

Wray Community District Hospital

Combined Basic Financial Statements and
Independent Auditors' Reports

December 31, 2022 and 2021



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

Wray Community District Hospital
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Wray Community District Hospital
Wray, Colorado

Report on the Audit of the Combined Financial Statements

Opinion

We have audited the accompanying combined financial statements of Wray Community District Hospital (the District) as of and for the years ended December 31, 2022 and 2021, and the related notes to the combined basic financial statements, which collectively comprise the District's combined basic financial statements as listed in the table of contents.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2022 and 2021, 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 Combined 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 Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 the combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined 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 Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 combined 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 combined 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 combined 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 combined basic financial statements. Such information is the responsibility of management and, although not a part of the combined 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 combined 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 combined basic financial statements, and other knowledge we obtained during our audit of the combined 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 combined 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 combined 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 combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined 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 17, 2023, 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, 2022. We issued a similar report for the year ended December 31, 2021, dated May 23, 2022, which has not been included with the 2022 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 17, 2023

Wray Community District Hospital Management's Discussion and Analysis December 31, 2022 and 2021

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, 2022 and 2021. Please read it in conjunction with the District's combined basic financial statements, which begin on page 11.

Financial Highlights

- Cash and cash equivalents (excluding noncurrent cash) increased in 2022 by \$2,439,330, or 21.74 percent, and increased in 2021 by \$166,339, or 1.5 percent.
- Current liabilities increased in 2022 by \$523,306, or 13 percent, and decreased in 2021 by \$6,024,590, or 60 percent.
- Net position increased in 2022 by \$1,714,007, or 7 percent, and increased in 2021 by \$6,719,613, or 35 percent, over the prior year ending net position.
- Total operating revenues increased in 2022 by \$4,036,087, or 12 percent, and increased in 2021 by \$5,550,000, or 19 percent.
- Total operating expenses increased in 2022 by \$3,784,508, or 11 percent, and increased in 2021 by \$4,860,643, or 17 percent.
- The District reported an operating gain of \$326,037 in 2022 and an operating gain of \$74,458 in 2021.
- The District reported a gain in cash from operating activities of \$2,789,253 in 2022 and a gain of \$1,199,130 in 2021.

Using This Annual Report

The District's combined basic 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 combined basic 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 7. 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, 2022 and 2021**

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 \$1.71 million (6.57 percent) in 2022 and increased by \$6.72 million (35 percent) in 2021, as shown in Table 1.

Table 1: Assets, Liabilities, and Net Position

	2022	2021	2020
<i>Assets</i>			
Patient and resident accounts receivable, net	\$ 3,306,764	\$ 3,958,320	\$ 2,495,349
Other current assets	18,306,218	15,598,401	15,383,194
Capital assets, net	10,735,952	10,752,963	11,167,635
Other noncurrent assets	2,488,055	2,468,496	2,768,743
Total assets	\$ 34,836,989	\$ 32,778,180	\$ 31,814,921
<i>Liabilities</i>			
Current liabilities	\$ 4,559,536	\$ 4,036,230	\$ 10,060,820
Noncurrent liabilities	1,996,124	2,207,741	1,964,807
Total liabilities	6,555,660	6,243,971	12,025,627
<i>Deferred inflows of resources</i>	478,588	445,475	420,173
<i>Net position</i>			
Net investment in capital assets	7,863,679	7,548,731	7,892,927
Unrestricted	17,906,102	16,470,761	8,882,451
Restricted	2,032,960	2,069,242	2,593,743
Total net position	27,802,741	26,088,734	19,369,121
Total liabilities and net position	\$ 34,836,989	\$ 32,778,180	\$ 31,814,921

Operating revenues increased in 2022 by \$4 million (12 percent), driven by strong volumes throughout the hospital, surgery volumes in particular. Net patient and resident revenues increased by \$4.36 million (13 percent) in 2022 and by \$5.46 million (19 percent) in 2021.

**Wray Community District Hospital
Management's Discussion and Analysis (Continued)
December 31, 2022 and 2021**

Operating Results and Changes in The District's Net Assets

In 2022, the District's net assets increased by \$1.71 million, or 6.57 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

	2022	2021	2020
<i>Operating revenues</i>			
Net patient and resident service revenue	\$ 38,206,851	\$ 33,804,113	\$ 28,347,815
Grants	63,008	218,801	225,618
Other operating revenue	156,307	367,165	266,646
Total operating revenues	38,426,166	34,390,079	28,840,079
<i>Operating expenses</i>			
Salaries, wages, and benefits	17,284,248	14,788,039	12,934,219
Purchased services and professional fees	9,693,211	8,700,318	7,799,818
Supplies and other operating expenses	9,673,771	9,420,241	7,420,620
Depreciation and amortization	1,448,899	1,407,023	1,300,321
Total operating expenses	38,100,129	34,315,621	29,454,978
<i>Operating gain (loss)</i>	326,037	74,458	(614,899)
<i>Nonoperating revenues (expenses)</i>			
Taxation for maintenance and operations	494,589	465,106	446,535
Interest income	34,165	29,218	58,461
Interest expense	(77,735)	(93,817)	(99,774)
Loss on disposal of capital assets	13,725	20,300	31,550
CARES Act Provider Relief Fund	593,006	3,414,045	1,036,334
Total nonoperating revenues, net	1,057,750	3,834,852	1,473,106
Change in net position before capital grants and gain on Forgiveness of Paycheck Protection Program loan	1,383,787	3,909,310	858,207
<i>Capital grants</i>	330,220	385,223	137,666
<i>Gain on Forgiveness of Paycheck Protection Program loan</i>	-	2,425,080	2,012,742
Change in net position	1,714,007	6,719,613	3,008,615
Net position, beginning of year	26,088,734	19,369,121	16,360,506
Net position, end of year	\$ 27,802,741	\$ 26,088,734	\$ 19,369,121

