

Wray Community District Hospital

Combined Basic Financial Statements and
Independent Auditors' Reports

December 31, 2023 and 2022



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, 2023 and 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.

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, 2023 and 2022, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2023, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

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 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 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 21, 2024, 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, 2023. We issued a similar report for the year ended December 31, 2022, dated May 17, 2023, which has not been included with the 2023 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.

D3A PLLC

Spokane Valley, Washington
May 21, 2024

**Wray Community District Hospital
Management's Discussion and Analysis
December 31, 2023 and 2022**

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 years ended December 31, 2023 and 2022. 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) decreased in 2023 by \$3,828,665, or 27.26 percent, and increased in 2022 by \$2,823,229, or 25.16 percent.
- Current liabilities increased in 2023 by \$999,013, or 21.91 percent, and increased in 2022 by \$523,306, or 12.97 percent.
- Net position increased in 2023 by \$4,100,759, or 14.75 percent, and increased in 2022 by \$1,714,007, or 6.57 percent, over the prior year ending net position.
- Total operating revenues increased in 2023 by \$3,524,269, or 9.17 percent, and increased in 2022 by \$4,036,087, or 11.74 percent.
- Total operating expenses increased in 2023 by \$3,968,793, or 10.42 percent, and increased in 2022 by \$3,784,508, or 11.03 percent.
- The District reported an operating loss of \$118,487 in 2023 and an operating gain of \$326,037 in 2022.
- The District reported a gain in cash from operating activities of \$170,869 in 2023 and a gain of \$2,789,253 in 2022.

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 Position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

**Wray Community District Hospital
Management’s Discussion and Analysis (Continued)
December 31, 2023 and 2022**

**The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position
(continued)**

These two statements report the District’s net position and changes in them. You can think of the District’s net position – 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 position 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.

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 Position

The District’s net position is the difference between its assets and liabilities reported in the Statement of Net Position on page 11. The District’s net position increased by approximately \$4,100,000 (14.75 percent) in 2023 and increased by approximately \$1,710,000 (6.57 percent) in 2022, as shown in Table 1.

Table 1: Assets, Liabilities, and Net Position

	2023	2022	2021
<i>Assets</i>			
Patient and resident accounts receivable, net	\$ 5,178,663	\$ 3,306,764	\$ 3,958,320
Other current assets	21,697,035	18,690,117	15,598,401
Capital assets, net	17,739,445	10,735,952	10,752,963
Other noncurrent assets	661,788	2,104,156	2,468,496
Total assets	\$ 45,276,931	\$ 34,836,989	\$ 32,778,180
<i>Liabilities</i>			
Current liabilities	\$ 5,558,549	\$ 4,559,536	\$ 4,036,230
Noncurrent liabilities	7,279,228	1,996,124	2,207,741
Total liabilities	12,837,777	6,555,660	6,243,971
<i>Deferred inflows of resources</i>	535,654	478,588	445,475
<i>Net position</i>			
Net investment in capital assets	8,963,779	7,863,679	7,548,731
Unrestricted	22,277,933	17,834,906	16,470,761
Restricted	661,788	2,104,156	2,069,242
Total net position	31,903,500	27,802,741	26,088,734
Total liabilities and net position	\$ 45,276,931	\$ 34,836,989	\$ 32,778,180

**Wray Community District Hospital
Management's Discussion and Analysis (Continued)
December 31, 2023 and 2022**

The District's Net Position (continued)

Operating revenues increased in 2023 by \$3,524,269 (9.17 percent), driven by strong volumes throughout the hospital, surgery volumes in particular. Net patient and resident revenues increased by \$3,530,577 (9 percent) in 2023 and by approximately \$4,400,000 (13 percent) in 2022.

Operating Results and Changes in the District's Net Position

In 2023, the District's net position increased by approximately \$4,100,000, or 14.75 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 Position

	2023	2022	2021
<i>Operating revenues</i>			
Net patient and resident service revenue	\$ 41,737,428	\$ 38,206,851	\$ 33,804,113
Other operating revenue	213,007	219,315	585,966
Total operating revenues	41,950,435	38,426,166	34,390,079
<i>Operating expenses</i>			
Salaries, wages, and benefits	18,977,784	17,284,248	14,788,039
Purchased services and professional fees	9,689,035	9,758,476	8,700,318
Supplies and other operating expenses	10,986,169	9,608,506	9,420,241
Depreciation and amortization	2,415,934	1,448,899	1,407,023
Total operating expenses	42,068,922	38,100,129	34,315,621
<i>Operating gain (loss)</i>	(118,487)	326,037	74,458
<i>Nonoperating revenues (expenses)</i>			
Taxation for maintenance and operations	524,961	494,589	465,106
CARES Act Employee Retention Credit	3,839,190	-	-
CARES Act Employee Retention Credit professional fees	(396,000)	-	-
CARES Act Provider Relief Fund	-	593,006	3,414,045
Other nonoperating revenues (expenses)	(50,630)	(29,845)	(44,299)
Total nonoperating revenues, net	3,917,521	1,057,750	3,834,852
Change in net position before capital grants and gain on			
Forgiveness of Paycheck Protection Program loan	3,799,034	1,383,787	3,909,310
<i>Capital grants</i>	301,725	330,220	385,223
<i>Gain on Forgiveness of Paycheck Protection Program loan</i>	-	-	2,425,080
Change in net position	4,100,759	1,714,007	6,719,613
Net position, beginning of year	27,802,741	26,088,734	19,369,121
Net position, end of year	\$ 31,903,500	\$ 27,802,741	\$ 26,088,734

**Wray Community District Hospital
Management's Discussion and Analysis (Continued)
December 31, 2023 and 2022**

Operating Gains/Losses

The first component of the overall change in the District's net position 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 2023, the District reported an operating loss of \$118,487. In years 2022 and 2021, the District reported an operating gain of \$326,037 and operating gain of \$74,458, respectively.

