

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, 2015 AND 2014

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, 2015

<u>Name</u>	<u>Title</u>
<i>Board of Directors</i>	
Charlie West	President
Beverly Overton	Vice-President
Randel Mansell	Secretary
Adolfo Lucero	Director
Norma Head	Director
Selestino Joe Lovato	Director
Vincent Stallard	Director
Joe Steele	Director
Ellen Vaughan	Director
Marie Dickerman	Director
Larry Williamson	Director
Mike Romero	Director
Lisa Walraven	Ex- Officio Director

Clinic Officials

Lisa Walraven	Chief Executive Officer
Susan Vick	Chief Financial Officer

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Tim Keller
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, 2015 and 2014, and the related statements of operations and changes in net assets 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.

Basis for Qualified Opinion

As discussed in Note I, the Clinic participates in the Public Employees Retirement Fund (PERA Fund), a cost-sharing, multiple employer defined benefit pension plan. We were unable to obtain sufficient appropriate audit evidence to support a calculation of a pension liability for the fiscal years ended June 30, 2015 and 2014. Consequently, we were unable to determine whether any adjustments to the amounts included in the financial statements are necessary. Also, we were unable to obtain sufficient information for the required disclosures as required under generally accepted accounting principles in the United States of America.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

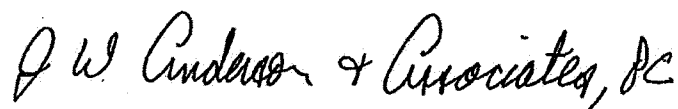
In 2015, the Clinic elected to change the presentation to guidance from the Financial Accounting Standards Board (FASB). In the past, the Clinic used guidance from the Governmental Accounting Standards Board (GASB). Our opinion is not modified with respect to this matter.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information as listed in the table of contents and schedule of expenditures of federal awards are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of New Mexico 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.

Other Report Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 25, 2016 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.



JW Anderson & Associates, PC
Certified Public Accountants
Lubbock, Texas
January 25, 2016

BASIC FINANCIAL STATEMENTS

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY,
STATE OF NEW MEXICO
BALANCE SHEETS
June 30, 2015 and 2014

ASSETS	2015	2014
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 755,048	\$ 666,914
Patients Accounts Receivable, Less Allowance for Doubtful Accounts (2015 - \$19,493; 2014 - \$26,876)	145,569	181,096
Grants Receivable	75,870	79,313
Due from Health Insurance Programs	<u>-</u>	<u>6,000</u>
Total Current Assets	976,487	933,323
PROPERTY AND EQUIPMENT, NET	<u>334,674</u>	<u>417,000</u>
TOTAL ASSETS	<u>\$ 1,311,161</u>	<u>\$ 1,350,323</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 31,292	\$ 14,776
Accrued Salaries	86,124	75,029
Payroll Taxes Payable	11,001	12,820
Compensated Absences	<u>30,331</u>	<u>35,062</u>
Total Liabilities	158,748	137,687
NET ASSETS		
Unrestricted	<u>1,152,413</u>	<u>1,212,636</u>
Total Net Assets	<u>1,152,413</u>	<u>1,212,636</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,311,161</u>	<u>\$ 1,350,323</u>

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY,
STATE OF NEW MEXICO
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
Years Ended June 30, 2015 and 2014

	2015	2014
UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT		
Net Patient Service Revenue	\$ 1,507,225	\$ 1,564,077
Operating Agreements	1,080,623	906,140
School Clinic	52,500	52,500
Other Grants and Contributions	8,947	140,045
Ad Valorem Taxes, Net	258,211	252,771
Interest Income	3,477	4,283
Medical Records Fees	1,021	898
Miscellaneous	37,330	35,164
	<hr/>	<hr/>
Total Unrestricted Revenues, Gains and Other Support	2,949,334	2,955,878
OPERATING EXPENSES		
Routine Services	1,720,289	1,772,260
Special Services	212,166	204,032
Facility and Property	186,270	186,955
Administrative and General	808,506	770,596
Depreciation	82,326	96,240
	<hr/>	<hr/>
Total Operating Expenses	3,009,557	3,030,083
Change in Net Assets	(60,223)	(74,205)
Net Assets at Beginning of Year	1,212,636	1,286,841
	<hr/>	<hr/>
Net Assets at End of Year	\$ 1,152,413	\$ 1,212,636
	<hr/>	<hr/>

