

# **Wray Community District Hospital**

Independent Auditor's Report and Financial Statements

December 31, 2016 and 2015

# Wray Community District Hospital

## December 31, 2016 and 2015

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## Independent Auditor's Report

Board of Directors  
Wray Community District Hospital  
Wray, Colorado

We have audited the accompanying financial statements of Wray Community District Hospital (the District) and its discretely presented component unit, Wray Community Hospital Foundation (the Foundation), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District'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 fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these 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 auditor's 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 opinion.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wray Community District Hospital and its discretely presented component unit as of

Board of Directors  
Wray Community District Hospital

December 31, 2016, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Prior Year Audited by Other Auditors***

The 2015 financial statements were audited by other auditors and their report thereon, dated April 22, 2016, expressed an unmodified opinion.

***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 part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The consolidating statements of net position, consolidating revenues and expenses information and the budget to actual information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

***BKD, LLP***

Denver, Colorado  
June 27, 2017

# **Wray Community District Hospital**

## **Management's Discussion and Analysis**

### **Years Ended December 31, 2016**

#### ***Introduction***

This management's discussion and analysis of the financial performance of Wray Community District Hospital and Wray Community Long Term Care (the District) provides an overview of the District's financial activities for the years ended December 31, 2016 and 2015. The financial statements for Wray Community Hospital Foundation (the Foundation), a legally separate organization whose operations benefit the District, is discretely presented within the District's financial statements. Unless otherwise noted, the information and financial data included in the management's discussion and analysis relate solely to the District. This management's discussion and analysis should be read in conjunction with the accompanying financial statements of the District.

#### ***Financial Highlights***

- Cash and cash equivalents (excluding noncurrent cash) decreased in 2016 by \$83,058, or 2.49%, and increased in 2015 by \$1,273,251, or 16.00%.
- Short-term investments and noncurrent investments decreased in 2016 by \$586,348, or 9.92%, and decreased in 2015 by \$155,595, or 2.56%.
- Net position decreased in 2016 by \$867,604, or 4.10%, and increased in 2015 by \$320,673, or 1.53%, over prior year ending net position.
- Total operating revenues increased in 2016 by \$888,996, or 4.72%, and increased in 2015 by \$2,051,446, or 12.22%.
- Total operating expenses increased in 2016 by \$2,436,298, or 12.32%, and increased in 2015 by \$2,268,142, or 12.95%.
- The District reported an operating loss of \$2,485,483 in 2016 and an operating loss of \$938,181 in 2015.

#### ***Using This Annual Report***

The District's financial statements consist of three statements: a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the District, including resources held by the District but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The District is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

# Wray Community District Hospital

## Management's Discussion and Analysis

### Years Ended December 31, 2016

#### ***The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position***

One of the most important questions asked about any District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. The District's total net position—the difference between assets and liabilities—is one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the District's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the District.

#### ***The Statement of Cash Flows***

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

#### ***The District's Net Position***

The District's net position is the difference between its assets and liabilities and deferred inflows of resources reported on the Statements of Net Position. The District's net position decreased in 2016 by \$867,604, or 4.10%, and increased in 2015 by \$320,673, or 1.53%, over the prior year ending net position as shown in Table 1.

**Wray Community District Hospital**  
**Management's Discussion and Analysis**  
**Years Ended December 31, 2016**

**Table 1: Assets, Liabilities and Net Position**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Assets</b>			
Patient and resident accounts receivable, net	\$ 2,624,590	\$ 1,938,424	\$ 2,567,281
Other current assets	6,572,685	6,891,236	5,253,176
Capital assets, net	13,317,350	12,726,134	12,663,839
Other noncurrent assets	3,447,105	4,044,730	4,209,206
Total assets	<u>\$ 25,961,730</u>	<u>\$ 25,600,524</u>	<u>\$ 24,693,502</u>
<b>Liabilities</b>			
Long-term debt, including current maturities of long-term debt	\$ 2,390,285	\$ 2,017,503	\$ 1,820,439
Other current and noncurrent liabilities	2,915,112	2,005,639	1,280,241
Total liabilities	<u>5,305,397</u>	<u>4,023,142</u>	<u>3,100,680</u>
<b>Deferred Inflows of Resources</b>	<u>367,947</u>	<u>421,392</u>	<u>757,505</u>
<b>Net Position</b>			
Net investment in capital assets	10,269,350	10,311,925	10,843,400
Restricted expendable	-	500,000	-
Unrestricted	10,019,036	10,344,065	9,991,917
Total net position	<u>20,288,386</u>	<u>21,155,990</u>	<u>20,835,317</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 25,961,730</u>	<u>\$ 25,600,524</u>	<u>\$ 24,693,502</u>

The District's noncurrent assets and other assets decreased \$916,175, which is attributable to transferring funds from an internally designated investment account to help cover operating expenses. Cash flow decreased due to Cerner billing implementation and staffing turnover/changes, which resulted in slower collections of receivables.

Patient and resident accounts receivable, net, increased by \$686,166, or 35.40%, in 2016 compared to 2015, which is attributable to an increase in revenue, Cerner implementation of clinic billing, and loss/change of staff. Net patient and resident service revenue increased \$636,813, or 3.41%, in 2016, which is attributable to the first full year of Physical Therapy/Occupational Therapy/Speech Therapy and an increase in utilization of Lab and Radiology services.

The designation as a Critical Access Hospital has allowed the District to realize a greater percentage of its gross charges due to the fact that the District is reimbursed on a cost basis for Medicare patients. Because the payments from Medicare are estimates until the District files and settles their cost reports each year, the District does expect that it will either receive additional reimbursement or be required to repay Medicare amounts in excess of the amount already recorded.

**Wray Community District Hospital**  
**Management's Discussion and Analysis**  
**Years Ended December 31, 2016**

The anticipated net repayment is reflected in estimated amounts due to third-party payers, which is included in current liabilities in Table 1.

***Operating Results and Changes in the District's Net Position***

In 2016, the District's net position decreased by \$867,604, or 4.10%, as shown in Table 2. See Table 2 for the operating results and changes in net position.

