

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, 2013 AND 2012

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, 2013

<u>Name</u>	<u>Title</u>
<u>Board of Directors</u>	
Randel Mansell	President
Charlie West	Vice-President
Beverly Overton	Secretary
Becky Harris	Director
Norma Head	Director
Selestino Joe Lovato	Director
Vincent Stallard	Director
Joe Steele	Director
Shara Cortese	Director
Marie Dickerman	Director
Larry Williamson	Director
Glynda "Dusti" Scovel	Ex- Officio Director
<u>Clinic Officials</u>	
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

**Report on the Financial Statements**

We have audited the accompanying financial statements of De Baca Family Practice Clinic, Inc., a Component Unit of De Baca County, State of New Mexico, which comprise the balance sheets as of June 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our 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 for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of De Baca Family Practice Clinic, Inc., a Component Unit of De Baca County, State of New Mexico as of June 30, 2013 and 2012, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 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 financial statements as a whole.

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.

#### ***Other Report Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated November 14, 2013 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* in considering the Clinic's internal control over financial reporting and compliance.

*J W Anderson & Associates, PC*

JW Anderson & Associates, PC  
Certified Public Accountants  
Lubbock, Texas  
November 14, 2013

## **BASIC FINANCIAL STATEMENTS**



DE BACA FAMILY PRACTICE CLINIC, INC.  
A COMPONENT UNIT OF DE BACA COUNTY,  
STATE OF NEW MEXICO  
BALANCE SHEETS  
June 30, 2013 and 2012

<b>ASSETS</b>	<b>2013</b>	<b>2012</b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 662,235	\$ 620,072
Patients Accounts Receivable, Less Allowance for Doubtful Accounts (2013 - \$18,134; 2012 - \$18,768)	180,938	175,649
Grants Receivable	97,491	56,155
Due from Health Insurance Programs	<u>3,500</u>	<u>6,500</u>
<b>Total Current Assets</b>	<b>944,164</b>	<b>858,376</b>
<b>NONCURRENT ASSETS</b>		
Board Designated Cash and Cash Equivalents	-	200,000
Capital Assets, Net	<u>448,400</u>	<u>456,663</u>
<b>Total NonCurrent Assets</b>	<b>448,400</b>	<b>656,663</b>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,392,564</u></b>	<b><u>\$ 1,515,039</u></b>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 7,236	\$ 43,341
Accrued Salaries	61,326	56,956
Payroll Taxes Payable	4,736	717
Compensated Absences	<u>32,425</u>	<u>33,059</u>
<b>Total Liabilities</b>	<b>105,723</b>	<b>134,073</b>
<b>NET POSITION</b>		
Invested in Capital Assets, Net of Related Debt	448,400	456,663
Unrestricted	<u>838,441</u>	<u>924,303</u>
<b>Total Net Position</b>	<b>1,286,841</b>	<b>1,380,966</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 1,392,564</u></b>	<b><u>\$ 1,515,039</u></b>

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 POSITION  
Years Ended June 30, 2013 and 2012

	2013	2012
<b>OPERATING REVENUES</b>		
Net Patient Service Revenue	\$ 1,242,356	\$ 1,197,015
Operating Agreements	839,610	806,924
School Clinic	52,500	55,000
Miscellaneous	18,921	29,614
Medical Records Fees	1,421	1,455
	<hr/>	<hr/>
<b>Total Operating Revenue</b>	2,154,808	2,090,008
<b>OPERATING EXPENSES</b>		
Routine Services	1,406,446	1,310,580
Special Services	215,504	244,085
Facility and Property	161,278	173,895
Administrative and General	715,672	620,080
Depreciation	85,777	86,832
	<hr/>	<hr/>
<b>Total Operating Expenses</b>	2,584,677	2,435,472
<b>Operating Loss</b>	(429,869)	(345,464)
<b>NON-OPERATING REVENUES</b>		
Ad Valorem Taxes, Net	242,059	226,688
Interest Income	5,520	5,589
Non-Capital Grants and Contributions	38,165	115,869
	<hr/>	<hr/>
<b>Total Non-Operating Revenues</b>	285,744	348,146
<b>Excess (Deficiency) of Revenues Over Expenses Before Capital Grants and Contributions</b>	(144,125)	2,682
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>		
	<hr/>	<hr/>
<b>Increase (Decrease) in Net Position</b>	(94,125)	2,682
<b>Net Position at Beginning of Year</b>	<hr/>	<hr/>
	1,380,966	1,378,284
<b>Net Position at End of Year</b>	<hr/> <u>\$ 1,286,841</u>	<hr/> <u>\$ 1,380,966</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, 2013 and 2012