**Wray Community District Hospital
Management's Discussion and Analysis (Continued)
December 31, 2022 and 2021**

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 2022, the District reported an operating gain of \$326,037. In fiscal years 2021 and 2020, the District reported an operating gain of \$74,458 and operating losses of \$614,899, respectively.

The primary components of these operating results for 2022 are:

- In 2022, the hospital returned to normal operations following significant financial and operational impacts due to COVID-19 beginning in 2020. Surgery volumes increased by 13 percent in 2022 and continued to be the driver of total revenue. All other departmental volumes and revenue followed suit, resulting in a 17 percent increase in gross revenue and 13 percent increase to net revenue. As it relates to Hillcrest, low census and the resulting low revenues continued in 2022 and never returned to pre-pandemic levels due to COVID-19 restrictions and perhaps a shift in public sentiment. As restrictions are lifted in 2023, Hillcrest's ability to increase census will increase.
- Federal government COVID-19 response through the CARES Act (Paycheck Protection Program & the Provider Relief Funds):
 - CARES Act Provider Relief Funds Phase 4 and American Rescue Plan (ARP) Rural Payment of \$593,000 were recognized as nonoperating revenues in 2022 (\$515,000 for the hospital and clinic and \$78,000 for Hillcrest). Funds were used to cover additional expenses in preparation for and in response to the COVID-19 pandemic. Additional details can be found in Note 9 on Page 28.
- The 340B contract pharmacy program in 2022 resulted in \$1.29 million gross revenue and \$197,000 of net revenue after considering 340B program expenses. The net revenue in 2021 was \$193,000.
- All revenue cycle key performance indicators (accounts receivable and billing/coding metrics) were sustained in 2022 and remain on target into 2023.
- Salaries and wages (including benefits) increased \$2,496,209, or 17 percent, in 2022 and \$1,853,820, or 14 percent, in 2021.
- Purchased services and professional fees increased by \$992,893 in 2022 and \$900,500 in 2021.

**Wray Community District Hospital
Management's Discussion and Analysis (Continued)
December 31, 2022 and 2021**

Operating Gains/Losses (continued)

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 continued 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 and 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.
- Reinstatement of the 340B contract pharmacy program in 2021 resulted in \$1.51 million gross revenue and \$193,000 of net revenue after considering 340B program expenses.
- 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.

Nonoperating Revenues and Expenses

Nonoperating revenues for 2022 consist primarily of CARES Act Provider Relief Funds, property taxes levied by the District, and interest revenue. The District recognized \$593,006 million in CARES Act Provider Relief Funds in 2022, accounting for 56 percent of nonoperating revenues. As a result, nonoperating revenues decreased by \$2.77 million, or 72 percent, in 2022 compared to a \$2.36 million, or 160 percent, increase in 2021.

**Wray Community District Hospital
Management's Discussion and Analysis (Continued)
December 31, 2022 and 2021**

Grants, Contributions, and Endowments

The District received \$63,008 in operating grants and \$330,220 in capital grants in 2022. The District also received \$455,095 in 2022 in unearned grant revenue to be recognized in 2023.

Review and Analysis

As WCDH progressed into calendar year 2022, the District experienced many of the same challenges from the previous year. Although the frequency and acuity of COVID-19 decreased year-over-year, Colorado State and Federal emergency powers and regulations were slow to adapt to the improved health environment. Staffing ratios, travel nursing/lab/radiology staff expenses, and wages across every department highlight human resource challenges. Inflation and supply chain delays also disrupted the facility's finances.

The District continues to focus on the financial condition of the Hillcrest nursing home and Towers assisted living facility. The ongoing COVID-19 pandemic hampered the number of admissions to these facilities due to visitation restrictions and strict outbreak protocols. Management change during the year has resulted in a positive trend in admissions.

The rural American Rescue Plan (ARP) funding and phase 4 of the Cares Act Provider Relief Fund were significantly drawn down and exhausted in 2022. The financial burden relating to these challenges is identified in the Districts total margin from all sources (including COVID funding), dropping from 16.3 percent in 2021 to 4.2 percent in 2022. Comparing the total margin less COVID funding resulting in a positive trend from 2.5 percent in 2021 to 2.8 percent in 2022.

In meeting these challenges in 2022, the District was able to maintain a positive operating margin just above breakeven with 0.3 percent in 2021 to 0.7 percent in 2022.

The District improved its days cash on hand from all sources (183 days) which outperformed the average of all Colorado hospitals (121 days) in 2022. The current ratio of current assets over current liabilities improved year over year from 4.8 to 5.1.