**Table 2: Operating Results and Changes in Net Position**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Operating Revenues</b>			
Net patient and resident service revenue	\$ 19,190,903	\$ 18,650,305	\$ 16,528,332
Other operating revenue	533,331	184,933	255,460
Total operating revenues	<u>19,724,234</u>	<u>18,835,238</u>	<u>16,783,792</u>
<b>Operating Expenses</b>			
Salaries and benefits	9,930,984	9,151,785	7,787,637
Purchased services and professional fees	5,628,318	3,391,114	2,978,536
Depreciation	1,779,493	1,713,136	1,847,758
Supplies and other	4,870,922	5,517,384	4,891,346
Total operating expenses	<u>22,209,717</u>	<u>19,773,419</u>	<u>17,505,277</u>
<b>Operating Loss</b>	<u>(2,485,483)</u>	<u>(938,181)</u>	<u>(721,485)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Property taxes	465,951	421,336	400,047
Interest income	39,655	18,340	15,330
Interest expense	(68,998)	(73,452)	(28,243)
Other nonoperating revenues	-	-	1,017,407
Total nonoperating revenues (expenses)	<u>436,608</u>	<u>366,224</u>	<u>1,404,541</u>
<b>Capital Contributions</b>	<u>1,181,271</u>	<u>892,630</u>	<u>105,463</u>
<b>Increase (Decrease) in Net Position</b>	<u>\$ (867,604)</u>	<u>\$ 320,673</u>	<u>\$ 788,519</u>

# **Wray Community District Hospital**

## **Management's Discussion and Analysis**

### **Years Ended December 31, 2016**

#### ***Operating Losses***

The first component of the overall change in the District's net position is its operating loss and generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In fiscal year 2016, the District reported an operating loss of \$2,485,483. In fiscal years 2015 and 2014, the District reported an operating losses of \$938,181 and \$721,485, respectively.

The primary components of the operating results for 2016 are as follows:

- Net patient and resident service revenue increased \$540,598, or 2.90%, as compared to 2015. The increase is attributed to first full year of Physical Therapy/Occupational Therapy/Speech Therapy and an increase in utilization of Lab and Radiology services.
- Salaries and wages (including benefits) increased \$779,199, or 8.51%, as compared to 2015 primarily due to a 3.00% payroll merit increase, nine additional full-time equivalents (FTEs), and increasing salaries to the 25<sup>th</sup> percentile based on the Colorado Hospital Association (CHA) survey.
- Purchased services and professional fees increased \$2,232,487, or 65.83%, as compared to 2015. Primarily due to the restructuring of the physicians' contract, increases in Medical Professional Fees, and an increase in audit/consulting fees.

The primary components of the operating results for 2015 are as follows:

- An increase in net patient service revenue of \$2,121,973, or 15.10%, as compared to 2014. The increase is attributed to higher volumes and charge increases.
- Salaries and wages (including benefits) increased \$1,364,148, or 17.50%, as compared to 2014 primarily due to a 3% payroll merit increase and Wray Community Long Term Care being in service for the entire year.
- Purchased services and professional fees increased \$412,578, or 13.90%, as compared to 2014 primarily in response to the increase in volumes as well as the Wray Community Long Term Care being in service for the entire year.

#### ***Nonoperating Revenues and Expenses***

Nonoperating revenues and expenses consist primarily of property taxes levied by the District and investment income and interest expense. Total nonoperating revenues and expenses increased by 19.22% in 2016 as compared to 2015, as a result of the increase in property taxes levied which increased by 7.00% in 2016 as compared to 2015.

# **Wray Community District Hospital**

## **Management's Discussion and Analysis**

### **Years Ended December 31, 2016**

#### ***The District's Cash Flows***

Changes in the District's cash flows are consistent with changes in operating income and nonoperating revenues and expenses, as discussed earlier.

#### ***Capital Asset and Debt Administration***

##### **Capital Assets**

At the end of 2016 and 2015, the District had \$13,317,350 and \$12,726,134, respectively, invested in capital assets, net of accumulated depreciation, as detailed in Note 6 to the financial statements.

##### **Debt**

At the end of 2016 and 2015, the District had \$2,848,616 and \$2,017,503 in outstanding debt, as discussed in Note 8 to the financial statements. During 2016, the District entered into a long-term payables totaling \$950,000.

At the end of 2016 and 2015, the District had \$192,969 and \$244,209, respectively, in capital lease payables as detailed in Note 8 to the financial statements.

#### ***Other Economic Factors***

The District is located in a rural farming community. Besides farming, oil and gas production constitutes the primary economic forces in the area. These two sectors of the economy provide a stable source of insurance funding for patients of the District. This helps to hold down the number of uninsured. However, the number of underinsured is increasing. A stagnant population with limited post high school educational opportunities also affects the District's ability to fill staffing shortages in nursing and allied professional positions.

#### ***Contacting the District's Financial Management***

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the District Business Administration by telephoning 970.332.4811.

**Wray Community District Hospital**  
**Statements of Net Position**  
**December 31, 2016 and 2015**

**Assets**

	<b>2016</b>	<b>2015</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,249,630	\$ 3,332,688
Short-term investments	1,879,360	1,868,083
Patient accounts receivable, less allowance for uncollectible accounts; 2016 - \$1,249,101 and 2015 - \$1,106,466	2,308,195	1,600,350
Resident accounts receivable, less allowance for uncollectible accounts; 2016 - \$78,725 and 2015 - \$407,800	316,395	338,074
Other receivables	689,129	950,709
Supplies	574,724	551,019
Prepaid expenses	179,842	188,737
Total current assets	9,197,275	8,829,660
<b>Noncurrent Cash and Investments</b>		
Internally designated	2,967,919	4,044,730
Restricted investments	479,186	-
Total noncurrent cash and investments	3,447,105	4,044,730
<b>Capital Assets, Net</b>	13,317,350	12,726,134
Total assets	\$ 25,961,730	\$ 25,600,524

**Wray Community District Hospital**  
**Statements of Net Position (continued)**  
**December 31, 2016 and 2015**

**Liabilities, Deferred Inflows of Resources and Net Position**

	<u>2016</u>	<u>2015</u>
<b>Current Liabilities</b>		
Current notes payable	\$ 857,816	\$ 396,706
Current maturities of long-term debt	120,963	89,242
Accounts payables	511,832	557,649
Accrued expenses and other current liabilities	812,864	744,885
Estimated amounts due to third-party payers	<u>732,600</u>	<u>306,399</u>
Total current liabilities	3,036,075	2,094,881
<b>Long-term Debt</b>	<u>2,269,322</u>	<u>1,928,261</u>
Total liabilities	<u>5,305,397</u>	<u>4,023,142</u>
<b>Deferred Inflows of Resources - Property Taxes</b>	<u>367,947</u>	<u>421,392</u>
<b>Net Position</b>		
Net investment in capital assets	10,269,350	10,311,925
Restricted expendable	-	500,000
Unrestricted	<u>10,019,036</u>	<u>10,344,065</u>
Total net position	<u>20,288,386</u>	<u>21,155,990</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 25,961,730</u>	<u>\$ 25,600,524</u>

**Wray Community Hospital Foundation**  
**(A Component Unit of Wray Community District Hospital)**  
**Statements of Financial Position**  
**December 31, 2016 and 2015**

**Assets**

	<b>2016</b>	<b>2015</b>
Cash and cash equivalents	\$ 25,029	\$ 24,965
Investments	179,406	185,352
Total assets	\$ 204,435	\$ 210,317

