

Wray Community District Hospital

Independent Auditor's Report and Financial Statements

December 31, 2017 and 2016

E

RECEIVED

Office of the State Auditor

June 5, 2018

Wray Community District Hospital

December 31, 2017 and 2016

Contents

Independent Auditor's Report..... 1

Management's Discussion and Analysis 3

Consolidated Financial Statements

Statements of Net Position 9

Statements of Financial Position – Wray Community Hospital Foundation..... 11

Statements of Revenues, Expenses and Changes in Net Position 12

Statements of Activities – Wray Community Hospital Foundation 13

Statements of Cash Flows 14

Notes to Financial Statements 16

Supplementary Information

Consolidating Net Position Information..... 35

Consolidating Statement of Revenues, Expenses and Changes in Net Position Information 37

Budgeted and Actual Revenues and Expenses 38

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 years ended December 31, 2017 and 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.

Board of Directors
Wray Community District Hospital

Opinion

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 December 31, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming 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. The consolidating statements of net position, consolidating revenues and expenses information and the budget to actual 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
May 29, 2018

Wray Community District Hospital

Management's Discussion and Analysis

Years Ended December 31, 2017 and 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, 2017 and 2016. 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 2017 by \$1,722,949, or 53.02%, and decreased in 2016 by \$83,058, or 2.49%.
- Short-term investments and noncurrent cash and investments increased in 2017 by \$334,017, or 6.27%, and decreased in 2016 by \$586,348, or 9.92%.
- Net position decreased in 2017 by \$1,398,555, or 6.89%, and decreased in 2016 by \$867,604, or 4.10%, over prior year ending net position.
- Total operating revenues increased in 2017 by \$3,379,393, or 17.13%, and increased in 2016 by \$888,996, or 4.72%.
- Total operating expenses increased in 2017 by \$3,275,767, or 14.75%, and increased in 2016 by \$2,436,298, or 12.32%.
- The District reported an operating loss of \$2,381,857 in 2017 and an operating loss of \$2,485,483 in 2016.

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, 2017 and 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 2017 by \$1,398,555, or 6.89%, and decreased in 2016 by \$867,604, or 4.10%, 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, 2017 and 2016

Table 1: Assets, Liabilities and Net Position

	2017	2016	2015
Assets			
Patient and resident accounts receivable, net	\$ 3,595,989	\$ 2,624,590	\$ 1,938,424
Other current assets	5,385,021	6,572,685	6,891,236
Capital assets, net	12,976,701	13,317,350	12,726,134
Other noncurrent assets	<u>3,056,698</u>	<u>3,447,105</u>	<u>4,044,730</u>
Total assets	<u>\$ 25,014,409</u>	<u>\$ 25,961,730</u>	<u>\$ 25,600,524</u>
Liabilities			
Long-term debt, including current maturities of long-term debt	\$ 2,437,639	\$ 2,390,285	\$ 2,017,503
Other current and noncurrent liabilities	<u>3,310,089</u>	<u>2,915,112</u>	<u>2,005,639</u>
Total liabilities	<u>5,747,728</u>	<u>5,305,397</u>	<u>4,023,142</u>
Deferred Inflows of Resources	<u>376,850</u>	<u>367,947</u>	<u>421,392</u>
Net Position			
Net investment in capital assets	9,709,484	10,269,350	10,311,925
Restricted expendable	308,256	-	500,000
Unrestricted	<u>8,872,091</u>	<u>10,019,036</u>	<u>10,344,065</u>
Total net position	<u>18,889,831</u>	<u>20,288,386</u>	<u>21,155,990</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 25,014,409</u>	<u>\$ 25,961,730</u>	<u>\$ 25,600,524</u>

The District's noncurrent assets and other assets decreased \$1,578,071, which is attributable to transferring funds from an internally designated investment account (Provider Fee account) to help cover operating expenses for both the hospital and Hillcrest.

Patient and resident accounts receivable, net, increased by \$971,399, or 37.01%, in 2017 compared to 2016, which is attributable to an increase in revenue, billing issues with Medicaid/Medicare, changes in business office staff, and lack of management in the department. Net patient and resident service revenue increased \$3,265,156, or 17.01%, in 2017, which is attributable to an increase in orthopedic and other surgery volumes. The increase in surgery also drove increases in other departments including anesthesia, supplies/pharmacy, physical therapy/occupational therapy, and swing bed.

