



**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2019 AND 2018

INTRODUCTORY SECTION

**SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
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JUNE 30, 2019**

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**SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
OFFICIAL ROSTER
JUNE 30, 2019**

Board of Trustees

Steven Briggs
Nathan Lay
Frederick Martinez
Bruce Jassman
Roy Ackerman

Chair
Vice Chairperson
Secretary/Treasurer
Trustee
Trustee

Principal Employees

Kaycee Sandoval

District Administrator

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
South Central Colfax County Special Hospital District
Springer, New Mexico and
Mr. Brian Colón, Esq.
New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate remaining fund information of the South Central Colfax County Special Hospital District ("the District") as of and for the years ended June 30, 2019 and 2018, 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 District's Budgetary Comparison Statements presented as supplementary information as defined by the Governmental Accounting Standards Board for the years ended June 30, 2019 and 2018, as listed in the Table of Contents.

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 responsibility 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with 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. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no

Board of Trustees
South Central Colfax County Special Hospital District
and Mr. Brian Colón, Esq.
New Mexico State Auditor

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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate remaining fund information of the District as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective budgetary comparison statement of the District for the years ended June 30, 2019 and 2018, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 6-10, 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 financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information


Our audits for the years ended June 30, 2019 and 2018 were conducted for the purpose of forming opinions on the basic financial statements and the budgetary comparison statements of the District. The Schedules of Individual Deposit Accounts and Pledged Collateral and the Schedules of Changes in Fiduciary Assets and Liabilities – Agency Fund, as required by NMAC 2.2.2, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Board of Trustees
South Central Colfax County Special Hospital District
and Mr. Brian Colón, Esq.
New Mexico State Auditor

The Schedules of Individual Deposit Accounts and Pledged Collateral and the Schedules of Changes in Fiduciary Assets and Liabilities – Agency Funds are the responsibility of management and were derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic 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 October 15, 2019 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 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.



Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
October 15, 2019

**SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019 AND 2018**

This section of the financial report presents management’s discussion and analysis of South Central Colfax County Special Hospital District’s (the “District”) financial performance during the fiscal years that ended June 30, 2019, 2018, and 2017. This presentation is intended to enhance the reader’s understanding of the financial statements that follow and should be read in conjunction with those financial statements.

One of the most important questions asked about the District’s finances is, “Is the District as a whole better off or worse off as a result of the year’s activities?” The statements of net position and the statements of revenues, expenses and changes in net position report information about the District and its business-type activities in a way that helps answer the question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

The District’s net position represents the difference between its assets and liabilities and is one way to measure the District’s financial health. Over time, increases or decreases in the District’s net position are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors need to be considered, however, such as changes in the Medicaid rates charged for patient services, census days, building repairs, insurance, and equipment replacement/repair.

The District also presents an agency fund to report the assets and liabilities associated with funds held by the District in a custodial capacity on behalf of patients. Assets equal liabilities for this fund, which is the proper accounting for agency-type fiduciary funds.

CONDENSED STATEMENTS OF NET POSITION

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current assets	\$ 1,636,912	\$ 1,657,195	\$ 1,486,493
Non-current assets	<u>887,884</u>	<u>869,118</u>	<u>858,902</u>
Total assets	<u>\$ 2,524,796</u>	<u>\$ 2,526,313</u>	<u>\$ 2,345,395</u>
Current liabilities	\$ 181,905	\$ 213,456	\$ 233,384
Net position			
Net investment in capital assets	887,884	869,118	858,902
Unrestricted	<u>1,455,007</u>	<u>1,443,739</u>	<u>1,253,109</u>
Total net position	<u>2,342,891</u>	<u>2,312,857</u>	<u>2,112,011</u>
Total liabilities and net position	<u>\$ 2,524,796</u>	<u>\$ 2,526,313</u>	<u>\$ 2,345,395</u>

**SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019 AND 2018**

Highlight of changes in Statement of Net Position: 2019 vs. 2018

The District's total assets decreased by approximately \$1,500 in 2019 compared to 2018. This decrease in total assets was due primarily to the following:

- Cash and cash equivalents decreased by approximately \$280,000 due primarily to a \$204,000 increase in accounts receivable and a \$50,000 increase in ad valorem taxes receivable.

The District's total liabilities decreased by approximately \$32,000 in 2019 as compared to 2018 due to a decrease in accrued liabilities due to timing of benefits payment and miscellaneous accruals at year end.

Highlight of changes in Statement of Net Position: 2018 vs. 2017

The District's total assets increased by approximately \$181,000 in 2018 compared to 2017. This increase in total assets was due primarily to the following:

- Cash and cash equivalents increased by approximately \$330,000 due primarily to a \$195,000 reduction in total expenses, including an \$88,000 reduction in supplies expense and an \$40,000 reduction in purchased services.

The above was offset by the following:

- Net patient accounts receivable decreased by approximately \$151,000, primarily due to an approximately \$220,000 write-off of uncollectable Medicaid receivables.

The District's total liabilities decreased approximately \$20,000 in 2018 as compared to 2017 due to a decreased in accrued liabilities due to timing of benefits payment and miscellaneous accruals at year end.

CONDENSED STATEMENTS OF CHANGES IN NET POSITION

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenue	\$ 1,984,558	\$ 1,901,424	\$ 2,034,066
Operating expenses	<u>4,137,767</u>	<u>3,926,128</u>	<u>4,120,841</u>
Operating loss	(2,153,209)	(2,024,704)	(2,086,775)
Non-operating revenue	<u>2,183,243</u>	<u>2,225,550</u>	<u>2,368,491</u>
Change in net position	30,034	200,846	281,716
Net position, beginning of year	<u>2,312,857</u>	<u>2,112,011</u>	<u>1,830,295</u>
Net position, end of year	<u><u>\$ 2,342,891</u></u>	<u><u>\$ 2,312,857</u></u>	<u><u>\$ 2,112,011</u></u>

**SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019 AND 2018**

Highlight of changes in Statement of Changes in Net Position: 2019 vs. 2018

- Operating revenue increased by approximately \$83,000 in 2019 compared to 2018, primarily due to \$114,800 increase in contractual allowances and provision for bad debts, offset by an increase of \$198,000 in patient service revenue.
- Non-operating revenue decreased by approximately \$42,000 in 2019 compared to 2018, due to the timing of receipt of delinquent ad valorem tax distributions.
- Operating expenses increased by approximately \$211,600 in 2019 compared to 2018, primarily due to the increase in costs, including a \$11,500 increase in supplies expense, a \$142,900 increase in purchased services for the contracting of temporary staff, and a \$68,600 increase in salaries, wages, and employee benefits.
- As the District completed the fiscal year, net position increased by approximately \$30,000.

