

Washington County Nursing Home
Akron, Colorado

Financial Statements
For the Year Ended December 31, 2018

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Independent Auditors' Report

To the Board of Directors
Washington County Nursing Home
Akron, Colorado

We have audited the accompanying financial statements of the Washington County Nursing Home (the Nursing Home), a component unit of Washington County, Colorado, and its discretely presented component unit as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Nursing Home'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 error or fraud.

Auditors' Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Nursing Home and its discretely presented component unit as of December 31, 2018, and the respective changes in financial position and cash flows for the year 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 listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nursing Home's financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary 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. 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
June 17, 2019

WASHINGTON COUNTY NURSING HOME
Management's Discussion and Analysis
For the year ended December 31, 2018

Financial Highlights

The overall health of Washington County Nursing Home (WCNH) continues to be strong for the year ended December 31, 2018.

- The Statement of Net Position indicates:
 - The current ratio is 6.0:1 in 2018 compared to 5.4:1 in 2017
 - There were total Unrestricted Net Position of \$1,318,485 in 2018 compared to \$1,161,382 in 2017
- The Statement of Revenues, Expenses and Changes in Fund Net Position indicates:
 - An Operating Gain of \$51,691 in 2018 compared to an Operating Gain of \$260,607 in 2017.
 - An increase in Net Position of \$163,745 in 2018 compared to an increase of \$205,139 in 2017.
- The Statement of Cash Flows indicates:
 - \$96,820 cash was provided by operations in 2018 compared to \$213,350 cash provided in 2017.
 - Total cash increased by \$185,410 in 2018 compared to a decrease of \$14,961 in 2017.

Using This Annual Report

WCNH's financial statements consist of three statements: A Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and The Statement of Cash Flows. These financial statements and related notes provide information about the activities of WCNH including resources held by WCNH but restricted for specific purposes by contributors and grantors.

The Statement of Net Position reports the financial health of the organization at a particular point in time. The relationship between assets on hand and liabilities owed is very important to that financial health. It also indicates any assets held that are restricted for a particular use.

The Statement of Revenues, Expenses and Changes in Fund Net Position reports the results of operations for the current year. It reveals both the results of operations in the operating income line, and the results of all activities including nonoperating revenues, such as contributions, in the change in net position line.

The Statement of Cash Flows reports cash receipts, cash payments, and changes in cash, resulting from operations, investing, and financing activities.

WCNH's Net Position

Net position is the difference between the Assets and Liabilities on the Statement of Net Position. WCNH has positive Net Position at December 31, 2018 of \$1,331,389 compared to \$1,167,644 at December 31, 2017; this is the cumulative result of operations over the entire life of the organization. Net Position increased in the current year by \$163,745.

Washington County Nursing Home's Net Position

	<u>12/31/2018</u>	<u>12/31/2017</u>
Assets:		
Current assets	\$1,016,955	\$857,282
Restricted assets	12,027	7,456
Noncurrent assets	<u>2,253,590</u>	<u>2,270,288</u>
Total assets	<u>\$3,282,572</u>	<u>\$3,135,026</u>
Liabilities:		
Current liabilities	\$170,730	\$158,631
Other liabilities	12,027	7,456
Long-term liabilities	<u>1,768,426</u>	<u>1,801,295</u>
Total liabilities	\$1,951,183	\$1,967,382
Net position:		
Net investment in capital assets	\$12,904	\$6,262
Unrestricted	<u>\$1,318,485</u>	<u>1,161,382</u>
Total net position	<u>\$1,331,389</u>	<u>\$1,167,644</u>
Total liabilities and net position	<u>\$3,282,572</u>	<u>\$3,135,026</u>

Operating Results

WCNH had an operating gain in 2018 of \$51,691 compared to an operating gain of \$260,607 in 2017.