The primary components of these operating results for 2023 are:

- In 2023, the District returned to normal operations following significant financial and operational impacts due to COVID-19 beginning in 2020. Surgery volumes increased by 7 percent in 2023 and continued to be the driver of total revenue. All other departmental volumes and revenue followed suit, resulting in a 12 percent increase in gross revenue and 9 percent increase to net revenue. Operating expenses increased by 10 percent in 2023 due to inflation. As it relates to the nursing home, 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. In Q3 and Q4 of 2023, the District contracted with a consulting firm for an interim Nursing Home Administrator (NHA). Management put systems in place that had immediate impact on admissions of residents – raising the census from an average of 28 in December 2022 to 38 at year end 2023.
- The 340B contract pharmacy program in 2023 resulted in approximately \$1,200,000 million gross revenue and \$23,000 of net revenue after considering 340B program expenses. The net revenue in 2022 was \$197,000. The decrease is a result of 340B drug rewinds that occurred in 2023.
- All revenue cycle key performance indicators (accounts receivable and billing/coding metrics) were sustained in 2023 and remain on target into 2024.
- Salaries and wages (including benefits) increased \$1,693,536, or 9.8 percent, in 2023 and \$2,496,209, or 16.9 percent, in 2022.
- Purchased services and professional fees decreased by \$69,441 in 2023 and increased by \$1,058,158 in 2022.

**Wray Community District Hospital
Management's Discussion and Analysis (Continued)
December 31, 2023 and 2022**

Operating Gains/Losses (continued)

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 29.
- The 340B contract pharmacy program in 2022 resulted in \$1,290,000 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 \$1,058,158 in 2022 and \$900,500 in 2021.

Nonoperating Revenues and Expenses

Nonoperating revenues for 2023 consist primarily of property taxes levied by the District and interest revenue.

Grants, Contributions, and Endowments

The District received \$50,902 in operating grants and \$301,725 in capital grants in 2023. The District also had a balance of \$286,120 at December 31, 2023, in unearned grant revenue to be recognized in 2024.

**Wray Community District Hospital
Management's Discussion and Analysis (Continued)
December 31, 2023 and 2022**

Review and Analysis

As the District progressed into 2023, 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. On a positive note, the District recognized the Employee Retention Credit (ERC) in 2023 which increased its net position by \$3,443,190, or 13.2 percent, net of related fees. The payment is anticipated to occur in late 2024. The hospital and nursing home both qualified for this credit: approximately \$2,800,000 to the hospital and \$1,000,000 to the nursing home.

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. Hillcrest realized a positive margin, although it required \$500,000 in cash transfers from the hospital for operational expenses. Colavria, a nursing home consulting firm, had been employed from Q3 to current. Under its direction, the nursing home's financial condition has improved.

As a result of these challenges in 2023, the District posted a negative operating margin just below breakeven at -0.3 percent compared to just above breakeven in 2022 at 0.8 percent.

Days cash on hand from all sources decreased in 2023 to 142 days from 183 days the prior year. The current ratio of current assets over current liabilities was level year over year remaining at 4.8.

Based on the continued growth of the facility in 2023 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 2024 and realized by Q1 2026. In order to attract and retain permanent general surgeons in northeast Colorado, the acquisition was made in 2023 for a da Vinci xi surgical robot and was implemented in the first quarter 2023. The District implemented the MultiView financial package which consolidates the finances for the hospital and nursing home, improves the general ledger, provides greater efficiency, and improves reporting and budgeting mechanisms. The District 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 2023 performance.

Housing continues to be a challenge in recruiting and retention of new and current employees. During 2023, the District owned two homes for family practice residents and leased two rentals for traveling clinical staff. The District also owns a former 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 dormitory was upgraded in 2023 with room renovations, bedding, bathrooms, and HVAC. The District anticipates the purchase and/or lease of four townhomes near the hospital for consolidation purposes. The District is also expanding its campus footprint for future healthcare services.

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

**Wray Community District Hospital
Management's Discussion and Analysis (Continued)
December 31, 2023 and 2022**

The District's Cash Flows

The District's cash flows from noncapital financing activities increased in 2023 by \$524,961.

Capital Asset and Debt Administration

Capital Assets

At the end of 2023, the District had approximately \$17,740,000 invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the combined basic financial statements. In 2023, the District had improvements and purchased new equipment costing \$1,481,593. In 2022, \$478,439 was spent on improvements and the purchase of new equipment.

