

cPa DIXON, WALLER & CO., INC.

WALSH DISTRICT HOSPITAL

DBA WALSH HEALTHCARE CENTER

WALSH, COLORADO

FINANCIAL STATEMENTS

DECEMBER 31, 2017

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Office of the State Auditor

July 5, 2018

DIXON, WALLER & CO., INC.

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DBA WALSH HEALTHCARE CENTER

DECEMBER 31, 2017

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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, 2017 and 2016, 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, 2017 and 2016, 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 V 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.



June 13, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Walsh Hospital District

DbA: Walsh Healthcare Center

Management Discussion and Analysis

Year Ended December 31, 2017

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 2017. This should be read with the accompanying financial statements of the Walsh Hospital District. A comparative Management Discussion and Analysis has been prepared for 2017. This is our 14th year in the adoption of GASB 34.

Financial Highlights

- The District's net position at the end of 2017 was \$4,026,304 compared to a restated net position of \$3,568,392 in 2016.
- Operating revenues increased by approximately \$214,197 in 2017 compared to 2016.
- Non-operating revenues decreased by approximately \$16,942 in 2017 compared to 2016.
- Walsh Healthcare Center resident census was above the budgeted number of 22 with an average of 22.29 Maplewood Homes' resident census was below the budgeted number of 12 with an average of 11.30.
- The Ambulance Service had a total of 151 runs with 81 actual transports.
- The Walsh Medical Clinic had a total of 3835 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 assets 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 Assets 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 assets and changes in them. One can think of the District's net assets (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 assets are 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 2017 year by \$457,912.

Table 1: Assets, Liabilities and Net Position

	<u>2016</u>	<u>2017</u>
<u>Assets</u>		
Current and Other Assets	\$ 2,495,321	\$ 2,720,253
Capital Assets, Net	<u>\$ 2,504,093</u>	<u>\$ 2,677,742</u>
Total Assets	\$ 4,999,414	\$ 5,397,995
<u>Liabilities</u>		
Current Liabilities	\$ 435,214	\$ 414,172
Long-term debt:	<u>\$ 260,000</u>	<u>\$ 230,000</u>
Total Liabilities	\$ 695,214	\$ 644,172
Deferred Inflows	735,808	727,519
<u>Net Position</u>		
Net Investment in capital assets	\$ 2,214,093	\$2,417,742
Restricted for:		
Tabor Reserve	\$ 26,000	\$ 25,000
Capital Outlay	\$ 7,250	\$ 78,957
Unrestricted	<u>\$ 1,321,049</u>	<u>\$1,504,605</u>
Total Net Position	\$ 3,568,392	\$4,026,304

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 2017. The census in the Nursing Home averaged 22.29 and the census in the Assisted Living averaged 11.30 for the year. A worthy mention would be the increase in Capital Assets; this is due to the addition of a new ambulance, additional equipment purchased for the medical clinic and the completed installation of the nurse call systems for the assisted living and long term care facilities.

Operating Results and Changes in the Walsh Hospital District's Net Position

In 2017, the Hospital District net assets increased by approximately \$457,912. 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

	Nursing		Assisted Care	Medical		2016	
	<u>Home</u>	<u>Ambulance</u>	<u>Facility</u>	<u>Clinic</u>	<u>Total</u>	<u>Total</u>	<u>Change</u>
OPERATING REVENUES							
Net Patient Service Revenue - Long Term Care	1,979,405	-	332,174	-	2,311,579	2,095,819	215,760
Net Patient Service Revenue - Clinic		-	-	276,665	276,665	265,220	11,445
Net Ambulance Revenue		77,938	-	-	77,938	128,511	(50,573)
Other Revenue	254,569	-	2,880	34,256	291,705	254,140	37,565
Total Revenues	2,233,974	77,938	335,054	310,921	2,957,887	2,743,690	214,197
OPERATING EXPENSES							
Professional Care of Patients	1,407,757	-	253,395	405,985	2,067,137	1,943,619	123,518
Dietary Services	329,018	-	70,663	-	399,681	357,746	41,935
General Services	360,110	-	39,409	2,847	402,366	307,628	94,738
Administrative Services	446,821	-	21,882	37,732	506,435	454,631	51,804
Ambulance	-	124,680	-	-	124,680	91,812	32,868
Depreciation	137,816	63,787	32,662	9,413	243,678	140,297	103,381
Provision for Bad Debts	7,000	23,279	-	52,854	83,133	44,345	38,788
Total Expenses	2,688,522	211,746	418,011	508,831	3,827,110	3,340,078	487,032
INCOME (LOSS) FROM OPERATIONS	(454,548)	(133,808)	(82,957)	(197,910)	(869,223)	(596,388)	(272,835)
NON-OPERATING REVENUES (EXPENSES)							
Property and Other Taxes	622,159	29,433	58,866	110,374	820,832	865,214	(44,382)
Contributions and Grants	172,809	288,984	13,310	22,920	498,023	473,079	24,944
Investment Income	7,654	351	124	151	8,280	5,784	2,496
Gain on Sale of Investments					-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	802,622	318,768	72,300	133,445	1,327,135	1,344,077	(16,942)
CHANGE IN NET POSITION	348,074	184,960	(10,657)	(64,465)	457,912	747,689	(289,777)
NET POSITION - BEGINNING (AS RESTATED)	3,444,636	333,084	(214,189)	4,861	3,568,392	2,820,703	747,689
NET POSITION - ENDING	3,792,710	518,044	(224,846)	(59,604)	4,026,304	3,626,728	457,912

