

# Wray Community District Hospital

Combined Financial Statements and  
Independent Auditors' Reports

December 31, 2024 and 2023



**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, 2024 and 2023, and the related notes to the combined financial statements, which collectively comprise the District's combined 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, 2024 and 2023, 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 combined financial statements, in 2024, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. 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 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 12 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 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***

Management has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the combined financial statements. Such missing information, although not a part of the combined financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the combined financial statements in an appropriate operational, economic, or historical context. Our opinion on the combined financial statements is not affected by this missing information.

### ***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, as well as 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 June 16, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

***D3A PLLC***

Spokane Valley, Washington  
June 16, 2025

**COMBINED FINANCIAL STATEMENTS**

**Wray Community District Hospital  
 Combined Statements of Net Position  
 December 31, 2024 and 2023**

<b>ASSETS</b>	<b>2024</b>	<b>2023</b>
<i>Current assets</i>		
Cash and cash equivalents	\$ 9,014,820	\$ 10,216,347
Investments	5,122,053	4,835,040
Receivables:		
Patient and resident accounts, net	6,479,748	5,178,663
Property taxes	490,335	535,654
Estimated third-party payor settlements	46,000	341,000
CARES Act Employee Retention Credit	3,839,190	3,839,190
Other	71,043	80,182
Inventories	1,455,645	1,157,827
Prepaid expenses	923,949	691,795
Total current assets	27,442,783	26,875,698
<i>Noncurrent assets</i>		
Cash and cash equivalents restricted for debt reserve fund	61,786	52,505
Restricted investments held as collateral	228,753	609,283
Depreciable capital assets, net	15,924,534	16,421,486
Nondepreciable capital assets, net	2,589,897	1,317,959
Total noncurrent assets	18,804,970	18,401,233
<b>Total assets</b>	<b>\$ 46,247,753</b>	<b>\$ 45,276,931</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<i>Current liabilities</i>		
Accounts payable	\$ 2,257,497	\$ 1,859,280
Capital accounts payable	768,576	-
Accrued compensation and related liabilities	2,430,874	2,244,807
Accrued interest payable	-	82,271
Refunds payable for overpayments on patient accounts	-	371,904
Short-term notes payable	-	348,011
Current maturities of long-term debt	1,104,807	1,066,156
Unearned grant revenue	441,808	286,120
Total current liabilities	7,003,562	6,258,549
<i>Long-term debt, net of current maturities</i>	6,174,497	7,279,228
Total liabilities	13,178,059	13,537,777
<i>Deferred inflows of resources, property tax levy</i>	490,335	535,654
<i>Net position</i>		
Net investment in capital assets	10,466,551	8,963,779
Unrestricted	21,822,269	21,577,933
Restricted	290,539	661,788
Total net position, restated	32,579,359	31,203,500
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 46,247,753</b>	<b>\$ 45,276,931</b>

See accompanying notes to combined financial statements.

**Wray Community District Hospital**  
**Combined Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2024 and 2023**

	2024	2023
<i>Operating revenues</i>		
Net patient and resident service revenue	\$ 45,661,767	\$ 41,737,428
Grants	427,008	50,902
Other	213,287	162,105
<b>Total operating revenues</b>	<b>46,302,062</b>	<b>41,950,435</b>
<i>Operating expenses</i>		
Salaries and wages	16,857,103	15,092,677
Employee benefits	4,551,978	3,885,107
Professional fees and other purchased services	10,801,972	9,689,035
Supplies	7,729,571	7,171,348
Depreciation and amortization	2,575,898	2,415,934
Insurance	314,965	295,812
Utilities	535,140	519,312
Repairs and maintenance	849,985	746,381
Leases and rentals	61,468	46,256
Provider fees	725,945	714,206
Other	2,167,756	1,492,854
<b>Total operating expenses</b>	<b>47,171,781</b>	<b>42,068,922</b>
<b>Operating loss</b>	<b>(869,719)</b>	<b>(118,487)</b>
<i>Nonoperating revenues (expenses)</i>		
Taxation for operations	617,657	524,961
Loss on disposal of capital assets	-	(2,763)
Interest income	440,502	338,473
Interest expense	(370,406)	(386,340)
CARES Act Employee Retention Credit	-	3,839,190
CARES Act Employee Retention Credit professional fees	-	(396,000)
<b>Total nonoperating revenues (expenses), net</b>	<b>687,753</b>	<b>3,917,521</b>
Change in net position before capital grants and extraordinary item	<b>(181,966)</b>	3,799,034
<i>Extraordinary item - net gain on insurance settlement</i>	<b>1,432,325</b>	-
<b>Capital grants</b>	<b>125,500</b>	301,725
Change in net position	<b>1,375,859</b>	4,100,759
Net position, beginning of year, restated	<b>31,203,500</b>	27,102,741
<b>Net position, end of year</b>	<b>\$ 32,579,359</b>	<b>\$ 31,203,500</b>

See accompanying notes to combined financial statements.