Debt

At year end, the District had approximately \$8,350,000 in long-term debt and lease obligations compared to \$2,210,000 at 2022 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, 2023 and 2022**

ASSETS	2023	2022
<i>Current assets</i>		
Cash and cash equivalents	\$ 10,216,347	\$ 14,045,012
Investments	4,835,040	2,302,091
Receivables:		
Patient and resident accounts, net	5,178,663	3,306,764
Property taxes	535,654	478,588
Estimated third-party payor settlements	341,000	141,000
CARES Act Employee Retention Credit	3,839,190	-
Other	80,182	16,480
Inventories	1,157,827	1,237,961
Prepaid expenses	691,795	468,985
Total current assets	26,875,698	21,996,881
<i>Noncurrent assets</i>		
Cash and cash equivalents restricted for debt reserve fund	52,505	43,452
Restricted investments held as collateral	609,283	2,060,704
Capital assets, net	17,739,445	10,735,952
Total noncurrent assets	18,401,233	12,840,108
Total assets	\$ 45,276,931	\$ 34,836,989
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
<i>Current liabilities</i>		
Accounts payable	\$ 1,859,280	\$ 1,046,366
Accrued compensation and related liabilities	1,544,807	1,417,832
Accrued interest payable	82,271	7,875
Refunds payable for overpayments on patient accounts	371,904	764,094
Short-term notes payable	348,011	653,698
Current maturities of long-term debt	1,066,156	214,576
Unearned grant revenue	286,120	455,095
Total current liabilities	5,558,549	4,559,536
<i>Long-term debt, net of current maturities</i>	7,279,228	1,996,124
Total liabilities	12,837,777	6,555,660
<i>Deferred inflows of resources, property tax levy</i>	535,654	478,588
<i>Net position</i>		
Net investment in capital assets	8,963,779	7,863,679
Unrestricted	22,277,933	17,834,906
Restricted	661,788	2,104,156
Total net position	31,903,500	27,802,741
Total liabilities, deferred inflows of resources, and net position	\$ 45,276,931	\$ 34,836,989

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, 2023 and 2022

	2023	2022
<i>Operating revenues</i>		
Net patient and resident service revenue	\$ 41,737,428	\$ 38,206,851
Grants	50,902	63,008
Other	162,105	156,307
Total operating revenues	41,950,435	38,426,166
<i>Operating expenses</i>		
Salaries and wages	15,092,677	13,936,070
Employee benefits	3,885,107	3,348,178
Professional fees and other purchased services	9,689,035	9,758,476
Supplies	7,171,348	5,991,335
Depreciation and amortization	2,415,934	1,448,899
Insurance	295,812	233,270
Utilities	519,312	499,978
Repairs and maintenance	746,381	740,610
Leases and rentals	46,256	42,156
Provider fees	714,206	642,044
Other	1,492,854	1,459,113
Total operating expenses	42,068,922	38,100,129
<i>Operating income (loss)</i>	(118,487)	326,037
<i>Nonoperating revenues (expenses)</i>		
Taxation for operations	524,961	494,589
Gain (loss) on disposal of capital assets	(2,763)	13,725
Interest income	338,473	34,165
Interest expense	(386,340)	(77,735)
CARES Act Employee Retention Credit	3,839,190	-
CARES Act Employee Retention Credit professional fees	(396,000)	-
CARES Act Provider Relief Fund	-	593,006
Total nonoperating revenues, net	3,917,521	1,057,750
Change in net position before capital grants	3,799,034	1,383,787
<i>Capital grants</i>	301,725	330,220
Change in net position	4,100,759	1,714,007
Net position, beginning of year	27,802,741	26,088,734
Net position, end of year	\$ 31,903,500	\$ 27,802,741

See accompanying notes to combined basic financial statements.

**Wray Community District Hospital
 Combined Statements of Cash Flows
 Years Ended December 31, 2023 and 2022**

	2023	2022
<i>Change in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 39,273,339	\$ 39,336,789
Other receipts	66,593	348,084
Proceeds from grants	50,902	63,008
Payments to and on behalf of employees	(18,850,809)	(17,155,051)
Payments to suppliers and contractors	(20,369,156)	(19,803,577)
Net cash from operating activities	170,869	2,789,253
<i>Cash flows from noncapital financing activities</i>		
Taxation for operations	524,961	494,589
Proceeds from CARES Act Provider Relief Fund	-	593,006
Net cash from noncapital financing activities	524,961	1,087,595
<i>Cash flows from capital and related financing activities</i>		
Purchase of capital assets	(2,501,634)	(1,418,163)
Proceeds from capital grants	132,750	386,061
Principal paid on long-term debt	(785,872)	(237,155)
Principal paid on short-term notes payable	(305,687)	(53,699)
Interest paid on long-term debt and short-term notes payable	(311,944)	(118,840)
Net cash from capital and related financing activities	(3,772,387)	(1,441,796)
<i>Cash flows from investing activities</i>		
Purchase of investments	(1,081,528)	-
Investment income	338,473	16,120
Net cash from investing activities	(743,055)	16,120
Net change in cash and cash equivalents	(3,819,612)	2,451,172
Cash and cash equivalents, beginning of year	14,088,464	11,637,292
Cash and cash equivalents, end of year	\$ 10,268,852	\$ 14,088,464

See accompanying notes to combined basic financial statements.

