

DE BACA FAMILY PRACTICE CLINIC, INC.

A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO



AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION

YEARS ENDED JUNE 30, 2012 AND 2011

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO

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INTRODUCTORY SECTION

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO

OFFICIAL ROSTER
June 30, 2012

<u>Name</u>	<u>Title</u>
<i><u>Board of Directors</u></i>	
Randel Mansell	President
Charlie West	Vice-President
Beverly Overton	Secretary
Becky Harris	Director
Norma Head	Director
Marie Gauna	Director
Ruby Gonzales	Director
Selestino Joe Lovato	Director
Kim Stallard	Director
Vincent Stallard	Director
Joe Steele	Director
Glynda "Dusti" Scovel	Ex-Officio Director
<i><u>Clinic Officials</u></i>	
Glynda "Dusti" Scovel	Chief Executive Officer
Susan Vick	Chief Financial Officer

FINANCIAL SECTION

JW ANDERSON & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget
To the Chairman and Board of Commissioners of
De Baca County, New Mexico and
The Chairman and Board of Directors
De Baca Family Practice Clinic, Inc.
a Component Unit of De Baca County, State of New Mexico
Fort Sumner, New Mexico

We have audited the basic financial statements of De Baca Family Practice Clinic, Inc., a Component Unit of De Baca County, State of New Mexico, as of and for the years ended June 30, 2012 and 2011. We have also audited the budgetary comparison schedule presented as supplemental information as noted in the table of contents. These financial statements are the responsibility of the Clinic's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all materials respects, the respective financial position of De Baca Family Practice Clinic, Inc., a Component Unit of De Baca County, State of New Mexico as of June 30, 2012 and 2011 and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budgetary comparison schedule referred to above present fairly, in all materials respects, the budgetary comparison of De Baca Family Practice Clinic, Inc., a Component Unit of De Baca County, State of New Mexico for the year ended June 30, 2012 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 2, 2012 on our consideration of the Clinic's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Management has omitted the MD&A 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 GASB 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.

Our audit was performed for the purpose of forming an opinion on the Clinic's basic financial statements. The budgetary comparison schedule, supporting schedules and schedule of expenditures of federal awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 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.

J W Anderson & Associates, PC

JW Anderson & Associates, PC
Certified Public Accountants
Lubbock, Texas
November 2, 2012

BASIC FINANCIAL STATEMENTS

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY,
STATE OF NEW MEXICO
BALANCE SHEETS
June 30, 2012 and 2011

ASSETS	2012	2011
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 620,072	\$ 463,129
Patients Accounts Receivable, Less Allowance for Doubtful Accounts (2012 - \$18,768; 2011 - \$8,361)	175,649	204,666
Grants Receivable	56,155	67,279
Due from Health Insurance Programs	6,500	6,387
Total Current Assets	858,376	741,461
NONCURRENT ASSETS		
Board Designated Cash and Cash Equivalents	200,000	300,000
Capital Assets, Net	456,663	528,323
Total NonCurrent Assets	656,663	828,323
TOTAL ASSETS	\$ 1,515,039	\$ 1,569,784
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 43,341	\$ 17,816
Accrued Salaries	56,956	81,342
Payroll Taxes Payable	717	391
Deferred Revenue	-	40,532
Compensated Absences	33,059	51,419
Total Liabilities	134,073	191,500
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	456,663	528,323
Unrestricted	924,303	849,961
Total Net Assets	1,380,966	1,378,284
TOTAL LIABILITIES AND NET ASSETS	\$ 1,515,039	\$ 1,569,784

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY,
STATE OF NEW MEXICO
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended June 30, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Net Patient Service Revenue	\$ 1,197,015	\$ 1,283,052
Operating Agreements	806,924	792,764
School Clinic	55,000	38,889
Miscellaneous	29,614	21,890
Medical Records Fees	1,455	1,874
	<hr/>	<hr/>
Total Operating Revenue	2,090,008	2,138,469
OPERATING EXPENSES		
Routine Services	1,310,580	1,341,794
Special Services	244,085	241,307
Facility and Property	173,895	182,812
Administrative and General	620,080	596,295
Depreciation	86,832	100,389
	<hr/>	<hr/>
Total Operating Expenses	2,435,472	2,462,597
Operating Loss	(345,464)	(324,128)
NON-OPERATING REVENUES		
Ad Valorem Taxes, Net	226,688	220,785
Interest Income	5,589	4,951
Non-Capital Grants and Contributions	115,869	14,725
	<hr/>	<hr/>
Total Non-Operating Revenues	348,146	240,461
Excess (Deficiency) of Revenues Over Expenses Before Capital Grants and Contributions	2,682	(83,667)
CAPITAL GRANTS AND CONTRIBUTIONS		
	<hr/>	<hr/>
Increase in Net Assets	2,682	69,951
Net Assets at Beginning of Year	<hr/>	<hr/>
	1,378,284	1,308,333
Net Assets at End of Year	<hr/> <u>\$ 1,380,966</u>	<hr/> <u>\$ 1,378,284</u>