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, 2017 and 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 2017, the District's net position decreased by \$1,398,555, or 6.89%, 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

	2017	2016	2015
Operating Revenues			
Net patient and resident service revenue	\$ 22,456,059	\$ 19,190,903	\$ 18,650,305
Other operating revenue	647,568	533,331	184,933
Total operating revenues	<u>23,103,627</u>	<u>19,724,234</u>	<u>18,835,238</u>
Operating Expenses			
Salaries and benefits	11,262,704	9,930,984	9,151,785
Purchased services and professional fees	6,499,600	5,628,318	3,391,114
Supplies and other	6,107,244	4,870,922	5,517,384
Depreciation	1,615,936	1,779,493	1,713,136
Total operating expenses	<u>25,485,484</u>	<u>22,209,717</u>	<u>19,773,419</u>
Operating Loss	<u>(2,381,857)</u>	<u>(2,485,483)</u>	<u>(938,181)</u>
Nonoperating Revenues (Expenses)			
Property taxes	412,391	465,951	421,336
Net insurance proceeds received	216,081	-	-
Interest income	35,703	39,655	18,340
Interest expense	(92,435)	(68,998)	(73,452)
Total nonoperating revenues (expenses)	<u>571,740</u>	<u>436,608</u>	<u>366,224</u>
Capital Contributions	<u>411,562</u>	<u>1,181,271</u>	<u>892,630</u>
Increase (Decrease) in Net Position	<u>\$ (1,398,555)</u>	<u>\$ (867,604)</u>	<u>\$ 320,673</u>

Wray Community District Hospital

Management's Discussion and Analysis

Years Ended December 31, 2017 and 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 2017, the District reported an operating loss of \$2,381,857. In fiscal years 2016 and 2015, the District reported an operating losses of \$2,485,483 and \$938,181, respectively.

The primary components of the operating results for 2017 are as follows:

- Net patient and resident service revenue increased \$3,265,156, or 17.01%, as compared to 2016. The increase is attributed to increases in orthopedic and other surgeries which in turn increased anesthesia, swing bed, supplies/pharmacy, and physical therapy/occupational therapy revenue. In addition, the CPC+ Clinic designation and 340B pharmacy designation increased revenue in 2017.
- Salaries and wages (including benefits) increased \$1,331,720, or 13.41%, as compared to 2016 primarily due to a 3.00% payroll merit increase, 11 additional District full-time equivalents (FTEs), and an 8% increase in Hillcrest wages. In addition, the health insurance expense increased 18% (the District) and 68% (Hillcrest).
- Purchased services and professional fees increased \$871,282, or 15.48%, as compared to 2016. The increase is primarily attributed to the first full year of Boulder Centre Orthopedics, increase in CRNA (anesthesia) costs, and the addition of Dr. Wolz. In addition, there was a substantial increase in contracted nursing at Hillcrest.

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 the 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 25th 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.

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 30.95% in 2017 as compared to 2016, as a result of approximately \$216,000 received from insurance following hail damage to the hospital and long term care buildings.

Wray Community District Hospital

Management's Discussion and Analysis

Years Ended December 31, 2017 and 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 2017 and 2016, the District had \$12,976,701 and \$13,317,350, respectively, invested in capital assets, net of accumulated depreciation, as detailed in Note 6 to the financial statements.

Debt

At the end of 2017 and 2016, the District had \$2,046,042 and \$2,197,322 in outstanding debt, as discussed in Note 8 to the financial statements.

At the end of 2017 and 2016, the District had \$391,597 and \$192,963, respectively, in capital lease payables as detailed in Note 8 to the financial statements. During 2017, the District entered into two capital leases totaling \$322,626.

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, 2017 and 2016

Assets

	<u>2017</u>	<u>2016</u>
Current Assets		
Cash and cash equivalents	\$ 1,526,681	\$ 3,249,630
Short-term investments	2,603,784	1,879,360
Patient accounts receivable, less allowance for uncollectible accounts; 2017 - \$2,146,643 and 2016 - \$1,249,101	3,315,797	2,308,195
Resident accounts receivable, less allowance for uncollectible accounts; 2017 - \$37,500 and 2016 - \$78,725	280,192	316,395
Other receivables	397,284	689,129
Supplies	658,713	574,724
Prepaid expenses	<u>198,559</u>	<u>179,842</u>
Total current assets	<u>8,981,010</u>	<u>9,197,275</u>
Noncurrent Cash and Investments		
Internally designated	1,441,498	1,877,140
Restricted for bond reserve	1,127,602	1,090,779
Restricted investments	<u>487,598</u>	<u>479,186</u>
Total noncurrent cash and investments	<u>3,056,698</u>	<u>3,447,105</u>
Capital Assets, Net	<u>12,976,701</u>	<u>13,317,350</u>
Total assets	<u>\$ 25,014,409</u>	<u>\$ 25,961,730</u>