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, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
Change in Net Assets	\$ (60,223)	\$ (74,205)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	82,326	96,240
Changes in		
Patients Accounts Receivable	35,527	(158)
Grant Receivables	3,443	18,178
Due from Health Insurance Programs	6,000	(2,500)
Accounts Payable	16,516	7,540
Accrued Salaries	11,095	13,703
Payroll Taxes Payable	(1,819)	8,084
Compensated Absences	(4,731)	2,637
Net Cash Provided By Operating Activities	<u>88,134</u>	<u>69,519</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	-	(64,840)
Net Cash Used By Investing Activities	<u>-</u>	<u>(64,840)</u>
Net Increase in Cash and Cash Equivalents	88,134	4,679
Cash and Cash Equivalents at Beginning of Year	666,914	662,235
Cash and Cash Equivalents at End of Year	<u>\$ 755,048</u>	<u>\$ 666,914</u>

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

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 twelve (12) 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.

Basis of Accounting - The Clinic prepares its financial statements on the accrual basis of accounting where revenues are recognized when earned and expenditures when incurred.

Basis of Presentation - Financial statement presentation follows the requirements of FASB ASC 958, Financial Statements of Not-for-Profit Organizations, formerly SFAS No. 117. Under this standard, the Clinic is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The Codification requires the Clinic to report gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, restricted assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

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.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2015 and 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Cash Equivalents - 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.

Allowance for Doubtful Accounts - The Clinic provides allowances for doubtful accounts equal to the estimated collection losses potentially incurred in collection of all receivables. The estimated losses are based on historical collection experience coupled with review of the current status of the existing receivables.

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.

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.

Property and Equipment - Property and equipment, 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 property and equipment is 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 property and equipment are capitalized as projects are constructed. Interest incurred during the construction phase of those assets is included as part of the capitalized value of the assets constructed. No interest expense was incurred during the years ended June 30, 2015 and 2014.

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

Assets	Years
Leasehold improvements	10 - 15
Medical equipment	5 - 7
Office equipment	5 - 7
Maintenance equipment	7 - 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, 2015 and 2014

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 property and equipment) 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.

Change in Net Assets - The statements of operations and changes in net assets includes the determination of the increase or decrease in net assets. The Clinic considers all of its health care and related activities to be part of normal operations and considers this line item to be the performance indicator.

Income Taxes - The Clinic is a not-for-profit corporation as described in Section 501 of the Internal Revenue Code and is exempt from federal income taxes.

Compensated Absences – The Clinic accrues, for its employees, vacation benefits as they are earned.

Temporarily and Permanently Restricted Net Assets - Temporarily restricted net assets are those whose use by the Clinic has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Clinic in perpetuity.

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 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

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

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.

ASU 2010-23 requires charity care to be disclosed on a cost basis. The Clinic utilizes the cost to charge ratios, as calculated based on the most recent cost report filed with the intermediary, to determine the total cost of the charity care. The District’s cost of providing charity care was \$2,381 and \$4,408 for the years ended June 30, 2015 and 2014, 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, 2015 and 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

Allocation of Expenses – The Clinic uses advertising to promote its programs among the audience it serves. The costs of advertising are expensed when incurred.

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 January 25, 2016, the date the financial statements were available to be issued.

Fair Value Measurement - FASB ASC 820-10-50-1 defines fair value, establishes a framework for using fair value to measure assets and liabilities, and expands disclosures about fair value measurements. This statement establishes a hierarchy that prioritizes the methods used to measure fair value such that the highest priority is given to unadjusted quoted prices in active markets for identical assets (Level 1). Second priority is for quoted prices for similar assets in active or inactive markets, or valuations from other sources than quoted prices or other market data that can be observed, correlated or corroborated (Level 2), and the lowest priority to unobservable methods (Level 3).

