

Wray Community District Hospital

Basic Financial Statements and
Independent Auditors' Reports

December 31, 2021 and 2020



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

Wray Community District Hospital
Table of Contents

	Page
<i>INDEPENDENT AUDITORS' REPORT</i>	1-3
<i>MANAGEMENT'S DISCUSSION AND ANALYSIS</i>	4-10
<i>BASIC FINANCIAL STATEMENTS:</i>	
Statements of net position	11
Statements of revenues, expenses, and changes in net position	12
Statements of cash flows	13-14
Notes to basic financial statements	15-35
<i>SUPPLEMENTARY INFORMATION:</i>	
Combining statement of net position	36
Combining statement of revenues, expenses, and changes in net position	37
Schedule of budget and actual revenues and expenses	38
<i>SINGLE AUDIT:</i>	
<i>AUDITORS' SECTION:</i>	
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 <i>Government Auditing Standards</i>	39-40
Independent auditors' report on compliance for the District's major program and on internal control over compliance required by the Uniform Guidance	41-43
Schedule of audit findings and questioned costs	44-45

Wray Community District Hospital
Table of Contents

AUDITEE'S SECTION:

Schedule of expenditures of federal awards	46
Corrective action plan	47
Summary schedule of prior audit findings	48



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Wray Community District Hospital
Wray, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Wray Community District Hospital (the District) as of and for the years ended December 31, 2021 and 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.

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, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statement of net position, combining statement of revenues, expenses, and changes in net position, and the schedule of budget and actual revenues and expenses are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 May 23, 2022, 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 for the year ended December 31, 2021. We issued a similar report for the year ended December 31, 2020, dated June 10, 2021, which has not been included with the 2021 financial compliance report. The purpose of those reports 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. Those reports are 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
May 23, 2022

Wray Community District Hospital Management's Discussion and Analysis December 31, 2021 and 2020

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, 2021 and 2020. 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 2021 by \$166,339, or 1.50 percent, and increased in 2020 by \$9,647,009, or 685 percent
- Current liabilities decreased in 2021 by \$6,024,590, or 60 percent, and increased in 2020 by \$6,302,485, or 168 percent
- Net position increased in 2021 by \$6,719,613, or 35 percent, and increased in 2020 by \$3,008,615, or 18 percent, over the prior year ending net position
- Total operating revenues increased in 2021 by \$5,550,000, or 19 percent, and increased in 2020 by \$2,139,555, or 8 percent
- Total operating expenses increased in 2021 by \$4,860,643, or 17 percent, and increased in 2020 by \$848,155, or 3 percent
- The District reported an operating gain of \$74,458 in 2021 and an operating loss of \$614,899 in 2020
- The District reported a gain in cash from operating activities of \$1,310,767 in 2021 and a decrease of \$181,942 in 2020

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's 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 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, 2021 and 2020**

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 \$6.72 million (35 percent) in 2021 and increased by \$3.01 million (18 percent) in 2020, as shown in Table 1.

Table 1: Assets, Liabilities, and Net Position

	2021	2020	2019
<i>Assets</i>			
Patient and resident accounts receivable, net	\$ 3,958,320	\$ 2,495,349	\$ 3,418,495
Other current assets	15,598,401	15,383,194	4,669,006
Capital assets, net	10,752,963	11,167,635	11,531,126
Other noncurrent assets	2,468,496	2,768,743	3,114,668
Total assets	\$ 32,778,180	\$ 31,814,921	\$ 22,733,295
<i>Liabilities</i>			
Current liabilities	\$ 4,036,230	\$ 10,060,820	\$ 3,758,335
Noncurrent liabilities	2,207,741	1,964,807	2,212,462
Total liabilities	6,243,971	12,025,627	5,970,797
<i>Deferred inflows of resources</i>	445,475	420,173	401,992
<i>Net position</i>			
Net investment in capital assets	7,548,731	7,892,927	8,030,644
Unrestricted	16,470,761	8,882,451	5,215,194
Restricted	2,069,242	2,593,743	3,114,668
Total net position	26,088,734	19,369,121	16,360,506
Total liabilities and net position	\$ 32,778,180	\$ 31,814,921	\$ 22,733,295

Operating revenues increased in 2021 by \$5.55 million (19 percent), driven by strong volumes throughout the hospital, and surgery volumes in particular. Net patient and resident revenues increased by \$5.46 million (19 percent) in 2021 and by \$2.11 million (8 percent) in 2020.

**Wray Community District Hospital
Management's Discussion and Analysis (Continued)
December 31, 2021 and 2020**

Operating Results and Changes in The District's Net Assets

In 2021, the District's net assets increased by \$6.72 million, or 35 percent, as shown in Table 2. See Table 2 for the operating results and changes in net position.

Table 2: Operating Results and Changes in Net Assets

	2021	2020	2019
<i>Operating revenues</i>			
Net patient and resident service revenue	\$ 33,804,113	\$ 28,347,815	\$ 26,239,816
Grants	218,801	225,618	1,500
Other operating revenue	367,165	266,646	459,208
Total operating revenues	34,390,079	28,840,079	26,700,524
<i>Operating expenses</i>			
Salaries, wages, and benefits	14,788,039	12,934,219	12,159,939
Purchased services and professional fees	8,700,318	7,799,818	7,835,251
Supplies and other operating expenses	9,420,241	7,420,620	7,246,500
Depreciation and amortization	1,407,023	1,300,321	1,365,133
Total operating expenses	34,315,621	29,454,978	28,606,823
<i>Operating gain (loss)</i>	74,458	(614,899)	(1,906,299)
<i>Nonoperating revenues (expenses)</i>			
Taxation for maintenance and operations	465,106	446,535	437,151
Interest income	29,218	58,461	49,870
Interest expense	(93,817)	(99,774)	(104,137)
Loss on disposal of capital assets	20,300	31,550	(12,521)
CARES Act Provider Relief Fund	3,414,045	1,036,334	-
Total nonoperating revenues, net	3,834,852	1,473,106	370,363
Change in net position before capital grants and gain on Forgiveness of Paycheck Protection Program loan	3,909,310	858,207	(1,535,936)
<i>Capital grants</i>	385,223	137,666	333,055
<i>Gain on Forgiveness of Paycheck Protection Program loan</i>	2,425,080	2,012,742	-
Change in net position	6,719,613	3,008,615	(1,202,881)
Net position, beginning of year	19,369,121	16,360,506	17,563,387
Net position, end of year	\$ 26,088,734	\$ 19,369,121	\$ 16,360,506

