

Wray Community District Hospital

Basic Financial Statements and
Independent Auditors' Reports

December 31, 2020 and 2019



DINGUS | ZARECOR & ASSOCIATES ^{PLLC}
Certified Public Accountants

Wray Community District Hospital
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DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Wray Community District Hospital
Wray, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Wray Community District Hospital (the District) as of December 31, 2020, 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – COVID-19 Pandemic

As discussed in Note 15 to the financial statements, the COVID-19 pandemic has created economic uncertainties which may negatively impact the District's financial position. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 15. Our opinion is not modified with respect to this matter.

Other Matters

Prior Year (December 31, 2019) Auditors' Report

The financial statements of the District as of and for the year ended December 31, 2019, were audited by BKD, LLP, and whose report dated May 28, 2020, expressed an unmodified opinion on those financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The combining statement of net position, combining statement of revenues, expenses, and changes in net position, and schedule of budget and actual revenues and expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statement of net position, combining statement of revenues, expenses and changes in net position, and schedule of budget and actual revenues and expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining statement of net position, combining statement of revenues, expenses and changes in net assets, and schedule of budget and actual revenues and expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
June 10, 2021

Wray Community District Hospital Management's Discussion and Analysis December 31, 2020 and 2019

This discussion and analysis of the financial performance of Wray Community District Hospital (the Hospital) and Wray Community Long Term Care (Hillcrest), collectively referred to as the District, provides an overview of the District's financial activities for the fiscal years ended December 31, 2020 and 2019. Please read it in conjunction with the District's financial statements, which begin on page 11.

Financial Highlights

- Cash and cash equivalents (excluding noncurrent cash) increased in 2020 by \$9,647,009, or 685 percent, and increased in 2019 by \$845,911, or 150 percent
- Current liabilities increased in 2020 by \$6,302,485, or 168 percent, and increased in 2019 by \$1,393,494, or 59 percent
- Net position increased in 2020 by \$3,008,615, or 18 percent, and decreased in 2019 by \$1,202,881, or 7 percent, over the prior year ending net position
- Total operating revenues increased in 2020 by \$2,139,555, or 8 percent, and increased in 2019 by \$2,781,147, or 12 percent
- Total operating expenses increased in 2020 by \$848,155, or 3 percent, and increased in 2019 by \$2,623,595, or 10 percent
- The District reported an operating loss of \$614,899 in 2020 and an operating loss of \$1,906,299 in 2019
- The District reported a decrease in cash from operating activities of \$111,637 in 2020 and an increase of \$70,305 in 2019

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 financial statements and related notes provide information about the activities of the District, including resources held by the District but restricted for specific purposes by contributors, grantors, or enabling legislation.

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

Our analysis of the District finances begins on page 8. One of the most important questions asked about the 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 Assets 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. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net assets—the difference between assets and liabilities—as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's patient base and measures of the quality of service it provides to the community, as well as the local economic factors to assess the overall health of the District.

**Wray Community District Hospital
Management’s Discussion and Analysis (Continued)
December 31, 2020 and 2019**

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing 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 balance during the reporting period?”

The District’s Net Assets

The District’s net assets are the difference between its assets and liabilities reported in the Statement of Net Position on page 11. The District’s net assets increased by \$3.01 million (18 percent) in 2020 and decreased by 1.2 million (7 percent) in 2019, as shown in Table 1.

Table 1: Assets, Liabilities, and Net Position

	2020	2019	2018
<i>Assets</i>			
Patient and resident accounts receivable, net	\$ 2,495,349	\$ 3,418,495	\$ 4,026,315
Other current assets	15,383,194	4,669,006	4,431,842
Capital assets, net	11,167,635	11,531,126	12,149,448
Other noncurrent assets	2,768,743	3,114,668	2,894,822
Total assets	\$ 31,814,921	\$ 22,733,295	\$ 23,502,427
<i>Liabilities</i>			
Current liabilities	\$ 10,060,820	\$ 3,758,335	\$ 2,364,841
Noncurrent liabilities	1,964,807	2,212,462	3,184,555
Total liabilities	12,025,627	5,970,797	5,549,396
<i>Deferred inflows of resources</i>	420,173	401,992	389,644
<i>Net position</i>			
Net investment in capital assets	7,892,927	8,030,644	8,983,344
Unrestricted	8,882,451	5,215,194	8,299,650
Restricted	2,593,743	3,114,668	280,393
Total net position	19,369,121	16,360,506	17,563,387
Total liabilities and net position	\$ 31,814,921	\$ 22,733,295	\$ 23,502,427

A significant component of the increase in the District’s assets and liabilities is the COVID-19 related funding (CARES Act – PRF and PPP and the Medicare Accelerated & Advanced Payment). Operating revenues increased in 2020 by \$2.14 million (8 percent), driven by the 340b contract pharmacy program and a decrease in contractual adjustments and bad debt as a percentage of gross revenue. Net patient and resident revenues increased by \$2.11 million (8 percent) in 2020 and by \$2.57 million (11 percent) in 2019.

Operating Results and Changes in The District’s Net Assets

In 2020, the District’s net assets increased by \$3.01 million, or 18 percent, as shown in Table 2. See Table 2 for the operating results and changes in net position.

**Wray Community District Hospital
Management's Discussion and Analysis (Continued)
December 31, 2020 and 2019**

Table 2: Operating Results and Changes in Net Assets

	2020	2019	2018
<i>Operating revenues</i>			
Net patient and resident service revenue	\$ 28,347,815	\$ 26,239,816	\$ 23,670,110
Grants	225,618	1,500	5,000
Other operating revenue	266,646	459,208	244,267
Total operating revenues	28,840,079	26,700,524	23,919,377
<i>Operating expenses</i>			
Salaries, wages, and benefits	12,934,219	12,159,939	11,618,958
Purchased services and professional fees	7,799,818	7,835,251	6,558,632
Supplies and other operating expenses	7,420,620	7,246,500	6,345,565
Depreciation and amortization	1,300,321	1,365,133	1,460,073
Total operating expenses	29,454,978	28,606,823	25,983,228
<i>Operating loss</i>	(614,899)	(1,906,299)	(2,063,851)
<i>Nonoperating revenues (expenses)</i>			
Taxation for maintenance and operations	446,535	437,151	420,462
Net insurance proceeds received	-	-	46,140
Interest income	58,461	49,870	41,602
Interest expense	(99,774)	(104,137)	(97,192)
Loss on disposal of capital assets	31,550	(12,521)	-
CARES Act Provider Relief Fund	1,036,334	-	-
Total nonoperating revenues, net	1,473,106	370,363	411,012
Change in net position before capital grants and gain on Forgiveness of Paycheck Protection Program Loan	858,207	(1,535,936)	(1,652,839)
<i>Capital grants</i>	137,666	333,055	326,395
<i>Gain on Forgiveness of Paycheck Protection Program Loan</i>	2,012,742	-	-
Change in net position	3,008,615	(1,202,881)	(1,326,444)
Net position, beginning of year	16,360,506	17,563,387	18,889,831
Net position, end of year	\$ 19,369,121	\$ 16,360,506	\$ 17,563,387

**Wray Community District Hospital
Management's Discussion and Analysis (Continued)
December 31, 2020 and 2019**

Operating Losses

The first component of the overall change in the District's net assets is its operating loss—generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In fiscal year 2020, the District reported an operating loss of \$614,899. In fiscal years 2019 and 2018, the District reported operating losses of \$1.91 million and \$2.07 million, respectively.

