

Washington County Nursing Home
Akron, Colorado

Financial Statements
For the Year Ended December 31, 2016

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Independent Auditors' Report

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

Report on the Financial Statements

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, 2016, 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, 2016, 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 21, 2017

WASHINGTON COUNTY NURSING HOME
Management's Discussion and Analysis
For the year ended December 31, 2016

Financial Highlights

The overall health of Washington County Nursing Home (WCNH) continues to be strong for the year ended December 31, 2016.

- The Statement of Net Position indicates:
 - The current ratio is 6.5:1 in 2016 compared to 10.6:1 in 2015
 - There were total Unrestricted Net Position of \$786,843 in 2016 compared to \$797,398 in 2015

- The Statement of Revenues, Expenses and Changes in Fund Net Position indicates:
 - An Operating Gain of \$138,137 in 2015 compared to an Operating Loss of \$110,564 in 2016.
 - An increase in Net Position of \$75,449 in 2015 compared to a decrease of \$36,465 in 2016.

- The Statement of Cash Flows indicates:
 - \$162,244 cash was provided by operations in 2015 compared to \$74,082 cash used in 2016.
 - Total cash increased by \$127,715 in 2015 compared to an increase of \$22,326 in 2016.

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, 2015 of \$946,351 compared to \$909,886 at December 31, 2016; this is the cumulative result of operations over the entire life of the organization. Net Position decreased in the current year by \$36,465.

Washington County Nursing Home's Net Position

	<u>12/31/2015</u>	<u>12/31/2016</u>
Assets:		
Current assets	\$703,280	\$777,020
Restricted assets	7,884	8,677
Noncurrent assets	<u>333,565</u>	<u>282,370</u>
Total assets	<u>\$1,044,729</u>	<u>\$1,068,067</u>
Liabilities:		
Current liabilities	\$66,324	\$120,278
Other liabilities	7,884	8,677
Long-term liabilities	<u>24,170</u>	<u>29,226</u>
Total liabilities	\$98,378	\$158,181
Net position:		
Net investment in capital assets	\$148,953	\$123,043
Unrestricted	<u>797,398</u>	<u>786,843</u>
Total net position	<u>\$946,351</u>	<u>\$909,886</u>
Total liabilities and net position	<u>\$1,044,729</u>	<u>\$1,068,067</u>

Operating Results

WCNH had operating income in 2015 of \$138,137 compared to an operating loss of \$110,564 in 2016.

Nonoperating Revenues

The organization received nonoperating revenues from earnings on investments, contributions, grants and County subsidy of \$46,056 and \$75,849 for 2015 and 2016 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>12/31/2015</u>	<u>12/31/2016</u>
Operating revenue:		
Residency	\$1,971,497	\$1,934,937
Ancillary	<u>108,631</u>	<u>80,268</u>
Total revenue	\$2,080,128	\$2,015,205
Operating expenses:		
Salaries and benefits	\$1,419,587	\$1,483,355
Supplies, contract services and other	488,806	613,528
Depreciation and amortization	<u>33,598</u>	<u>28,886</u>
Total operating expenses	\$1,941,991	\$2,125,769
Operating income (loss)	\$138,137	\$(110,564)
Non-operating revenues (expenses)	\$38,306	\$74,099
Capital contribution	<u>\$(100,994)</u>	<u>\$-</u>
Change in net position	\$75,449	\$(36,465)
Net position at beginning of year	<u>\$870,902</u>	<u>\$946,351</u>
Net position at end of year	<u>\$946,351</u>	<u>\$909,886</u>

Budget Results

WCNH's Operating Revenues were more than final budget by \$98,975 for the year in 2015. In 2016 Operating Revenues were less than budgeted by \$320,510 reflecting the decrease in occupied beds during the year.

In 2015 expenses were \$13,652 over budget and in 2016, expenses were under anticipated budget by \$332,636.

The change in Net Position did meet budget expectations by \$121,024 in 2015, and \$84,525 in 2016.