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY,
STATE OF NEW MEXICO
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts From and On Behalf of Patients	\$ 1,227,374	\$ 1,311,224
Receipts from Grantors	832,516	857,485
Payments to Suppliers and Contractors	(522,748)	(575,944)
Payments to Employees	(1,497,386)	(1,395,550)
Payments for Employee Benefits and Payroll Taxes	(345,402)	(337,785)
Other Receipts and Payments, Net	<u>29,615</u>	<u>21,890</u>
Net Cash Used By Operating Activities	(276,031)	(118,680)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Ad Valorem Taxes, Net	226,688	220,785
Non-Capital Grants and Contributions	<u>115,869</u>	<u>14,725</u>
Net Cash Provided By Non-Capital Financing Activities	342,557	235,510
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital Grants and Contributions	-	153,618
Purchase of Capital Assets	<u>(15,172)</u>	<u>(188,033)</u>
Net Cash Used By Capital Financing Activities	(15,172)	(34,415)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	<u>5,589</u>	<u>4,951</u>
Net Cash Provided By Investing Activities	5,589	4,951
Net Increase (Decrease) in Cash and Cash Equivalents	56,943	87,366
Cash and Cash Equivalents at Beginning of Year	<u>763,129</u>	<u>675,763</u>
Cash and Cash Equivalents at End of Year	<u>\$ 820,072</u>	<u>\$ 763,129</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating Loss	\$ (345,464)	\$ (324,128)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation	86,832	100,389
Changes in		
Patients Accounts Receivable	29,017	16,428
Grant Receivables	11,124	26,914
Due from Health Insurance Programs	(113)	9,870
Accounts Payable	25,525	1,234
Accrued Salaries	(24,386)	35,815
Payroll Taxes Payable	326	(1,400)
Deferred Revenue	(40,532)	(1,082)
Compensated Absences	<u>(18,360)</u>	<u>17,280</u>
Net Cash Used By Operating Activities	<u>\$ (276,031)</u>	<u>\$ (118,680)</u>
Reconciliation to Balance Sheet		
Cash and Cash Equivalents	\$ 620,072	\$ 463,129
Board Designated Cash and Cash Equivalents	<u>200,000</u>	<u>300,000</u>
	<u>\$ 820,072</u>	<u>\$ 763,129</u>

See accompanying notes and independent auditors' report.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - De Baca Family Practice Clinic, Inc., a Component Unit of De Baca County, State of New Mexico (Clinic), was organized July 1, 2001, and was incorporated as a New Mexico non-profit corporation on the same date. On July 1, 2001, the Clinic was also granted an exemption from federal income tax under provisions contained in the United States Internal Revenue Code. The Clinic has an elected President and ten (10) Directors.

The Clinic is the successor organization as a result of the closure of De Baca General Hospital during 2001. The Clinic exists to operate, control, and manage all matters concerning De Baca County's health care functions. The De Baca County Board of Commissioners (County) appoints one Board of Director member of the Clinic, and the Clinic may not issue debt or levy taxes without the County's approval. Consequently, the Clinic is considered to be a component unit of De Baca County, New Mexico, and is included as a discretely presented component unit in the basic financial statements of De Baca County.

The Clinic's authority for creation is established by the Rural Health Clinic Services Act (PL 95-210) enacted in 1977 and administers federal and state award programs reported in the Clinic's financial statements.

The Clinic receives funding through direct grants from U.S. Department of Health and Human Services (HHS). The program is defined in Section 330 of the Public Health Service Act which provides federal grant funding opportunities for organizations to provide care to underserved populations. Services that the Clinic must provide include primary health services, referrals to providers of health-related services, patient case management services, enabling services, education, and additional health services as appropriate for the health center population.

The Clinic also receives funds from the New Mexico Department of Health for programs designed to improve access to primary care and preventive services in rural and isolated areas, where health care providers are in short supply.

Financial Reporting Entity - The accompanying financial statements present the De Baca Family Practice Clinic, Inc., which is a component unit of De Baca County, New Mexico. The Clinic, itself, has no component unit entities as defined by applying the criteria set forth in GASB No. 14.

Basis of Accounting and Financial Statement Presentation - The Clinic's basic financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") as set forth or adopted by the Governmental Accounting Standards Board ("GASB") and the Financial Accounting Standards Board ("FASB"), and their predecessors, the National Council on Governmental Accounting ("NCGA") and the Accounting Principles Board ("APB"), respectively. Generally accepted accounting principles for local governments include those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*.

All activities of the Clinic are accounted for within a proprietary (enterprise) fund. Proprietary funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Clinic is classified as a special purpose government and is required to meet the requirements for being reported under criteria prescribed by GASB 34.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2012 and 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

GASB Statement Number 20 requires that governments' proprietary activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The Clinic has elected not to implement FASB Statements and Interpretations issued after November 30, 1989.

The accounting and financial reporting treatment applied to the Clinic is determined by its measurement focus. The Clinic's funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded at the time liabilities are incurred. All assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segregated into invested capital assets, net of related debt; restricted; and unrestricted components.

Deposits and Investments - The Clinic's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Clinic to invest in Certificates of Deposit, direct obligations of the U.S. Government, and the New Mexico State Treasurer's Investment Pool.

Receivables - All receivables, including patient and third-party payor receivables, are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Restricted Assets - Certain resources are set aside and represent funds restricted for use in providing health care services in accordance with grantor requirements and restrictions and are classified on the statement of net assets sheet as restricted because their use is limited.

Use of Restricted Cash - Whenever the Clinic incurs an expense for which it may use either temporarily restricted assets or unrestricted assets, restricted assets are used first to satisfy the restrictions of the funds.

Operating and Nonoperating Revenues - Operating revenue includes activities which have the characteristics of exchange transactions, such as patient services and contracts and grants. Nonoperating revenues include activities which have the characteristics of non-exchange transactions, such as investment income and ad valorem taxes. These revenue streams are recognized under GASB Statement No. 33 - *Accounting and Financial Reporting for Nonexchange Transactions*.

Capital Assets - Capital assets, which include property, equipment, information technology and proprietary purchased medical operations software and are defined by the Clinic as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. No interest expense was incurred during the years ended June 30, 2012 and 2011.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2012 and 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Leasehold improvements and equipment of the Clinic are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Leasehold improvements	10 - 15
Medical equipment	5 - 7
Office equipment	5 - 7
Maintenance equipment	7 - 10

Compensated Absences - Clinic employees are entitled to certain compensated absences based on their employment classification and length of employment. The amount of vacation earned each pay period depends upon the classification and whether the employee is Non-exempt or Exempt. A two-month extension to take vacation time is available, if needed, for scheduling purposes past the employee’s anniversary date. Upon termination of employment, employees will be paid for unused vacation time which has accrued.