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations - For the year ended June 30, 2014, the Clinic exceeded budgetary authority by \$19,533. The Clinic did not exceed budgetary authority for the year ended June 30, 2015.

Fund Net Assets - For the years ended June 30, 2015 and 2014, 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.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2015 and 2014

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, 2015 and 2014 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, 2015.

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, 2015 and 2014, 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.

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, 2015 and 2014, 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.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2015 and 2014

NOTE E – CASH AND CASH EQUIVALENTS - Continued

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Clinic'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 \$769,362 and \$677,401 at June 30, 2015 and 2014, respectively, consists of interest-bearing checking accounts. Of these balances, \$250,000 and \$250,000 is covered by federal depository insurance, respectively, and \$519,362 and \$427,401 was covered by collateral held in joint safekeeping by a third party for each year end, respectively. As of June 30, 2015 and 2014, 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, 2015 and 2014, the carrying values of the Clinic's deposits were \$755,048 and \$666,914, respectively. The schedule listed below discloses requirements on reporting the insured and uninsured portions of the Clinic's deposits regarding custodial credit risk.

	2015		2014	
	<u>Citizens Bank</u>		<u>Citizens Bank</u>	
Cash and Cash Equivalents	\$ 755,048		\$ 666,914	
Reconciling Items	<u>14,314</u>		<u>10,487</u>	
Total on Deposit	769,362		677,401	
Less FDIC Coverage	<u>(250,000)</u>		<u>(250,000)</u>	
Amount to be Collateralized	519,362		427,401	
50% Collateral Requirement		\$ 259,681		\$ 213,701
Securities Pledged by the Financial Institution Held by their Trust Department	<u>(1,131,976)</u>	<u>(1,131,976)</u>	<u>(1,436,707)</u>	<u>(1,436,707)</u>
Under (Over) Collateralized	<u>\$ (612,614)</u>	<u>\$ (872,295)</u>	<u>\$ (1,009,306)</u>	<u>\$ (1,223,007)</u>

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2015 and 2014

NOTE F – RECEIVABLES

Patient accounts receivables and other receivable reported as current assets by the Clinic at June 30, 2015 and 2014 consists of the following amounts:

	<u>2015</u>	<u>2014</u>
Medicare Receivables	\$ 63,044	\$ 39,174
Medicaid Receivables	67,155	117,056
Self Pay and Other Receivables	<u>92,715</u>	<u>109,595</u>
Total Gross Patient Receivables	222,914	265,825
Allowance for Doubtful Accounts	(19,493)	(26,876)
Allowance for Contractual Adjustments	<u>(57,852)</u>	<u>(57,853)</u>
Patient Accounts Receivable - Net	<u>\$ 145,569</u>	<u>\$ 181,096</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, 2015 and 2014, respectively.

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>2015</u>	<u>2014</u>
Medicare	28%	15%
Medicaid	30%	44%
Self Pay and Other	<u>42%</u>	<u>41%</u>
	<u>100%</u>	<u>100%</u>

The Clinic also reported the following receivables under grant agreements and awards as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
U.S. Department of Health and Human Services	\$ 59,220	\$ 49,709
State of New Mexico Rural Primary Health Association	14,000	14,000
Other	<u>2,650</u>	<u>15,604</u>
Total Grant Receivables	<u>\$ 75,870</u>	<u>\$ 79,313</u>

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2015 and 2014

NOTE F – RECEIVABLES - Continued

The Clinic's outstanding property tax receivable from the County as of June 30, 2015 and 2014 has been fully reserved as uncollectible.