Based on the continued growth of the facility over the previous six years, management consulted with a research firm and has embarked on an expansion and renovation project that is expected to be funded through a USDA loan in 2023 and realized by the end of 2024. In order to attract and retain permanent general surgeons in northeast Colorado, the acquisition was made in 2022 for a da Vinci xi surgical robot and was implemented in the first quarter 2023. WCDH is on track to expand and renovate its facility. The expansion includes adding a surgical suite and an endoscopy suite to the existing two surgical suites. Radiology will be expanded to include room for a 3T MRI and a DEXA machine to augment the existing state-of-the-art 64-slice CT, 3D Mammography, and X-ray equipment. The facility's clinic, now represented by five permanent family practice physicians and two physician assistants, will expand to accommodate four new exam rooms and an additional procedure room. These improvements are necessary to maintain the patient and provider growth stemming from the 2022 performance.

Housing continues to be a challenge in recruiting and retention of new and current employees. During 2022, WCDH owned two homes for family practice residents and two rental homes for traveling clinical staff. The District also owns a formal clinic that currently acts as a dormitory for nursing, lab, and radiology students throughout the year, short-term stay for a specialist, and shelter for employees during severe weather situations. The District anticipates the purchase and/or lease of four townhomes near the hospital for consolidation purposes. The hospital is also expanding its campus footprint for future healthcare services.

**Wray Community District Hospital
Management's Discussion and Analysis (Continued)
December 31, 2022 and 2021**

Review and Analysis (continued)

The District is optimistic with the overall financial stability of its facilities and anticipates additional health services, equipment, and growth in the future.

The District's Cash Flows

The District's cash flows from noncapital financing activities increased in 2022 by \$1,087,595.

Capital Asset and Debt Administration

Capital Assets

At the end of 2022, the District had \$10.74 million invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the combined basic financial statements. In 2022, the District had improvements and purchased new equipment costing \$478,000. In 2021, \$942,000 was spent on improvements and the purchase of new equipment. Of this, \$172,000 was acquired through leases obligations.

Debt

At year end, the District had \$2.21 million in long-term debt and lease obligations compared to \$2.45 million at 2021 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.

COMBINED BASIC FINANCIAL STATEMENTS

**Wray Community District Hospital
Combined Statements of Net Position
December 31, 2022 and 2021**

ASSETS	2022	2021
<i>Current assets</i>		
Cash and cash equivalents	\$ 13,661,113	\$ 11,221,783
Investments	2,302,091	2,291,763
Receivables:		
Patient and resident accounts	3,306,764	3,958,320
Property taxes	478,588	445,475
Estimated third-party payor settlements	141,000	-
Other	16,480	208,257
Inventories	1,237,961	966,392
Prepaid expenses	468,985	464,731
Total current assets	21,612,982	19,556,721
<i>Noncurrent assets</i>		
Restricted cash and cash equivalents	427,351	415,509
Restricted investments held as collateral	2,060,704	2,052,987
Capital assets, net	10,735,952	10,752,963
Total noncurrent assets	13,224,007	13,221,459
Total assets	\$ 34,836,989	\$ 32,778,180
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
<i>Current liabilities</i>		
Accounts payable	\$ 1,046,366	\$ 1,207,138
Accrued compensation and related liabilities	1,417,832	1,288,635
Accrued interest payable	7,875	48,980
Refunds payable for overpayments on patient accounts	764,094	-
Estimated third-party payor settlements	-	144,712
Short-term notes payable	653,698	707,397
Current maturities of long-term debt	214,576	240,114
Unearned grant revenue	455,095	399,254
Total current liabilities	4,559,536	4,036,230
<i>Long-term debt, net of current maturities</i>	1,996,124	2,207,741
Total liabilities	6,555,660	6,243,971
<i>Deferred inflows of resources, property tax levy</i>	478,588	445,475
Total liabilities and deferred inflows of resources	7,034,248	6,689,446
<i>Net position</i>		
Net investment in capital assets	7,863,679	7,548,731
Unrestricted	17,906,102	16,470,761
Restricted	2,032,960	2,069,242
Total net position	27,802,741	26,088,734
Total liabilities, deferred inflows of resources, and net position	\$ 34,836,989	\$ 32,778,180

See accompanying notes to combined basic financial statements.

Wray Community District Hospital
Combined Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2022 and 2021

	2022	2021
<i>Operating revenues</i>		
Net patient and resident service revenue	\$ 38,206,851	\$ 33,804,113
Grants	63,008	218,801
Other	156,307	367,165
Total operating revenues	38,426,166	34,390,079
<i>Operating expenses</i>		
Salaries and wages	13,936,070	11,896,933
Employee benefits	3,348,178	2,891,106
Professional fees and other purchased services	9,693,211	8,700,318
Supplies	5,839,498	5,425,077
Depreciation and amortization	1,448,899	1,407,023
Insurance	233,270	215,729
Utilities	499,978	486,219
Repairs and maintenance	740,610	939,676
Leases and rentals	42,156	39,456
Provider fees	642,044	721,935
Other	1,676,215	1,592,149
Total operating expenses	38,100,129	34,315,621
<i>Operating income</i>	326,037	74,458
<i>Nonoperating revenues (expenses)</i>		
Taxation for operations	494,589	465,106
Gain on disposal of capital assets	13,725	20,300
Interest income	34,165	29,218
Interest expense	(77,735)	(93,817)
CARES Act Provider Relief Fund	593,006	3,414,045
Total nonoperating revenues, net	1,057,750	3,834,852
Change in net position before capital grants and gain on forgiveness of Paycheck Protection Program loan	1,383,787	3,909,310
<i>Capital grants</i>	330,220	385,223
<i>Gain on forgiveness of Paycheck Protection Program loans</i>	-	2,425,080
Change in net position	1,714,007	6,719,613
Net position, beginning of year	26,088,734	19,369,121
Net position, end of year	\$ 27,802,741	\$ 26,088,734

See accompanying notes to combined basic financial statements.

