

COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS

**FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION
WITH
INDEPENDENT AUDITORS' REPORTS**

YEAR ENDED JUNE 30, 2012

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**COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
FINANCIAL AND COMPLIANCE AUDIT
YEAR ENDED JUNE 30, 2012**

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FINANCIAL AND COMPLIANCE AUDIT
YEAR ENDED JUNE 30, 2012**

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**COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
FINANCIAL AND COMPLIANCE AUDIT
YEAR ENDED JUNE 30, 2012**

REPORT SUMMARY

AUTHORITY, PURPOSE AND SCOPE

The Office of the State Auditor, State of Colorado, engaged McPherson, Breyfogle, Daveline & Goodrich, PC (MBDG, PC) to conduct certain audits of the Colorado State Veterans Nursing Home at Fitzsimons (the Nursing Home) for its year ended June 30, 2012. MBDG, PC performed these audits in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. We conducted the related field work in August 2012.

The purpose and scope of our audits was to:

- Express our opinion on the financial statements of the Nursing Home as of and for the year ended June 30, 2012. This included a review of internal control in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- Evaluate compliance with laws, regulations, contracts and grants governing the expenditure of federal funds.
- Express an opinion on the Nursing Home's compliance with requirements applicable to its major program along with reporting on internal control over compliance.
- Evaluate progress in implementing prior audit findings and recommendations.

SUMMARY OF MAJOR AUDIT FINDINGS AND RECOMMENDATIONS

We expressed a qualified opinion on the Nursing Home's financial statements as of and for the year ended June 30, 2012. Our report included an explanatory paragraph stating that, in accordance with the terms of our engagement, we did not apply audit procedures necessary to satisfy ourselves about the classifications and amounts comprising the statement of net assets at June 30, 2011.

We issued a report on the Nursing Home's internal control over financial reporting and compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*. We did not note any material weakness in the internal control over financial reporting or any material instances of noncompliance with legal or regulatory requirements based on our audit of the financial statements. We noted certain matters that we reported to the members of the Legislative Audit Committee and management of the Nursing Home that are included in the "Required Auditor Communication to the Legislative Audit Committee" communication.

**COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
FINANCIAL AND COMPLIANCE AUDIT
YEAR ENDED JUNE 30, 2012**

DESCRIPTION OF THE NURSING HOME

The Colorado State Veterans Nursing Home at Fitzsimons (the Nursing Home), established under Section 26-12-201, C.R.S., is a skilled-care nursing facility. It provides health services (including physician care, physical, speech, and occupational therapy, dietician consultation, dental care, and 24-hour licensed nursing care) and related social care to patients who are severely limited in their ability to care for themselves due to serious illness and/or disability. The Nursing Home also has an Alzheimer's unit which provides, in addition to the care mentioned above, a safe and secure environment for patients with Alzheimer's or related disorders.

The Nursing Home, by statute, serves all veterans of service in the armed forces of the United States, their spouses, their widow(er)s, and their dependent and/or "gold star" parents. A gold star parent is a parent whose child died in combat or as a result of injuries received in combat. Preference for admission is given to Colorado veterans. The Nursing Home must maintain a 75 percent veteran's occupancy. The Nursing Home serves veterans without regard to sex, race, color, or national origin.

The Nursing Home is one of a very limited number of facilities which meet U.S. Department of Veterans Affairs (VA) requirements to provide care to veterans. In turn, the Nursing Home receives certain funding from VA on the basis of the number of veterans served. The Nursing Home is overseen by the Division of State and Veterans Nursing Homes within the Colorado Department of Human Services, Office of Behavioral Health and Housing.

WORKLOAD AND STATISTICAL FACTORS

Authorized capacity	180
Average daily census for the year ended June 30, 2012	168
Average occupancy percentage for the year ended June 30, 2012	93%
Average veterans occupancy percentage for the year ended June 30, 2012	83%
Patient days for the year ended June 30, 2012	61,145

**COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
FINANCIAL AND COMPLIANCE AUDIT
YEAR ENDED JUNE 30, 2012**

FINDINGS AND RECOMMENDATIONS

We have audited the financial statements of the Colorado State Veterans Nursing Home at Fitzsimons (the Nursing Home) for the year ended June 30, 2012 and have issued our report thereon dated December 10, 2012. In planning and performing our audit of the financial statements, we considered the Nursing Home's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Nursing Home's internal control over financial reporting. In addition, in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, we have also issued our report dated December 10, 2012 on our consideration of the Nursing Home's internal control over financial reporting and on compliance and other matters and our tests of its compliance with requirements of laws, regulations, contracts, and grants applicable to its major federal program.

Our procedures were designed primarily to enable us to form an opinion on the financial statements and on management's assertion regarding compliance and the effectiveness of internal control over financial reporting and, therefore, may not identify all deficiencies in internal control that may exist.

DISPOSITION OF PRIOR AUDIT RECOMMENDATIONS

The audit report for the year ended June 30, 2008 included one finding. The disposition of this audit recommendation as of August 24, 2012 was as follows:

Report and Rec. No.:

2008 Financial and Compliance Audit Rec. No. 1

Recommendation:

Follow generally accepted accounting principles in recording anticipation bond interest payments and deferred issue costs and reconciling accounts receivable ledgers to the general ledger.

Disposition:

Partially implemented. The Nursing Home implemented procedures to reconcile accounts receivable subsidiary records to the general ledger on a timely basis but we noted continued problems associated with the recording of bond interest payments and the amortization of debt issue costs.

(Classification of finding: Deficiency in internal control.)

FINANCIAL AUDIT REPORT SECTION



McPherson,
Breyfogle,
Daveline &
Goodrich, PC
Certified Public Accountants

503 N. Main Street, Suite 740

Pueblo, CO 81003

Phone (719) 543-0516

Fax (719) 544-2849

INDEPENDENT AUDITORS' REPORT

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the Colorado State Veterans Nursing Home at Fitzsimons (the Nursing Home), an enterprise fund of the State of Colorado, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Nursing Home's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the terms of our engagement, we have not applied audit procedures necessary to satisfy ourselves about the classifications and amounts comprising the statement of net assets at June 30, 2011.