Net Assets - Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted net assets. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net assets consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net assets consist of all other net assets not included in the above categories.

Net Patient Service Revenue - Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, and adjusted in future periods, as final settlements are determined.

Property Taxes - Property taxes are levied by the County on the Clinic’s behalf and are intended to finance the Clinic’s activities for the upcoming fiscal year. Taxes are recognized when the County levies the taxes and are reported net of administrative fees (2012 - \$2,290, 2011 - \$2,230) withheld by the County. Amounts levied are based on assessed property values as of the preceding year. The property tax calendar includes these dates:

<u>Property Tax Calendar</u>	<u>Effective Date(s)</u>
Levy and lien date	January 1
Tax bill mailed	October 31
First installment payment due	November 10
First installment delinquent date	December 10
Second installment payment due	April 10
Second installment delinquent date	May 10

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2012 and 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Grants and Contributions - The Clinic receives grants as well as contributions in the course of operations. 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.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Presentation - Certain prior year amounts may have been reclassified in order to present comparatively with the current reporting period classifications.

Accounting Pronouncements - Effective July 1, 2003, the Clinic adopted three accounting statements issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 34, *Basis Financial Statements and Management's Discussion and Analysis – for State and Local Governments* (GASB 34);
- Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; and
- Statement No. 38, *Certain Financial Statement Disclosures*. Statement No. 34, as amended by Statement No. 37, has no monetary impact on the financial statements but does require changes in the financial reporting model used by the Clinic. These changes are the presentation of a statement of cash flows prepared using the direct method of cash flow reporting, the classification of the Clinic's net assets, and additional footnote disclosures. Statement No. 34 also requires as supplementary information Management's Discussion and Analysis, which includes an analytical overview of the Clinic's financial activities. Statement No. 38 requires certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34. While this Statement does not affect amounts reported in the financial statements of the Clinic, certain note disclosures have been added and/or amended.

Charity Care - The Clinic provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Clinic does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Risk Management - The Clinic 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; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters that are not covered and protected under the Federal Tort Claims Act. Settled claims, if any, have not exceeded this commercial coverage in any preceding year.

Subsequent Events - Reporting entities are required to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or were available to be issued. Management has evaluated subsequent events through November 2, 2012, the date the financial statements were available to be issued.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2012 and 2011

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations - For the year ended June 30, 2012 and 2011, the Clinic's operating fund did not exceed budgetary authority in total at the fund level.

Fund Net Assets - For the years ended June 30, 2012 and 2011, respectively, the Clinic's operating fund reported positive fund net assets.

Budgetary Information - The Chief Executive Officer annually obtains from the New Mexico Department of Finance and Administration - Local Government Division and HHS approved operating budgets for the fiscal year commencing the following July 1. The Clinic's Commission is required to obtain approval from New Mexico Department of Finance and Administration - Local Government Division (DFA) and U.S. Department of Health and Human Services (HHS) for any revisions that alter the total expenditures of any grant programs. The New Mexico DFA and HHS program budgets are prepared on a regulatory basis which is comparable to the GAAP financial presentation included in this report. Therefore, budgetary data for the Clinic's programs are included as supplementary information.

NOTE C – DUE FROM HEALTH INSURANCE PROGRAMS

The Clinic renders services to patients under contractual arrangements with the Health Insurance Programs (Medicare and Medicaid), and submits cost reports that are subject to audit adjustments by the agencies that administer the programs. The programs' administrative procedures preclude final determination of amounts due the Clinic for services to program patients until after the Clinic's cost reports are audited or otherwise reviewed, and settled upon by the respective administrative agencies. Settlement amounts from the cost reports for the years ended June 30, 2012 and 2011 have been recorded. No material changes are anticipated with the final settlement, nor from the initial settlement for the cost report for the period ended June 30, 2012.

Services rendered to Medicaid program beneficiaries are reimbursed under the greater of a prospective system or cost reimbursement. The Clinic is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Clinic, and audits thereof by the Medicaid fiscal intermediary.

The Clinic has agreements with third-party payors that provide for payments to the Clinic at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

NOTE D – CASH AND CASH EQUIVALENTS

State statutes authorize the investment of Clinic 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. Any excess funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments. All invested funds of the Clinic properly followed State deposit and investment requirements as of June 30, 2012 and 2011, respectively.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2012 and 2011

NOTE D – CASH AND CASH EQUIVALENTS

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more financial institution. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Clinic does not have a formal deposit policy for custodial credit risk other than following state statutes.

In accordance with FDIC, public unit deposits are funds owned by the Clinic. Time deposits, savings deposits and interest bearing NOW accounts in an institution are insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for demand deposits at the same institution by the FDIC. FDIC changed its policy of coverage in October, 2008 and will maintain the additional coverage until December, 2013, where it will revert back to the original \$100,000 coverage. Deposits above the FDIC limitations may be secured by the financial institution through pledging securities held by institution as collateral against the District's deposits above the FDIC limitations. Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Clinic for at least one half of the amount on deposit with the institution. The types of collateral an institution is permitted to use as pledged securities are limited to direct obligations of the United States Government and all bonds issued by any agency or political subdivision of the State of New Mexico.

The total cash balance in financial institutions of \$826,623 and \$671,739 at June 30, 2012 and 2011, respectively, consists of interest-bearing checking account and certificates of deposit. Of these balances, \$250,000 and \$250,000 is covered by federal depository insurance, respectively, and \$576,623 and \$421,739 was covered by collateral held in joint safekeeping by a third party for each year end, respectively. As of June 30, 2012 and 2011, no funds were uninsured and uncollateralized, or subject to credit risk. The Clinic has not suffered any previous losses and management believes any risk of loss of funds is minimal.