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts From and On Behalf of Patients	\$ 1,241,488	\$ 1,227,374
Receipts from Grantors	850,774	832,516
Payments to Suppliers and Contractors	(609,966)	(522,748)
Payments to Employees	(1,573,426)	(1,497,386)
Payments for Employee Benefits and Payroll Taxes	(343,858)	(345,402)
Other Receipts and Payments, Net	<u>18,921</u>	<u>29,615</u>
<b>Net Cash Used By Operating Activities</b>	<b>(416,067)</b>	<b>(276,031)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Ad Valorem Taxes, Net	242,059	226,688
Non-Capital Grants and Contributions	<u>38,165</u>	<u>115,869</u>
<b>Net Cash Provided By Non-Capital Financing Activities</b>	<b>280,224</b>	<b>342,557</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Capital Grants and Contributions	50,000	-
Purchase of Capital Assets	<u>(77,514)</u>	<u>(15,172)</u>
<b>Net Cash Used By Capital Financing Activities</b>	<b>(27,514)</b>	<b>(15,172)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Income	<u>5,520</u>	<u>5,589</u>
<b>Net Cash Provided By Investing Activities</b>	<b>5,520</b>	<b>5,589</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(157,837)</b>	<b>56,943</b>
Cash and Cash Equivalents at Beginning of Year	<u>820,072</u>	<u>763,129</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ <u>662,235</u></b>	<b>\$ <u>820,072</u></b>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</b>		
Operating Loss	\$ (429,869)	\$ (345,464)
<b>Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities</b>		
Depreciation	85,777	86,832
Changes in		
Patients Accounts Receivable	(5,289)	29,017
Grant Receivables	(41,336)	11,124
Due from Health Insurance Programs	3,000	(113)
Accounts Payable	(36,105)	25,525
Accrued Salaries	4,370	(24,386)
Payroll Taxes Payable	4,019	326
Deferred Revenue	-	(40,532)
Compensated Absences	<u>(634)</u>	<u>(18,360)</u>
<b>Net Cash Used By Operating Activities</b>	<b>\$ (416,067)</b>	<b>\$ (276,031)</b>
<b>Reconciliation to Balance Sheet</b>		
Cash and Cash Equivalents	\$ 662,235	\$ 620,072
Board Designated Cash and Cash Equivalents	<u>-</u>	<u>200,000</u>
	<b>\$ 662,235</b>	<b>\$ 820,072</b>

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, 2013 and 2012

**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, 2013 and 2012

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

GASB Statement Number 62 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, 2013 and 2012.

DE BACA FAMILY PRACTICE CLINIC, INC.  
 A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2013 and 2012

**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 (2013 - \$2,445, 2012 - \$2,290) 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, 2013 and 2012

**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.

**Recent Accounting Pronouncements** - The Clinic has adopted the following accounting statements issued by the Governmental Accounting Standards Board (GASB):

- In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61, The Financial Reporting Entity: Omnibus. This statement, which is effective for financial statements for periods beginning after June 15, 2012, provides, among other things, additional guidance to primary governments that are business-type activities reporting financial information in a single column. New guidance, which includes reporting a blended component unit, allows users to better distinguish between the primary government and its component unit by requiring condensed combining information in the notes to the financial statements. The Hospital adopted GASB Statement No. 61 during the fiscal year 2013, with no effect on the Clinic's financial statements;
- In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This statement, which is effective for financial statements for periods beginning after December 15, 2011, supersedes GASB Statement No. 20. The Clinic adopted GASB Statement No. 62 during the fiscal year 2013, and its provisions were applied retroactively for all periods presented. Adoption of GASB Statement No. 62 did not materially affect the financial statements; and

**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 14, 2013, 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, 2013 and 2012

**NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Excess of Expenditures Over Appropriations** - For the year ended June 30, 2012, the Clinic's operating fund did not exceed budgetary authority in total at the fund level. The Clinic exceeded budgetary authority by \$4,294 for the year ended June 30, 2013.

