

cPa DIXON, WALLER & CO., INC.

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WALSH DISTRICT HOSPITAL

DBA WALSH HEALTHCARE CENTER

WALSH, COLORADO

FINANCIAL STATEMENTS

DECEMBER 31, 2020

DIXON, WALLER & CO., INC.

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DBA WALSH HEALTHCARE CENTER

DECEMBER 31, 2020

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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, 2020 and 2019, 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 opinion.

### ***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, 2020 and 2019, 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 an opinion 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 10, 2021

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

# Walsh Hospital District

## DbA: Walsh Healthcare Center

### *Management Discussion and Analysis*

### *Year Ended December 31, 2020*

#### **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 2020. This should be read with the accompanying financial statements of the Walsh Hospital District. A comparative Management Discussion and Analysis has been prepared for 2020. This is our 17th year in the adoption of GASB 34.

#### **Financial Highlights**

- The District's net position at the end of 2020 was \$4,109,886 compared to \$3,439,517 in 2019.
- Operating revenues increased by approximately \$926,299 in 2020 compared to 2019.
- Non-operating revenues increased by approximately \$93,577 in 2020 compared to 2019.
- Walsh Healthcare Center Resident Census was below the budgeted number of 22 with an average of 20.06.
- Maplewood Homes Resident Census was below the budgeted number of 12 with an average of 6.9.
- The Ambulance Service had a total of 128 runs with 52 actual transports.
- The Walsh Medical Clinic had a total of 2925 visits of which 2873 were office visits and 52 were phone 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 which help to 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 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 2020 year by \$670,369.

**Table 1: Assets, Liabilities, and Net Position**

<u>Assets</u>	<u>2019</u>	<u>2020</u>
Current and Other Assets	\$ 2,335,850	\$ 2,938,527
Capital Assets, Net	<u>\$ 2,402,136</u>	<u>\$ 2,659,607</u>
<b>Total Assets</b>	<b>\$ 4,737,986</b>	<b>\$ 5,598,134</b>
<u>Liabilities</u>		
Current Liabilities	\$ 401,794	\$ 597,804
Long Term Debt	<u>\$ 170,000</u>	<u>\$ 140,000</u>
<b>Total Liabilities</b>	<b>\$ 571,794</b>	<b>\$ 737,804</b>
Deferred Inflows	\$ 726,675	\$ 750,444
<u>Net Position</u>		
Net Investment in Capital Assets	\$ 2,202,134	\$ 2,202,134
Restricted for:		
Labor Reserve	\$ 24,300	\$ 24,300
Capital Outlay	\$ 52,300	\$ 52,300
Unrestricted	<u>\$ 1,160,783</u>	<u>\$ 1,596,479</u>
<b>Total Net Position</b>	<b>\$ 3,439,517</b>	<b>\$ 4,109,886</b>

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 flow for 2020. The valuations in the county have increased slightly from the previous year, but did not make a significant difference in revenues that are received. The census in the Nursing Home averaged 20.06 this is slightly lower than the projected census of 22 and has a negative effect on revenues. The census in the Assisted Living averaged 6.9, which is significantly lower than the projected census of 12. The COVID-19 Pandemic had a negative effect on the census and the ability to admit residents to the facility. Families did not want their loved ones in a place that had visitation restrictions.

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

In 2020, the Hospital District net assets increased by approximately \$690,369. 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**