Operating Revenue

The first component of the overall change in the District's net assets is its operating revenue. In the fiscal year 2017, the District's operating revenue increased from that of 2016 by \$227,205. This can be attributed to an increase in all divisions. The Nursing Home and Assisted Living revenue increased due to census. The Ambulance revenue decreased this year which is contributed to the decrease in 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 2016. There was an increase in the amount of grants received for the 2017 year compared to that of 2016. Expenses increased due to the minimum wage requirements, bad debt allowances and depreciation.

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 nurse call systems upgrade including wander management in 2016 and completed the installation in 2017. A security camera upgrade was also completed at this same time. Funding was awarded for this project as well as the HVAC upgrade which took place in 2016 with the majority of DOLA funds being received in 2016. 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. A new Dodge Ambulance was purchased with 90% of funding being received from the State of Colorado. The medical clinic received funds for a lab remodel and new equipment including an upgraded EKG machine with spirometry and an AED machine. Remodeling of the nursing home to provide private rooms to the residents will remain a vision for the future.

Debt

The Walsh Hospital District operations incurred a 10 year debt at 0% interest in 2016 from Southeast Colorado Power to assist is the HVAC and Nurse Call Systems upgrades.

Below is a schedule of changes in long term debt:

Changes in Long Term Debt:

<u>Beginning Balance</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Ending Balance</u>
<u>\$ 290,000</u>	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 260,000</u>

A summary of changes in Walsh Healthcare Center's capital assets in 2017 are as follows

Capital Assets - (Net of Depreciation)

	<u>2016</u>	<u>2017</u>
Land and Sites	\$ 20,974	\$ 20,974
Building & Improvements	\$2,318,694	\$2,269,691
Equipment	\$ 69,947	\$ 58,123
Vehicles	\$ 4,800	\$ 3,200
Ambulance	\$ 89,678	\$ 325,754
	<u>\$2,504,093</u>	<u>\$2,677,742</u>

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

BASIC FINANCIAL STATEMENTS

WALSH DISTRICT HOSPITAL DBA WALSH HEALTHCARE CENTER
STATEMENT OF NET POSITION
PROPRIETARY FUND
December 31, 2017 and 2016

	<u>Business-Type Activities</u>	
	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents	1,440,222	1,307,789
Accounts Receivable, Net of Estimated Uncollectibles of \$112,000 in 2017, and \$81,400 in 2016	355,322	265,175
Property Taxes Receivable	727,519	735,808
Prepaid Expenses	75,188	61,016
Supplies Inventory	102,377	120,680
Other Assets – Deposits	14,008	-
Assets Limited As To Use Held as Trustee-Resident Personal Needs	<u>5,617</u>	<u>4,853</u>
<u>Total Current Assets</u>	<u>2,720,253</u>	<u>2,495,321</u>
Capital Assets		
Less Accumulated Depreciation	(3,855,842)	(3,612,164)
<u>Net Capital Assets</u>	<u>2,677,742</u>	<u>2,504,093</u>
<u>TOTAL ASSETS</u>	<u>5,397,995</u>	<u>4,999,414</u>
<u>LIABILITIES</u>		
Accounts Payable	50,053	124,507
Accrued Expenses	277,324	260,673
Resident Personal Needs	5,617	4,853
Other Current Liabilities	51,178	15,181
Long Term Debt		
Current	30,000	30,000
Long Term	<u>230,000</u>	<u>260,000</u>
<u>TOTAL LIABILITIES</u>	<u>644,172</u>	<u>695,214</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>		
Property Taxes	<u>727,519</u>	<u>735,808</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets Restricted	2,417,742	2,214,093
Reserve for Emergency	25,000	26,000
Capital Outlay	78,957	7,250
Unrestricted	<u>1,504,605</u>	<u>1,321,049</u>
<u>TOTAL NET POSITION</u>	<u>4,026,304</u>	<u>3,568,392</u>