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, 465 Main St. 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, 2016

	Primary Government	Washington County Green House, LLC
Assets		
Current assets		
Cash	\$ 444,575	\$ 4,777
Cash with county treasurer	9,514	
Accounts receivable, net of allowance for uncollectible accounts	216,557	
Intergovernmental receivables	105,916	20,817
Prepaid items	458	12,549
Total current assets	777,020	38,143
Restricted assets		
Cash held in trust for residents	8,677	
Cash held for construction purposes		383,116
Total restricted assets	8,677	383,116
Noncurrent assets		
Advance to pioneer haven	159,327	
Land	3,365	
Construction in progress		10,594,285
Capital assets, net of depreciation	119,678	
Total noncurrent assets	282,370	10,594,285
Total assets	<u>\$ 1,068,067</u>	<u>\$ 11,015,544</u>

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

	Primary Government	Washington County Green House, LLC
Liabilities		
Current liabilities		
Accounts payable	\$ 33,890	\$ 137,238
Accrued salaries	60,016	
Payroll taxes and withholdings	5,555	
Intergovernmental payables	20,817	
Total current liabilities	120,278	137,238
Other liabilities		
Cash held in trust for residents	8,677	
Long-term liabilities		
Accrued compensated absences	29,226	
Notes payable		9,640,000
Total long-term liabilities	29,226	9,640,000
Total liabilities	158,181	9,777,238
Net position		
Net investment in capital assets	123,043	954,285
Restricted for construction purposes		383,116
Unrestricted (deficit)	786,843	(99,095)
Total net position	909,886	1,238,306
Total liabilities and net position	\$ 1,068,067	\$ 11,015,544

WASHINGTON COUNTY NURSING HOME
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2016

	Primary Government	Washington County Green House, LLC
Operating revenues		
Residency	\$ 1,934,937	
Ancillary	75,452	
Meals	4,816	
Total operating revenues	2,015,205	\$ -
Operating expenses		
Nursing	1,196,221	
Medical records	46,312	
Social services	41,742	
Activities	46,286	
Dietary	232,221	
Housekeeping	103,781	
Maintenance	93,545	
Administration	336,775	599
Depreciation	28,886	
Total operating expenses	2,125,769	599
Operating income (loss)	(110,564)	(599)
Nonoperating revenues (expenses)		
Earnings on investments	111	
Grants and contributions	21,957	757,881
Miscellaneous	43,439	
County subsidy	10,342	
Interest expense	(1,750)	
Total nonoperating revenues (expenses)	74,099	757,881
Change in net position	(36,465)	757,282
Net position at beginning of year	946,351	481,024
Net position at end of year	<u>\$ 909,886</u>	<u>\$ 1,238,306</u>

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, 2016

	Primary Government	Washington County Green House, LLC
Cash flows from operating activities		
Receipts from patients	\$ 1,971,763	
Payments to suppliers	(918,544)	\$ (13,148)
Payments to employees	(1,127,301)	
Net cash used by operating activities	(74,082)	(13,148)
Cash flows from noncapital financing activities		
Miscellaneous receipts	43,439	
County subsidy	10,342	
Contributions and grants	21,957	757,881
Net cash provided by noncapital financing activities	75,738	757,881
Cash flows from capital and related financing activities		
Proceeds from the issuance of long-term debt		
Purchase of capital assets	(2,976)	(7,576,584)
Net cash used by capital and related financing activities	(2,976)	(7,576,584)
Cash flows from investing activities		
Receipts from pioneer haven	25,285	
Receipts from washington county		
Earnings on investments	111	
Redemption of certificate of deposit		
Interest payments	(1,750)	
Net cash provided by investing activities	23,646	-
Net increase (decrease) in cash and cash equivalents	22,326	(6,831,851)
Cash and cash equivalents at beginning of year	431,763	7,219,744
Cash and cash equivalents at end of year	\$ 454,089	\$ 387,893

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 (used) by operating activities		
Operating income (loss)	\$ (110,564)	\$ (599)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	28,886	
Change in assets and liabilities		
Accounts receivable	(43,442)	
Prepaid items	12,845	(12,549)
Accounts payable	17,437	
Accrued salaries	24,098	
Payroll taxes and withholdings	(8,398)	
Accrued compensated absences	5,056	
Net cash provided (used) by operating activities	<u>\$ (74,082)</u>	<u>\$ (13,148)</u>
Cash and cash equivalents at end of year consist of:		
Cash	\$ 444,575	\$ 4,777
Cash with county treasurer	9,514	
Cash held for construction purposes		383,116
Total	<u>\$ 454,089</u>	<u>\$ 387,893</u>
Supplemental cash flows information		
Construction in progress included in accounts payable	<u>\$ -</u>	<u>\$ 116,421</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 are being used to construct the facility, with an expected completion date of 2017. Washington County Green House, LLC will enter into an operating agreement with the Nursing Home when construction is complete.

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.

WASHINGTON COUNTY NURSING HOME
Notes to Financial Statements

Note A - Summary of significant accounting policies (continued)

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. 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.

WASHINGTON COUNTY NURSING HOME
Notes to Financial Statements

Note A – Summary of significant accounting policies (continued)

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 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.