**Fund Net Position** - For the years ended June 30, 2013 and 2012, respectively, the Clinic's operating fund reported positive fund net position.

**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, 2013 and 2012 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, 2013.

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 – 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, 2013 and 2012, 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.



DE BACA FAMILY PRACTICE CLINIC, INC.  
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2013 and 2012

**NOTE E – 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, 2013 and 2012, respectively.

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 limits by the FDIC. 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 \$671,948 and \$826,622 at June 30, 2013 and 2012, 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 \$421,948 and \$576,622 was covered by collateral held in joint safekeeping by a third party for each year end, respectively. As of June 30, 2013 and 2012, 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, 2013 and 2012, the carrying values of the Clinic's deposits were \$662,2352 and \$820,072, respectively. In the prior year, the Board of Directors had designated \$200,000 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, 2013 and 2012

**NOTE E – CASH AND CASH EQUIVALENTS – Continued**

	<b>2013</b>		<b>2012</b>	
	<u>Citizens Bank</u>		<u>Citizens Bank</u>	
Cash and Cash Equivalents	\$	662,235	\$	820,072
Reconciling Items		<u>9,713</u>		<u>6,551</u>
Total on Deposit		671,948		826,623
Less FDIC Coverage		<u>(250,000)</u>		<u>(250,000)</u>
Amount to be Collateralized		421,948		576,623
50% Collateral Requirement	\$		\$	288,312
Securities Pledged by the Financial Institution Held by their Trust Department		<u>(638,430)</u>	<u>(638,430)</u>	<u>(854,392)</u>
		<u>(638,430)</u>		<u>(854,392)</u>
Under (Over) Collateralized	\$	<u>(216,482)</u>	\$	<u>(427,456)</u>
		<u>(216,482)</u>	\$	<u>(277,769)</u>
		<u>(216,482)</u>	\$	<u>(566,081)</u>

**NOTE F – RECEIVABLES**

Patient accounts receivables and other receivable reported as current assets by the Clinic at June 30, 2013 and 2012 consists of the following amounts:

	<b>2013</b>		<b>2012</b>	
Medicare Receivables	\$	51,648	\$	68,335
Medicaid Receivables		61,725		57,784
Self Pay and Other Receivables		<u>143,552</u>		<u>126,151</u>
Total Gross Patient Receivables		256,925		252,270
Allowance for Doubtful Accounts		(18,134)		(18,768)
Allowance for Contractual Adjustments		<u>(57,853)</u>		<u>(57,853)</u>
Patient Accounts Receivable - Net	\$	<u>180,938</u>	\$	<u>175,649</u>

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, 2013 and 2012, 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, 2013 and 2012

**NOTE F – 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>2013</u>	<u>2012</u>
Medicare	20%	27%
Medicaid	24%	23%
Self Pay and Other	<u>56%</u>	<u>50%</u>
	<u>100%</u>	<u>100%</u>

The Clinic also reported the following receivables under grant agreements and awards as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
U.S. Department of Health and Human Services	\$ 49,675	\$ 39,793
State of New Mexico Rural Primary Health Association	28,000	14,000
Other	<u>19,816</u>	<u>2,362</u>
<b>Total Grant Receivables</b>	<u>\$ 97,491</u>	<u>\$ 56,155</u>

The Clinic's outstanding property tax receivable as of June 30, 2013 and 2012 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, 2013 and 2012

**NOTE G – CAPITAL ASSETS**

Capital asset activity consists of the following at June 30, 2013 and 2012:

	Balance 6/30/11	Increases	Decreases	Balance 6/30/12	Increases	Decreases	Balance 6/30/13
Leasehold Improvements	\$ 477,475	\$ 5,250	\$ -	\$ 482,725	\$ 3,108	\$ -	\$ 485,833
Medical Equipment	405,928	3,038	-	408,966	-	-	408,966
Dental Equipment	130,126	6,884	-	137,010	50,000	-	187,010
Office Equipment	90,432	-	-	90,432	24,406	-	114,838
Maintenance Equipment	13,188	-	-	13,188	-	-	13,188
<b>Total Depreciable Assets</b>	<b>1,117,149</b>	<b>15,172</b>	<b>-</b>	<b>1,132,321</b>	<b>77,514</b>	<b>-</b>	<b>1,209,835</b>
<b>Less Accumulated Depreciation</b>							
Leasehold Improvements	(113,188)	(33,186)	-	(146,374)	(33,534)	-	(179,908)
Medical Equipment	(265,339)	(47,342)	-	(312,681)	(38,822)	-	(351,503)
Dental Equipment	(130,124)	(1,143)	-	(131,267)	(5,103)	-	(136,370)
Office Equipment	(70,735)	(4,213)	-	(74,948)	(7,373)	-	(82,321)
Maintenance Equipment	(9,440)	(948)	-	(10,388)	(945)	-	(11,333)
<b>Total Accumulated Depreciation</b>	<b>(588,826)</b>	<b>(86,832)</b>	<b>-</b>	<b>(675,658)</b>	<b>(85,777)</b>	<b>-</b>	<b>(761,435)</b>
<b>Net Capital Assets</b>	<b>\$ 528,323</b>	<b>\$ (71,660)</b>	<b>\$ -</b>	<b>\$ 456,663</b>	<b>\$ (8,263)</b>	<b>\$ -</b>	<b>\$ 448,400</b>

Depreciation was \$85,777 and \$86,832 for the years ended June 30, 2013 and 2012, 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, 2013 and 2012

**NOTE H – 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, 2013 and 2012 is detailed below.

	<u>Balance</u> <u>6/30/11</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/13</u>
Compensated Absences	<u>\$ 51,419</u>	<u>\$ 89,568</u>	<u>\$ (107,928)</u>	<u>\$ 33,059</u>	<u>\$ 102,012</u>	<u>\$ (102,646)</u>	<u>\$ 32,425</u>

**NOTE I – 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](http://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:	
2013	\$ 132,939
2012	123,716
2011	121,100
2010	93,983
2009	81,748
2008	75,640

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, 2013 and 2012

**NOTE J – GRANT REVENUE CONCENTRATIONS**

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

	<u>2013</u>	<u>Percent</u>	<u>2012</u>	<u>Percent</u>
U.S. Department of Health and Human Services	\$ 646,110	70%	\$ 625,924	68%
State of New Mexico Rural Primary Health Association	193,500	21%	181,000	20%
Other	<u>88,165</u>	<u>10%</u>	<u>115,869</u>	<u>13%</u>
 Total Grant Revenue	 <u>\$ 927,775</u>	 <u>100%</u>	 <u>\$ 922,793</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 K – COMMITMENTS**

The Clinic is committed under an operating lease for the Clinic's facility expiring June 30, 2013, which renews annually with De Baca County. The Clinic paid \$13,200 for the fiscal years ended June 30, 2013 and 2012, respectively, for clinic building rental. 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.

During the fiscal year 2013, the Clinic entered into a lease agreement with Guadalupe County, New Mexico for real estate for the purpose of providing dental services in Santa Rosa, New Mexico. The Clinic paid \$3,600 for the fiscal year ended June 30, 2013. The term of the lease is 60 months.