Highlight of changes in Statement of Changes in Net Position 2018 vs. 2017

- Operating revenue decreased by approximately \$133,000 in 2018 compared to 2017, primarily due to \$270,000 in increased contractual allowances and write-offs, offset by an increase of \$138,000 in patient service revenue.
- Non-operating revenue (expense) decreased by approximately \$143,000 in 2018 compared to 2017, primarily due to a change in estimate in 2017, from more accurate revenue recognition, as described in the discussion above on ad valorem receivable.
- Operating expenses decreased by approximately \$195,000 in 2018 compared to 2017, primarily due to the decrease in costs including an \$88,000 reduction in supplies expense and an \$40,000 reduction in purchased services.
- As the District completed the fiscal year, net position increased by approximately \$201,000.

Highlights of 2019 Performance vs. Fiscal Year Budget

- The District approved a budget adjustment between the original and final approved budgets in April 2019. Significant adjustments included an increase of \$175,000 for physician recruitment and facility upgrades and an increase of \$260,000 in net patient service revenue due to an increase in patient volume.
- Net patient service revenue was under budget by approximately \$343,000 due to an increase in contractual allowances and provision for bad debts.
- Salaries, wages, and employee benefit expenses were under budget by \$29,000, due to some positions that went unfilled during the year.

**SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019 AND 2018**

Highlights of 2018 Performance vs. Fiscal Year Budget

- There were no significant adjustments made between the original and final approved budgets.
- Net patient service revenue was under budget by approximately \$181,000 due to an increase in contractual allowances and write-offs.
- Purchased service expenses were over budget by \$5,000 due to higher than expected accounts payable at year end.
- Salaries, wages, and employee benefit expenses were under budget by \$114,000, due to some positions that went unfilled during the year.
- Supply expenses were under budget by \$58,000 due to lower than expected cost on pharmaceutical supplies.

Capital Assets

At the end of fiscal year 2019, the District had approximately \$888,000 invested in capital assets, net of accumulated depreciation, including land and land improvements, building and building improvements, and equipment. The amount represents a net increase of approximately \$18,800 from the prior year, due to capital additions in excess of current year depreciation. For fiscal year 2018, the District had approximately \$869,000 invested in capital assets, net of accumulated depreciation, including land and land improvements, building and building improvements, and equipment. The amount represents a net increase of approximately \$10,000 from the prior year, due to capital additions in excess of current year depreciation.

Economic Factors and 2020's Budget and Rates

Key factors affecting 2020's revenues and expense are as follows:

- Grants through the Rural Primary Health Care Act (RPHCA) were not confirmed for 2020-2023, the District will not expect to receive this grant revenue of approximately \$55,000 that was received previously.
- The budget is a conservative reflection of the prior year's actual revenues and expenses as levels are expected to remain consistent in fiscal year 2020.
- Management expects an increase in total net position from 2019 to 2020, slightly above break-even.

**SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019 AND 2018**

Contacting the District's Financial Management

This financial report is designed to provide the District's Board of Trustees, customers, and the citizens of Colfax County with a general overview of the District's finances and to show the District's financial accountability. If you have any questions about this report or need additional financial information, contact:

South Central Colfax County Special Hospital District
Ms. Kaycee Sandoval, District Administrator
PO Box 458
Springer, New Mexico 87747
(575) 483-2443

**SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018**

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 651,883	\$ 931,954
Patient accounts receivable, net of allowance for estimated uncollectible accounts of \$588,587 in 2019 and \$70,111 in 2018	505,227	300,851
Ad valorem taxes receivable	379,879	326,284
Prepaid expenses	27,570	17,592
Supplies inventory	72,353	80,514
Total current assets	1,636,912	1,657,195
Capital assets, net	887,884	869,118
Total assets	\$ 2,524,796	\$ 2,526,313
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	\$ 81,349	\$ 43,359
Accrued payroll and related benefits	7,474	75,718
Accrued compensated absences	76,278	70,838
Other accrued liabilities	16,804	23,541
Total current liabilities	181,905	213,456
Net position		
Net investment in capital assets	887,884	869,118
Unrestricted	1,455,007	1,443,739
Total net position	2,342,891	2,312,857
Total liabilities and net position	\$ 2,524,796	\$ 2,526,313

**SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
OPERATING REVENUE		
Net patient service revenue	<u>\$ 1,984,558</u>	<u>\$ 1,901,424</u>
OPERATING EXPENSES		
Salaries, wages and employee benefits	2,544,994	2,476,410
Purchased services and other	996,887	853,990
Supplies	373,773	362,249
Depreciation	84,831	87,004
Insurance	137,282	146,475
Total operating expenses	<u>4,137,767</u>	<u>3,926,128</u>
Operating loss	<u>(2,153,209)</u>	<u>(2,024,704)</u>
NON-OPERATING REVENUE (EXPENSES)		
Ad valorem taxes	2,075,879	2,134,152
Grants and other	108,715	91,398
Interest expense	(1,351)	-
Total non-operating revenue	<u>2,183,243</u>	<u>2,225,550</u>
Change in net position	30,034	200,846
Net position, beginning of year	<u>2,312,857</u>	<u>2,112,011</u>
Net position, end of year	<u><u>\$ 2,342,891</u></u>	<u><u>\$ 2,312,857</u></u>

SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash Flows From Operating Activities		
Cash received from patients and third-party payors	\$ 1,780,182	\$ 2,052,034
Cash paid to employees	(2,621,272)	(2,516,751)
Cash paid to vendors	(1,465,032)	(1,334,728)
Net cash used in operating activities	(2,306,122)	(1,799,445)
Cash Flows From Non-capital Financing Activities		
Ad valorem taxes	2,022,284	2,135,474
Grants and other	108,715	91,398
Interest paid on borrowing	(1,351)	-
Net cash provided by non-capital financing activities	2,129,648	2,226,872
Cash Flows From Capital and Related Financing Activities		
Capital asset purchases	(103,597)	(97,220)
Draw on line of credit	100,000	-
Repayment on line of credit	(100,000)	-
Net cash used in capital and related financing activities	(103,597)	(97,220)
Net change in cash and cash equivalents	(280,071)	330,207
Cash and cash equivalents, beginning of year	931,954	601,747
Cash and cash equivalents, end of year	\$ 651,883	\$ 931,954
Reconciliation of operating revenue (loss) to net cash provided by (used in) operating activities		
Operating loss	\$ (2,153,209)	\$ (2,024,704)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation and amortization	84,831	87,004
Provision for (reversal of) bad debts	518,476	(2,645)
Changes in assets and liabilities		
Patient accounts receivable	(722,852)	153,255
Prepaid expenses	(9,978)	9,500
Supplies inventory	8,161	(1,927)
Account payable	37,990	7,017
Accrued liabilities	(69,541)	(26,945)
Net cash used in operating activities	\$ (2,306,122)	\$ (1,799,445)

See Accompanying Notes.

**SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
STATEMENTS OF FIDUCIARY NET POSITION - SECTION 457(B) PLAN
JUNE 30, 2019 AND 2018**

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 50,350	\$ 86,488
Marketable securities and other investments	229,200	143,382
Total assets	\$ 279,550	\$ 229,870
NET POSITION		
Held in Trust for Plan participants' benefits	\$ 279,550	\$ 229,870

**SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - SECTION 457(B) PLAN
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
ADDITIONS		
Net gain in fair value of investments	\$ 12,936	\$ 27,416
Employer contributions	18,641	20,067
Employee contributions	31,441	33,994
Employee rollover	-	45,858
Total additions	63,018	127,335
DEDUCTIONS		
Distributions to participants	12,999	27,309
Other activity	339	720
Total deductions	13,338	28,029
Change in net position	49,680	99,306
Net position, beginning of year	229,870	130,564
Net position, end of year	\$ 279,550	\$ 229,870

**SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
STATEMENTS OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND
JUNE 30, 2019 AND 2018**

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 11,555	\$ 9,491
Other assets	55	55
Total Assets	\$ 11,610	\$ 9,546
LIABILITIES		
Funds held for patients	\$ 11,610	\$ 9,546

SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1. ORGANIZATION AND OPERATIONS

South Central Colfax County Special Hospital District (the "District") operates a long-term care facility in Springer, New Mexico and primary care clinics in Angel Fire and Cimarron, New Mexico. The District was created under New Mexico Statutes Sections 4-48A-1 to 4-48A-30, NMSA 1978 Compilation, known as "The Special Hospital District Act." The District's operations are funded primarily by revenues from healthcare operations and a mill levy tax assessed and collected by Colfax County, New Mexico (the "County"). The District has no assets or liabilities other than those related to its long-term care facility and primary care clinics.

In October 2014, the District incorporated the Colfax Healthcare Foundation (the "Foundation"), a not-for-profit subsidiary of the District. The Foundation received its approved 501(c)(3) tax filing status from the Internal Revenue Service in July 2015. The Foundation's sole purpose is to solicit donations and contributions on behalf of the District while the District will be the sole beneficiary of such fundraising activities. As of June 30, 2019, there has been no material financial activity with respect to the Foundation; therefore, their financial statements have not been discretely presented with the District's financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting. The financial statements of the District conform with accounting principles generally accepted in the United States of America (GAAP) applicable to government units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. GASB statements and interpretations constitute GAAP for governments. The following is a summary of significant policies. Included in the District's financial statements are a proprietary fund, fiduciary fund and an agency fund. These funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operation of the District are included on the statements of net position. The District has no material component units as noted in Note 1.

Proprietary Fund. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as ad valorem taxes, grants and investment earnings, result from non-exchange transactions or ancillary activities. The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available. The District had no restricted net position at June 30, 2019 or 2018.

Fiduciary Fund. Fiduciary Funds are used to account for assets held in a trustee capacity for District employees. The District's fiduciary fund is a Section 457(b) pension plan trust fund, the "South Central Colfax County Special Hospital District 457(b) Plan".

Agency Fund. The agency fund is accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. The District's agency fund reports cash held in a custodial capacity and on a temporary basis on behalf of long-term care patients. To the extent requested by a patient or his/her representative, the District is required to hold funds in a custodial capacity until such time that patients or their representatives provide instructions for payment and all funds are disbursed.

SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates. Financial statement preparation in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates contained in the District's financial statements include the allowance for doubtful accounts, contractual allowances, third-party payor settlements, and depreciation and amortization.

Prior Year Reclassification. Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Cash and Cash Equivalents. Cash and cash equivalents include investments in highly-liquid debt instruments, with an original maturity of three months or less. The District's cash and cash equivalents consist of cash deposits held in bank checking and savings accounts as of June 30, 2019 and 2018.

Accounts Receivable and Allowances. Accounts receivable consist primarily of amounts due from Medicaid, Medicare, commercial insurance companies, and individual patients. Estimated provisions for contractual allowances and doubtful accounts are recorded to accounts receivable and as reductions to patient service revenue to the extent it is probable a portion of a particular account will not be collected. In evaluating the collectability of accounts receivable, the District considers several factors, including the age of the accounts, changes in collection patterns, the composition of patient accounts by payor type, the status of any ongoing disputes with third-party payors, and general industry conditions. Because of the uncertainty regarding the ultimate collectability of patient accounts receivable, there is a possibility that amounts ultimately collected will materially differ from net patient accounts receivable recorded in the accompanying statements of net position. Accounts are considered delinquent and subsequently written off as bad debts based on specific circumstances of each account.

Supplies Inventory. Supplies inventory consists of medical, pharmaceutical, and dietary supplies and is stated at the lower of cost (using the first-in, first-out method) or market value.

Capital Assets and Depreciation. Capital assets are recorded at cost. Typically, personal property and equipment costing \$5,000 or more are capitalized in accordance with Section 12-6-10, NMSA 1978, in addition to outlays for items that significantly extend the useful life of a capital asset. Costs incurred for repair and maintenance are expensed as incurred.