Wray Community District Hospital
Combined Statements of Cash Flows (Continued)
Years Ended December 31, 2023 and 2022

	2023	2022
<i>Reconciliation of Cash and Cash Equivalents to the Combined Statements of Net Position</i>		
Cash and cash equivalents in current assets	\$ 10,216,347	\$ 14,045,012
Cash and cash equivalents restricted for debt reserve fund	52,505	43,452
Total cash and cash equivalents	\$ 10,268,852	\$ 14,088,464
<i>Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities</i>		
Operating income (loss)	\$ (118,487)	\$ 326,037
<i>Adjustments to reconcile operating income (loss) to net cash from operating activities</i>		
Depreciation and amortization	2,415,934	1,448,899
Provision for bad debts	1,129,901	649,024
Change in assets:		
Patient and resident accounts receivable	(3,001,800)	2,532
Estimated third-party payor settlements	(200,000)	(141,000)
Other receivables	(95,512)	191,777
Inventories	80,134	(271,569)
Prepaid expenses	(222,810)	(4,254)
Change in liabilities:		
Accounts payable	448,724	(160,772)
Refunds payable for overpayments on patient accounts	(392,190)	764,094
Accrued compensation and related liabilities	126,975	129,197
Estimated third-party payor settlements payable	-	(144,712)
Net cash from operating activities	\$ 170,869	\$ 2,789,253

Noncash Financing and Investing Activities

During the years ended December 31, 2023 and 2022, the District incurred lease liabilities for the acquisition of property and equipment in the amounts of \$1,960,672 and \$-0-, respectively. During the year ended December 31, 2023, the District implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, which resulted in recognizing two new subscription assets totaling \$5,009,023 and related liabilities totaling \$4,959,884.

See accompanying notes to combined basic financial statements.

Wray Community District Hospital
Notes to Combined Basic Financial Statements
Years Ended December 31, 2023 and 2022

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Wray Community District Hospital (the District) is a 15-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.

The District also has dual status as a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code. The District is exempt from federal income tax.

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 District, 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 because it is not material to the District. 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, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

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.

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

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

b. Summary of Significant Accounting Policies (continued)

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

Capital assets – It is the District’s policy to capitalize property and equipment over \$5,000 and a useful life of at least three years; lesser amounts are expensed. Capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Capital assets other than land are depreciated on a straight-line basis over the estimated useful life of each asset. Assets under lease liabilities 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. Subscription assets are amortized over the shorter of the subscription term or their respective estimated useful lives. Amortization of subscription assets 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
Lease right-of-use assets – buildings	5 years
Lease right-of-use assets – equipment	3 to 10 years
Subscription assets	5 to 8 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, 2023 and 2022

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.

Cash and cash equivalents restricted for debt reserve fund and restricted investments held as collateral – The District’s restricted cash and equivalents is for 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 set aside \$704 each month into that account for 10 years. Its restricted investments held as collateral is for certificates of deposit held as collateral for the District’s short-term notes payable and long-term debt.

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 21, 2024, the date on which the combined financial statements were available to be issued.

Change in accounting principles – 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-of-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 District adopted Statement No. 96 during the year ended December 31, 2023. See Notes 5 and 7 for additional information on the subscription assets and liabilities recorded by the District.

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

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 deposit, 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, 2023 and 2022, 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 fair value. 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, 2023 and 2022

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, 2023 and 2022, 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, 2023 and 2022

3. Patient and Resident Accounts Receivable (continued):

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

	2023	2022
Receivable from patients and their insurance carriers	\$ 5,331,598	\$ 4,230,912
Receivable from Medicare	1,549,625	915,394
Receivable from Medicaid	497,054	260,580
Total patient and resident accounts receivable	7,378,277	5,406,886
Less allowance for uncollectible accounts	(2,199,614)	(2,100,122)
Patient and resident accounts receivable, net	\$ 5,178,663	\$ 3,306,764

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 2023, the District's regular tax levy was \$3.227 per \$1,000 on a total assessed valuation of \$165,991,380, for a total regular levy of \$535,654.

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.

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

5. Capital Assets:

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

	Balance December 31, 2022	Additions	Retirements	Transfers	Balance December 31, 2023
<i>Capital assets not being depreciated or amortized</i>					
Land	\$ 124,672	\$ -	\$ -	\$ -	\$ 124,672
Construction in progress	855,501	985,899	-	(648,113)	1,193,287
Total capital assets not being depreciated or amortized	980,173	985,899	-	(648,113)	1,317,959
<i>Capital assets being depreciated or amortized</i>					
Buildings and improvements	19,568,565	599,577	-	592,981	20,761,123
Fixed and major movable equipment	11,300,888	882,016	(336,572)	55,132	11,901,464
Lease right-of-use assets - buildings	-	200,349	-	-	200,349
Lease right-of-use assets - equipment	1,592,818	1,760,323	-	-	3,353,141
Subscription assets	-	5,009,023	-	-	5,009,023
Total capital assets being depreciated or amortized	32,462,271	8,451,288	(336,572)	648,113	41,225,100
<i>Less accumulated depreciation and amortization for</i>					
Buildings and improvements	(10,346,344)	(893,176)	-	551,101	(10,688,419)
Fixed and major movable equipment	(11,484,670)	(588,919)	318,812	(317,250)	(12,072,027)
Lease right-of-use assets - buildings	-	(31,305)	-	-	(31,305)
Lease right-of-use assets - equipment	(875,478)	(293,387)	-	(233,851)	(1,402,716)
Subscription assets	-	(609,147)	-	-	(609,147)
Total accumulated depreciation and amortization	(22,706,492)	(2,415,934)	318,812	-	(24,803,614)
<i>Total capital assets being depreciated or amortized, net</i>	9,755,779	6,035,354	(17,760)	648,113	16,421,486
Capital assets, net	\$ 10,735,952	\$ 7,021,253	\$ (17,760)	\$ -	\$ 17,739,445

