

ARTESIA SPECIAL HOSPITAL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2016

ARTESIA SPECIAL HOSPITAL DISTRICT

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**STATE OF NEW MEXICO
ARTESIA SPECIAL HOSPITAL DISTRICT
OFFICIAL ROSTER
JUNE 30, 2016**

Board of Trustees

<u>Name</u>	<u>Title</u>
Dennis P. Maupin	Chairman
Mike Deans	Vice-Chairman
S. Gary Sims	Treasurer
Jef Butcher	Secretary
Perry Conner	Member

Independent Auditor's Report

To the Board of Trustees
Artesia Special Hospital District
Artesia, New Mexico
and
Timothy Keller, State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the budgetary comparisons for the general fund and major special revenue fund of Artesia Special Hospital District (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. We have also audited the budget comparison schedules for the major capital projects fund and major debt service fund for the year ended June 30, 2016, presented as supplementary information, as defined by the Governmental Accounting Standards Board.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the U.S. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2016, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budgetary comparisons referred to above present fairly, in all material respects, the respective budgetary comparisons for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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 basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the budget comparison schedule that collectively comprise the District's financial statements as a whole. The accompanying schedules of pledged collateral, individual deposit and investment accounts, as required by Section 2.2.2 NMAC, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The supporting schedules in the Supplemental Information for the Capital Projects Fund and Debt Service Fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applies in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, these supporting schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The Schedule of Vendor Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2016, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Ricci & Company, LLC

Albuquerque, New Mexico
October 14, 2016

**STATE OF NEW MEXICO
 ARTESIA SPECIAL HOSPITAL DISTRICT
 STATEMENT OF NET POSITION
 June 30, 2016**

ASSETS

Current Assets

Cash and cash equivalents	\$ 5,502,949
Investments	1,265,073
Mill levy receivable, net	444,856
Other receivables	8,167
Accrued interest receivable	128
Prepaid expenses	8,617
Total current assets	<u>7,229,790</u>

Noncurrent Assets

Cash restricted by bond indenture for debt service	3,073,726
Land	346,052
Art work	1,835
Construction in progress	-
Capital assets, net of accumulated depreciation	30,211,283
Total noncurrent assets	<u>33,632,896</u>

Total assets	<u><u>\$ 40,862,686</u></u>
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LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	\$ 110,706
Due to Artesia General Hospital	270,154
Accrued interest	299,203
Current portion of long-term debt	2,315,000
Total current liabilities	<u>2,995,063</u>

Long-Term Liabilities

Long-term debt, net of current maturities	20,042,644
Total long-term liabilities	<u>20,042,644</u>

Total liabilities	<u>23,037,707</u>
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Net Position

Net investment in capital assets	8,201,526
Restricted for:	
Debt service	3,248,428
Capital projects	1,798,906
Unrestricted	4,576,199
Total net position	<u>17,824,979</u>

Total liabilities and net position	<u><u>\$ 40,862,686</u></u>
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See Notes to Financial Statements.

STATE OF NEW MEXICO
 ARTESIA SPECIAL HOSPITAL DISTRICT
 STATEMENT OF ACTIVITIES
 Years Ended June 30, 2016

	Government Activities
Program Expenses	
General government	\$ 6,196,110
Interest	527,193
Total program expenses	<u>6,723,303</u>
Program Revenues	
Lease income	980,805
Total program revenues	<u>980,805</u>
Net (expense) revenue - general government	<u>(5,742,498)</u>
General Revenues	
Mill levy tax	7,001,970
Interest income	9,663
Miscellaneous revenues	62
Total general revenues	<u>7,011,695</u>
Change in Net Position	1,269,197
Net position, beginning of Year	<u>16,555,782</u>
Net position, end of year	<u><u>\$ 17,824,979</u></u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
 ARTESIA SPECIAL HOSPITAL DISTRICT
 BALANCE SHEET
 GOVERNMENT FUNDS
 Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Fund
ASSETS					
Cash and cash equivalents	\$ 3,602,809	\$ -	\$ 1,900,140	\$ 3,073,726	\$ 8,576,675
Investments	1,265,073	-	-	-	1,265,073
Receivables					
Mill levy receivable, net of allowance	-	270,154	-	174,702	444,856
Other	8,167	-	-	-	8,167
Interest	128	-	-	-	128
Prepaid expenses	8,617	-	-	-	8,617
Total assets	<u>\$ 4,884,794</u>	<u>\$ 270,154</u>	<u>\$ 1,900,140</u>	<u>\$ 3,248,428</u>	<u>\$ 10,303,516</u>
LIABILITIES					
Accounts payable	\$ 9,472	\$ -	\$ 101,234	\$ -	\$ 110,706
Due to Artesia General Hospital	-	270,154	-	-	270,154
Total liabilities	<u>9,472</u>	<u>270,154</u>	<u>101,234</u>	<u>-</u>	<u>380,860</u>
Deferred Inflows of Resources					
Unavailable revenue-levied taxes	-	24,747	-	16,651	41,398
Total deferred inflows of resources	<u>-</u>	<u>24,747</u>	<u>-</u>	<u>16,651</u>	<u>41,398</u>
Fund Balances					
Nonspendable	8,617	-	-	-	8,617
Restricted:					
Debt service	-	-	-	3,231,777	3,231,777
Capital projects	-	-	1,798,906	-	1,798,906
Assigned	5,392	-	-	-	5,392
Unassigned	4,861,313	(24,747)	-	-	4,836,566
Total fund balance	<u>4,875,322</u>	<u>(24,747)</u>	<u>1,798,906</u>	<u>3,231,777</u>	<u>9,881,258</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,884,794</u>	<u>\$ 270,154</u>	<u>\$ 1,900,140</u>	<u>\$ 3,248,428</u>	<u>\$ 10,303,516</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
ARTESIA SPECIAL HOSPITAL DISTRICT
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2016**