Nonoperating Revenues

The organization received nonoperating revenues from earnings on investments, contributions, grants and County subsidy of \$129,965 and \$61,420 for 2018 and 2017 respectively. The contributions came from various sources that were the result of fund raising on the part of volunteers to the organization. The County subsidy is from a sales tax of 1.50% that is for the support of WCNH, Washington County Clinic and Washington County Ambulance.

Operating Results and Changes in Washington County Nursing Home's Net Position

	<u>12/31/2018</u>	<u>12/31/2017</u>
Operating revenue:		
Residency	\$3,182,476	\$2,774,370
Ancillary	<u>110,291</u>	<u>115,864</u>
Total revenue	\$3,292,767	\$2,890,234
Operating expenses:		
Salaries and benefits	\$2,082,151	\$1,818,737
Supplies, contract services and other	1,156,317	793,572
Depreciation and amortization	<u>2,608</u>	<u>17,318</u>
Total operating expenses	<u>\$3,241,076</u>	<u>\$2,629,627</u>
Operating income (loss)	\$51,691	\$260,607
Non-operating revenues (expenses)	<u>\$112,054</u>	<u>\$(55,468)</u>
Change in net position	\$163,745	\$205,139
Net position at beginning of year	<u>\$1,167,644</u>	<u>\$962,505</u>
Net position at end of year	<u>\$1,331,389</u>	<u>\$1,167,644</u>

Budget Results

WCNH's Operating Revenues were more than final budget by \$228,360 for the year in 2018. In 2017 Operating Revenues were more than budgeted by \$604,088 reflecting the increase in occupied beds during the year.

In 2018 expenses were \$136,060 over budget and in 2017, expenses were over the anticipated budget by \$191,127.

The change in Net Position did meet budget expectations by \$164,165 in 2018, and \$474,006 in 2017.

Contacting the WCNH's Financial Management

This financial report is designed to provide our residents, their families, suppliers, creditors and donors with a general overview of WCNH's finances and to show WCNH's accountability for the money it receives. If you have any questions about this report or need additional information, contact Brenda Rhea, Nursing Home Administrator, Washington County Nursing Home, Akron, CO 80720.

Basic Financial Statements

The basic financial statements of the Washington County Nursing Home include the following:

Financial statements. The financial statements display information about the reporting government as a whole.

Notes to the financial statements. The notes communicate information essential for the fair presentation of the financial statements that is not displayed on the face of the financial statements. As such, the notes are an integral part of the basic financial statements.

WASHINGTON COUNTY NURSING HOME
Statement of Net Position
December 31, 2018

	Primary Government	Washington County Green House, LLC
Assets		
Current assets		
Cash	\$ 624,538	\$ 4,905
Accounts receivable, net of allowance for uncollectible accounts	223,554	
Intergovernmental receivables	105,916	
Prepaid items	62,947	
Deposits		50,000
Total current assets	1,016,955	54,905
Restricted assets		
Cash held in trust for residents	12,027	
Total restricted assets	12,027	-
Noncurrent assets		
Advance to pioneer haven	112,647	
Notes receivable	2,128,039	
Capital assets, net of depreciation	12,904	9,903,744
Total noncurrent assets	2,253,590	9,903,744
Total assets	\$ 3,282,572	\$ 9,958,649

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

	Primary Government	Washington County Green House, LLC
Liabilities		
Current liabilities		
Accounts payable	\$ 47,812	
Accrued salaries	88,162	
Current portion of notes payable	34,756	
Total current liabilities	170,730	\$ -
Other liabilities		
Cash held in trust for residents	12,027	
Long-term liabilities		
Accrued compensated absences	40,145	
Notes payable	1,728,281	9,640,000
Total long-term liabilities	1,768,426	9,640,000
Total liabilities	1,951,183	9,640,000
Net position		
Net investment in capital assets	12,904	263,744
Unrestricted	1,318,485	54,905
Total net position	1,331,389	318,649
Total liabilities and net position	\$ 3,282,572	\$ 9,958,649