Wray Community District Hospital
Statements of Net Position (continued)
December 31, 2017 and 2016

Liabilities, Deferred Inflows of Resources and Net Position

	2017	2016
Current Liabilities		
Current notes payable	\$ 829,578	\$ 857,816
Current maturities of long-term debt	172,592	120,963
Accounts payable	1,130,737	511,832
Accrued expenses and other current liabilities	925,200	812,864
Estimated amounts due to third-party payers	424,574	732,600
Total current liabilities	3,482,681	3,036,075
Long-term Debt	2,265,047	2,269,322
Total liabilities	5,747,728	5,305,397
Deferred Inflows of Resources - Property Taxes	376,850	367,947
Net Position		
Net investment in capital assets	9,709,484	10,269,350
Restricted expendable for capital assets	308,256	-
Unrestricted	8,872,091	10,019,036
Total net position	18,889,831	20,288,386
Total liabilities, deferred inflows of resources and net position	\$ 25,014,409	\$ 25,961,730

Wray Community Hospital Foundation
(A Component Unit of Wray Community District Hospital)
Statements of Financial Position
December 31, 2017 and 2016

Assets

	2017	2016
Cash and cash equivalents	\$ 21,696	\$ 25,029
Investments	180,857	179,406
Total assets	\$ 202,553	\$ 204,435

Liabilities and Net Assets

Net assets, unrestricted	\$ 202,553	\$ 204,435
Total liabilities and net assets	\$ 202,553	\$ 204,435

Wray Community District Hospital
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2017 - \$1,096,857 and 2016 - \$796,543	\$ 18,044,151	\$ 14,679,030
Net resident service revenue, net of provision for uncollectible accounts; 2017 - \$17,325 and 2016 - \$96,215	4,411,908	4,511,873
Other operating revenues	<u>647,568</u>	<u>533,331</u>
Total operating revenues	<u>23,103,627</u>	<u>19,724,234</u>
Operating Expenses and Losses		
Salaries and benefits	11,262,704	9,930,984
Purchased services and professional fees	6,499,600	5,628,318
Supplies and other	6,107,244	4,870,922
Depreciation	<u>1,615,936</u>	<u>1,779,493</u>
Total operating expenses and losses	<u>25,485,484</u>	<u>22,209,717</u>
Operating Loss	<u>(2,381,857)</u>	<u>(2,485,483)</u>
Nonoperating Revenues (Expenses)		
Property taxes	412,391	465,951
Net insurance proceeds received	216,081	-
Interest income	35,703	39,655
Interest expense	<u>(92,435)</u>	<u>(68,998)</u>
Net nonoperating revenues (expenses)	<u>571,740</u>	<u>436,608</u>
Deficiency of Revenues Over Expenses Before Capital Contributions	(1,810,117)	(2,048,875)
Capital Contributions	<u>411,562</u>	<u>1,181,271</u>
Change in Net Position	(1,398,555)	(867,604)
Net Position, Beginning of Year	<u>20,288,386</u>	<u>21,155,990</u>
Net Position, End of Year	<u>\$ 18,889,831</u>	<u>\$ 20,288,386</u>

Wray Community Hospital Foundation
(A Component Unit of Wray Community Hospital District)
Statements of Activities
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenues		
Contributions	\$ 50	\$ 12,000
Expenses		
Program expenses	2,779	17,599
Administrative expenses	823	804
Total expenses	<u>3,602</u>	<u>18,403</u>
Loss from Operations	(3,552)	(6,403)
Interest Income	<u>1,670</u>	<u>521</u>
Change in Net Assets	(1,882)	(5,882)
Net Assets, Beginning of Year	<u>204,435</u>	<u>210,317</u>
Net Assets, End of Year	<u><u>\$ 202,553</u></u>	<u><u>\$ 204,435</u></u>