	2020			Total	2019 Total	Change	
	Nursing Home	Assisted	Medical				
	Ambulance	Care	Clinic				
<b>OPERATING REVENUES</b>							
Net Patient Service Revenue - Long Term Care	1,966,420	236,158		2,202,578	2,294,167	(91,589)	
Net Patient Service Revenue - Clinic			275,073	275,073	365,832	(90,759)	
Net Ambulance Revenue	65,359			65,359	45,597	19,762	
State Supplement Revenue	103,106			103,106		103,106	
COVID Stimulus Revenue	478,167		176,176	654,343		654,343	
Payroll Protection Revenue	465,217			465,217		465,217	
Other Revenue	65,416	130	19,360	84,906	218,687	(133,781)	
<b>Total Revenues</b>	<b>3,078,326</b>	<b>65,489</b>	<b>238,158</b>	<b>470,609</b>	<b>3,850,582</b>	<b>2,924,283</b>	<b>926,299</b>
<b>OPERATING EXPENSES</b>							
Professional Care of Patients	1,757,839	304,673	471,068	2,533,580	2,390,840	142,740	
Dietary Services	317,951	77,913		395,864	392,386	3,478	
General Services	275,173	21,221	3,108	299,502	458,394	(158,892)	
Administrative Services	552,389	24,497	31,553	608,439	587,180	41,279	
Ambulance		150,369		150,369	76,807	73,762	
Depreciation	153,067	79,635	35,112	272,952	243,019	29,933	
Provision of Bad Debts		4,130	31	4,161	42,884	(38,723)	
<b>Total Expenses</b>	<b>3,056,419</b>	<b>234,134</b>	<b>463,416</b>	<b>510,898</b>	<b>4,284,867</b>	<b>4,171,290</b>	<b>93,577</b>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>21,907</b>	<b>(168,645)</b>	<b>(227,258)</b>	<b>(40,289)</b>	<b>(414,285)</b>	<b>(1,247,007)</b>	<b>832,722</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>							
Property and Other Taxes	601,290	28,445	58,889	106,667	793,291	809,785	917,509
Contributions and Grants	26,355	234,260	2,789	20,428	283,832	85,054	1,805,085
Investment Income	7,110	138	20	263	7,531	12,532	3,648,893
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>634,755</b>	<b>262,843</b>	<b>59,698</b>	<b>127,358</b>	<b>1,084,654</b>	<b>907,371</b>	<b>6,371,487</b>
<b>CHANGE IN NET POSITION</b>	<b>656,662</b>	<b>94,198</b>	<b>(167,560)</b>	<b>87,089</b>	<b>670,369</b>	<b>(339,636)</b>	<b>1,010,005</b>
<b>NET POSITION - BEGINNING</b>	<b>3,577,983</b>	<b>404,962</b>	<b>(455,501)</b>	<b>(87,927)</b>	<b>3,439,517</b>	<b>3,779,153</b>	<b>(339,636)</b>
<b>NET POSITION - ENDING</b>	<b>4,234,645</b>	<b>499,160</b>	<b>(623,061)</b>	<b>(858)</b>	<b>4,109,886</b>	<b>3,439,517</b>	<b>670,369</b>

### ***Operating Revenue***

The first component of the overall change in the District's net position is its operating revenue. In the fiscal year 2020, the District's operating revenue increased from that of 2019 by \$926,299. The year of 2020 brought on unprecedented issues due to the COVID-19 Pandemic. Many restrictions were put in place regarding Infection Control. Monies were made available and in some instances automatically deposited in our operating accounts. The monies came from Health and Human Services (HHS), Department of Local Affairs (DOLA) and the Payroll Protection Program (PPP). The funds were used for operating expenses, including payroll and to purchase infection control equipment and supplies. The Long term care resident revenue decreased due to census at the nursing home and assisted living. The Ambulance revenue increased due to the critical nature of patients being transferred and an increase in rates. The Medical Clinic decreased substantially due to the decrease of in-person office visits caused by COVID-19. The provider supplemental payment increased \$16,026 from that in 2019.

### ***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 \$23,769 from that of 2019. There was an increase in the amount of grants received for the 2020 year compared to that of 2019. Expenses increased due to the increase of infection control equipment and supplies. The minimum wage requirements had a negative impact on the budget forcing an increase in wages and wage related expenses.

### ***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**

Funding was received from Bernard and Hazel Neill Foundation for the purchase of new flooring for the Kitchen and Shower room in 2018. The funds for the shower room have not been expensed due to COVID-19 and the inability for contractors to be in our building. Funds were also received in 2019 from Bernard and Hazel Neill Foundation for the purchase of a low bed, 6 lift recliners, a resident lift and new dining room furniture for both facilities. The funds were expensed in 2020. Capital purchases in 2020 are as follows: Unimac Dryers, Dining Room Furniture, Ice/Water Dispensers, Steam Cart, Temperature Kiosks, Storage Containers, Touchless Sink fixtures, additional Camera's and Door Locks, Visitation Tent, ACF Kitchen Cabinets, Stryker Cots, Radio's, Several Laptops and Computer Towers, Analyzer Machine and Educational Teleconferencing Systems.