At June 30, 2012 and 2011, the carrying values of the Clinic's deposits were \$820,072 and \$763,129, respectively. Of those deposits, the Board of Directors has designated \$200,000 and \$200,000, respectively, for use in the event the Clinic's grant funding is delayed by the Federal government, or for future grant funds matching, and can be accessed for general operations upon approval by the Board. The schedule listed below discloses requirements on reporting the insured and uninsured portions of the Clinic's deposits regarding custodial credit risk.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2012 and 2011

NOTE D -- CASH AND CASH EQUIVALENTS -- Continued

	2012		2011	
	Citizens Bank		Citizens Bank	
Cash and Cash Equivalents	\$	820,072	\$	763,129
Reconciling Items		6,551		(91,390)
Total on Deposit		826,623		671,739
Less FDIC Coverage		(250,000)		(250,000)
Amount to be Collateralized		576,623		421,739
50% Collateral Requirement	\$	288,312	\$	210,870
Securities Pledged by the Financial Institution Held by their Trust Department		(854,392)		(1,000,748)
		(854,392)		(1,000,748)
Under (Over) Collateralized	\$	(277,769)	\$	(579,009)
		(566,081)		(789,879)

NOTE E -- RECEIVABLES

Patient accounts receivables and other receivable reported as current assets by the Clinic at June 30, 2012 and 2011 consists of the following amounts:

	2012		2011	
Medicare Receivables	\$	66,968	\$	94,094
Medicaid Receivables		23,092		50,878
Self Pay and Other Receivables		162,210		125,908
Total Gross Patient Receivables		252,270		270,880
Allowance for Doubtful Accounts		(18,768)		(8,361)
Allowance for Contractual Adjustments		(57,853)		(57,853)
Patient Accounts Receivable - Net	\$	175,649	\$	204,666

The Clinic establishes the allowance for doubtful accounts based on management's estimate of individual account creditworthiness and likelihood of delinquent collections as of June 30, 2012 and 2011, respectively.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2012 and 2011

NOTE E – RECEIVABLES – Continued

Concentration of Credit Risk - The Clinic grants credit without collateral to its patients, most of who are local residents, and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors was as follows:

	<u>2012</u>	<u>2011</u>
Medicare	27%	29%
Medicaid	9%	7%
Self Pay and Other	<u>64%</u>	<u>64%</u>
	<u>100%</u>	<u>100%</u>

The Clinic also reported the following receivables under grant agreements and awards as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
U.S. Department of Health and Human Services	\$ 39,793	\$ 49,247
State of New Mexico Rural Primary Health Association	14,000	16,000
Other	<u>2,362</u>	<u>2,032</u>
 Total Grant Receivables	 <u>\$ 56,155</u>	 <u>\$ 67,279</u>

The Clinic's outstanding property tax receivable as of June 30, 2012 and 2011 has been fully reserved as uncollectible.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2012 and 2011

NOTE F – CAPITAL ASSETS

Capital asset activity consists of the following at June 30, 2012 and 2011:

	<u>Balance</u> <u>6/30/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/11</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/12</u>
Leasehold Improvements	\$ 289,442	\$ 188,033	\$ -	\$ 477,475	\$ 5,250	\$ -	\$ 482,725
Medical Equipment	405,928	-	-	405,928	3,038	-	408,966
Dental Equipment	130,126	-	-	130,126	6,884	-	137,010
Office Equipment	90,432	-	-	90,432	-	-	90,432
Maintenance Equipment	<u>13,188</u>	<u>-</u>	<u>-</u>	<u>13,188</u>	<u>-</u>	<u>-</u>	<u>13,188</u>
Total Depreciable Assets	929,116	188,033	-	1,117,149	15,172	-	1,132,321
Less Accumulated Depreciation							
Leasehold Improvements	(84,390)	(28,798)	-	(113,188)	(33,186)	-	(146,374)
Medical Equipment	(215,630)	(49,709)	-	(265,339)	(47,342)	-	(312,681)
Dental Equipment	(116,872)	(13,252)	-	(130,124)	(1,143)	-	(131,267)
Office Equipment	(63,298)	(7,437)	-	(70,735)	(4,213)	-	(74,948)
Maintenance Equipment	<u>(8,247)</u>	<u>(1,193)</u>	<u>-</u>	<u>(9,440)</u>	<u>(948)</u>	<u>-</u>	<u>(10,388)</u>
Total Accumulated Depreciation	(488,437)	(100,389)	-	(588,826)	(86,832)	-	(675,658)
Net Capital Assets	<u>\$ 440,679</u>	<u>\$ 87,644</u>	<u>\$ -</u>	<u>\$ 528,323</u>	<u>\$ (71,660)</u>	<u>\$ -</u>	<u>\$ 456,663</u>

Depreciation was \$86,832 and \$100,389 for the years ended June 30, 2012 and 2011, respectively and is reported separately rather than allocated across departments.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2012 and 2011

NOTE G – COMPENSATED ABSENCES

Vacation leave is earned by employees during the year based on time worked and is non-cumulative and considered to be payable within one year. Vacation leave due, if any, is paid upon an employee’s termination. Sick leave is also earned by employees based on length of employment during the year and is also non-cumulative. Compensation for sick leave is limited to time-off and is not monetarily compensated. The activity of the vacation leave due to employees as of June 30, 2012 and 2011 is detailed below.

	<u>Balance</u> <u>6/30/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/11</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/12</u>
Compensated Absences	<u>\$ 34,139</u>	<u>\$ 104,587</u>	<u>\$ (87,307)</u>	<u>\$ 51,419</u>	<u>\$ 89,568</u>	<u>\$ (107,928)</u>	<u>\$ 33,059</u>

NOTE H – PERA PENSION PLAN

Plan Description - All employees of the Clinic who do not meet the criteria for exclusion participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employee Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, New Mexico 87504-2123, or may be accessed on PERA’s website at www.pera.state.nm.us.