Wray Community District Hospital
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Activities		
Receipts from and on behalf of patients	\$ 21,176,634	\$ 18,930,938
Payments to suppliers and contractors	(12,372,803)	(10,539,874)
Payments to employees	(11,150,368)	(9,863,005)
Other receipts and payments, net	<u>755,930</u>	<u>250,361</u>
Net cash used in operating activities	<u>(1,590,607)</u>	<u>(1,221,580)</u>
Noncapital Financing Activities		
Property taxes supporting operations	<u>399,891</u>	<u>465,951</u>
Net cash provided by noncapital financing activities	<u>399,891</u>	<u>465,951</u>
Capital and Related Financing Activities		
Principal paid on long-term debt and notes payable	(293,649)	(116,108)
Issuance of long-term debt	-	475,000
Issuance of current note payable	-	475,000
Purchase of capital assets	(731,798)	(2,399,597)
Interest paid on long-term debt	(92,435)	(68,998)
Insurance proceeds received	216,081	-
Capital contributions	<u>667,882</u>	<u>1,681,271</u>
Net cash provided by (used in) capital and related financing activities	<u>(233,919)</u>	<u>46,568</u>
Investing Activities		
Interest on investments	35,703	39,655
Purchase of investments	(8,412)	(479,186)
Change in 12-month certificates of deposit	<u>(2,603,784)</u>	<u>-</u>
Net cash used in investing activities	<u>(2,576,493)</u>	<u>(439,531)</u>
Decrease in Cash and Cash Equivalents	(4,001,128)	(1,148,592)
Cash and Cash Equivalents, Beginning of Year	<u>8,096,909</u>	<u>9,245,501</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,095,781</u>	<u>\$ 8,096,909</u>

Wray Community District Hospital
Statements of Cash Flows (continued)
Years Ended December 31, 2017 and 2016

	2017	2016
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Cash and cash equivalents in current assets	\$ 1,526,681	\$ 5,128,990
Cash and cash equivalents in noncurrent cash and investments	2,569,100	2,967,919
	\$ 4,095,781	\$ 8,096,909
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating loss	\$ (2,381,857)	\$ (2,485,483)
Provision for bad debts	1,114,182	892,758
Depreciation	1,615,936	1,779,493
Loss on disposal of property and equipment	80,012	-
Gain on extinguishment of debt	(9,861)	-
Changes in operating assets and liabilities		
Patient and resident accounts receivable, net	(2,085,581)	(1,578,924)
Other receivables	56,928	(291,865)
Estimated amounts due to and from third-party payers	(308,026)	426,201
Supplies	(83,989)	(23,705)
Accounts payable and accrued expenses	430,366	51,050
Other current assets	(18,717)	8,895
Net cash used in operating activities	\$ (1,590,607)	\$ (1,221,580)
 Supplemental Cash Flow Information		
Capital lease obligation incurred for property and equipment	\$ 322,626	\$ -
Capital asset acquisitions included in accounts payable	\$ 300,875	\$ -

Wray Community District Hospital

Notes to Financial Statements

December 31, 2017 and 2016

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, 2017 and 2016, 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

Wray Community District Hospital

Notes to Financial Statements

December 31, 2017 and 2016

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 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 and Cash Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2017 and 2016, cash equivalents consisted primarily of money market accounts with brokers.

Property Taxes

The District received approximately 2% of its financial support from property taxes in 2017 and 2016. 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.

Wray Community District Hospital
Notes to Financial Statements
December 31, 2017 and 2016

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.

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 2017 and 2016.

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, 2017 and 2016

Net Position

Net position of the District is classified in three 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) of 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, 2017 and 2016

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 completed all meaningful use attestation periods and did not receive additional incentive payment revenue during 2017. The District recognized incentive payment revenue 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.

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 2017 and 2016, 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 approximately \$765,000 and \$666,000, existed at December 31, 2017 and 2016, respectively, to comply with the provisions of the TABOR Amendment.

Unrestricted net position totaled \$8,872,091 and \$10,019,036 as of December 31, 2017 and 2016, respectively, which is sufficient to cover the 3% emergency reserve requirement.

Wray Community District Hospital
Notes to Financial Statements
December 31, 2017 and 2016

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 38% and 39% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2017 and 2016, 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:

	2017	2016
Gross provider fee recovery revenue, included in net patient service revenue	\$ 2,233,035	\$ 2,452,253
Gross provider fee recovery expense, included in supplies and other	(651,659)	(511,621)
Net effect of HB 1293	\$ 1,581,376	\$ 1,940,632

Wray Community District Hospital
Notes to Financial Statements
December 31, 2017 and 2016

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, 2017 and 2016, consisted of the following:

	2017	2016
Medicare	\$ 2,417,598	\$ 1,362,396
Medicaid	1,052,072	825,793
Other third-party payers	2,210,883	1,798,433
Patients	2,571,564	1,566,575
	8,252,117	5,553,197
Less		
Allowance for contractals	2,471,985	1,600,781
Allowance for uncollectible accounts	2,184,143	1,327,826
	4,656,128	2,928,607
	\$ 3,595,989	\$ 2,624,590

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, 2017 and 2016, the District did not have any bank balances exposed to custodial credit risk.

Wray Community District Hospital
Notes to Financial Statements
December 31, 2017 and 2016

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, 2017 and 2016, 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, 2017.