Amounts reported for government activities in the statement of net position are different because:

Fund balances - total governmental fund	\$ 9,881,258
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	30,559,170
Certain tax collections are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	41,398
Accrued interest is not due and payable with current financial resources and therefore is not reported in report in the funds.	(299,203)
Some liabilities, including bonds payable and bond premiums, are not due and payable in this current period and therefor are not reported in the funds:	
General obligation bonds	<u>(22,357,644)</u>
Total net position	<u><u>\$ 17,824,979</u></u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
 ARTESIA SPECIAL HOSPITAL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENT FUNDS
 Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Fund
REVENUES					
Mill levy	\$ -	\$ 4,368,101	\$ -	\$ 2,625,804	\$ 6,993,905
Lease income	980,805	-	-	-	980,805
Interest	5,329	-	2,679	4,334	12,342
Miscellaneous	62	-	-	-	62
Total revenues	<u>986,196</u>	<u>4,368,101</u>	<u>2,679</u>	<u>2,630,138</u>	<u>7,987,114</u>
EXPENDITURES					
Current					
General government	152,225	4,368,526	-	-	4,520,751
Capital outlay	8,934	-	3,893,335	-	3,902,269
Debt service	-	-	-	-	-
Principal	-	-	-	2,245,000	2,245,000
Interest	-	-	-	752,388	752,388
Total expenditures	<u>161,159</u>	<u>4,368,526</u>	<u>3,893,335</u>	<u>2,997,388</u>	<u>11,420,408</u>
Net change in fund balances	825,037	(425)	(3,890,656)	(367,250)	(3,433,294)
Fund balance - beginning	4,050,285	(24,322)	5,689,562	3,599,027	13,314,552
Fund balance - ending	<u>\$ 4,875,322</u>	<u>\$ (24,747)</u>	<u>\$ 1,798,906</u>	<u>\$ 3,231,777</u>	<u>\$ 9,881,258</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
ARTESIA SPECIAL HOSPITAL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016**

Amounts reported for government activities in the statement of activities are different because:

Net change in fund balances - total government funds	\$ (3,433,294)
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Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital assets reported as capital outlay expenditures	3,902,269
Capitalized interest	86,553
Depreciation and amortization	(1,675,358)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:

Change in unavailable revenue related to taxes receivable	8,065
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The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources for governmental funds. Neither transaction, however, has any effect on net assets. Also, government funds report the effect of premiums, discount, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Change in accrued interest	28,583
Amortization of bond premiums	107,379
Principal payments on bonds	2,245,000

Change in net position of government activities	\$ 1,269,197
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See Notes to Financial Statements.

STATE OF NEW MEXICO
ARTESIA SPECIAL HOSPITAL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016

	Budget Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
REVENUES				
Lease income	\$ 972,308	\$ 972,638	\$ 972,638	\$ -
Interest	6,350	5,060	5,060	-
Miscellaneous	-	62	62	-
Total revenues	<u>978,658</u>	<u>977,760</u>	<u>977,760</u>	<u>-</u>
EXPENDITURES				
General government	62,984	154,127	154,127	-
Total expenditures	<u>62,984</u>	<u>154,127</u>	<u>154,127</u>	<u>-</u>
Net change in fund balances	<u>\$ 915,674</u>	<u>\$ 823,633</u>	<u>\$ 823,633</u>	<u>\$ -</u>

Net change in fund balances (Non-GAAP)	\$ 823,633
Change in:	
Accrued interest receivable	5
Other receivable	8,167
Accounts payable	(7,088)
Miscellaneous expense budgeted in special revenue fund but recorded in general fund	(152)
Interest income budgeted in special revenue fund but recorded in general fund	264
Other	208
Net change in fund balances (GAAP)	<u>\$ 825,037</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
 ARTESIA SPECIAL HOSPITAL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 SPECIAL REVENUE FUNDS
 Year Ended June 30, 2016

	Budget Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
REVENUES				
Mill levy tax	\$ 3,316,894	\$ 4,470,175	\$ 4,470,175	\$ -
Interest	550	264	264	-
Total revenues	<u>3,317,444</u>	<u>4,470,439</u>	<u>4,470,439</u>	<u>-</u>
EXPENDITURES				
General government	3,316,894	4,470,327	4,470,327	-
Total expenditures	<u>3,316,894</u>	<u>4,470,327</u>	<u>4,470,327</u>	<u>-</u>
Net change in fund balances	<u>\$ 550</u>	<u>\$ 112</u>	<u>\$ 112</u>	<u>\$ -</u>