**Wray Community District Hospital  
 Combined Statements of Cash Flows  
 Years Ended December 31, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b><i>Change in Cash and Cash Equivalents</i></b>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 44,283,778	\$ 39,273,339
Other receipts	222,426	66,593
Proceeds from grants	427,008	50,902
Payments to and on behalf of employees	(21,223,014)	(18,850,809)
Payments to suppliers and contractors	(23,318,557)	(20,369,156)
Net cash from operating activities	<b>391,641</b>	170,869
<i>Cash flows from noncapital financing activities</i>		
Taxation for operations	617,657	524,961
<i>Cash flows from capital and related financing activities</i>		
Purchase of capital assets	(3,440,664)	(2,501,634)
Proceeds from capital grants	281,188	132,750
Insurance settlement proceeds	2,290,681	-
Principal paid on long-term debt	(1,066,080)	(785,872)
Principal paid on short-term notes payable	(348,011)	(305,687)
Interest paid on long-term debt and short-term notes payable	(452,677)	(311,944)
Net cash from capital and related financing activities	<b>(2,735,563)</b>	<b>(3,772,387)</b>
<i>Cash flows from investing activities</i>		
Sales of investments	93,517	-
Purchases of investments	-	(1,081,528)
Investment income	440,502	338,473
Net cash from investing activities	<b>534,019</b>	<b>(743,055)</b>
Net change in cash and cash equivalents	<b>(1,192,246)</b>	<b>(3,819,612)</b>
Cash and cash equivalents, beginning of year	<b>10,268,852</b>	<b>14,088,464</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 9,076,606</b>	<b>\$ 10,268,852</b>

*See accompanying notes to combined financial statements.*

**Wray Community District Hospital**  
**Combined Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2024 and 2023**

	2024	2023
<b><i>Reconciliation of Cash and Cash Equivalents to the Combined Statements of Net Position</i></b>		
Cash and cash equivalents in current assets	\$ 9,014,820	\$ 10,216,347
Cash and cash equivalents restricted for debt reserve fund	61,786	52,505
<b>Total cash and cash equivalents</b>	<b>\$ 9,076,606</b>	<b>\$ 10,268,852</b>

***Reconciliation of Operating Loss to Net Cash from Operating Activities***

Operating loss	\$ (869,719)	\$ (118,487)
<i>Adjustments to reconcile operating loss to net cash from operating activities</i>		
Depreciation and amortization	2,575,898	2,415,934
Provision for bad debts	1,571,213	1,129,901
Change in assets:		
Patient and resident accounts receivable	(2,872,298)	(3,001,800)
Estimated third-party payor settlements	295,000	(200,000)
Other receivables	9,139	(95,512)
Inventories	(297,818)	80,134
Prepaid expenses	(232,154)	(222,810)
Change in liabilities:		
Accounts payable	398,217	448,724
Accrued compensation and related liabilities	186,067	126,975
Refunds payable for overpayments on patient accounts	(371,904)	(392,190)
<b>Net cash from operating activities</b>	<b>\$ 391,641</b>	<b>\$ 170,869</b>

***Noncash Financing and Investing Activities***

During the years ended December 31, 2024 and 2023, the District incurred lease liabilities for the acquisition of property and equipment in the amounts of \$-0- and \$1,960,672, respectively. During the year ended December 31, 2023, the District implemented GASB 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 financial statements.*

**Wray Community District Hospital**  
**Notes to Combined Financial Statements**  
**Years Ended December 31, 2024 and 2023**

**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 number 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 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 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, as well as 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 Financial Statements (Continued)**  
**Years Ended December 31, 2024 and 2023**

**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 with 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 either 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 either 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 and other illness benefits that may be realized as paid time off. The expense and the related liability are recognized as vacation benefits are earned. Accruals for other illness benefits are not vested and are estimated based on the amount of the accrued hours expected to be used by the employees. 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 Financial Statements (Continued)**  
**Years Ended December 31, 2024 and 2023**

**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 ten 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 June 16, 2025, the date on which the combined financial statements were available to be issued.

*Change in accounting principles* – In June 2022, the GASB issued Statement No. 101 (GASB 101), *Compensated Absences*. The objective of this statement is to update the recognition and measurement guidance for compensated absences. The District adopted GASB 101 during the year ended December 31, 2024. See Note 1b for additional information on the compensated absences recorded by the District. This change in accounting principle resulted in additional accrued paid time off of \$700,000 being recognized at December 31, 2024, 2023, and 2022. Net position as of December 31, 2022, decreased by \$700,000. The change in accounting principle had no impact on change in net position in 2024 or 2023.

**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.

**Wray Community District Hospital**  
**Notes to Combined Financial Statements (Continued)**  
**Years Ended December 31, 2024 and 2023**

**2. Bank Deposits and Investments (continued):**

**Investments:**

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

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

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

**Concentration of credit risk** – Concentration of credit risk is 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, 2024 and 2023, 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.