Amounts due under the above leases for future fiscal years are as follows:

Year Ending June 30,	
2014	\$ 34,800
2015	21,600
2016	21,600
2017	21,600
2018	<u>18,000</u>
Total	<u>\$ 117,600</u>

**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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>				
Net Patient Service Revenue	\$ 1,385,365	\$ 1,315,355	\$ 1,242,356	\$ (72,999)
Operating Agreements	789,610	839,610	839,610	-
School Clinic	52,500	52,500	52,500	-
Miscellaneous	25,000	29,324	18,921	(10,403)
Medical Records Fees	-	-	1,421	1,421
<b>Total Operating Revenue</b>	<b>2,252,475</b>	<b>2,236,789</b>	<b>2,154,808</b>	<b>(81,981)</b>
<b>OPERATING EXPENSES</b>				
<b>Current</b>				
Medical	769,650	788,000	710,064	77,936
School-Based Health Clinic	84,500	63,300	63,232	68
Mental Health	101,725	102,160	99,952	2,208
Dental	479,400	601,600	533,198	68,402
Laboratory and Radiology	238,000	205,950	209,497	(3,547)
Pharmacy	7,000	3,500	6,007	(2,507)
Facility	167,000	157,160	161,278	(4,118)
Administration	607,000	638,650	715,672	(77,022)
Capital Outlay	37,500	11,800	77,514	(65,714)
<b>Total Operating Expenses</b>	<b>2,491,775</b>	<b>2,572,120</b>	<b>2,576,414</b>	<b>(4,294)</b>
<b>Operating Loss</b>	<b>(239,300)</b>	<b>(335,331)</b>	<b>(421,606)</b>	<b>(86,275)</b>
<b>NON-OPERATING REVENUES</b>				
Ad Valorem Taxes	220,000	242,059	242,059	-
Interest Income	5,000	5,272	5,520	248
Non-Capital Grants and Contributions	14,300	38,000	38,165	165
<b>Total Non-Operating Revenues</b>	<b>239,300</b>	<b>285,331</b>	<b>285,744</b>	<b>413</b>
<b>Excess (Deficiency) of Revenues Over Expenses Before Capital Grants and Contributions</b>	<b>-</b>	<b>(50,000)</b>	<b>(135,862)</b>	<b>(85,862)</b>
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>				
<b>Increase in Net Assets</b>	<b>-</b>	<b>-</b>	<b>(85,862)</b>	<b>(85,862)</b>
<b>Net Assets at Beginning of Year</b>	<b>1,380,966</b>	<b>1,380,966</b>	<b>1,380,966</b>	<b>-</b>
<b>Net Assets at End of Year</b>	<b>\$ 1,380,966</b>	<b>\$ 1,380,966</b>	<b>\$ 1,295,104</b>	<b>\$ (85,862)</b>
<b>Reconciliation of Budgetary Basis Net Assets to GAAP Basis Net Assets</b>				
Net Assets - Budgetary Basis			\$ 1,295,104	
Capital Assets are expensed in the budget but are capitalized and depreciated for financial statement purposes			77,514	
Depreciation is an estimation of capital asset usage during the year and is not a budgetary item			(85,777)	
<b>Net Assets at End of Year</b>			<b>\$ 1,286,841</b>	



## **SUPPORTING SCHEDULES**

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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, 2013 and 2012

Name of Depository	Account Type	Bank Balance June 30, 2013	Net Reconciling Items	Reconciled Balance June 30, 2013
Citizens Bank of Clovis	Interest Checking	\$ 671,948	\$ (9,713)	\$ 662,235
Citizens Bank of Clovis	Certificates of Deposit	-	-	-
		<u>\$ 671,948</u>	<u>\$ (9,713)</u>	<u>\$ 662,235</u>

Reconciliation to Basic Financial Statements

Total Clinic Cash

Cash and Cash Equivalents	\$ 662,235	
Board Designated Cash and Cash Equivalents	<u>-</u>	<u>\$ 662,235</u>

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

Total Clinic Cash

Cash and Cash Equivalents	\$ 620,072	
Board Designated Cash and Cash Equivalents	<u>200,000</u>	<u>\$ 820,072</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, 2013 and 2012