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. The estimated useful lives used to depreciate assets, by asset class, are as follows:

Land improvements	10-20 years
Buildings and improvements	10-40 years
Equipment	5-10 years

Accrued Liabilities. Accrued expenses consist of wages and benefits payable to employees and certain professional fees payable as of June 30, 2019 and 2018.

SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Compensated Absences. The District accrues paid time off (PTO) of 22.85 to 36.20 days per year, based on length of service, hours of service and job classification, for substantially all employees. After one year of service, employees are eligible to cash out up to 40 hours of PTO at 80% of its value. Employees must maintain a balance of at least 80 hours of PTO after cashing out. Accordingly, all accrued compensated absences are current liabilities and are shown as such on the statement of net position. After six months of service, accrued PTO is payable to employees upon termination at 100% of the accrued balance up to 350 hours. Employees whose positions are eliminated through a reduction in force or reorganization, or whose hours drop below ten hours per week, are paid the full amount of accrued PTO on the effective date of termination.

Net Patient Service Revenue. Patient services rendered at the long-term care facility are rendered primarily to Medicaid program beneficiaries and are reimbursed based on per diem rates. For the clinics, the District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

Ad Valorem Taxes. Ad valorem taxes are collected by Colfax County on behalf of the District. Ad valorem taxes are considered imposed non-exchange transactions under GASB Statement No. 33 and, therefore, are recorded by the District in the period for which the taxes are levied, based on amounts reported by Colfax County to the District.

Grant Revenue. Grant revenue consists of amounts received from the State of New Mexico. Such receipts are considered voluntary non-exchange transactions in accordance with GASB Statement No. 33, which requires that grants with eligibility requirements are not recognized until such time that all eligibility requirements have been met.

Charity Care. The District provides care to patients who lack financial resources and are deemed to be medically indigent based on criteria established under the District's charity care policy. Since the District does not expect or pursue payment, estimated charges for charity care are excluded from net patient service revenue. Total foregone charges for charity care were immaterial in 2019 and 2018. Additionally, the District accepts all patients who are covered by governmental indigent programs. Such indigent programs typically remit amounts substantially less than established rates.

Budgets and Budgetary Accounting. Prior to the beginning of the fiscal year, an accrual basis budget is prepared. Upon Board of Trustees (the "Board") approval, the budget is sent to the State of New Mexico Department of Finance and Administration (DFA) for tentative approval. Final approval is granted after the beginning of the fiscal year when the prior-year fund balances are known.

Expenditures cannot exceed the total budget. Any budget amendments are approved by the Board and sent to DFA for their approval. The Board is authorized to transfer budgeted amounts between departments within a fund; however, any revisions that alter the total expenditures must be communicated to DFA. For the years ended June 30, 2019 and 2018, total actual operating expenses did not exceed budgeted operating expenses.

Income Taxes. As a New Mexico Special Hospital District, the District is exempt from federal and state income tax.

**SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 3. CUSTODIAL CREDIT RISK—DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. In accordance with Section 6-10-17, NMSA 1978, the District is required to obtain collateral in an amount equal to one-half of the deposited public money in excess of \$250,000. The District's policy is to require collateral on all deposits exceeding Federal Deposit Insurance Corporation (FDIC) limits. As of June 30, 2019, the District had deposits with a bank balance of \$738,211, including \$11,580 of patient trust funds in the District's agency fund. As of June 30, 2018, the District had deposits with a bank balance of \$573,549, including \$9,491 of patient trust funds in the District's agency fund. As of June 30, 2019, there was \$47,795 subject to custodial credit risk as this amount was not insured or collateralized. As of June 30, 2018, there were no amounts subject to custodial credit risk, as all amounts were either insured or collateralized.

NOTE 4. NET PATIENT SERVICE REVENUE

Long-term care services provided by the District are reimbursed by Medicaid on a prospective basis without annual settlements. The District's long-term care facility does not participate in the Medicare program. All clinic and lab services are reimbursed by Medicare on a prospective basis without annual settlements, and reimbursed by Medicaid and other third-party payors based on the lower of usual and customary charges or a fee schedule. Future changes in the Medicare and Medicaid programs and the possible reduction of funding could have an adverse impact on the District.

The following summary details net patient service revenue for the years ended June 30:

	2019	2018
Gross charges		
Inpatient	\$ 1,911,380	\$ 1,580,452
Outpatient	1,295,923	1,428,894
Total gross charges	3,207,303	3,009,346
Contractual adjustments and provision for uncollectible accounts	(1,222,745)	(1,107,922)
Net patient service revenue	\$ 1,984,558	\$ 1,901,424

NOTE 5. AD VALOREM TAXES

Hospital District Mill Levy. The New Mexico Hospital Funding Act (the "Act"), adopted in 1980 and amended in 1981, allows for counties to provide expanded tax support to be used for operations and maintenance of qualified hospitals within the special hospital district. The District first received mill levy revenues in 1988 and has received them each year since. Mill levy taxes associated with the current fiscal period are considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Management believes that mill levies were used in accordance with the provisions of the Act. In 2019 and 2018, the County assessed a mill levy of 4.25% per every \$1,000 of commercial and residential property values within the County's jurisdiction. Property taxes attach an enforceable lien on property as of January 1. Tax notices are sent to property owners by November 1 of each year to be paid in whole or in two installments by November 10 and April 10 of each year. Colfax County (County) collects taxes for the District and distributes them once per month.

**SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 5. AD VALOREM TAXES (CONTINUED)

No allowance has been recorded as management expects all material mill levy amounts will be collected.

Oil and Gas Production and Equipment Mill Levy. The County also assesses a mill levy of 4.25% per every \$1,000 on the assessed value of the equipment used in production of oil, natural gas, carbon dioxide and non-hydrocarbon gas, and on those products severed and sold from each production unit. These tax collections are assessed monthly and distributed the third month after the business activity month.