**Wray Community District Hospital
Management's Discussion and Analysis (Continued)
December 31, 2021 and 2020**

Operating Gains/Losses

The first component of the overall change in the District's net assets is its operating gain/loss—generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In fiscal year 2021, the District reported an operating gain of \$74,458. In fiscal years 2020 and 2019, the District reported operating losses of \$614,899 and \$1.91 million, respectively.

The primary components of these operating results for 2021 are:

- The COVID-19 pandemic significantly impacted the district financially and operationally in 2020 and the impact continues into 2021. With 2020 volumes being negatively impacted, the 2021 district goal was to return to 2019 volumes as a baseline. In 2021, the hospital not only attained 2019 elective surgery and all other departmental volumes, but greatly surpassed them. As it relates to Hillcrest, census levels were never able to recover and return to 2019 levels. The decreased / low census continued throughout 2021 and into 2022 resulting in inability to increase revenues.
- Federal government COVID-19 response through the CARES Act (Paycheck Protection Program & the Provider Relief Funds):
 - The District received \$2.43 million in Paycheck Protection Programs loans in 2021. Forgiveness of the Paycheck Protection Program loans (\$1.81 million for the hospital and clinic and \$619,685 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 26.
 - CARES Act Provider Relief Funds of \$3.41 million were recognized as nonoperating revenues in 2021 (\$2.94 million for the hospital and clinic and \$470,000 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 29.
- The 340b contract pharmacy program in 2021 resulted in \$1.51 million gross revenue and only \$193,000 of net revenue after considering 340B program expenses. The net revenue in 2020 was \$247,000. The decrease in net revenue comes from an increase in drug prices combined with a decrease in eligible drugs.
- All revenue cycle key performance indicators (accounts receivable and billing/coding metrics) were sustained in 2021 and remain on target into 2022.
- Salaries and wages (including benefits) increased \$1,853,820, or 14 percent, in 2021 and \$774,280, or 6 percent, in 2020.
- Purchased services and professional fees increased by \$900,500 in 2021 and decreased \$35k in 2020.

**Wray Community District Hospital
Management's Discussion and Analysis (Continued)
December 31, 2021 and 2020**

Operating Gains/Losses (continued)

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 continued into 2021. In March 2020, the State of Colorado's 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 31 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 26.
 - 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 29.
- 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 remained on target in 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.

Nonoperating Revenues and Expenses

2021 nonoperating revenues consist primarily of CARES Act Provider Relief Funds, property taxes levied by the District, and interest revenue. The District recognized \$3.41 million in CARES Act Provider Relief Funds in 2021, accounting for 89 percent of nonoperating revenues. As a result, nonoperating revenues increased by \$2.36 million, or 160 percent, in 2021 compared to a \$1.10 million, or 298 percent, increase in 2020.

**Wray Community District Hospital
Management's Discussion and Analysis (Continued)
December 31, 2021 and 2020**

Grants, Contributions, and Endowments

The District received \$218,801 in operating grants and \$385,223 in capital grants in 2021. The District also received \$399,254 in 2021 in unearned grant revenue to be recognized in 2022.

Review and Analysis

Calendar year 2021 brought challenges and opportunities to the District. Due to the political climate in Colorado and the United States, challenges of high inflation, unemployment, increased healthcare regulation, supply chain slow down, and the economy on the brink of a recession, the District is forced to grapple with unprecedented salary increases, housing shortages, daycare availability, nurse labor shortages, lab labor shortages, and X-ray labor shortages. These challenges are more likely to be permanent. It is not expected that any of the challenges are temporary in nature. The COVID-19 pandemic, and its attending challenges, is a major factor in tipping the balance of making the challenges come to light in today's environment.

A small yet critical challenge derived from the pandemic concerns the District's Rural Residency Tract. Medical students who would otherwise come in-person to Wray for residency interviews are now required to interview by virtual communication. The effect of this change has, for the first time in over 30 years, left the District's residency program with its first open slot for the fall of 2023. At first, this seems perhaps inconsequential. But fewer residents mean fewer opportunities of future recruits and an incomplete program. The hospital must get the in-person interviews back or find another methodology to secure outstanding future residents.

Increased costs are ultimately an annual challenge. It was much more of a challenge in 2021. Salaries and benefits alone increased over 14 percent. This increase above budget is due in response to avoiding further staff attrition and to minimize the increase of more expensive travel nurses, lab assistants, and X-ray technicians.

The District has leased one home and is anticipating leasing additional homes to temporarily house new employees moving into the area. All expenses increased to over 16.5 percent in 2021, succumbing to a number of factors: Inflation, supply chain issues, fewer products, and increased demand.

Despite the challenges faced in 2021, there were also many successes. Operating revenue increased over 19 percent. More than \$604,000 in grants were recorded in 2021. Total revenues increased by 26 percent. Days cash on hand are at a healthy 177 days.