**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, and Level 3 inputs are significant unobservable inputs. As of December 31, 2024 and 2023, 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 collectability 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.

**Wray Community District Hospital**  
**Notes to Combined Financial Statements (Continued)**  
**Years Ended December 31, 2024 and 2023**

**3. Patient and Resident Accounts Receivable (continued):**

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 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 write-offs from third-party payors.

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

	<b>2024</b>	<b>2023</b>
Receivable from patients and their insurance carriers	\$ 6,392,402	\$ 5,331,598
Receivable from Medicare	1,959,856	1,549,625
Receivable from Medicaid	484,411	497,054
Total patient and resident accounts receivable	<b>8,836,669</b>	7,378,277
Less allowance for uncollectible accounts	<b>(2,356,921)</b>	(2,199,614)
<b>Patient and resident accounts receivable, net</b>	<b>\$ 6,479,748</b>	<b>\$ 5,178,663</b>

**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 2024, the District’s regular tax levy was \$3.227 per \$1,000 on a total assessed valuation of \$151,947,530, for a total regular levy of \$490,335.

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.

**Wray Community District Hospital**  
**Notes to Combined Financial Statements (Continued)**  
**Years Ended December 31, 2024 and 2023**

**5. Capital Assets:**

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

	Balance December 31, 2023	Additions	Retirements	Transfers	Balance December 31, 2024
<i>Capital assets not being depreciated or amortized</i>					
Land	\$ 124,672	\$ -	\$ -	\$ -	\$ 124,672
Construction in progress	1,193,287	1,472,067	-	(200,129)	2,465,225
Total capital assets not being depreciated or amortized	1,317,959	1,472,067	-	(200,129)	2,589,897
<i>Capital assets being depreciated or amortized</i>					
Buildings and improvements	20,761,123	2,211,905	(1,608,785)	26,948	21,391,191
Fixed and major movable equipment	11,901,464	525,269	-	173,181	12,599,914
Lease right-of-use assets - buildings	200,349	-	-	-	200,349
Lease right-of-use assets - equipment	3,353,141	-	-	-	3,353,141
Subscription assets	5,009,023	-	-	-	5,009,023
Total capital assets being depreciated or amortized	41,225,100	2,737,174	(1,608,785)	200,129	42,553,618
<i>Less accumulated depreciation and amortization for</i>					
Buildings and improvements	(10,688,419)	(659,413)	750,428	-	(10,597,404)
Fixed and major movable equipment	(12,072,027)	(942,423)	-	-	(13,014,450)
Lease right-of-use assets - buildings	(31,305)	(299,990)	-	-	(331,295)
Lease right-of-use assets - equipment	(1,402,716)	(39,159)	-	-	(1,441,875)
Subscription assets	(609,147)	(634,913)	-	-	(1,244,060)
Total accumulated depreciation and amortization	(24,803,614)	(2,575,898)	750,428	-	(26,629,084)
<i>Total capital assets being depreciated or amortized, net</i>	16,421,486	161,276	(858,357)	200,129	15,924,534
<b>Capital assets, net</b>	<b>\$ 17,739,445</b>	<b>\$ 1,633,343</b>	<b>\$ (858,357)</b>	<b>\$ -</b>	<b>\$ 18,514,431</b>

**Wray Community District Hospital**  
**Notes to Combined Financial Statements (Continued)**  
**Years Ended December 31, 2024 and 2023**

**5. Capital Assets (continued):**

	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 - building	-	(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, net</i>	9,755,779	6,035,354	(17,760)	648,113	16,421,486
<b>Capital assets, net</b>	<b>\$ 10,735,952</b>	<b>\$ 7,021,253</b>	<b>\$ (17,760)</b>	<b>\$ -</b>	<b>\$ 17,739,445</b>

Construction in progress at December 31, 2024, consisted primarily of costs for a hospital expansion project and building repairs due to hailstorm damage in 2024. The expansion project is on hold due to project costs increasing, resulting in the need to obtain additional financing. The District was approved for a loan from the United States Department of Agriculture (USDA) to finance the project, but additional funding is needed before the project can continue.

For the building repairs, the hospital building repairs had an estimated cost to complete of approximately \$615,000 as of December 31, 2024. The nursing home building repairs had an estimated cost to complete of approximately \$607,000 as of December 31, 2024. These projects are expected to be completed in the second half of 2025. The projects are funded by property insurance proceeds.

**Related-party transactions** – Included above in the additions to buildings and improvements for the year ended December 31, 2024, was the purchase of three condominium units and a townhome with a total aggregate cost of \$1,000,000. The seller of these properties is a current member of the Board of Directors for the District.