**Liabilities and Net Assets**

Net assets, unrestricted	\$ 204,435	\$ 210,317
Total liabilities and net assets	\$ 204,435	\$ 210,317

**Wray Community District Hospital**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Operating Revenues</b>		
Net patient service revenue, net of provision for uncollectible accounts; 2016 - \$796,543 and 2015 - \$841,590	\$ 14,679,030	\$ 14,456,313
Net resident service revenue, net of provision for uncollectible accounts; 2016 - \$96,215 and 2015 - \$407,770	4,511,873	4,193,992
Other operating revenues	<u>533,331</u>	<u>184,933</u>
Total operating revenues	<u>19,724,234</u>	<u>18,835,238</u>
<b>Operating Expenses and Losses</b>		
Salaries and benefits	9,930,984	9,151,785
Purchased services and professional fees	5,628,318	3,391,114
Supplies and other	4,870,922	5,517,384
Depreciation	<u>1,779,493</u>	<u>1,713,136</u>
Total operating expenses and losses	<u>22,209,717</u>	<u>19,773,419</u>
<b>Operating Loss</b>	<u>(2,485,483)</u>	<u>(938,181)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Property taxes	465,951	421,336
Interest income	39,655	18,340
Interest expense	<u>(68,998)</u>	<u>(73,452)</u>
Net nonoperating revenues (expenses)	<u>436,608</u>	<u>366,224</u>
<b>Deficiency of Revenues Over Expenses Before Capital Contributions</b>	(2,048,875)	(571,957)
<b>Capital Contributions</b>	<u>1,181,271</u>	<u>892,630</u>
<b>Change in Net Position</b>	(867,604)	320,673
<b>Net Position, Beginning of Year</b>	<u>21,155,990</u>	<u>20,835,317</u>
<b>Net Position, End of Year</b>	<u>\$ 20,288,386</u>	<u>\$ 21,155,990</u>

**Wray Community Hospital Foundation**  
**(A Component Unit of Wray Community Hospital District)**  
**Statements of Activities**  
**Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Revenues</b>		
Contributions	\$ 12,000	\$ 2,700
<b>Expenses</b>		
Program expenses	17,599	31,835
Administrative expenses	804	810
Total expenses	18,403	32,645
<b>Loss from Operations</b>	(6,403)	(29,945)
<b>Interest Income</b>	521	1,540
<b>Change in Net Assets</b>	(5,882)	(28,405)
<b>Net Assets, Beginning of Year</b>	210,317	238,722
<b>Net Assets, End of Year</b>	\$ 204,435	\$ 210,317

**Wray Community District Hospital**  
**Statements of Cash Flows**  
**Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Operating Activities</b>		
Receipts from and on behalf of patients	\$ 18,930,938	\$ 19,503,242
Payments to suppliers and contractors	(10,539,874)	(8,985,470)
Payments to employees	(9,863,005)	(9,047,438)
Other payments, net	250,361	186,639
Net cash provided by (used in) operating activities	(1,221,580)	1,656,973
<b>Noncapital Financing Activities</b>		
Property taxes supporting operations	465,951	421,336
Net cash provided by noncapital financing activities	465,951	421,336
<b>Capital and Related Financing Activities</b>		
Principal paid on long-term debt	(116,108)	(72,974)
Issuance of long-term debt	475,000	666,744
Issuance of current note payable	475,000	-
Purchase of capital assets	(2,399,597)	(1,746,543)
Interest paid on long-term debt	(68,998)	(63,255)
Capital contributions	1,681,271	392,630
Net cash provided by (used in) capital and related financing activities	46,568	(823,398)
<b>Investing Activities</b>		
Interest on investments	39,655	18,340
Purchase of investments	(479,186)	-
Net cash provided by (used in) investing activities	(439,531)	18,340
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(1,148,592)	1,273,251
<b>Cash and Cash Equivalents, Beginning of Year</b>	9,245,501	7,972,250
<b>Cash and Cash Equivalents, End of Year</b>	\$ 8,096,909	\$ 9,245,501

**Wray Community District Hospital**  
**Statements of Cash Flows (continued)**  
**Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheets</b>		
Cash and cash equivalents in current assets	\$ 5,128,990	\$ 5,200,771
Cash and cash equivalents in noncurrent cash and investments	2,967,919	4,044,730
	<b>\$ 8,096,909</b>	<b>\$ 9,245,501</b>
 <b>Reconciliation of Operating Income (Loss) to Net Cash</b>		
<b>Provided by (Used in) Operating Activities</b>		
Operating loss	\$ (2,485,483)	\$ (938,181)
Provision for bad debts	892,758	1,249,360
Depreciation	1,779,493	1,713,136
Changes in operating assets and liabilities		
Patient and resident accounts receivable, net	(1,578,924)	(456,616)
Other receivables	(291,865)	(162,181)
Estimated amounts due to and from third-party payers	426,201	224,080
Supplies	(23,705)	(40,288)
Accounts payable and accrued expenses	51,050	65,527
Other current assets	8,895	2,136
Net cash provided by (used in) operating activities	<b>\$ (1,221,580)</b>	<b>\$ 1,656,973</b>
 <b>Supplemental Cash Flow Information</b>		
Capital lease obligation incurred for capital assets	\$ -	\$ 270,038
Capital asset acquisitions included in accounts payable	\$ -	\$ 28,888

# Wray Community District Hospital

## Notes to Financial Statements

### December 31, 2016 and 2015

#### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

##### ***Nature of Operations and Reporting Entity***

Wray Community District Hospital (the District) is a political subdivision formed under the Colorado Revised Statutes as a local service and improvement district to provide medical care to the residents of Yuma County, Colorado, including Wray, Colorado. The District is not a component unit of another governmental entity.

##### ***Blended Component Unit***

The Wray Community Long Term Care, Inc. d/b/a Hillcrest Care Center and The Towers (Hillcrest), is a 58-bed licensed nursing home and 24-unit assisted living facility located in Wray, Colorado. Hillcrest acquired the assets and assumed the operations of the facilities from Hillcrest Senior Living on July 1, 2014. Hillcrest is a Colorado nonprofit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Hillcrest is included as a blended component unit of the District.

##### ***Discretely Presented Component Unit***

Wray Community Hospital Foundation (the Foundation) is a legally separate, tax-exempt component unit of the District. The Foundation's primary function is to raise and hold funds to support the District and its programs, as well as sponsoring and promoting education and participation in health-related community issues. The majority of the Board of the Foundation is self-perpetuating, with the District appointing a minority of the members to the Board.

Although the District does not control the timing or amount of receipts from the Foundation, upon dissolution of the Foundation, their assets transfer to the District. As a result, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements.