WASHINGTON COUNTY NURSING HOME
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2018

	Primary Government	Washington County Green House, LLC
Operating revenues		
Residency	\$ 3,182,476	
Ancillary	110,291	
Lease revenue		\$ 409,266
Total operating revenues	3,292,767	409,266
Operating expenses		
Nursing	1,971,717	
Medical records	47,573	
Social services	53,373	
Activities	15,283	
Dietary	162,393	
Housekeeping	69,232	
Maintenance	121,768	
Administration	797,129	5
Depreciation	2,608	356,949
Total operating expenses	3,241,076	356,954
Operating income	51,691	52,312
Nonoperating revenues (expenses)		
Earnings on investments	21,503	38
Grants and contributions	18,103	
Miscellaneous	33,418	
County subsidy	56,941	
Interest expense	(17,911)	(359,266)
Total nonoperating revenues (expenses)	112,054	(359,228)
Change in net position	163,745	(306,916)
Net position at beginning of year	1,167,644	625,565
Net position at end of year	\$ 1,331,389	\$ 318,649

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

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WASHINGTON COUNTY NURSING HOME
Statement of Cash Flows
For the Year Ended December 31, 2018

	Primary Government	Washington County Green House, LLC
Cash flows from operating activities		
Receipts from patients	\$ 3,356,237	
Other cash receipts		\$ 409,266
Payments to suppliers	(1,591,474)	(50,005)
Payments to employees	(1,667,943)	
Net cash provided by operating activities	96,820	359,261
Cash flows from noncapital financing activities		
Miscellaneous receipts	33,418	
County subsidy	56,941	
Grants and contributions	18,103	
Net cash provided by noncapital financing activities	108,462	-
Cash flows from capital and related financing activities		
Purchase of capital assets	(9,250)	(101,258)
Net cash used by capital and related financing activities	(9,250)	(101,258)
Cash flows from investing activities		
Receipts from pioneer haven	23,340	
Payments to component unit		
Receipts from primary government		
Earnings on investments	21,503	38
Principal payments on long-term debt	(37,554)	
Interest payments	(17,911)	(359,266)
Net cash used by investing activities	(10,622)	(359,228)
Net increase (decrease) in cash and cash equivalents	185,410	(101,225)
Cash and cash equivalents at beginning of year	439,128	106,130
Cash and cash equivalents at end of year	\$ 624,538	\$ 4,905

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

	Primary Government	Washington County Green House, LLC
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 51,691	\$ 52,312
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	2,608	356,949
Change in assets and liabilities		
Accounts receivable	63,470	
Prepaid items	(37,733)	
Deposits		(50,000)
Accounts payable	(148)	
Accrued salaries	11,901	
Accrued compensated absences	5,031	
Net cash provided by operating activities	<u>\$ 96,820</u>	<u>\$ 359,261</u>

WASHINGTON COUNTY NURSING HOME

Notes to Financial Statements

Note A – Summary of significant accounting policies

This summary of the Washington County Nursing Home's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The financial statements of the Nursing Home have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles.

The more significant of the Nursing Home's accounting policies are described below.

A.1 – Reporting entity

The Nursing Home follows Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which activities, organizations, and functions are included within the financial reporting entity. GASB pronouncements set forth the financial accountability of an organization's elected governing body as the basic criterion for including a possible component organization in the primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

Washington County Green House, LLC

The Washington County Green House, LLC is a Colorado organization formed by the Nursing Home in May 2015 to construct, finance and own a nursing home facility in Washington County, Colorado. The Nursing Home created Washington County Green House, LLC for the sole purpose of financing and constructing the facility. By structuring the arrangements for owning and financing the facility to take advantage of new markets tax credits, the Nursing Home significantly reduced the net funding that it must provide to construct the facility.

