

cPa DIXON, WALLER & CO., INC.

WALSH DISTRICT HOSPITAL

DBA WALSH HEALTHCARE CENTER

WALSH, COLORADO

FINANCIAL STATEMENTS

DECEMBER 31, 2022

DIXON, WALLER & CO., INC.

TABLE OF CONTENTS

WALSH DISTRICT HOSPITAL

DBA WALSH HEALTHCARE CENTER

DECEMBER 31, 2022

PAGE

Title Page

Table of Contents

FINANCIAL SECTION

Independent Auditor's Report ----- 1-2

Management's Discussion and Analysis ----- i-v

BASIC FINANCIAL STATEMENTS

Statement of Net Position ----- 3

**Statement of Revenues, Expenses, and Changes
In Net Position ----- 4**

Statement of Cash Flows ----- 5

Notes to Basic Financial Statements ----- 6-14

Supplemental Information

Combining Statement of Operations ----- 15-16

FINANCIAL SECTION

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Independent Auditor's Report

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

Opinion

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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Walsh District Hospital DBA Walsh Healthcare Center, as of December 31, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Walsh District Hospital DBA Walsh Healthcare Center, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the 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. Such information 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. The 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.



April 28, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Walsh Hospital District
DbA: Walsh Healthcare Center
Management Discussion and Analysis
Year Ended December 31, 2022

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 2022. This should be read with the accompanying financial statements of the Walsh Hospital District. A comparative Management Discussion and Analysis has been prepared for 2022. This is our 19th year of reporting since the adoption of GASB 34.

Financial Highlights

- The District's net position at the end of 2022 was \$3,872,634 compared to \$4,275,484 in 2021.
- Operating revenues decreased by approximately \$312,781 in 2022 compared to 2021.
- Non-operating revenues increased by approximately \$15,815 in 2022 compared to 2021.
- Walsh Healthcare Center Resident Census was below the budgeted number of 24 with an average of 21.25.
- Maplewood Homes Resident Census was above the budgeted number of 12 with an average of 8.04.
- The Ambulance Service had a total of 156 calls with 86 actual transports.
- The Walsh Medical Clinic had a total of 4019 visits of which 3950 were office visits; 27 were nursing home visits; 37 were home visits and 5 were phone visits.

Using this Annual Report

Walsh Hospital District's financial statements consist of three statements: 1). a Statement of Net Position, 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.

State of Net Position 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 Statement of Net Position 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 considered 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 Statement of Cash Flows will be found within the Basic Financial Statements section. 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 decreased in the 2022 year by \$402,850.

Assets, Liabilities, and Net Position

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Current and Other Assets	\$ 2,874,085	\$ 3,094,222
Capital Assets, Net	<u>\$ 2,363,258</u>	<u>\$ 2,500,615</u>
Total Assets	\$ 5,237,343	\$ 5,594,837
<u>Liabilities</u>		
Current Liabilities	\$ 517,447	\$ 421,314
Long Term Debt	<u>\$ 80,000</u>	<u>\$ 110,000</u>
Total Liabilities	\$ 597,447	\$ 531,314
Deferred Inflows	\$ 767,262	\$ 788,039
<u>Net Position</u>		
Net Investment in Capital Assets	\$ 2,253,258	\$ 2,360,615
Restricted for:		
Tabor Reserve	\$ 25,500	\$ 22,500
Capital Outlay	\$ 41,000	\$ 61,000
Unrestricted	<u>\$ 1,552,876</u>	<u>\$ 1,831,369</u>
Total Net Position	\$ 3,872,634	\$ 4,275,484

The most noteworthy changes in the Walsh Hospital District's assets are the decrease in cash and cash equivalents. The mill levy increase, from 10 mills to 20 mills in 2013, continues to make a significant difference in cash flow for 2022. The valuations in the county have decreased slightly from the previous year, which made, approximately, a \$20,000 difference in property tax revenues that were received. The census in the Nursing Home averaged 21.25 this is lower than the projected census of 24 and has a negative effect on revenues. The census in the Assisted Living averaged 8.04, which is lower than the projected census of 12. We have not yet recovered from the impact of the COVID-19 Pandemic.