Net change in fund balances (Non-GAAP)	\$ 112
Change in:	
Mill levy receivable	(101,649)
Unavailable revenue - levied taxes	(425)
Accounts payable	101,649
Miscellaneous expense budgeted in special revenue fund but recorded in general fund	152
Interest income budgeted in special revenue fund but recorded in general fund	<u>(264)</u>
Net change in fund balances (GAAP)	<u>\$ (425)</u>

See Notes to Financial Statements.

**ARTESIA SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity. In September 1978, the Artesia Special Hospital District (District) was created pursuant to the New Mexico Special Hospital District Act and under that authority operated Artesia General Hospital (Hospital) until October 31, 1999. The Hospital, which is licensed for 49 beds, began operation on November 14, 1981. The Board of Trustees are elected by the residents of the District pursuant to Chapter 4, Article 48A-6 NMSA 1978 and they are authorized by New Mexico statute to call for a resolution imposing ad valorem taxes on all properties located within the Special Hospital District. Artesia Special Hospital District has no component units and is not a component unit of another governmental entity.

As of October 31, 1999, the District entered into a series of agreements to lease the hospital to VHA Southwest Community Health Corporation (CHC), a Texas not-for-profit corporation, which CHC will operate through a wholly owned subsidiary, Artesia General Hospital (AGH), a New Mexico not-for-profit corporation. The agreement between the District and CHC/AGH is explained through the following paragraphs:

District Operating Agreement between the District and CHC. CHC retains certain reserved powers as necessary to perform its oversight responsibilities of the ongoing operation of AGH, which, in turn, must remain committed to serving the healthcare needs of all the citizens of Artesia to the extent and manner that the citizens expect from Artesia General Hospital. The District must pay to AGH unit the total amount of the mill levy tax that the District receives each year. The District did not renew the Operating Agreement with CHC, which expired on October 31, 2014.

District Funding Agreement with AGH. On November 1, 2014 the District entered into a Hospital Funding Agreement with AGH. Under this agreement, the District must pay to AGH unit the total amount of the mill levy tax that the District receives each year. In turn, AGH must continue to provide the same level and type of services and programs as the hospital is currently providing including services provided by the rural health care clinic, to the extent AGH is financially capable of providing such services and participate in the Medicare and Medicaid programs, as well as such other healthcare programs in which the citizens of the Community are insureds or enrollees to the extent AGH's participation in said healthcare program is financially feasible.

Facility and Equipment Lease Agreement between the District (as landlord) and AGH (tenant). The leased property consists of land, a hospital building and storage building located in Artesia. Virtually all personal property is located at this site as well as in two suites in a medical office building and an offsite storage facility.

Under the lease agreement of July 1, 2015, covering the period to October 31, 2019, the tenant will pay rent to the landlord in the amount of \$915,600 annually. An additional lease to AGH began June 2016 for annual payments of \$294,000 until 2020. The tenant must keep and maintain the entire premises in good condition, promptly making all necessary repairs and replacements and maintain adequate coverage through fire, casualty and liability insurance.

**ARTESIA SPECIAL HOSPITAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016**

**NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)**

On July 27, 2015 the Board approved entering into a lease agreement with Yucca Dental Center, P.C. for lease of approximately 2,063 square feet of rentable area in the Artesia Professional Building #2 owned by the District. The agreement was approved by the State Board of Finance on March 15, 2016. The lease term is for 10 years from the date Yucca Dental P.C. opens for business in the leased premises. Rent will be due to the District in monthly installments as set forth below:

From	Month 1	through	Month 24:	\$4,500.00 monthly
From	Month 25	through	Month 48:	\$4,727.81 monthly
From	Month 49	through	Month 72:	\$4,967.16 monthly
From	Month 73	through	Month 96:	\$5,218.62 monthly
From	Month 97	through	Month 120:	\$5,482.81 monthly

Summary of Significant Accounting Policies. The summary of significant accounting policies of the District is presented to assist in the understanding of the District’s financial statements. The financial statements and notes are the representation of the District’s management who is responsible for their integrity and objectivity. The financial statements of the District conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

Government-wide and fund financial statements. The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, unrestricted investment income, and other items not properly included among program revenues are reported instead as general revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as

**ARTESIA SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

revenue as soon as all eligibility requirements imposed by the provider have been met.

**NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, lease income, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, subject to the availability criterion. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, subject to the availability criterion.