**Wray Community District Hospital**  
**Notes to Combined Financial Statements (Continued)**  
**Years Ended December 31, 2024 and 2023**

**6. Short-term Notes Payable:**

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

	<b>Balance December 31, 2023</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2024</b>
Note payable 2015	\$ 348,011	\$ -	\$ (348,011)	\$ -
	<b>Balance December 31, 2022</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2023</b>
Note payable 2015	\$ 369,680	\$ -	\$ (21,669)	\$ 348,011
Note payable 2016	284,017	-	(284,017)	-
<b>Total short-term notes payable</b>	<b>\$ 653,697</b>	<b>\$ -</b>	<b>\$ (305,686)</b>	<b>\$ 348,011</b>

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 was paid in full in 2024.

**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 Financial Statements (Continued)**  
**Years Ended December 31, 2024 and 2023**

**7. Long-term Debt:**

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

	Balance December 31, 2023	Additions	Reductions	Balance December 31, 2024	Amounts Due Within One Year
Note payable	\$ 261,271	\$ -	\$ (32,556)	\$ 228,715	\$ 33,222
USDA mortgage payable	1,501,899	-	(37,094)	1,464,805	38,415
Lease liabilities	2,172,430	-	(448,537)	1,723,893	454,542
Subscription liabilities	4,409,784	-	(547,893)	3,861,891	578,628
<b>Total long-term debt</b>	<b>\$ 8,345,384</b>	<b>\$ -</b>	<b>\$ (1,066,080)</b>	<b>\$ 7,279,304</b>	<b>\$ 1,104,807</b>

	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
<b>Total long-term debt</b>	<b>\$ 2,210,700</b>	<b>\$ 6,920,556</b>	<b>\$ (785,872)</b>	<b>\$ 8,345,384</b>	<b>\$ 1,066,156</b>

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 becomes 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
2025	\$ 33,222	\$ 4,538	\$ 37,760
2026	195,493	2,001	197,494
	<b>\$ 228,715</b>	<b>\$ 6,539</b>	<b>\$ 235,254</b>

**Wray Community District Hospital**  
**Notes to Combined Financial Statements (Continued)**  
**Years Ended December 31, 2024 and 2023**

**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
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	44,179	44,873	89,052
2030-2034	245,610	199,650	445,260
2035-2039	292,508	152,752	445,260
2040-2044	348,357	96,903	445,260
2045-2049	372,098	30,687	402,785
	<b>\$ 1,464,805</b>	<b>\$ 719,020</b>	<b>\$ 2,183,825</b>

**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.

**Wray Community District Hospital**  
**Notes to Combined Financial Statements (Continued)**  
**Years Ended December 31, 2024 and 2023**

**7. Long-term Debt (continued):**

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

<b>Years Ending December 31,</b>	<b>Lease Liabilities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025	\$ 454,542	\$ 64,487	\$ 519,029
2026	424,166	46,295	470,461
2027	424,314	28,165	452,479
2028	420,871	9,582	430,453
	<b>\$ 1,723,893</b>	<b>\$ 148,529</b>	<b>\$ 1,872,422</b>

**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:

<b>Years Ending December 31,</b>	<b>Subscription Liabilities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	675,552	56,783	732,335
2030	712,875	20,429	733,304
	<b>\$ 3,861,891</b>	<b>\$ 644,238</b>	<b>\$ 4,506,129</b>

**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).

**Wray Community District Hospital**  
**Notes to Combined Financial Statements (Continued)**  
**Years Ended December 31, 2024 and 2023**

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

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 write offs increased in 2024 due to the increase in uninsured patient revenue. The District has not changed its charity care or uninsured discount policies during fiscal year 2024.

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:

	2024	2023
Patient and resident service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 13,428,395	\$ 13,769,349
Medicaid	5,889,820	5,498,162
Other third-party payors	16,594,386	13,703,028
Patients	4,987,650	4,075,885
CHASE supplemental payments	4,642,037	4,349,756
Capitation payments	477,729	373,364
340B contract pharmacy	1,332,393	1,201,477
	<b>47,352,410</b>	<b>42,971,021</b>
Less:		
Charity care	119,430	103,692
Provision for bad debts	1,571,213	1,129,901
	<b>\$ 45,661,767</b>	<b>\$ 41,737,428</b>

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 Financial Statements (Continued)**  
**Years Ended December 31, 2024 and 2023**

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

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient and resident service revenue increased by approximately \$31,000 in 2024 and decreased by approximately \$77,000 in 2023, due to differences between original estimates and final settlements or revised estimates.

Under the Colorado Health Care Affordability Act (the 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 the 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 \$90,000 and \$73,000 for the years ended December 31, 2024 and 2023, respectively. The District received approximately \$4,642,000 and \$4,350,000 from supplemental Medicaid payments and the Colorado Indigent Care Program for the years ended December 31, 2024 and 2023, 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, 2025.

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, 2024 and 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 statements of net position) and nonoperating revenue in the amount of \$3,839,190, as well as nonoperating expense in the amount of \$396,000 in the accompanying statements of revenues, expenses, and changes in net position for the year ended December 31, 2023.