During the years ended December 31, 2016 and 2015, the Foundation provided no direct support to the District. Complete financial statements of the Foundation may be obtained from its Administrative Office at the following address: P.O. Box 421, Wray, Colorado 80758.

##### ***Basis of Accounting and Presentation***

The financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as county appropriations), property taxes, investment income and interest on capital assets – related debt are included in nonoperating

# **Wray Community District Hospital**

## **Notes to Financial Statements**

### **December 31, 2016 and 2015**

revenues and expenses. The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's statements in the District's financial reporting entity for these differences.

#### ***Use of 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, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### ***Cash Equivalents***

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2016 and 2015, cash equivalents consisted primarily of certificates of deposit and money market accounts.

#### ***Property Taxes***

The District received approximately 2% of its financial support from property taxes in 2016 and 2015. These funds were used to support operations.

Property taxes are assessed on January 1 and are due in one installment on May 1 or in two installments on February 28 and June 15 of each year. Property tax revenue is recognized in the period assessed to the extent such taxes are collected and available for use no later than 60 days after the end of the fiscal year.

#### ***Risk Management***

The District is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; employee disability; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial insurance coverage in any of the three preceding years.

#### ***Investments and Investment Income***

Investments in nonnegotiable certificates of deposit are carried at amortized cost. Investment income includes interest income and accrued interest on nonnegotiable certificates of deposit.

**Wray Community District Hospital**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

***Patient Accounts Receivable***

The District reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The District provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. As a service to the patient, the District bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based upon individual credit evaluation and specific circumstances of the account.

***Supplies***

Supply inventories are stated at the lower of cost, determined using the first-in, first-out basis, or market.

***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the District:

Buildings and leasehold improvements	5 – 40 years
Equipment	3 – 20 years

The District capitalizes interest costs as a component of construction-in-progress, based on the cost of borrowing. Total interest capitalized was \$0 for 2016 and 2015.

***Compensated Absences***

The District's policies permit most employees to accumulate vacation benefits. Expense and the related liability are recognized as benefits are earned. Compensated absence liabilities are computed using the regular pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date.

***Deferred Inflows of Resources***

The Hospital reports decreases in net position that relate to future periods as deferred inflows of resources in a separate section of its statements of net position.

# Wray Community District Hospital

## Notes to Financial Statements

### December 31, 2016 and 2015

#### **Net Position**

Net position of the District is classified in two components. Net investment in capital assets, consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the District, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

#### **Net Patient Service Revenue**

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the services are rendered and such estimated amounts are revised in future periods as adjustments become known.

#### **Charity Care**

The District provides charity care to patients who are unable to pay for services. The amount of charity care is included in net patient service revenue and is not separately classified from the provision for uncollectible accounts.

#### **Income Taxes**

As an essential government function, the District is exempt from income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the District is subject to federal income tax on any unrelated business taxable income.

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) the Internal Revenue Code and, accordingly, is subject only to federal or state income taxes on specific types of income from activities that are unrelated to its exempt purpose.

#### **Electronic Health Records Incentive Program**

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Critical access hospitals (CAHs) are eligible to receive incentive payments in the cost reporting period beginning in the federal fiscal year in which meaningful use criteria have been met. The Medicare incentive payment is for qualifying costs of the purchase of certified EHR technology multiplied by the District's Medicare share fraction, which includes a

# Wray Community District Hospital

## Notes to Financial Statements

### December 31, 2016 and 2015

20% incentive. This payment is an acceleration of amounts that would have been received in future periods based on reimbursable costs incurred, including depreciation. If meaningful use criteria are not met in future periods, the District is subject to penalties that would reduce future payments for services. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. The final amount for any payment year under both programs is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The District has recognized the incentive payment revenue received for qualified EHR technology expenditures during 2016, which was the period during which management was reasonably assured meaningful use was achieved and the earnings process was complete. Management believes the incentive payments reflect a change in how “allowable costs” are determined in paying CAHs for providing services to Medicare beneficiaries.

#### ***Reclassifications***

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 financial statement presentation. These reclassifications had no effect on the change in net position.

#### **Note 2: Tax, Spending and Debt Limitations**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment’s language in order to determine its compliance.

TABOR Amendment provisions require that annual property tax revenue changes be restricted to the same growth rate applicable to the District’s general spending. For 2016 and 2015, the mill levy rate met the requirements of the TABOR Amendment as well as the 5.5% statutory revenue limit.

The TABOR Amendment also requires the local government to reserve 3% of total expenditures for emergencies. (The definition of an “emergency,” under TABOR is restricted to natural events, but excludes “economic conditions, revenue shortfalls or district salary or fringe benefit increase.”) Accordingly, the District has reviewed the existing reserves and determined that a minimum of 3%, or \$669,178 and \$593,203, existed at December 31, 2016 and 2015, respectively, to comply with the provisions of the TABOR Amendment.

Unrestricted net position totaled \$10,019,036 and \$10,344,065 as of December 31, 2016 and 2015, respectively, which is sufficient to cover the 3% emergency reserve requirement.

**Wray Community District Hospital**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

**Note 3: Net Patient Service Revenue**

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. These payment arrangements include the following:

*Medicare.* The District is designated as a Critical Access Hospital. Inpatient acute care services rendered to Medicare program beneficiaries are paid on a cost reimbursed basis. Certain outpatient services related to Medicare beneficiaries are paid based on a combination of fee schedules and a cost-reimbursement methodology. The District is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary.

*Medicaid.* Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services, certain outpatient services and defined capital costs related to Medicaid beneficiaries are paid based on a cost-reimbursement methodology. The District is reimbursed for cost-reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary.

Approximately 39% and 37% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2016 and 2015, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

The Colorado Healthcare Affordability Act, designated as House Bill 1293 (HB 1293), was passed during 2009 implementing a provider fee on hospitals to generate matching funds to the State of Colorado from federal sources. Implementation of this act occurred during April of 2010 and has had the following effect on the District's financial statements:

	<u>2016</u>	<u>2015</u>
Gross provider fee recovery revenue, included in net patient service revenue	\$ 2,006,653	\$ 1,957,000
Gross provider fee recovery expense, included in supplies and other	<u>(301,845)</u>	<u>(382,000)</u>
Net effect of HB 1293	<u>\$ 1,704,808</u>	<u>\$ 1,575,000</u>

**Wray Community District Hospital**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

**Note 4: Patient and Resident Accounts Receivable**

The District grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at December 31, 2016 and 2015, consisted of the following:

	<b>2016</b>	<b>2015</b>
Medicare	\$ 1,362,396	\$ 711,302
Medicaid	825,793	343,023
Other third-party payers	1,798,433	1,507,892
Patients	1,566,575	1,529,051
	5,553,197	4,091,268
Less		
Allowance for contractals	1,600,781	638,578
Allowance for uncollectible accounts	1,327,826	1,514,266
	2,928,607	2,152,844
	\$ 2,624,590	\$ 1,938,424

**Note 5: Deposits and Investments**

***Deposits***

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

The Colorado Public Deposit Protection Act requires financial institutions to collateralize any uninsured public deposits. The bank balance is insured by federal insurance (FDIC) for up to \$250,000. Any excess of deposits over the FDIC limit that is not insured is covered by collateral pledged by the financial institution in accordance with the Public Deposit Protection Act.

