

Washington County Nursing Home
Akron, Colorado

Financial Statements
For the Year Ended December 31, 2017

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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, 2017, 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, 2017, 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
July 20, 2018

WASHINGTON COUNTY NURSING HOME
Management's Discussion and Analysis
For the year ended December 31, 2017

Financial Highlights

The overall health of Washington County Nursing Home (WCNH) continues to be strong for the year ended December 31, 2017.

- The Statement of Net Position indicates:
 - The current ratio is 5.4:1 in 2017 compared to 6.5:1 in 2016
 - There were total Unrestricted Net Position of \$1,161,382 in 2017 compared to \$786,843 in 2016
- The Statement of Revenues, Expenses and Changes in Fund Net Position indicates:
 - An Operating Loss of \$110,564 in 2016 compared to an Operating Gain of \$1,260,607 in 2017.
 - A decrease in Net Position of \$36,465 in 2016 compared to an increase of \$1,205,139 in 2017.
- The Statement of Cash Flows indicates:
 - \$74,082 cash was used by operations in 2016 compared to \$213,350 cash provided in 2017.
 - Total cash increased by \$22,326 in 2016 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, 2016 of \$909,886 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 \$1n205n139.

Washington County Nursing Home's Net Position

	<u>12/31/2016</u>	<u>12/31/2017</u>
Assets:		
Current assets	\$777,020	\$857,282
Restricted assets	8,677	7,456
Noncurrent assets	<u>282,370</u>	<u>2,270,288</u>
Total assets	<u>\$1,068,067</u>	<u>\$3,135,026</u>
Liabilities:		
Current liabilities	\$120,278	\$158,631
Other liabilities	8,677	7,456
Long-term liabilities	<u>29,226</u>	<u>1,801,295</u>
Total liabilities	\$158,181	\$1,967,382
Net position:		
Net investment in capital assets	\$123,043	\$6,262
Unrestricted	<u>786,843</u>	<u>1,161,382</u>
Total net position	<u>\$909,886</u>	<u>\$1,167,644</u>
Total liabilities and net position	<u>\$1,068,067</u>	<u>\$3,135,026</u>

Operating Results

WCNH had an operating loss in 2016 of \$110,564 compared to an operating gain of \$1,260,607 in 2017.

Nonoperating Revenues

The organization received nonoperating revenues from earnings on investments, contributions, grants and County subsidy of \$75,849 and \$61,420 for 2016 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>12/31/2016</u>	<u>12/31/2017</u>
Operating revenue:		
Residency	\$1,934,937	\$2,774,370
Ancillary	<u>80,268</u>	<u>115,864</u>
Total revenue	\$2,015,205	\$2,890,234
Operating expenses:		
Salaries and benefits	\$1,483,355	\$1,818,737
Supplies, contract services and other	613,528	793,572
Depreciation and amortization	<u>28,886</u>	<u>17,318</u>
Total operating expenses	<u>\$2,125,769</u>	<u>\$2,629,627</u>
Operating income (loss)	\$(110,564)	\$260,607
Non-operating revenues (expenses)	<u>\$74,099</u>	<u>\$(55,468)</u>
Change in net position	\$(36,465)	\$205,139
Net position at beginning of year, as restated in 2017	<u>\$946,351</u>	<u>\$962,505</u>
Net position at end of year	<u>\$909,886</u>	<u>\$1,167,644</u>

Budget Results

WCNH's Operating Revenues were less than final budget by \$320,510 for the year in 2016. In 2017 Operating Revenues were more than budgeted by \$604,088 reflecting the increase in occupied beds during the year.

In 2016 expenses were \$332,636 under budget and in 2017, expenses were over the anticipated budget by \$191,127.