Summary of Carrying Values

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

	<u>2017</u>	<u>2016</u>
Carrying value		
Deposits	<u>\$ 7,187,163</u>	<u>\$ 8,576,095</u>
Included in the following statements of net position captions		
Cash and cash equivalents	\$ 1,526,681	\$ 3,249,630
Short-term investments	2,062,287	1,340,950
Restricted short-term investments	541,497	538,410
Noncurrent cash and investments		
Internally designated	1,441,498	1,877,140
Restricted for bond reserve	1,127,602	1,090,779
Restricted investments	<u>487,598</u>	<u>479,186</u>
	<u>\$ 7,187,163</u>	<u>\$ 8,576,095</u>

Wray Community District Hospital
Notes to Financial Statements
December 31, 2017 and 2016

Note 6: Capital Assets

Capital assets activity for the years ended December 31, 2017 and 2016 were as follows:

	2017				
	Beginning Balance	Additions	Disposals and Retirements	Transfers	Ending Balance
Land	\$ 124,672	\$ -	\$ -	\$ -	\$ 124,672
Buildings and leasehold improvements	19,060,921	256,467	444,153	61,250	18,934,485
Equipment	11,589,606	594,411	50,149	28,840	12,162,708
Construction in process	90,090	504,421	-	(90,090)	504,421
	<u>30,865,289</u>	<u>1,355,299</u>	<u>494,302</u>	<u>-</u>	<u>31,726,286</u>
Less accumulated depreciation for					
Buildings and leasehold improvements	(8,505,024)	(775,220)	(375,929)	-	(8,904,315)
Equipment	(9,042,915)	(840,716)	(38,361)	-	(9,845,270)
	<u>(17,547,939)</u>	<u>(1,615,936)</u>	<u>(414,290)</u>	<u>-</u>	<u>(18,749,585)</u>
Capital assets, net	<u>\$ 13,317,350</u>	<u>\$ (260,637)</u>	<u>\$ 80,012</u>	<u>\$ -</u>	<u>\$ 12,976,701</u>
	2016				
	Beginning Balance	Additions	Disposals and Retirements	Transfers	Ending Balance
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>

Wray Community District Hospital
Notes to Financial Statements
December 31, 2017 and 2016

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 March 1, 2018.

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 1.85% and is due in a lump-sum payment, including interest on August 26, 2018. The outstanding balance of the note totaled \$432,872 as of December 31, 2017. It is management's intent to renew.

Note 8: Long-term Debt

The following is a summary of long-term debt transactions for the District for the years ended December 31, 2017 and 2016:

	2017				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
USDA mortgage payable	\$ 1,637,161	\$ -	\$ (27,595)	\$ 1,609,566	\$ 28,577
Note payable (A)	97,786	-	(97,786)	-	-
Note payable (B)	462,375	-	(25,899)	436,476	26,650
Capital lease obligations	192,963	322,626	(123,992)	391,597	117,365
Total long-term debt	<u>\$ 2,390,285</u>	<u>\$ 322,626</u>	<u>\$ (275,272)</u>	<u>\$ 2,437,639</u>	<u>\$ 172,592</u>
	2016				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
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>

Wray Community District Hospital
Notes to Financial Statements
December 31, 2017 and 2016

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, 2017, are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2018	\$ 84,456	\$ 28,577	\$ 55,879
2019	84,456	29,593	54,863
2020	84,456	30,646	53,810
2021	84,456	31,736	52,720
2022	84,456	32,864	51,592
2023 - 2027	422,280	182,709	239,571
2028 - 2032	422,280	217,596	204,684
2033 - 2037	422,280	259,144	163,136
2038 - 2042	422,280	308,626	113,654
2043 - 2047	422,280	367,556	54,724
2048 - 2049	147,798	120,519	27,279
	<u>\$ 2,681,478</u>	<u>\$ 1,609,566</u>	<u>\$ 1,071,912</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. The note was paid in full during 2017.
- (B) The note payable to bank is due May 31, 2021, due in 19 quarterly installments of \$9,862 and one payment of 349,525, and including interest at 3%. The note is secured by certain investments.

The debt service requirements for notes payable as of December 31, 2017, are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2018	\$ 39,446	\$ 26,650	\$ 12,796
2019	39,446	27,458	11,988
2020	39,446	28,259	11,187
2021	359,386	354,109	5,277
	<u>\$ 477,724</u>	<u>\$ 436,476</u>	<u>\$ 41,248</u>

Wray Community District Hospital
Notes to Financial Statements
December 31, 2017 and 2016

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, 2017 and 2016 totaled \$652,208 and \$329,583, respectively, net of accumulated depreciation of \$134,323 and \$69,135, 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, 2017:

Year Ending December 31,		
2018	\$	126,713
2019		125,676
2020		79,917
2021		43,945
2022		36,621
Total minimum lease payments		412,872
Less amount representing interest		(21,275)
Present value of future minimum lease payments		\$ 391,597

Note 9: Designated Net Position

At December 31, 2017 and 2016, \$1,441,498 and \$1,877,140, 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.