The members of Washington County Green House, LLC are the Nursing Home and Washington County Housing and Healthcare Access (WCHHA), a Colorado nonprofit corporation. The board of directors of Washington County Green House, LLC consists of three members. The Nursing Home is financially accountable for the Washington County Green House, LLC, and therefore it is a discretely presented component unit.

WASHINGTON COUNTY NURSING HOME
Notes to Financial Statements

Note A – Summary of significant accounting policies (continued)

In May 2015, the Nursing Home's Washington County Green House, LLC entity financed the project. An equity investor established an investment fund consisting of \$6,611,949 in loan proceeds and \$3,194,100 in contributions, which was invested in two Community Development Entities (CDEs). Washington County Green House, LLC was loaned the proceeds of these funds in four separate loans related to new markets tax credit financing. The proceeds of this financing were used to construct the facility. Washington County Green House, LLC entered into an operating agreement with the Nursing Home upon completion of the facility.

Washington County Nursing Home

The Nursing Home is a component unit of Washington County, Colorado as it became operational under County control on May 11, 1996.

A.2 – Basis of presentation

The basic financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (revenues) and decreases (expenses) in net position. The statement of cash flows provides information about how the Nursing Home finances and meets its cash flow needs.

A.3 – Encumbrances

Encumbrance accounting is not used by the Washington County Nursing Home.

A.4 – Cash and cash equivalents

For the purposes of the statement of cash flows, the Nursing Home considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

A.5 – Accounts receivable

Accounts receivable consist primarily of amounts due for resident care. No allowance for uncollectible accounts has been reported based upon a review of existing accounts receivable and prior collection experience.

A.6 – Capital assets

All capital assets with a unit cost greater than \$2,000 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received.

WASHINGTON COUNTY NURSING HOME
Notes to Financial Statements

Note A – Summary of significant accounting policies (continued)

Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not.

Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until project completion with interest earned on invested proceeds over the same period. No interest was capitalized during the year.

All reported assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	10-30 years
Machinery and equipment	3-5 years

A.7 – Compensated absences

The Nursing Home reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences."

Vacation time off with pay is available to eligible employees to provide opportunities for rest, relaxation and personal pursuits. Eligible full-time employees accrue vacation leave at the rate of twelve days per year for their first four years of employment, with increases every five years up to a maximum of twenty-one days per year upon reaching twenty-five years of service. The amount of paid vacation leave employees receive each year increases with the length of their employment. Vacation leave is a vested benefit and is reported as a liability on the statement of net position.

Sick leave time off with pay is available to eligible employees who are unable to report to work due to illness or injury to himself or herself or an eligible family member. Eligible employees accrue sick leave benefits at the rate of eight hours per month. Upon voluntary resignation or retirement, an employee will be paid one-fourth of accumulated unused sick leave. This portion is considered to be a vested benefit and is reported as a liability on the statement of net position.

A.8 – Net position

Net position reports the differences between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are liabilities

WASHINGTON COUNTY NURSING HOME
Notes to Financial Statements

Note A – Summary of significant accounting policies (continued)

imposed on their use either through enabling legislation adopted by the Nursing Home or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Nursing Home applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

A.9 – Operating revenues and expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Nursing Home. These revenues primarily consist of charges for services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Nursing Home. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

A.10 – Extraordinary and special items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within control of the board of directors and that are either unusual in nature or infrequent in occurrence.

A.11 – Budgets and budgetary accounting

An annual budget is established for the Nursing Home. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. Revenues are budgeted by source, and expenses are budgeted by department and the major divisions thereof and by the principal objects of expense. The legal level of control is considered to be the entity as a whole and expenses may not exceed appropriations at this level. All budget revisions at this level are subject to final review and approval by the board of directors.

The Nursing Home follows these procedures in establishing budgetary data reflected in the financial statements:

- On or before October 15th, the budget officer submits to the board of directors a budget which shall be a complete financial plan for the ensuing fiscal year.
- The budget is prepared using the accrual basis of accounting.
- Public hearings are conducted to obtain comments.
- Prior to December 31st, the budget is legally adopted through passage of an adoption resolution.