**Wray Community District Hospital
 Combined Statements of Cash Flows
 Years Ended December 31, 2022 and 2021**

	2022	2021
<i>Change in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 39,336,789	\$ 33,124,610
Other receipts	348,084	270,359
Proceeds from grants	63,008	218,801
Payments to and on behalf of employees	(17,155,051)	(14,514,438)
Payments to suppliers and contractors	(19,803,577)	(17,900,202)
Net cash from operating activities	2,789,253	1,199,130
<i>Cash flows from noncapital financing activities</i>		
Taxation for operations	494,589	465,106
Proceeds from CARES Act Provider Relief Fund	593,006	-
Repayment of Medicare accelerated payments	-	(3,185,000)
Proceeds from Paycheck Protection Program loans	-	2,425,080
Net cash from noncapital financing activities	1,087,595	(294,814)
<i>Cash flows from capital and related financing activities</i>		
Purchase of capital assets	(1,418,163)	(800,203)
Proceeds from capital grants	386,061	609,477
Principal paid on long-term debt	(237,155)	(237,042)
Principal paid on short-term notes payable and line of credit	(53,699)	(36,129)
Interest paid on long-term debt and short-term notes payable	(118,840)	(62,970)
Net cash from capital and related financing activities	(1,441,796)	(526,867)
<i>Cash flows from investing activities</i>		
Investment income	16,120	2,902
Net change in cash and cash equivalents	2,451,172	380,351
Cash and cash equivalents, beginning of year	11,637,292	11,256,941
Cash and cash equivalents, end of year	\$ 14,088,464	\$ 11,637,292

See accompanying notes to combined basic financial statements.

**Wray Community District Hospital
 Combined Statements of Cash Flows (Continued)
 Years Ended December 31, 2022 and 2021**

	2022	2021
<i>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</i>		
Cash and cash equivalents in current assets	\$ 13,661,113	\$ 11,221,783
Restricted cash and cash equivalents	427,351	415,509
Total cash and cash equivalents	\$ 14,088,464	\$ 11,637,292
<i>Reconciliation of Operating Income to Net Cash From Operating Activities</i>		
Operating income	\$ 326,037	\$ 74,458
<i>Adjustments to reconcile operating income to net cash from operating activities:</i>		
Depreciation and amortization	1,448,899	1,407,023
Provision for bad debts	649,024	743,461
Change in assets:		
Patient and resident accounts receivable	2,532	(2,206,432)
Estimated third-party payor settlements	(141,000)	638,756
Other receivables	191,777	(96,806)
Inventories	(271,569)	14,002
Prepaid expenses	(4,254)	(38,943)
Change in liabilities:		
Accounts payable	(160,772)	245,298
Refunds payable for overpayments on patient accounts	764,094	-
Accrued compensation and related liabilities	129,197	273,601
Estimated third-party payor settlements payable	(144,712)	144,712
Net cash from operating activities	\$ 2,789,253	\$ 1,199,130

Noncash Financing and Investing Activities

During the years ended December 31, 2022 and 2021, the District incurred lease obligations for the acquisition of property and equipment in the amounts of \$-0- and \$171,848, respectively.

See accompanying notes to combined basic financial statements.

Wray Community District Hospital
Notes to Combined Basic Financial Statements
Years Ended December 31, 2022 and 2021

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 combined basic 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 combined basic 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 Combined Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

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 and lease right-of-use 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 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 Combined Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

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 cash and cash equivalents – The District's restricted cash and equivalents includes cash from unearned grant revenue that is restricted for the purchase of capital assets, certificates of deposit held as collateral for the District's short-term notes payable and long-term debt, and a debt reserve account. The District's promissory note with the United States Department of Agriculture requires the District to establish a reserve account, and each month set aside \$704 into that account for 10 years.

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 17, 2023, the date on which the combined financial statements were available to be issued.

Change in accounting principles – In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*. The objective of this statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases. 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 District adopted Statement No. 87 during the year ended December 31, 2022, with no effect on the combined basic financial statements.

Upcoming accounting standard pronouncements – 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 combined basic financial statements and related disclosures.

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

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, 2022 and 2021, 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 Combined Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

2. Bank Deposits and Investments (continued):

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, 2022 and 2021, all investments were in certificates of deposits valued with significant other inputs (Level 2).

3. Patient and Resident Accounts Receivable:

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

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

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

3. Patient and Resident Accounts Receivable (continued):

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

	2022	2021
Receivable from patients and their insurance carriers	\$ 4,230,912	\$ 4,126,006
Receivable from Medicare	915,394	1,282,408
Receivable from Medicaid	260,580	415,736
Total patient and resident accounts receivable	5,406,886	5,824,150
Less allowance for uncollectible accounts	(2,100,122)	(1,865,830)
Patient and resident accounts receivable, net	\$ 3,306,764	\$ 3,958,320

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 by the District in the year the taxes are due. 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 2022, the District's regular tax levy was \$3.227 per \$1,000 on a total assessed valuation of \$148,307,440, for a total regular levy of \$478,588.