All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

- The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided by taxes levied on the District's constituents. Expenditures include all costs associated with the daily operations of the District except for those items included in other funds.
- The Special Revenue Fund is used to account for the financial resources received and distributed to the Artesia General Hospital.
- The Capital Projects Fund is used to account for the financial resources used for the acquisition and construction of land and improvements to the Artesia General Hospital and related costs.
- The Debt Service Fund is used to account for the accumulation of resources and the payment of interest and principal on long-term general obligation bonds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**ARTESIA SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

**NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents. Cash and Cash Equivalents include investments with an original maturity of three months or less. Cash and cash equivalents consist of checking accounts and a certificate of deposit is maintained at a local financial institution. The certificate of deposit is carried at fair value, which approximates cost.

Capital Assets. State law sets a capitalization threshold of \$5,000 for acquisitions of property and equipment. The District has elected to follow State policy. Acquisitions of capital assets are recorded at cost. Improvements and replacements of building and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statements of revenues, expenses and changes in net position. The District does not have any infrastructure.

Depreciation is provided over the estimated useful life of the asset and is computed using the straight-line method. Useful lives are assigned using industry guidelines published by the American Hospital Association and typically range from 3 to 40 years.

Donor-Restricted Funds. Contributed funds, the use of which is specified by donors or grantors, are recorded as additions to restricted net position. Resources restricted by donors for specific operating purposes are reported in other operating revenue to the extent used within the period. Restricted amounts are released from restricted fund balance when the restriction imposed by the donor has been satisfied.

Mill Levy. An operating mill levy, approved by the voters of Eddy County, expires in 2017 (See Note 5 for additional information regarding renewal). The District recorded \$4,368,101 in mill levy operating revenues. The amounts were used in accordance with the provisions of the property tax referendum. A General Obligation (GO) bond mill levy, approved by voters of Eddy County in November 2004 and August 2006 will expire in 2019. The District recorded \$2,625,804 of mill levy revenue under the GO bond mill levy. The amounts will be used in accordance with the provisions of the property tax referendum.

The District receives mill levy taxes from the Treasurer of Eddy County (the County). The County serves as the intermediary collecting agency and remits the District's share of mill levy tax collections. The District does not maintain detailed records of mill levy taxes receivable by the individual taxpayer.

Mill levy property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. The District recognizes revenue from mill levy property taxes in the period for which they are levied, net of estimated refunds and uncollectible amounts.

**ARTESIA SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

**NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Grants and Contributions. From time to time, the District receives grants from the State of New Mexico and the City of Artesia 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 that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

Fund Balances. The District reports fund balances in the following categories:

- Non-spendable — amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.
- Restricted — amounts that are restricted to specific purposes either externally imposed by creditors, grantors or laws or regulations or imposed by law through constitutional provisions or enabling legislation.
- Committed — amounts that can only be used for specific purposes pursuant to formal action of the government's highest decision making authority.
- Assigned — amounts that are intended to be used for specific purposes, but are neither restricted nor committed.
- Unassigned — remaining general funds balances not restricted, committed, or assigned.

The District's Board of Trustees is its highest level of decision-making authority. In order to establish committed fund balances, the Board would be required to take formal action, such as passing a Board resolution. Management of the District is authorized to designate fund balances that the District intends to use for specific purposes. For assigned fund balance, the Board of Trustees or an official or body to which the Board of Trustees delegates the authority is authorized to assign amounts to a specific purpose.

Nonspendable Fund Balance: At June 30, 2016, the District has \$8,617 of nonspendable fund balances from the prepayments of expenditures.

Assigned Fund Balance: At June 30, 2016, in accordance with state budget guidance, the general fund assigned balance of \$5,392 represents an amount equal to 1/12 of budgeted general fund expenditures for the year ended June 30, 2017.

**ARTESIA SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

**NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

For the classification of fund balances, the District considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the District considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Position. The governmental activities in the government-wide financial statements utilize a net position presentation which reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, in accordance with Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* issued by the Governmental Accounting Standards Board (GASB 63). Net position is displayed in three components as follows:

- A. Net Investment in Capital Assets: Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- B. Restricted Net Position: Net position is reported as restricted when constraints are placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- C. Unrestricted Net Position: Net position that do not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first and the unrestricted resources as they are needed.

Budgets and Budgetary Accounting. Prior to the beginning of each fiscal year, the budget for the general fund of the District is prepared on the non-GAAP budgetary basis by the Chairman and is presented to the District’s Board of Trustees (the Board) for review and approval. Upon Board approval, the budget is sent to the Department of Finance and Administration of the State of New Mexico (DFA) for tentative approval. Final approval is granted after the beginning of the fiscal year when net position for the prior year is known. Expenditures legally cannot exceed the total budget. Any budget amendments are first reviewed and approved by the Board and then sent to the DFA for state approval. The board is authorized to transfer budgeted amounts between departments; however, any revisions that alter total expenditures must be approved by the DFA.

**ARTESIA SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

**NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Investments. Investments are reported at fair value. Interest, dividends, and gains and losses are included in non-operating revenue when earned.

Bond Related Items and Amortization. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method required by GAAP. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense of current period as required by GASB Statement No. 65.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of asset and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates

Stewardship, Compliance and Accountability

Budgetary Information. Annual budgets of the District are prepared prior to June 1 and must be approved by resolution of the Board of Trustees, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the Board of Trustees and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible (legal level of control) to over-expend any budget in total at the fund level.