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

5. Capital Assets (continued):

Capital 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
Lease right-of-use assets - 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)
Lease right-of-use assets - equipment		(589,770)	(285,708)	-	-		(875,478)
Total accumulated depreciation		(21,364,416)	(1,448,899)	106,823	-		(22,706,492)
Total capital assets being depreciated, net		10,557,251	(970,460)	(777)	169,765		9,755,779
Capital assets, net	\$	10,752,963	\$ (16,234)	\$ (777)	\$ -	\$	10,735,952

Construction in progress at December 31, 2023, consisted primarily of costs for a hospital expansion project. This project is expected to be completed in the first quarter of 2026 with additional costs of approximately \$27,000,000. The District is applying for a loan from the United States Department of Agriculture to finance the project.

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

6. Short-term Notes Payable:

A schedule of changes in the District’s short-term notes payable follows:

	Balance December 31, 2022			Balance December 31, 2023		
		Additions	Reductions			
Note payable 2015	\$ 369,680	\$ -	\$ (21,669)	\$ 348,011		
Note payable 2016	284,018	-	(284,018)	-		
Total short-term notes payable	\$ 653,698	\$ -	\$ (305,687)	\$ 348,011		

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

The District held the following short-term notes payable:

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 4.4 percent and 1.34 percent as of December 31, 2023 and 2022, respectively. The note matures on September 2, 2024, 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 was paid in full in 2023.

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

7. Long-term Debt:

A schedule of changes in the District's long-term debt follows:

	Balance December 31, 2022	Additions	Reductions	Balance December 31, 2023	Amounts Due Within One Year
Note payable	\$ 293,213	\$ -	\$ (31,942)	\$ 261,271	\$ 32,518
USDA mortgage payable	1,528,722	-	(26,823)	1,501,899	37,096
Lease liabilities	388,765	1,960,672	(177,007)	2,172,430	448,462
Subscription liabilities	-	4,959,884	(550,100)	4,409,784	548,080
Total long-term debt	\$ 2,210,700	\$ 6,920,556	\$ (785,872)	\$ 8,345,384	\$ 1,066,156

	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 liabilities	594,926	-	(206,161)	388,765	152,788
Total long-term debt	\$ 2,447,855	\$ -	\$ (237,155)	\$ 2,210,700	\$ 214,576

The terms and due dates of the District's long-term debt 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	Total
2024	\$ 32,518	\$ 5,242	\$ 37,760
2025	33,222	4,538	37,760
2026	195,531	2,001	197,532
	\$ 261,271	\$ 11,781	\$ 273,052

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

7. Long-term Debt (continued):

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

- **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 only made 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	Total
2024	\$ 37,096	\$ 51,959	\$ 89,055
2025	38,415	50,637	89,052
2026	39,782	49,270	89,052
2027	41,197	47,855	89,052
2028	42,659	46,393	89,052
2029-2033	237,175	208,085	445,260
2034-2038	282,461	162,799	445,260
2039-2043	336,395	108,865	445,260
2044-2048	400,625	44,635	445,260
2049	46,094	481	46,575
	\$ 1,501,899	\$ 770,979	\$ 2,272,878

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

7. Long-term Debt (continued):

Lease liabilities – The District has recorded lease liabilities for the following lease arrangements:

- Surgical robot lease effective January 1, 2023, with payments of \$34,036 per month for 60 months beginning in January 2024. No payments were required for the first 12 months. The lease term ends in December 2028. The lease liability was calculated using an imputed interest rate of 5.25 percent.
- Various other lease liabilities payable to various lenders in the aggregate original amount of \$1,793,166, due in monthly payments between \$648 and \$3,671, including interest from 2.1 percent to 5.25 percent, through June 2028.

Scheduled principal and interest payments on lease liabilities are as follows:

Years Ending December 31,	Lease Liabilities		
	Principal	Interest	Total
2024	\$ 448,462	\$ 160,882	\$ 609,344
2025	456,209	64,487	520,696
2026	422,574	46,295	468,869
2027	424,314	28,165	452,479
2028	420,871	9,582	430,453
	\$ 2,172,430	\$ 309,411	\$ 2,481,841

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

7. Long-term Debt (continued):

Subscription liabilities – The District has recorded subscription liabilities for the following subscription arrangements:

- Cerner electronic health records agreement effective January 1, 2021, with payments of \$60,656 per month for 96 months beginning in January 2021. The agreement term ends in December 2030. The subscription liability was calculated using an imputed interest rate of 5.25 percent. The monthly payments increase by approximately 0.1 percent per year.
- Multiview enterprise resource planning software agreement effective October 1, 2023, with payments of \$39,667 per year for five years beginning in October 2023. The agreement term ends in September 2028. The subscription liability was calculated using an imputed interest rate of 5.95 percent.

Scheduled principal and interest payments on subscription liabilities are as follows:

Years Ending December 31,	Subscription Liabilities		
	Principal	Interest	Total
2024	\$ 548,080	\$ 220,165	\$ 768,245
2025	578,439	190,492	768,931
2026	610,468	159,174	769,642
2027	644,279	126,122	770,401
2028	640,278	91,238	731,516
2029-2030	1,388,240	77,212	1,465,452
	\$ 4,409,784	\$ 864,403	\$ 5,274,187

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 increased in 2023 due to the increase in uninsured patient revenue. The District has not changed its charity care or uninsured discount policies during fiscal year 2023.