<u>Name of Depository</u>	<u>Pledged Collateral</u>	<u>Name and Location of Custodian</u>	<u>Fair Market Value June 30, 2013</u>
Citizens Bank of Clovis	GNMA II Pool # 4540 Matures 9/20/2039	Texas Independent Bankers Dallas, TX	\$ 575,112
Citizens Bank of Clovis	GNMA II Pool # 80729 Matures 8/20/2033	Texas Independent Bankers Dallas, TX	<u>63,318</u>
			<u>\$ 638,430</u>

<u>Name of Depository</u>	<u>Pledged Collateral</u>	<u>Name and Location of Custodian</u>	<u>Fair Market Value June 30, 2012</u>
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>

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, 2013 and 2012

	2013	2012
<b>ROUTINE SERVICES</b>		
Medical Services	\$ 1,211,195	\$ 1,197,430
Dental Services	501,376	502,778
Mental Health Services	118,948	104,546
School-Based Health Clinic	<u>65,620</u>	<u>57,213</u>
	1,897,139	1,861,967
<b>DEDUCTIONS FROM REVENUES</b>		
Contractual Allowances		
Medical Services	480,492	461,582
Dental Services	143,577	130,450
Mental Health Services	1,447	20,304
School-Based Health Clinic	15,997	12,448
Charity Care Allowances	3,117	2,119
Allowance for Doubtful Accounts	<u>10,153</u>	<u>38,049</u>
	<u>654,783</u>	<u>664,952</u>
<b>Net Patient Service Revenue</b>	<u>\$ 1,242,356</u>	<u>\$ 1,197,015</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, 2013 and 2012

	2013	2012
<b>ROUTINE SERVICES</b>		
Medical Services	\$ 710,064	\$ 666,127
School Based Health Clinic	63,232	62,982
Mental Health Services	99,952	102,505
Dental Services	<u>533,198</u>	<u>478,966</u>
	1,406,446	1,310,580
<b>SPECIAL SERVICES</b>		
Laboratory and Radiology	209,497	238,670
Pharmacy	<u>6,007</u>	<u>5,415</u>
	215,504	244,085
<b>FACILITY AND PROPERTY</b>	161,278	173,895
<b>ADMINISTRATIVE AND GENERAL</b>	715,672	620,080
<b>DEPRECIATION</b>	<u>85,777</u>	<u>86,832</u>
	<u>\$ 2,584,677</u>	<u>\$ 2,435,472</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, 2013

	<u>Medical</u>	<u>School-Based Health Clinic</u>	<u>Mental Health</u>	<u>Dental</u>
Salaries	\$ 501,932	\$ 48,415	\$ 79,944	\$ 360,358
Employee Benefits				
Payroll Taxes	37,512	-	7,681	24,117
Retirement	48,937	-	8,716	30,472
Health Insurance and Workers Compensation	<u>28,284</u>	<u>-</u>	<u>3,173</u>	<u>21,656</u>
<b>Total Salaries and Related Expenses</b>	<b>616,665</b>	<b>48,415</b>	<b>99,514</b>	<b>436,603</b>
Contractual Services	59,108	-	-	31,892
Supplies	30,467	1,703	438	41,038
Insurance	-	-	-	-
Continuing Education and Training	3,824	1,634	-	11,817
Postage and Shipping	-	-	-	-
Advertising	-	-	-	-
Dues, Fees and Licenses	-	-	-	-
Professional Fees	-	-	-	-
Occupancy	-	11,480	-	11,848
Noncapital Equipment	-	-	-	-
Grant Expenses	-	-	-	-
Other	-	-	-	-
<b>Totals</b>	<b><u>\$ 710,064</u></b>	<b><u>\$ 63,232</u></b>	<b><u>\$ 99,952</u></b>	<b><u>\$ 533,198</u></b>