Remodeling of the nursing home to provide private rooms to the residents will remain a vision for the future.

A summary of changes in Walsh Healthcare Center's capital assets in 2020 are as follows:

**Capital Assests - (Net of Depreciation)**

	<u>2019</u>	<u>2020</u>
Land and Sites	\$ 29,835	\$ 29,835
Building & Improvements	\$2,048,555	\$2,059,451
Equipment	\$ 52,146	\$ 118,878
Vehicles	\$ 70,555	\$ 56,444
Ambulance	\$ 201,045	\$ 403,999
	<u>\$2,402,136</u>	<u>\$2,659,607</u>

**Debt**

The Walsh Hospital District operations incurred a 10 year debt in 2016 from Southeast Colorado Power in the amount of \$260,000 to assist in the HVAC and Nurse Call Systems upgrades.

**Changes in Long Term Debt:**

<u>Beginning Balance</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Ending Balance</u>
<u>\$ 170,000</u>	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 140,000</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](mailto:rita.hetrick@walshhealthcarecenter.com)

**BASIC FINANCIAL STATEMENTS**

WALSH DISTRICT HOSPITAL DBA WALSH HEALTHCARE CENTER  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
December 31, 2020 and 2019

	<u>Business-Type Activities</u>	
	<u>2020</u>	<u>2019</u>
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	1,638,984	1,161,272
Accounts Receivable, Net of Estimated Uncollectibles of \$82,520 in 2020, and \$88,400 in 2019	386,400	248,735
Property Taxes Receivable	750,444	726,675
Prepaid Expenses	46,855	85,591
Supplies Inventory	106,826	105,494
<b>Assets Limited As To Use</b>		
Held as Trustee-Resident Personal Needs	9,018	8,083
<b><u>Total Current Assets</u></b>	<b><u>2,938,527</u></b>	<b><u>2,335,850</u></b>
<b>Capital Assets</b>		
Less Accumulated Depreciation	(4,630,432)	(4,357,480)
<b><u>Net Capital Assets</u></b>	<b><u>2,659,607</u></b>	<b><u>2,402,136</u></b>
<b><u>TOTAL ASSETS</u></b>	<b><u>5,598,134</u></b>	<b><u>4,737,986</u></b>
<b><u>LIABILITIES</u></b>		
Accounts Payable	166,696	23,161
Accrued Expenses	346,570	316,533
Resident Personal Needs	9,018	8,083
Other Current Liabilities	45,520	24,017
<b>Long Term Debt</b>		
Current	30,000	30,000
Long Term	140,000	170,000
<b><u>TOTAL LIABILITIES</u></b>	<b><u>737,804</u></b>	<b><u>571,794</u></b>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>		
Property Taxes	750,444	726,675
<b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	2,489,607	2,202,136
<b>Restricted</b>		
Reserve for Emergency	23,800	24,300
Capital Outlay	-	52,300
Unrestricted	1,596,479	1,160,781
<b><u>TOTAL NET POSITION</u></b>	<b><u>4,109,886</u></b>	<b><u>3,439,517</u></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, 2020 and 2019**

	<u>Business-Type Activities</u>	
	<u>2020</u>	<u>2019</u>
<b><u>OPERATING REVENUES</u></b>		
Net Patient Service Revenue - Long Term Care	2,202,578	2,294,167
Net Patient Service Revenue - Clinic	275,073	365,832
Net Ambulance Revenue	65,359	45,597
State Supplemental Revenue	103,106	87,080
Covid Stimulus Revenue	654,343	-
Payroll Protection Revenue	465,217	-
Other Revenue	84,906	131,607
<u>Total Operating Revenues</u>	<u>3,850,582</u>	<u>2,924,283</u>
<b><u>OPERATING EXPENSES</u></b>		
Professional Care of Patients	2,533,580	2,390,840
Dietary Services	381,193	392,385
General Services	299,502	458,394
Administrative Services	623,110	567,161
Ambulance	150,369	76,607
Depreciation	272,952	243,019
Provision for Bad Debts	4,161	42,884
<u>Total Expenses</u>	<u>4,264,867</u>	<u>4,171,290</u>
<b><u>INCOME (LOSS) FROM OPERATIONS</u></b>	<u>(414,285)</u>	<u>(1,247,007)</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Property and Other Taxes	793,291	809,785
Contributions and Grants	283,832	85,054
Investment Income	7,531	12,532
<u>Total Non-Operating Revenues (Expenses)</u>	<u>1,084,654</u>	<u>907,371</u>
<b><u>CHANGE IN NET POSITION</u></b>	<u>670,369</u>	<u>(339,636)</u>
<b><u>NET POSITION – Beginning</u></b>	<u>3,439,517</u>	<u>3,779,153</u>
<b><u>NET POSITION – Ending</u></b>	<u>4,109,886</u>	<u>3,439,517</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, 2020 and 2019**