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, 2017 and 2016

	<u>Business-Type Activities</u>	
	<u>2017</u>	<u>2016</u>
<u>OPERATING REVENUES</u>		
Net Patient Service Revenue - Long Term Care	2,311,579	2,095,819
Net Patient Service Revenue - Clinic	276,665	265,220
Net Ambulance Revenue	77,938	128,511
Other Revenue	<u>291,705</u>	<u>254,140</u>
<u>Total Operating Revenues</u>	<u>2,957,887</u>	<u>2,743,690</u>
 <u>OPERATING EXPENSES</u>		
Professional Care of Patients	2,067,137	1,943,619
Dietary Services	399,681	357,746
General Services	402,366	307,628
Administrative Services	506,435	454,631
Ambulance	124,680	91,812
Depreciation	243,678	140,297
Provision for Bad Debts	<u>83,133</u>	<u>44,345</u>
<u>Total Expenses</u>	<u>3,827,110</u>	<u>3,340,078</u>
 <u>INCOME (LOSS) FROM OPERATIONS</u>	 <u>(869,223)</u>	 <u>(596,388)</u>
 <u>NON-OPERATING REVENUES (EXPENSES)</u>		
Property and Other Taxes	820,832	865,214
Contributions and Grants	498,023	473,079
Investment Income	<u>8,280</u>	<u>5,784</u>
<u>Total Non-Operating Revenues (Expenses)</u>	<u>1,327,135</u>	<u>1,344,077</u>
 <u>CHANGE IN NET POSITION</u>	 457,912	 747,689
 <u>NET POSITION – Beginning (As Restated)</u>	 <u>3,568,392</u>	 <u>2,820,703</u>
 <u>NET POSITION – Ending</u>	 <u>4,026,304</u>	 <u>3,568,392</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, 2017 and 2016

	<u>Business-Type Activities</u>	
	2017	2016
<u>Cash Flows from Operating Activities</u>		
Receipts from Services	2,492,902	2,440,573
Other Operating Receipts	291,705	254,140
Payments to Employees	(2,174,933)	(2,162,555)
Payments to Vendors	(1,357,049)	(935,587)
<u>Net Cash Provided by (Used for) Operating Activities</u>	(747,375)	(403,429)
<u>Cash Flows from Non Capital Financing Activities</u>		
Receipts from Taxes	820,832	865,214
Contributions and Grants	19,056	9,824
Change in Patient Deposits	764	1,231
<u>Net Cash from Non-Capital Financing Activities</u>	840,652	876,269
<u>Cash Flows from Capital and Related Financing Activities</u>		
Purchase of Property and Equipment	(417,327)	(1,392,598)
Contributions for Capital Additions	478,967	463,254
Proceeds from Debt	-	300,000
Principal Paid on Long-Term Debt	(30,000)	(10,000)
<u>Net Cash from Capital and Related Financing Activities</u>	31,640	(639,344)
<u>Cash Flows from Investing Activities</u>		
Investment Earnings	8,280	5,784
Sale of Investments	-	-
<u>Net Cash from Investing Activities</u>	8,280	5,784
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	133,197	(160,720)
<u>Cash and Cash Equivalents, Beginning of Year</u>	1,312,642	1,473,362
<u>Cash and Cash Equivalents, End of Year</u>	1,445,839	1,312,642
<u>Reconciliation of Cash Flows from Operating Activities</u>		
Operating Income (Loss)	(869,223)	(596,388)
<u>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</u>		
Depreciation	243,678	140,297
Provision for Bad Debts	83,133	44,345
(Increase) Decrease in Patient Accounts Receivable	(173,280)	(48,977)
(Increase) Decrease in Prepaid Expenses	(14,172)	3,043
(Increase) Decrease in Inventory	18,303	(25,695)
(Increase) Decrease in Other Assets	(14,008)	-
Increase (Decrease) in Accounts Payable	(74,454)	74,110
Increase (Decrease) in Accrued Expenses	16,651	10,296
Increase (Decrease) in Other Liabilities	35,997	(4,460)
<u>Net Cash Provided by (Used In) Operating Activities</u>	(747,375)	(403,429)