WASHINGTON COUNTY NURSING HOME
Notes to Financial Statements

Note A – Summary of significant accounting policies (continued)

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.

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 \$446,474, of which \$261,277 were insured and \$185,197 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 \$396,335, of which \$263,219 were insured and \$133,116 were uncollateralized.

WASHINGTON COUNTY NURSING HOME
Notes to Financial Statements

Note B – Cash and investments (Continued)

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.

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	\$ 3,365	\$ -	\$ -	\$ 3,365
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>426,372</u>	<u>2,976</u>	<u>-</u>	<u>429,348</u>
Total capital assets, being depreciated	<u>1,258,736</u>	<u>2,976</u>	<u>-</u>	<u>1,261,712</u>
Total capital assets	1,262,101	2,976	-	1,265,077

WASHINGTON COUNTY NURSING HOME
Notes to Financial Statements

Note C – Capital assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Site improvements	(7,523)	-	-	(7,523)
Buildings and improvements	(726,640)	(12,285)	-	(738,925)
Equipment	<u>(378,985)</u>	<u>(16,601)</u>	<u>-</u>	<u>(395,586)</u>
Total accumulated depreciation	<u>(1,113,148)</u>	<u>(28,886)</u>	<u>-</u>	<u>(1,142,034)</u>
Total capital assets, net of depreciation	<u>\$ 148,953</u>	<u>\$ (25,910)</u>	<u>\$ -</u>	<u>\$ 123,043</u>

Washington County Green House, LLC

Construction on the facilities began in July 2015, and is expected to be complete by 2017. The assets will be recorded at cost at the date of acquisition. When complete, the building will be depreciated over 30 years, using the straight-line method. Washington County Green House, LLC capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing, specifically used for construction of the facilities, net of interest earned on investments acquired with the proceeds of the borrowing. During the current year, interest costs of \$340,037 were capitalized.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Construction in progress	<u>\$ 3,876,254</u>	<u>\$ 6,718,031</u>	<u>\$ -</u>	<u>\$ 10,594,285</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, 2016 was \$159,327.

WASHINGTON COUNTY NURSING HOME
Notes to Financial Statements

Note E – 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	\$ 24,170	\$ 5,056	\$ -	\$ 29,226	\$ -

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

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, 2016, 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.

WASHINGTON COUNTY NURSING HOME
Notes to Financial Statements

Note E – Long-term debt (Continued)

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>
2017	\$ -	\$ 346,299	\$ 346,299
2018	-	346,299	346,299
2019	-	346,299	346,299
2020	-	347,248	347,248
2021	-	346,299	346,299
2022-2026	5,013,793	967,964	5,981,757
2027-2031	689,914	783,019	1,472,933
2032-2036	819,536	653,397	1,472,933
2037-2041	979,320	493,617	1,472,937
2042-2046	1,175,634	297,301	1,472,935
2047-2050	<u>961,803</u>	<u>66,868</u>	<u>1,028,671</u>
Total	<u>\$ 9,640,000</u>	<u>\$ 4,994,610</u>	<u>\$ 14,634,610</u>

Note F – 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 \$35,371. 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.

WASHINGTON COUNTY NURSING HOME
Notes to Financial Statements

Note G – 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 \$8,772, and the Nursing Home recognized pension expense of \$7,977.

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

Note H – 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.

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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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Operating revenues				
Residency	\$ 2,306,915	\$ 2,306,915	\$ 1,934,937	\$ (371,978)
Ancillary	21,000	21,000	75,452	54,452
Meals	7,800	7,800	4,816	(2,984)
Total operating revenues	<u>2,335,715</u>	<u>2,335,715</u>	<u>2,015,205</u>	<u>(320,510)</u>
Operating expenses				
Nursing	1,571,606	1,571,606	1,196,221	375,385
Medical records	32,977	32,977	46,312	(13,335)
Social services	49,052	49,052	41,742	7,310
Activities	56,903	56,903	46,286	10,617
Dietary	232,855	232,855	232,221	634
Housekeeping	118,194	118,194	103,781	14,413
Maintenance	84,695	84,695	93,545	(8,850)
Administration	168,433	168,433	336,775	(168,342)
Depreciation	34,443	34,443	28,886	5,557
Total operating expenses	<u>2,349,158</u>	<u>2,349,158</u>	<u>2,125,769</u>	<u>223,389</u>
Operating income (loss)	(13,443)	(13,443)	(110,564)	(97,121)
Nonoperating revenues (expenses)				
Earnings on investments			111	111
Contributions	3,450	3,450	21,957	18,507
Miscellaneous			43,439	43,439
County subsidy			10,342	10,342
Interest expense	(110,997)	(110,997)	(1,750)	109,247
Total nonoperating revenues (expenses)	<u>(107,547)</u>	<u>(107,547)</u>	<u>74,099</u>	<u>181,646</u>
Change in net position	<u>\$ (120,990)</u>	<u>\$ (120,990)</u>	<u>(36,465)</u>	<u>\$ 84,525</u>
Net position at beginning of year			<u>946,351</u>	
Net position at end of year			<u>\$ 909,886</u>	