Funding Policy - The Clinic’s plan members are covered under the Municipal Plan II. Under Plan II, members are required to contribute 9.15% of their gross salary. The Clinic is required to contribute 9.15% for all plan members. The contribution requirements of plan members and the Clinic are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Clinic’s required contributions to PERA are listed below.

Fiscal year ending June 30:	
2012	\$ 123,716
2011	121,100
2010	93,983
2009	81,748
2008	75,640
2007	68,095

The Clinic does not provide any other type of deferred compensation or retirement benefits, nor does it participate in the Retiree Health Care Act (10-7C-1 to 10-7C-16, NMSA 1978).

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2012 and 2011

NOTE I – GRANT REVENUE CONCENTRATIONS

The Clinic received Federal and State of New Mexico operating and non-operating grants in the amounts reported below:

	<u>2012</u>	<u>Percent</u>	<u>2011</u>	<u>Percent</u>
U.S. Department of Health and Human Services	\$ 625,924	68%	\$ 549,823	57%
American Recovery and Reinvestment Act	-	0%	194,258	20%
State of New Mexico Rural Primary Health Association	181,000	20%	202,300	21%
Other	<u>115,869</u>	<u>13%</u>	<u>14,726</u>	<u>2%</u>
 Total Grant Revenue	 <u>\$ 922,793</u>	 <u>100%</u>	 <u>\$ 961,107</u>	 <u>100%</u>

Concentration of Risk - The Clinic received funding for operations and capital expenditures from grants and contracts with the U.S. Department of Health and Human Services as well as the New Mexico Department of Health. Reduction or interruption of future funding from these sources is not expected, however, if reduction or interruption of funding occurred, it would have a material impact on the operations of the Clinic.

NOTE J – COMMITMENTS TO PRIMARY GOVERNMENT

The Clinic is committed under an operating lease for the Clinic’s facility expiring June 30, 2012, which renews annually with De Baca County. The Clinic paid \$13,200 for the fiscal years ended June 30, 2012 and 2011, respectively, for clinic building rental. Future minimum operating lease payments are as follows:

Year Ending June 30,	
2013	<u>\$ 13,200</u>
Total	<u>\$ 13,200</u>

Although the Clinic’s facility lease with De Baca County is renewed on a yearly basis, it is unlikely that the Clinic will relocate out of the County-owned building.

NOTE K – CONTINGENT LIABILITIES

The Clinic participates in federal programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor agency. If expenditures are disallowed due to noncompliance with grant program regulations, the Clinic may be required to reimburse the grantor government. As of June 30, 2012 and 2011, significant amounts of grant expenditures have not been audited by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures, if any, that may be discovered in subsequent grantor audits may be disallowed by the grantor. Amounts of disallowed grant expenditures, if any, cannot be determined at this time. The Clinic expects such amounts, if any, will not have a material effect on any of the individual funds or the overall financial position of the Clinic.

SUPPLEMENTAL INFORMATION

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY,
STATE OF NEW MEXICO
BUDGETARY COMPARISON SCHEDULE
(GAAP) BUDGETARY BASIS AND ACTUAL
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES				
Net Patient Service Revenue	\$ 1,375,083	\$ 1,375,083	\$ 1,197,015	\$ (178,068)
Operating Agreements	775,024	810,024	806,924	(3,100)
School Clinic	55,000	55,000	55,000	-
Miscellaneous	25,000	25,000	29,614	4,614
Medical Records Fees	-	-	1,455	1,455
Total Operating Revenue	2,230,107	2,265,107	2,090,008	(175,099)
OPERATING EXPENSES				
Current				
Medical	720,700	721,400	666,127	55,273
School-Based Health Clinic	69,500	70,000	62,982	7,018
Mental Health	116,725	102,600	102,505	95
Dental	512,500	500,000	478,966	21,034
Laboratory and Radiology	244,482	257,200	238,670	18,530
Pharmacy	5,000	6,457	5,415	1,042
Facility	195,000	185,000	173,895	11,105
Administration	543,200	630,950	620,080	10,870
Capital Outlay	55,000	23,500	15,171	8,329
Total Operating Expenses	2,462,107	2,497,107	2,363,811	133,296
Operating Loss	(232,000)	(232,000)	(273,803)	(41,803)
NON-OPERATING REVENUES				
Ad Valorem Taxes	215,000	215,000	226,688	11,688
Interest Income	5,000	5,000	5,589	589
Non-Capital Grants and Contributions	12,000	12,000	115,869	103,869
Total Non-Operating Revenues	232,000	232,000	348,146	116,146
Excess (Deficiency) of Revenues Over Expenses Before Capital Grants and Contributions	-	-	74,343	74,343
CAPITAL GRANTS AND CONTRIBUTIONS				
Increase in Net Assets	-	-	74,343	74,343
Net Assets at Beginning of Year	1,378,284	1,378,284	1,378,284	-
Net Assets at End of Year	\$ 1,378,284	\$ 1,378,284	\$ 1,452,627	\$ 74,343
Reconciliation of Budgetary Basis Net Assets to GAAP Basis Net Assets				
Net Assets - Budgetary Basis			\$ 1,452,627	
Capital Assets are expensed in the budget but are capitalized and depreciated for financial statement purposes			15,171	
Depreciation is an estimation of capital asset usage during the year and is not a budgetary item			(86,832)	
Net Assets at End of Year			\$ 1,380,966	

SUPPORTING SCHEDULES

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY,
STATE OF NEW MEXICO
SCHEDULE OF DEPOSITS AND TEMPORARY INVESTMENTS
BY DEPOSITORY FOR PUBLIC FUNDS
June 30, 2012 and 2011