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

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:

	2023	2022
Patient and resident service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 13,769,349	\$ 11,754,701
Medicaid	5,498,162	4,963,445
Other third-party payors	13,703,028	12,831,329
Patients	4,075,885	3,438,026
CHASE supplemental payments	4,349,756	4,274,371
Capitation payments	373,364	387,876
340B contract pharmacy	1,201,477	1,294,426
	42,971,021	38,944,174
Less:		
Charity care	103,692	88,299
Provision for bad debts	1,129,901	649,024
Net patient and resident service revenue	\$ 41,737,428	\$ 38,206,851

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, 2023 and 2022

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 decreased by approximately \$77,000 in 2023 and increased by approximately \$76,000 in 2022, 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 \$73,000 and \$61,000 for the years ended December 31, 2023 and 2022, respectively. The District received approximately \$4,350,000 and \$4,274,000 from supplemental Medicaid payments and the Colorado Indigent Care Program for the years ended December 31, 2023 and 2022, 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 Employee Retention Credit:

The District is eligible for the CARES Act Employee Retention Credit (ERC), which is a refundable payroll tax credit subject to certain criteria. The District claimed the ERC in September 2023 in the amount of \$3,839,190 by amending its Form 941 Employer Quarterly Federal Tax Returns for the quarters ended March 31, 2021, June 30, 2021, and September 30, 2021. The District used a consultant to assist them with the filing and claiming of the ERC. Per the contract, the District is to pay the consultant a total of \$396,000. The District anticipates receiving the ERC in the year ending December 31, 2024.

Laws and regulations concerning the ERC are complex and subject to varying interpretations. ERC claims may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the District's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the District.

As of December 31, 2023, the District recorded a receivable in the amount of \$3,839,190 in the accompanying combined statements of net position, a payable to the consultant in the amount of \$396,000, which is included in accounts payable in the accompanying combined statements of net position, and nonoperating revenue in the amount of \$3,839,190 and nonoperating expense in the amount of \$396,000 in the accompanying combined statements of revenues, expenses, and changes in net position.

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

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.

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.

Budget – The District overspent its approved budgeted expenses by \$39,787 in 2023.

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

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 \$354,000 and \$269,000 during 2023 and 2022, respectively. Plan members made contributions during 2023 and 2022 of approximately \$671,000 and \$528,500, 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.

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

13. 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:

	2023	2022
Medicare	28 %	25 %
Medicaid	11	10
Other third-party payors	35	37
Patients	26	28
	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.

14. Blended Component Unit:

A condensed combining statement of net position as of December 31, 2023, is as follows:

	Hospital	Hillcrest	Eliminations	Totals
<i>Assets</i>				
Current assets	\$ 25,237,978	\$ 1,669,530	\$ (31,810)	\$ 26,875,698
Noncurrent cash and investments	609,283	52,505	-	661,788
Capital assets, net	14,151,442	3,588,003	-	17,739,445
Total assets	\$ 39,998,703	\$ 5,310,038	\$ (31,810)	\$ 45,276,931
<i>Liabilities</i>				
Current liabilities	\$ 4,664,095	\$ 926,264	\$ (31,810)	\$ 5,558,549
Long-term debt, less current maturities	5,814,423	1,464,805	-	7,279,228
Total liabilities	10,478,518	2,391,069	(31,810)	12,837,777
<i>Deferred inflows of resources</i>	535,654	-	-	535,654
<i>Net position</i>				
Net investment in capital assets	7,231,455	1,732,324	-	8,963,779
Unrestricted	21,143,793	1,134,140	-	22,277,933
Restricted	609,283	52,505	-	661,788
Total net position	28,984,531	2,918,969	-	31,903,500
Total liabilities and net position	\$ 39,998,703	\$ 5,310,038	\$ (31,810)	\$ 45,276,931

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

14. Blended Component Unit (continued):

A condensed combining statement of net position as of December 31, 2022, is as follows:

	Hospital	Hillcrest	Eliminations	Totals
<i>Assets</i>				
Current assets	\$ 21,322,657	\$ 707,614	\$ (33,390)	\$ 21,996,881
Noncurrent cash and investments	2,060,704	43,452	-	2,104,156
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	240,834	-	17,834,906
Restricted	2,060,704	43,452	-	2,104,156
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, 2023 and 2022

14. Blended Component Unit (continued):

A condensed combining statement of revenues, expenses, and changes in net position for the year ended December 31, 2023, is as follows:

	Hospital	Hillcrest	Eliminations	Totals
<i>Operating revenues</i>				
Net patient and resident service revenue	\$ 36,722,651	\$ 5,014,777	\$ -	\$ 41,737,428
Grants	50,902	-	-	50,902
Other	124,819	537,286	(500,000)	162,105
Total operating revenues	36,898,372	5,552,063	(500,000)	41,950,435
<i>Operating expenses</i>				
Salaries and wages	11,943,196	3,149,481	-	15,092,677
Employee benefits	3,065,069	820,038	-	3,885,107
Professional fees and other purchased services	9,126,145	562,890	-	9,689,035
Supplies	6,744,556	426,792	-	7,171,348
Depreciation and amortization	2,123,462	292,472	-	2,415,934
Other	3,354,138	460,683	-	3,814,821
Total operating expenses	36,356,566	5,712,356	-	42,068,922
Operating income (loss)	541,806	(160,293)	(500,000)	(118,487)
<i>Nonoperating revenues (expenses)</i>				
Taxation for operations	524,961	-	-	524,961
Interest income	337,591	882	-	338,473
Interest expense	(318,881)	(67,459)	-	(386,340)
Gain on disposal of capital assets	15,000	(17,763)	-	(2,763)
CARES Act Employee Retention Credit	2,794,214	1,044,976	-	3,839,190
CARES Act Employee Retention Credit professional fees	(288,214)	(107,786)	-	(396,000)
Contributions to Hillcrest	(500,000)	-	500,000	-
Total nonoperating revenues, net	2,564,671	852,850	500,000	3,917,521
Change in net position before capital grants	3,106,477	692,557	-	3,799,034
<i>Capital grants</i>	242,529	59,196	-	301,725
Change in net position	3,349,006	751,753	-	4,100,759
Net position, beginning of year	25,635,525	2,167,216	-	27,802,741
Net position, end of year	\$ 28,984,531	\$ 2,918,969	\$ -	\$ 31,903,500

Wray Community District Hospital
Notes to Combined Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

14. 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	9,255,368	503,108	-	9,758,476
Supplies	5,538,436	452,899	-	5,991,335
Depreciation and amortization	1,168,243	280,656	-	1,448,899
Other	3,168,804	448,367	-	3,617,171
Total operating expenses	32,617,404	5,482,725	-	38,100,129
Operating income (loss)	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, 2023 and 2022

14. Blended Component Unit (continued):

A condensed combining statement of cash flows for the year ended December 31, 2023, is as follows:

	Hospital	Hillcrest	Eliminations	Totals
Change in Cash and Cash Equivalents				
<i>Net cash from:</i>				
Operating activities	\$ 252,933	\$ (82,064)	\$ -	\$ 170,869
Noncapital financing activities	524,961	-	-	524,961
Capital and related financing activities	(3,550,299)	(222,088)	-	(3,772,387)
Investing activities	(743,937)	882	-	(743,055)
Net change in cash and cash equivalents	(3,516,342)	(303,270)	-	(3,819,612)
Cash and cash equivalents, beginning of year	13,616,617	471,847	-	14,088,464
Cash and cash equivalents, end of year	\$ 10,100,275	\$ 168,577	\$ -	\$ 10,268,852

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 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

SUPPLEMENTARY INFORMATION

Wray Community District Hospital
Combining Statement of Net Position
December 31, 2023

ASSETS	Hospital	Hillcrest	Eliminations	Total
<i>Current assets</i>				
Cash and cash equivalents	\$ 10,100,275	\$ 116,072	\$ -	\$ 10,216,347
Investments	4,835,040	-	-	4,835,040
Receivables:				
Patient and resident accounts, net	4,781,160	397,503	-	5,178,663
Property taxes	535,654	-	-	535,654
Estimated third-party payor settlements	341,000	-	-	341,000
CARES Act Employee Retention Credit	2,794,214	1,044,976	-	3,839,190
Other	111,992	-	(31,810)	80,182
Inventories	1,157,827	-	-	1,157,827
Prepaid expenses	580,816	110,979	-	691,795
Total current assets	25,237,978	1,669,530	(31,810)	26,875,698
<i>Noncurrent assets</i>				
Cash and cash equivalents restricted for debt reserve fund	-	52,505	-	52,505
Restricted investments held as collateral	609,283	-	-	609,283
Capital assets, net	14,151,442	3,588,003	-	17,739,445
Total noncurrent assets	14,760,725	3,640,508	-	18,401,233
Total assets	\$ 39,998,703	\$ 5,310,038	\$ (31,810)	\$ 45,276,931
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
<i>Current liabilities</i>				
Accounts payable	\$ 1,656,783	\$ 234,307	\$ (31,810)	\$ 1,859,280
Accrued compensation and related liabilities	1,260,724	284,083	-	1,544,807
Accrued interest payable	76,502	5,769	-	82,271
Refunds payable for overpayments on patient accounts	371,904	-	-	371,904
Short-term notes payable	-	348,011	-	348,011
Current maturities of long-term debt	1,029,062	37,094	-	1,066,156
Unearned grant revenue	269,120	17,000	-	286,120
Total current liabilities	4,664,095	926,264	(31,810)	5,558,549
<i>Long-term debt, net of current maturities</i>	5,814,423	1,464,805	-	7,279,228
Total liabilities	10,478,518	2,391,069	(31,810)	12,837,777
<i>Deferred inflows of resources, property tax levy</i>	535,654	-	-	535,654
<i>Net position</i>				
Net investment in capital assets	7,231,455	1,732,324	-	8,963,779
Unrestricted	21,143,793	1,134,140	-	22,277,933
Restricted	609,283	52,505	-	661,788
Total net position	28,984,531	2,918,969	-	31,903,500
Total liabilities, deferred inflows of resources, and net position	\$ 39,998,703	\$ 5,310,038	\$ (31,810)	\$ 45,276,931

See accompanying independent auditors' report.