At December 31, 2016 and 2015, the District did not have any bank balances exposed to custodial credit risk.

**Wray Community District Hospital**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

**Investments**

The District may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities. It may also invest, to a limited extent, in equity securities. As of December 31, 2016 and 2015, all investments were in certificates of deposit.

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the District’s investment policy is limited to purchasing securities that mature within one year of the date of purchase for operating funds and five years or less from the date of purchase for capital reserves. The money market mutual funds are presented as an investment with a maturity of less than one year because the average maturity of the funds is less than one year.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the District’s policy to limit its investments to U.S. government-backed securities or insured certificates of deposit or money market accounts.

Concentration of Credit Risk – According to the District’s investment policy, only 50% of excess operating funds or capital reserves funds can be invested in any one security.

Foreign Currency Risk – This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The District’s investment policy does not permit foreign currency at December 31, 2016.

**Summary of Carrying Values**

The carrying values of deposits and investments shown above are included in the statements of net position as follows:

	<b>2016</b>	<b>2015</b>
Carrying value		
Deposits	\$ 8,576,095	\$ 9,245,501
Included in the following statements of net position captions		
Cash and cash equivalents	\$ 3,249,630	\$ 3,332,688
Short-term investments	1,879,360	1,868,083
Noncurrent cash and investments Internally designated and restricted investments	3,447,105	4,044,730
	\$ 8,576,095	\$ 9,245,501

**Wray Community District Hospital**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

**Note 6: Capital Assets**

Capital assets activity for the years ended December 31, 2016 and 2015 were as follows:

	<b>2016</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals and Retirements</b>	<b>Transfers</b>	<b>Ending Balance</b>
Land	\$ 124,672	\$ -	\$ -	\$ -	\$ 124,672
Buildings and leasehold improvements	17,226,449	1,834,472	-	-	19,060,921
Equipment	10,794,398	452,597	-	342,611	11,589,606
Construction in process	349,061	83,640	-	(342,611)	90,090
	<u>28,494,580</u>	<u>2,370,709</u>	<u>-</u>	<u>-</u>	<u>30,865,289</u>
Less accumulated depreciation for:					
Buildings and leasehold improvements	(7,817,903)	(687,121)	-	-	(8,505,024)
Equipment	(7,950,543)	(1,092,372)	-	-	(9,042,915)
	<u>(15,768,446)</u>	<u>(1,779,493)</u>	<u>-</u>	<u>-</u>	<u>(17,547,939)</u>
Capital assets, net	<u>\$ 12,726,134</u>	<u>\$ 591,216</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,317,350</u>
	<b>2015</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals and Retirements</b>	<b>Transfers</b>	<b>Ending Balance</b>
Land	\$ 124,672	\$ -	\$ -	\$ -	\$ 124,672
Buildings and leasehold improvements	16,851,717	359,225	-	15,507	17,226,449
Equipment	9,738,935	698,720	-	356,743	10,794,398
Construction in process	3,825	717,486	-	(372,250)	349,061
	<u>26,719,149</u>	<u>1,775,431</u>	<u>-</u>	<u>-</u>	<u>28,494,580</u>
Less accumulated depreciation for:					
Buildings and leasehold improvements	(7,159,574)	(658,329)	-	-	(7,817,903)
Equipment	(6,895,736)	(1,054,807)	-	-	(7,950,543)
	<u>(14,055,310)</u>	<u>(1,713,136)</u>	<u>-</u>	<u>-</u>	<u>(15,768,446)</u>
Capital assets, net	<u>\$ 12,663,839</u>	<u>\$ 62,295</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,726,134</u>

**Wray Community District Hospital**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

**Note 7: Current Notes Payable**

The \$396,706 note payable was issued as temporary financing for capital repairs at Hillcrest. The interest rate on the note is 1.85% and is due in a lump-sum payment, including interest on September 1, 2017.

A note payable for \$475,000 was issued May 26, 2016. The note is collateralized by a CD with options to renew every six months. The interest rate on the note is 1.70% and is due in a lump-sum payment, including interest on October 14, 2017. It is management's intent to renew.

**Note 8: Long-term Obligations**

The following is a summary of long-term obligation transactions for the District for the years ended December 31, 2016 and 2015:

	<b>2016</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
USDA mortgage payable	\$ 1,663,808	\$ -	\$ (26,647)	\$ 1,637,161	\$ 27,595
Note payable (A)	109,486	-	(11,700)	97,786	14,484
Note payable (B)	-	475,000	(12,625)	462,375	25,865
Capital lease obligations	244,209	-	(51,246)	192,963	53,019
Total long-term debt	<u>\$ 2,017,503</u>	<u>\$ 475,000</u>	<u>\$ (102,218)</u>	<u>\$ 2,390,285</u>	<u>\$ 120,963</u>
	<b>2015</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
USDA mortgage payable	\$ 1,689,541	\$ -	\$ (25,733)	\$ 1,663,808	\$ 26,647
Note payable (A)	120,505	-	(11,019)	109,486	11,355
Capital lease obligations	10,393	270,038	(36,222)	244,209	51,240
Total long-term debt	<u>\$ 1,820,439</u>	<u>\$ 270,038</u>	<u>\$ (72,974)</u>	<u>\$ 2,017,503</u>	<u>\$ 89,242</u>

**Wray Community District Hospital**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

***USDA Mortgage Payable***

The mortgage payable is due June 1, 2049, due in monthly installments of \$7,038 including interest at 3.5%. The note is secured by certain capital assets. The debt service requirements as of December 31, 2016, are as follows:

<b>Year Ending December 31,</b>	<b>Total to be Paid</b>	<b>Principal</b>	<b>Interest</b>
2017	\$ 84,456	\$ 27,595	\$ 56,861
2018	84,456	28,576	55,880
2019	84,456	29,593	54,863
2020	84,456	30,646	53,810
2021	422,280	31,736	390,544
2022 - 2026	422,280	176,434	245,846
2027 - 2031	422,280	210,123	212,157
2032 - 2036	422,280	250,244	172,036
2037 - 2041	422,280	298,026	124,254
2042 - 2046	422,280	354,932	67,348
2047 - 2049	208,271	199,256	9,015
	<u>\$ 3,079,775</u>	<u>\$ 1,637,161</u>	<u>\$ 1,442,614</u>

***Notes Payable***

- (A) The note payable to bank is due July 1, 2024, due in monthly installments of \$1,207 including interest at 3%. The note is secured by certain capital assets.
- (B) The note payable to bank is due May 31, 2021, due in 19 semi-annual installments of \$9,862 and one payment of 349,525, and including interest at 3%. The note is secured by certain investments.