	<u>Business-Type Activities</u>	
	2020	2019
<u>Cash Flows from Operating Activities</u>		
Receipts from Services	2,401,184	2,712,765
Other Operating Receipts	1,346,308	218,687
Payments to Employees	(2,641,257)	(2,400,745)
Payments to Vendors	(1,152,754)	(1,552,228)
<u>Net Cash Provided by (Used for) Operating Activities</u>	<u>(46,519)</u>	<u>(1,021,521)</u>
<u>Cash Flows from Non Capital Financing Activities</u>		
Receipts from Taxes	793,291	809,785
Contributions and Grants	51,652	-
Change in Patient Deposits	935	472
<u>Net Cash from Non-Capital Financing Activities</u>	<u>845,878</u>	<u>810,257</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Purchase of Property and Equipment	(530,423)	(56,313)
Contributions for Capital Additions	232,180	85,054
Proceeds from Debt	-	-
Principal Paid on Long-Term Debt	(30,000)	(30,000)
<u>Net Cash from Capital and Related Financing Activities</u>	<u>(328,243)</u>	<u>(1,259)</u>
<u>Cash Flows from Investing Activities</u>		
Investment Earnings	7,531	12,532
Sale of Investments	-	-
<u>Net Cash from Investing Activities</u>	<u>7,531</u>	<u>12,532</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	478,647	(199,991)
<u>Cash and Cash Equivalents, Beginning of Year</u>	<u>1,169,355</u>	<u>1,369,346</u>
<u>Cash and Cash Equivalents, End of Year</u>	<u>1,648,002</u>	<u>1,169,355</u>
<u>Reconciliation of Cash Flows from Operating Activities</u>		
Operating Income (Loss)	(414,285)	(1,247,007)
<u>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</u>		
Depreciation	272,952	243,019
Provision for Bad Debts	4,161	42,884
(Increase) Decrease in Patient Accounts Receivable	(141,826)	7,169
(Increase) Decrease in Prepaid Expenses	38,736	(4,307)
(Increase) Decrease in Inventory	(1,332)	(3,118)
(Increase) Decrease in Other Assets	-	-
Increase (Decrease) in Accounts Payable	143,535	(29,945)
Increase (Decrease) in Accrued Expenses	30,037	20,467
Increase (Decrease) in Other Liabilities	21,503	(50,683)
<u>Net Cash Provided by (Used In) Operating Activities</u>	<u>(46,519)</u>	<u>(1,021,521)</u>
<u>NonCash Investing, Capital and Financing Activities</u>		
Cash Paid for Income Tax	-	-
Cash Paid for Interest Expense	-	-
<u>Total NonCash Investing, Capital, and Financing Activities</u>	<u>-</u>	<u>-</u>

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, 2020

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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, 2020

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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, 2020

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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, 2020 and 2019, the Center had a liability for accrued vacation of \$71,139 and \$44,718, 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, 2020 and 2019 the Center had a liability for accrued sick leave of \$67,591 and \$56,898, 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, 2020

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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 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, 2020

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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, 2020

**NOTE 3      CAPITAL ASSETS**

**Business -Type Activities**

A summary of changes in the Center's capital assets for 2020 and 2019 is as follows:

	<u>Balance</u> <u>Jan. 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2020</u>
<b><u>Assets</u></b>				
Land	29,835	-	-	29,835
Building & Improvements	4,813,981	149,653	-	4,963,634
Equipment	777,517	98,180	-	875,697
Vehicles	199,530	-	-	199,530
Ambulance	<u>938,753</u>	<u>282,590</u>	-	<u>1,221,343</u>
	<u>6,759,616</u>	<u>530,423</u>	-	<u>7,290,039</u>
<b><u>Accumulated Depreciation</u></b>				
Building & Improvements	2,765,426	147,757	-	2,913,183
Equipment	725,371	31,448	-	756,819
Vehicles	128,975	14,111	-	143,086
Ambulance	<u>737,708</u>	<u>79,636</u>	-	<u>817,344</u>
	<u>4,357,480</u>	<u>272,952</u>	-	<u>4,630,432</u>
<b><u>Total</u></b>	<u>2,402,136</u>	<u>257,471</u>	-	<u>2,659,607</u>

**Business - Type Activities Depreciation Expense:**

Walsh Healthcare Center	272,952
<b><u>Total Depreciation Expense – Business Type Activities</u></b>	<u>272,952</u>

	<u>Balance</u> <u>Jan. 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2019</u>
<b><u>Assets</u></b>				
Land	29,835	-	-	29,835
Building & Improvements	4,766,431	47,550	-	4,813,981
Equipment	768,754	8,763	-	777,517
Vehicles	199,530	-	-	199,530
Ambulance	<u>938,753</u>	-	-	<u>938,753</u>
	<u>6,703,303</u>	<u>56,313</u>	-	<u>6,759,616</u>
<b><u>Accumulated Depreciation</u></b>				
Building & Improvements	2,621,297	144,129	-	2,765,426
Equipment	703,567	21,804	-	725,371
Vehicles	113,264	15,711	-	128,975
Ambulance	<u>676,333</u>	<u>61,375</u>	-	<u>737,708</u>
	<u>4,114,461</u>	<u>243,019</u>	-	<u>4,357,480</u>
<b><u>Total</u></b>	<u>2,588,842</u>	<u>(186,706)</u>	-	<u>2,402,136</u>

**Business - Type Activities Depreciation Expense:**

Walsh Healthcare Center	243,019
<b><u>Total Depreciation Expense – Business Type Activities</u></b>	<u>243,019</u>

**WALSH DISTRICT HOSPITAL DBA WALSH HEALTHCARE CENTER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
December 31, 2020

**NOTE 4      BUDGET**

A comparison for budgeted and actual revenues and expenditures as of December 31, 2020, 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>	<u>5,467,253</u>	<u>4,935,236</u>	<u>(532,017)</u>
<b><u>EXPENDITURES – NON GAAP</u></b>			
Operations	5,139,220	3,987,754	1,151,466
Capital Outlay	<u>325,000</u>	<u>530,423</u>	<u>(205,423)</u>
	<u>5,464,220</u>	4,518,177	<u>946,043</u>
<b>Items to Reconcile to GAAP</b>			
Depreciation		272,952	
Provision for Bad Debts		4,161	
Capital Additions		<u>(530,423)</u>	
		<u>4,264,867</u>	

A comparison for budgeted and actual revenues and expenditures as of December 31, 2019, 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>	<u>5,781,436</u>	<u>3,831,654</u>	<u>(1,949,782)</u>
<b><u>EXPENDITURES – NON GAAP</u></b>			
Operations	4,913,334	3,885,387	1,027,947
Capital Outlay	<u>850,000</u>	<u>56,313</u>	<u>793,687</u>
	<u>5,763,334</u>	3,941,700	<u>1,821,634</u>
<b>Items to Reconcile to GAAP</b>			
Depreciation		243,019	
Provision for Bad Debts		42,884	
Capital Additions		<u>(56,313)</u>	
		<u>4,171,290</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, 2020**

**NOTE 5      DEPOSITS (Continued)**

At December 31, 2020, 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	1,389,532	1,426,536
Cash with County Treasurer	8,185	-
Cash on Hand	<u>285</u>	<u>-</u>
<u>Total Cash and Deposits</u>	<u>1,648,002</u>	<u>1,676,536</u>

As presented above, deposits with a carrying balance of \$1,389,532 and a bank balance of \$1,426,536 as of December 31, 2020 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

Deposits with a carrying balance of \$911,139 and a bank balance of \$977,798 as of December 31, 2019 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, 2020

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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 \$34,511 and \$13,250 for the years ended December 31, 2020 and 2019 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:

**2020**

Accrued Salaries	207,840
Accrued Vacation	71,139
Accrued Sick Leave	<u>67,591</u>
<b><u>Total</u></b>	<b><u>346,570</u></b>