Services throughout the facility have increased in volume – most from the 5 to 30 percent range. It has been a very busy year. Provider additions include a full-time general surgeon, two physician assistants (PA), and a primary care physician. One PA brought a full patient load to the facility. The general surgeon has become very busy and is making a positive impact in the operating room. These successes have made a marked improvement for future opportunities. Additionally, in the past 12 months, three local hospitals in NE Colorado and SW Nebraska have closed their obstetric programs. This will have a major impact and increase in the number of deliveries at the District.

Though the operating margin in 2021 is recorded as 0.2 percent, it is part of a positive improvement year over year when compared to (2.1 percent) in 2020 and (7.1 percent) in 2019. Additionally, the current ratio has improved from 1.8 in 2020 to 4.8 in 2021.

**Wray Community District Hospital
Management's Discussion and Analysis (Continued)
December 31, 2021 and 2020**

Review and Analysis (continued)

The District increased its net patient service revenue per full time equivalent (FTE) by 9.3 percent in 2021 and 7.5 percent in 2020.

All of this has added strain to the existing facility. Analysis by an outside consulting group identified opportunities for growth. In consultation with architects and owner's representatives, the facility is moving forward to focus on three main areas: expansion of the surgery department and renovations of the primary care clinic and specialty clinic. The preliminary assessment and refinement are underway and, if approved, obtaining the funding would be realized within a year, construction to begin shortly after, and completion in approximately two years.

The District's Cash Flows

The District's cash flows from noncapital financing activities decreased in 2021 by \$295,000 due to repayment of the Medicare Advance & Accelerated payments (\$3,185,000) received in 2020.

Capital Asset and Debt Administration

Capital Assets

At the end of 2021, the District had \$10.75 million invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. In 2021, the District had improvements and purchased new equipment costing \$942,000. Of this, \$172,000 was acquired through capital leases. In 2020, \$931,000 was spent on improvements and the purchase of new equipment. Of this, \$327,000 was acquired through capital leases.

Debt

At year end, the District had \$2.45 million in long-term debt and capital lease obligations compared to \$2.51 million at 2020 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, 2021 and 2020

ASSETS	2021	2020
<i>Current assets</i>		
Cash and cash equivalents	\$ 11,221,783	\$ 11,055,444
Investments	2,291,763	1,751,188
Receivables:		
Patient and resident accounts	3,958,320	2,495,349
Property taxes	445,475	420,173
Estimated third-party payor settlements	-	638,756
Other	208,257	111,451
Inventories	966,392	980,394
Prepaid expenses	464,731	425,788
Total current assets	19,556,721	17,878,543
<i>Noncurrent assets</i>		
Restricted cash and cash equivalents	415,509	201,497
Restricted investments held as collateral	2,052,987	2,567,246
Capital assets, net	10,752,963	11,167,635
Total noncurrent assets	13,221,459	13,936,378
Total assets	\$ 32,778,180	\$ 31,814,921
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
<i>Current liabilities</i>		
Accounts payable	\$ 1,207,138	\$ 961,840
Accrued compensation and related liabilities	1,288,635	1,015,034
Accrued interest payable	48,980	18,133
Estimated third-party payor settlements	144,712	-
Short-term notes payable	707,397	743,526
Current maturities of long-term debt	240,114	548,242
Unearned grant revenue	399,254	175,000
Medicare accelerated payments payable	-	3,185,000
Unearned CARES Act Provider Relief Fund	-	3,414,045
Total current liabilities	4,036,230	10,060,820
<i>Long-term debt, net of current maturities</i>	2,207,741	1,964,807
Total liabilities	6,243,971	12,025,627
<i>Deferred inflows of resources, property tax levy</i>	445,475	420,173
Total liabilities and deferred inflows of resources	6,689,446	12,445,800
<i>Net position</i>		
Net investment in capital assets	7,548,731	7,892,927
Unrestricted	16,470,761	8,882,451
Restricted	2,069,242	2,593,743
Total net position	26,088,734	19,369,121
Total liabilities, deferred inflows of resources, and net position	\$ 32,778,180	\$ 31,814,921

See accompanying notes to basic financial statements.

Wray Community District Hospital
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2021 and 2020

	2021	2020
<i>Operating revenues</i>		
Net patient and resident service revenue	\$ 33,804,113	\$ 28,347,815
Grants	218,801	225,618
Other	367,165	266,646
Total operating revenues	34,390,079	28,840,079
<i>Operating expenses</i>		
Salaries and wages	11,896,933	10,337,675
Employee benefits	2,891,106	2,596,544
Professional fees and other purchased services	8,700,318	7,799,818
Supplies	5,425,077	3,747,447
Depreciation and amortization	1,407,023	1,300,321
Insurance	215,729	224,537
Utilities	486,219	434,044
Repairs and maintenance	939,676	921,549
Leases and rentals	39,456	38,068
Provider fees	721,935	568,314
Other	1,592,149	1,486,661
Total operating expenses	34,315,621	29,454,978
<i>Operating income (loss)</i>	74,458	(614,899)
<i>Nonoperating revenues (expenses)</i>		
Taxation for operations	465,106	446,535
Gain (loss) on disposal of capital assets	20,300	31,550
Interest income	29,218	58,461
Interest expense	(93,817)	(99,774)
CARES Act Provider Relief Fund	3,414,045	1,036,334
Total nonoperating revenues, net	3,834,852	1,473,106
Change in net position before capital grants and gain on forgiveness of Paycheck Protection Program loan	3,909,310	858,207
<i>Capital grants</i>	385,223	137,666
<i>Gain on forgiveness of Paycheck Protection Program loans</i>	2,425,080	2,012,742
Change in net position	6,719,613	3,008,615
Net position, beginning of year	19,369,121	16,360,506
Net position, end of year	\$ 26,088,734	\$ 19,369,121

See accompanying notes to basic financial statements.