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

In 2022 the Hospital District net assets decreased by approximately \$357,494. This decrease 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

	2022					2021
	<u>Nursing Home</u>	<u>Ambulance</u>	<u>Assisted Care Facility</u>	<u>Medical Clinic</u>	<u>Total</u>	<u>Total</u>
OPERATING REVENUES						
Net Patient Service Revenue - Long Term Care	2,224,633		328,805		2,553,438	2,544,363
Net Patient Service Revenue - Clinic				452,847	452,847	496,959
Net Ambulance Revenue		79,491			79,491	68,973
State Supplemental Revenue	112,989				112,989	140,473
Covid Stimulus Revenue				106,236	106,236	365,233
Payroll Protection Revenue					-	-
Other Revenue	34,566	65		46,811	81,442	83,223
Total Revenues	2,372,188	79,556	328,805	605,894	3,386,443	3,699,224
OPERATING EXPENSES						
Professional Care of Patients	1,750,384		337,410	653,108	2,740,902	2,543,785
Dietary Services	346,969		67,343		414,312	374,858
General Services	470,127		58,719	3,696	532,542	471,961
Administrative Services	576,333		28,541	48,845	653,719	605,490
Ambulance		77,355			77,355	93,523
Depreciation	158,570	56,102	33,493	5,814	253,979	275,738
Provision for Bad Debts		18,612		78,120	96,732	132,704
Total Expenses	3,302,383	152,069	525,506	789,583	4,769,541	4,498,059
INCOME (LOSS) FROM OPERATIONS	(930,195)	(72,513)	(196,701)	(183,689)	(1,383,098)	(798,835)
NON-OPERATING REVENUES (EXPENSES)						
Property and Other Taxes	643,101	30,884	61,768	115,815	851,568	823,851
Contributions and Grants	85,323	4,063	115	30,000	119,501	135,960
Investment Income	7,930	227	118	904	9,179	4,622
TOTAL NON-OPERATING REVENUES (EXPENSES)	736,354	35,174	62,001	146,719	980,248	964,433
CHANGE IN NET POSITION	(193,841)	(37,339)	(134,700)	(36,970)	(402,850)	165,598
NET POSITION - BEGINNING	4,506,806	418,288	(719,918)	70,308	4,275,484	4,109,886
NET POSITION - ENDING	4,312,965	380,949	(854,618)	33,338	3,872,634	4,275,484

Operating Revenue

The first component of the overall change in the District's net position is its operating revenue. In the fiscal year 2021, the District's operating revenue decreased from that of 2020 by \$151,358. The year of 2021 continued to bring on unprecedented issues due to the COVID-19 Pandemic. Our resident revenue increased, but the stimulus funds decreased from the amount that was received in the prior year. Additional restrictions were put in place regarding Infection Control and vaccine mandates began in 2021. The stimulus monies came from Health and Human Services (HHS), the Department of Local Affairs (DOLA) and the State of Colorado. The funds were used for operating expenses, including payroll and to purchase infection control equipment and supplies. The Long-term care resident revenue increased due to census at the nursing home and assisted living, along with a rate increase from the previous year. The Ambulance revenue increased due to the critical nature of patients being transferred and an increase in rates. The Medical Clinic increased substantially due to the increase of in-person office visits and staffing three Nurse Practitioners. The provider supplemental payment decreased \$3,108. from that in 2020.

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 \$30,560 from that of 2020. There was a decrease in the amount of grants received for the 2021 year compared to that of 2020. 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 now been expensed. The delay was due to COVID-19 and the inability for contractors to be in our building to complete the install. Capital purchases in 2021 are as follows: Smokers' Tent with Cement Slab, Med Cart, Beauty Shop Remodel, Resident Beds and Mattresses, Shower Room Remodel, New Vanities with No Touch Faucets in Resident Rooms, New Flooring in LTC, ACF, Medical and Dental Clinics, Back Yard Fencing, A/C Unit for Chiropractic Clinic, Ambulance Barn Bathroom Remodel, Fridge/Freezer Combo for Medical Clinic. Several of the Capital Assets were funded via Infection Control Funds through HRSA.