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.

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

5. Capital Assets and Lease Right-of-Use Assets:

Capital asset and lease right-of-use asset additions, retirements, transfers, and balances reported by the District were as follows:

	Balance December 31, 2021	Additions	Retirements	Transfers	Balance December 31, 2022
<i>Capital assets not being depreciated</i>					
Land	\$ 124,672	\$ -	\$ -	\$ -	\$ 124,672
Construction in progress	71,040	954,226	-	(169,765)	855,501
Total capital assets not being depreciated	195,712	954,226	-	(169,765)	980,173
<i>Capital assets being depreciated</i>					
Buildings and improvements	19,524,036	44,529	-	-	19,568,565
Fixed and major movable equipment	10,804,813	433,910	(107,600)	169,765	11,300,888
Leased right-of-use equipment	1,592,818	-	-	-	1,592,818
Total capital assets being depreciated	31,921,667	478,439	(107,600)	169,765	32,462,271
<i>Less accumulated depreciation for</i>					
Buildings and improvements	(9,682,604)	(663,740)	-	-	(10,346,344)
Fixed and major movable equipment	(11,092,042)	(499,451)	106,823	-	(11,484,670)
Leased right-of-use equipment	(589,770)	(285,708)	-	-	(875,478)
Total accumulated depreciation	(21,364,416)	(1,448,899)	106,823	-	(22,706,492)
<i>Total capital assets being depreciated, net</i>	10,557,251	(970,460)	(777)	169,765	9,755,779
Capital assets, net	\$ 10,752,963	\$ (16,234)	\$ (777)	\$ -	\$ 10,735,952

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

5. Capital Assets and Lease Right-of-Use Assets (continued):

Capital asset and lease right-of-use 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

Construction in progress at December 31, 2022, consisted primarily of the following:

- Cost for hospital expansion project: this project is expected to be completed in fourth quarter of 2024 or first quarter of 2025 with additional costs of approximately \$27,000,000.
- Cost for boilers: the project was completed in first quarter of 2023 with total cost of approximately \$382,000.
- Cost for Steris Sterilizer: the project was completed in first quarter of 2023 with total cost of approximately \$117,000.

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

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				Balance
	December 31,	Additions	Reductions		December 31,
	2021				2022
Note payable 2015	\$ 391,306	\$ -	\$ (21,626)		\$ 369,680
Note payable 2016	316,091	-	(32,073)		284,018
Total short-term notes payable and line of credit	\$ 707,397	\$ -	\$ (53,699)		\$ 653,698

	Balance				Balance
	December 31,	Additions	Reductions		December 31,
	2020				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

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 1.34 percent and 1.49 percent as of December 31, 2022 and 2021, respectively. The note matures on September 2, 2023, 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, for capital repairs at Hillcrest. 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 1.20 percent and 1.35 percent as of December 31, 2022 and 2021, respectively. The note matures on August 26, 2023, 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 Combined Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

7. Long-term Debt and Lease Obligations:

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

	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Amounts Due Within One Year
Note payable	\$ 324,207	\$ -	\$ (30,994)	\$ 293,213	\$ 31,859
USDA mortgage payable	1,528,722	-	-	1,528,722	29,929
Lease obligations	594,926	-	(206,161)	388,765	152,788
Total long-term debt and other noncurrent liabilities	\$ 2,447,855	\$ -	\$ (237,155)	\$ 2,210,700	\$ 214,576

	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021	Amounts Due Within One Year
Note payable	\$ 354,128	\$ -	\$ (29,921)	\$ 324,207	\$ 31,199
USDA mortgage payable	1,528,722	-	-	1,528,722	-
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

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

7. Long-term Debt and 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
2023	\$ 31,859	\$ 5,901
2024	32,518	5,242
2025	33,222	4,538
2026	195,614	2,001
	\$ 293,213	\$ 17,682

- **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
2023	\$ 29,929	\$ 59,123
2024	37,093	51,959
2025	38,415	50,637
2026	39,782	49,270
2027	41,197	47,855
2028-2032	229,026	216,234
2033-2037	272,760	172,500
2038-2042	324,841	120,419
2043-2047	386,867	58,393
2048-2049	128,812	3,714
	\$ 1,528,722	\$ 830,103

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

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

- **Lease obligations** – The District is obligated under leases for equipment that are accounted for as lease obligations. Assets under lease obligations at December 31, 2022, consisted entirely of fixed and major movable equipment with a gross cost of \$1,592,818 and accumulated depreciation of \$875,477. Assets under lease obligations 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. Scheduled principal and interest payments on lease obligations are as follows:

Years Ending December 31,	Capital Lease Obligations	
	Principal	Interest
2023	\$ 152,789	\$ 8,915
2024	152,441	4,425
2025	67,167	1,049
2026	16,368	109
	\$ 388,765	\$ 14,498

8. 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 did not change significantly in 2022. The District has not changed its charity care or uninsured discount policies during fiscal year 2022.