Name of Depository	Account Type	Bank Balance June 30, 2012	Net Reconciling Items	Reconciled Balance June 30, 2012
Citizens Bank of Clovis	Interest Checking	\$ 626,622	\$ (6,550)	\$ 620,072
Citizens Bank of Clovis	Certificates of Deposit	200,000	-	200,000
		<u>\$ 826,622</u>	<u>\$ (6,550)</u>	<u>\$ 820,072</u>

Reconciliation to Basic Financial Statements

<u>Total Clinic Cash</u>			
Cash and Cash Equivalents		\$ 620,072	
Board Designated Cash and Cash Equivalents		<u>200,000</u>	
			<u>\$ 820,072</u>

Name of Depository	Account Type	Bank Balance June 30, 2011	Net Reconciling Items	Reconciled Balance June 30, 2011
Citizens Bank of Clovis	Interest Checking	\$ 371,739	\$ 91,390	\$ 463,129
Citizens Bank of Clovis	Certificates of Deposit	300,000	-	300,000
		<u>\$ 671,739</u>	<u>\$ 91,390</u>	<u>\$ 763,129</u>

Reconciliation to Basic Financial Statements

<u>Total Clinic Cash</u>			
Cash and Cash Equivalents		\$ 463,129	
Board Designated Cash and Cash Equivalents		<u>300,000</u>	
			<u>\$ 763,129</u>

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY,
STATE OF NEW MEXICO
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
June 30, 2012 and 2011

Name of Depository	Pledged Collateral	Name and Location of Custodian	Fair Market Value June 30, 2012
Citizens Bank of Clovis	GNMA II Pool # 4540 Matures 9/20/2039	Texas Independent Bankers Dallas, TX	\$ 780,714
Citizens Bank of Clovis	GNMA II Pool # 80729 Matures 8/20/2033	Texas Independent Bankers Dallas, TX	<u>73,678</u>
			<u>\$ 854,392</u>

Name of Depository	Pledged Collateral	Name and Location of Custodian	Fair Market Value June 30, 2011
Citizens Bank of Clovis	GNMA II Pool # 4540 Matures 9/20/2039	Texas Independent Bankers Dallas, TX	\$ 918,889
Citizens Bank of Clovis	GNMA II Pool # 80729 Matures 8/20/2033	Texas Independent Bankers Dallas, TX	<u>81,859</u>
			<u>\$ 1,000,748</u>

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DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY,
STATE OF NEW MEXICO
SCHEDULES OF NET PATIENT SERVICE REVENUE
Years Ended June 30, 2012 and 2011

	2012	2011
ROUTINE SERVICES		
Medical Services	\$ 1,197,430	\$ 1,261,170
Dental Services	502,778	568,414
Mental Health Services	104,546	71,842
School-Based Health Clinic	<u>57,213</u>	<u>48,572</u>
	1,861,967	1,949,998
DEDUCTIONS FROM REVENUES		
Contractual Allowances		
Medical Services	461,582	492,911
Dental Services	130,450	139,650
Mental Health Services	20,304	14,574
School-Based Health Clinic	12,448	10,705
Charity Care Allowances	2,119	4,797
Allowance for Doubtful Accounts	<u>38,049</u>	<u>4,309</u>
	<u>664,952</u>	<u>666,946</u>
Net Patient Service Revenue	<u>\$ 1,197,015</u>	<u>\$ 1,283,052</u>

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY,
STATE OF NEW MEXICO
SCHEDULES OF OPERATING EXPENSES
Years Ended June 30, 2012 and 2011

	2012	2011
ROUTINE SERVICES		
Medical Services	\$ 666,127	\$ 730,830
School Based Health Clinic	62,982	8,024
Mental Health Services	102,505	81,999
Dental Services	478,966	520,941
	<u>1,310,580</u>	<u>1,341,794</u>
SPECIAL SERVICES		
Laboratory and Radiology	238,670	231,379
Pharmacy	5,415	9,928
	<u>244,085</u>	<u>241,307</u>
FACILITY AND PROPERTY	173,895	182,812
ADMINISTRATIVE AND GENERAL	620,080	596,295
DEPRECIATION	86,832	100,389
	<u>\$ 2,435,472</u>	<u>\$ 2,462,597</u>

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY,
STATE OF NEW MEXICO
SCHEDULE OF DEPARTMENT EXPENSES
Year Ended June 30, 2012

	<u>Medical</u>	<u>School-Based Health Clinic</u>	<u>Mental Health</u>	<u>Dental</u>
Salaries	\$ 457,900	\$ 47,094	\$ 82,944	\$ 327,009
Employee Benefits				
Payroll Taxes	33,852	-	6,338	23,347
Retirement	45,990	-	7,194	29,433
Health Insurance and Workers Compensation	28,010	-	3,239	24,291
Total Salaries and Related Expenses	565,752	47,094	99,715	404,080
Contractual Services	70,068	-	1,875	40,596
Supplies	29,622	2,705	588	25,306
Insurance	-	-	-	-
Continuing Education and Training	685	2,923	327	6,135
Postage and Shipping	-	-	-	-
Advertising	-	-	-	-
Dues, Fees and Licenses	-	-	-	-
Professional Fees	-	-	-	-
Occupancy	-	10,260	-	2,849
Noncapital Equipment	-	-	-	-
Grant Expenses	-	-	-	-
Other	-	-	-	-
Totals	\$ 666,127	\$ 62,982	\$ 102,505	\$ 478,966