The financial statements present only the Colorado State Veterans Nursing Home at Fitzsimons, an enterprise fund of the State of Colorado, and do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2012, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects on the financial statements of such adjustments, if any, as might have been necessary had we been able to satisfy ourselves about amounts comprising the statement of net assets at June 30, 2011, the financial statements referred to above present fairly, in all material respects, the financial position of the Colorado State Veterans Nursing Home at Fitzsimons as of June 30, 2012, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2012, on our consideration of the Colorado State Veterans Nursing Home at Fitzsimons's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 to 10 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Nursing Home's financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133)*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

McPherson, Rayfogh, Davlin & Grodnich, PC

December 10, 2012

**COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

This section, prepared by the Nursing Home's Business Office Manager, presents an analysis of the Colorado State Veterans Nursing Home at Fitzsimons' performance and an overview of the Nursing Home's financial activities for the Fiscal Year ended June 30, 2012. The financial statements, an integral part of this analysis and figures reported on the MCR01R and MCR02R outputs from the Colorado Financial Reporting System (COFRS) and Exhibit H (Proposed Financial Statement Post-Closing Entry), reflect the Nursing Home's Fiscal Year 2011-2012 performances, and are incorporated and referred to throughout this Management Discussion and Analysis. The analysis below includes comparative information from Fiscal Year 2010-2011 and is based on the Condensed Statement of Net Assets and the Condensed Statement of Revenue, Expenses and Changes in Net Assets provided.

FINANCIAL HIGHLIGHTS

After evaluation of the Nursing Home's financial statements the following highlights have been identified.

- The Nursing Home's Total Assets increased by \$1,110,010 which is a 4.5% increase from Fiscal Year 2010-2011.
- The Nursing Home's Total Operating Revenue decreased by \$25,625, which is a 0.1% decrease from Fiscal Year 2010-2011.
- The Nursing Home's Cash Operating Expenditures decreased \$111,750, which is a 0.6% decrease from Fiscal Year 2010-2011.
- The Nursing Home's Non-Cash Expenditures increased by \$233,436, which is a 24.5% increase from Fiscal Year 2010-2011.
- The Nursing Home's Change in Net Assets decreased by \$137,712 which is a 12.4% decrease from Fiscal Year 2010-2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis consists of three parts: Financial Highlights and Overview, Financial Analysis of Financial Statements, and Supplementary Information, to include Budget Execution, Capital Expenditures and Fiscal Year 2012 Projections. The Financial Analysis includes notes, discussing in varying detail, the information in the financial statements as summarized in Table A and Table B.

**COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

Fund Financial Statements

Statement of Net Assets

The Statement of Net Assets (see Table A) includes all of the Nursing Home's assets and liabilities and provides information pertaining to the nature of these assets and liabilities. The Statement also provides the basis for determining the overall financial health of the Nursing Home including liquidity and financial flexibility.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets (see Table B) includes all of the revenues and expenses reported on the accrual basis of accounting. This Statement measures the efficiency of the Nursing Home's overall operation and can be used to help determine if the Nursing Home's rates and third party billings are adequate to recover expenses related to providing skilled nursing care to residents of the Nursing Home.

Statement of Cash Flows

The Statement of Cash Flows presents information concerning the Nursing Home's cash receipts and cash disbursements during the year, along with net changes in cash from operating activities, non-capital financing, capital and related financing, and investing activities.

FINANCIAL ANALYSIS

Summary of Operational Policies and Procedures

The Colorado State Veterans Nursing Home at Fitzsimons is a State of Colorado agency with the general mission of "To honor and serve our nation's veterans, their spouses and Gold Star Parents by creating opportunities for meaningful activity, continued growth and feelings of self-worth in resident-centered long-term care and supportive living environment". The Nursing Home is within the Division of State and Veterans Nursing Homes, Office of Long Term Care Department of Human Services, State of Colorado.

The Nursing Home operates as a self-supporting enterprise, meaning the revenue received from residents, other third parties, and cash surplus must be adequate to cover the expenses of day-to-day operations of the Nursing Home. The State of Colorado does not provide funds to operate the Nursing Home with the exception of partial reimbursement of a certain consulting arrangement and general funds monies. Costs related to any support provided by the State are reimbursed by the Nursing Home. Financial Management Reports are reviewed monthly at the Executive Management level to ensure efficient and effective use of resources.

**COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

Financial Analysis

Statement of Net Assets

A condensed Statement of Net Assets is included as **Table A** below. Increases or decreases in the Nursing Home's Assets are indicators of improving or deteriorating financial health. Consideration must be given to current assets, particularly Accounts Receivable and Cash, as compared to current liabilities when analyzing the Center's overall financial condition.

TABLE A
Condensed Statement of Net Assets

	2012 (Audited)	2011 (Unaudited)	Dollar Change	Total Percent Change
Current Assets	6,009,411	4,472,676	1,536,735	34.4%
Current Assets-Restricted	96,138	89,042	7,096	8.0%
Non-Current Assets	19,551,849	19,985,670	(433,821)	-2.2%
Total Assets (excluding restricted)	25,561,260	24,458,346	1,102,914	4.5%
Total Restricted Assets	96,138	89,042	7,096	8.0%
TOTAL ASSETS	25,657,398	24,547,388	1,110,010	4.5%
Current Liabilities	1,633,303	2,296,671	(663,368)	-28.9%
Current Liabilities-Restricted	49,194	43,596	5,598	12.8%
Non-Current Liabilities	4,366,227	3,585,230	780,997	21.8%
TOTAL LIABILITIES	6,048,724	5,925,497	123,227	2.1%
Net Assets Invested in Capital Assets	16,184,138	16,731,309	(547,171)	--3.2%
Restricted for resident purposes	47,037	44,712	2,325	5.2%
Unrestricted	3,377,499	1,845,870	1,531,629	83.0%
Total Net Assets	19,608,674	18,621,891	986,783	5.3%
TOTAL LIABILITIES AND NET ASSETS	25,657,398	24,547,388	1,110,010	4.5%

As shown in **Table A**, the Home's Total Assets increased by \$1,110,010 to \$25,657,398 in Fiscal Year 2011-2012 from \$24,547,388 in Fiscal Year 2010-2011. The majority of this increase is a result of the following items: 1) \$735,528 increases for receivable of VA per diem reimbursements. 2) \$710,368 decreases for change in accumulated depreciation account for the depreciation of capital assets for Fiscal Year 2011-2012. 3) \$946,582 increases for the construction reserve.