These budgets are prepared on the Non-GAAP cash budgetary basis. Budgetary basis expenditures exclude encumbrances. The budget secures appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

The budgetary information presented in these financial statements has been properly amended by Board of Trustees in accordance with the above procedures. These amendments resulted in the following changes:

	<u>Net change in fund balance</u>	
	Original Budget	Final Budget
General fund	\$ 915,674	823,633
Special revenue fund	550	112
Capital projects fund	(6,485,399)	(4,586,434)
Debt service fund	(487,536)	(389,793)

**ARTESIA SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

**NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

The accompanying Statements of Revenues and Expenses with Budget Comparison (Non-GAAP Budgetary Basis) presents a comparison of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2016 is presented. Reconciliations, if applicable, between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund can be found on the budgetary statement.

Subsequent Events. Management has evaluated subsequent events through October 14, 2016, the date which the financial statements were available to be issued.

NOTE 2. DEPOSITS AND INVESTMENTS

State Statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2016.

Custodial Credit Risk – Deposits and Investments

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits and investments may not be returned to it. The District does not have a deposit policy for custodial credit risk, other than following state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63 NMSA 1978). At June 30, 2016, the District's deposits were adequately collateralized and in compliance with state law.

Section 6-10-17, New Mexico Statutes Annotated, 1978 Compilation states that types of collateral allowed is limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. All depositories had collateral exceeding the amount by law.

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's practice is to invest in certificates of deposits with maturities of less than five years.

**ARTESIA SPECIAL HOSPITAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016**

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk – The District places no limit on the amount that may be invested in any one issuer.

	First American	Western Bank	Total
Year Ended Jun 30, 2016			
Total amount of deposits	\$ 8,576,675	1,265,073	9,841,748
FDIC Coverage	<u>(250,000)</u>	<u>(250,000)</u>	<u>(500,000)</u>
Total uninsured public funds	<u>\$ 8,326,675</u>	<u>1,015,073</u>	<u>9,341,748</u>
Collateralized by securities held by the Pledging institution or by its trust department or agent in other than the District’s name	<u>\$ 14,844,298</u>	<u>2,795,499</u>	<u>17,639,797</u>
Total uninsured and uncollateralized	<u>\$ -</u>	<u>-</u>	<u>-</u>
Collateral requirement (50% of uninsured Public funds)	\$ 4,163,337	507,537	4,670,874
Pledged securities	<u>14,844,298</u>	<u>2,795,499</u>	<u>17,639,797</u>
Total over (under) collateralization	<u>\$ 10,680,961</u>	<u>2,287,962</u>	<u>12,968,923</u>

NOTE 3. MILL LEVY TAXES RECEIVABLE

A New Mexico law adopted in 1980 and amended in 1981 allows counties to provide expanded tax support to qualified Districts. Mill levy taxes are reported as revenue in the period for which they were levied.

The District received cash operating mill levy proceeds of \$4,368,101 and passed these funds through to Artesia General Hospital.

Mill levies were used in accordance with the provisions of the 1980 Hospital Funding Act, as amended. The new mill levy was passed in August 2006 and was recently renewed for tax years 2014 to 2017.

The District recorded General Obligation Bond mill levy revenues of \$2,625,804. This mill levy was passed by the voters in November 2004, August 2006 and August 2013. Bonds are scheduled to be paid off August 2026.

**ARTESIA SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

NOTE 3. MILL LEVY TAXES RECEIVABLE (CONTINUED)

Mill levy receivable consists of the following at June 30, 2016:

Mill levy receivable:		
Ad valorem	\$	42,222
Oil and gas		403,478
Less: allowance for uncollectible amounts		<u>(844)</u>

Total mill levy receivable \$ 444,856

NOTE 4. CAPITAL ASSETS

Capital assets, additions, retirements, and balances for the year ended June 30, 2016 are as follows:

	Beginning Balance June 30, 2015	Additions	Disposals/ Retirements	Adjustments/ Transfers	Ending Balance June 30, 2016
<i>Non-depreciable assets:</i>					
Land	\$ 346,052	-	-	-	346,052
Art work	1,835	-	-	-	1,835
Construction in progress	<u>5,300,693</u>	-	-	<u>(5,300,693)</u>	-
Total	<u>5,648,580</u>	-	-	<u>(5,300,693)</u>	<u>347,887</u>
<i>Depreciated assets</i>					
Land improvements	1,248,867	571,217	-	-	1,820,084
Buildings & Improvements	36,940,846	3,408,672	-	5,300,693	45,650,211
Equipment	<u>10,175,935</u>	<u>8,933</u>	-	-	<u>10,184,868</u>
Total	<u>48,365,648</u>	<u>3,988,822</u>	-	<u>5,300,693</u>	<u>57,655,163</u>
<i>Accumulated depreciation</i>					
Land improvements	(1,038,432)	(90,985)	-	-	(1,129,417)
Buildings & Improvements	(15,088,118)	(1,439,834)	-	-	(16,527,952)
Equipment	<u>(9,641,972)</u>	<u>(144,539)</u>	-	-	<u>(9,786,511)</u>
Total	<u>(25,768,522)</u>	<u>(1,675,358)</u>	-	-	<u>(27,443,880)</u>
Total capital assets being depreciated, net	<u>22,597,126</u>	<u>2,313,464</u>	-	<u>5,300,693</u>	<u>30,211,283</u>
Total capital assets, net	<u>\$ 28,245,706</u>	<u>2,313,464</u>	-	-	<u>30,559,170</u>

Depreciation expense for the year ended was \$1,675,358.