The change in Net Position did meet budget expectations by \$84,525 in 2016, 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, 2017

	Primary Government	Washington County Green House, LLC
Assets		
Current assets		
Cash	\$ 439,128	\$ 27,606
Accounts receivable, net of allowance for uncollectible accounts	287,024	
Intergovernmental receivables	105,916	
Prepaid items	25,214	
Total current assets	857,282	27,606
Restricted assets		
Cash held in trust for residents	7,456	
Cash held for construction purposes		78,524
Total restricted assets	7,456	78,524
Noncurrent assets		
Advance to pioneer haven	135,987	
Notes receivable	2,128,039	
Capital assets, net of depreciation	6,262	10,227,381
Total noncurrent assets	2,270,288	10,227,381
Total assets	\$ 3,135,026	\$ 10,333,511

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

	Primary Government	Washington County Green House, LLC
Liabilities		
Current liabilities		
Accounts payable	\$ 47,960	\$ 67,946
Accrued salaries	76,261	
Current portion of notes payable	34,410	
Total current liabilities	158,631	67,946
Other liabilities		
Cash held in trust for residents	7,456	
Long-term liabilities		
Accrued compensated absences	35,114	
Notes payable	1,766,181	9,640,000
Total long-term liabilities	1,801,295	9,640,000
Total liabilities	1,967,382	9,707,946
Net position		
Net investment in capital assets	6,262	587,381
Restricted for construction purposes		78,524
Unrestricted (deficit)	1,161,382	(40,340)
Total net position	1,167,644	625,565
Total liabilities and net position	\$ 3,135,026	\$ 10,333,511

WASHINGTON COUNTY NURSING HOME
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2017

	Primary Government	Washington County Green House, LLC
Operating revenues		
Residency	\$ 2,774,370	
Ancillary	115,864	
Lease revenue		\$ 62,973
Total operating revenues	2,890,234	62,973
Operating expenses		
Nursing	1,761,374	
Medical records	58,668	
Social services	55,532	
Activities	6,839	
Dietary	167,463	
Housekeeping	64,708	
Maintenance	115,364	
Administration	382,361	48
Depreciation	17,318	349,505
Total operating expenses	2,629,627	349,553
Operating income (loss)	260,607	(286,580)
Nonoperating revenues (expenses)		
Earnings on investments	21,537	178
Grants and contributions	5,528	20,000
Miscellaneous	17,826	
County subsidy	16,529	
Loss on disposal of assets	(97,643)	
Interest expense	(19,245)	(346,339)
Total nonoperating revenues (expenses)	(55,468)	(326,161)
Change in net position	205,139	(612,741)
Net position at beginning of year, as originally reported	909,886	1,238,306
Prior period adjustment	52,619	
Net position at beginning of year, as restated	962,505	1,238,306
Net position at end of year	\$ 1,167,644	\$ 625,565

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, 2017

	Primary Government	Washington County Green House, LLC
Cash flows from operating activities		
Receipts from patients	\$ 2,819,767	
Other cash receipts		\$ 62,973
Payments to suppliers	(1,175,699)	(56,791)
Payments to employees	(1,430,718)	
Net cash provided by operating activities	213,350	6,182
Cash flows from noncapital financing activities		
Miscellaneous receipts	17,826	
County subsidy	16,529	
Contributions and grants	5,528	20,000
Net cash provided by noncapital financing activities	39,883	20,000
Cash flows from capital and related financing activities		
Proceeds from the sale of capital assets	6,720	
Purchase of capital assets	(4,900)	(232,601)
Net cash provided (used) by capital and related financing activities	1,820	(232,601)
Cash flows from investing activities		
Receipts from pioneer haven	23,340	
Payments to component unit	(270,817)	
Receipts from primary government		270,817
Earnings on investments	21,537	178
Principal payments on long-term debt	(24,829)	
Interest payments	(19,245)	(346,339)
Net cash used by investing activities	(270,014)	(75,344)
Net decrease in cash and cash equivalents	(14,961)	(281,763)
Cash and cash equivalents at beginning of year	454,089	387,893
Cash and cash equivalents at end of year	\$ 439,128	\$ 106,130