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

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

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:

	2022	2021
Patient and resident service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 11,754,701	\$ 10,693,487
Medicaid	4,963,445	3,773,844
Other third-party payors	12,831,329	11,438,184
Patients	3,438,026	3,214,632
CHASE supplemental payments	4,274,371	3,418,583
Capitation payments	387,876	556,540
340B contract pharmacy	1,294,426	1,506,094
	38,944,174	34,601,364
Less:		
Charity care	88,299	53,790
Provision for bad debts	649,024	743,461
	38,206,851	33,804,113
Net patient and resident service revenue	\$ 38,206,851	\$ 33,804,113

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.

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

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

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 \$76,000 in 2022 and \$61,000 in 2021 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 \$61,000 and \$39,000 for the years ended December 31, 2022 and 2021, respectively. The District received approximately \$4,274,000 and \$3,419,000 from supplemental Medicaid payments and the Colorado Indigent Care Program for the years ended December 31, 2022 and 2021, 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.

9. CARES Act Provider Relief Fund:

In 2020, the District received approximately \$4,450,000 of funding from the CARES Act Provider Relief Fund. The District received an additional \$593,006 in 2022. 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, 2022 and 2021, the District recognized \$593,006 and \$3,186,867, respectively, of grant revenue from these funds. The District had \$-0- remaining funds as of December 31, 2022 and 2021, to use for healthcare-related expenses or lost revenues that are attributable to coronavirus in the next fiscal year.

10. 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.

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

10. Contingencies and Commitments (continued):

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

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

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

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

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

Commitment – In December 2020, the District agreed to a five-year extension of its cloud computing arrangement for electronic health records software. Monthly payments are due throughout the contract period. The total commitment over the contract period is approximately \$3,960,000. As of December 31, 2022, the remaining commitment is \$2,367,713.

Budget – The District overspent its approved budgeted expenses by \$351,527 in 2022.

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

11. 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 \$269,000 and \$275,500 during 2022 and 2021, respectively. Plan members made contributions during 2022 and 2021 of approximately \$528,500 and \$514,000, 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.

12. 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.

13. Subsequent Events:

In January 2023, the District entered into a lease agreement for a da Vinci surgical system. The lease has monthly payment of \$36,366 beginning in month 13 of the lease and has a term of 72 months for a total of \$2,181,960 in payments.

The District also entered into an agreement to lease an MRI machine in 2023. The lease has total annual payments of \$144,040 over seven years for a total of \$1,008,280 in payments.

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

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:

	2022	2021
Medicare	25 %	31 %
Medicaid	10	14
Other third-party payors	37	31
Patients	28	24
	100 %	100 %

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

15. Blended Component Unit:

A condensed combining statement of net position for the year ended December 31, 2022, is as follows:

	Hospital	Hillcrest	Eliminations	Totals
<i>Assets</i>				
Current assets	\$ 20,938,758	\$ 707,614	\$ (33,390)	\$ 21,612,982
Noncurrent cash and investments	2,444,603	43,452	-	2,488,055
Capital assets, net	6,946,745	3,789,207	-	10,735,952
Total assets	\$ 30,330,106	\$ 4,540,273	\$ (33,390)	\$ 34,836,989
<i>Liabilities</i>				
Current liabilities	\$ 3,718,662	\$ 874,264	\$ (33,390)	\$ 4,559,536
Long-term debt, less current maturities	497,331	1,498,793	-	1,996,124
Total liabilities	4,215,993	2,373,057	(33,390)	6,555,660
<i>Deferred inflows of resources</i>	478,588	-	-	478,588
<i>Net position</i>				
Net investment in capital assets	5,980,749	1,882,930	-	7,863,679
Unrestricted	17,594,072	312,030	-	17,906,102
Restricted	2,060,704	(27,744)	-	2,032,960
Total net position	25,635,525	2,167,216	-	27,802,741
Total liabilities and net position	\$ 30,330,106	\$ 4,540,273	\$ (33,390)	\$ 34,836,989

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

15. Blended Component Unit (continued):

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 Combined Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

15. Blended Component Unit (continued):

A condensed combining statement of revenues, expenses, and changes in net position for the year ended December 31, 2022, is as follows:

	Hospital	Hillcrest	Eliminations	Totals
<i>Operating revenues</i>				
Net patient and resident service revenue	\$ 33,999,753	\$ 4,207,098	\$ -	\$ 38,206,851
Grants	63,008	-	-	63,008
Other	120,600	535,707	(500,000)	156,307
Total operating revenues	34,183,361	4,742,805	(500,000)	38,426,166
<i>Operating expenses</i>				
Salaries and wages	10,872,464	3,063,606	-	13,936,070
Employee benefits	2,614,089	734,089	-	3,348,178
Professional fees and other purchased services	9,249,132	444,079	-	9,693,211
Supplies	5,386,599	452,899	-	5,839,498
Depreciation and amortization	1,168,243	280,656	-	1,448,899
Other	3,326,877	507,396	-	3,834,273
Total operating expenses	32,617,404	5,482,725	-	38,100,129
<i>Operating income (loss)</i>	1,565,957	(739,920)	(500,000)	326,037
<i>Nonoperating revenues (expenses)</i>				
Taxation for operations	494,589	-	-	494,589
Interest income	33,817	348	-	34,165
Interest expense	(24,179)	(53,556)	-	(77,735)
Gain on disposal of capital assets	13,725	-	-	13,725
CARES Act Provider Relief Fund	514,638	78,368	-	593,006
Contributions to Hillcrest	(500,000)	-	500,000	-
Total nonoperating revenues, net	532,590	25,160	500,000	1,057,750
Change in net position before capital grants	2,098,547	(714,760)	-	1,383,787
<i>Capital grants</i>	192,866	137,354	-	330,220
Change in net position	2,291,413	(577,406)	-	1,714,007
Net position, beginning of year	23,344,112	2,744,622	-	26,088,734
Net position, end of year	\$ 25,635,525	\$ 2,167,216	\$ -	\$ 27,802,741