The primary components of these operating results for 2020 are:

- The COVID-19 pandemic significantly impacted the district financially and operationally in 2020 and the impact continues into 2021. In March 2020, the State of Colorado executive order shutdown severely impacted volumes and revenues by halting all elective surgeries and procedures. The hospital was immediately impacted but was able to rebound the remainder of 2020 by resuming and increasing elective surgeries and procedures. Hillcrest revenues were not significantly impacted until the fourth quarter of 2020 when there was a decrease in census and inability to increase census.
- The Federal government quickly responded by ensuring hospitals and nursing homes had sufficient operational cash through the delivery of the Medicare Advance & Accelerated Payments (reference Note 15 on Page 30 for additional detail) and the CARES Act (Paycheck Protection Program and the Provider Relief Funds). The District received sufficient COVID-19 related cash to maintain operations and staff throughout the year.
 - Forgiveness of the Paycheck Protection Program Loans (\$1.49 million for the hospital and clinic and \$527,000 for Hillcrest) was recognized as a gain on forgiveness of debt. Funds were used to cover payroll costs for a 12-week period through the COVID-19 pandemic. Additional details can be found in Note 8 on page 25.
 - CARES Act Provider Relief Funds of \$1.04 million were recognized as nonoperating revenues in 2020 (\$1.01 million for the hospital and clinic and \$27,000 for Hillcrest). Funds were used to cover additional expenses in preparation for and in response to the COVID-19 pandemic and to help cover lost revenues. Additional details can be found in Note 10 on Page 27.
- Reinstatement of the 340b contract pharmacy program in 2020 resulted in \$1.31 million gross revenue and \$247,000 of net revenue after considering 340b program expenses.
- Improvement in revenue cycle and billing resulted in an increase in cash collections and a decrease in adjustments as a percentage of gross revenue. The contract for the revenue cycle consultants that were brought in in 2019 ended in June of 2020. All revenue cycle key performance indicators (accounts receivable and billing/coding metrics) were sustained and remain on target into 2021.
- Salaries and wages (including benefits) increased \$774,000, or 6 percent, in 2020 and \$541,000, or 5 percent, in 2019.
- Decrease in purchased services and professional fees of \$35,000 in 2020, and a \$1.28 million increase in 2019.

**Wray Community District Hospital
Management's Discussion and Analysis (Continued)
December 31, 2020 and 2019**

Operating Losses (continued)

The primary components of these operating results for 2019 are:

- Net patient and resident service revenue increased \$2,569,706, or 10.86 percent, as compared to 2018. The increase is attributed to a 3 percent chargemaster increase on January 1, 2019, and volume increases in general and orthopedic surgery. Growth in these departments drove revenue increases in anesthesia, recovery, med/surg, radiology, lab, and physical therapy. In addition, CPC+ Clinic revenue increased 15 percent in 2019 as compared to 2018. Hospital revenue growth steadily increased throughout 2019 due to the return of a general surgeon to regular schedule and adding an additional orthopedic surgeon. The new CMS reimbursement methodology, effective October 2019, has benefited Hillcrest and improved net resident revenues.
- Salaries and wages (including benefits) increased \$540,981, or 4.66 percent, as compared to 2018 primarily due to a 1.5 percent payroll merit increase and six additional Hospital full-time equivalents (FTEs). Hillcrest had a 3.3 percent decrease in wages due to fewer FTEs, but this resulted in a contract nursing increase. In addition, health insurance expense increased 6 percent for Hillcrest and remained flat at the hospital.
- Purchased services and professional fees increased \$809,329, or 12.34 percent, at the Hospital as compared to 2018. Purchased services increased at the Hospital in 2019 primarily due to fully outsourcing billing, collections, and coding. Purchased services increased by 47 percent at Hillcrest due to a 53 percent increase in contract nursing in 2019.

Nonoperating Revenues and Expenses

2020 nonoperating revenues consist primarily of CARES Act Provider Relief Funds, property taxes levied by the District, and interest revenue. The district recognized \$1.04 million in CARES Act Provider Relief Funds in 2020, accounting for 70 percent of nonoperating revenues. As a result, nonoperating revenues increased by \$1.10 million, or 298 percent, in 2020 compared to a \$41,000, or 10 percent, decrease in 2019.

Grants, Contributions, and Endowments

The District received \$225,618 in operating grants and \$137,666 in capital grants in 2020. The district also received \$175,000 in unearned grant revenue to be recognized in 2021.

Review and Analysis

The Calendar Year 2020 was remarkable for the District from several perspectives. After repairing the ineffective and financially devastating introduction of the Cerner Revenue Cycle Program at the beginning of 2019, management anticipated 2020 to be a year of growth and stability in its billing and collections department. The surgery department expected a strong year with a full-time general surgeon, two part-time general surgeons, and a growing team of part-time orthopedic surgeons. An additional primary care physician to the clinic would also add to the growing patient load. Every department anticipated a productive year, including the re-introduction of the 340b pharmacy program. Hillcrest nursing home had also re-engineered its staffing issues and anticipated a breakout 2020.

**Wray Community District Hospital
Management's Discussion and Analysis (Continued)
December 31, 2020 and 2019**

Review and Analysis (continued)

Then COVID-19 was introduced to the equation in March 2020. Declaring a state of emergency, many restrictions and guiding regulations were promulgated by federal, state, and internal mandates. Elective surgeries were suspended in March. As the pandemic was “flattened” in Wray in March and early April, elective surgeries started up near the end of April. The facility was able to recover quickly from the loss of revenue. The collective staff of the District worked diligently throughout the year. During the lockdown in March, twenty-one employees worked from home, dozens of others were redirected to other job responsibilities, and productivity remained high. Utilizing the federal programs made available to hospitals, the District was able to accumulate enough cash to weather the COVID-19 storm. The District derived funds from the Payroll Protection Program (PPP), CARES Act Provider Relief Fund, and the Medicare Accelerated Payments program. Additionally, grants were secured that guaranteed the availability of staff and the purchase of personal protection equipment (PPEs).

The return of all facility service lines came quickly and effectively for the balance of 2020, which effectively enabled WCDH to post its best financial results in ten years. Several key indicators highlight the progress made in 2020.

The 2020 total margin from all sources including COVID-19 funding was 9.2 percent and far exceeded the 2019 margin of -4.4 percent and 2018 margin of -5.4 percent. When reviewed without COVID-19 funding, the total margin was at 0 percent (-0.1 percent) in 2020 as compared to -4.4 percent 2019 margin and -5.4 percent in 2018. The trend is very favorable.

Days cash on hand from all sources increased 134 percent from 86 days in 2019 to 201 days in 2020. Had COVID-19 been more catastrophic, the District would have been in position to weather a prolonged shut down.

Days cash on hand without unearned CARES Act Provider Relief Fund and Medicare Accelerated Payments gained a healthy 30 days from 86 days in 2019 to 116 days in 2020 and has positioned the District in improved financial condition.

An area for opportunity is the long-term debt to net position. At only 11 percent in 2020, the District is in a favorable position to explore future service lines, capital expenditures, or plant renovation/expansion.

The revenue cycle team realized 32 days in net patient accounts receivable in 2020 as compared to 48 days in 2019 and 62 days in 2018. This is attributed to training over the past two years, leadership, and a committed staff.

In addition to the improvement of days in net patient accounts receivable, contractual adjustments as a percentage of gross revenue decreased in 2020 by 16 percent over the previous year. The improved efficiencies in the billing/collections program continues to allocate additional time to the improvement of the revenue cycle process.

During 2020 and the inclusion of the complications of COVID-19, the District increased its net patient service revenue per full time equivalent (FTE) by 7.5 percent. This demonstrates the efficiency of the District's staff as many new employees were tasked with COVID-related but non-revenue producing tasks throughout the year.

**Wray Community District Hospital
Management's Discussion and Analysis (Continued)
December 31, 2020 and 2019**

The District's Cash Flows

The District's cash flows from noncapital financing activities increased in 2020 due to proceeds from the CARES Act, Medicare Advance & Accelerated payment, and the Paycheck Protection Program loan program.

Capital Asset and Debt Administration

Capital Assets

At the end of 2020, the District had \$11.17 million invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. In 2020, the District had improvements and purchased new equipment costing \$931,000. Of this, \$327,000 was acquired through capital leases. In 2019, \$759,000 was spent on improvements and/or acquisitions of new equipment.