**2019**

Accrued Salaries	214,917
Accrued Vacation	44,718
Accrued Sick Leave	<u>56,898</u>
<b><u>Total</u></b>	<b><u>316,533</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, 2020**

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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>
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>\$170,000</u>	<u>\$ -</u>	<u>\$170,000</u>

**SUPPLEMENTAL INFORMATION**

**WALSH DISTRICT HOSPITAL DBA WALSH HEALTHCARE CENTER**  
**COMBINING STATEMENT OF OPERATIONS**  
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>			
	<u>Nursing</u>		<u>Assisted</u>	<u>Medical</u>
	<u>Home</u>	<u>Ambulance</u>	<u>Care</u>	<u>Clinic</u>
			<u>Facility</u>	
<b><u>OPERATING REVENUES</u></b>				
Net Patient Service Revenue-Long Term Care	1,966,420	-	236,158	-
Net Patient Service Revenue-Clinic	-	-	-	275,073
Net Ambulance Revenue	-	65,359	-	-
State Supplemental Revenue	103,106	-	-	-
Covid Stimulus Revenue	478,167	-	-	176,176
Payroll Protection Revenue	465,217	-	-	-
Other Revenue	65,416	130	-	19,360
<u>Total Revenues</u>	<u>3,078,326</u>	<u>65,489</u>	<u>236,158</u>	<u>470,609</u>
<b><u>OPERATING EXPENSES</u></b>				
Professional Care of Patients	1,757,839	-	304,673	471,068
Dietary Services	317,951	-	77,913	-
General Services	275,173	-	21,221	3,108
Administrative Services	552,389	-	24,497	31,553
Ambulance	-	150,369	-	-
Depreciation	153,067	79,635	35,112	5,138
Provision for Bad Debts	-	4,130	-	31
<u>Total Expenses</u>	<u>3,056,419</u>	<u>234,134</u>	<u>463,416</u>	<u>510,898</u>
<b><u>INCOME (LOSS) FROM OPERATIONS</u></b>	<u>21,907</u>	<u>(168,645)</u>	<u>(227,258)</u>	<u>(40,289)</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>				
Property and Other Taxes	601,290	28,445	56,889	106,667
Contributions and Grants	26,355	234,260	2,789	20,428
Investment Income	7,110	138	20	263
<u>Total Non-Operating Revenues (Expenses)</u>	<u>634,755</u>	<u>262,843</u>	<u>59,698</u>	<u>127,358</u>
<b><u>CHANGE IN NET POSITION</u></b>	656,662	94,198	(167,560)	87,069
<b><u>NET POSITION – Beginning</u></b>	<u>3,577,983</u>	<u>404,962</u>	<u>(455,501)</u>	<u>(87,927)</u>
<b><u>NET POSITION – Ending</u></b>	<u>4,234,645</u>	<u>499,160</u>	<u>(623,061)</u>	<u>(858)</u>

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

<u>2020</u> <u>Total</u>	<u>2019</u> <u>Total</u>	<u>Change</u>
2,202,578	2,294,167	(91,589)
275,073	365,832	(90,759)
65,359	45,597	19,762
103,106	-	103,106
654,343	-	654,343
465,217	-	465,217
<u>84,906</u>	<u>218,687</u>	<u>(133,781)</u>
<u>3,850,582</u>	<u>2,924,283</u>	<u>926,299</u>
2,533,580	2,390,840	142,740
395,864	392,386	3,478
299,502	458,394	(158,892)
608,439	567,160	41,279
150,369	76,607	73,762
272,952	243,019	29,933
<u>4,161</u>	<u>42,884</u>	<u>(38,723)</u>
<u>4,264,867</u>	<u>4,171,290</u>	<u>93,577</u>
<u>(414,285)</u>	<u>(1,247,007)</u>	<u>832,722</u>
793,291	809,785	(16,494)
283,832	85,054	198,778
<u>7,531</u>	<u>12,532</u>	<u>(5,001)</u>
<u>1,084,654</u>	<u>907,371</u>	<u>177,283</u>
670,369	(339,636)	1,010,005
<u>3,439,517</u>	<u>3,779,153</u>	<u>(339,636)</u>
<u>4,109,886</u>	<u>3,439,517</u>	<u>670,369</u>

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