Wray Community District Hospital
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 33,124,610	\$ 28,384,180
Other receipts	270,359	177,749
Proceeds from grants	218,801	225,618
Payments to and on behalf of employees	(14,514,438)	(12,631,768)
Payments to suppliers and contractors	(17,900,202)	(16,267,416)
Net cash provided by (used in) operating activities	1,199,130	(111,637)
<i>Cash flows from noncapital financing activities</i>		
Taxation for operations	465,106	446,535
Proceeds from CARES Act Provider Relief Fund	-	4,450,379
Proceeds from Medicare accelerated payments	(3,185,000)	3,185,000
Proceeds from Paycheck Protection Program loans	2,425,080	2,012,742
Net cash provided by (used in) noncapital financing activities	(294,814)	10,094,656
<i>Cash flows from capital and related financing activities</i>		
Purchase of capital assets	(800,203)	(578,551)
Proceeds from capital grants	609,477	312,666
Principal paid on long-term debt	(237,042)	(331,173)
Principal paid on short-term notes payable and line of credit	(36,129)	(234,443)
Interest paid on long-term debt	(62,970)	(86,661)
Net cash used in capital and related financing activities	(526,867)	(918,162)
<i>Cash flows from investing activities</i>		
Investment income	2,902	10,126
Net increase in cash and cash equivalents	380,351	9,074,983
Cash and cash equivalents, beginning of year	11,256,941	2,181,958
Cash and cash equivalents, end of year	\$ 11,637,292	\$ 11,256,941

See accompanying notes to basic financial statements.

Wray Community District Hospital
Statements of Cash Flows (Continued)
Years Ended December 31, 2021 and 2020

	2021	2020
<i>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</i>		
Cash and cash equivalents in current assets	\$ 11,221,783	\$ 11,055,444
Restricted cash and cash equivalents	415,509	201,497
Total cash and cash equivalents	\$ 11,637,292	\$ 11,256,941

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities

Operating income (loss)	\$ 74,458	\$ (614,899)
<i>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</i>		
Depreciation and amortization	1,407,023	1,300,321
Provision for bad debts	743,461	945,711
(Increase) decrease in assets:		
Patient and resident accounts receivable	(2,206,432)	(22,565)
Estimated third-party payor settlements	638,756	(638,756)
Other receivables	(96,806)	(88,897)
Inventories	14,002	(296,720)
Prepaid expenses	(38,943)	(202,391)
Increase (decrease) in liabilities:		
Accounts payable	245,298	(547,867)
Accrued compensation and related liabilities	273,601	302,451
Estimated third-party payor settlements payable	144,712	(248,025)
Net cash provided by (used in) operating activities	\$ 1,199,130	\$ (111,637)

Noncash Financing and Investing Activities

During the years ended December 31, 2021 and 2020, the District incurred capital lease obligations for the acquisition of property and equipment in the amounts of \$171,848 and \$326,729, respectively.

See accompanying notes to basic financial statements.

Wray Community District Hospital
Notes to Basic Financial Statements
Years Ended December 31, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020

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.

Subsequent events – The District has evaluated subsequent events and transactions through May 23, 2022, 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.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objectives of this statement are to (1) define a subscription-based information technology arrangement (SBITA); (2) establish that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provide the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) require note disclosures regarding a SBITA. The new guidance is effective for the District’s year ending December 31, 2023. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

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. The 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, 2021 and 2020, 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, 2021 and 2020

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, 2021 and 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 increased from the prior year due to an increase in patient accounts receivable in the fourth quarter of 2021 as a result of turnover and software issues at the third-party collections and billing agencies the District contracts with. 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.

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

3. Patient and Resident Accounts Receivable (continued):

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

	2021	2020
Receivable from patients and their insurance carriers	\$ 4,185,735	\$ 2,623,479
Receivable from Medicare	1,282,408	839,719
Receivable from Medicaid	356,007	200,565
Total patient and resident accounts receivable	5,824,150	3,663,763
Less allowance for uncollectible accounts	(1,865,830)	(1,168,414)
Patient and resident accounts receivable, net	\$ 3,958,320	\$ 2,495,349

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 2021, the District's regular tax levy was \$3.227 per \$1,000 on a total assessed valuation of \$138,046,150, for a total regular levy of \$445,475.

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.

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

5. Capital Assets:

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

	Balance December 31, 2020	Additions	Retirements	Transfers	Balance December 31, 2021
<i>Capital assets not being depreciated</i>					
Land	\$ 124,672	\$ -	\$ -	\$ -	\$ 124,672
Construction in progress	14,088	71,040	(14,088)	-	71,040
Total capital assets not being depreciated	138,760	71,040	(14,088)	-	195,712
<i>Capital assets being depreciated</i>					
Buildings and improvements	19,230,974	315,286	(22,224)	-	19,524,036
Fixed and major movable equipment	12,068,696	626,852	(297,917)	-	12,397,631
Total capital assets being depreciated	31,299,670	942,138	(320,141)	-	31,921,667
<i>Less accumulated depreciation for</i>					
Buildings and improvements	9,033,890	664,196	(15,482)	-	9,682,604
Fixed and major movable equipment	11,236,905	742,827	(297,920)	-	11,681,812
Total accumulated depreciation	20,270,795	1,407,023	(313,402)	-	21,364,416
<i>Total capital assets being depreciated, net</i>	11,028,875	(464,885)	(6,739)	-	10,557,251
Capital assets, net	\$ 11,167,635	\$ (393,845)	\$ (20,827)	\$ -	\$ 10,752,963