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 2021 are as follows:

Capital Assests - (Net of Depreciation)

	<u>2022</u>	<u>2021</u>
Land and Sites	\$ 29,835	\$ 29,835
Building & Improvements	\$ 1,871,373	\$ 1,924,397
Equipment	\$ 154,988	\$ 169,108
Vehicles	\$ 28,222	\$ 42,333
Ambulance	\$ 278,840	\$ 334,942
	<u>\$ 2,363,258</u>	<u>\$ 2,500,615</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>\$ 140,000</u>	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 110,000</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

BASIC FINANCIAL STATEMENTS

WALSH DISTRICT HOSPITAL DBA WALSH HEALTHCARE CENTER
STATEMENT OF NET POSITION
PROPRIETARY FUND
December 31, 2022 and 2021

	<u>Business-Type Activities</u>	
	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents	1,548,951	1,702,604
Accounts Receivable, Net of Estimated Uncollectibles of \$91,000 in 2022, and \$191,500 in 2021	330,477	384,849
Property Taxes Receivable	767,262	788,039
Prepaid Expenses	77,436	88,971
Supplies Inventory	140,395	111,204
Deposits	-	10,107
Assets Limited As To Use		
Held as Trustee-Resident Personal Needs	9,564	8,448
<u>Total Current Assets</u>	<u>2,874,085</u>	<u>3,094,222</u>
Capital Assets		
Less Accumulated Depreciation	(5,087,050)	(4,833,070)
<u>Net Capital Assets</u>	<u>2,363,258</u>	<u>2,500,615</u>
<u>TOTAL ASSETS</u>	<u>5,237,343</u>	<u>5,594,837</u>
<u>LIABILITIES</u>		
Accounts Payable	60,095	34,627
Accrued Expenses	374,870	317,548
Resident Personal Needs	9,564	8,448
Other Current Liabilities	42,918	30,691
Long Term Debt		
Current	30,000	30,000
Long Term	80,000	110,000
<u>TOTAL LIABILITIES</u>	<u>597,447</u>	<u>531,314</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>		
Property Taxes	767,262	788,039
<u>NET POSITION</u>		
Net Investment in Capital Assets Restricted	2,253,258	2,360,615
Reserve for Emergency	25,500	22,500
Capital Outlay	41,000	61,000
Unrestricted	1,552,876	1,831,369
<u>TOTAL NET POSITION</u>	<u>3,872,634</u>	<u>4,275,484</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, 2022 and 2021

	<u>Business-Type Activities</u>	
	<u>2022</u>	<u>2021</u>
<u>OPERATING REVENUES</u>		
Net Patient Service Revenue - Long Term Care	2,553,438	2,544,363
Net Patient Service Revenue - Clinic	452,847	496,959
Net Ambulance Revenue	79,491	68,973
State Supplemental Revenue	112,989	140,473
Covid Stimulus Revenue	106,236	365,233
Payroll Protection Revenue	-	-
Other Revenue	<u>81,442</u>	<u>83,223</u>
<u>Total Operating Revenues</u>	<u>3,386,443</u>	<u>3,699,224</u>
<u>OPERATING EXPENSES</u>		
Professional Care of Patients	2,740,902	2,543,785
Dietary Services	414,312	374,858
General Services	532,542	471,961
Administrative Services	653,719	605,490
Ambulance	77,355	93,523
Depreciation	253,979	275,738
Provision for Bad Debts	<u>96,732</u>	<u>132,704</u>
<u>Total Expenses</u>	<u>4,769,541</u>	<u>4,498,059</u>
<u>INCOME (LOSS) FROM OPERATIONS</u>	<u>(1,383,098)</u>	<u>(798,835)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Property and Other Taxes	851,568	823,851
Contributions and Grants	119,501	135,960
Investment Income	<u>9,179</u>	<u>4,622</u>
<u>Total Non-Operating Revenues (Expenses)</u>	<u>980,248</u>	<u>964,433</u>
<u>CHANGE IN NET POSITION</u>	<u>(402,850)</u>	<u>165,598</u>
<u>NET POSITION – Beginning</u>	<u>4,275,484</u>	<u>4,109,886</u>
<u>NET POSITION – Ending</u>	<u>3,872,634</u>	<u>4,275,484</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, 2022 and 2021