NOTE G – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2015 and 2014:

	Balance 6/30/13	Increases	Decreases	Balance 6/30/14	Increases	Decreases	Balance 6/30/15
Leasehold Improvements	\$ 485,833	\$ -	\$ -	\$ 485,833	\$ -	\$ -	\$ 485,833
Medical Equipment	408,966	-	-	408,966	-	-	408,966
Dental Equipment	187,010	57,234	-	244,244	-	-	244,244
Office Equipment	114,838	7,606	-	122,444	-	-	122,444
Maintenance Equipment	13,188	-	-	13,188	-	-	13,188
Total Depreciable Assets	1,209,835	64,840	-	1,274,675	-	-	1,274,675
Less Accumulated Depreciation							
Leasehold Improvements	(179,908)	(32,417)	-	(212,325)	(31,969)	-	(244,294)
Medical Equipment	(351,503)	(35,044)	-	(386,547)	(19,120)	-	(405,667)
Dental Equipment	(136,370)	(18,778)	-	(155,148)	(20,008)	-	(175,156)
Office Equipment	(82,321)	(9,057)	-	(91,378)	(10,375)	-	(101,753)
Maintenance Equipment	(11,333)	(944)	-	(12,277)	(854)	-	(13,131)
Total Accumulated Depreciation	(761,435)	(96,240)	-	(857,675)	(82,326)	-	(940,001)
Net Capital Assets	\$ 448,400	\$ (31,400)	\$ -	\$ 417,000	\$ (82,326)	\$ -	\$ 334,674

Depreciation was \$82,326 and \$96,240 for the years ended June 30, 2015 and 2014, 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, 2015 and 2014

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, 2015 and 2014 is detailed below.

	<u>Balance</u> <u>6/30/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/15</u>
Compensated Absences	<u>\$ 32,425</u>	<u>\$ 86,337</u>	<u>\$ (83,700)</u>	<u>\$ 35,062</u>	<u>\$ 58,201</u>	<u>\$ (62,932)</u>	<u>\$ 30,331</u>

NOTE I – PERA PENSION PLAN

Plan Description - The Clinic is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA) of New Mexico. The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://www.saonm.org/> using the Audit Report Search function for agency 366.

Benefits Provided - For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available online at <http://www.nmpera.org>.

Contributions - The contribution requirements of defined benefit plan members and the De Baca Family Practice Clinic, Inc. are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available online at <http://www.nmpera.org/for-employers/plan-information>. Statutorily required contributions to the pension plan from the De Baca Family Practice Clinic, Inc. were \$152,552 for the year ended June 30, 2015. Contributions to the pension plan were \$150,913 for the year ended June 30, 2014.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2015 and 2014

NOTE I – PERA PENSION PLAN - Continued

The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2014. The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. The De Baca Family Practice Clinic, Inc.’s proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

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).

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>2015</u>	<u>Percent</u>	<u>2014</u>	<u>Percent</u>
U.S. Department of Health and Human Services	\$ 874,358	77%	\$ 712,640	68%
State of New Mexico Rural Primary Health Association	193,500	17%	193,500	18%
Other	<u>74,212</u>	<u>6%</u>	<u>140,045</u>	<u>13%</u>
Total Grant Revenue	<u>\$ 1,142,070</u>	<u>100%</u>	<u>\$ 1,046,185</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.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2015 and 2014

NOTE K – COMMITMENTS

The Clinic is committed under an operating lease for the Clinic’s facility expiring June 30, 2015, which renews annually with De Baca County. The Clinic paid \$13,200 for the fiscal years ended June 30, 2015 and 2014, 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.

The Clinic is committed under 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 \$21,600 for the fiscal years ended June 30, 2015 and 2014, respectively. The term of the lease is 60 months.

The Clinic is committed under an agreement with Fort Sumner Schools for real estate for the purpose of providing school based services in Fort Sumner. The Clinic paid \$10,000 for the fiscal year ending June 30, 2015.

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

Year Ending June 30,	
2016	\$ 44,800
2017	21,600
2018	21,600
2019	<u>14,400</u>
Total	<u>\$ 102,400</u>

NOTE L – CHANGE IN PRESENTATION FRAMEWORK

During 2015, the Clinic changed its presentation framework from Governmental Accounting Standards Board (GASB) guidance to Financial Accounting Standards Board (FASB) guidance. The financial statements for 2014 have been changed to reflect the election to the financial statement framework under FASB. There was no change to the balances in the financial statements as part of this change.