The increase in Total Liabilities for the same period is also shown in **Table A** and majority of this increase is a result of the following items: 1) \$1,224,502 increases for the liability under capital lease. 2) \$704,030 decreases in accrued payroll payable and, 2) \$430,000 for payment of anticipation warrants.

**COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

Statement of Revenue, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Change in Net Assets provides the information as to the nature and the source of the changes seen in the Statements of Net Assets. **Table B** provides a summary of revenues and expenses of the Nursing Home for Fiscal Year 2011-2012 as compared to the previous year.

TABLE B
Condensed Statement of Revenue, Expenses and Changes in Net Assets

	2012 (Audited)	2011 (Unaudited)	Dollar Change	Total Percent Change
Total Operating Revenue	20,829,189	20,854,814	(25,625)	-0.1%
Non-Operating Revenue	379,283	327,833	51,450	15.7%
Restricted Revenue	9,317	9,000	317	3.5%
Total Revenue	21,217,789	21,191,647	26,142	0.1%
Operating Expenses - Cash	18,805,987	18,917,737	(111,750)	-0.6%
Operating Expenses - Non Cash (Depr. & Bad Debt)	1,184,414	950,978	233,436	24.5%
Non Operating Expenses - Cash (Bond/Note Costs)	244,097	201,948	42,149	20.9%
Restricted Expense	6,992	6,973	19	0.3%
Total Expenses	20,241,490	20,077,636	163,854	0.8%
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTION	976,299	1,114,011	(137,712)	-12.4%
Capital Contribution	-	-	-	0%
CHANGE IN NET ASSETS	976,299	1,114,011	(137,712)	-12.4%

A closer examination of the Condensed Statement of Revenues, Expenses and Changes in Net Assets in **Table B** reveals the following:

- The Nursing Home's operating revenues decreased by \$25,625 mainly due to decrease of Census.
- The Nursing Home's revenues are directly related to the number of resident days of patient care. The Nursing Home has a 180 licensed Nursing Home bed capacity and must be maintained at the 90% level or above to provide sufficient income to break even.
- Operating Expenses increased due to inflationary influence in the area of medical purchase services, and raw food, as well as State of Colorado directed benefit increase for staff and bad debt expense and depreciation. Normally, there is minimal opportunity for the Nursing Home to reduce expenses to any significant degree due to the nature of its operation, that of providing health care and quality of life for the residents. The facility monitors all expenses closely and conducts monthly reviews with each manager to discuss departmental expenses. Total cash expenses decreased in Fiscal Year 2011-2012 compared to Fiscal Year 2010-2011.
- **Table B** reflects that the Home experienced a \$976,299 Net Gain during FY2011-2012

**COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

BUDGETARY HIGHLIGHTS

The Nursing Home's Fiscal Year 2011-2012 financial operations resulted in revenues, including capital contribution and non-operating revenue, above the budgeted amounts by \$392,853. This was a result of an increase in the Medicaid rate. Cash and non-cash expenses were under budgeted amount by \$368,248. This was because the facility monitors all expenses closely and conducts monthly reviews with each manager to discuss departmental expenses.

CAPITAL ASSETS AND DEBT ACTIVITIES

Capital Assets

During Fiscal Year 2011-2012 the Nursing Home invested \$13,183 in capital expenditures. \$297,920 was construction in progress and related to the VA construction project to make the Nursing Home more energy efficient.

Debt Activities

During the Fiscal Year 2011-2012, the Nursing Home entered into a capital lease agreement for energy savings upgrades in the amount of \$1,224,502.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic factors continue to impact the Nursing Home's operations by increasing the costs associated with providing quality health care. A budget has been prepared for Fiscal Year 2012-2013 that includes projections related to expenses and corresponding increases in revenues through the increase in rates charged to residents for skilled nursing care. Expectations are that, subject to a stable census level and cost containment, the Nursing Home will continue to cover expenses with sufficient revenue to improve its balance sheet position in Fiscal Year 2012-2013.

CONTACTING COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Colorado State Veterans Nursing Home Fitzsimons' finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Manager of the Colorado State Veterans Nursing Home at Fitzsimons at 1919 Quentin Street, Aurora CO 80045 or phone 720-857-6411.

COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,851,064
Restricted cash, debt service reserve	562,913
Restricted cash, construction reserve	946,582
Restricted cash, resident funds	96,138
Accounts receivable (net of allowance for uncollectibles of \$1,046,353)	613,465
Due from other governments (net of allowance for uncollectibles of \$35,959)	1,971,050
Inventories	<u>64,337</u>
TOTAL CURRENT ASSETS	<u>6,105,549</u>

NONCURRENT ASSETS

Deferred anticipation warrants issue costs	240,776
Capital assets -	
Land and improvements	7,977,317
Buildings	17,295,193
Furniture and equipment	1,041,127
Vehicles	99,016
Construction in progress	297,920
Accumulated depreciation	<u>(7,399,500)</u>
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	<u>19,311,073</u>
TOTAL NON CURRENT ASSETS	<u>19,551,849</u>

TOTAL ASSETS

25,657,398

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts and vouchers payable	325,204
Accrued salaries payable	828,725
Accrued interest payable	11,016
Other accrued liabilities	1,269
Deposits held in trust for residents	49,194
Current portion of anticipation warrants payable	430,000
Current portion of liability for compensated absences	48,325
Current portion of liability under capital lease	<u>(11,236)</u>
TOTAL CURRENT LIABILITIES	<u>1,682,497</u>

NONCURRENT LIABILITIES

Anticipation warrants payable (net of unamortized discount of \$25,985)	2,419,015
Liability for compensated absences	711,474
Liability under capital lease	<u>1,235,738</u>
TOTAL NONCURRENT LIABILITIES	<u>4,366,227</u>

TOTAL LIABILITIES

6,048,724

NET ASSETS

Invested in capital assets, net of related debt	16,184,138
Restricted for resident purposes	47,037
Unrestricted	<u>3,377,499</u>
TOTAL NET ASSETS	<u>\$ 19,608,674</u>

The accompanying notes are an integral part of this statement.

**COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012**

OPERATING REVENUE	
Patient charges for services	\$ 14,052,556
VA per diem reimbursement	6,738,123
Miscellaneous revenue	<u>38,510</u>
TOTAL OPERATING REVENUE	<u>20,829,189</u>
OPERATING EXPENSES	
Personal services and employee benefits	14,463,356
Division level charge	451,989
Departmental indirect costs	407,987
Advertising	24,573
Building, laundry and recreational supplies	90,943
Care and subsistence - client benefits	250
Equipment rental	468,549
Food and food service supplies	561,805
Insurance	3,291
Legal services	42,242
Medical and laboratory supplies	1,389,707
Office operations	81,902
Other operating services and supplies	74,209
Professional services	41,225
Repairs and maintenance	190,994
Non-capitalized equipment	32,311
Telephones	102,294
Utilities	368,358
Vehicles and travel	10,002
Depreciation	710,425
Bad debt expense	<u>473,989</u>
TOTAL OPERATING EXPENSES	<u>19,990,401</u>
OPERATING INCOME (LOSS)	<u>838,788</u>
NONOPERATING REVENUE (EXPENSES)	
Investment income	14,915
Interest expense	(244,097)
Donations - resident benefit fund	8,922
Interest income - resident benefit fund	395
State grant	364,368
Recreation - resident benefit fund	<u>(6,992)</u>
TOTAL NONOPERATING REVENUE	<u>137,511</u>
CHANGE IN NET ASSETS	<u>976,299</u>
NET ASSETS, beginning of year	<u>18,632,375</u>
NET ASSETS, end of year	<u>\$ 19,608,674</u>

The accompanying notes are an integral part of this statement.

**COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from patients and third-party payors	\$ 14,428,553
Cash received from federal government	6,332,666
Cash payments to employees for services	(15,641,998)
Cash payments to suppliers for goods and services	(3,447,077)
Cash payments for other expenses	<u>(407,987)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,264,157</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State operating grant	<u>364,368</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>364,368</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(38,183)
Principal payment on anticipation warrants	(410,000)
Interest payment on anticipation warrants	<u>(143,027)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(591,210)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>15,310</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>15,310</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,052,625
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>798,439</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,851,064</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 838,788
Adjustments to reconcile operating income to net cash provided by operating activities -	
Depreciation	710,425
Bad debt expense	473,989
Changes in assets and liabilities -	
Accounts receivable	(67,970)
Inventory	9,066
Accounts payable and accrued expenses	(677,518)
Liability for compensated absences	<u>(22,623)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,264,157</u>
 NON-CASH ACTIVITIES	
Restricted for capital expenditures	\$ 946,582
Construction in progress	277,920
Capital lease incurred	<u>(1,224,502)</u>
	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Colorado State Veterans Nursing Home at Fitzsimons (the Nursing Home) is part of the State of Colorado (the “State”), Department of Human Services.

The financial statements of the Nursing Home have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Nursing Home applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB statements prevail. The more significant of the Nursing Home’s accounting policies are described below.

The Financial Reporting Entity

The State is the primary reporting entity for state financial reporting purposes. As an enterprise fund of the State, the Nursing Home’s financial statements are generally presented in a manner consistent with those of the State. However, the financial statements of the Nursing Home are not intended to report financial information of the State in conformity with generally accepted accounting principles.

The accounting policies of the Nursing Home conform to accounting principles generally accepted in the United States of America, applicable to governmental units.

Fund Accounting

The Nursing Home uses an enterprise fund to report its financial position, changes in financial position, and cash flows. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Enterprise funds are used to report activities for which a fee is charged to external users for goods or services.

Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities are included on the Statement of Net Assets. Revenues are recorded when earned and expenses when a liability is incurred, regardless of the timing of cash flows.

**COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Net Assets

Net assets are classified into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This caption consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This caption consists of constraints placed on net asset use through external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – Consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Budget and Budgetary Accounting

With the exception of the State operating grant, appropriations for the nursing homes owned by the State are not included in the annual Long Bill (appropriations bill) passed by the General Assembly. Therefore, no budgetary comparison statement is required to be presented.

The Nursing Home’s administrator submits a budget at least 60 days prior to the beginning of the Fiscal Year to the Department of Human Services for approval. The budget includes proposed expenditures and the means of financing them.

Accounts Receivable

The Nursing Home’s accounts receivable consist primarily of open accounts with residents for services, subsidized Medicaid and Medicare reimbursements, and VA per diem reimbursements. Portions of accounts receivable relating to non-subsidized charges for services are subject to credit risk. Consequently, an allowance for doubtful accounts has been established based on management’s estimate.

Inventories

Inventories consist of pharmaceutical and other medical supplies and are stated at the lower of cost (first-in, first-out) basis or market.

COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Capital Assets

Any individual item of property and equipment with a cost of \$5,000 or more and whose estimated life exceeds two years is capitalized and recorded at cost. Expenses for normal maintenance and repairs are recognized currently as incurred, while renewals and betterments are capitalized.

Depreciation of all exhaustible capital assets is charged as an expense against operations. Accumulated depreciation is reported on the statement of net assets. Depreciation has been provided over the estimated useful lives by class using the straight-line method, as follows:

Land improvements	8-20 years
Buildings	15-40 years
Furniture and equipment	3-15 years
Vehicles	10 years

Compensated Absences

It is the Nursing Home's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees are allowed to accumulate vacation benefits up to predetermined maximums and are compensated for these accumulated vacation benefits either through paid time off or at termination or retirement. Employees are also allowed to accumulate sick pay benefits up to predetermined maximums; however, payment of these sick pay benefits is limited to 25% of the balance upon retirement only.

Vacation and related payroll benefits are accrued as an expense and fund liability when incurred up to the predetermined maximums. Sick pay and related payroll benefits are recognized as an expense and a fund liability and are measured using an estimate of current employees that will eventually retire.