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

5. Capital Assets (continued):

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 movable 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 movable 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, 2021 and 2020

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, 2020	Additions	Reductions	Balance December 31, 2021
Note payable 2015	\$ 396,706	\$ -	\$ (5,400)	\$ 391,306
Note payable 2016	346,820	-	(30,729)	316,091
Total short-term notes payable and line of credit	\$ 743,526	\$ -	\$ (36,129)	\$ 707,397

	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

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. Interest is payable quarterly and was 1.49 percent and 2.27 percent as of December 31, 2021 and 2020, respectively. The note matures on September 2, 2022, 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. Principal and interest are payable quarterly, with an interest rate of 1.35 percent and 1.70 percent as of December 31, 2021 and 2020, respectively. The note matures on August 27, 2022, 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, 2021 and 2020

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 was \$0 as of December 31, 2021 and 2020. 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, 2020			Balance December 31, 2021		Amounts Due Within One Year
		Additions	Reductions			
Note payable	\$ 354,128	\$ -	\$ (29,921)	\$ 324,207	\$	31,199
USDA mortgage payable	1,528,722	-	-	1,528,722		-
Capital lease obligations	630,199	171,848	(207,121)	594,926		208,915
Total long-term debt and other noncurrent liabilities	\$ 2,513,049	\$ 171,848	\$ (237,042)	\$ 2,447,855	\$	240,114

	Balance December 31, 2019			Balance December 31, 2020		Amounts Due Within One Year
		Additions	Reductions			
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

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

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, 2026, and is due in quarterly installments of principal and interest of \$9,440 and one lump-sum payment of \$187,891, including interest, due at maturity. 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:

Years Ending December 31,	Note Payable	
	Principal	Interest
2022	\$ 31,199	\$ 6,561
2023	31,859	5,901
2024	32,518	5,242
2025	33,222	4,538
2026	195,409	2,001
	\$ 324,207	\$ 24,243

- **USDA mortgage payable** – The USDA mortgage payable matures July 1, 2049, and is due in monthly installments of principal and interest of \$7,421 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 principal and interest, until October 1, 2021, due to the COVID-19 pandemic. Interest continued to accrue during the deferral period. Beginning with the payment due on October 1, 2021, the District will only make payments on interest at \$7,421, until February 1, 2023. Scheduled principal and interest payments on the mortgage payable are as follows:

Years Ending December 31,	USDA Mortgage Payable	
	Principal	Interest
2022	\$ -	\$ 89,052
2023	29,929	59,123
2024	37,093	51,959
2025	38,415	50,637
2026	39,782	49,270
2027-2031	221,163	224,097
2032-2036	263,390	181,870
2037-2041	313,685	131,575
2042-2046	373,580	71,680
2047-2049	211,685	9,891
	\$ 1,528,722	\$ 919,154

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

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, 2021, consisted entirely of fixed and major movable equipment with a gross cost of \$1,592,818 and accumulated depreciation of \$589,770. Assets under capital leases at December 31, 2020, consisted entirely of fixed and major movable equipment with a gross cost of \$1,283,815 and accumulated depreciation of \$324,662. Scheduled principal and interest payments on capital lease obligations are as follows:

Years Ending December 31,	Capital Lease Obligations	
	Principal	Interest
2022	\$ 208,915	\$ 14,251
2023	152,789	8,915
2024	148,059	4,425
2025	67,167	1,049
2026	17,996	109
	\$ 594,926	\$ 28,749

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 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 District and Hillcrest applied for PPP loan forgiveness in June 2021, 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.

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

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 in 2021 due to a decrease in the volume of uninsured patients. The District has not changed its charity care or uninsured discount policies during fiscal year 2021. 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:

	2021	2020
Patient and resident service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 10,693,487	\$ 9,135,174
Medicaid	3,773,844	3,642,438
Other third-party payors	11,438,184	8,565,889
Patients	3,214,632	3,872,676
CHASE supplemental payments	3,418,583	2,347,601
Capitation payments	556,540	450,652
340B contract pharmacy	1,506,094	1,309,530
	34,601,364	29,323,960
Less:		
Charity care	53,790	30,434
Provision for bad debts	743,461	945,711
Net patient and resident service revenue	\$ 33,804,113	\$ 28,347,815

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

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

The District has agreements with third-party payors that provide 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.
- **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 increased by approximately \$61,000 in 2021 and 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 \$39,000 and \$25,000 for the years ended December 31, 2021 and 2020, respectively. The District received approximately \$3,419,000 and \$2,348,000 from supplemental Medicaid payments and the Colorado Indigent Care Program for the years ended December 31, 2021 and 2020, 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.

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

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 years ended December 31, 2021 and 2020, the District recognized \$3,186,867 and \$1,036,334, respectively, of grant revenue from these funds. The District had \$-0- and \$3,414,045 remaining funds as of December 31, 2021 and 2020, respectively, to use for healthcare-related expenses or lost revenues that are attributable to coronavirus in the next fiscal year.

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.

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

11. Contingencies and Commitments (continued):

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. As of December 31, 2021, the remaining commitment is \$3,157,409.

Budget – The District overspent its approved budgeted expenses by \$3,940,712 in 2021.

12. Pension Plan:

The District contributes to the Wray Community District Hospital Employees' Retirement Plan (the Plan), 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 \$275,500 and \$207,000 during 2021 and 2020, respectively. Plan members made contributions during 2021 and 2020 of approximately \$514,000 and \$395,000, 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 Plan's current period contribution requirement.