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

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
<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
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 Combined Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

15. Blended Component Unit (continued):

A condensed combining statement of cash flows for the year ended December 31, 2022, is as follows:

	Hospital	Hillcrest	Eliminations	Totals
Change in Cash and Cash Equivalents				
<i>Net cash provided from:</i>				
Operating activities	\$ 3,183,698	\$ (394,445)	\$ -	\$ 2,789,253
Noncapital financing activities	1,009,227	78,368	-	1,087,595
Capital and related financing activities	(1,260,092)	(181,704)	-	(1,441,796)
Investing activities	15,771	349	-	16,120
Net change in cash and cash equivalents	2,948,604	(497,432)	-	2,451,172
Cash and cash equivalents, beginning of year	10,668,013	969,279	-	11,637,292
Cash and cash equivalents, end of year	\$ 13,616,617	\$ 471,847	\$ -	\$ 14,088,464

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

	Hospital	Hillcrest	Eliminations	Totals
Change in Cash and Cash Equivalents				
<i>Net cash provided from:</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 change 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

SUPPLEMENTARY INFORMATION

Wray Community District Hospital
Combining Statement of Net Position
December 31, 2022

ASSETS	Hospital	Hillcrest	Eliminations	Total
<i>Current assets</i>				
Cash and cash equivalents	\$ 13,232,718	\$ 428,395	\$ -	\$ 13,661,113
Investments	2,302,091	-	-	2,302,091
Receivables:				
Patient and resident accounts	3,084,926	221,838	-	3,306,764
Property taxes	478,588	-	-	478,588
Estimated third-party payor settlements	141,000	-	-	141,000
Other	49,870	-	(33,390)	16,480
Inventories	1,237,961	-	-	1,237,961
Prepaid expenses	411,604	57,381	-	468,985
Total current assets	20,938,758	707,614	(33,390)	21,612,982
<i>Noncurrent assets</i>				
Restricted cash and cash equivalents	383,899	43,452	-	427,351
Restricted investments held as collateral	2,060,704	-	-	2,060,704
Capital assets, net	6,946,745	3,789,207	-	10,735,952
Total noncurrent assets	9,391,348	3,832,659	-	13,224,007
Total assets	\$ 30,330,106	\$ 4,540,273	\$ (33,390)	\$ 34,836,989
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
<i>Current liabilities</i>				
Accounts payable	\$ 978,162	\$ 101,594	\$ (33,390)	\$ 1,046,366
Accrued compensation and related liabilities	1,123,842	293,990	-	1,417,832
Accrued interest payable	-	7,875	-	7,875
Refunds payable for overpayments on patient accounts	764,094	-	-	764,094
Short-term notes payable	284,018	369,680	-	653,698
Current maturities of long-term debt	184,647	29,929	-	214,576
Unearned grant revenue	383,899	71,196	-	455,095
Total current liabilities	3,718,662	874,264	(33,390)	4,559,536
<i>Long-term debt, net of current maturities</i>	497,331	1,498,793	-	1,996,124
Total liabilities	4,215,993	2,373,057	(33,390)	6,555,660
<i>Deferred inflows of resources, property tax levy</i>	478,588	-	-	478,588
Total liabilities and deferred inflows of resources	4,694,581	2,373,057	(33,390)	7,034,248
<i>Net position</i>				
Net investment in capital assets	5,980,749	1,882,930	-	7,863,679
Unrestricted	17,594,072	312,030	-	17,906,102
Restricted	2,060,704	(27,744)	-	2,032,960
Total net position	25,635,525	2,167,216	-	27,802,741
Total liabilities, deferred inflows of resources, and net position	\$ 30,330,106	\$ 4,540,273	\$ (33,390)	\$ 34,836,989

See accompanying independent auditors' report.

Wray Community District Hospital
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2022