**Wray Community District Hospital**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

The debt service requirements for notes payable as of December 31, 2016, are as follows:

<b>Year Ending December 31,</b>	<b>Total to be Paid</b>	<b>Principal</b>	<b>Interest</b>
2017	\$ 56,714	\$ 40,349	\$ 16,365
2018	53,930	38,706	15,224
2019	53,930	39,881	14,049
2020	53,930	41,060	12,870
2021	373,870	367,333	6,537
2022 - 2024	<u>34,288</u>	<u>32,832</u>	<u>1,456</u>
	<u>\$ 626,662</u>	<u>\$ 560,161</u>	<u>\$ 66,501</u>

**Capital Lease Obligations**

The District is obligated under leases for equipment that are accounted for as capital leases. Assets under capital leases at December 31, 2016 and 2015 totaled \$124,538 and \$330,183, respectively, net of accumulated depreciation of \$28,169 and \$23,073, respectively. The following is a schedule by year of future minimum lease payments under the capital lease including interest at rates of 0% to 4.5% together with the present value of the future minimum lease payments as of December 31, 2016:

<b>Year Ending December 31,</b>	
2017	\$ 58,870
2018	58,870
2019	58,870
2020	<u>28,610</u>
Total minimum lease payments	205,220
Less amount representing interest	<u>(12,257)</u>
Present value of future minimum lease payments	<u>\$ 192,963</u>

# Wray Community District Hospital

## Notes to Financial Statements

### December 31, 2016 and 2015

#### **Note 9: Designated Net Position**

At December 31, 2016 and 2015, \$3,449,427 and \$4,044,730, respectively, of unrestricted net position has been designated by the District's Board of Directors for operations and capital acquisitions. Designated net position remains under the control of the Board of Directors, which may, at its discretion, later use this net position for other purposes.

#### **Note 10: Medical Malpractice Claims**

The District purchases medical malpractice insurance under a claims-made (or occurrence-basis) policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the District's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

#### **Note 11: Pension Plan**

The District contributes to a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the District's required contributions, determined in accordance with the terms of the plan. The plan is administered by a Board of Trustees appointed by American United Life Insurance Company (AUL). The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the District's governing body. Contribution rates for plan members and the District expressed as a percentage of covered payroll were 4.1% and 2.4% for 2016 and 4.6% and 2.7% for 2015, respectively. Contributions actually made by the District were \$137,000 and \$148,000 during 2016 and 2015, respectively. Plan members made contributions during 2016 and 2015 of \$230,000 and \$236,000, respectively, which included 457 contributions.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in Hospital contributions after completion of seven years of credible service with the District. Nonvested District contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's current period contribution requirement. For the years ending December 31, 2016 and 2015, forfeitures reduced the Hospital's pension expense by \$22,130 and \$0, respectively.

**Wray Community District Hospital**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

**Note 12: Deferred Compensation Plan**

The District has a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan is administered by independent plan administrators through administrative service agreements. The plan is available to all permanent District employees. Employees defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death or financial hardship. Plan assets are held in trust, with the District having no fiduciary responsibility, for the exclusive benefit of the plan participants and their beneficiaries. The assets will not be diverted to any other purpose.

**Note 13: Condensed Combining Information**

The following tables include condensed combining statements of net position, revenues, expenses and change in net position and cash flows information for the District and its blended component unit for the years ended December 31, 2016 and 2015.

**Statements of Net Position**

	<b>December 31, 2016</b>			
	<b>District</b>	<b>Hillcrest</b>	<b>Eliminations</b>	<b>Totals</b>
<b>Assets</b>				
Current assets	\$ 8,580,611	\$ 616,664	\$ -	\$ 9,197,275
Noncurrent cash and investments	3,423,702	23,403	-	3,447,105
Capital assets, net	8,393,197	4,924,153	-	13,317,350
<b>Total assets</b>	<b>\$ 20,397,510</b>	<b>\$ 5,564,220</b>	<b>\$ -</b>	<b>\$ 25,961,730</b>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>				
	<b>District</b>	<b>Hillcrest</b>	<b>Eliminations</b>	<b>Totals</b>
<b>Liabilities</b>				
Current liabilities	\$ 2,230,706	\$ 805,369	\$ -	\$ 3,036,075
Long-term liabilities	551,591	1,717,731	-	2,269,322
<b>Total liabilities</b>	<b>2,782,297</b>	<b>2,523,100</b>	<b>-</b>	<b>5,305,397</b>
Deferred Inflows of Resources	367,947	-	-	367,947
<b>Net Position</b>				
Net investment in capital assets	7,327,139	2,942,211	-	10,269,350
Unrestricted	9,920,127	98,909	-	10,019,036
<b>Total net position</b>	<b>17,247,266</b>	<b>3,041,120</b>	<b>-</b>	<b>20,288,386</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 20,397,510</b>	<b>\$ 5,564,220</b>	<b>\$ -</b>	<b>\$ 25,961,730</b>

**Wray Community District Hospital**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

	<b>December 31, 2015</b>			
	<b>District</b>	<b>Hillcrest</b>	<b>Eliminations</b>	<b>Totals</b>
<b>Assets</b>				
Current assets	\$ 8,230,814	\$ 681,093	\$ (82,247)	\$ 8,829,660
Noncurrent cash and investments	4,029,813	14,917	-	4,044,730
Capital assets, net	<u>9,121,026</u>	<u>3,605,108</u>	<u>-</u>	<u>12,726,134</u>
Total assets	<u>\$ 21,381,653</u>	<u>\$ 4,301,118</u>	<u>\$ (82,247)</u>	<u>\$ 25,600,524</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>				
	<b>District</b>	<b>Hillcrest</b>	<b>Eliminations</b>	<b>Totals</b>
<b>Liabilities</b>				
Current liabilities	\$ 1,192,604	\$ 984,524	\$ (82,247)	\$ 2,094,881
Long-term liabilities	<u>142,925</u>	<u>1,785,336</u>	<u>-</u>	<u>1,928,261</u>
Total liabilities	<u>1,335,529</u>	<u>2,769,860</u>	<u>(82,247)</u>	<u>4,023,142</u>
Deferred Inflows of Resources	<u>421,392</u>	<u>-</u>	<u>-</u>	<u>421,392</u>
<b>Net Position</b>				
Net investment in capital assets	8,953,738	1,358,187	-	10,311,925
Restricted expendable	500,000	-	-	500,000
Unrestricted	<u>10,170,994</u>	<u>173,071</u>	<u>-</u>	<u>10,344,065</u>
Total net position	<u>19,624,732</u>	<u>1,531,258</u>	<u>-</u>	<u>21,155,990</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 21,381,653</u>	<u>\$ 4,301,118</u>	<u>\$ (82,247)</u>	<u>\$ 25,600,524</u>