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

	Primary Government	Washington County Green House, LLC
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ 260,607	\$ (286,580)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	17,318	349,505
Change in assets and liabilities		
Accounts receivable	(70,467)	
Prepaid items	(24,756)	12,549
Accounts payable	14,070	(69,292)
Accrued salaries	16,245	
Payroll taxes and withholdings	(5,555)	
Accrued compensated absences	5,888	
Net cash provided by operating activities	<u>\$ 213,350</u>	<u>\$ 6,182</u>
Cash and cash equivalents at end of year consist of:		
Cash	\$ 439,128	\$ 27,606
Cash held for construction purposes	-	78,524
Total	<u>\$ 439,128</u>	<u>\$ 106,130</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

WASHINGTON COUNTY NURSING HOME
Notes to Financial Statements

Note A – Summary of significant accounting policies (continued)

received. 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

WASHINGTON COUNTY NURSING HOME
Notes to Financial Statements

Note A – Summary of significant accounting policies (continued)

liabilities 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 \$381,238, of which \$262,129 were insured and \$119,109 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 \$224,726, 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, not being depreciated:				
Land	\$ <u>3,365</u>	\$ <u>-</u>	\$ <u>(3,365)</u>	\$ <u>-</u>
Total capital assets, not being depreciated	3,365	-	(3,365)	-
Capital assets, being depreciated:				
Site improvements	7,523	-	(7,523)	-
Buildings and improvements	824,841	-	(824,841)	-
Equipment	<u>429,348</u>	<u>4,900</u>	<u>(393,351)</u>	<u>40,897</u>
Total capital assets, being depreciated	<u>1,261,712</u>	<u>4,900</u>	<u>(1,225,715)</u>	<u>40,897</u>
Total capital assets	1,265,077	4,900	(1,229,080)	40,897
Less accumulated depreciation for:				
Site improvements	(7,523)	-	7,523	-
Buildings and improvements	(738,925)	(7,192)	746,117	-
Equipment	<u>(395,586)</u>	<u>(10,126)</u>	<u>371,077</u>	<u>(34,635)</u>
Total accumulated depreciation	<u>(1,142,034)</u>	<u>(17,318)</u>	<u>1,124,717</u>	<u>(34,635)</u>
Total capital assets, net of depreciation	\$ <u>123,043</u>	\$ <u>(12,418)</u>	\$ <u>(104,363)</u>	\$ <u>6,262</u>

WASHINGTON COUNTY NURSING HOME
Notes to Financial Statements

Note C – Capital assets (Continued)

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, not being depreciated:				
Construction in progress	<u>\$ 10,594,285</u>	<u>\$ -</u>	<u>\$ (10,594,285)</u>	<u>\$ -</u>
Total capital assets, not being depreciated	10,594,285	-	(10,594,285)	-
Capital assets, being depreciated:				
Buildings and improvements	-	232,601	10,283,540	10,516,141
Furniture and fixtures	<u>-</u>	<u>-</u>	<u>60,745</u>	<u>60,745</u>
Total capital assets, being depreciated	<u>-</u>	<u>232,601</u>	<u>10,344,285</u>	<u>10,576,886</u>
Total capital assets	10,594,285	232,601	(250,000)	10,576,886
Less accumulated depreciation for:				
Buildings and improvements	-	(343,431)	-	(343,431)
Furniture and fixtures	<u>-</u>	<u>(6,074)</u>	<u>-</u>	<u>(6,074)</u>
Total accumulated depreciation	<u>-</u>	<u>(349,505)</u>	<u>-</u>	<u>(349,505)</u>
Total capital assets, net of depreciation	<u>\$ 10,594,285</u>	<u>\$ (116,904)</u>	<u>\$ (250,000)</u>	<u>\$ 10,227,381</u>

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, 2017 was \$135,987.