WASHINGTON COUNTY NURSING HOME

Notes to Financial Statements

Note B – Cash and investments

Cash and deposits

Colorado State statutes govern the Nursing Home's deposit of cash. The Public Deposit Protection Acts (PDPA) for banks and savings and loans require state regulators to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or Colorado local governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government's name. The fair value of the assets in the pool must be at least equal to 102% of the aggregate uninsured deposits.

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the Nursing Home's deposits may not be returned to it. The Nursing Home does not have a deposit policy for custodial credit risk. At year-end, the Nursing Home had total deposits of \$750,832, of which \$259,487 were insured and \$491,345 were collateralized with securities held by the pledging institution's trust department or agent in the Nursing Home's name. At year-end, Washington County Green House, LLC had total deposits of \$8,517, which were insured in their entirety.

Investments

Authorized investments – Investment policies are governed by Colorado State Statutes and the Nursing Home's own investment policies and procedures. Investments of the Nursing Home may include:

- Obligations of the United States Government, such as treasury bills, notes and bonds
- Certain international agency securities
- General obligation and revenue bonds of United States local government entities
- Bankers acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

At year-end, the Nursing Home did not have any investments.

WASHINGTON COUNTY NURSING HOME
Notes to Financial Statements

Note C – Capital assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Equipment	\$ 40,897	\$ 9,250	\$ -	\$ 50,147
Less accumulated depreciation for:				
Equipment	<u>(34,635)</u>	<u>(2,608)</u>	<u>-</u>	<u>(37,243)</u>
Total capital assets, net of depreciation	<u>\$ 6,262</u>	<u>\$ 6,642</u>	<u>\$ -</u>	<u>\$ 12,904</u>

Washington County Green House, LLC

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 10,516,141	\$ 33,312	\$ -	10,549,453
Furniture and fixtures	<u>60,745</u>	<u>-</u>	<u>-</u>	<u>60,745</u>
Total capital assets, being depreciated	<u>10,576,886</u>	<u>33,312</u>	<u>-</u>	<u>10,610,198</u>
Total capital assets	10,576,886	33,312	-	10,610,198
Less accumulated depreciation for:				
Buildings and improvements	(343,431)	(350,874)	-	(694,305)
Furniture and fixtures	<u>(6,074)</u>	<u>(6,075)</u>	<u>-</u>	<u>(12,149)</u>
Total accumulated depreciation	<u>(349,505)</u>	<u>(356,949)</u>	<u>-</u>	<u>(706,454)</u>
Total capital assets, net of depreciation	<u>\$ 10,227,381</u>	<u>\$ (323,637)</u>	<u>\$ -</u>	<u>\$ 9,903,744</u>

WASHINGTON COUNTY NURSING HOME
Notes to Financial Statements

Note D – Advance to pioneer haven

The Washington County Nursing Home has advanced funds in the amount of \$350,500 to Pioneer Haven, for the purchase of a complex designed for seniors (62 years of age and older) and/or for persons who are disabled. The intent of Pioneer Haven is to repay the advance over a period of no longer than fifteen years as funds become available. The outstanding balance at December 31, 2018 was \$112,647.

Note E – Note receivable

On May 29, 2015, the Nursing Home entered into an agreement with Chase NMTC WCGH Investment Fund, LLC (the Fund) to loan \$2,128,039 to the Fund in order to facilitate financing for the construction of the new facility, which was completed in 2017. The agreement stipulates monthly interest payments for the first seven years, followed by principal and interest payments through loan maturity. The loan bears interest at a rate of 1.00%.