Debt

At year end, the District had \$2.51 million in long-term debt and capital lease obligations compared to \$2.52 million at 2019 year end.

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 education 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 information should be directed to the District Business Administration by calling 970.332.4811.

BASIC FINANCIAL STATEMENTS

Wray Community District Hospital
Statements of Net Position
December 31, 2020 and 2019

ASSETS	2020	2019
<i>Current assets</i>		
Cash and cash equivalents	\$ 11,055,444	\$ 1,408,435
Investments	1,751,188	1,928,954
Receivables:		
Patient and resident accounts	2,495,349	3,418,495
Property taxes	420,173	401,992
Estimated third-party payor settlements	638,756	-
Other	111,451	22,554
Inventories	980,394	683,674
Prepaid expenses	425,788	223,397
Total current assets	17,878,543	8,087,501
<i>Noncurrent assets</i>		
Restricted cash and cash equivalents	201,497	773,523
Restricted investments held as collateral	2,567,246	2,341,145
Capital assets, net	11,167,635	11,531,126
Total noncurrent assets	13,936,378	14,645,794
Total assets	\$ 31,814,921	\$ 22,733,295
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
<i>Current liabilities</i>		
Accounts payable	\$ 961,840	\$ 1,509,707
Accrued compensation and related liabilities	1,015,034	712,583
Accrued interest payable	18,133	5,020
Estimated third-party payor settlements	-	248,025
Short-term notes payable	743,526	977,969
Current maturities of long-term debt	548,242	305,031
Unearned grant revenue	175,000	-
Medicare accelerated payments payable	3,185,000	-
Unearned CARES Act Provider Relief Fund	3,414,045	-
Total current liabilities	10,060,820	3,758,335
<i>Long-term debt, net of current maturities</i>	1,964,807	2,212,462
Total liabilities	12,025,627	5,970,797
<i>Deferred inflows of resources, property tax levy</i>	420,173	401,992
Total liabilities and deferred inflows of resources	12,445,800	6,372,789
<i>Net position</i>		
Net investment in capital assets	7,892,927	8,030,644
Unrestricted	8,882,451	5,215,194
Restricted	2,593,743	3,114,668
Total net position	19,369,121	16,360,506
Total liabilities, deferred inflows of resources, and net position	\$ 31,814,921	\$ 22,733,295

See accompanying notes to basic financial statements.

Wray Community District Hospital
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2020 and 2019

	2020	2019
<i>Operating revenues</i>		
Net patient and resident service revenue	\$ 28,347,815	\$ 26,239,816
Grants	225,618	1,500
Other	266,646	459,208
Total operating revenues	28,840,079	26,700,524
<i>Operating expenses</i>		
Salaries and wages	10,337,675	9,813,060
Employee benefits	2,596,544	2,346,879
Professional fees and other purchased services	7,799,818	7,835,251
Supplies	3,747,447	4,162,112
Depreciation and amortization	1,300,321	1,365,133
Insurance	224,537	262,521
Utilities	434,044	461,951
Repairs and maintenance	921,549	1,103,456
Leases and rentals	38,068	38,256
Provider fees	568,314	516,463
Other	1,486,661	701,741
Total operating expenses	29,454,978	28,606,823
<i>Operating loss</i>	(614,899)	(1,906,299)
<i>Nonoperating revenues (expenses)</i>		
Taxation for operations	446,535	437,151
Gain (loss) on disposal of capital assets	31,550	(12,521)
Interest income	58,461	49,870
Interest expense	(99,774)	(104,137)
CARES Act Provider Relief Fund	1,036,334	-
Total nonoperating revenues, net	1,473,106	370,363
Change in net position before capital grants and gain on forgiveness of Paycheck Protection Program loan	858,207	(1,535,936)
<i>Capital grants</i>	137,666	333,055
<i>Gain on forgiveness of Paycheck Protection Program loan</i>	2,012,742	-
Change in net position	3,008,615	(1,202,881)
Net position, beginning of year	16,360,506	17,563,387
Net position, end of year	\$ 19,369,121	\$ 16,360,506

See accompanying notes to basic financial statements.

Wray Community District Hospital
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 28,384,180	\$ 26,562,439
Other receipts	177,749	492,317
Proceeds from grants	225,618	1,500
Payments to and on behalf of employees	(12,631,768)	(12,348,061)
Payments to suppliers and contractors	(16,267,416)	(14,637,890)
Net cash provided by (used in) operating activities	(111,637)	70,305
<i>Cash flows from noncapital financing activities</i>		
Taxation for operations	446,535	437,151
Proceeds from CARES Act Provider Relief Fund	4,450,379	-
Proceeds from Medicare accelerated payments	3,185,000	-
Proceeds from Paycheck Protection Program loan	2,012,742	-
Net cash provided by noncapital financing activities	10,094,656	437,151
<i>Cash flows from capital and related financing activities</i>		
Purchase of capital assets	(578,551)	(377,198)
Proceeds from capital grants	312,666	333,055
Proceeds from line of credit	-	400,000
Principal paid on long-term debt	(331,173)	(214,707)
Principal paid on short-term notes payable and line of credit	(234,443)	(223,294)
Interest paid on long-term debt	(86,661)	(104,137)
Net cash used in capital and related financing activities	(918,162)	(186,281)
<i>Cash flows from investing activities</i>		
Purchase of investments	-	(55,927)
Investment income	10,126	49,870
Net cash provided by (used in) investing activities	10,126	(6,057)
Net increase in cash and cash equivalents	9,074,983	315,118
Cash and cash equivalents, beginning of year	2,181,958	1,866,840
Cash and cash equivalents, end of year	\$ 11,256,941	\$ 2,181,958

See accompanying notes to basic financial statements.

Wray Community District Hospital
Statements of Cash Flows (Continued)
Years Ended December 31, 2020 and 2019

	2020	2019
<i>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</i>		
Cash and cash equivalents in current assets	\$ 11,055,444	\$ 1,408,435
Restricted cash and cash equivalents	201,497	773,523
Total cash and cash equivalents	\$ 11,256,941	\$ 2,181,958
<i>Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities</i>		
Operating loss	\$ (614,899)	\$ (1,906,299)
<i>Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:</i>		
Depreciation and amortization	1,300,321	1,365,133
Provision for bad debts	945,711	1,477,493
(Increase) decrease in assets:		
Patient and resident accounts receivable	(22,565)	(869,673)
Estimated third-party payor settlements	(638,756)	-
Other receivables	(88,897)	33,109
Inventories	(296,720)	(69,108)
Prepaid expenses	(202,391)	(37,618)
Increase (decrease) in liabilities:		
Accounts payable	(547,867)	550,587
Accrued compensation and related liabilities	302,451	(188,122)
Estimated third-party payor settlements payable	(248,025)	(285,197)
Net cash provided by (used in) operating activities	\$ (111,637)	\$ 70,305

Noncash Financing and Investing Activities

During the year ended December 31, 2020, the District incurred capital lease obligations for the acquisition of property and equipment in the amount of \$326,729. In addition, the District recognized a gain on the forgiveness of the Paycheck Protection Program loan in the amount of \$2,012,742.

During the year ended December 31, 2019, the District incurred capital lease obligations for the acquisition of property and equipment in the amount of \$367,359.

See accompanying notes to basic financial statements.

**Wray Community District Hospital
Notes to Basic Financial Statements
Years Ended December 31, 2020 and 2019**

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Wray Community District Hospital (the District) is a 16-bed critical access hospital located in Wray, Colorado. The District is a political subdivision of the state of Colorado for the purpose of providing medical care to the residents of Yuma County, Colorado. The District is exempt from income taxes under Section 115 of the Internal Revenue Code and a similar provision of the state law. The District is governed by a Board of Directors consisting of five members elected by the residents of the District. The District is not a component unit of another government entity.

Blended component unit – Wray Community Long Term Care, Inc. doing business as Hillcrest Care Center and The Towers (Hillcrest), is a 45-bed licensed nursing home and 24-unit assisted living facility located in Wray, Colorado. 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 hospital, which are collectively referred to as the District.