<u>Laboratory and Radiology</u>	<u>Pharmacy</u>	<u>Facility</u>	<u>Administrative</u>	<u>Total</u>
\$ 91,794	\$ 5,701	\$ 53,323	\$ 435,696	\$ 1,577,163
8,202	306	4,404	30,795	113,017
8,961	-	2,667	33,185	132,938
10,769	-	-	38,038	101,920
119,726	6,007	60,394	537,714	1,925,038
-	-	-	-	-
16,917	-	3,957	48,702	160,576
70,927	-	5,400	27,716	177,689
-	-	12,322	-	12,322
695	-	-	27,137	45,107
-	-	-	7,963	7,963
-	-	-	4,403	4,403
-	-	-	10,213	10,213
-	-	-	29,441	29,441
1,232	-	79,205	7,620	111,385
-	-	-	11,274	11,274
-	-	-	269	269
-	-	-	3,220	3,220
<u>\$ 209,497</u>	<u>\$ 6,007</u>	<u>\$ 161,278</u>	<u>\$ 715,672</u>	<u>\$ 2,498,900</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
<b>Total Salaries and Related Expenses</b>	<b>565,752</b>	<b>47,094</b>	<b>99,715</b>	<b>404,080</b>
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	-	-	-	-
<b>Totals</b>	<b>\$ 666,127</b>	<b>\$ 62,982</b>	<b>\$ 102,505</b>	<b>\$ 478,966</b>

<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>

## **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, 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 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, 2013, and the related notes to the financial statements, which collectively comprise the Clinic's basic financial statements, and have issued our report thereon dated November 14, 2013.

**Internal Control Over Financial Reporting**

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

### **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 the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and Section 12-6-5 NMSA 1978: 2013-1, 2013-2 and 2013-3.

### **De Baca Family Practice Clinic, Inc.'s Response to Findings**

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 the Clinic's response and, accordingly, we express no opinion on it.

### **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 result of that testing, and not to provide an opinion on the effectiveness of the Clinic'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 Clinic's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*J W Anderson & Associates, PC*

JW Anderson & Associates, PC  
Certified Public Accountants  
Lubbock, Texas  
November 14, 2013

**JW ANDERSON & ASSOCIATES, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS REQUIRED BY 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

**Report on Compliance for Each Major Federal Program**

We have audited De Baca Family Practice Clinic, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Clinic's major federal programs for the year ended June 30, 2013. De Baca Family Practice Clinic, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of De Baca Family Practice Clinic, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB 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 Clinic'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 on compliance for each major federal program. However, our audit does not provide a legal determination of De Baca Family Practice Clinic, Inc.'s compliance.

***Opinion on Each Major Federal Program***

In our opinion, De Baca Family Practice Clinic, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

Management of the Clinic is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Clinic's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB 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.

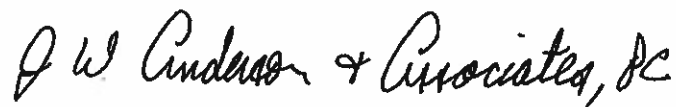
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the De Baca Family Practice Clinic, Inc. as of and for the year ended June 30, 2013, and have issued our report thereon dated November 14, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



JW ANDERSON & ASSOCIATES, PC  
A Professional Corporation  
Lubbock, Texas  
November 14, 2013

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, 2013

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	\$ 646,110
<b>Total Federal Financial Assistance</b>		<b>\$ 646,110</b>

\* 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, 2013

**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, 2013

**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:**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
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, 2013

**Section II – Financial Statement Findings**

Findings 2013-1, 2013-2, and 2013-3

**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, 2013

**Prior Year**

2011-2 - Segregation of Duties - Significant Deficiency

Resolved

**Current Year**

**2013-1 - Submission of Audit Contract and Recommendation**

**CONDITION** - Per 2.2.2.8(G)(6)(c) NMAC Audit Rule, the Clinic did not meet the deadline for submission of the audit contract and recommendation by the deadline for the fiscal year ending 2013.

**CRITERIA** - 2.2.2.8(G)(6)(c) NMAC Audit Rule requires that the audit contract and recommendation be submitted to the Office of the State Auditor by May 1<sup>st</sup>.

**CAUSE** - The audit contract and recommendation was prepared on May 30, 2013 by client personnel.

**EFFECT** - Preparation of the audit contract and recommendation on May 30, 2013 caused the submission to arrive late to the Office of the State Auditor.