	<u>Business-Type Activities</u>	
	<u>2022</u>	<u>2021</u>
<u>Cash Flows from Operating Activities</u>		
Receipts from Services	3,043,416	2,979,142
Other Operating Receipts	300,667	588,929
Payments to Employees	(2,621,994)	(2,381,560)
Payments to Vendors	(1,719,475)	(1,930,471)
<u>Net Cash Provided by (Used for) Operating Activities</u>	<u>(997,386)</u>	<u>(743,960)</u>
<u>Cash Flows from Non Capital Financing Activities</u>		
Receipts from Taxes	851,568	823,851
Contributions and Grants	119,501	135,960
Change in Patient Deposits	1,117	(570)
<u>Net Cash from Non-Capital Financing Activities</u>	<u>972,186</u>	<u>959,241</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Purchase of Property and Equipment	(116,623)	(116,746)
Contributions for Capital Additions	-	-
Deposits on Capital Additions	10,107	(10,107)
Proceeds from Debt	-	-
Principal Paid on Long-Term Debt	(30,000)	(30,000)
<u>Net Cash from Capital and Related Financing Activities</u>	<u>(136,516)</u>	<u>(156,853)</u>
<u>Cash Flows from Investing Activities</u>		
Investment Earnings	9,179	4,622
Sale of Investments	-	-
<u>Net Cash from Investing Activities</u>	<u>9,179</u>	<u>4,622</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	<u>(152,537)</u>	<u>63,050</u>
<u>Cash and Cash Equivalents, Beginning of Year</u>	<u>1,711,052</u>	<u>1,648,002</u>
<u>Cash and Cash Equivalents, End of Year</u>	<u>1,558,515</u>	<u>1,711,052</u>
<u>Reconciliation of Cash Flows from Operating Activities</u>		
Operating Income (Loss)	(1,383,098)	(798,835)
<u>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</u>		
Depreciation	253,979	275,738
Provision for Bad Debts	96,732	132,704
(Increase) Decrease in Patient Accounts Receivable	(42,360)	(131,153)
(Increase) Decrease in Prepaid Expenses	11,535	(42,116)
(Increase) Decrease in Inventory	(29,191)	(4,378)
Increase (Decrease) in Accounts Payable	25,468	(132,069)
Increase (Decrease) in Accrued Expenses	57,322	(29,022)
Increase (Decrease) in Other Liabilities	12,227	(14,829)
<u>Net Cash Provided by (Used In) Operating Activities</u>	<u>(997,386)</u>	<u>(743,960)</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, 2022

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, 2022

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, 2022

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, 2022 and 2021, the Center had a liability for accrued vacation of \$59,139 and \$57,696, 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, 2022 and 2021 the Center had a liability for accrued sick leave of \$71,889 and \$67,732, 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, 2022

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, 2022

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.

R. GASB 87

On January 1, 2022 Walsh Healthcare Center adopted GASB 87, Leases. The Center will comply with GASB 87 on all leases that are individually and aggregately material to the financial statements.

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, 2022

NOTE 3 **CAPITAL ASSETS**

Business -Type Activities

A summary of changes in the Center's capital assets for 2022 and 2021 is as follows:

	<u>Balance</u> <u>Jan. 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2022</u>
<u>Assets</u>				
Land	29,835	-	-	29,835
Building & Improvements	4,986,832	93,480	-	5,080,312
Equipment	969,245	23,143	-	992,388
Vehicles	199,530	-	-	199,530
Ambulance	<u>1,148,243</u>	<u>-</u>	<u>-</u>	<u>1,148,243</u>
	<u>7,333,685</u>	<u>116,623</u>	<u>-</u>	<u>7,450,308</u>
<u>Accumulated Depreciation</u>				
Building & Improvements	3,062,435	146,504	-	3,208,939
Equipment	800,138	37,262	-	837,400
Vehicles	157,197	14,111	-	171,308
Ambulance	<u>813,301</u>	<u>56,102</u>	<u>-</u>	<u>869,403</u>
	<u>4,833,071</u>	<u>253,979</u>	<u>-</u>	<u>5,087,050</u>
Total	<u>2,500,614</u>	<u>(137,356)</u>	<u>-</u>	<u>2,363,258</u>