**Wray Community District Hospital**  
**Notes to Combined Financial Statements (Continued)**  
**Years Ended December 31, 2024 and 2023**

**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 \$611,962 in 2024.

**Wray Community District Hospital**  
**Notes to Combined Financial Statements (Continued)**  
**Years Ended December 31, 2024 and 2023**

**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 \$385,000 and \$354,000 during 2024 and 2023, respectively. Plan members made contributions during 2024 and 2023 of approximately \$786,000 and \$671,000, respectively, which included 457 contributions.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in District contributions after completion of seven years of credible service with the District. Nonvested District contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the Plan's current period contribution requirement.

**12. Deferred Compensation Plan:**

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

**13. Extraordinary Item – Net Gain on Insurance Settlement:**

During the year ended December 31, 2024, the District determined that there was sufficient evidence of impairment due to hail damage to write down the reported value of the District's roofs, windows, and a portion of other building costs. The recorded value was written down by \$858,356, the net book value of the damaged portions of the buildings. The District received insurance proceeds of \$2,290,681 in 2024. The net effect of the asset impairment and insurance proceeds is recorded as an extraordinary item – net gain on insurance settlement of \$1,432,325 for the year ended December 31, 2024, in the statements of revenues, expenses, and changes in net position.

**Wray Community District Hospital**  
**Notes to Combined Financial Statements (Continued)**  
**Years Ended December 31, 2024 and 2023**

**14. Concentration of Credit Risk:**

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

	<b>2024</b>	<b>2023</b>
Medicare	<b>26 %</b>	28 %
Medicaid	<b>9</b>	11
Other third-party payors	<b>41</b>	35
Patients	<b>24</b>	26
	<b>100 %</b>	100 %

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

**15. Blended Component Unit:**

The condensed combining statements of net position are as follows:

	<b>2024</b>			
	<b>Hospital</b>	<b>Hillcrest</b>	<b>Eliminations</b>	<b>Totals</b>
<i>Assets</i>				
Current assets	\$ 24,831,590	\$ 3,010,812	\$ (399,619)	\$ 27,442,783
Noncurrent cash and investments	228,753	61,786	-	290,539
Capital assets, net	15,119,941	3,394,490	-	18,514,431
<b>Total assets</b>	<b>\$ 40,180,284</b>	<b>\$ 6,467,088</b>	<b>\$ (399,619)</b>	<b>\$ 46,247,753</b>
<i>Liabilities</i>				
Current liabilities	\$ 5,567,993	\$ 1,835,188	\$ (399,619)	\$ 7,003,562
Long-term debt, less current maturities	4,748,107	1,426,390	-	6,174,497
Total liabilities	10,316,100	3,261,578	(399,619)	13,178,059
<i>Deferred inflows of resources</i>	490,335	-	-	490,335
<i>Net position</i>				
Net investment in capital assets	9,305,442	1,161,109	-	10,466,551
Unrestricted	19,839,654	1,982,615	-	21,822,269
Restricted	228,753	61,786	-	290,539
Total net position	29,373,849	3,205,510	-	32,579,359
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 40,180,284</b>	<b>\$ 6,467,088</b>	<b>\$ (399,619)</b>	<b>\$ 46,247,753</b>

**Wray Community District Hospital**  
**Notes to Combined Financial Statements (Continued)**  
**Years Ended December 31, 2024 and 2023**

**15. Blended Component Unit (continued):**

	2023			Totals
	Hospital	Hillcrest	Eliminations	
<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
<b>Total assets</b>	<b>\$ 39,998,703</b>	<b>\$ 5,310,038</b>	<b>\$ (31,810)</b>	<b>\$ 45,276,931</b>
<i>Liabilities</i>				
Current liabilities	\$ 5,287,095	\$ 1,003,264	\$ (31,810)	\$ 6,258,549
Long-term debt, less current maturities	5,814,423	1,464,805	-	7,279,228
Total liabilities	11,101,518	2,468,069	(31,810)	13,537,777
<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	20,520,793	1,057,140	-	21,577,933
Restricted	609,283	52,505	-	661,788
Total net position	28,361,531	2,841,969	-	31,203,500
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 39,998,703</b>	<b>\$ 5,310,038</b>	<b>\$ (31,810)</b>	<b>\$ 45,276,931</b>

**Wray Community District Hospital**  
**Notes to Combined Financial Statements (Continued)**  
**Years Ended December 31, 2024 and 2023**

**15. Blended Component Unit (continued):**

The condensed combining statements of revenues, expenses, and changes in net position, are as follows:

	<b>2024</b>			
	<b>Hospital</b>	<b>Hillcrest</b>	<b>Eliminations</b>	<b>Totals</b>
<i>Operating revenues</i>				
Net patient and resident service revenue	\$ 39,730,720	\$ 5,931,047	\$ -	\$ 45,661,767
Grants	397,008	30,000	-	427,008
Other	139,860	173,427	(100,000)	213,287
Total operating revenues	40,267,588	6,134,474	(100,000)	46,302,062
<i>Operating expenses</i>				
Salaries and wages	13,692,295	3,164,808	-	16,857,103
Employee benefits	3,663,329	888,649	-	4,551,978
Professional fees and other purchased services	9,837,955	964,017	-	10,801,972
Supplies	7,335,671	393,900	-	7,729,571
Depreciation and amortization	2,272,999	302,899	-	2,575,898
Other	4,073,778	581,481	-	4,655,259
Total operating expenses	40,876,027	6,295,754	-	47,171,781
<i>Operating loss</i>	(608,439)	(161,280)	(100,000)	(869,719)
<i>Nonoperating revenues (expenses)</i>				
Taxation for operations	617,657	-	-	617,657
Interest income	435,638	4,864	-	440,502
Interest expense	(309,703)	(60,703)	-	(370,406)
Contributions to Hillcrest	(100,000)	-	100,000	-
Total nonoperating revenues (expenses), net	643,592	(55,839)	100,000	687,753
Change in net position before capital grants and extraordinary item	35,153	(217,119)	-	(181,966)
<i>Extraordinary item - net gain on insurance settlement</i>	851,665	580,660	-	1,432,325
<i>Capital grants</i>	125,500	-	-	125,500
Change in net position	1,012,318	363,541	-	1,375,859
Net position, beginning of year	28,361,531	2,841,969	-	31,203,500
<b>Net position, end of year</b>	<b>\$ 29,373,849</b>	<b>\$ 3,205,510</b>	<b>\$ -</b>	<b>\$ 32,579,359</b>

**Wray Community District Hospital**  
**Notes to Combined Financial Statements (Continued)**  
**Years Ended December 31, 2024 and 2023**

**15. Blended Component Unit (continued):**

	2023			Totals
	Hospital	Hillcrest	Eliminations	
<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
<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
Interest income	337,591	882	-	338,473
Interest expense	(318,881)	(67,459)	-	(386,340)
Gain (loss) 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 (expenses), 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	25,012,525	2,090,216	-	27,102,741
<b>Net position, end of year</b>	<b>\$ 28,361,531</b>	<b>\$ 2,841,969</b>	<b>\$ -</b>	<b>\$ 31,203,500</b>

**Wray Community District Hospital**  
**Notes to Combined Financial Statements (Continued)**  
**Years Ended December 31, 2024 and 2023**

**15. Blended Component Unit (continued):**

The condensed combining statements of cash flows are as follows:

	<b>2024</b>			
	<b>Hospital</b>	<b>Hillcrest</b>	<b>Eliminations</b>	<b>Totals</b>
<b>Change in Cash and Cash Equivalents</b>				
<i>Net cash from:</i>				
Operating activities	\$ 332,979	\$ 58,662	\$ -	\$ 391,641
Noncapital financing activities	617,657	-	-	617,657
Capital and related financing activities	(3,872,847)	1,137,284	-	(2,735,563)
Investing activities	529,155	4,864	-	534,019
Net change in cash and cash equivalents	(2,393,056)	1,200,810	-	(1,192,246)
Cash and cash equivalents, beginning of year	10,100,275	168,577	-	10,268,852
Cash and cash equivalents, end of year	<b>\$ 7,707,219</b>	<b>\$ 1,369,387</b>	<b>\$ -</b>	<b>\$ 9,076,606</b>

	<b>2023</b>			
	<b>Hospital</b>	<b>Hillcrest</b>	<b>Eliminations</b>	<b>Totals</b>
<b>Change in Cash and Cash Equivalents</b>				
<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	<b>\$ 10,100,275</b>	<b>\$ 168,577</b>	<b>\$ -</b>	<b>\$ 10,268,852</b>