**RECOMMENDATION** - We recommend the Clinic management personnel prepare the audit contract and recommendation in April of each fiscal year to allow enough time to deliver to the Office of the State Auditor by the due date of May 1st.

**MANAGEMENT'S RESPONSE** - The Clinic's management was diligent about submitting the audit contract in April of 2013 but failed to send the submission with a return receipt request. The SAO has no record of receiving the first submission. Clinic management will prepare and submit the audit contract and recommendation by the deadline for upcoming fiscal years and all such submissions will be sent with a return receipt request.

**2013-2 Late Submission of Audit Report**

**CONDITION** - The audit report for the fiscal year ended June 30, 2013 was not submitted by the New Mexico State deadline.

**CRITERIA** - New Mexico State Auditor Rule 2.2.2.9A (1) requires audit reports for the Clinic to be submitted by November 15<sup>th</sup> following the end of the fiscal year.

**CAUSE** - The initial report was rejected by the SAO.

**EFFECT** - The Clinic is out of compliance with New Mexico State Auditor Rule 2.2.2.9A (1).

**RECOMMENDATION** - We recommend the Clinic be proactive in the audit report preparation by maintaining communications with the auditor and the State Auditor regarding progress of the audit.

**MANAGEMENT'S RESPONSE** - The Clinic's management and the auditor were diligent in submitting the report by the deadline to the SAO. Since the initial report was rejected by the SAO, the report was considered late once submitted with the necessary changes. Clinic management will work to submit the report by the deadline for upcoming fiscal years and all such submissions will be sent with a return receipt request.

DE BACA FAMILY PRACTICE CLINIC, INC.  
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES - CONTINUED  
June 30, 2013

**Current Year - Continued**

**2013-3 Exceeded Budgetary Authority**

**CONDITION** - The Clinic exceeded budgetary authority at the fund level by \$4,294.

**CRITERIA** - Section 6-6-6 NMSA 1978 restricts local governmental entities from expending above the approved budget.

**CAUSE** - A comparison of the budget to actual expenditures near the end of the fiscal year did not factor any potential audit entries which may affect expenditures into the final budget adjustment.

**EFFECT** - Without periodic budget to actual expenditure review, expenses may be exceeding the amount authorized by the Board of Directors or significant expense misclassifications may be overlooked.

**RECOMMENDATION** - We recommend the final review of the budget for the fiscal year be performed so as to accommodate any potential year end adjustments which might cause the budget to be exceeded.

**MANAGEMENT'S RESPONSE** - The Clinic's revenues and expenses are compared to the actual results on a quarterly basis, and the budget is adjusted accordingly. Although the Clinic tries to include all necessary year-end adjustments before the final budget comparison, the audit may adjust line item expenditures not adjusted during the year end closing process. We will evaluate our budget comparison and closing processes during the next fiscal year to determine whether additional expenditures need to be budgeted to include the potential audit adjustments.

DE BACA FAMILY PRACTICE CLINIC, INC.  
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO  
EXIT CONFERENCE  
June 30, 2013

The contents of this report were discussed with the De Baca Family Practice Clinic representatives on September 10, 2013. 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  
Larry Williamson, Board Member  
Vincent Stallard, Board Member  
Randie Hatley, CPA, Accountant

J.W. Anderson & Associates, PC

Larry Anderson, CPA, President

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, INCLUDING THOSE  
OVERSEEING THE FINANCIAL REPORTING PROCESS**

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, 2013, and have issued our report thereon dated November 14, 2013. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated May 29, 2013, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its 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 De Baca Family Practice Clinic, Inc., a Component Unit of De Baca County, State of New Mexico 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 other matters noted during our audit in a separate letter to you dated November 14, 2013.

### **Planned Scope and Timing of the Audit**

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

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

### **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 the fiscal year. 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. There were no 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.



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 14, 2013.

#### **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.

#### **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.

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.

*J W Anderson & Associates, PC*

JW Anderson & Associates, PC  
Certified Public Accountants  
Lubbock, Texas  
November 14, 2013