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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT				
Net Patient Service Revenue	\$ 1,714,090	\$ 1,669,000	\$ 1,507,225	\$ (161,775)
Operating Agreements	902,552	1,102,221	1,080,623	(21,598)
School Clinic	52,500	52,500	52,500	-
Other Grants and Contributions	11,000	4,250	8,947	4,697
Ad Valorem Taxes	255,000	258,500	258,211	(289)
Interest Income	5,000	5,000	3,477	(1,523)
Medical Records Fees	-	-	1,021	1,021
Miscellaneous	35,670	37,229	37,330	101
Total Unrestricted Revenues, Gains and Other Support	2,975,812	3,128,700	2,949,334	(179,366)
OPERATING EXPENSES				
Current				
Medical	764,500	873,000	880,617	(7,617)
School-Based Health Clinic	140,500	136,500	131,789	4,711
Mental Health	120,500	90,700	83,837	6,863
Dental	733,550	664,000	624,046	39,954
Laboratory and Radiology	207,000	218,500	208,393	10,107
Pharmacy	-	-	3,773	(3,773)
Facility	160,500	199,500	186,270	13,230
Administration	754,262	838,500	808,506	29,994
Depreciation	85,000	98,000	82,326	15,674
Budgeted Technology Capital Outlay	10,000	10,000	11,104	(1,104)
Total Operating Expenses	2,975,812	3,128,700	3,020,661	108,039
Increase (Decrease) in Net Assets	-	-	(71,327)	(71,327)
Net Assets at Beginning of Year	1,212,636	1,212,636	1,212,636	-
Net Assets at End of Year	\$ 1,212,636	\$ 1,212,636	\$ 1,141,309	\$ (71,327)
Reconciliation of Budgetary Basis Net Assets to GAAP Basis Net Assets				
Net Assets - Budgetary Basis			\$ 1,141,309	
Capital Assets are expensed in the budget but are capitalized and depreciated for financial statement purposes			11,104	
Net Assets at End of Year			\$ 1,152,413	

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, 2015 and 2014

Name of Depository	Account Type	Bank Balance June 30, 2015	Net Reconciling Items	Reconciled Balance June 30, 2015
Citizens Bank of Clovis	Interest Checking	\$ 769,362	\$ (14,314)	\$ 755,048
		<u>\$ 769,362</u>	<u>\$ (14,314)</u>	<u>\$ 755,048</u>

Reconciliation to Basic Financial Statements

Total Clinic Cash

Cash and Cash Equivalents	\$ 755,048	
	<u> </u>	<u>\$ 755,048</u>

Name of Depository	Account Type	Bank Balance June 30, 2014	Net Reconciling Items	Reconciled Balance June 30, 2014
Citizens Bank of Clovis	Interest Checking	\$ 677,401	\$ (10,487)	\$ 666,914
		<u>\$ 677,401</u>	<u>\$ (10,487)</u>	<u>\$ 666,914</u>

Reconciliation to Basic Financial Statements

Total Clinic Cash

Cash and Cash Equivalents	\$ 666,914	
	<u> </u>	<u>\$ 666,914</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, 2015 and 2014

Name of Depository	Pledged Collateral	Name and Location of Custodian	Fair Market Value June 30, 2015
Citizens Bank of Clovis	GNMA II Pool # 4974 Matures 3/20/2026	The Independent Bankers AFS Dallas, TX	\$ 1,089,934
Citizens Bank of Clovis	GNMA II Pool # 80729 Matures 8/20/2033	Not Designated	42,010
Citizens Bank of Clovis	GNMA II Pool # 83061 Matures 3/20/2042	The Independent Bankers AFS Dallas, TX	32
			\$ 1,131,976

Name of Depository	Pledged Collateral	Name and Location of Custodian	Fair Market Value June 30, 2014
Citizens Bank of Clovis	GNMA II Pool # 4974 Matures 3/20/2026	The Independent Bankers AFS Dallas, TX	\$ 1,385,457
Citizens Bank of Clovis	GNMA II Pool # 83061 Matures 3/20/2042	The Independent Bankers AFS Dallas, TX	51,250
			\$ 1,436,707