Statement of Cash Flows

For purposes of the statement of cash flows, the Nursing Home considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents except that the Nursing Home has elected not to include restricted cash as part of cash equivalents.

Long-Term Obligations and Bond Discount and Issue Costs

Long-term liabilities financed from the enterprise proprietary fund are accounted for in that fund. Warrant discounts and issue costs are deferred and amortized over the term of the warrants using a method that approximates the interest method. Warrant discounts are presented as a reduction of the face amount of the anticipation warrants payable, whereas issue costs are recorded as deferred charges.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses and other changes in net assets during the reporting period. Actual results could differ from these estimates.

**COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 2 – FINANCIAL STATEMENT PRESENTATION

The Nursing Home has a Patient Benefit fund and a Resident Trust fund that have been included with the enterprise proprietary fund for financial reporting purposes. The Patient Benefit fund is funded by donations from the public and is controlled by a committee consisting of resident representatives and other interested outside parties. The funds are used for various resident needs and activities. The Resident Trust fund consists of personal funds belonging to the individual residents. The assets, liabilities, fund balance, revenue, and expenditures of these funds are included in the Statement of Net Assets and the Statement of Revenue, Expenses, and Changes in Net Assets. Below are the amounts from these funds included in the financial statements:

<u>Statement of Net Assets</u>	June 30, 2012	
	<u>Resident Trust Fund</u>	<u>Patient Benefit Fund</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 49,194	\$ 46,944
<u>Liabilities and Net Assets</u>		
Deposits held in trust for residents	\$ 49,194	\$ -
Interfund payable	-	(93)
Total Liabilities	49,194	(93)
Net Assets		
Restricted for resident purposes	-	\$ 47,037
Total Liabilities and Net Assets	\$ 49,194	\$ 46,944

The interfund payable was eliminated against accounts receivable in the consolidation with the enterprise proprietary fund for financial reporting purposes.

<u>Statement of Revenue, Expenses, and Changes in Net Assets</u>	Year ended <u>June 30, 2012</u>
	<u>Patient Benefit Fund</u>
<u>Nonoperating revenue</u>	
Donations	\$ 8,922
Interest income	395
Total nonoperating revenue	9,317
<u>Expenses</u>	
Recreation	6,992
Change in net assets	2,325
Net assets, beginning of year	44,712
Net assets, end of year	\$ 47,037

No reporting of revenues and expenses has been provided for the resident trust fund since the resident trust fund is accounted for in a manner similar to an agency fund.

**COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents are summarized as follows:

Proprietary Fund

Cash on hand	\$ 1,000
Demand deposits	85,281
Cash with State Treasurer	<u>1,764,783</u>
	<u>\$ 1,851,064</u>

Patient Benefit and Resident Funds

Cash on hand	\$ 1,500
Demand deposits	<u>94,638</u>
	<u>\$ 96,138</u>

At June 30, 2012, the carrying amount of the Nursing Home’s deposits was \$179,919 and the bank balance was \$178,422. The entire bank balance was covered by federal depository insurance and held in a qualified public depository.

The Nursing Home has restricted cash required for a debt service reserve, and restricted cash to be used for construction. As of June 30, 2012, the carrying amount and bank balance of the debt service reserve was \$562,913 and the amount of restricted cash to be used for construction was \$946,582. These funds are maintained in a treasury money market fund and are collateralized with U.S. Treasury securities whose fair value approximates the bank balance.

The Nursing Home deposits its cash with the Colorado State Treasurer as required by Colorado Revised Statutes (C.R.S.). The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2012, the Nursing Home had cash on deposit with the State Treasurer of \$1,764,783, which represented approximately 0.027 percent of the total \$6,541.7 million fair value of deposits in the State Treasurer’s Pool (Pool).

For financial reporting purposes all of the Treasurer’s investments are reported at fair value, which is determined based on quoted market prices at Fiscal Year end. On the basis of the Nursing Homes participation in the Pool, the Nursing Home reports as an increase or decrease in cash for its share of the Treasurer’s unrealized gains and losses on the Pool’s underlying investments. The State Treasurer does not invest any of the Pool’s resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the Fiscal Year.

Investments in the Treasurer’s Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the state’s name, and are held by either the counterparty to the investment purchase or the counterparty’s trust department or agent but not in the state’s name. As of June 30, 2012, none of the investments in the State Treasurer’s Pool are subject to custodial credit risk.

**COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 3 – CASH AND CASH EQUIVALENTS (Cont'd)

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2012, approximately 89.0 percent of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for \$12,085,710 of corporate bonds rated lower medium, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2012, the weighted average maturity of investments in the Treasurer's Pool is 0.090 years for Commercial Paper (2.1 percent of the Pool), 0.803 years for U.S. Government Securities (75.2 percent of the Pool), 2.379 years for Asset Backed Securities (6.6 percent of the Pool), and 3.252 years for Corporate Bonds (16.1 percent of the Pool).

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Year 2011-12.

Additional information on investments of the State Treasurer's Pool may be obtained in the state's Comprehensive Annual Financial Report for the year ended June 30, 2012.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2012 consist of the following:

Patient fees, net of allowance for doubtful accounts \$903,690	\$ 128,258
Medicaid reimbursements, net of allowance for doubtful accounts \$142,663	<u>485,207</u>
Net accounts receivable	<u>\$ 613,465</u>
VA per diem reimbursements	\$ 1,826,104
Medicare, net of allowance for doubtful accounts \$35,959	<u>144,946</u>
Total due from other governments	<u>\$ 1,971,050</u>

**COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 5 – CAPITAL ASSETS

Following is a summary of capital assets:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Nondepreciable assets –				
Land	\$ 3,312,000	\$ -	\$ -	\$ 3,312,000
Construction in progress	<u>-</u>	<u>297,920</u>	<u>-</u>	<u>297,920</u>
Total capital assets not being depreciated	<u>3,312,000</u>	<u>297,920</u>	<u>-</u>	<u>3,609,920</u>
Depreciable assets –				
Land improvements	4,665,317	-	-	4,665,317
Buildings	17,286,193	9,000	-	17,295,193
Furniture and equipment	1,031,944	9,183	-	1,041,127
Vehicles	<u>99,016</u>	<u>-</u>	<u>-</u>	<u>99,016</u>
Total capital assets being depreciated	<u>23,082,470</u>	<u>18,183</u>	<u>-</u>	<u>23,100,653</u>
Less: accumulated depreciation for –				
Land improvements	1,997,486	239,211	-	2,236,697
Buildings	3,654,670	436,616	-	4,091,286
Furniture and equipment	952,742	24,642	-	977,384
Vehicles	<u>84,177</u>	<u>9,956</u>	<u>-</u>	<u>94,133</u>
Total accumulated depreciation	<u>6,689,075</u>	<u>710,425</u>	<u>-</u>	<u>7,399,500</u>
Capital Assets being depreciated, net	<u>16,393,395</u>	<u>(692,242)</u>	<u>-</u>	<u>15,701,153</u>
Net capital assets	<u>\$ 19,705,395</u>	<u>\$ (394,322)</u>	<u>\$ -</u>	<u>\$ 19,311,073</u>

**COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 6 – LONG-TERM DEBT

The following is a summary of long-term debt:

	<u>Balance July 1, 2011</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2012</u>	<u>Due within One Year</u>
Revenue - Anticipation warrants, series 2002A	<u>\$ 3,285,000</u>	<u>\$ -</u>	<u>\$ 410,000</u>	<u>\$ 2,875,000</u>	<u>\$ 430,000</u>

The issue is described as follows:

\$6,045,000 series 2002A Colorado Department of Human Services, Division of State and Veterans Nursing Homes, Enterprise System Revenue Anticipation Warrants; interest rate ranges from 4.20% to 4.75%; due in annual installments ranging from \$547,525 to \$558,013 including interest through December 2017.

The warrants were issued with an original issue discount of \$69,811. As of June 30, 2012, the unamortized original issue discount was \$25,985, which is netted against the warrant payable on the Statement of Net Assets.

Presented below is a summary of the debt service requirements to maturity, including interest:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 430,000	\$ 123,050	\$ 553,050
2014	445,000	104,456	549,456
2015	465,000	83,956	548,956
2016	490,000	61,275	551,275
2017	510,000	37,525	547,525
2018	<u>535,000</u>	<u>12,706</u>	<u>547,706</u>
	<u>\$ 2,875,000</u>	<u>\$ 422,968</u>	<u>\$ 3,297,968</u>

NOTE 7 – FUNDED DEPRECIATION

The Division of State and Veterans Nursing Homes implemented a funded depreciation policy during the year ended June 30, 2008. The policy is designed to set aside cash in a separate account controlled by the division to be used to fund future capital expenditures. The policy requires that nursing homes with positive cash flow fund the reserve by transferring an amount equal to the lesser of the home's depreciation expense or positive cash flow to the reserve fund at the division level. For the year ended June 30, 2012, the Nursing Home transferred \$451,989 to the reserve fund at the division level. This transfer is shown as a division level charge in the Statement of Revenue, Expenses and Changes in Net Assets.

**COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 8 – CAPITAL LEASE PAYABLE

The following is a summary of changes in capital lease payable for the year ended June 30, 2012:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due within</u> <u>One Year</u>
\$1,224,502 capital lease; interest rate of 3.35%; principal and interest payments of \$16,948 are payable quarterly beginning October, 2012 and adjusted annually through maturity July 2027	\$ -	\$ 1,224,502	\$ -	\$ 1,224,505	\$ (11,236)

The capital lease was incurred to finance energy improvement measures at the Nursing Home. At June 30, 2012, the following assets were reported pursuant to the capital lease:

Cash restricted for construction	\$ 946,582
Construction in progress	<u>277,920</u>
	<u>\$1,224,502</u>

The debt service requirements for the capital lease are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ (11,236)	\$ 62,391	\$ 51,155
2014	29,372	41,042	70,414
2015	34,043	40,000	74,043
2016	51,213	38,696	89,909
2017	61,502	36,804	98,306
2018-2022	420,280	146,880	567,160
2013-2027	604,960	61,629	666,589
2028	<u>34,368</u>	<u>288</u>	<u>34,656</u>
	<u>\$ 1,224,502</u>	<u>\$ 427,730</u>	<u>\$ 1,652,232</u>

As of June 30, 2012, construction funded by the capital lease is still in progress and no amortization of the underlying assets has been recorded to date. In addition, the debit balance reported above totaling \$11,236 due within one year is the result of the time that expired between the signing of the contract agreement and the date of the first payment.

COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE 9 – RISK MANAGEMENT

The Nursing Home is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Nursing Home's risks related to general liability, motor vehicle liability, worker's compensation and medical claims are covered under the self-insurance fund managed by the Department of Personnel & Administration for the State of Colorado. Property claims are covered by commercial insurance and claims settled have not exceeded coverage limits for the last three years. A further description of the state's risks is contained in the State's Comprehensive Annual Financial Report.

NOTE 10 – PENSION PLANS

PLAN DESCRIPTION

Virtually all of the Nursing Home's employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost sharing multiple employer plan administered by the Public Employee's Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require an actuarial assessment and legislation by the General Assembly. The state plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at P.O. Box 5800, Denver, Colorado, 80217, by calling PERA at 1-800-729-PERA (7372), or by visiting www.copera.org.

Non-higher education employees hired by the state after January 1, 2006 are allowed 60 days to elect to participate in a defined contribution retirement plan administered by the state's Deferred Compensation Committee rather than becoming a member of PERA. If that election is not made, the employee becomes a member of PERA, and the member is allowed 60 days from commencing employment to elect to participate in a defined contribution plan administered by PERA rather than defined benefit plan.

PERA members electing the defined contribution plan are allowed an irrevocable election between the second and fifth year to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. However, making this election subjects the member to the rules in effect for those hired on or after January 1, 2007, as discussed below. Employer contributions to both defined contribution plans are the same as the contributions to the PERA defined benefit plan.

Defined benefit plan members vest after five years of service and are eligible for full retirement based on their original hire date as follows:

Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.

Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with any years of service.