Wray Community Hospital Foundation – Wray Community Hospital Foundation (the Foundation) is a legally separate, tax-exempt organization under Internal Revenue Code Section 501(c)(3) established primarily to raise and hold funds to support the District and its programs. Although the District does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the District. The Foundation is not reported as a component unit of the District in the accompanying financial statements. Complete financial statements for the Foundation can be obtained from the Wray Community Hospital Foundation at the following address: P.O. Box 421, Wray, Colorado 80758.

b. Summary of Significant Accounting Policies

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 and liabilities 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.

Enterprise fund accounting – The District's accounting policies conform to accounting principles generally accepted in the United States of America as applicable to proprietary funds of governments. The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Cash and cash equivalents – Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

**Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019**

1. Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Prepaid expenses – Prepaid expenses are expenses paid during the year relating to expenses incurred in future periods. Prepaid expenses are amortized over the expected benefit of the related expense.

Inventories – Supply inventories are stated at cost, determined using the first-in, first-out method. Inventories consist of pharmaceutical, medical, and other supplies used in the operations of the District.

Capital assets – It is the District’s policy to capitalize property and equipment over \$5,000 and a useful life of at least three years; lesser amounts are expensed. Capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Capital assets other than land are depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives. Amortization of assets subject to leases is reported with depreciation expense.

Estimated useful lives are as follows:

Buildings and improvements	5 to 40 years
Fixed and major movable equipment	3 to 20 years

Compensated absences – The District’s policies permit most employees to accumulate vacation benefits that may be realized as paid time off. The expense and the related liability are recognized as vacation benefits are earned. Compensated absence liabilities are computed using the regular pay rate in effect at the statements of net position dates plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date.

Net position – Net position has three classifications. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. *Unrestricted net position* is remaining net position that does not meet the definition of *net investment in capital assets* or *restricted net position*.

Operating revenues and expenses – The District’s statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions, including grants for specific operating activities, associated with providing healthcare services — the District’s principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services other than financing costs.

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

1. Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Grants and contributions – From time to time, the District receives grants from the state of Colorado and others as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts restricted for capital acquisitions are reported after nonoperating revenues and expenses. Grants that are restricted for specific projects or purposes related to the District's operating activities are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue. Contributions, except for capital contributions, are reported as nonoperating revenue.

Restricted resources – When the District has both restricted and unrestricted resources available to finance a particular program, it is the District's policy to use restricted resources before unrestricted resources.

Reclassifications – Certain items included in the accompanying 2019 financial statements have been reclassified to conform to the 2020 presentation, with no effect on the previously reported change in net position.

Subsequent events – The District has evaluated subsequent events and transactions through June 10, 2021, the date on which the financial statements were available to be issued.

Upcoming accounting standard pronouncements – In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible asset representing the lessee's right to use the leased asset, thereby enhancing the relevance and consistency of information about governments' leasing activities. The new guidance is effective for the District's year ending December 31, 2022, although earlier application is encouraged. The District has not elected to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

2. Bank Deposits and Investments:

Deposits:

Under Colorado State statute, the Commercial Bank Code Public Deposit Protection Act of 1989 (PDPA) protects public funds held in bank deposit accounts in the event that the bank holding the public deposits becomes insolvent. As defined by the PDPA, deposit accounts include checking, savings, bank money market, and certificates of deposit accounts. Banks must deliver bank assets (usually securities) to a third-party institution, which are pledged to the Colorado Division of Banking, for all Colorado public depositors.

The bank balance at each institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per entity. Any excess of deposits over the FDIC limit not insured is covered by collateral pledged by the financial institution in accordance with the PDPA.

Investments:

Colorado State statutes authorize the District to invest in U.S. Treasury bills, obligations of any other U.S. agencies, obligations of the World Bank, general obligation bonds of any state or any of their subdivisions, revenue bonds of any state or any of their subdivisions, banker's acceptance notes, commercial paper, repurchase agreements, money market funds, and guaranteed investment contracts. All investments must be held by the District, in its name, or in custody of a third party on behalf of the local government.

Custodial credit risk – Custodial credit risk is the risk that, in the event of a failure of the depository institution, the District may not be able to recover its deposits or investments. District's investment policy does not contain policy requirements that would limit the exposure to custodial credit risk for investments.

Credit risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is typically measured by the assignment of a rating by a nationally recognized statistical rating organization. The District has a policy specifically limiting its investments to U.S. government-backed securities, insured certificates of deposits, or money market accounts.

Concentration of credit risk – The inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification (investments acquired from single issuer). It is the District's policy to limit its investments to U.S. government-backed securities, insured certificates of deposit, or money market accounts, and to limit investments in a single security to 50 percent of excess operating funds or capital reserves funds.

Interest rate risk – Interest rate risk is the risk that changes in market interest rates could adversely affect an investment's fair value. The District has a policy specifically managing its exposure to fair value losses arising from changing interest rates.

As of December 31, 2020 and 2019, all investments held by the District consisted of certificates of deposit with maturity dates of one year or less. Investments in certificates of deposit are carried at amortized cost. Investment income includes interest income and accrued interest on certificates of deposit.

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

2. Bank Deposits and Investments (continued):

Fair value measurements – The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of December 31, 2020, all investments were in certificates of deposits valued with significant other inputs (Level 2).

3. Patient and Resident Accounts Receivable:

Patient and resident accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patient and resident accounts receivable, the District analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients and residents who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients and residents (which include both patients and residents without insurance and patients and residents with deductible and copayment balances due for which third-party coverage exists for part of the bill), the District records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients and residents are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The District’s allowance for uncollectible accounts has not significantly changed from the prior year. The District does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

Patient and resident accounts receivable reported as current assets by the District were as follows:

	2020	2019
Receivable from patients and their insurance carriers	\$ 2,623,479	\$ 3,192,693
Receivable from Medicare	839,719	941,997
Receivable from Medicaid	200,565	420,302
Total patient and resident accounts receivable	3,663,763	4,554,992
Less allowance for uncollectible accounts	(1,168,414)	(1,136,497)
Patient and resident accounts receivable, net	\$ 2,495,349	\$ 3,418,495

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

4. Property Taxes:

The Yuma County Treasurer acts as an agent to assess and collect property taxes levied in the county for all taxing authorities. Property taxes are levied and assessed in December of the prior year on property values assessed as of the same date. Taxes are due in two equal amounts by February 28 and June 15, or all may be paid by April 30. Taxes estimated to be collectible are recorded as revenue in the year of the levy by the District. The assessed property is subject to lien on the levy date; therefore, no allowance for uncollectible taxes receivable is considered necessary at the statement of net position date.

For 2020, the District's regular tax levy was \$3.227 per \$1,000 on a total assessed valuation of \$130,205,590, for a total regular levy of \$420,173.

For 2019, the District's regular tax levy was \$3.227 per \$1,000 on a total assessed valuation of \$124,532,690, for a total regular levy of \$401,992.