13. Deferred Compensation Plan:

The District has a deferred compensation plan, the Wray Community Hospital District Deferred Compensation Plan (the Deferred Compensation Plan), created in accordance with the Internal Revenue Code Section 457. The Deferred Compensation Plan is administered by independent plan administrators through administrative service agreements. The Deferred Compensation 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. Deferred Compensation Plan assets are held in trust, with the District having no fiduciary responsibility, for the exclusive benefit of the Deferred Compensation Plan participants and their beneficiaries. The assets cannot be diverted to any other purpose. Benefit provisions are contained in the Plan document and were established and can be amended by action of the District's governing body.

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

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:

	2021	2020
Medicare	31 %	29 %
Medicaid	14	11
Other third-party payors	31	31
Patients	24	29
	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.

15. Blended Component Unit:

A condensed combining statement of net position for the year ended December 31, 2021, is as follows:

	Hospital	Hillcrest	Eliminations	Totals
<i>Assets</i>				
Current assets	\$ 18,338,970	\$ 1,246,739	\$ (28,988)	\$ 19,556,721
Noncurrent cash and investments	2,433,536	34,960	-	2,468,496
Capital assets, net	6,860,516	3,892,447	-	10,752,963
Total assets	\$ 27,633,022	\$ 5,174,146	\$ (28,988)	\$ 32,778,180
<i>Liabilities</i>				
Current liabilities	\$ 3,164,416	\$ 900,802	\$ (28,988)	\$ 4,036,230
Long-term debt, less current maturities	679,019	1,528,722	-	2,207,741
Total liabilities	3,843,435	2,429,524	(28,988)	6,243,971
<i>Deferred inflows of resources</i>	445,475	-	-	445,475
<i>Net position</i>				
Net investment in capital assets	5,625,292	1,923,439	-	7,548,731
Unrestricted	15,587,988	882,773	-	16,470,761
Restricted	2,130,832	(61,590)	-	2,069,242
Total net position	23,344,112	2,744,622	-	26,088,734
Total liabilities and net position	\$ 27,633,022	\$ 5,174,146	\$ (28,988)	\$ 32,778,180

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

15. Blended Component Unit (continued):

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, 2021 and 2020

15. Blended Component Unit (continued):

A condensed combining statement of revenues, expenses, and changes in net position for the year ended December 31, 2021, is as follows:

	Hospital	Hillcrest	Eliminations	Totals
<i>Operating revenues</i>				
Net patient and resident service revenue	\$ 30,155,491	\$ 3,648,622	\$ -	\$ 33,804,113
Grants	174,852	43,949	-	218,801
Other	303,802	63,363	-	367,165
Total operating revenues	30,634,145	3,755,934	-	34,390,079
<i>Operating expenses</i>				
Salaries and wages	9,267,022	2,629,911	-	11,896,933
Employee benefits	2,199,428	691,678	-	2,891,106
Professional fees and other purchased services	8,344,346	355,972	-	8,700,318
Supplies	5,084,422	340,655	-	5,425,077
Depreciation and amortization	1,128,891	278,132	-	1,407,023
Other	3,534,201	460,963	-	3,995,164
Total operating expenses	29,558,310	4,757,311	-	34,315,621
Operating income (loss)	1,075,835	(1,001,377)	-	74,458
<i>Nonoperating revenues (expenses)</i>				
Taxation for operations	465,106	-	-	465,106
Interest income	28,938	280	-	29,218
Interest expense	(33,143)	(60,674)	-	(93,817)
Gain on disposal of capital assets	20,300	-	-	20,300
CARES Act Provider Relief Fund	2,944,150	469,895	-	3,414,045
Total nonoperating revenues, net	3,425,351	409,501	-	3,834,852
Change in net position before gain on forgiveness of				
Paycheck Protection Program loan, transfers				
between related parties, and capital grants	4,501,186	(591,876)	-	3,909,310
<i>Gain on forgiveness of Paycheck Protection Program loan</i>	1,805,395	619,685	-	2,425,080
<i>Capital grants</i>	385,223	-	-	385,223
Change in net position	6,691,804	27,809	-	6,719,613
Net position, beginning of year	16,652,308	2,716,813	-	19,369,121
Net position, end of year	\$ 23,344,112	\$ 2,744,622	\$ -	\$ 26,088,734

Wray Community District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2021 and 2020

15. 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 Provide 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 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, 2021 and 2020

15. Blended Component Unit (continued):

A condensed combining statement of cash flows for the year ended December 31, 2021, is as follows:

	Hospital	Hillcrest	Eliminations	Totals
Increase (Decrease) in Cash and Cash Equivalents				
<i>Net cash provided by (used in):</i>				
Operating activities	\$ 2,080,103	\$ (880,973)	\$ -	\$ 1,199,130
Noncapital financing activities	(914,499)	619,685	-	(294,814)
Capital and related financing activities	(474,111)	(52,756)	-	(526,867)
Investing activities	2,623	279	-	2,902
Net increase in cash and cash equivalents	694,116	(313,765)	-	380,351
Cash and cash equivalents, beginning of year	9,973,897	1,283,044	-	11,256,941
Cash and cash equivalents, end of year	\$ 10,668,013	\$ 969,279	\$ -	\$ 11,637,292

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

SUPPLEMENTARY INFORMATION

Wray Community District Hospital
Combining Statement of Net Position
December 31, 2021