Wray Community District Hospital
Notes to Financial Statements
December 31, 2017 and 2016

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 5.0% and 2.9% for 2017 and 4.1% and 2.4% for 2016, respectively. Contributions actually made by the District were \$184,000 and \$137,000 during 2017 and 2016, respectively. Plan members made contributions during 2017 and 2016 of \$318,000 and \$230,000, 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, 2017 and 2016, forfeitures reduced the Hospital's pension expense by \$3,482 and \$22,130, respectively.

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.

Wray Community District Hospital
Notes to Financial Statements
December 31, 2017 and 2016

Note 13: Condensed Combining Information

The following tables include condensed combining statements of net position, revenues, expenses and changes in net position and cash flows information for the District and its blended component unit for the years ended December 31, 2017 and 2016.

Statements of Net Position

	December 31, 2017			
	District	Hillcrest	Eliminations	Totals
Assets				
Current assets	\$ 8,657,828	\$ 323,182	\$ -	\$ 8,981,010
Noncurrent cash and investments	3,024,792	31,906	-	3,056,698
Capital assets, net	<u>8,169,539</u>	<u>4,807,162</u>	<u>-</u>	<u>12,976,701</u>
Total assets	<u>\$ 19,852,159</u>	<u>\$ 5,162,250</u>	<u>\$ -</u>	<u>\$ 25,014,409</u>
Liabilities				
Current liabilities	\$ 2,529,193	\$ 953,488	\$ -	\$ 3,482,681
Long-term liabilities	<u>617,701</u>	<u>1,647,346</u>	<u>-</u>	<u>2,265,047</u>
Total liabilities	<u>3,146,894</u>	<u>2,600,834</u>	<u>-</u>	<u>5,747,728</u>
Deferred Inflows of Resources	<u>376,850</u>	<u>-</u>	<u>-</u>	<u>376,850</u>
Net Position				
Net investment in capital assets	7,016,800	2,692,684	-	9,709,484
Restricted expendable	308,256	-	-	308,256
Unrestricted	<u>9,003,359</u>	<u>(131,268)</u>	<u>-</u>	<u>8,872,091</u>
Total net position	<u>16,328,415</u>	<u>2,561,416</u>	<u>-</u>	<u>18,889,831</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 19,852,159</u>	<u>\$ 5,162,250</u>	<u>\$ -</u>	<u>\$ 25,014,409</u>

Wray Community District Hospital
Notes to Financial Statements
December 31, 2017 and 2016

	December 31, 2016			Totals
	District	Hillcrest	Eliminations	
Assets				
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	<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>
Liabilities				
Current liabilities	\$ 2,230,706	\$ 805,369	\$ -	\$ 3,036,075
Long-term liabilities	<u>551,591</u>	<u>1,717,731</u>	<u>-</u>	<u>2,269,322</u>
Total liabilities	<u>2,782,297</u>	<u>2,523,100</u>	<u>-</u>	<u>5,305,397</u>
Deferred Inflows of Resources	<u>367,947</u>	<u>-</u>	<u>-</u>	<u>367,947</u>
Net Position				
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
Notes to Financial Statements
December 31, 2017 and 2016

Statements of Revenues, Expenses and Changes in Net Position

	Year Ended December 31, 2017			
	District	Hillcrest	Eliminations	Totals
Operating Revenues				
Net patient and resident service revenue	\$ 18,044,151	\$ 4,411,908	\$ -	\$ 22,456,059
Other operating revenues	613,804	33,764	-	647,568
Total operating revenues	<u>18,657,955</u>	<u>4,445,672</u>	<u>-</u>	<u>23,103,627</u>
Operating Expenses				
Depreciation	1,311,060	304,876	-	1,615,936
Other operating expenses	19,154,688	4,714,860	-	23,869,548
Total operating expenses	<u>20,465,748</u>	<u>5,019,736</u>	<u>-</u>	<u>25,485,484</u>
Operating Loss	<u>(1,807,793)</u>	<u>(574,064)</u>	<u>-</u>	<u>(2,381,857)</u>
Nonoperating Revenues (Expenses), Net	<u>641,689</u>	<u>(69,949)</u>	<u>-</u>	<u>571,740</u>
Deficiency of Revenues Over Expenses Before Capital Contributions and Related-party Transfer	(1,166,104)	(644,013)	-	(1,810,117)
Transfer from (to) Related Party	(164,309)	164,309	-	-
Capital Contributions	<u>411,562</u>	<u>-</u>	<u>-</u>	<u>411,562</u>
Change in Net Position	(918,851)	(479,704)	-	(1,398,555)
Net Position, Beginning of Year	<u>17,247,266</u>	<u>3,041,120</u>	<u>-</u>	<u>20,288,386</u>
Net Position, End of Year	<u>\$ 16,328,415</u>	<u>\$ 2,561,416</u>	<u>\$ -</u>	<u>\$ 18,889,831</u>