5. Capital Assets:

Capital asset additions, retirements, transfers, and balances reported by the District were as follows:

	Balance December 31, 2019	Additions	Retirements	Transfers	Balance December 31, 2020
<i>Capital assets not being depreciated</i>					
Land	\$ 124,672	\$ -	\$ -	\$ -	\$ 124,672
Construction in progress	8,662	14,088	(8,662)	-	14,088
Total capital assets not being depreciated	133,334	14,088	(8,662)	-	138,760
<i>Capital assets being depreciated</i>					
Buildings and improvements	19,224,232	6,742	-	-	19,230,974
Fixed and major moveable equipment	11,860,680	924,662	(716,646)	-	12,068,696
Total capital assets being depreciated	31,084,912	931,404	(716,646)	-	31,299,670
<i>Less accumulated depreciation for</i>					
Buildings and improvements	8,374,113	659,777	-	-	9,033,890
Fixed and major moveable equipment	11,313,007	640,544	(716,646)	-	11,236,905
Total accumulated depreciation	19,687,120	1,300,321	(716,646)	-	20,270,795
<i>Total capital assets being depreciated, net</i>	11,397,792	(368,917)	-	-	11,028,875
Capital assets, net	\$ 11,531,126	\$ (354,829)	\$ (8,662)	\$ -	\$ 11,167,635

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

5. Capital Assets (continued):

Capital asset additions, retirements, transfers, and balances reported by the District were as follows:

	Balance December 31, 2018	Additions	Retirements	Transfers	Balance December 31, 2019
<i>Capital assets not being depreciated</i>					
Land	\$ 124,672	\$ -	\$ -	\$ -	\$ 124,672
Construction in progress	8,662	-	-	-	8,662
Total capital assets not being depreciated	133,334	-	-	-	133,334
<i>Capital assets being depreciated</i>					
Buildings and improvements	19,224,232	-	-	-	19,224,232
Fixed and major moveable equipment	12,975,791	759,332	(1,874,443)	-	11,860,680
Total capital assets being depreciated	32,200,023	759,332	(1,874,443)	-	31,084,912
<i>Less accumulated depreciation for</i>					
Buildings and improvements	9,570,904	665,131	(1,861,922)	-	8,374,113
Fixed and major moveable equipment	10,613,005	700,002	-	-	11,313,007
Total accumulated depreciation	20,183,909	1,365,133	(1,861,922)	-	19,687,120
<i>Total capital assets being depreciated, net</i>	12,016,114	(605,801)	(12,521)	-	11,397,792
Capital assets, net	\$ 12,149,448	\$ (605,801)	\$ (12,521)	\$ -	\$ 11,531,126

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

6. Short-term Notes Payable and Line of Credit:

A schedule of changes in the District's short-term notes payable and line of credit follows:

	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020
Note payable 2015	\$ 396,706	\$ -	\$ -	\$ 396,706
Note payable 2016	381,263	-	(34,443)	346,820
Line of credit	200,000	-	(200,000)	-
Total short-term notes payable and line of credit	\$ 977,969	\$ -	\$ (234,443)	\$ 743,526

	Balance December 31, 2018	Additions	Reductions	Balance December 31, 2019
Note payable 2015	\$ 396,706	\$ -	\$ -	\$ 396,706
Note payable 2016	404,557	-	(23,294)	381,263
Line of credit	-	400,000	(200,000)	200,000
Total short-term notes payable and line of credit	\$ 801,263	\$ 400,000	\$ (223,294)	\$ 977,969

The District held the following short-term obligations:

Note Payable 2015 – A note payable in the amount of \$396,706 was issued November 23, 2015, for capital repairs at Hillcrest. The note matures annually but may be extended at a new interest rate at the option of management. The note is secured by certificates of deposit. Interest is payable quarterly and was 2.09 percent and 2.27 percent as of December 31, 2020 and 2019, respectively. The outstanding balance of the note was \$396,706 at December 31, 2020 and 2019. The note matures on September 2, 2021, and is secured by investments held by the District. It is management's intent to continue to renew the note.

Note Payable 2016 – A note payable in the amount of \$475,000 was issued May 26, 2016. The note matures annually but may be extended at a new interest rate at the option of management. The note is secured by certificates of deposit. Principle and interest is payable quarterly, with an interest rate of 1.70 percent and 2.10 percent as of December 31, 2020 and 2019, respectively. The outstanding balance of the note was \$346,820 and \$381,263 as of December 31, 2020 and 2019, respectively. The note matures August 27, 2021, and is secured by investments held by the District. It is management's intent to continue to renew the note.

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

6. Short-term Notes Payable and Line of Credit (continued):

Line of credit – The District had an open line of credit with Wray State Bank at December 31, 2020, for \$1,200,000. The total outstanding balance of the line of credit totaled \$0 and \$200,000 as of December 31, 2020 and 2019, respectively. The line of credit was secured by investments held by the District. The line of credit was not renewed at its expiration on April 14, 2021, and was closed by the District.

The outstanding notes and line of credit contain provisions that in the event of default, the timing of repayment of the outstanding amounts become immediately due as listed in the events of default in the agreements.

7. Long-term Debt and Capital Lease Obligations:

A schedule of changes in the District’s noncurrent liabilities follows:

	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Amounts Due Within One Year
Note payable	\$ 382,400	\$ -	\$ (28,272)	\$ 354,128	\$ 354,128
USDA mortgage payable	1,551,396	-	(22,674)	1,528,722	7,762
Capital lease obligations	583,697	326,729	(280,227)	630,199	186,352
Total long-term debt and other noncurrent liabilities	\$ 2,517,493	\$ 326,729	\$ (331,173)	\$ 2,513,049	\$ 548,242

	Balance December 31, 2018	Additions	Reductions	Balance December 31, 2019	Amounts Due Within One Year
Note payable	\$ 409,858	\$ -	\$ (27,458)	\$ 382,400	\$ 28,259
USDA mortgage payable	1,580,989	-	(29,593)	1,551,396	30,646
Capital lease obligations	373,994	367,359	(157,656)	583,697	246,126
Total long-term debt and other noncurrent liabilities	\$ 2,364,841	\$ 367,359	\$ (214,707)	\$ 2,517,493	\$ 305,031

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

7. Long-term Debt and Capital Lease Obligations (continued):

The terms and due dates of the District’s long-term debt and other noncurrent liabilities were as follows:

- **Note payable** – The note payable matures May 31, 2021, and is due in quarterly installments of principle and interest of \$9,862 and one lump-sum payment of \$349,525, including interest at 3 percent. The note is secured by investments held by the District. The outstanding note contains a provision that in the event of default, the timing of repayment of the outstanding amounts become immediately due as listed in the events of default in the agreement. Scheduled principal and interest payments on the note payable are as follows:

Year Ending December 31,	Note Payable	
	Principal	Interest
2021	\$ 354,128	\$ 5,243

- **USDA mortgage payable** – The USDA mortgage payable matures June 1, 2049, and is due in monthly installments of principle and interest of \$7,038 including interest at 3.5 percent. The note is secured by certain capital assets, revenues, and other assets. The mortgage agreement contains a provision that in the event of default, the timing of repayment of the outstanding amounts become immediately due as listed in the events of default in the agreements. Beginning with the payment due on October 1, 2020, the USDA granted the District a deferral on payments, for both principle and interest, until October 1, 2021, due to the COVID-19 pandemic. Interest will continue to accrue during the deferral period. Scheduled principal and interest payments on the mortgage payable are as follows:

Years Ending December 31,	USDA Mortgage Payable	
	Principal	Interest
2021	\$ 7,762	\$ 31,185
2022	31,736	52,720
2023	32,864	51,592
2024	34,033	50,423
2025	35,244	49,212
2026 - 2030	195,937	226,343
2031 - 2035	233,350	188,930
2036 - 2040	277,906	144,374
2041 - 2045	330,970	91,310
2046 - 2049	348,920	38,380
	\$ 1,528,722	\$ 924,469

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

7. Long-term Debt and Capital Lease Obligations (continued):

- **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, 2020, consisted entirely of fixed and major moveable equipment with a gross cost of \$1,283,815 and accumulated depreciation of \$324,662. Assets under capital leases at December 31, 2019, consisted entirely of fixed and major moveable equipment with a gross cost of \$1,180,669 and accumulated depreciation of \$221,280. Scheduled principal and interest payments on capital lease obligations are as follows:

Years Ending December 31,	Capital Lease Obligations	
	Principal	Interest
2021	\$ 186,352	\$ 17,427
2022	175,611	11,337
2023	118,787	6,699
2024	117,731	2,918
2025	31,718	275
	\$ 630,199	\$ 38,656

8. Paycheck Protection Program Loan:

In April 2020, the District and Hillcrest were granted loans from Wray State Bank in the amounts of \$1,485,485 and \$527,257, respectively, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), which was enacted March 27, 2020.