Annual requirements to maturity for the note receivable are as follows:

<u>Year ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 21,576	\$ 21,576
2020	-	21,635	21,635
2021	-	21,576	21,576
2022	128,655	21,298	149,953
2023	255,234	19,086	274,320
2024-2028	1,315,631	55,966	1,371,597
2029-2030	<u>428,519</u>	<u>3,608</u>	<u>432,127</u>
Total	<u>\$ 2,128,039</u>	<u>\$ 164,745</u>	<u>\$ 2,292,784</u>

Note F – Long-term debt

The following is a summary of the changes in long-term debt for the year:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
Compensated absences	\$ 35,114	\$ 5,031	\$ -	\$ 40,145	\$ -
Notes payable	<u>1,800,591</u>	<u>-</u>	<u>(37,554)</u>	<u>1,763,037</u>	<u>34,756</u>
Totals	<u>\$ 1,835,705</u>	<u>\$ 5,031</u>	<u>\$ (37,554)</u>	<u>\$ 1,803,182</u>	<u>\$ 34,756</u>

The Nursing Home believes that the current portion of compensated absences is negligible and is therefore not reported.

WASHINGTON COUNTY NURSING HOME
Notes to Financial Statements

Note F – Long-term debt (Continued)

Notes payable

CHIF Loan – The Nursing Home entered into a \$1,275,420 note agreement with the Colorado Division of Housing dated May 15, 2015, due in monthly interest only payments through May 1, 2017, followed by monthly payments of \$3,225 through 2057, bearing interest at 1.00%. Funds were used to assist with financing of the new facility.

\$ 1,231,833

TCHF Loan – The Nursing Home entered into a \$550,000 note agreement with the Colorado Health Foundation dated May 26, 2015, due in monthly interest only payments through May 1, 2017, followed by monthly payments of \$1,391 through 2057, bearing interest at 1.00%. Funds were used to assist with financing of the new facility.

531,204

Total

\$ 1,763,037

Annual debt service requirements to maturity for the notes payable are as follows:

<u>Year ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 34,756	\$ 16,017	\$ 50,773
2020	38,281	17,107	55,388
2021	38,665	16,723	55,388
2022	39,053	16,335	55,388
2023	39,446	15,942	55,388
2024-2028	203,254	73,687	276,941
2029-2033	213,670	63,271	276,941
2034-2038	224,621	52,320	276,941
2039-2043	236,133	40,808	276,941
2044-2048	248,234	28,707	276,941
2049-2053	260,956	15,985	276,941
2054-2057	<u>185,968</u>	<u>3,275</u>	<u>189,243</u>
Total	<u>\$ 1,763,037</u>	<u>\$ 360,177</u>	<u>\$ 2,123,214</u>

WASHINGTON COUNTY NURSING HOME
Notes to Financial Statements

Note F – Long-term debt (Continued)

Washington County Green House, LLC

The following is a summary of the changes in long-term debt for the year:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
Notes payable	\$ 9,640,000	\$ -	\$ -	\$ 9,640,000	\$ -

As of December 31, 2018, Washington County Green House, LLC had long-term indebtedness of \$9,640,000.

In May of 2015, Washington County Green House, LLC received the proceeds of four note payables to two separate CDEs related to new markets tax credit financing. The proceeds of this financing were used to construct, finance and own nursing home facilities in Akron, Colorado.

Each CDE has issued two notes to Washington County Green House, LLC. Total proceeds of the four notes were \$9,640,000. No principal payments were made during the year. The notes payable have interest only payments through 2021.

Washington County Green House, LLC made a \$50,000 sinking fund deposit during the year, which is reported as "deposits" on the statement of net position.

Annual debt service requirements to maturity for the notes payable are as follows:

<u>Year ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 346,299	\$ 346,299
2020	-	347,248	347,248
2021	-	346,299	346,299
2022	4,539,576	263,834	4,803,410
2023	112,874	181,712	294,586
2024-2028	623,074	849,860	1,472,934
2029-2033	738,802	734,132	1,472,934
2034-2038	879,750	593,184	1,472,934
2039-2043	1,052,901	420,035	1,472,936
2044-2048	1,266,447	206,487	1,472,934
2049-2050	426,576	12,922	439,498
Total	\$ 9,640,000	\$ 4,302,012	\$ 13,942,012

WASHINGTON COUNTY NURSING HOME
Notes to Financial Statements

Note G – Risk management

The Nursing Home is a participant in select insurance pools offered by the Colorado Counties, Inc.