WASHINGTON COUNTY NURSING HOME
Notes to Financial Statements

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>
2018	\$ -	\$ 21,576	\$ 21,576
2019	-	21,576	21,576
2020	-	21,635	21,635
2021	-	21,576	21,576
2022	128,655	21,298	149,953
2023-2027	1,302,383	69,214	1,371,597
2028-2030	<u>697,001</u>	<u>9,446</u>	<u>706,447</u>
Total	<u>\$ 2,128,039</u>	<u>\$ 186,321</u>	<u>\$ 2,314,360</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	\$ 29,226	\$ 5,888	\$ -	\$ 35,114	\$ -
Notes payable	<u>1,825,420</u>	<u>-</u>	<u>(24,829)</u>	<u>1,800,591</u>	<u>34,410</u>
Totals	<u>\$ 1,854,646</u>	<u>\$ 5,888</u>	<u>\$ (24,829)</u>	<u>\$ 1,835,705</u>	<u>\$ 34,410</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 2055, bearing interest at 1.00%. Funds were used to assist with financing of the new facility. \$ 1,258,072

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 2055, bearing interest at 1.00%. Funds were used to assist with financing of the new facility. 542,519

Total \$ 1,800,591

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>
2018	\$ 34,410	\$ 16,363	\$ 50,773
2019	37,900	17,488	55,388
2020	38,281	17,107	55,388
2021	38,665	16,723	55,388
2022	39,054	16,334	55,388
2023-2027	201,232	75,709	276,941
2028-2032	211,545	65,396	276,941
2033-2037	222,387	54,554	276,941
2038-2042	233,784	43,157	276,941
2043-2047	245,765	31,176	276,941
2048-2052	258,361	18,580	276,941
2053-2057	<u>239,207</u>	<u>5,428</u>	<u>244,635</u>
Total	<u>\$ 1,800,591</u>	<u>\$ 378,015</u>	<u>\$ 2,178,606</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, 2017, 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 is 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 2022.

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>
2018	\$ -	\$ 346,299	\$ 346,299
2019	-	346,299	346,299
2020	-	347,248	347,248
2021	-	346,299	346,299
2022	4,539,576	263,834	4,803,410
2023-2027	603,104	869,830	1,472,934
2028-2032	713,445	759,488	1,472,933
2033-2037	849,225	623,709	1,472,934
2038-2042	1,015,341	457,595	1,472,936
2043-2047	1,220,108	252,827	1,472,935
2048-2050	699,201	34,883	734,084
Total	\$ 9,640,000	\$ 4,648,311	\$ 14,288,311

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 \$36,767. 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 required to contribute the lesser of 6% of covered salary or \$6,000. For the year, employee contributions totaled \$16,904, and the Nursing Home recognized pension expense of \$9,525.

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 \$191,127, respectively, which may be in violation of Colorado Local Government Budget Laws.

Note J – Prior period adjustment

The Nursing Home did not report the note receivable (see Note E) or two notes payable (see Note F) in its prior year financial statements, with interest only payments being received on the note receivable and made on the notes payable in prior years. As a result of this omission, a prior period adjustment has been made in the amount of \$52,619 to correctly report the omitted balances.

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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, 2017

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Operating revenues				
Residency	\$ 2,079,043	\$ 2,079,043	\$ 2,774,370	\$ 695,327
Ancillary	207,103	207,103	115,864	(91,239)
Total operating revenues	2,286,146	2,286,146	2,890,234	604,088
Operating expenses				
Nursing	1,522,925	1,522,925	1,761,374	(238,449)
Medical records	35,100	35,100	58,668	(23,568)
Social services	43,949	43,949	55,532	(11,583)
Activities	26,471	26,471	6,839	19,632
Dietary	141,080	141,080	167,463	(26,383)
Housekeeping	55,258	55,258	64,708	(9,450)
Maintenance	96,580	96,580	115,364	(18,784)
Administration	226,025	226,025	382,361	(156,336)
Depreciation			17,318	(17,318)
Total operating expenses	2,147,388	2,147,388	2,629,627	(482,239)
Operating income (loss)	138,758	138,758	260,607	121,849
Nonoperating revenues (expenses)				
Earnings on investments			21,537	21,537
Contributions	375	375	5,528	5,153
Miscellaneous			17,826	17,826
County subsidy			16,529	16,529
Loss on disposal of assets			(97,643)	(97,643)
Interest expense	(408,000)	(408,000)	(19,245)	388,755
Total nonoperating revenues (expenses)	(407,625)	(407,625)	(55,468)	352,157
Change in net position	\$ (268,867)	\$ (268,867)	205,139	\$ 474,006
Net position at beginning of year, as originally reported			909,886	
Prior period adjustment			52,619	
Net position at beginning of year, as restated			962,505	
Net position at end of year			\$ 1,167,644	

