notes are an integral part of these financial statements.

<u>2016</u>	<u>2015</u>	<u>Change</u>
<u>Total</u>	<u>Total</u>	
2,095,819	2,008,156	87,663
265,220	260,641	4,579
128,511	57,083	71,428
<u>254,140</u>	<u>196,779</u>	<u>57,361</u>
<u>2,743,690</u>	<u>2,522,659</u>	<u>221,031</u>
1,943,619	1,926,994	16,625
357,746	353,840	3,906
307,628	253,114	54,514
454,631	471,701	(17,070)
91,812	63,206	28,606
140,297	161,252	(20,955)
<u>44,345</u>	<u>10,000</u>	<u>34,345</u>
<u>3,340,078</u>	<u>3,240,107</u>	<u>99,971</u>
<u>(596,388)</u>	<u>(717,448)</u>	<u>121,060</u>
865,214	834,520	30,694
473,079	70,577	402,502
5,784	4,510	1,274
-	-	-
<u>1,344,077</u>	<u>909,607</u>	<u>434,470</u>
747,689	192,159	555,530
<u>2,879,039</u>	<u>2,686,880</u>	<u>192,159</u>
<u>3,626,728</u>	<u>2,879,039</u>	<u>747,689</u>

The accompanying notes are an integral part of these financial statements.