Hired between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 year of service, age 60 with 25 years of service, or age 65 with 5 years of service. For members with less than five years of service credit as of January 1, 2011 age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.

**COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 10 – PENSION PLAN (Cont'd.)

Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 year of service, or age 65 with 5 years of service,

Hired on or after January 1, 2017 - any age with 35 years of service, age 58 with 30 years of service, or age 65 with 3 years of service.

Members are also eligible for retirement benefits without a reduction for early retirement based on their original hire date as follows:

Hired before January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more.

Hired on or after January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more.

Hired between January 1, 2011 and December 31, 2016 - age 58 and age plus years of service equals 88 or more.

Hired on or after January 1, 2017 - age 60 and age plus years of service equals 90.

Members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5 percent times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between periods. For retirements after January 1, 2009 or persons hired on or after January 1, 2007, more restrictive limits are placed on salary increases between periods used in calculating HAS.

Retiree benefits are increased annually in July after one year of retirement based on the member's original hire date as follows:

Hired before July 1, 2007 – the lesser of 2 percent or the average of the monthly Consumer Price Index increases.

Hired on or after January 1, 2007 – the lesser of 2 percent or the actual increase in the National Consumer Price Index, limited or a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)

The upper limits on benefits increase by one-quarter percentage point each year when the funded ratio of PERA equals or exceeds 103 percent and declines by one-quarter percentage point when the funded ratio drops below 90 percent after having exceeded 103 percent. The funded ratio increase does not apply for three years when a negative return on investment occurs.

Members who are disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If a member dies before retirement, their eligible children under age of 18 (23 if a full time student) or their spouse may be entitled to a single payment or monthly benefit payments. If there is no eligible child or spouse then financially dependent parents, beneficiaries, or the member's estate, may be entitled to a survivor's benefit.

**COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 10 – PENSION PLANS (Cont'd.)

B. FUNDING POLICY

The contribution requirements of plan members and their employers are established, and may be amended, by the General Assembly. Salary subject to PERA is the gross earnings less any reduction in pay to offset employer contributions to the state-sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

Most employees contribute 8.0 percent of their salary, as defined in CRS 25-41-101(42), to an individual account in the plan. From July 1, 2011 to December 31, 2011, the Nursing Home contributed 12.25 percent of the employee's salary. From January 1, 2012 through June 30, 2012, the Nursing Home contributed 13.15 percent.

During all of the Fiscal Year 2011-2012, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2010, the division of PERA in which the Nursing Home participates has a funded ratio of 62.87 percent and a 47 year amortization period based on current contribution rates. The funded ratio on the market value of assets is lower at 61.3 percent.

In the 2004 legislative session, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional .5 percent of salary beginning January 1, 2006, another .5 percent of salary in 2007, and subsequent year increases of .4 percent of salary until the additional payment reaches 3.0 percent in 2012.

In the 2006 legislative session, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries paid beginning January 1, 2008. The SAED is scheduled to increase by one half percentage point through 2013 resulting in a cumulative increase of three percentage points. For the Nursing Home, each year's one half percentage point increase in the SAED will be deducted from the amount of changes to Nursing Home employees' salaries, and used by the employer to pay the SAED. Both the AED and SAED will be reduced by one-half percentage point when funding levels reach 103 percent.

In the 2010 legislative session, the General Assembly extended both the AED and SAED. The AED will continue to increase at a rate of 0.4 percent of salary from calendar years 2013 through 2017. The SAED will continue to increase by one-half percentage point from calendar years 2014 through 2017.

Historically members have been allowed to purchase service credit at reduced rates. However, legislation passed in the 2006 session required that future agreements to purchase service credit be sufficient to fund the related actuarial liability.

The Nursing Home's contributions to the PERA and/or the state defined contribution plan for the Fiscal Years ended June 30, 2012, 2011 and 2010 were \$1,378,318, \$1,125,426 and \$1,277,247, respectively. These contributions met the contribution requirement for each year.

**COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 11 – OTHER RETIREMENT PLANS

Defined Contribution Plan

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. At July 1, 2009, the State's administrative functions for the defined contribution plan were transferred to PERA. New member contributions to the plan vest from 50 percent to 100 percent evenly over 5 years. Participants in the plan are required to contribute 8 percent (10 percent for state troopers) of their salary. For Fiscal Years 2009-10 and 2010-11 the legislature temporarily increased the required contribution rate to 10.5 percent (12.5 percent for State Troopers). At December 31, 2011, the plan had 4,029 participants.

Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2010, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution with a temporary increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of \$16,500. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional \$5,500 contribution in 2010, for total contributions of \$22,000. Contributions and earnings are tax deferred. At December 31, 2011, the plan had 17,821 participants.

NOTE 12 – OTHER POSTRETIREMENT BENEFITS

Health Care Plan

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund; the program was converted to a trust fund in 1999. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its Comprehensive Annual Financial Report, which may be obtained by writing PERA at P.O. Box 5800, Denver, Colorado, 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting <http://www.copera.org>.

After the PERA subsidy, the benefit recipient pays the balance of the premium through an automatic deduction from the monthly retirement benefit. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. Effective July 1, 2000, the maximum monthly subsidy was \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; and \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipients having 20 years of service credit, and is subject to reduction by 5 percent for each year less than 20 years.

COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE 12 – OTHER POSTRETIREMENT BENEFITS (CONT'D)

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 10-B. Beginning July 1, 2004, the Nursing Home was required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. The Nursing Home contributed \$120,371, \$106,466 and \$105,225 as required by statute in Fiscal Years 2011-12, 2010-11, and 2009-10, respectively. In each year the amount contributed was 100 percent of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2010, there were 48,455 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2010, the Health Care Trust Fund had an unfunded actuarial accrued liability of \$1.35 billion, a funded ratio of 17.5 percent, and a 42-year amortization period.

NOTE 13 – CONTINGENCIES AND COMMITMENTS

Grant Programs – The Nursing Home participates in state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Nursing Home has not complied with the rules and regulations governing the grant, refunds of any money received may be required.