**SUPPLEMENTARY INFORMATION**

**Wray Community District Hospital**  
**Combining Statement of Net Position**  
**December 31, 2024**

<b>ASSETS</b>	<b>Hospital</b>	<b>Hillcrest</b>	<b>Eliminations</b>	<b>Total</b>
<i>Current assets</i>				
Cash and cash equivalents	\$ 7,707,219	\$ 1,307,601	\$ -	\$ 9,014,820
Investments	5,122,053	-	-	5,122,053
Receivables:				
Patient and resident accounts, net	5,941,310	538,438	-	6,479,748
Property taxes	490,335	-	-	490,335
Estimated third-party payor settlements	46,000	-	-	46,000
CARES Act Employee Retention Credit	2,794,214	1,044,976	-	3,839,190
Other	470,662	-	(399,619)	71,043
Inventories	1,455,645	-	-	1,455,645
Prepaid expenses	804,152	119,797	-	923,949
<b>Total current assets</b>	<b>24,831,590</b>	<b>3,010,812</b>	<b>(399,619)</b>	<b>27,442,783</b>
<i>Noncurrent assets</i>				
Cash and cash equivalents restricted for debt reserve fund	-	61,786	-	61,786
Restricted investments held as collateral	228,753	-	-	228,753
Capital assets, net	15,119,941	3,394,490	-	18,514,431
<b>Total noncurrent assets</b>	<b>15,348,694</b>	<b>3,456,276</b>	<b>-</b>	<b>18,804,970</b>
<b>Total assets</b>	<b>\$ 40,180,284</b>	<b>\$ 6,467,088</b>	<b>\$ (399,619)</b>	<b>\$ 46,247,753</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>				
<i>Current liabilities</i>				
Accounts payable	\$ 2,014,302	\$ 642,814	\$ (399,619)	\$ 2,257,497
Capital accounts payable	-	768,576	-	768,576
Accrued compensation and related liabilities	2,063,491	367,383	-	2,430,874
Current maturities of long-term debt	1,066,392	38,415	-	1,104,807
Unearned grant revenue	423,808	18,000	-	441,808
<b>Total current liabilities</b>	<b>5,567,993</b>	<b>1,835,188</b>	<b>(399,619)</b>	<b>7,003,562</b>
<i>Long-term debt, net of current maturities</i>	4,748,107	1,426,390	-	6,174,497
<b>Total liabilities</b>	<b>10,316,100</b>	<b>3,261,578</b>	<b>(399,619)</b>	<b>13,178,059</b>
<i>Deferred inflows of resources, property tax levy</i>	490,335	-	-	490,335
<i>Net position</i>				
Net investment in capital assets	9,305,442	1,161,109	-	10,466,551
Unrestricted	19,839,654	1,982,615	-	21,822,269
Restricted	228,753	61,786	-	290,539
<b>Total net position</b>	<b>29,373,849</b>	<b>3,205,510</b>	<b>-</b>	<b>32,579,359</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 40,180,284</b>	<b>\$ 6,467,088</b>	<b>\$ (399,619)</b>	<b>\$ 46,247,753</b>

See accompanying independent auditors' report.

**Wray Community District Hospital**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Year Ended December 31, 2024**

	Hospital	Hillcrest	Eliminations	Total
<i>Operating revenues</i>				
Net patient and resident service revenue	\$ 39,730,720	\$ 5,931,047	\$ -	\$ 45,661,767
Grants	397,008	30,000	-	427,008
Other	139,860	173,427	(100,000)	213,287
<b>Total operating revenues</b>	<b>40,267,588</b>	<b>6,134,474</b>	<b>(100,000)</b>	<b>46,302,062</b>
<i>Operating expenses</i>				
Salaries and wages	13,692,295	3,164,808	-	16,857,103
Employee benefits	3,663,329	888,649	-	4,551,978
Professional fees and other purchased services	9,837,955	964,017	-	10,801,972
Supplies	7,335,671	393,900	-	7,729,571
Depreciation and amortization	2,272,999	302,899	-	2,575,898
Insurance	185,483	129,482	-	314,965
Utilities	411,141	123,999	-	535,140
Repairs and maintenance	749,467	100,518	-	849,985
Leases and rentals	46,050	15,418	-	61,468
Provider fees	725,945	-	-	725,945
Other	1,955,692	212,064	-	2,167,756
<b>Total operating expenses</b>	<b>40,876,027</b>	<b>6,295,754</b>	<b>-</b>	<b>47,171,781</b>
<i>Operating loss</i>	<b>(608,439)</b>	<b>(161,280)</b>	<b>(100,000)</b>	<b>(869,719)</b>
<i>Nonoperating revenues (expenses)</i>				
Taxation for operations	617,657	-	-	617,657
Interest income	435,638	4,864	-	440,502
Interest expense	(309,703)	(60,703)	-	(370,406)
Contributions to Hillcrest	(100,000)	-	100,000	-
<b>Total nonoperating revenues (expenses), net</b>	<b>643,592</b>	<b>(55,839)</b>	<b>100,000</b>	<b>687,753</b>
Change in net position before capital grants and extraordinary item	35,153	(217,119)	-	(181,966)
<i>Extraordinary item - net gain on insurance settlement</i>	851,665	580,660	-	1,432,325
<i>Capital grants</i>	125,500	-	-	125,500
Change in net position	1,012,318	363,541	-	1,375,859
Net position, beginning of year	28,361,531	2,841,969	-	31,203,500
<b>Net position, end of year</b>	<b>\$ 29,373,849</b>	<b>\$ 3,205,510</b>	<b>\$ -</b>	<b>\$ 32,579,359</b>

*See accompanying independent auditors' report.*

**Wray Community District Hospital**  
**Schedule of Budget and Actual Revenues and Expenses**  
**Year Ended December 31, 2024**