Colorado Workers' Compensation Pool

The Nursing Home is exposed to various risks of loss related to injuries of employees while on the job. The Nursing Home participates in the Colorado Workers' Compensation Pool (CWCP), a public entity risk pool currently operating as a common risk management and insurance program for its workers' compensation insurance coverage. The Nursing Home's financial contribution for the year was \$37,674. The intergovernmental agreement of formation of the CWCP provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and the pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention, which is determined each policy year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Nursing Home is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; claims relating to professional liability; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

Note H – Defined contribution plan

The Nursing Home maintains a SIMPLE Plan (the Plan), a defined contribution plan administered by Oppenheimer Funds.

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Nursing Home board of directors. The Nursing Home's contribution is 3% of covered salary. All eligible employees are allowed to contribute the lesser of 6% of covered salary or \$6,000. For the year, employee contributions totaled \$26,040, and the Nursing Home recognized pension expense of \$15,000.

Employees are immediately vested in their own contributions, Nursing Home contributions, and earnings on those contributions.

WASHINGTON COUNTY NURSING HOME
Notes to Financial Statements

Note I – Commitments and contingencies

TABOR Amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The Amendment contains tax, spending, revenue and debt limitations that apply to the State of Colorado, all local governments and special districts.

The Washington County Nursing Home considers itself to be an enterprise as defined by TABOR, thus being exempt from the provisions of the Amendment.

In addition, Washington County's electorate approved a ballot issue in May of 1996 that would allow the Washington County Nursing Home (if it should be determined that the Washington County Nursing Home does not qualify as an enterprise) to retain, appropriate, and utilize any and all revenues generated in 1993, 1994 and 1995 in excess of the limits imposed by Article X, Section 20 of the Colorado Constitution, and be authorized to retain, appropriate, collect and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from every source whatsoever, without limitation, in 1996 and all subsequent years.

Colorado Local Government Budget Law

Expenses exceeded appropriations by \$136,060, respectively, which may be in violation of Colorado Local Government Budget Laws.

Supplementary Information

Supplementary information includes financial schedules not required by the Governmental Accounting Standards Board, not a part of the basic financial statements, but are presented for purposes of additional analysis.

WASHINGTON COUNTY NURSING HOME
Budgetary Comparison Schedule
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Operating revenues				
Residency	\$ 2,873,101	\$ 2,873,101	\$ 3,182,476	\$ 309,375
Ancillary	191,306	191,306	110,291	(81,015)
Total operating revenues	3,064,407	3,064,407	3,292,767	228,360
Operating expenses				
Nursing	1,865,121	1,865,121	1,971,717	(106,596)
Medical records	61,345	61,345	47,573	13,772
Social services	50,982	50,982	53,373	(2,391)
Activities	5,500	5,500	15,283	(9,783)
Dietary	157,523	157,523	162,393	(4,870)
Housekeeping	61,571	61,571	69,232	(7,661)
Maintenance	99,850	99,850	121,768	(21,918)
Administration	647,969	797,969	797,129	840
Depreciation	23,066	23,066	2,608	20,458
Total operating expenses	2,972,927	3,122,927	3,241,076	(118,149)
Operating income (loss)	91,480	(58,520)	51,691	110,211
Nonoperating revenues (expenses)				
Earnings on investments	100	100	21,503	21,403
Contributions	15,000	15,000	18,103	3,103
Miscellaneous	43,000	43,000	33,418	(9,582)
County subsidy			56,941	56,941
Interest expense			(17,911)	(17,911)
Total nonoperating revenues (expenses)	58,100	58,100	112,054	53,954
Change in net position	\$ 149,580	\$ (420)	163,745	\$ 164,165
Net position at beginning of year			1,167,644	
Net position at end of year			\$ 1,331,389	