	Hospital	Hillcrest	Eliminations	Total
<i>Operating revenues</i>				
Net patient and resident service revenue	\$ 33,999,753	\$ 4,207,098	\$ -	\$ 38,206,851
Grants	63,008	-	-	63,008
Other	120,600	535,707	(500,000)	156,307
Total operating revenues	34,183,361	4,742,805	(500,000)	38,426,166
<i>Operating expenses</i>				
Salaries and wages	10,872,464	3,063,606	-	13,936,070
Employee benefits	2,614,089	734,089	-	3,348,178
Professional fees and other purchased services	9,249,132	444,079	-	9,693,211
Supplies	5,386,599	452,899	-	5,839,498
Depreciation and amortization	1,168,243	280,656	-	1,448,899
Insurance	139,471	93,799	-	233,270
Utilities	377,655	122,323	-	499,978
Repairs and maintenance	678,658	61,952	-	740,610
Leases and rentals	39,900	2,256	-	42,156
Provider fees	642,044	-	-	642,044
Other	1,449,149	227,066	-	1,676,215
Total operating expenses	32,617,404	5,482,725	-	38,100,129
<i>Operating income (loss)</i>	1,565,957	(739,920)	(500,000)	326,037
<i>Nonoperating revenues (expenses)</i>				
Taxation for operations	494,589	-	-	494,589
Gain on disposal of capital assets	13,725	-	-	13,725
Interest income	33,817	348	-	34,165
Interest expense	(24,179)	(53,556)	-	(77,735)
CARES Act Provider Relief Fund	514,638	78,368	-	593,006
Contributions to Hillcrest	(500,000)	-	500,000	-
Total nonoperating revenues, net	532,590	25,160	500,000	1,057,750
Change in net position before capital grants	2,098,547	(714,760)	-	1,383,787
<i>Capital grants</i>	192,866	137,354	-	330,220
Change in net position	2,291,413	(577,406)	-	1,714,007
Net position, beginning of year	23,344,112	2,744,622	-	26,088,734
Net position, end of year	\$ 25,635,525	\$ 2,167,216	\$ -	\$ 27,802,741

See accompanying independent auditors' report.

Wray Community District Hospital
Schedule of Budget and Actual Revenues and Expenses
Year Ended December 31, 2022

	Actual	Budget	Favorable (Unfavorable) Variance
<i>Operating revenues</i>			
Net patient service revenue	\$ 38,206,851	\$ 35,431,603	\$ 2,775,248
Grants	63,008	-	63,008
Other	156,307	2,168,997	(2,012,690)
Total operating revenues	38,426,166	37,600,600	825,566
<i>Operating expenses</i>			
Salaries and wages	13,936,070	14,268,061	331,991
Employee benefits	3,348,178	3,833,753	485,575
Professional fees and other purchased services	9,693,211	9,656,315	(36,896)
Supplies	5,839,498	5,418,933	(420,565)
Depreciation and amortization	1,448,899	1,551,693	102,794
Other	3,834,273	3,019,847	(814,426)
Total operating expenses	38,100,129	37,748,602	(351,527)
<i>Operating income (loss)</i>	326,037	(148,002)	474,039
<i>Nonoperating revenues (expenses)</i>			
Taxation for operations	494,589	445,475	49,114
CARES Act Provider Relief Fund	593,006	-	593,006
Other	47,890	318,736	(270,846)
Interest expense	(77,735)	(126,042)	48,307
Total nonoperating revenues, net	1,057,750	638,169	419,581
Change in net position before capital grants	1,383,787	490,167	893,620
<i>Capital grants</i>	330,220	-	330,220
Change in net position	\$ 1,714,007	\$ 490,167	\$ 1,223,840

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 combined basic financial statements of Wray Community District Hospital (the District), as of and for the year ended December 31, 2022, and the related notes to the combined basic financial statements, which collectively comprise the District's combined basic financial statements, as listed in the table of contents, and have issued our report thereon dated May 17, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the combined basic 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 combined 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 combined basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and 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 17, 2023



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, 2022. 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, 2022.

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.

Report on Internal Control Over Compliance

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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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 17, 2023

**Wray Community District Hospital
 Schedule of Audit Findings and Questioned Costs
 Year Ended December 31, 2022**

Section I – Summary of Auditors’ Results

Financial Statements:

Type of auditors’ report issued:	<i>Unmodified</i>		
Internal control over financial reporting:			
• Material weakness(es) identified?	<u> </u> yes	<u> X </u> no	
• Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported	
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no	

Federal Awards:

Internal control over major federal programs:			
• Material weakness(es) identified?	<u> </u> yes	<u> X </u> no	
• Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported	
Type of auditors’ report issued on compliance for major federal programs:	<i>Unmodified</i>		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u> yes	<u> X </u> no	

Identification of major federal program:

<i>Federal Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.766	Community Facilities Loans and Grants

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

Auditee qualified as low-risk auditee?	<u> </u> yes	<u> X </u> no
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**Wray Community District Hospital
Schedule of Audit Findings and Questioned Costs (Continued)
Year Ended December 31, 2022**

Section II – Financial Statement Findings

No matters were reported for 2022.

Section III – Federal Award Findings and Questioned Costs

There are no matters reported for 2022. Therefore, no corrective action plan is necessary, nor has one been prepared.

AUDITEE'S SECTION

**Wray Community District Hospital
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022**

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 Pass-through Programs From:				
<i>Colorado Rural Health Center</i>				
Rural Health Research Centers	93.155	H3LRH42218-01-00	COVID-19	\$ 30,472
Small Rural Hospital Improvement Grant Program	93.301	H3HRH00038-19-00		9,137
Total U.S. Department of Health and Human Services Pass-through Programs				39,609
U.S. Department of Agriculture Direct Programs:				
Community Facilities Loans and Grants	10.766			1,528,722
Total expenditures of federal awards				\$ 1,568,331

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

Notes to the Schedule of Expenditures of Federal Awards

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, 2022. 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.

3. Loans:

Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The related loan balance was \$1,528,722 at December 31, 2022.



**Wray Hospital
& Clinic**

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

**Wray Community District Hospital
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2022**

2021-001 Provider Relief Fund Reporting of Lost Revenue

<i>Year Initially Reported</i>	2021
<i>Status</i>	Resolved