**Wray Community District Hospital**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

***Statements of Revenues, Expenses and Change in Net Position***

	<b>Year Ended December 31, 2016</b>			
	<b>District</b>	<b>Hillcrest</b>	<b>Eliminations</b>	<b>Totals</b>
Operating Revenues				
Net patient and resident service revenue	\$ 14,679,030	\$ 4,511,873	\$ -	\$ 19,190,903
Other operating revenues	457,462	75,869	-	533,331
Total operating revenues	<u>15,136,492</u>	<u>4,587,742</u>	<u>-</u>	<u>19,724,234</u>
Operating Expenses				
Depreciation	1,543,358	236,135	-	1,779,493
Other operating expenses	16,073,474	4,356,750	-	20,430,224
Total operating expenses	<u>17,616,832</u>	<u>4,592,885</u>	<u>-</u>	<u>22,209,717</u>
Operating Loss	(2,480,340)	(5,143)	-	(2,485,483)
Nonoperating Revenues, Net	<u>505,627</u>	<u>(69,019)</u>	<u>-</u>	<u>436,608</u>
Deficiency of Revenues Over Expenses Before Capital Contributions and Related-party Transfer	(1,974,713)	(74,162)	-	(2,048,875)
Transfer from (to) Related Party	(1,584,024)	1,584,024	-	-
Capital Contributions	<u>1,181,271</u>	<u>-</u>	<u>-</u>	<u>1,181,271</u>
Change in Net Position	(2,377,466)	1,509,862	-	(867,604)
Net Position, Beginning of Year	<u>19,624,732</u>	<u>1,531,258</u>	<u>-</u>	<u>21,155,990</u>
Net Position, End of Year	<u><u>\$ 17,247,266</u></u>	<u><u>\$ 3,041,120</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 20,288,386</u></u>

**Wray Community District Hospital**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

	<b>Year Ended December 31, 2015</b>			
	<b>District</b>	<b>Hillcrest</b>	<b>Eliminations</b>	<b>Totals</b>
Operating Revenues				
Net patient and resident service revenue	\$ 14,488,560	\$ 4,193,992	\$ (32,247)	\$ 18,650,305
Other operating revenues	156,940	27,993	-	184,933
Total operating revenues	<u>14,645,500</u>	<u>4,221,985</u>	<u>(32,247)</u>	<u>18,835,238</u>
Operating Expenses				
Depreciation	1,523,491	189,645	-	1,713,136
Other operating expenses	13,755,661	4,336,869	(32,247)	18,060,283
Total operating expenses	<u>15,279,152</u>	<u>4,526,514</u>	<u>(32,247)</u>	<u>19,773,419</u>
Operating Loss	(633,652)	(304,529)	-	(938,181)
Nonoperating Revenues, net	<u>439,551</u>	<u>(73,327)</u>	<u>-</u>	<u>366,224</u>
Deficiency of Revenues Over Expenses Before Capital Contributions and Related-party Transfer	(194,101)	(377,856)	-	(571,957)
Transfer from (to) Related Party	(29,503)	29,503	-	-
Capital Contributions	<u>892,630</u>	<u>-</u>	<u>-</u>	<u>892,630</u>
Change in Net Position	669,026	(348,353)	-	320,673
Net Position, Beginning of Year	<u>18,955,706</u>	<u>1,879,611</u>	<u>-</u>	<u>20,835,317</u>
Net Position, End of Year	<u>\$ 19,624,732</u>	<u>\$ 1,531,258</u>	<u>\$ -</u>	<u>\$ 21,155,990</u>

**Wray Community District Hospital**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

**Statements of Cash Flows**

	<b>Year Ended December 31, 2016</b>		
	<b>District</b>	<b>Hillcrest</b>	<b>Total</b>
Net cash provided by (used in)			
Operating activities	\$ (1,283,415)	\$ 61,835	\$ (1,221,580)
Noncapital financing activities	465,951	-	465,951
Capital and related financing activities	171,541	(124,973)	46,568
Investing activities	(439,561)	30	(439,531)
	(1,085,484)	(63,108)	(1,148,592)
Cash and cash equivalents, beginning of year	8,921,829	323,672	9,245,501
Cash and cash equivalents, end of year	<u>\$ 7,836,345</u>	<u>\$ 260,564</u>	<u>\$ 8,096,909</u>

	<b>Year Ended December 31, 2015</b>		
	<b>District</b>	<b>Hillcrest</b>	<b>Total</b>
Net cash provided by (used in)			
Operating activities	\$ 1,607,958	\$ 49,015	\$ 1,656,973
Noncapital financing activities	421,336	-	421,336
Capital and related financing activities	(1,204,636)	381,238	(823,398)
Investing activities	333,897	(315,557)	18,340
	1,158,555	114,696	1,273,251
Cash and cash equivalents, beginning of year	7,729,010	243,240	7,972,250
Cash and cash equivalents, end of year	<u>\$ 8,887,565</u>	<u>\$ 357,936</u>	<u>\$ 9,245,501</u>

**Note 14: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

***Allowances for Net Patient Service Revenue Adjustments***

Estimates of allowances for adjustments included in net patient service revenue are described in Notes 1 and 3.

**Wray Community District Hospital**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

***Litigation***

The District is at times involved in litigation arising in the normal course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the District. Management has consulted with legal counsel and estimates that these matters will be resolved without a material impact on the operations or financial position of the District.

**Note 15: Wray Community Hospital Foundation**

***Financial Statements***

The financial statements of the Foundation are presented in accordance with the provisions of FASB ASC. FASB ASC requires the Foundation to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets and unrestricted net assets. It also requires recognition of contributions, including contributed services meeting certain criteria, at fair values. FASB ASC establishes standards for external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities and a statement of cash flows. As permitted by GASB Statement No. 34, the District has elected not to present a statement of cash flows for the Foundation in the basic financial statements of the District's reporting entity.