**ARTESIA SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

NOTE 5. LONG-TERM DEBT

A schedule of changes in the District's General Obligation Bonds for 2016 follows:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
2006 GO Bond\$	3,250,000	-	600,000	2,650,000	625,000
2006 Premium	806	-	207	599	-
2012 GO Bond	7,315,000	-	1,380,000	5,935,000	1,425,000
2012 Premium	281,389	-	100,759	180,630	-
2013 GO Bond	13,190,000	-	265,000	12,925,000	265,000
2013 Premium	672,828	-	6,413	666,415	-
Total	\$ 24,710,023	-	2,352,379	22,357,644	2,315,000

Bonds outstanding at June 30, 2016, consist of the following issues:

General Obligation Bonds Series 2006

Original Issue: \$8,000,000

Principal: August 1

Interest: February 1 and August 1

Rates: 3.75% - 4.50%

Purpose: To renovate and make additions to the Hospital.

Scheduled principal and interest repayments on long-term debt obligations are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 625,000	87,175	\$ 712,175
2018	650,000	63,588	713,588
2019	675,000	38,906	713,906
2020	700,000	13,125	713,125
Totals	\$ 2,650,000	202,794	\$2,852,794

General Obligation Bonds Series 2012 Original

Issue: \$8,680,000

Principal: August 1

Interest: February 1 and August 1

Rates: 2.00% - 4.00%

Purpose: To refund and defease the General Obligation Bonds, Series 2005 on August 1, 2013.

**ARTESIA SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

NOTE 5. LONG-TERM DEBT (CONTINUED)

Scheduled principal and interest repayments on long-term debt obligations are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 1,425,000	111,575	\$1,536,575
2018	1,475,000	75,450	1,550,450
2019	1,500,000	45,700	1,545,700
2020	1,535,000	15,350	1,550,350
Totals	<u>\$ 5,935,000</u>	<u>248,075</u>	<u>\$6,183,075</u>

General Obligation Bonds Series 2013

Original Issue: \$14,500,000

Principal: August 1

Interest: February 1 and August 1

Rates: 2.50% - 5.00%

Purpose: To renovate and make additions to the Hospital

Scheduled principal and interest repayments on long-term debt obligations are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 265,000	483,750	\$ 748,750
2018	260,000	478,500	738,500
2019	270,000	473,200	743,200
2020	270,000	467,125	737,125
2021	2,000,000	423,750	2,423,750
2022 - 2026	9,860,000	1,018,625	10,878,625
Totals	<u>\$12,925,000</u>	<u>3,344,950</u>	<u>\$ 16,269,950</u>

The District has established an Interest and Sinking fund for the payment of principal and interest on the Bonds. The Bond fund will be used at all times while the Bonds are outstanding. This fund is used primarily to achieve a proper matching of revenues and debt service requirements on the Bonds during each year.

NOTE 6. RISK MANAGEMENT

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

**ARTESIA SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

NOTE 7. OTHER REQUIRED DISCLOSURES

Deficit fund balance of individual funds. The following fund maintained a deficit fund balance at June 30, 2016:

Special Revenue Fund - Major \$24,747

Excess of expenditures over appropriations. The District did not have any funds that maintained expenditures in excess of authorized budget for the year ended June 30, 2016:

Designated cash appropriations in excess of available balance. The District did not have any funds with designated cash appropriations in excess of available balances for the year ended June 30, 2016.

NOTE 8. CONCENTRATIONS

A significant portion of the revenues of the District are received from Mill Levy tax distributions from Eddy County, New Mexico. Receipt of these funds is contingent upon voter approval.

NOTE 9. SUBSEQUENT PRONOUNCEMENTS

In June 2015, GASB Statement No. 76 the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The District will implement this standard during the fiscal year ended June 30, 2016. The District expects the pronouncement to have a material effect on the financial statements.