<u>Laboratory and Radiology</u>	<u>Pharmacy</u>	<u>Facility</u>	<u>Administrative</u>	<u>Total</u>
\$ 99,577	\$ 4,896	\$ 56,347	\$ 378,873	\$ 1,454,640
8,498	519	4,855	29,647	107,056
8,655	-	912	31,534	123,718
10,899	-	6,471	42,043	114,953
127,629	5,415	68,585	482,097	1,800,367
4,853	-	3,345	30,966	151,703
93,050	-	5,178	25,552	182,001
-	-	12,134	-	12,134
80	-	-	21,381	31,531
-	-	-	7,721	7,721
-	-	-	8,943	8,943
-	-	-	11,378	11,378
-	-	-	14,745	14,745
13,058	-	84,653	-	110,820
-	-	-	6,196	6,196
-	-	-	1,838	1,838
-	-	-	9,263	9,263
<u>\$ 238,670</u>	<u>\$ 5,415</u>	<u>\$ 173,895</u>	<u>\$ 620,080</u>	<u>\$ 2,348,640</u>

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY,
STATE OF NEW MEXICO
SCHEDULE OF DEPARTMENT EXPENSES
Year Ended June 30, 2011

	<u>Medical</u>	<u>School-Based Health Clinic</u>	<u>Mental Health</u>	<u>Dental</u>
Salaries	\$ 521,161	\$ 6,862	\$ 65,232	\$ 345,177
Employee Benefits				
Payroll Taxes	34,574	-	5,345	23,490
Retirement	42,843	-	6,177	29,352
Health insurance and Workers Compensation	28,812	-	4,134	22,554
Total Salaries and Related Expenses	627,390	6,862	80,888	420,573
Contractual Services	67,038	-	425	45,803
Supplies	31,496	-	686	44,133
Insurance	-	-	-	-
Continuing Education and Training	4,906	1,162	-	7,051
Postage and Shipping	-	-	-	-
Advertising	-	-	-	-
Dues, Fees and Licenses	-	-	-	-
Professional Fees	-	-	-	-
Occupancy	-	-	-	3,381
Noncapital Equipment	-	-	-	-
Grant Expenses	-	-	-	-
Other	-	-	-	-
Totals	\$ 730,830	\$ 8,024	\$ 81,999	\$ 520,941

<u>Laboratory and Radiology</u>	<u>Pharmacy</u>	<u>Facility</u>	<u>Administrative</u>	<u>Total</u>
\$ 108,529	\$ 9,528	\$ 64,955	\$ 380,297	\$ 1,501,741
7,679	400	5,163	25,752	102,403
8,262	-	3,264	31,202	121,100
10,913	-	7,175	39,295	112,883
<u>135,383</u>	<u>9,928</u>	<u>80,557</u>	<u>476,546</u>	<u>1,838,127</u>
2,531	-	4,067	24,083	143,947
84,975	-	6,631	26,781	194,702
-	-	11,240	-	11,240
746	-	-	21,192	35,057
-	-	-	6,604	6,604
-	-	-	4,776	4,776
-	-	-	11,189	11,189
-	-	-	13,004	13,004
7,744	-	80,317	-	91,442
-	-	-	9,000	9,000
-	-	-	1,455	1,455
-	-	-	1,665	1,665
<u>\$ 231,379</u>	<u>\$ 9,928</u>	<u>\$ 182,812</u>	<u>\$ 596,295</u>	<u>\$ 2,362,208</u>

COMPLIANCE

JW ANDERSON & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS

**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***

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget
To the Chairman and Board of Commissioners of
De Baca County, New Mexico and
The Chairman and Board of Directors
De Baca Family Practice Clinic, Inc.
a Component Unit of De Baca County, State of New Mexico
Fort Sumner, New Mexico

We have audited the basic financial statements of De Baca Family Practice Clinic, Inc., a Component Unit of De Baca County, State of New Mexico, as of and for the year ended June 30, 2012, and have issued our report thereon dated November 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clinic's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clinic's internal control over financial reporting.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Clinic's financial statements will not be prevented or detected and corrected on a timely basis.

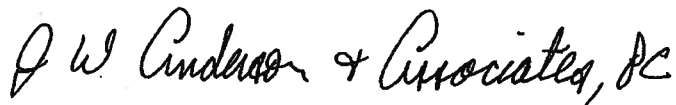
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of audit findings as items 2012-2, which we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clinic's financial statements are free of 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* and Section 12-6-5 NMSA 1978.

De Baca Family Practice Clinic, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit De Baca Family Practice Clinic, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, and other within De Baca Family Practice Clinic, Inc., a Component Unit of De Baca County, State of New Mexico, the Board of Directors, New Mexico Legislature, Office of the State Auditor, Department of Finance and Administration – Local Government Division, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



JW Anderson & Associates, PC
Certified Public Accountants
Lubbock, Texas
November 2, 2012

JW ANDERSON & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget
To the Chairman and Board of Commissioners of
De Baca County, New Mexico and
The Chairman and Board of Directors
De Baca Family Practice Clinic, Inc.
a Component Unit of De Baca County, State of New Mexico
Fort Sumner, New Mexico

We have audited the compliance of De Baca Family Practice Clinic, Inc., a Component Unit of De Baca County, State of New Mexico, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2012. De Baca Family Practice Clinic, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of De Baca Family Practice Clinic, Inc.'s management. Our responsibility is to express an opinion on De Baca Family Practice Clinic, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the De Baca Family Practice Clinic, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Clinic's compliance with those requirements.

In our opinion De Baca Family Practice Clinic, Inc., a Component Unit of De Baca County, State of New Mexico, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

The management of De Baca Family Practice Clinic, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Clinic's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for determining our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Clinic's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management and other within De Baca Family Practice Clinic, Inc., a Component Unit of De Baca County, State of New Mexico, the Board of Directors, New Mexico Legislature, Office of the State Auditor, Department of Finance and Administration – Local Government Division, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

J W Anderson & Associates, PC

JW ANDERSON & ASSOCIATES, PC
A Professional Corporation
Lubbock, Texas
November 2, 2012

DE BACA FAMILY PRACTICE CLINIC, INC.
 A COMPONENT UNIT OF DE BACA COUNTY,
 STATE OF NEW MEXICO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2012

Federal Grantor Program Title	Federal CFDA Number	Federal Program Expenses
<u>U.S. Department of Health and Human Services</u>		
Health Center Cluster*	93.224 and 93.527	\$ 625,924
Total Federal Financial Assistance		\$ 625,924

* Indicates a major program

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2012

NOTE A - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of De Baca Family Practice Clinic, Inc., a Component Unit of De Baca County, State of New Mexico. The De Baca Family Practice Clinic, Inc., as a reporting entity, is defined in Note A of the Clinic's financial statements.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note A of the Clinic's financial statements.