Ad valorem taxes revenue recognized for the year ended June 30, 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Hospital District Mill Levy	\$ 1,976,376	\$ 2,028,909
Oil and Gas Production Mill Levy	82,036	90,396
Oil and Gas Production Equipment Mill Levy	<u>17,467</u>	<u>14,847</u>
Total	<u>\$ 2,075,879</u>	<u>\$ 2,134,152</u>

NOTE 6. CAPITAL ASSETS

Capital assets activity of the District for the year ended June 30, 2019 was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>
Capital assets not being depreciated				
Land	\$ 41,937	\$ -	\$ -	\$ 41,937
Construction in progress	206,703	41,352	-	248,055
Total capital assets not being depreciated	<u>248,640</u>	<u>41,352</u>	<u>-</u>	<u>289,992</u>
Capital assets being depreciated				
Land improvements	171,547	-	-	171,547
Buildings and improvements	1,667,566	-	-	1,667,566
Equipment	549,363	62,245	-	611,608
Total capital assets being depreciated	<u>2,388,476</u>	<u>62,245</u>	<u>-</u>	<u>2,450,721</u>
Accumulated depreciation				
Land improvements	(104,520)	(7,031)	-	(111,551)
Building and improvements	(1,204,935)	(46,845)	-	(1,251,780)
Equipment	(458,543)	(30,955)	-	(489,498)
Total accumulated depreciation	<u>(1,767,998)</u>	<u>(84,831)</u>	<u>-</u>	<u>(1,852,829)</u>
Total capital assets being depreciated, net	<u>620,478</u>	<u>(22,586)</u>	<u>-</u>	<u>597,892</u>
Capital assets, net	<u>\$ 869,118</u>	<u>\$ 18,766</u>	<u>\$ -</u>	<u>\$ 887,884</u>

**SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 6. CAPITAL ASSETS (CONTINUED)

Capital assets activity of the District for the year ended June 30, 2018 was as follows:

	Beginning Balances	Additions	Deletions	Ending Balances
Capital assets not being depreciated				
Land	\$ 41,937	\$ -	\$ -	\$ 41,937
Construction in progress	<u>117,253</u>	<u>89,450</u>	<u>-</u>	<u>206,703</u>
Total capital assets not being depreciated	<u>159,190</u>	<u>89,450</u>	<u>-</u>	<u>248,640</u>
Capital assets being depreciated				
Land improvements	171,547	-	-	171,547
Buildings and improvements	1,667,566	-	-	1,667,566
Equipment	<u>541,593</u>	<u>7,770</u>	<u>-</u>	<u>549,363</u>
Total capital assets being depreciated	<u>2,380,706</u>	<u>7,770</u>	<u>-</u>	<u>2,388,476</u>
Accumulated depreciation				
Land improvements	(97,269)	(7,251)	-	(104,520)
Building and improvements	(1,156,654)	(48,281)	-	(1,204,935)
Equipment	<u>(427,071)</u>	<u>(31,472)</u>	<u>-</u>	<u>(458,543)</u>
Total accumulated depreciation	<u>(1,680,994)</u>	<u>(87,004)</u>	<u>-</u>	<u>(1,767,998)</u>
Total capital assets being depreciated, net	<u>699,712</u>	<u>(79,234)</u>	<u>-</u>	<u>620,478</u>
Capital assets, net	<u>\$ 858,902</u>	<u>\$ 10,216</u>	<u>\$ -</u>	<u>\$ 869,118</u>

NOTE 7. ACCRUED COMPENSATED ABSENCES

A schedule of changes in the District's accrued compensated absences for the year ended June 30, 2019 is as follows:

Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>\$ 70,838</u>	<u>\$ 107,682</u>	<u>\$ (102,242)</u>	<u>\$ 76,278</u>	<u>\$ 76,278</u>

A schedule of changes in the District's accrued compensated absences for the year ended June 30, 2018 is as follows:

Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>\$ 73,524</u>	<u>\$ 99,464</u>	<u>\$ (102,150)</u>	<u>\$ 70,838</u>	<u>\$ 70,838</u>

SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 8. CONTINGENCIES

Healthcare Regulatory Environment. The healthcare industry is subject to laws and regulations of federal, state and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, governmental healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. The government continues to conduct reviews and investigations of allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the District is following fraud and abuse laws and regulations as well as other applicable laws and regulations. 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.

The Health Insurance Portability and Accountability Act (HIPAA) was enacted to assure health insurance portability, guarantee security and privacy of health information, and enforce standards for health information. Under the Health Information Technology for Economic and Clinical Health (HITECH) Act, several of the HIPAA security and privacy requirements have been expanded, including business associates being subject to civil and criminal penalties and enforcement proceedings for violations of HIPAA. Management believes that the District is following all applicable provisions of HIPAA and HITECH.

Litigation. In the ordinary course of business, claims alleging malpractice and other matters may have been filed against the District. Claims may also be filed for incidents that have occurred, including some of which the District is not presently aware. It is not possible to estimate the likelihood and amount of such potential claims.

Risk Management. The District has commercial insurance policies for directors' and officers' liability and employment practice liability through Risk Placement Services Insurance Company through August 4, 2019. The District is covered through CNA Insurance for general liability and malpractice through June 1, 2020. Workers' compensation is covered through the Midwest Employers Casualty Company through December 31, 2019. The policy provides coverage for hospital liability and general liability up to \$2 million and up to certain limits for workers' compensation. Current coverage is expected to cover the full amount of any malpractice liability claims and workers' compensation claims. Accordingly, no accrual has been recorded for any such claims in the accompanying financial statements. Payments for malpractice, workers' compensation, and other similar insurance coverage during the years ending June 30, 2019 and 2018, approximated \$137,000 and \$146,000, respectively. Settled claims have not exceeded insurance coverage in any of the three preceding years.

Events could occur in the near term which could cause malpractice, workers' compensation, or management's other litigation claim estimates to change materially.

Grants. Grant awards from governmental entities are subject to audits. Such audits could result in claims against the District for disallowed costs or non-compliance with grantor restrictions. The amount, if any, of expenditures that may be disallowed by grantors cannot be determined at this time; although, the District expects such amounts, if any, to be immaterial.

Ad Valorem Taxes. The current mill levy expires December 31, 2019 and is voted on by general ballot every four years. The mill levy election for 2020-2023 was held on July 16, 2019 and passed to now expire December 31, 2023.

**SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 9. CONCENTRATIONS OF CREDIT RISK

The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. Management believes that estimates made for the allowance for doubtful accounts are adequate.

Because of the uncertainty regarding the ultimate collectability of patient accounts receivable, there is at least a reasonable possibility that recorded estimates of the allowance for doubtful accounts will change by a material amount in the near term.

The District recognizes that revenue and receivables from government agencies are significant to its operations, but does not believe that there are any significant credit risks associated with these government agencies. The mix of receivables from patients and third-party payors at June 30 was as follows:

	2019		2018	
Medicaid	\$ 624,426	57%	\$ 172,522	47%
Self-pay	235,649	21%	70,377	19%
Commercial insurance and other	139,111	13%	80,819	22%
Medicare	<u>94,628</u>	<u>9%</u>	<u>47,244</u>	<u>12%</u>
	1,093,814	<u>100%</u>	370,962	<u>100%</u>
Allowance	<u>(588,587)</u>		<u>(70,111)</u>	
Patient accounts receivable, net of allowance for estimated uncollectible accounts	<u>\$ 505,227</u>		<u>\$ 300,851</u>	

NOTE 10. DEFINED CONTRIBUTION RETIREMENT PLAN

On January 1, 2016, the District adopted a 457 plan (the "Plan"). All employees are eligible to participate in the plan after six months of continuous employment. The plan allows employees to defer a portion of their annual compensation pursuant to Section 457 of the Internal Revenue Code. Employee and employer contributions to the plan for the year ended June 30, 2019 were \$31,441 and \$18,461, respectively. Employee and employer contributions to the plan for the year ended June 30, 2018 were \$33,994 and \$20,067, respectively.

The District is a Trustee of the Deferred Compensation Plan (the "Plan") and is also the delegated Plan Administrator. The primary responsibility of the Administrator is to administer the Plan for the exclusive benefit of the participants and their beneficiaries, subject to the specific terms of the Plan. The Administrator has authority to determine eligibility and benefits, review and settle claims, authorize and direct disbursements, and to perform recordkeeping and other administrative duties for the Plan. The Administrator is delegated any and all powers as may be necessary or advisable to discharge its duties under the Plan, and has certain discretionary authority to decide all matters under the Plan. As Plan Trustee, the District has the discretion and authority to invest, manage, and control those Plan assets except, however, with respect to those assets which are subject to the investment direction of a Participant, or an Investment Manager, or other agent appointed by the District.

Plan assets are held by a third-party Custodian, who has the same powers, rights and duties as a Nondiscretionary Trustee. As a Nondiscretionary Trustee, the Custodian has no discretionary authority to invest, manage, or control those Plan assets, and acts solely as a Directed Trustee of the Plan assets. As Directed

SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 10. DEFINED CONTRIBUTION RETIREMENT PLAN (CONTINUED)

Trustee of the Plan funds it holds, the Custodian is authorized and empowered to perform certain nondiscretionary trust services that are custodial in nature, or to perform other actions at the direction of the Administrator.

Fair Value Measurement of Retirement Plan Investments

In February 2015, GASB issued Statement No. 72, Fair Value Measurement and Application. This Statement establishes new requirements on how fair value should be measured, which assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. The District has implemented the standard for the fiscal years ending June 30, 2019 and 2018.

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 investment. Level 1 investments reflect prices quoted in active markets; Level 2 investments reflect prices that are based on a similar observable asset either directly or indirectly; and Level 3 investments reflect prices based upon significant unobservable sources.

The District has the following fair value measurements as of June 30, 2019 and 2018:

Mutual funds – Valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the District are deemed to be actively traded and are registered with the Securities and Exchange Commission.

The District had investments in various mutual funds that were comprised of bonds at June 30, 2019 and 2018, in the amount of \$102,784 and \$87,444, respectively, with varying investment quality ratings and maturities. The maturities averaged between six and ten years with an average rating of primarily A on the underlying investments.

**SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 10. DEFINED CONTRIBUTION RETIREMENT PLAN (CONTINUED)

The Plan has the following fair value measurements as of June 30:

	2019	2018
Total Investments by fair value measurement:		
Level 1 - Quoted prices in active markets		
<u>Mutual funds:</u>		
US Equity		
Value	\$ 9,450	\$ 7,224
Blend	33,164	29,587
Growth	10,782	9,564
Total US Equity	53,396	46,375
Bonds	59,118	47,201
Target Date	77,022	60,862
Balanced Asset Allocation	24,602	19,533
Foreign Equity	13,566	12,334
Specialty/Other	1,496	1,202
Total Level 1	229,200	187,507
Level 2 - Similar observable assets	-	-
Level 3 - Significant unobservable assets	-	-
Total investments by fair value measurement	229,200	187,507
Other Plan Assets exempt from fair value measurement:		
Money market/cash	50,350	42,363
Total plan assets	\$ 279,550	\$ 229,870

The balances and activity of the Plan as of and for the years ended June 30, 2019 and 2018 are presented in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. There are no separately issued financial statements available for the South Central Colfax County Special Hospital District 457(b) Plan.

NOTE 11. REVOLVING LINE OF CREDIT

In September 2014, the District obtained a \$250,000 revolving line of credit with Wells Fargo Bank, NA carrying a variable interest rate of 2.00% over the Prime Rate, not to exceed the lessor of 5.50% per annum or the maximum rate allowed by applicable law. In April 2018, the revolving line of credit was increased to \$500,000. As of June 30, 2019, and 2018, the District had no outstanding balance on the line of credit. The line of credit is secured by its deposits at Wells Fargo Bank, NA. The interest rate at June 30, 2019 and 2018 was 7.5% and 6.75%, respectively. This agreement is renewed annually, with a current maturity date of April 5, 2020.

SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 11. REVOLVING LINE OF CREDIT (CONTINUED)

Upon default, the lender may declare the entirety of any unpaid balance under this note to and all accrued unpaid interest to be immediately due, and the District is required to pay this amount. To the extent of applicable law, the lender reserves a right of setoff in all District accounts with the lender. The lender is permitted to charge or setoff all sums owed on the debt against all such accounts, or has the option to administratively freeze all such accounts.