In August 2015, GASB Statement No. 77 Tax Abatement Disclosures, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The District will implement this standard during the fiscal year ended June 30, 2017. The District is still evaluating how this pronouncement will effect the financial statement

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 ARTESIA SPECIAL HOSPITAL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 CAPITAL PROJECTS FUND
 Year Ended June 30, 2016

	Budget Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
REVENUES				
Mill levy tax	\$ -	\$ -	\$ -	\$ -
Interest	1,175	2,680	2,680	-
Total revenues	<u>1,175</u>	<u>2,680</u>	<u>2,680</u>	<u>-</u>
EXPENDITURES				
Capital outlay	6,486,574	4,589,114	4,589,114	-
Total expenditures	<u>6,486,574</u>	<u>4,589,114</u>	<u>4,589,114</u>	<u>-</u>
Net change in fund balances	(6,485,399)	(4,586,434)	\$ (4,586,434)	\$ -
Prior year cash appropriated	6,485,399	4,586,434		
	<u>\$ -</u>	<u>\$ -</u>		

Net change in fund balances (Non-GAAP)	\$ (4,586,434)	-
Change in:		
Other receivables	(179,793)	
Accounts payable	<u>875,571</u>	
Net change in fund balances (GAAP)	<u>\$ (3,890,656)</u>	

See Notes to Financial Statements.

STATE OF NEW MEXICO
ARTESIA SPECIAL HOSPITAL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
DEBT SERVICE
Year Ended June 30, 2016

	Budget Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
REVENUES				
Mill levy tax	\$ 2,502,852	\$ 2,603,261	\$ 2,603,261	\$ -
Interest	7,000	4,334	4,334	-
Total revenues	<u>2,509,852</u>	<u>2,607,595</u>	<u>2,607,595</u>	<u>-</u>
EXPENDITURES				
Debt Service:				
Principal payments	2,245,000	2,245,000	2,245,000	-
Interest payments	752,388	752,388	752,388	-
Total expenditures	<u>2,997,388</u>	<u>2,997,388</u>	<u>2,997,388</u>	<u>-</u>
Net change in fund balances	(487,536)	(389,793)	\$ (389,793)	\$ -
Prior year cash appropriated	487,536	389,793		
	<u>\$ -</u>	<u>\$ -</u>		

Net change in fund balances (Non-GAAP)	\$ (389,793)	-
Change in:		
Mill levy receivable	30,183	
Unavailable revenue - levied taxes	<u>(7,640)</u>	
Net change in fund balances (GAAP)	<u>\$ (367,250)</u>	

See Notes to Financial Statements.

STATE OF NEW MEXICO
ARTESIA SPECIAL HOSPITAL DISTRICT
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
PUBLIC FUND
June 30, 2016

Name of Depository and Description of Pledged Collateral	Fair Market Value June 30, 2016	Name and Location of Safekeeper
First American Bank		
Lea Cnty Pub SD#8 NM 19 Due 1/15/2019 CUSIP #521513BT7	\$ 267,290	Federal Home Loan Bank Dallas, TX
Grants ETC SD#1 NM 20 Due 4/15/2020 CUSIP #388240FS7	\$ 455,081	Federal Home Loan Bank Dallas, TX
Albuquerque SD 12 NM 20 Due 08/01/2020 CUSIP #013595LK7	\$ 1,013,337	Federal Home Loan Bank Dallas, TX
Estancia MUN SD #7 NM 21 Due 06/15/2021 CUSIP #297326EF3	\$ 188,476	Federal Home Loan Bank Dallas, TX
Gallup McKinley SD#1 NM 21 Due 08/01/2021 CUSIP #364010NW4	\$ 413,120	Federal Home Loan Bank Dallas, TX
Texico SD #2 NM 21 Due 08/01/2021 CUSIP #883005CH1	\$ 88,114	Federal Home Loan Bank Dallas, TX
Albuquerque SD 12 NM 22 Due 08/01/2022 CUSIP #013595LM3	\$ 1,418,950	Federal Home Loan Bank Dallas, TX
Belen Cons SD #2 NM 22 Due 08/01/2022 CUSIP #077581NG7	\$ 780,293	Federal Home Loan Bank Dallas, TX
Clovis SD 1-BLDG NM 22 Due 08/01/22 CUSIP #189414GQ2	\$ 822,320	Federal Home Loan Bank Dallas, TX
Clovis SD 1-BLDG NM 23 Due 08/01/2023 CUSIP #189414GR0	\$ 799,831	Federal Home Loan Bank Dallas, TX
Gadsden ISD #16 NM 23 Due 08/15/2023 CUSIP #362550MG7	\$ 1,074,772	Federal Home Loan Bank Dallas, TX
Hobbs SD #16 NM 24 Due 04/15/2024 CUSIP #433866DR8	\$ 859,256	Federal Home Loan Bank Dallas, TX
Espanola SD#55 NM 26 Due 09/01/2026 CUSIP #29662RBB3	\$ 2,144,777	Federal Home Loan Bank Dallas, TX
Alamogordo NM 28 Due 08/01/2028 CUSIP 011446GB1	\$ 323,643	Federal Home Loan Bank Dallas, TX
GNMA II 3x1 Due 10/20/2040 CUSIP 36225E5F5	\$ 651,802	Federal Home Loan Bank Dallas, TX
GNMA II 3x1 Due 11/20/2040 CUSIP #36225E5X6	\$ 783,900	Federal Home Loan Bank Dallas, TX
GNMA II 5x1 Due 1/20/2041 CUSIP 36225FAN9	\$ 559,456	Federal Home Loan Bank Dallas, TX
GNMA II 7x1 Due 10/20/2041 CUSIP 36225FJV2	\$ 643,127	Federal Home Loan Bank Dallas, TX
GNMA II 5x1 Due 04/20/42 CUSIP 36179MBB5	\$ 793,995	Federal Home Loan Bank Dallas, TX
GNMA II 3x1 Due 06/20/2042 CUSIP 36179MFS4	\$ 762,758	Federal Home Loan Bank Dallas, TX
	<u>\$ 14,844,298</u>	