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WASHINGTON COUNTY NURSING HOME
Budgetary Comparison Schedule - Expenses
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Nursing				
Salaries	\$ 1,337,387	\$ 1,337,387	\$ 1,466,398	\$ (129,011)
Employee benefits	339,838	339,838	337,355	2,483
Supplies	57,500	57,500	73,465	(15,965)
Contract services	78,640	78,640	38,130	40,510
Medical director	6,856	6,856	6,000	856
Drugs	34,500	34,500	37,240	(2,740)
Repairs and maintenance	2,000	2,000	113	1,887
Miscellaneous	8,400	8,400	13,016	(4,616)
Total nursing	1,865,121	1,865,121	1,971,717	(106,596)
Medical records				
Salaries	46,316	46,316	36,870	9,446
Employee benefits	12,579	12,579	8,298	4,281
Contract services	2,100	2,100	2,226	(126)
Supplies	350	350	179	171
Total medical records	61,345	61,345	47,573	13,772
Social services				
Salaries	42,835	42,835	43,453	(618)
Employee benefits	6,547	6,547	4,880	1,667
Contract services	1,000	1,000	3,644	(2,644)
Supplies	600	600	1,153	(553)
Miscellaneous			243	(243)
Total social services	50,982	50,982	53,373	(2,391)
Activities				
Salaries			9,466	(9,466)
Employee benefits			912	(912)
Supplies	5,200	5,200	4,575	625
Miscellaneous	300	300	330	(30)
Total activities	5,500	5,500	15,283	(9,783)

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Dietary				
Salaries	30,429	30,429	30,565	(136)
Employee benefits	5,194	5,194	3,732	1,462
Contract services	10,800	10,800	10,574	226
Food and nutritional supplement	97,600	97,600	106,459	(8,859)
Repairs and maintenance	2,800	2,800	2,910	(110)
Supplies	8,700	8,700	6,653	2,047
Miscellaneous	2,000	2,000	1,500	500
Total dietary	157,523	157,523	162,393	(4,870)
Housekeeping				
Salaries	27,595	27,595	29,358	(1,763)
Employee benefits	13,776	13,776	14,835	(1,059)
Supplies	20,200	20,200	25,039	(4,839)
Total housekeeping	61,571	61,571	69,232	(7,661)
Maintenance				
Contract services	7,200	7,200	16,945	(9,745)
Repairs and maintenance	7,500	7,500	7,498	2
Supplies	4,800	4,800	19,885	(15,085)
Utilities	80,000	80,000	77,440	2,560
Miscellaneous	350	350		350
Total maintenance	99,850	99,850	121,768	(21,918)
Administration				
Salaries	37,100	37,100	68,765	(31,665)
Employee benefits	20,748	20,748	27,264	(6,516)
Contract services	163,000	163,000	139,716	23,284
Facility lease	360,221	360,221	409,266	(49,045)
Equipment lease	2,000	2,000	494	1,506
Supplies	7,700	7,700	20,109	(12,409)
Insurance	21,600	21,600	27,188	(5,588)
Telephone	24,000	24,000	17,647	6,353
Miscellaneous	11,600	161,600	86,680	74,920
Total administration	647,969	797,969	797,129	840

(continued)

WASHINGTON COUNTY NURSING HOME
Budgetary Comparison Schedule - Expenses
For the Year Ended December 31, 2018

(continued)	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Depreciation	23,066	23,066	2,608	20,458
Debt service interest			17,911	(17,911)
Total expenses	<u>\$ 2,972,927</u>	<u>\$ 3,122,927</u>	<u>\$ 3,258,987</u>	<u>\$ (136,060)</u>