***Investments and Investment Return***

Investments at December 31 consisted of the following:

	<b>2016</b>	<b>2015</b>
Certificates of deposit	\$ 179,406	\$ 185,352

Total investment return is composed of the following:

	<b>2016</b>	<b>2015</b>
Interest income	\$ 521	\$ 1,540

**Note 16: Subsequent Events**

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

## **Supplementary Information**

**Wray Community District Hospital**  
**Consolidating Statement of Net Position Information**  
**December 31, 2016**

**Assets**

	<b>District</b>	<b>Hillcrest</b>	<b>Eliminations</b>	<b>Totals</b>
<b>Current Assets</b>				
Cash and cash equivalents	\$ 2,949,361	\$ 300,269	\$ -	\$ 3,249,630
Short-term investments	1,879,360	-	-	1,879,360
Patient accounts receivable, less allowance for uncollectible accounts; \$1,249,101	2,308,195	-	-	2,308,195
Resident accounts receivable, less allowance for uncollectible accounts; \$78,725	-	316,395	-	316,395
Other receivables	689,129	-	-	689,129
Supplies	574,724	-	-	574,724
Prepaid expenses	179,842	-	-	179,842
Total current assets	<u>8,580,611</u>	<u>616,664</u>	<u>-</u>	<u>9,197,275</u>
<b>Noncurrent Cash and Investments</b>				
Internally designated	2,944,516	23,403	-	2,967,919
Restricted investments	479,186	-	-	479,186
Total noncurrent cash and investments	<u>3,423,702</u>	<u>23,403</u>	<u>-</u>	<u>3,447,105</u>
<b>Capital Assets, Net</b>	<u>8,393,197</u>	<u>4,924,153</u>	<u>-</u>	<u>13,317,350</u>
Total assets	<u>\$ 20,397,510</u>	<u>\$ 5,564,220</u>	<u>\$ -</u>	<u>\$ 25,961,730</u>

**Wray Community District Hospital**  
**Consolidating Statement of Net Position Information (continued)**  
**December 31, 2016**

**Liabilities, Deferred Inflows of Resources, and Net Position**

	<b>District</b>	<b>Hillcrest</b>	<b>Eliminations</b>	<b>Totals</b>
<b>Current Liabilities</b>				
Current note payables	\$ 461,110	\$ 396,706	\$ -	\$ 857,816
Current maturities of long-term debt	53,357	67,606	-	120,963
Accounts payables	420,304	91,528	-	511,832
Accrued expenses and other current liabilities	563,335	249,529	-	812,864
Estimated amounts due to third-party payers	<u>732,600</u>	<u>-</u>	<u>-</u>	<u>732,600</u>
Total current liabilities	2,230,706	805,369	-	3,036,075
<b>Long-term Debt</b>	<u>551,591</u>	<u>1,717,731</u>	<u>-</u>	<u>2,269,322</u>
Total liabilities	2,782,297	2,523,100	-	5,305,397
<b>Deferred Inflows of Resources - Property Taxes</b>	<u>367,947</u>	<u>-</u>	<u>-</u>	<u>367,947</u>
<b>Net Position</b>				
Net investment in capital assets	7,327,139	2,942,211	-	10,269,350
Unrestricted	<u>9,920,127</u>	<u>98,909</u>	<u>-</u>	<u>10,019,036</u>
Total net position	<u>17,247,266</u>	<u>3,041,120</u>	<u>-</u>	<u>20,288,386</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 20,397,510</u>	<u>\$ 5,564,220</u>	<u>\$ -</u>	<u>\$ 25,961,730</u>

**Wray Community District Hospital**  
**Consolidating Statement of Revenues, Expenses and**  
**Changes in Net Position Information**  
**Year Ended December 31, 2016**

	<b>District</b>	<b>Hillcrest</b>	<b>Eliminations</b>	<b>Totals</b>
<b>Operating Revenues</b>				
Net patient service revenue, net of provision for uncollectible accounts; \$796,543	\$ 14,679,030	\$ -	\$ -	\$ 14,679,030
Net resident service revenue, net of provision for uncollectible accounts; \$96,215	-	4,511,873	-	4,511,873
Other operating revenues	457,462	75,869	-	533,331
<b>Total operating revenues</b>	<b>15,136,492</b>	<b>4,587,742</b>	<b>-</b>	<b>19,724,234</b>
<b>Operating Expenses and Losses</b>				
Salaries and benefits	6,845,452	3,085,532	-	9,930,984
Purchased services and professional fees	5,248,842	379,476	-	5,628,318
Supplies and other	3,979,180	891,742	-	4,870,922
Depreciation	1,543,358	236,135	-	1,779,493
<b>Total operating expenses and losses</b>	<b>17,616,832</b>	<b>4,592,885</b>	<b>-</b>	<b>22,209,717</b>
<b>Operating Loss</b>	<b>(2,480,340)</b>	<b>(5,143)</b>	<b>-</b>	<b>(2,485,483)</b>
<b>Nonoperating Revenues (Expenses)</b>				
Property taxes	465,951	-	-	465,951
Interest income	39,625	30	-	39,655
Interest expense	51	(69,049)	-	(68,998)
<b>Net nonoperating revenues (expenses)</b>	<b>505,627</b>	<b>(69,019)</b>	<b>-</b>	<b>436,608</b>
<b>Deficiency of Revenues Over Expenses Before Capital Contributions and Related-party Transfer</b>	<b>(1,974,713)</b>	<b>(74,162)</b>	<b>-</b>	<b>(2,048,875)</b>
<b>Transfer from (to) Related Party</b>	<b>(1,584,024)</b>	<b>1,584,024</b>	<b>-</b>	<b>-</b>
<b>Capital Contributions</b>	<b>1,181,271</b>	<b>-</b>	<b>-</b>	<b>1,181,271</b>
<b>Change in Net Position</b>	<b>(2,377,466)</b>	<b>1,509,862</b>	<b>-</b>	<b>(867,604)</b>
<b>Net Position, Beginning of Year</b>	<b>19,624,732</b>	<b>1,531,258</b>	<b>-</b>	<b>21,155,990</b>
<b>Net Position, End of Year</b>	<b>\$ 17,247,266</b>	<b>\$ 3,041,120</b>	<b>\$ -</b>	<b>\$ 20,288,386</b>

**Wray Community District Hospital**  
**Budgeted and Actual Revenues and Expenses – District Only**  
**Year Ended December 31, 2016**

	<b>Actual</b>	<b>Budgeted</b>	<b>Favorable (Unfavorable) Variance</b>
<b>Operating Revenues</b>			
Net patient service revenue	\$ 14,679,030	\$ 15,815,533	\$ (1,136,503)
Other	457,462	750,692	(293,230)
Total operating revenues	15,136,492	16,566,225	(1,429,733)
<b>Operating Expenses</b>			
Salaries, wages and employee benefits	6,845,452	7,164,084	318,632
Other	10,771,380	9,825,387	(945,993)
Total operating expenses	17,616,832	16,989,471	(627,361)
<b>Operating Loss</b>	(2,480,340)	(423,246)	(2,057,094)
<b>Net Nonoperating Revenues</b>	505,627	455,522	50,105
<b>Excess (Deficiency) of Revenues Over Expenses     Before Capital Contributions</b>	\$ (1,974,713)	\$ 32,276	\$ (2,006,989)