NOTE 12. FUTURE OPERATIONS

The District has experienced operating losses in recent years. Management is confident that the District will continue as a going concern through fiscal year 2019 and beyond because of the following:

- The District received an increase in its approved Low Nursing Facility (LNF) rate. The increase was from \$172 to \$185 per patient day, or a 7.4% increase. The increase per patient day was effective July 2018 for Medicaid and September 2018 for private pay. No future increases are planned and the District does not ever plan for an increase because they are not guaranteed.
- The District anticipates the continued receipt of ad valorem taxes revenue from the Colfax County Treasurer's office in fiscal year 2020. The current mill levy expires December 31, 2019 and is voted on by general ballot every four years. The continuation of ad valorem taxes was passed on July 16, 2019 to expire on December 31, 2023.
- The District's nursing staff at its long-term care facility in Springer, New Mexico is at full capacity and management does not anticipate significant agency staffing costs in the future. This should maintain lower operating expenses in fiscal year 2020, as the cost of agency staffing is well above typical salary expenses.

NOTE 13. ECONOMIC DEPENDENCY

The District is significantly dependent on the continued receipt of ad valorem taxes (Note 5), and management believes the voters of Colfax County will continue to support the tax. Significant reductions in this source of funding would negatively impact the ability of the District to continue its existing levels of service.

SUPPLEMENTARY INFORMATION

**SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
BUDGETARY COMPARISON STATEMENT
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING REVENUE				
Net patient service revenue	\$ 2,067,740	\$ 2,327,740	\$ 1,984,558	\$ (343,182)
OPERATING EXPENSES				
Salaries, wages and employee benefits	2,619,234	2,574,234	2,544,994	29,240
Purchased services and other	880,269	1,055,269	996,887	58,382
Supplies	364,202	374,202	373,773	429
Depreciation	89,004	89,004	84,831	4,173
Insurance	155,535	155,535	137,282	18,253
Total operating expenses	<u>4,108,244</u>	<u>4,248,244</u>	<u>4,137,767</u>	<u>110,477</u>
Operating loss	<u>(2,040,504)</u>	<u>(1,920,504)</u>	<u>(2,153,209)</u>	<u>(232,705)</u>
NON-OPERATING REVENUE (EXPENSES)				
Ad valorem taxes	1,979,612	1,979,612	2,075,879	96,267
Grants and other	66,832	66,832	108,715	41,883
Interest expense	(1,000)	(1,000)	(1,351)	(351)
Total non-operating revenue	<u>2,045,444</u>	<u>2,045,444</u>	<u>2,183,243</u>	<u>137,799</u>
Change in net position	<u>\$ 4,940</u>	<u>\$ 124,940</u>	<u>30,034</u>	<u>\$ (94,906)</u>
Net position, beginning of year			<u>2,312,857</u>	
Net position, end of year			<u>\$ 2,342,891</u>	

Annual budgets are adopted as required by New Mexico statutes. Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis that is consistent with accounting principles generally accepted in the United States of America. Even though the budget for expenses is broken down to provide for better analysis, the legal budget adopted is for the category of total operating expenses.

**SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
BUDGETARY COMPARISON STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING REVENUE				
Net patient service revenue	\$ 2,082,608	\$ 2,082,608	\$ 1,901,424	\$ (181,184)
OPERATING EXPENSES				
Salaries, wages and employee benefits	2,590,147	2,590,147	2,476,410	113,737
Purchased services and other	858,656	848,656	853,990	(5,334)
Supplies	420,318	420,318	362,249	58,069
Depreciation	101,206	101,206	87,004	14,202
Insurance	141,917	151,917	146,475	5,442
Total operating expenses	<u>4,112,244</u>	<u>4,112,244</u>	<u>3,926,128</u>	<u>186,116</u>
Operating loss	<u>(2,029,636)</u>	<u>(2,029,636)</u>	<u>(2,024,704)</u>	<u>4,932</u>
NON-OPERATING REVENUE (EXPENSES)				
Ad valorem taxes	1,979,612	1,979,612	2,134,152	154,540
Grants and other	63,006	63,006	91,398	28,392
Interest expense	(1,500)	(1,500)	-	1,500
Total non-operating revenue	<u>2,041,118</u>	<u>2,041,118</u>	<u>2,225,550</u>	<u>184,432</u>
Change in net position	<u>\$ 11,482</u>	<u>\$ 11,482</u>	200,846	<u>\$ 189,364</u>
Net position, beginning of year			<u>2,112,011</u>	
Net position, end of year			<u>\$ 2,312,857</u>	

Annual budgets are adopted as required by New Mexico statutes. Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis that is consistent with accounting principles generally accepted in the United States of America. Even though the budget for expenses is broken down to provide for better analysis, the legal budget adopted is for the category of total operating expenses.

OTHER SUPPLEMENTARY INFORMATION

**SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
SCHEDULES OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	Balance			Balance
	June 30, 2018	Additions	Deletions	June 30, 2019
ASSETS				
Cash and cash equivalents	\$ 9,491	\$ 66,997	\$ (64,933)	\$ 11,555
Other assets	55	-	-	55
Total assets	<u>\$ 9,546</u>	<u>\$ 66,997</u>	<u>\$ (64,933)</u>	<u>\$ 11,610</u>

LIABILITIES				
Funds held for patients	<u>\$ 9,546</u>	<u>\$ 66,997</u>	<u>\$ (64,933)</u>	<u>\$ 11,610</u>

	Balance			Balance
	June 30, 2017	Additions	Deletions	June 30, 2018
ASSETS				
Cash and cash equivalents	\$ 9,490	\$ 40,211	\$ (40,210)	\$ 9,491
Other assets	200	-	(145)	55
Total assets	<u>\$ 9,690</u>	<u>\$ 40,211</u>	<u>\$ (40,355)</u>	<u>\$ 9,546</u>

LIABILITIES				
Funds held for patients	<u>\$ 9,690</u>	<u>\$ 40,211</u>	<u>\$ (40,355)</u>	<u>\$ 9,546</u>

**SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND PLEDGED COLLATERAL
FOR THE YEAR ENDED JUNE 30, 2019**

Individual Deposit Accounts:		Wells Fargo		International Bank		U.S. Bank		Washington Federal	
		Bank Balance	Book Balance	Bank Balance	Book Balance	Bank Balance	Book Balance	Bank Balance	Book Balance
Account Name	Account Type								
LTC Operating Account	Interest-bearing checking	\$ 401,928	\$ 401,711	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LTC Resident Account	Noninterest bearing checking	11,580	11,555	-	-	-	-	-	-
Payroll	Noninterest bearing checking	10,004	(77,083)	-	-	-	-	-	-
Moreno Valley Operating	Noninterest bearing checking	-	-	48,484	48,484	-	-	-	-
Cimarron Operating	Noninterest bearing checking	-	-	25,737	25,737	-	-	-	-
LTC-International	Noninterest bearing checking	-	-	45,556	-	-	-	-	-
Athena Lockbox	Noninterest bearing checking	-	-	-	45,556	121,172	121,172	-	-
Washington Federal	Noninterest bearing checking	-	-	-	-	-	-	73,750	73,750
Total deposits		<u>423,512</u>	<u>\$ 336,183</u>	<u>119,777</u>	<u>\$ 119,777</u>	<u>121,172</u>	<u>\$ 121,172</u>	<u>73,750</u>	<u>\$ 73,750</u>
FDIC insurance		<u>(250,000)</u>		<u>(119,777)</u>		<u>(121,172)</u>		<u>(73,750)</u>	
Total uninsured public funds		<u>\$ 173,512</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>	
Collateral Requirement - 50% (Section 6-10-17)		\$ 86,756		\$ -		\$ -		\$ -	
Total pledged collateral		<u>106,973</u>		<u>-</u>		<u>-</u>		<u>18,744</u>	
Amount (under)/over collateralized for 50% requirement		<u>\$ 20,217</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ 18,744</u>	
		Proprietary							
		Fund	Agency Fund	Total					
Bank balance		\$ 726,631	\$ 11,580	\$ 738,211					
Reconciling items		(87,304)	(24)	(87,328)					
Petty cash		1,000	-	1,000					
Book balance		<u>\$ 640,327</u>	<u>\$ 11,556</u>	<u>\$ 651,883</u>					
Pledged collateral:									
Type of Security	CUSIP Number	Maturity	Fair Value						
FNMA FNMS	3138WFWD4	10/1/2035	\$ 106,973						
FNMA PL#BC2636	3140EW4W2	11/1/2046	18,744						
			<u>\$ 125,717</u>						

**SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND PLEDGED COLLATERAL
FOR THE YEAR ENDED JUNE 30, 2018**

Individual Deposit Accounts:		Wells Fargo		International Bank		U.S. Bank	
Account Name	Account Type	Bank Balance	Book Balance	Bank Balance	Book Balance	Bank Balance	Book Balance
LTC Operating Account	Interest-bearing checking	\$ 306,653	\$ 673,507	\$ -	\$ -	\$ -	\$ -
LTC Resident Account	Noninterest bearing checking	9,491	9,491				
Payroll	Noninterest bearing checking	10,000	10,000	-	-	-	-
Moreno Valley Operating	Noninterest bearing checking	-	-	192,284	192,284	-	-
Cimarron Operating	Noninterest bearing checking	-	-	17,151	17,151	-	-
Athena Lockbox	Noninterest bearing checking	-	-	-	-	37,970	37,970
Total deposits		326,144	<u>\$ 692,998</u>	209,435	<u>\$ 209,435</u>	37,970	<u>\$ 37,970</u>
FDIC insurance		(250,000)		(209,435)		(37,970)	
Total uninsured public funds		<u>\$ 76,144</u>		<u>\$ -</u>		<u>\$ -</u>	
Collateral Requirement - 50% (Section 6-10-17)		\$ 38,072		\$ -			
Total pledged collateral		<u>94,378</u>		<u>-</u>			
Amount (under)/over collateralized for 50% requirement		<u>\$ 56,306</u>		<u>\$ -</u>			
		Proprietary Fund		Agency Fund		Total	
Bank balance		\$ 564,058	\$ 9,491			\$ 573,549	
Reconciling items		366,896	-			366,896	
Petty cash		1,000	-			1,000	
Book balance		<u>\$ 931,954</u>	<u>\$ 9,491</u>			<u>\$ 941,445</u>	
Pledged collateral:							
Type of Security	CUSIP Number	Maturity	Fair Value				
FMAC FGPC	3132GSH69	4/1/2042	<u>\$ 94,378</u>				

COMPLIANCE SECTION



**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***

Board of Trustees
South Central Colfax County Special Hospital District
Springer, New Mexico and
Mr. Brian Colón, Esq.
New Mexico State Auditor
Santa Fe, New Mexico

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 business-type activities and aggregate remaining fund information of the South Central Colfax County Special Hospital District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and the Budgetary Comparison Statements of the District, presented as supplementary information and have issued our report thereon dated October 15, 2019.

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 to expressing our opinions on the financial statements, but not to 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

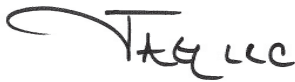
Board of Trustees
South Central Colfax County Special Hospital District
and Mr. Brian Colón, Esq.
New Mexico State Auditor

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, non-compliance 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 non-compliance or other matters that is 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.

A handwritten signature in black ink that reads "JAG LLC". The signature is stylized, with a large, sweeping initial "J" that loops back over the "A" and "G".

Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
October 15, 2019

**SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019**

<u>Prior Year</u>	<u>Description</u>	<u>Current Year</u>
2018-001	Reconciliation of Accounts Receivable	Resolved
2018-002	Governmental Conduct Act	Resolved

**SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified not considered to be material weakness(es)? No
- Non-compliance material to financial statements noted? No

**SOUTH CENTRAL COLFAX COUNTY SPECIAL HOSPITAL DISTRICT
EXIT CONFERENCE
JUNE 30, 2019**

An exit conference was held on October 14, 2019, with the following attending:

SCCASHD Board of Trustees

Roy Ackerman, Board Member

SCCASHD Administration

Kaycee Sandoval, District Administrator

Jaramillo Accounting Group LLC

Scott Eliason, CPA, Partner (telephone)

Justin Mehnert, Senior

Jaramillo Accounting Group (JAG) assisted in the preparation of the financial statements presented in this report. 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.