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WASHINGTON COUNTY NURSING HOME
Budgetary Comparison Schedule - Expenses
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Nursing				
Salaries	\$ 962,030	\$ 962,030	\$ 1,267,042	\$ (305,012)
Employee benefits	274,170	274,170	310,043	(35,873)
Supplies			60,093	(60,093)
Contract services			74,493	(74,493)
Medical director			6,000	(6,000)
Drugs			31,939	(31,939)
Insurance	49,996	49,996		49,996
Repairs and maintenance			2,198	(2,198)
Miscellaneous	236,729	236,729	9,566	227,163
Total nursing	1,522,925	1,522,925	1,761,374	(238,449)
Medical records				
Salaries	22,564	22,564	44,139	(21,575)
Employee benefits	10,322	10,322	11,904	(1,582)
Contract services			2,029	(2,029)
Supplies			596	(596)
Miscellaneous	2,214	2,214		2,214
Total medical records	35,100	35,100	58,668	(23,568)
Social services				
Salaries	29,900	29,900	42,389	(12,489)
Employee benefits	3,817	3,817	6,684	(2,867)
Contract services			2,642	(2,642)
Supplies			3,263	(3,263)
Miscellaneous	10,232	10,232	554	9,678
Total social services	43,949	43,949	55,532	(11,583)
Activities				
Salaries	8,592	8,592		8,592
Employee benefits	8,989	8,989	10	8,979
Cable television			781	(781)
Supplies			5,753	(5,753)
Miscellaneous	8,890	8,890	295	8,595
Total activities	26,471	26,471	6,839	19,632

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Dietary				
Salaries	25,376	25,376	30,517	(5,141)
Employee benefits	8,034	8,034	5,114	2,920
Contract services			10,562	(10,562)
Food and nutritional supplement			97,475	(97,475)
Repairs and maintenance			3,907	(3,907)
Supplies			17,488	(17,488)
Miscellaneous	107,670	107,670	2,400	105,270
Total dietary	141,080	141,080	167,463	(26,383)
Housekeeping				
Salaries	20,940	20,940	27,931	(6,991)
Employee benefits	13,488	13,488	13,151	337
Supplies			23,626	(23,626)
Miscellaneous	20,830	20,830		20,830
Total housekeeping	55,258	55,258	64,708	(9,450)
Maintenance				
Contract services			13,201	(13,201)
Repairs and maintenance			7,245	(7,245)
Supplies			8,956	(8,956)
Utilities	64,800	64,800	85,761	(20,961)
Miscellaneous	31,780	31,780	201	31,579
Total maintenance	96,580	96,580	115,364	(18,784)
Administration				
Salaries	91,355	91,355	40,833	50,522
Employee benefits	24,337	24,337	18,980	5,357
Contract services			153,195	(153,195)
Facility lease			62,973	(62,973)
Equipment lease			1,975	(1,975)
Supplies			30,821	(30,821)
Insurance			12,494	(12,494)
Telephone			23,653	(23,653)
Miscellaneous	110,333	110,333	37,437	72,896
Total administration	226,025	226,025	382,361	(156,336)

(continued)

WASHINGTON COUNTY NURSING HOME
Budgetary Comparison Schedule - Expenses
For the Year Ended December 31, 2017

(continued)

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Depreciation			17,318	(17,318)
Debt service interest	408,000	408,000	19,245	388,755
Total expenses	<u>\$ 2,555,388</u>	<u>\$ 2,555,388</u>	<u>\$ 2,648,872</u>	<u>\$ (93,484)</u>