ASSETS	Hospital	Hillcrest	Eliminations	Total
<i>Current assets</i>				
Cash and cash equivalents	\$ 10,287,464	\$ 934,319	\$ -	\$ 11,221,783
Investments	2,291,763	-	-	2,291,763
Receivables:				
Patient and resident accounts	3,727,836	230,484	-	3,958,320
Property taxes	445,475	-	-	445,475
Other	237,245	-	(28,988)	208,257
Inventories	966,392	-	-	966,392
Prepaid expenses	382,795	81,936	-	464,731
Total current assets	18,338,970	1,246,739	(28,988)	19,556,721
<i>Noncurrent assets</i>				
Restricted cash and cash equivalents	380,549	34,960	-	415,509
Restricted investments held as collateral	2,052,987	-	-	2,052,987
Capital assets, net	6,860,516	3,892,447	-	10,752,963
Total noncurrent assets	9,294,052	3,927,407	-	13,221,459
Total assets	\$ 27,633,022	\$ 5,174,146	\$ (28,988)	\$ 32,778,180
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
<i>Current liabilities</i>				
Accounts payable	\$ 1,140,212	\$ 95,914	\$ (28,988)	\$ 1,207,138
Accrued compensation and related liabilities	1,020,583	268,052	-	1,288,635
Accrued interest payable	-	48,980	-	48,980
Short-term notes payable	316,091	391,306	-	707,397
Current maturities of long-term debt	240,114	-	-	240,114
Unearned grant revenue	302,704	96,550	-	399,254
Estimated third-party payor settlements	144,712	-	-	144,712
Unearned CARES Act Provider Relief Fund	-	-	-	-
Total current liabilities	3,164,416	900,802	(28,988)	4,036,230
<i>Long-term debt, net of current maturities</i>	<i>679,019</i>	<i>1,528,722</i>	<i>-</i>	<i>2,207,741</i>
Total liabilities	3,843,435	2,429,524	(28,988)	6,243,971
<i>Deferred inflows of resources, property tax levy</i>	<i>445,475</i>	<i>-</i>	<i>-</i>	<i>445,475</i>
Total liabilities and deferred inflows of resources	4,288,910	2,429,524	(28,988)	6,689,446
<i>Net position</i>				
Net investment in capital assets	5,625,292	1,923,439	-	7,548,731
Unrestricted	15,587,988	882,773	-	16,470,761
Restricted	2,130,832	(61,590)	-	2,069,242
Total net position	23,344,112	2,744,622	-	26,088,734
Total liabilities, deferred inflows of resources, and net position	\$ 27,633,022	\$ 5,174,146	\$ (28,988)	\$ 32,778,180

See accompanying independent auditors' report.

Wray Community District Hospital
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2021

	Hospital	Hillcrest	Eliminations	Total
<i>Operating revenues</i>				
Net patient and resident service revenue	\$ 30,155,491	\$ 3,648,622	\$ -	\$ 33,804,113
Grants	174,852	43,949	-	218,801
Other	303,802	63,363	-	367,165
Total operating revenues	30,634,145	3,755,934	-	34,390,079
<i>Operating expenses</i>				
Salaries and wages	9,267,022	2,629,911	-	11,896,933
Employee benefits	2,199,428	691,678	-	2,891,106
Professional fees and other purchased services	8,344,346	355,972	-	8,700,318
Supplies	5,084,422	340,655	-	5,425,077
Depreciation and amortization	1,128,891	278,132	-	1,407,023
Insurance	152,699	63,030	-	215,729
Utilities	372,869	113,350	-	486,219
Repairs and maintenance	882,432	57,244	-	939,676
Leases and rentals	37,200	2,256	-	39,456
Provider fees	721,935	-	-	721,935
Other	1,367,066	225,083	-	1,592,149
Total operating expenses	29,558,310	4,757,311	-	34,315,621
<i>Operating income (loss)</i>	1,075,835	(1,001,377)	-	74,458
<i>Nonoperating revenues (expenses)</i>				
Taxation for operations	465,106	-	-	465,106
Gain on disposal of capital assets	20,300	-	-	20,300
Interest income	28,938	280	-	29,218
Interest expense	(33,143)	(60,674)	-	(93,817)
CARES Act Provider Relief Fund	2,944,150	469,895	-	3,414,045
Total nonoperating revenues, net	3,425,351	409,501	-	3,834,852
Change in net position before gain on forgiveness of				
Paycheck Protection Program loan, transfers				
between related parties, and capital grants	4,501,186	(591,876)	-	3,909,310
<i>Gain on forgiveness of Paycheck Protection Program loan</i>	1,805,395	619,685	-	2,425,080
<i>Capital grants</i>	385,223	-	-	385,223
Change in net position	6,691,804	27,809	-	6,719,613
Net position, beginning of year	16,652,308	2,716,813	-	19,369,121
Net position, end of year	\$ 23,344,112	\$ 2,744,622	\$ -	\$ 26,088,734

See accompanying independent auditors' report.

Wray Community District Hospital
Schedule of Budget and Actual Revenues and Expenses
Year Ended December 31, 2021

	Actual	Budget	Favorable (Unfavorable) Variance
<i>Operating revenues</i>			
Net patient service revenue	\$ 33,804,113	\$ 28,903,808	\$ 4,900,305
Grants	218,801	-	218,801
Other	367,165	1,232,312	(865,147)
Total operating revenues	34,390,079	30,136,120	4,253,959
<i>Operating expenses</i>			
Salaries and wages	11,896,933	10,452,574	(1,444,359)
Employee benefits	2,891,106	2,875,696	(15,410)
Professional fees and other purchased services	8,700,318	9,313,539	613,221
Supplies	5,425,077	4,395,498	(1,029,579)
Depreciation and amortization	1,407,023	1,500,377	93,354
Other	3,995,164	1,837,225	(2,157,939)
Total operating expenses	34,315,621	30,374,909	(3,940,712)
<i>Operating income (loss)</i>	74,458	(238,789)	313,247
<i>Nonoperating revenues (expenses)</i>			
Taxation for operations	465,106	420,173	44,933
CARES Act Provider Relief Fund	3,414,045	-	3,414,045
Other	49,518	43,729	5,789
Interest expense	(93,817)	(109,486)	15,669
Total nonoperating revenues, net	3,834,852	354,416	3,480,436
Change in net position before gain on forgiveness of Paycheck Protection Program loan, and capital grants	3,909,310	115,627	3,793,683
<i>Gain on forgiveness of Paycheck Protection Program loan</i>	2,425,080	-	2,425,080
<i>Capital grants</i>	385,223	-	385,223
Change in net position	\$ 6,719,613	\$ 115,627	\$ 6,603,986

See accompanying independent auditors' report.