	<b>Actual</b>	<b>Budget</b>	<b>Favorable (Unfavorable) Variance</b>
<i>Operating revenues</i>			
Net patient and resident service revenue	\$ 45,661,767	\$ 44,280,914	\$ 1,380,853
Grants	427,008	130,000	297,008
Other	213,287	1,569,695	<b>(1,356,408)</b>
<b>Total operating revenues</b>	<b>46,302,062</b>	<b>45,980,609</b>	<b>321,453</b>
<i>Operating expenses</i>			
Salaries and wages	16,857,103	16,672,917	<b>(184,186)</b>
Employee benefits	4,551,978	4,590,104	<b>38,126</b>
Professional fees and other purchased services	10,801,972	11,757,426	<b>955,454</b>
Supplies	7,729,571	7,176,271	<b>(553,300)</b>
Depreciation and amortization	2,575,898	1,867,604	<b>(708,294)</b>
Insurance	314,965	308,658	<b>(6,307)</b>
Utilities	535,140	569,465	<b>34,325</b>
Repairs and maintenance	849,985	912,009	<b>62,024</b>
Leases and rentals	61,468	89,969	<b>28,501</b>
Provider fees	725,945	620,268	<b>(105,677)</b>
Other	2,167,756	1,995,128	<b>(172,628)</b>
<b>Total operating expenses</b>	<b>47,171,781</b>	<b>46,559,819</b>	<b>(611,962)</b>
<i>Operating loss</i>	<b>(869,719)</b>	<b>(579,210)</b>	<b>(290,509)</b>
<i>Nonoperating revenues (expenses)</i>			
Taxation for operations	617,657	535,654	<b>82,003</b>
Interest income	440,502	1,211,177	<b>(770,675)</b>
Interest expense	(370,406)	(1,165,569)	<b>795,163</b>
<b>Total nonoperating revenues (expenses), net</b>	<b>687,753</b>	<b>581,262</b>	<b>106,491</b>
Change in net position before capital grants and extraordinary item	(181,966)	2,052	<b>(184,018)</b>
<i>Extraordinary item - net gain on insurance settlement</i>	1,432,325	-	<b>1,432,325</b>
<i>Capital grants</i>	125,500	387,000	<b>(261,500)</b>
<b>Change in net position</b>	<b>\$ 1,375,859</b>	<b>\$ 389,052</b>	<b>\$ 986,807</b>

*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 financial statements of Wray Community District Hospital (the District), as of and for the year ended December 31, 2024, and the related notes to the combined financial statements, which collectively comprise the District's combined financial statements, as listed in the table of contents, and have issued our report thereon dated June 16, 2025.

**Report on Internal Control Over Financial Reporting**

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

### **Purpose of this Report**

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

*D3A PLLC*

Spokane Valley, Washington  
June 16, 2025



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

Board of Directors  
Wray Community District Hospital  
Wray, Colorado

**Report on Compliance for the District's Major Federal Program**

***Opinion on the District's Major Federal Program***

We have audited Wray Community District Hospital (the District's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended December 31, 2024. 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 types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2024.

***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  
June 16, 2025

**Wray Community District Hospital  
 Schedule of Audit Findings and Questioned Costs  
 Year Ended December 31, 2024**

**Section I – Summary of Auditors’ Results**

**Financial Statements:**

Type of auditors’ report issued:

*Unmodified*

Internal control over financial reporting:

• Material weakness(es) identified?

\_\_\_\_\_ yes      X   no

• Significant deficiency(ies) identified?

\_\_\_\_\_ yes      X   none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes      X   no

**Federal Awards:**

Internal control over major federal program:

• Material weakness(es) identified?

\_\_\_\_\_ yes      X   no

• Significant deficiency(ies) identified?

\_\_\_\_\_ yes      X   none reported

Type of auditors’ report issued on compliance for major federal program:

*Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_ yes      X   no

**Identification of major federal program:**

*Federal Assistance Listing Number*

*Name of Federal Program or Cluster*

10.766

Community Facilities Loans and Grants

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

Auditee qualified as low-risk auditee?

  X   yes    \_\_\_\_\_ no

**Wray Community District Hospital  
Schedule of Audit Findings and Questioned Costs (Continued)  
Year Ended December 31, 2024**

**Section II – Financial Statement Findings**

No matters were reported for 2024.

**Section III – Federal Award Findings and Questioned Costs**

There are no matters reported for 2024. 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, 2024**

<b>Federal Grantor/Pass-through Grantor/Program Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Additional Award Identification</b>	<b>Total Federal Expenditures</b>
<b>U.S. Department of Agriculture Direct Programs:</b>				
Community Facilities Loans and Grants	10.766			\$ 1,501,899
<b>Total expenditures of federal awards</b>				<b>\$ 1,501,899</b>

*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, 2024. 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 this schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**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 \$1,464,805 at December 31, 2024.

**Wray Community District Hospital  
Summary Schedule of Prior Year Audit Findings  
Year Ended December 31, 2024**

The audit for the year ended December 31, 2023, reported no findings, nor were there any unresolved prior year audit findings from periods ended December 31, 2022, or prior. Therefore, there are no matters to report in this schedule for the year ended December 31, 2024.