Business - Type Activities Depreciation Expense:

Walsh Healthcare Center

253,979

Total Depreciation Expense – Business Type Activities

253,979

	<u>Balance</u> <u>Jan. 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2021</u>
<u>Assets</u>				
Land	29,835	-	-	29,835
Building & Improvements	4,938,636	48,196	-	4,986,832
Equipment	900,695	68,550	-	969,245
Vehicles	199,530	-	-	199,530
Ambulance	<u>1,221,343</u>	<u>-</u>	<u>73,100</u>	<u>1,148,243</u>
	<u>7,290,039</u>	<u>116,746</u>	<u>73,100</u>	<u>7,333,685</u>
<u>Accumulated Depreciation</u>				
Building & Improvements	2,913,183	149,252	-	3,062,435
Equipment	756,819	43,318	-	800,137
Vehicles	143,086	14,111	-	157,197
Ambulance	<u>817,344</u>	<u>69,057</u>	<u>73,100</u>	<u>813,301</u>
	<u>4,630,432</u>	<u>275,738</u>	<u>73,100</u>	<u>4,833,070</u>
Total	<u>2,659,607</u>	<u>(158,992)</u>	<u>-</u>	<u>2,500,615</u>

Business - Type Activities Depreciation Expense:

Walsh Healthcare Center

275,738

Total Depreciation Expense – Business Type Activities

275,738

WALSH DISTRICT HOSPITAL DBA WALSH HEALTHCARE CENTER
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 4 BUDGET

A comparison for budgeted and actual revenues and expenditures as of December 31, 2022, 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>5,573,955</u>	<u>4,366,691</u>	<u>(1,207,264)</u>
<u>EXPENDITURES – NON GAAP</u>			
Operations	5,348,989	4,418,830	930,159
Capital Outlay	<u>223,867</u>	<u>116,623</u>	<u>107,244</u>
	<u>5,572,856</u>	<u>4,535,453</u>	<u>1,037,403</u>
Items to Reconcile to GAAP			
Depreciation		253,979	
Provision for Bad Debts		96,732	
Capital Additions		<u>(116,623)</u>	
		<u>4,769,541</u>	

A comparison for budgeted and actual revenues and expenditures as of December 31, 2021, 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>5,338,632</u>	<u>4,663,657</u>	<u>(674,975)</u>
<u>EXPENDITURES – NON GAAP</u>			
Operations	5,198,422	4,089,617	1,108,805
Capital Outlay	<u>137,500</u>	<u>116,746</u>	<u>20,754</u>
	<u>5,335,922</u>	<u>4,206,363</u>	<u>1,129,559</u>
Items to Reconcile to GAAP			
Depreciation		275,738	
Provision for Bad Debts		132,704	
Capital Additions		<u>(116,746)</u>	
		<u>4,498,059</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, 2022

NOTE 5 **DEPOSITS (Continued)**

At December 31, 2022, 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	1,301,347	1,471,557
Cash with County Treasurer	6,898	-
Cash on Hand	<u>270</u>	<u>-</u>
<u>Total Cash and Deposits</u>	<u>1,558,515</u>	<u>1,721,557</u>

As presented above, deposits with a carrying balance of \$1,301,347 and a bank balance of \$1,471,557 as of December 31, 2022 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

Deposits with a carrying balance of \$1,452,819 and a bank balance of \$1,528,559 as of December 31, 2021 were uninsured, exposed to custodial risk, and were collateralized with securities held by the pledging financial institution.

NOTE 6 **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 \$31,689 and \$20,921 for the years ended December 31, 2022 and 2021 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.

WALSH DISTRICT HOSPITAL DBA WALSH HEALTHCARE CENTER
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 7 ACCRUED EXPENSES

Accrued expenses consist of the following amounts:

<u>2022</u>	
Accrued Salaries	243,842
Accrued Vacation	59,139
Accrued Sick Leave	<u>71,889</u>
Total	<u>374,870</u>
<u>2021</u>	
Accrued Salaries	192,120
Accrued Vacation	57,696
Accrued Sick Leave	<u>67,732</u>
Total	<u>317,548</u>

NOTE 8 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.