The PPP loans, which were in the form of notes each dated April 15, 2020, mature on April 15, 2022, and bear interest at a rate of 1 percent per annum. Funds from the loan were used for payroll costs, costs used to continue group healthcare benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred after February 15, 2020. The District and Hillcrest used the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

The District and Hillcrest applied for PPP loan forgiveness in November 2020, and forgiveness was approved. The loan forgiveness is recorded as a gain on forgiveness of Paycheck Protection Program loan in the statements of revenues, expenses, and changes in net position.

In February 2021, the District and Hillcrest were granted loans from First Pioneer National Bank in the amounts of \$1,805,395 and \$619,685, respectively, as second draw loans pursuant to the PPP program.

The second draw PPP loans, which were in the form of notes each dated February 19, 2021, mature on February 19, 2026, and bear interest at a rate of 1 percent per annum. Funds from the loans are to be used for payroll costs, costs used to continue group healthcare benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred after February 19, 2021. The District and Hillcrest expect to use the entire loan amount for qualifying expenses. Under the terms of the second draw PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The District believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

9. Net Patient and Resident Service Revenue:

The District recognizes patient and resident service revenue associated with services provided to patients and residents who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the District's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the District records a significant provision for bad debts related to uninsured patients in the period the services are provided. The District's provisions for bad debts and writeoffs decreased significantly in 2020 due to higher collection rates from self-pay patients and residents. The District has not changed its charity care or uninsured discount policies during fiscal year 2020. Patient and resident service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	2020	2019
Patient and resident service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 9,135,174	\$ 8,775,251
Medicaid	3,642,438	4,599,045
Other third-party payors	8,565,889	8,659,462
Patients	3,872,676	2,802,752
CHASE supplemental payments	2,347,601	2,427,097
Capitation payments	450,652	479,679
340b contract pharmacy	1,309,530	101
	29,323,960	27,743,387
Less:		
Charity care	30,434	26,078
Provision for bad debts	945,711	1,477,493
	28,347,815	26,239,816
Net patient and resident service revenue	\$ 28,347,815	\$ 26,239,816

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- **Medicare** – The District has been designated a critical access hospital by Medicare and is reimbursed for inpatient, outpatient, and clinic services on a cost basis as defined and limited by the Medicare program. 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 Medicare administrative contractor. Physician services are reimbursed on a fee schedule. Hillcrest is reimbursed for skilled nursing facility services under a prospective payment system.

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

9. Net Patient and Resident Service Revenue (continued):

- **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. Physician services are reimbursed on a fee schedule. Hillcrest is reimbursed for nursing services based on prospectively determined rates per day.
- **Other** – The District has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, fee schedules, and prospectively determined daily rates.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient and resident service revenue decreased by approximately \$119,000 in 2020 due to differences between original estimates and final settlements or revised estimates.

Under the Colorado Health Care Affordability Act (Act), the District pays provider fees to the state of Colorado. The provider fees are based on inpatient days and outpatient charges. The District also receives various supplemental payments from the state of Colorado under this Act.

The District provides charity care to patients who are financially unable to pay for the healthcare services they receive. The District's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from the Medicare cost report. The costs of caring for charity care patients were approximately \$25,000 and \$21,000 for the years ended December 31, 2020 and 2019, respectively. The District received approximately \$2,348,000 and \$2,427,000 from supplemental Medicaid payments and the Colorado Indigent Care Program for the years ended December 31, 2020 and 2019, respectively, to subsidize the cost of caring for charity care patients and to cover the gap where the cost of caring for Medicaid patients exceeded Medicaid payments.

10. CARES Act Provider Relief Fund:

In 2020, the District received approximately \$4,450,000 of funding from the CARES Act Provider Relief Fund. These funds are required to be used to reimburse the District for healthcare related expenses or lost revenues that are attributable to coronavirus. The District has recorded these funds as unearned grant revenue until eligible expenses or lost revenues are recognized. During the year ended December 31, 2020, the District recognized \$1,036,334 of grant revenue from these funds. The District had \$3,414,045 remaining funds as of December 31, 2020, to use for healthcare-related expenses or lost revenues that are attributable to coronavirus in the next fiscal year.

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

11. Contingencies and Commitments:

Medical malpractice claims – The District has its professional liability insurance with Copic Insurance (Copic). The Copic policy provides protection on a “claims-made” basis whereby only malpractice claims reported to the insurance carriers in the current year are covered by the current policies. If there are unreported incidents which result in a malpractice claim in the current year, such claims would be covered in the year the claim was reported to the insurance carrier only if the District purchased claims-made insurance in that year or the District purchased “tail” insurance to cover claims incurred before but reported to the insurance carrier after cancellation or expiration of a claims-made policy.

The malpractice insurance provides \$1,000,000 per claim with an additional aggregate limit of \$3,000,000. The policy does not have a deductible.

No liability has been accrued for future coverage of acts, if any, occurring in this or prior years. Also, it is possible that claims may exceed coverage available in any given year. Further, the District is subject to provisions of the Colorado Governmental Immunity Act which provides a limitation on the liability of the District.

Industry regulations – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of various statutes and regulations by healthcare providers. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Management believes that the District is in compliance with fraud and abuse as well as other applicable government laws and regulations. If the District is found in violation of these laws, the District could be subject to substantial monetary fines, civil and criminal penalties, and exclusion from participation in the Medicare and Medicaid programs.

Tax, spending, and debt limitations – At the November 3, 1992, general election, Colorado voters approved an amendment to the Colorado Constitution, Article X, Section 20, commonly known as the Taxpayer’s Bill of Rights (TABOR). TABOR was effective December 31, 1992, and its provisions limit government taxes, spending revenues, and debt without electoral approval.

TABOR, by its terms, applies to local governments such as special districts, but excludes “enterprises,” which are defined as (1) a government owned business, (2) authorized to issue its own debt, and (3) receives less than 10 percent of its annual revenue in grants from all state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR’s language in order to determine its compliance.

Risk management – The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; 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 coverage for any of the three preceding years.

Commitment – In December 2020, the District agreed to a five-year extension of its cloud computing arrangement for electronic health records software. Monthly payments are due throughout the contract period. The total commitment over the contract period is approximately \$3,960,000.

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

12. 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. 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. Contributions made by the District were approximately \$207,000 and \$209,000 during 2020 and 2019, respectively. Plan members made contributions during 2020 and 2019 of approximately \$395,000 and \$393,000, respectively, which included 457 contributions.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in District 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.

13. 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 cannot be diverted to any other purpose.

14. Concentration of Credit Risk:

Patient accounts receivable – The District grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The following is the mix of receivables from patients and third-party payors reported by the District:

	2020	2019
Medicare	29 %	26 %
Medicaid	11	16
Other third-party payors	31	34
Patients	29	24
	100 %	100 %

Physicians – The District is dependent on local physicians practicing in its service area to provide admissions and utilize hospital services on an outpatient basis. A decrease in the number of physicians providing these services or change in their utilization patterns may have an adverse effect on District operations.

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

15. COVID-19 Pandemic:

The COVID-19 pandemic has created economic uncertainties which have negatively impacted the District's financial position. Beginning in March 2020, the District began experiencing significant declines in revenues due to the state of Colorado temporarily suspending all elective surgeries and other elective procedures. In addition, the District has experienced declines in volumes of outpatient and ancillary services, such as radiology, laboratory, emergency department, and clinic visits.

The District received government grants as described in Note 10 above, as part of the federal government's response to the pandemic.

Medicare sequestration has been suspended from May 1, 2020 through December 31, 2021, which will increase Medicare reimbursement by 2 percent.

The District also entered into the PPP loan described in Note 8 above, also a part of the federal government's response to the pandemic.

The District also received Medicare accelerated payments of \$3,185,000 in April 2020. The Medicare accelerated payments were repaid in March 2021.