STATE OF NEW MEXICO
 ARTESIA SPECIAL HOSPITAL DISTRICT
 SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
 PUBLIC FUND
 June 30, 2016

Name of Depository and Description of Pledged Collateral	Fair Market Value June 30, 2016	Name and Location of Safekeeper
Western Bank		
Hobbs NM School District Due 04/15/2024 CUSIP #433866 DR8	\$ 285,909	Federal Home Loan Bank Dallas, TX
Albuquerque N Mex Mun Sch Dist Due 08/01/2017 CUSIP #013595QL0	\$ 259,765	Federal Home Loan Bank Dallas, TX
Hobbs NM School District Due 04/15/2024 CUSIP #433866 DR8	\$ 228,727	Federal Home Loan Bank Dallas, TX
FNMA - Pool#: MA1237 Due 11/01/2032 CUSIP #31418ALT3	\$ 139,475	Federal Home Loan Bank Dallas, TX
FHLMC - Pool# C91764 Due 05/01/2034 CUSIP #3128p75z2	\$ 1,881,624	Federal Home Loan Bank Dallas, TX
	<u>\$ 2,795,499</u>	

STATE OF NEW MEXICO
 ARTESIA SPECIAL HISPITAL DISCTRICT
 SCHEDULE OF DEPOSIT ACCOUNTS
 June 30, 2016

Deposit Type	First American Bank	Western Bank	Total
Operational - Now checking	\$ 2,282,059	\$ -	\$ 2,282,059
Regular - MMF Checking	1,324,340	-	1,324,340
Operational Mill Levy	992	-	992
Bond sinking fund - MMF checking	3,073,726	-	3,073,726
General needs- Now checking	-	-	-
Capital Projects - Now checking	1,900,140	-	1,900,140
Certificate of deposit	-	1,265,073	1,265,073
Total deposit	8,581,257	1,265,073	9,846,330
Reconciling items:			
Outstanding checks	(4,582)	-	(4,582)
Total June 30, 2016	\$ 8,576,675	\$ 1,265,073	\$ 9,841,748

Reconciliation to the June 30, 2016

Statement of Net Position

Unrestricted cash and cash equivalents	\$ 5,502,949
Investments	1,265,073
Cash restricted by bond indenture for debt service	3,073,726
	\$ 9,841,748

Example Entity
 SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT)
 For the Year Ended June 30, 2016

Prepared by Agency Staff Name: Dennis P. Mappin Title: Chairman Date 09/30/2016

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
	RFP	Jaynes Corporation	1,831,333.00	3,197,741.20	2906 Broadway; Albuquerque, NM 87107	Y	N	Artesia Professional Building #2 Renovation
	RFP	TIC Thompson			2509 W. Hermosa Dr; Artesia, NM 88210	Y	N/A	Artesia Professional Building #2 Renovation
	RFP	National Construction, Inc.			P.O. Box 1479; Alamogordo, NM 88311	Y	N/A	Artesia Professional Building #2 Renovation
	RFP	Centerline Construction			7433 Hwy 62, Ste B; Lubbock, TX 79407	N	N/A	Artesia Professional Building #2 Renovation



6200 Uptown Blvd NE
Suite 400
Albuquerque, NM 87110
505.338.0800

**Independent Auditor's 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***

To the Board of Trustees
Artesia Special Hospital District
Artesia, New Mexico
and
Timothy Keller, State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the budgetary comparison for the general fund and major special revenue fund of the Artesia Special Hospital District (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, as well as the budget comparison schedules for the major capital projects fund and major debt service fund of the District, for the year ended June 30, 2016, presented as supplementary information, and have issued our report thereon dated October 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital'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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we not did identify deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ricci & Company LLC

Albuquerque, New Mexico
October 14, 2016

**ARTESIA SPECIAL HOSPITAL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2016**

NO FINDINGS

**ARTESIA SPECIAL HOSPITAL DISTRICT
SUMMARY OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2015**

Prior year Number	Description	Current Status
2015-001	Annual Inventory	Resolved

**ARTESIA SPECIAL HOSPITAL DISTRICT
EXIT CONFERENCE
For the Year Ended June 30, 2016**

Exit Conference and Board of Trustees Presentation

The contents of this report were discussed on October 17, 2016. The following individuals were in attendance.

Artesia Special Hospital District

Dennis Maupin	Chairman
Gary Sims	Treasurer

Ricci & Company

Wayne Brown, CPA	Director
Dock Livingston, CPA	Supervisor

Financial Statement Preparation

The District’s independent public accountants prepared the accompanying basic financial statements; however, the District is responsible for the basic financial statement and disclosure content. The District’s management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.