DE BACA FAMILY PRACTICE CLINIC, INC.
 A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2012

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ reports issued:

Unqualified

Internal control over financial reporting:

- Control deficiencies identified? Yes None reported
- Material weaknesses identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Control deficiencies identified? Yes None reported
- Material weaknesses identified? Yes None reported

Type of auditors’ report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

93.224 and 93.527

Health Center Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

Yes No

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
June 30, 2012

Section II – Financial Statement Findings

Finding 2012-2.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
June 30, 2012

Prior Year

2011-2 - Segregation of Duties - Significant Deficiency Repeated

Current Year

2012-2 - Segregation of Duties - Significant Deficiency

CONDITION - The Clinic has a limited segregation of duties due to personnel constraints.

CRITERIA - Segregation of certain specific accounting and administrative functions is preferred to minimize concentration of internal control and reduce the possibility of overriding controls.

CAUSE - Personnel limitations have caused the Clinic to consolidate some incompatible accounting and administrative functions.

EFFECT - Limited segregation of duties is common in small and medium sized organizations that are forced to control personnel costs at the expense of improved control.

RECOMMENDATION - We recommend the Clinic periodically evaluate whether its level of control is appropriate for the current situation. We also recommend the Clinic transfer some duties related to bank reconciliations to another staff member to allow some division of duties related to bank accounts.

MANAGEMENT'S RESPONSE - The Clinic management agrees that personnel limitations require some consolidation of accounting functions; however, we have adjusted various procedures and reassigned duties over the last twelve months in a genuine effort to remedy this finding. Per recommendations we will give one or more additional users access to our accounting software and transfer the bank reconciliation responsibility to someone other than the CFO. This change was made as of the report date.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO
EXIT CONFERENCE
June 30, 2012

The contents of this report were discussed with the De Baca Family Practice Clinic representatives on September 6, 2012. The following individuals attended the conference:

De Baca Family Practice Clinic

Glynda "Dusti" Scovel, CEO, Ex-officio Board Member
Susan Vick, Chief Financial Officer
Randall Mansell, Board Member
Charlie West, Board Member

J.W. Anderson & Associates, PC

Larry Anderson, President
Jerry Hill, Audit Manager
Leah Gilbreath, Audit Staff

The financial statements of De Baca Family Practice Clinic, Inc., a Component Unit of De Baca County, State of New Mexico, were prepared from original books and records provided by and with assistance from the management of the Clinic and J.W. Anderson & Associates, PC.

Although standards strongly emphasize that the Clinic prepare its own financial statements, the consensus between the Clinic management and the auditors was that it would be more time and cost efficient for the auditors to prepare the financial statements and the related notes. Accordingly, the Clinic has designated a competent management-level individual to oversee the auditors' services and have made all management decisions and performed all management functions. The Clinic has reviewed, approved, and accepted responsibility for the accompanying financial statements and related notes, and for ensuring that the underlying accounting records adequately support the preparation of the financial statements in accordance with generally accepted accounting principles and that the records are current and in balance.

JW ANDERSON & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget
To the Chairman and Board of Commissioners of
De Baca County, New Mexico and
The Chairman and Board of Directors
De Baca Family Practice Clinic, Inc.
a Component Unit of De Baca County, State of New Mexico
Fort Sumner, New Mexico

We have audited the basic financial statements of De Baca Family Practice Clinic, Inc., a Component Unit of De Baca County, State of New Mexico, as of and for the year ended June 30, 2012, and have issued our report thereon dated November 2, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under Generally Accepted Auditing Standards and Government Auditing Standards

As communicated in our engagement letter dated July 27, 2012, our responsibility, as described by professional standards, is to plan and perform our audit to form and express an opinion about whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America and when applicable, Government Auditing Standards. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Clinic solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding significant control deficiencies and other matters noted during our audit in a separate letter to you dated November 2, 2012.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Clinic's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by De Baca Family Practice Clinic, Inc., a Component Unit of De Baca County, State of New Mexico is included in Note A to the financial statements. There has been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2012. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimate affecting the financial statements is the allowance for doubtful accounts and contractual adjustments.

Management's estimate of the allowance for doubtful accounts and contractual adjustments is based on past experience with the health insurance programs. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts and contractual adjustments and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements relate to: cash deposits, concentrations and commitments.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. The uncorrected financial statement misstatements whose effects, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole are as follows: none noted.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management: none noted.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Clinic's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in a separate letter dated November 2, 2012.

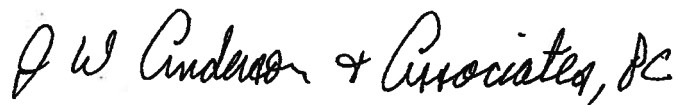
Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Findings or Issues

In the normal course of our professional association with De Baca Family Practice Clinic, Inc., a Component Unit of De Baca County, State of New Mexico, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the Clinic, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the entity's auditors.

This report is intended solely for the information and use of management and others within De Baca Family Practice Clinic, Inc., a Component Unit of De Baca County, State of New Mexico, the Board of Directors, New Mexico Legislature, Office of the State Auditor, Department of Finance and Administration – Local Government Division, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



JW Anderson & Associates, PC
Certified Public Accountants
Lubbock, Texas
November 2, 2012