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WASHINGTON COUNTY NURSING HOME
Budgetary Comparison Schedule - Expenses
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Nursing				
Salaries	\$ 1,050,906	\$ 1,050,906	\$ 810,757	\$ 240,149
Employee benefits	313,560	313,560	234,727	78,833
Supplies	65,650	65,650	62,746	2,904
Contract services	86,788	86,788	48,779	38,009
Medical director	6,275	6,275	6,000	275
Drugs	19,250	19,250	17,717	1,533
Insurance	12,132	12,132		12,132
Repairs and maintenance	1,800	1,800		1,800
Miscellaneous	15,245	15,245	15,495	(250)
Total nursing	1,571,606	1,571,606	1,196,221	375,385
Medical records				
Salaries	21,277	21,277	33,387	(12,110)
Employee benefits	9,420	9,420	11,101	(1,681)
Contract services	600	600	1,119	(519)
Supplies	680	680	605	75
Miscellaneous	1,000	1,000	100	900
Total medical records	32,977	32,977	46,312	(13,335)
Social services				
Salaries	34,636	34,636	29,673	4,963
Employee benefits	5,296	5,296	4,259	1,037
Contract services	6,960	6,960	5,181	1,779
Supplies	300	300	501	(201)
Miscellaneous	1,860	1,860	2,128	(268)
Total social services	49,052	49,052	41,742	7,310
Activities				
Salaries	29,264	29,264	25,304	3,960
Employee benefits	11,617	11,617	12,405	(788)
Cable television	3,905	3,905	3,260	645
Supplies	8,280	8,280	4,233	4,047
Van	1,080	1,080	443	637
Miscellaneous	2,757	2,757	641	2,116
Total activities	56,903	56,903	46,286	10,617

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Dietary				
Salaries	76,907	76,907	88,439	(11,532)
Employee benefits	32,923	32,923	29,729	3,194
Contract services	8,500	8,500	10,593	(2,093)
Food and nutritional supplement	89,100	89,100	83,040	6,060
Repairs and maintenance	1,450	1,450	689	761
Supplies	21,100	21,100	17,262	3,838
Miscellaneous	2,875	2,875	2,469	406
Total dietary	232,855	232,855	232,221	634
Housekeeping				
Salaries	68,613	68,613	63,889	4,724
Employee benefits	26,571	26,571	21,165	5,406
Supplies	21,210	21,210	18,236	2,974
Repairs and maintenance	300	300		300
Miscellaneous	1,500	1,500	491	1,009
Total housekeeping	118,194	118,194	103,781	14,413
Maintenance				
Contract services	12,100	12,100	9,994	2,106
Repairs and maintenance	12,175	12,175	9,350	2,825
Supplies	7,320	7,320	11,134	(3,814)
Utilities	52,800	52,800	62,775	(9,975)
Miscellaneous	300	300	292	8
Total maintenance	84,695	84,695	93,545	(8,850)
Administration				
Salaries	91,217	91,217	96,608	(5,391)
Employee benefits	19,911	19,911	21,912	(2,001)
Contract services	22,763	22,763	80,791	(58,028)
Equipment lease	4,920	4,920	3,397	1,523
Supplies	5,275	5,275	33,116	(27,841)
Insurance	6,352	6,352	22,331	(15,979)
Telephone	9,120	9,120	15,027	(5,907)
Miscellaneous	8,875	8,875	63,593	(54,718)
Total administration	168,433	168,433	336,775	(168,342)

(continued)

WASHINGTON COUNTY NURSING HOME
Budgetary Comparison Schedule - Expenses
For the Year Ended December 31, 2016

(continued)	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Depreciation	34,443	34,443	28,886	5,557
Debt service interest	110,997	110,997	1,750	109,247
Total expenses	<u>\$ 2,460,155</u>	<u>\$ 2,460,155</u>	<u>\$ 2,127,519</u>	<u>\$ 332,636</u>