SINGLE AUDIT

AUDITORS' SECTION



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, 2021, 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 May 23, 2022.

Report on 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) as a basis for designing 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.

Report on 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
May 23, 2022



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
THE DISTRICT'S MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Wray Community District Hospital
Wray, Colorado

Report on Compliance for the District's Major Federal Program

Opinion on the District's Major Federal Program

We have audited Wray Community District Hospital (the District's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended December 31, 2021. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of audit findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Basis for Opinion on the District's Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on the District's major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
May 23, 2022

**Wray Community District Hospital
 Schedule of Audit Findings and Questioned Costs
 Year Ended December 31, 2021**

Section I – Summary of Auditors’ Results

Financial Statements:

Type of auditors’ report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards:

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditors’ report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal program:

<i>Federal Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>
93.498	Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

**Wray Community District Hospital
Schedule of Audit Findings and Responses (Continued)
Year Ended December 31, 2021**

Section II – Financial Statement Findings

No matters were reported for 2021.

Section III – Federal Award Findings and Questioned Costs

2021–001 Provider Relief Fund Reporting of Lost Revenue

Program Information:

Federal Agency Department of Health and Human Services

Assistance Listing Number 93.498 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution

Criteria Compliance Finding Significant Deficiency Material Weakness

Under the terms and conditions of the award, the recipient certifies it will report actual net patient revenues for the periods reported on in its reporting of actual net patient revenues for its calculation of lost revenues due to coronavirus.

Condition The District did not include its 2020 Medicare cost report settlement in 2020 actual net patient revenues on the Provider Relief Fund report. As a result, net patient revenues were not accurately reported.

Context This finding appears to be an isolated problem.

Cause The District prepared its lost revenue calculations before the 2020 Medicare cost report was completed and did not update the calculations to include the settlement amount.

Effect Lost revenue was only calculated for the first two quarters of 2020. If the 2020 Medicare settlement were properly allocated to those quarters, the District would still have sufficient healthcare-related expenses attributable to coronavirus and lost revenues to use all of the Provider Relief Fund amounts received. Therefore, there is no effect on the District’s retention of the Provider Relief Funds.

Recommendation We recommend the District’s management correct its lost revenue calculation on subsequent period reporting for the Provider Relief Fund.

Views of responsible officials and planned corrective actions The District will ensure Medicare cost report settlements are included in the revenue impact analysis (if applicable) in all subsequent Provider Relief Fund reporting periods.

AUDITEE'S SECTION

**Wray Community District Hospital
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021**

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Additional Award Identification	Total Federal Expenditures
U.S. Department of Health and Human Services Direct Programs:				
Provider Relief Fund and American Rescue Plan Rural Distribution	93.498		COVID-19	\$ 4,409,630
COVID-19 Testing for the Uninsured	93.461		COVID-19	136,708
Total U.S. Department of Health and Human Services Direct Programs				4,546,338
U.S. Department of Health and Human Services Pass-Through Programs From:				
<i>Colorado Rural Health Center</i>				
Rural Health Research Centers	93.155	H3LRH42218-01-00	COVID-19	194,203
Small Rural Hospital Improvement Grant Program	93.301	H3HRH00038-19-00		7,188
Total U.S. Department of Health and Human Services Pass-Through Programs				201,391
Total U.S. Department of Health and Human Services				4,747,729
U.S. Department of Agriculture Direct Programs:				
Community Facilities Loans and Grants	10.766			50,000
Total expenditures of federal awards				\$ 4,797,729

See

accompanying independent auditors' report. The accompanying notes are an integral part of this schedule.

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Wray Community District Hospital (the District) under programs of the federal government for the year ended December 31, 2021. Amounts reported on the Schedule for Assistance Listing Number 93.498 – Provider Relief Fund and American Rescue Plan Rural Distribution are based upon the June 30, 2021 and December 31, 2021, Provider Relief Fund reports. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

2. Summary of Significant Accounting Policies:

Expenditures reported on this schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



Wray Hospital
& Clinic

1017 W 7th Street, Wray, CO 80758 (970) 332-4811

The current year Schedule of Audit Findings and Questioned Costs reported no matters in Section II – *Financial Statement Findings* and one matter in Section III – *Federal Award Findings and Questioned Costs*.

Current year audit findings:

2021-001 Provider Relief Fund Reporting of Lost Revenue

Corrective action planned:

Corrective action planned:

The District will ensure Medicare cost report settlements are included in the revenue impact analysis (if applicable) in all subsequent Provider Relief Fund reporting periods.

Anticipated completion date:

March 31, 2023

Contact person responsible for corrective action:

Toby Stults, CFO

**Wray Community District Hospital
Summary Schedule of Prior Year Audit Findings
Year Ended December 31, 2021**

The audit for the year ended December 31, 2020, reported no findings, nor were there any unresolved prior year audit findings from periods ended December 31, 2019, or prior. Therefore, there are no matters to report in this schedule for the year ended December 31, 2021.