Wray Community District Hospital
Notes to Financial Statements
December 31, 2017 and 2016

	Year Ended December 31, 2016			Totals
	District	Hillcrest	Eliminations	
Operating Revenues				
Net patient and resident service revenue	\$ 14,679,030	\$ 4,511,873	\$ -	\$ 19,190,903
Other operating revenues	<u>457,462</u>	<u>75,869</u>	<u>-</u>	<u>533,331</u>
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	<u>16,073,474</u>	<u>4,356,750</u>	<u>-</u>	<u>20,430,224</u>
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 (Expenses), 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>\$ 17,247,266</u>	<u>\$ 3,041,120</u>	<u>\$ -</u>	<u>\$ 20,288,386</u>

Wray Community District Hospital
Notes to Financial Statements
December 31, 2017 and 2016

Statements of Cash Flows

	Year Ended December 31, 2017		
	District	Hillcrest	Total
Net cash provided by (used in)			
Operating activities	\$ (1,502,921)	\$ (87,686)	\$ (1,590,607)
Noncapital financing activities	399,891	-	399,891
Capital and related financing activities	(72,765)	(161,154)	(233,919)
Investing activities	<u>(2,576,557)</u>	<u>64</u>	<u>(2,576,493)</u>
	(3,752,352)	(248,776)	(4,001,128)
Cash and cash equivalents, beginning of year	<u>7,773,237</u>	<u>323,672</u>	<u>8,096,909</u>
Cash and cash equivalents, end of year	<u>\$ 4,020,885</u>	<u>\$ 74,896</u>	<u>\$ 4,095,781</u>
	Year Ended December 31, 2016		
	District	Hillcrest	Total
Net cash provided by (used in)			
Operating activities	\$ (1,292,369)	\$ 70,789	\$ (1,221,580)
Noncapital financing activities	465,951	-	465,951
Capital and related financing activities	151,651	(105,083)	46,568
Investing activities	<u>(439,561)</u>	<u>30</u>	<u>(439,531)</u>
	(1,114,328)	(34,264)	(1,148,592)
Cash and cash equivalents, beginning of year	<u>8,887,565</u>	<u>357,936</u>	<u>9,245,501</u>
Cash and cash equivalents, end of year	<u>\$ 7,773,237</u>	<u>\$ 323,672</u>	<u>\$ 8,096,909</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, 2017 and 2016

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:

	2017	2016
Certificates of deposit	\$ 180,857	\$ 179,406

Total investment return is composed of the following:

	2017	2016
Interest income	\$ 1,670	\$ 521

Note 16: Subsequent Events

Subsequent events have been evaluated through May 29, 2018, which is the date the consolidated financial statements were available to be issued.

Supplementary Information

Wray Community District Hospital
Consolidating Statement of Net Position Information
December 31, 2017

Assets

	District	Hillcrest	Eliminations	Totals
Current Assets				
Cash and cash equivalents	\$ 1,483,691	\$ 42,990	\$ -	\$ 1,526,681
Short-term investments	2,603,784	-	-	2,603,784
Patient accounts receivable, less allowance for uncollectible accounts; \$2,146,643	3,315,797	-	-	3,315,797
Resident accounts receivable, less allowance for uncollectible accounts; \$37,500	-	280,192	-	280,192
Other receivables	397,284	-	-	397,284
Supplies	658,713	-	-	658,713
Prepaid expenses	198,559	-	-	198,559
Total current assets	<u>8,657,828</u>	<u>323,182</u>	<u>-</u>	<u>8,981,010</u>
Noncurrent Cash and Investments				
Internally designated	1,441,498	-	-	1,441,498
Restricted for bond reserve	1,095,696	31,906	-	1,127,602
Restricted investments	487,598	-	-	487,598
Total noncurrent cash and investments	<u>3,024,792</u>	<u>31,906</u>	<u>-</u>	<u>3,056,698</u>
Capital Assets, Net				
Total assets	<u>\$ 19,852,159</u>	<u>\$ 5,162,250</u>	<u>\$ -</u>	<u>\$ 25,014,409</u>