In addition to accepting funding from the CARES Act and the other funding sources noted above, in May 2020 the hospital resumed the services that had been temporarily suspended. However, the pandemic continues to affect the District's operations. The ultimate COVID-19 pandemic effect on the District's financial position is unknown at this time.

16. Blended Component Unit:

A condensed combining statement of net position for the year ended December 31, 2020, is as follows:

	Hospital	Hillcrest	Eliminations	Totals
<i>Assets</i>				
Current assets	\$ 16,443,182	\$ 1,444,628	\$ (9,267)	\$ 17,878,543
Noncurrent cash and investments	2,742,246	26,497	-	2,768,743
Capital assets, net	7,111,136	4,056,499	-	11,167,635
Total assets	\$ 26,296,564	\$ 5,527,624	\$ (9,267)	\$ 31,814,921
<i>Liabilities</i>				
Current liabilities	\$ 8,780,236	\$ 1,289,851	\$ (9,267)	\$ 10,060,820
Long-term debt, less current maturities	443,847	1,520,960	-	1,964,807
Total liabilities	9,224,083	2,810,811	(9,267)	12,025,627
<i>Deferred inflows of resources</i>	420,173	-	-	420,173
<i>Net position</i>				
Net investment in capital assets	5,779,989	2,112,938	-	7,892,927
Unrestricted	8,305,073	577,378	-	8,882,451
Restricted	2,567,246	26,497	-	2,593,743
Total net position	16,652,308	2,716,813	-	19,369,121
Total liabilities and net position	\$ 26,296,564	\$ 5,527,624	\$ (9,267)	\$ 31,814,921

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

16. Blended Component Unit (continued):

A condensed combining statement of net position for the year ended December 31, 2019, is as follows:

	Hospital	Hillcrest	Eliminations	Totals
<i>Assets</i>				
Current assets	\$ 7,487,264	\$ 600,237	\$ -	\$ 8,087,501
Noncurrent cash and investments	3,065,705	48,963	-	3,114,668
Capital assets, net	7,298,591	4,232,535	-	11,531,126
Total assets	\$ 17,851,560	\$ 4,881,735	\$ -	\$ 22,733,295
<i>Liabilities</i>				
Current liabilities	\$ 3,000,319	\$ 758,016	\$ -	\$ 3,758,335
Long-term debt, less current maturities	691,541	1,520,921	-	2,212,462
Total liabilities	3,691,860	2,278,937	-	5,970,797
<i>Deferred inflows of resources</i>	401,992	-	-	401,992
<i>Net position</i>				
Net investment in capital assets	5,773,685	2,256,959	-	8,030,644
Unrestricted	4,918,318	296,876	-	5,215,194
Restricted	3,065,705	48,963	-	3,114,668
Total net position	13,757,708	2,602,798	-	16,360,506
Total liabilities and net position	\$ 17,851,560	\$ 4,881,735	\$ -	\$ 22,733,295

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

16. Blended Component Unit (continued):

A condensed combining statement of revenues, expenses, and changes in net position for the year ended December 31, 2020, is as follows:

	Hospital	Hillcrest	Eliminations	Totals
<i>Operating revenues</i>				
Net patient and resident service revenue	\$ 23,755,672	\$ 4,592,143	\$ -	\$ 28,347,815
Grants	113,770	111,848	-	225,618
Other	223,801	42,845	-	266,646
Total operating revenues	24,093,243	4,746,836	-	28,840,079
<i>Operating expenses</i>				
Salaries and wages	7,714,026	2,623,649	-	10,337,675
Employee benefits	1,920,453	676,091	-	2,596,544
Professional fees and other purchased services	7,125,918	673,900	-	7,799,818
Supplies	3,343,492	403,955	-	3,747,447
Depreciation and amortization	1,028,990	271,331	-	1,300,321
Other	3,192,070	481,103	-	3,673,173
Total operating expenses	24,324,949	5,130,029	-	29,454,978
<i>Operating loss</i>	(231,706)	(383,193)	-	(614,899)
<i>Nonoperating revenues (expenses)</i>				
Taxation for operations	446,535	-	-	446,535
Interest income	56,895	1,566	-	58,461
Interest expense	(36,187)	(63,587)	-	(99,774)
Gain on disposal of capital assets	31,550	-	-	31,550
CARES Act Provider Relief Fund	1,008,919	27,415	-	1,036,334
Total nonoperating revenues, net	1,507,712	(34,606)	-	1,473,106
Change in net position before gain on forgiveness of				
Paycheck Protection Program loan, transfers				
between related parties, and capital grants	1,276,006	(417,799)	-	858,207
<i>Gain on forgiveness of Paycheck Protection Program loan</i>	1,485,485	527,257	-	2,012,742
<i>Transfers from (to) related party</i>	(4,557)	4,557	-	-
<i>Capital grants</i>	137,666	-	-	137,666
Change in net position	2,894,600	114,015	-	3,008,615
Net position, beginning of year	13,757,708	2,602,798	-	16,360,506
Net position, end of year	\$ 16,652,308	\$ 2,716,813	\$ -	\$ 19,369,121

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

16. Blended Component Unit (continued):

A condensed combining statement of revenues, expenses, and changes in net position for the year ended December 31, 2019, is as follows:

	Hospital	Hillcrest	Eliminations	Totals
<i>Operating revenues</i>				
Net patient and resident service revenue	\$ 21,377,049	\$ 4,862,767	\$ -	\$ 26,239,816
Grants	-	1,500	-	1,500
Other	438,609	20,599	-	459,208
Total operating revenues	21,815,658	4,884,866	-	26,700,524
<i>Operating expenses</i>				
Salaries and wages	7,319,019	2,494,041	-	9,813,060
Employee benefits	1,678,678	668,201	-	2,346,879
Professional fees and other purchased services	6,920,161	915,090	-	7,835,251
Supplies	3,703,447	458,665	-	4,162,112
Depreciation and amortization	1,057,261	307,872	-	1,365,133
Other	2,586,610	497,778	-	3,084,388
Total operating expenses	23,265,176	5,341,647	-	28,606,823
Operating loss	(1,449,518)	(456,781)	-	(1,906,299)
<i>Nonoperating revenues (expenses)</i>				
Taxation for operations	437,151	-	-	437,151
Interest income	49,781	89	-	49,870
Interest expense	(39,710)	(64,427)	-	(104,137)
Loss on disposal of capital assets	(11,387)	(1,134)	-	(12,521)
Total nonoperating revenues, net	435,835	(65,472)	-	370,363
Change in net position before transfers between related parties and capital grants	(1,013,683)	(522,253)	-	(1,535,936)
<i>Transfers from (to) related party</i>	(653,997)	653,997	-	-
<i>Capital grants</i>	333,055	-	-	333,055
Change in net position	(1,334,625)	131,744	-	(1,202,881)
Net position, beginning of year	15,092,333	2,471,054	-	17,563,387
Net position, end of year	\$ 13,757,708	\$ 2,602,798	\$ -	\$ 16,360,506

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

16. Blended Component Unit (continued):

A condensed combining statement of cash flows for the year ended December 31, 2020, is as follows:

	Hospital	Hillcrest	Eliminations	Totals
Increase (Decrease) in Cash and Cash Equivalents				
<i>Net cash provided by (used in):</i>				
Operating activities	\$ (167,545)	\$ 55,908	\$ -	\$ (111,637)
Noncapital financing activities	9,065,532	1,029,124	-	10,094,656
Capital and related financing activities	(727,265)	(190,897)	-	(918,162)
Investing activities	8,560	1,566	-	10,126
Net increase in cash and cash equivalents	8,179,282	895,701	-	9,074,983
Cash and cash equivalents, beginning of year	1,794,615	387,343	-	2,181,958
Cash and cash equivalents, end of year	\$ 9,973,897	\$ 1,283,044	\$ -	\$ 11,256,941

A condensed combining statement of cash flows for the year ended December 31, 2019, is as follows:

	Hospital	Hillcrest	Eliminations	Totals
Increase (Decrease) in Cash and Cash Equivalents				
<i>Net cash provided by (used in):</i>				
Operating activities	\$ 392,986	\$ (322,681)	\$ -	\$ 70,305
Noncapital financing activities	(216,846)	653,997	-	437,151
Capital and related financing activities	(53,221)	(133,060)	-	(186,281)
Investing activities	(6,147)	90	-	(6,057)
Net increase in cash and cash equivalents	116,772	198,346	-	315,118
Cash and cash equivalents, beginning of year	1,677,843	188,997	-	1,866,840
Cash and cash equivalents, end of year	\$ 1,794,615	\$ 387,343	\$ -	\$ 2,181,958

17. Subsequent Event:

In January 2021, the District purchased a 3D mammography system for \$343,702.