Taxpayer Bill of Rights – Colorado voters passed an amendment to the state constitution in November 1992 which contains several limitations, including revenue raising, spending and other specific requirements affecting state and local governments. The amendment, commonly known as the TABOR Amendment, is complex and subject to judicial interpretation; however, the management of the Nursing Home believes it is in compliance with the requirements of the amendment.

GOVERNMENT AUDITING STANDARDS

AND

OMB CIRCULAR A-133 REPORTS

**COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

SUMMARY OF INDEPENDENT AUDITORS' RESULTS

FINANCIAL STATEMENTS

A qualified opinion was rendered on the financial statements of the Colorado State Veterans Nursing Home at Fitzsimons as of and for the year ended June 30, 2012.

Internal control over financial reporting:

- Material weakness (es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

An unqualified opinion on compliance for major programs was issued.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
64.015	Veterans State Nursing Home Care

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee: _____ Yes X No

FINANCIAL STATEMENT FINDINGS

No findings related to the basic financial statements that are required to be reported in accordance with Government Auditing Standards were noted.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs for federal awards were noted.

**COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR/PASS-THROUGH <u>GRANTOR/PROGRAM TITLE</u>	Federal CFDA <u>Number</u>	Federal <u>Expenditures</u>
U.S. DEPARTMENT OF VETERANS AFFAIRS		
Direct assistance -		
Veterans State Nursing Home Care	64.015	\$ <u>6,738,123</u>
 TOTAL U.S. DEPARTMENT OF VETERANS AFFAIRS		 \$ <u>6,738,123</u>

**COLORADO STATE VETERANS NURSING HOME AT FITZSIMONS
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Colorado State Veterans Nursing Home at Fitzsimons and is presented on the accrual basis of accounting wherein expenses are recognized when the liability is incurred. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Members of the Legislative Audit Committee:

We have audited the financial statements of the Colorado State Veterans Nursing Home at Fitzsimons as of and for the year ended June 30, 2012, and have issued our report thereon dated December 10, 2012. Our report was qualified for the effects on the financial statements of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves about amounts comprising the statement of net assets at June 30, 2011. Except as described in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

In accordance with the terms of our engagement, we did not apply audit procedures necessary to satisfy ourselves about the classifications and amounts comprising the statement of net assets at June 30, 2011.

Internal Control Over Financial Reporting

Management of the Colorado State Veterans Nursing Home at Fitzsimons is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Colorado State Veterans Nursing Home at Fitzsimons' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Nursing Home's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Nursing Home's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Colorado State Veterans Nursing Home at Fitzsimons' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Legislative Audit Committee, the Nursing Home's management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Mr. Pherson, Ray/rygh, Darlene A Goodrich, PC

December 10, 2012



503 N. Main Street, Suite 740

Pueblo, CO 81003

Phone (719) 543-0516

Fax (719) 544-2849

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Members of the Legislative Audit Committee:

Compliance

We have audited the Colorado State Veterans Nursing Home at Fitzsimons (the Nursing Home) compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Nursing Home's major federal program for the year ended June 30, 2012. Colorado State Veterans Nursing Home at Fitzsimons' major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Nursing Home's management. Our responsibility is to express an opinion on the Nursing Home's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Nursing Home's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Nursing Home's compliance with those requirements.

In our opinion, the Colorado State Veterans Nursing Home at Fitzsimons complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Colorado State Veterans Nursing Home at Fitzsimons is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Nursing Home's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Colorado State Veterans Nursing Home at Fitzsimons's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Legislative Audit Committee, the Nursing Home's management, and federal awarding agencies and is not intended to be or should not be used by anyone other than these specified parties. However, upon release by the Legislative Audit Committee, this report is a matter of public record and its distribution is not limited.

Mr. Phinson, Brayfogel, Davidson & Goodrich, PC

December 10, 2012



503 N. Main Street, Suite 740

Pueblo, CO 81003

Phone (719) 543-0516

Fax (719) 544-2849

REQUIRED AUDITOR COMMUNICATION TO THE LEGISLATIVE AUDIT COMMITTEE

Members of the Legislative Audit Committee:

We have audited the financial statements of the Colorado State Veterans Nursing Home at Fitzsimons (the Nursing Home) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 10, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB *Circular A-133*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in a letter dated June 4, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Nursing Home are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2012. We noted no transactions entered into by the Nursing Home during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Nursing Home's financial statements was:

Management's estimate of the allowance for uncollectible accounts is based on management's review of the accounts and determination of the collectability of each account. We evaluated the key factors and assumptions used to develop the allowance for uncollectible accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

We proposed four audit adjustments to the financial statements and management agreed with our proposed adjustments. Management ultimately determined the adjustments were not material to the financial statements taken as a whole, either individually or in the aggregate and the adjustments were not posted as of June 30, 2012.

The first adjustment was to correct the recording of bond interest expense. The adjustment, if agreed to by management, would have decreased interest expense by \$58,172 with a corresponding decrease to beginning net assets.

The second adjustment was to correct the amortization of deferred bond issue costs. The adjustment, if agreed to by management, would have increased interest expense by \$1,300 and decreased beginning net assets by \$15,076 and decreased deferred debt issue costs by \$16,376.

The third adjustment was to record additional accounts payable at June 30, 2012. The adjustment, if agreed to by management, would have increased accounts payable by \$17,849, with a corresponding increase in electricity expense.

The fourth adjustment was to correct accrued wages payable. The adjustment, if agreed to by management, would have increased accrued wages payable by \$29,577 at June 30, 2012, with a corresponding increase to regular PT wages.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested and received certain representations from management that are included in the management representation letter dated December 10, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Nursing Home’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Nursing Home’s auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

This information is intended solely for the information and use of the Legislative Audit Committee, the Nursing Home’s management, and others within the Department of Human Services and is not intended to be, and should not be used by anyone other than these specified parties. However, this report is a matter of public record upon release by the Legislative Audit Committee

McPherson, Bruffy, Duvall & Goodrich, PC

December 10, 2012

The electronic version of this report is available on the Web site of the
Office of the State Auditor
www.state.co.us/auditor

A bound report may be obtained by calling the
Office of the State Auditor
303-869-2800

Please refer to the Report Control Number below when requesting this report.

Report Control Number 2097-12