Wray Community District Hospital
Consolidating Statement of Net Position Information (continued)
December 31, 2017

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

	District	Hillcrest	Eliminations	Totals
Current Liabilities				
Current notes payable	\$ 432,872	\$ 396,706	\$ -	\$ 829,578
Current maturities of long-term debt	102,166	70,426	-	172,592
Accounts payables	887,763	242,974	-	1,130,737
Accrued expenses and other current liabilities	681,818	243,382	-	925,200
Estimated amounts due to third-party payers	424,574	-	-	424,574
Total current liabilities	2,529,193	953,488	-	3,482,681
Long-term Debt	617,701	1,647,346	-	2,265,047
Total liabilities	3,146,894	2,600,834	-	5,747,728
Deferred Inflows of Resources - Property Taxes	376,850	-	-	376,850
Net Position				
Net investment in capital assets	7,016,800	2,692,684	-	9,709,484
Restricted expendable for capital assets	308,256	-	-	308,256
Unrestricted	9,003,359	(131,268)	-	8,872,091
Total net position	16,328,415	2,561,416	-	18,889,831
Total liabilities, deferred inflows of resources and net position	\$ 19,852,159	\$ 5,162,250	\$ -	\$ 25,014,409

Wray Community District Hospital
Consolidating Statement of Revenues, Expenses and
Changes in Net Position Information
Year Ended December 31, 2017

	District	Hillcrest	Eliminations	Totals
Operating Revenues				
Net patient service revenue, net of provision for uncollectible accounts; \$1,096,857	\$ 18,044,151	\$ -	\$ -	\$ 18,044,151
Net resident service revenue, net of provision for uncollectible accounts; \$17,325	-	4,411,908	-	4,411,908
Other operating revenues	613,804	33,764	-	647,568
Total operating revenues	<u>18,657,955</u>	<u>4,445,672</u>	<u>-</u>	<u>23,103,627</u>
Operating Expenses and Losses				
Salaries and benefits	7,902,491	3,360,213	-	11,262,704
Purchased services and professional fees	6,037,324	462,276	-	6,499,600
Supplies and other	5,214,873	892,371	-	6,107,244
Depreciation	1,311,060	304,876	-	1,615,936
Total operating expenses and losses	<u>20,465,748</u>	<u>5,019,736</u>	<u>-</u>	<u>25,485,484</u>
Operating Loss	<u>(1,807,793)</u>	<u>(574,064)</u>	<u>-</u>	<u>(2,381,857)</u>
Nonoperating Revenues (Expenses)				
Property taxes	412,391	-	-	412,391
Net insurance proceeds received	216,081	-	-	216,081
Interest income	35,639	64	-	35,703
Interest expense	(22,422)	(70,013)	-	(92,435)
Net nonoperating revenues (expenses)	<u>641,689</u>	<u>(69,949)</u>	<u>-</u>	<u>571,740</u>
Deficiency of Revenues Over Expenses Before Capital Contributions and Related-party Transfer	(1,166,104)	(644,013)	-	(1,810,117)
Transfer from (to) Related Party	(164,309)	164,309	-	-
Capital Contributions	<u>411,562</u>	<u>-</u>	<u>-</u>	<u>411,562</u>
Change in Net Position	(918,851)	(479,704)	-	(1,398,555)
Net Position, Beginning of Year	<u>17,247,266</u>	<u>3,041,120</u>	<u>-</u>	<u>20,288,386</u>
Net Position, End of Year	<u>\$ 16,328,415</u>	<u>\$ 2,561,416</u>	<u>\$ -</u>	<u>\$ 18,889,831</u>

Wray Community District Hospital
Budgeted and Actual Revenues and Expenses – District Only
Year Ended December 31, 2017

	Actual	Budgeted	Favorable (Unfavorable) Variance
Operating Revenues			
Net patient service revenue	\$ 18,044,151	\$ 17,142,224	\$ 901,927
Other	613,804	815,720	(201,916)
Total operating revenues	18,657,955	17,957,944	700,011
Operating Expenses			
Salaries, wages and employee benefits	7,902,491	7,725,383	(177,108)
Other	12,563,257	10,581,755	(1,981,502)
Total operating expenses	20,465,748	18,307,138	(2,158,610)
Operating Loss	(1,807,793)	(349,194)	(1,458,599)
Net Nonoperating Revenues	641,689	389,751	251,938
Excess (Deficiency) of Revenues Over Expenses Before Capital Contributions	\$ (1,166,104)	\$ 40,557	\$ (1,206,661)