SUPPLEMENTARY INFORMATION

Wray Community District Hospital
Combining Statement of Net Position
December 31, 2020

ASSETS	Hospital	Hillcrest	Eliminations	Total
<i>Current assets</i>				
Cash and cash equivalents	\$ 9,798,897	\$ 1,256,547	\$ -	\$ 11,055,444
Investments	1,751,188	-	-	1,751,188
Receivables:				
Patient and resident accounts	2,348,017	147,332	-	2,495,349
Property taxes	420,173	-	-	420,173
Estimated third-party payor settlements	638,756	-	-	638,756
Other	79,969	40,749	(9,267)	111,451
Inventories	980,394	-	-	980,394
Prepaid expenses	425,788	-	-	425,788
Total current assets	16,443,182	1,444,628	(9,267)	17,878,543
<i>Noncurrent assets</i>				
Restricted cash and cash equivalents	175,000	26,497	-	201,497
Restricted investments held as collateral	2,567,246	-	-	2,567,246
Capital assets, net	7,111,136	4,056,499	-	11,167,635
Total noncurrent assets	9,853,382	4,082,996	-	13,936,378
Total assets	\$ 26,296,564	\$ 5,527,624	\$ (9,267)	\$ 31,814,921
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
<i>Current liabilities</i>				
Accounts payable	\$ 822,371	\$ 148,736	\$ (9,267)	\$ 961,840
Accrued compensation and related liabilities	766,415	248,619	-	1,015,034
Accrued interest payable	-	18,133	-	18,133
Short-term notes payable	346,820	396,706	-	743,526
Current maturities of long-term debt	540,480	7,762	-	548,242
Unearned grant revenue	175,000	-	-	175,000
Medicare accelerated payments payable	3,185,000	-	-	3,185,000
Unearned CARES Act Provider Relief Fund	2,944,150	469,895	-	3,414,045
Total current liabilities	8,780,236	1,289,851	(9,267)	10,060,820
<i>Long-term debt, net of current maturities</i>	443,847	1,520,960	-	1,964,807
Total liabilities	9,224,083	2,810,811	(9,267)	12,025,627
<i>Deferred inflows of resources, property tax levy</i>	420,173	-	-	420,173
Total liabilities and deferred inflows of resources	9,644,256	2,810,811	(9,267)	12,445,800
<i>Net position</i>				
Net investment in capital assets	5,779,989	2,112,938	-	7,892,927
Unrestricted	8,305,073	577,378	-	8,882,451
Restricted	2,567,246	26,497	-	2,593,743
Total net position	16,652,308	2,716,813	-	19,369,121
Total liabilities, deferred inflows of resources, and net position	\$ 26,296,564	\$ 5,527,624	\$ (9,267)	\$ 31,814,921

See accompanying independent auditors' report.

Wray Community District Hospital
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2020

	Hospital	Hillcrest	Eliminations	Total
<i>Operating revenues</i>				
Net patient and resident service revenue	\$ 23,755,672	\$ 4,592,143	\$ -	\$ 28,347,815
Grants	113,770	111,848	-	225,618
Other	223,801	42,845	-	266,646
Total operating revenues	24,093,243	4,746,836	-	28,840,079
<i>Operating expenses</i>				
Salaries and wages	7,714,026	2,623,649	-	10,337,675
Employee benefits	1,920,453	676,091	-	2,596,544
Professional fees and other purchased services	7,125,918	673,900	-	7,799,818
Supplies	3,343,492	403,955	-	3,747,447
Depreciation and amortization	1,028,990	271,331	-	1,300,321
Insurance	150,041	74,496	-	224,537
Utilities	329,812	104,232	-	434,044
Repairs and maintenance	897,546	24,003	-	921,549
Leases and rentals	36,000	2,068	-	38,068
Provider fees	568,314	-	-	568,314
Other	1,210,357	276,304	-	1,486,661
Total operating expenses	24,324,949	5,130,029	-	29,454,978
<i>Operating loss</i>	<i>(231,706)</i>	<i>(383,193)</i>	<i>-</i>	<i>(614,899)</i>
<i>Nonoperating revenues (expenses)</i>				
Taxation for operations	446,535	-	-	446,535
Gain on disposal of capital assets	31,550	-	-	31,550
Interest income	56,895	1,566	-	58,461
Interest expense	(36,187)	(63,587)	-	(99,774)
CARES Act Provider Relief Fund	1,008,919	27,415	-	1,036,334
Total nonoperating revenues, net	1,507,712	(34,606)	-	1,473,106
Change in net position before gain on forgiveness of				
Paycheck Protection Program loan, transfers between related parties, and capital grants	1,276,006	(417,799)	-	858,207
Gain on forgiveness of Paycheck Protection Program loan	1,485,485	527,257	-	2,012,742
Transfers from (to) related party	(4,557)	4,557	-	-
Capital grants	137,666	-	-	137,666
Change in net position	2,894,600	114,015	-	3,008,615
Net position, beginning of year	13,757,708	2,602,798	-	16,360,506
Net position, end of year	\$ 16,652,308	\$ 2,716,813	\$ -	\$ 19,369,121

See accompanying independent auditors' report.

Wray Community District Hospital
Schedule of Budget and Actual Revenues and Expenses
Year Ended December 31, 2020

	Actual	Budget	Favorable (Unfavorable) Variance
<i>Operating revenues</i>			
Net patient service revenue	\$ 23,755,672	\$ 23,300,140	\$ 455,532
Grants	113,770	-	113,770
Other	223,801	1,045,201	(821,400)
Total operating revenues	24,093,243	24,345,341	(252,098)
<i>Operating expenses</i>			
Salaries and wages	7,714,026	8,214,568	500,542
Employee benefits	1,920,453	1,898,539	(21,914)
Professional fees and other purchased services	7,125,918	8,186,519	1,060,601
Supplies	3,343,492	3,719,080	375,588
Depreciation and amortization	1,028,990	1,128,036	99,046
Other	3,192,070	1,496,893	(1,695,177)
Total operating expenses	24,324,949	24,643,635	318,686
<i>Operating loss</i>	<i>(231,706)</i>	<i>(298,294)</i>	66,588
<i>Nonoperating revenues (expenses)</i>			
Taxation for operations	446,535	401,992	44,543
Other	1,097,364	50,229	1,047,135
Interest expense	(36,187)	(49,074)	12,887
Total nonoperating revenues, net	1,507,712	403,147	1,104,565
Change in net position before gain on forgiveness of Paycheck Protection Program loan, transfers between related parties, and capital grants	1,276,006	104,853	1,171,153
<i>Gain on forgiveness of Paycheck Protection Program loan</i>	1,485,485	-	1,485,485
<i>Transfers from (to) related party</i>	(4,557)	-	(4,557)
<i>Capital grants</i>	137,666	-	137,666
Change in net position	\$ 2,894,600	\$ 104,853	\$ 2,789,747

See accompanying independent auditors' report.



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

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

Board of Directors
Wray Community District Hospital
Wray, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Wray Community District Hospital (the District) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated June 10, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
June 10, 2021

**Wray Community District Hospital
Schedule of Audit Findings and Responses
Year Ended December 31, 2020**

Auditor detected adjusting journal entries – Resolved