Wray Community District Hospital
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2023

	Hospital	Hillcrest	Eliminations	Total
<i>Operating revenues</i>				
Net patient and resident service revenue	\$ 36,722,651	\$ 5,014,777	\$ -	\$ 41,737,428
Grants	50,902	-	-	50,902
Other	124,819	537,286	(500,000)	162,105
Total operating revenues	36,898,372	5,552,063	(500,000)	41,950,435
<i>Operating expenses</i>				
Salaries and wages	11,943,196	3,149,481	-	15,092,677
Employee benefits	3,065,069	820,038	-	3,885,107
Professional fees and other purchased services	9,126,145	562,890	-	9,689,035
Supplies	6,744,556	426,792	-	7,171,348
Depreciation and amortization	2,123,462	292,472	-	2,415,934
Insurance	180,454	115,358	-	295,812
Utilities	382,603	136,709	-	519,312
Repairs and maintenance	673,191	73,190	-	746,381
Leases and rentals	41,300	4,956	-	46,256
Provider fees	714,206	-	-	714,206
Other	1,362,384	130,470	-	1,492,854
Total operating expenses	36,356,566	5,712,356	-	42,068,922
<i>Operating income (loss)</i>	541,806	(160,293)	(500,000)	(118,487)
<i>Nonoperating revenues (expenses)</i>				
Taxation for operations	524,961	-	-	524,961
Gain (loss) on disposal of capital assets	15,000	(17,763)	-	(2,763)
Interest income	337,591	882	-	338,473
Interest expense	(318,881)	(67,459)	-	(386,340)
CARES Act Employee Retention Credit	2,794,214	1,044,976	-	3,839,190
CARES Act Employee Retention Credit professional fees	(288,214)	(107,786)	-	(396,000)
Contributions to Hillcrest	(500,000)	-	500,000	-
Total nonoperating revenues, net	2,564,671	852,850	500,000	3,917,521
Change in net position before capital grants	3,106,477	692,557	-	3,799,034
<i>Capital grants</i>	242,529	59,196	-	301,725
Change in net position	3,349,006	751,753	-	4,100,759
Net position, beginning of year	25,635,525	2,167,216	-	27,802,741
Net position, end of year	\$ 28,984,531	\$ 2,918,969	\$ -	\$ 31,903,500

See accompanying independent auditors' report.

Wray Community District Hospital
Schedule of Budget and Actual Revenues and Expenses
Year Ended December 31, 2023

	Actual	Budget	Favorable (Unfavorable) Variance
<i>Operating revenues</i>			
Net patient service revenue	\$ 41,737,428	\$ 40,101,663	\$ 1,635,765
Grants	50,902	-	50,902
Other	162,105	1,964,680	(1,802,575)
Total operating revenues	41,950,435	42,066,343	(115,908)
<i>Operating expenses</i>			
Salaries and wages	15,092,677	15,147,429	54,752
Employee benefits	3,885,107	4,037,270	152,163
Professional fees and other purchased services	9,689,035	11,092,211	1,403,176
Supplies	7,171,348	6,798,124	(373,224)
Depreciation and amortization	2,415,934	1,826,831	(589,103)
Other	3,814,821	3,127,270	(687,551)
Total operating expenses	42,068,922	42,029,135	(39,787)
<i>Operating income (loss)</i>	(118,487)	37,208	(155,695)
<i>Nonoperating revenues (expenses)</i>			
Taxation for operations	524,961	478,588	46,373
CARES Act Employee Retention Credit	3,839,190	-	3,839,190
CARES Act Employee Retention Credit professional fees	(396,000)	-	(396,000)
Other	335,710	41,296	294,414
Interest expense	(386,340)	(465,351)	79,011
Total nonoperating revenues, net	3,917,521	54,533	3,862,988
Change in net position before capital grants	3,799,034	91,741	3,707,293
<i>Capital grants</i>	301,725	-	301,725
Change in net position	\$ 4,100,759	\$ 91,741	\$ 4,009,018

See accompanying independent auditors' report.

SINGLE AUDIT

AUDITORS' SECTION



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, 2023, 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 21, 2024.

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 were not 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.

D3APLLC

Spokane Valley, Washington
May 21, 2024



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's (the District) 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, 2023. 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, 2023.

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.

D3A PLLC

Spokane Valley, Washington
May 21, 2024

**Wray Community District Hospital
Schedule of Audit Findings and Questioned Costs (Continued)
Year Ended December 31, 2023**

Section II – Financial Statement Findings

No matters were reported for 2023.

Section III – Federal Award Findings and Questioned Costs

There are no matters reported for 2023. 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, 2023**

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Additional Award Identification	Total Federal Expenditures
U.S. Department of Health and Human Services Direct Programs:				
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		COVID-19	\$ 593,006
U.S. Department of Agriculture Direct Programs:				
Community Facilities Loans and Grants	10.766			1,528,722
Total expenditures of federal awards				\$ 2,121,728

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, 2023. Amounts reported on the Schedule for Assistance Listing Number 93.498 – Provider Relief Fund and American Rescue Plan Rural Distribution are based upon the June 30, 2023, Provider Relief Fund report. 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 position, or cash flows of the District.

2. Summary of Significant Accounting Policies:

Expenditures reported on the 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.

3. Indirect Cost Rate:

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. 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 \$1,501,899 at December 31, 2023.

**Wray Community District Hospital
Summary Schedule of Prior Year Audit Findings
Year Ended December 31, 2023**

The audit for the year ended December 31, 2022, reported no findings, nor were there any unresolved prior year audit findings from periods ended December 31, 2021, or prior. Therefore, there are no matters to report in this schedule for the year ended December 31, 2023.