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, 2017

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, 2017

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, 2017

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, 2017 and 2016, the Center had a liability for accrued vacation of \$48,055 and \$43,792, 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. At December 31, 2017 and 2016 the Center had a liability for accrued sick leave of \$58,993 and \$58,336, respectively.

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, 2017

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 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, 2017

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, 2017

NOTE 3 CAPITAL ASSETS

Business -Type Activities

A summary of changes in the Center's capital assets for 2017 and 2016 is as follows:

	<u>Balance</u> <u>Jan. 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
<u>Assets</u>				
Land	20,974	-	-	20,974
Building & Improvements	4,624,601	110,426	-	4,735,027
Equipment	731,039	7,038	-	738,077
Vehicles	100,753	-	-	100,753
Ambulance	<u>638,890</u>	<u>299,863</u>	-	<u>938,753</u>
	<u>6,116,257</u>	<u>417,327</u>	-	<u>6,533,584</u>
<u>Accumulated Depreciation</u>				
Building & Improvements	2,305,907	159,429	-	2,465,336
Equipment	661,092	18,862	-	679,954
Vehicles	95,953	1,600	-	97,553
Ambulance	<u>549,212</u>	<u>63,787</u>	-	<u>612,999</u>
	<u>3,612,164</u>	<u>243,678</u>	-	<u>3,855,842</u>
Total	<u>2,504,093</u>	<u>173,649</u>	-	<u>2,677,742</u>

Business - Type Activities Depreciation Expense:

Walsh Healthcare Center	<u>243,678</u>
Total Depreciation Expense – Business Type Activities	<u>243,678</u>

	<u>Balance</u> <u>Jan. 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
<u>Assets</u>				
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>
<u>Accumulated Depreciation</u>				
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>
Total	<u>1,251,792</u>	<u>1,252,301</u>	-	<u>2,504,093</u>

Business - Type Activities Depreciation Expense:

Walsh Healthcare Center	<u>140,297</u>
Total Depreciation Expense – Business Type Activities	<u>140,297</u>

WALSH DISTRICT HOSPITAL DBA WALSH HEALTHCARE CENTER
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017

NOTE 4 BUDGET

A comparison for budgeted and actual revenues and expenditures as of December 31, 2017, 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>
<u>REVENUE</u>	<u>5,209,654</u>	<u>4,285,022</u>	<u>(924,632)</u>
<u>EXPENDITURES – NON GAAP</u>			
Operations	4,598,865	3,500,299	1,098,566
Capital Outlay	<u>509,000</u>	<u>417,327</u>	<u>91,673</u>
	<u>5,107,865</u>	<u>3,917,626</u>	<u>1,190,239</u>
Items to Reconcile to GAAP			
Depreciation		243,678	
Provision for Bad Debts		83,133	
Capital Additions		<u>(417,327)</u>	
		<u>3,827,110</u>	

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>
<u>REVENUE</u>	<u>5,741,709</u>	<u>4,087,767</u>	<u>(1,653,942)</u>
<u>EXPENDITURES – NON GAAP</u>			
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>	<u>4,548,034</u>	<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>	

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, 2017

NOTE 5 **DEPOSITS (Continued)**

At December 31, 2017, 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	1,189,298	1,304,968
Cash with County Treasurer	6,256	-
Cash on Hand	285	-
<u>Total Cash and Deposits</u>	<u>1,445,839</u>	<u>1,554,968</u>

As presented above, deposits with a carrying balance of \$1,189,298 and a bank balance of \$1,304,968 as of December 31, 2017 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

Deposits with a carrying balance of \$1,056,326 and a bank balance of \$1,146,502 as of December 31, 2016 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, 2017

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 \$11,578 and \$15,181 for the years ended December 31, 2017 and 2016 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:

2017

Accrued Salaries	170,276
Accrued Vacation	48,055
Accrued Sick Leave	<u>58,993</u>
<u>Total</u>	<u>277,324</u>

2016

Accrued Salaries	158,545
Accrued Vacation	43,792
Accrued Sick Leave	<u>58,336</u>
<u>Total</u>	<u>260,673</u>

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, 2017

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>
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	\$ 20,000	\$ -	\$ 20,000
	<u>\$260,000</u>	<u>\$ -</u>	<u>\$260,000</u>

NOTE 11 **RESTATEMENT OF NET POSITION**

The District had not included accrued sick leave as part of the compensated absences liability in prior years. The 2016 beginning net position was restated in the amount of \$58,336 to account for prior year accrued sick leave liability.

SUPPLEMENTAL INFORMATION

WALSH DISTRICT HOSPITAL DBA WALSH HEALTHCARE CENTER
COMBINING STATEMENT OF OPERATIONS
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>			
	<u>Nursing Home</u>	<u>Ambulance</u>	<u>Assisted Care Facility</u>	<u>Medical Clinic</u>
<u>OPERATING REVENUES</u>				
Net Patient Service Revenue-Long Term Care	1,979,405	-	332,174	-
Net Patient Service Revenue-Clinic	-	-	-	276,665
Net Ambulance Revenue	-	77,938	-	-
Other Revenue	254,569	-	2,880	34,256
<u>Total Revenues</u>	<u>2,233,974</u>	<u>77,938</u>	<u>335,054</u>	<u>310,921</u>
<u>OPERATING EXPENSES</u>				
Professional Care of Patients	1,407,757	-	253,395	405,985
Dietary Services	329,018	-	70,663	-
General Services	360,110	-	39,409	2,847
Administrative Services	446,821	-	21,882	37,732
Ambulance	-	124,680	-	-
Depreciation	137,816	63,787	32,662	9,413
Provision for Bad Debts	7,000	23,279	-	52,854
<u>Total Expenses</u>	<u>2,688,522</u>	<u>211,746</u>	<u>418,011</u>	<u>508,831</u>
<u>INCOME (LOSS) FROM OPERATIONS</u>	<u>(454,548)</u>	<u>(133,808)</u>	<u>(82,957)</u>	<u>(197,910)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Property and Other Taxes	622,159	29,433	58,866	110,374
Contributions and Grants	172,809	288,984	13,310	22,920
Investment Income	7,654	351	124	151
Gain on Sale of Investments	-	-	-	-
<u>Total Non-Operating Revenues (Expenses)</u>	<u>802,622</u>	<u>318,768</u>	<u>72,300</u>	<u>133,445</u>
<u>CHANGE IN NET POSITION</u>	<u>348,074</u>	<u>184,960</u>	<u>(10,657)</u>	<u>(64,465)</u>
<u>NET POSITION – Beginning (As Restated)</u>	<u>3,444,636</u>	<u>333,084</u>	<u>(214,189)</u>	<u>4,861</u>
<u>NET POSITION – Ending</u>	<u>3,792,710</u>	<u>518,044</u>	<u>(224,846)</u>	<u>(59,604)</u>

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

<u>2017</u> <u>Total</u>	<u>2016</u> <u>Total</u>	<u>Change</u>
2,311,579	2,095,819	215,760
276,665	265,220	11,445
77,938	128,511	(50,573)
<u>291,705</u>	<u>254,140</u>	<u>37,565</u>
<u>2,957,887</u>	<u>2,743,690</u>	<u>214,197</u>
2,067,137	1,943,619	123,518
399,681	357,746	41,935
402,366	307,628	94,738
506,435	454,631	51,804
124,680	91,812	32,868
243,678	140,297	103,381
<u>83,133</u>	<u>44,345</u>	<u>38,788</u>
<u>3,827,110</u>	<u>3,340,078</u>	<u>487,032</u>
<u>(869,223)</u>	<u>(596,388)</u>	<u>(272,835)</u>
820,832	865,214	(44,382)
498,023	473,079	24,944
8,280	5,784	2,496
<u>-</u>	<u>-</u>	<u>-</u>
<u>1,327,135</u>	<u>1,344,077</u>	<u>(16,942)</u>
457,912	747,689	(289,777)
<u>3,568,392</u>	<u>2,820,703</u>	<u>747,689</u>
<u>4,026,304</u>	<u>3,568,392</u>	<u>457,912</u>

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