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 9 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>
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>\$110,000</u>	<u>\$ -</u>	<u>\$110,000</u>

NOTE 10 RETIREMENT PLAN 403B

Walsh Healthcare has a 403B plan in which employees may participate. In 2021 the plan allowed employees to contribute any percentage of their salary with no employer match. In 2022 Walsh Healthcare implemented an employer match up to 3% of employee contributions with a vesting period of one year. Contributions to the plan for 2021 and 2022 were \$58,914 and \$61,776 respectively.

SUPPLEMENTAL INFORMATION

WALSH DISTRICT HOSPITAL DBA WALSH HEALTHCARE CENTER
 COMBINING STATEMENT OF OPERATIONS
 For the Years Ended December 31, 2022 and 2021

	<u>2022</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	2,224,633	-	328,805	-
Net Patient Service Revenue-Clinic	-	-	-	452,847
Net Ambulance Revenue	-	79,491	-	-
State Supplemental Revenue	112,989	-	-	-
Covid Stimulus Revenue	-	-	-	106,236
Payroll Protection Revenue	-	-	-	-
Other Revenue	34,566	65	-	46,811
<u>Total Revenues</u>	<u>2,372,188</u>	<u>79,556</u>	<u>328,805</u>	<u>605,894</u>
<u>OPERATING EXPENSES</u>				
Professional Care of Patients	1,750,384	-	337,410	653,108
Dietary Services	346,969	-	67,343	-
General Services	470,127	-	58,719	3,696
Administrative Services	576,333	-	28,541	48,845
Ambulance	-	77,355	-	-
Depreciation	158,570	56,102	33,493	5,814
Provision for Bad Debts	-	18,612	-	78,120
<u>Total Expenses</u>	<u>3,302,383</u>	<u>152,069</u>	<u>525,506</u>	<u>789,583</u>
<u>INCOME (LOSS) FROM OPERATIONS</u>	<u>(930,195)</u>	<u>(72,513)</u>	<u>(196,701)</u>	<u>(183,689)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Property and Other Taxes	643,101	30,884	61,768	115,815
Contributions and Grants	85,323	4,063	115	30,000
Investment Income	7,930	227	118	904
<u>Total Non-Operating Revenues (Expenses)</u>	<u>736,354</u>	<u>35,174</u>	<u>62,001</u>	<u>146,719</u>
<u>CHANGE IN NET POSITION</u>	<u>(193,841)</u>	<u>(37,339)</u>	<u>(134,700)</u>	<u>(36,970)</u>
<u>NET POSITION – Beginning</u>	<u>4,506,806</u>	<u>418,288</u>	<u>(719,918)</u>	<u>70,308</u>
<u>NET POSITION – Ending</u>	<u>4,312,965</u>	<u>380,949</u>	<u>(854,618)</u>	<u>33,338</u>

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

<u>2022</u> <u>Total</u>	<u>2021</u> <u>Total</u>	<u>Change</u>
2,553,438	2,544,363	9,075
452,847	496,959	(44,112)
79,491	68,973	10,518
112,989	140,473	(27,484)
106,236	365,233	(258,997)
-	-	-
<u>81,442</u>	<u>83,223</u>	<u>(1,781)</u>
<u>3,386,443</u>	<u>3,699,224</u>	<u>(312,781)</u>
2,740,902	2,543,785	197,117
414,312	374,858	39,454
532,542	471,961	60,581
653,719	605,490	48,229
77,355	93,523	(16,168)
253,979	275,738	(21,759)
<u>96,732</u>	<u>132,704</u>	<u>(35,972)</u>
<u>4,769,541</u>	<u>4,498,059</u>	<u>271,482</u>
<u>(1,383,098)</u>	<u>(798,835)</u>	<u>(584,263)</u>
851,568	823,851	27,717
119,501	135,960	(16,459)
<u>9,179</u>	<u>4,622</u>	<u>4,557</u>
<u>980,248</u>	<u>964,433</u>	<u>15,815</u>
(402,850)	165,598	(568,448)
<u>4,275,484</u>	<u>4,109,886</u>	<u>165,598</u>
<u>3,872,634</u>	<u>4,275,484</u>	<u>(402,850)</u>

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