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, 2015 and 2014

	2015	2014
ROUTINE SERVICES		
Medical Services	\$ 1,248,458	\$ 1,214,822
Dental Services	806,337	910,310
Mental Health Services	71,185	125,418
School-Based Health Clinic	<u>129,528</u>	<u>82,119</u>
	2,255,508	2,332,669
DEDUCTIONS FROM REVENUES		
Contractual Allowances		
Medical Services	418,633	458,533
Dental Services	313,548	253,866
Mental Health Services	(1,508)	69
School-Based Health Clinic	(9,421)	14,850
Charity Care Allowances	1,832	3,502
Allowance for Doubtful Accounts	<u>25,199</u>	<u>37,772</u>
	<u>748,283</u>	<u>768,592</u>
Net Patient Service Revenue	<u>\$ 1,507,225</u>	<u>\$ 1,564,077</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, 2015 and 2014

	2015	2014
ROUTINE SERVICES		
Medical Services	\$ 880,617	\$ 845,148
School Based Health Clinic	131,789	88,068
Mental Health Services	83,837	112,800
Dental Services	<u>624,046</u>	<u>726,244</u>
	1,720,289	1,772,260
SPECIAL SERVICES		
Laboratory and Radiology	208,393	200,348
Pharmacy	<u>3,773</u>	<u>3,684</u>
	212,166	204,032
FACILITY AND PROPERTY	186,270	186,955
ADMINISTRATIVE AND GENERAL	808,506	770,596
DEPRECIATION	<u>82,326</u>	<u>96,240</u>
	<u>\$ 3,009,557</u>	<u>\$ 3,030,083</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, 2015

	<u>Medical</u>	<u>School-Based Health Clinic</u>	<u>Mental Health</u>	<u>Dental</u>
Salaries	\$ 628,926	\$ 120,111	\$ 65,764	\$ 379,242
Employee Benefits				
Payroll Taxes	46,728	-	6,451	21,049
Retirement	59,186	-	7,737	31,004
Health Insurance and Workers Compensation	38,651	-	2,262	32,832
Total Salaries and Related Expenses	773,491	120,111	82,214	464,127
Contractual Services	56,552	-	765	45,771
Supplies	42,955	1,446	300	45,755
Insurance	-	-	-	-
Continuing Education and Training	5,326	2,330	65	5,967
Postage and Shipping	-	-	-	-
Advertising	-	-	-	2,316
Dues, Fees and Licenses	2,293	-	493	1,512
Professional Fees	-	-	-	776
Occupancy	-	7,902	-	57,822
Noncapital Equipment	-	-	-	-
Grant Expenses	-	-	-	-
Other	-	-	-	-
Totals	\$ 880,617	\$ 131,789	\$ 83,837	\$ 624,046

<u>Laboratory and Radiology</u>	<u>Pharmacy</u>	<u>Facility</u>	<u>Administrative</u>	<u>Total</u>
\$ 98,477	\$ 3,559	\$ 60,030	\$ 486,057	\$ 1,842,166
7,893	214	4,984	35,024	122,343
9,954	-	3,049	41,622	152,552
13,371	-	-	51,301	138,417
<u>129,695</u>	<u>3,773</u>	<u>68,063</u>	<u>614,004</u>	<u>2,255,478</u>
6,391	-	9,842	51,190	170,511
63,830	-	7,017	33,215	194,518
-	-	16,006	-	16,006
-	-	-	36,042	49,730
-	-	-	8,051	8,051
-	-	-	9,984	12,300
-	-	-	4,285	8,583
-	-	-	18,082	18,858
8,477	-	85,342	5,058	164,601
-	-	-	23,870	23,870
-	-	-	-	-
-	-	-	4,725	4,725
<u>\$ 208,393</u>	<u>\$ 3,773</u>	<u>\$ 186,270</u>	<u>\$ 808,506</u>	<u>\$ 2,927,231</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, 2014

	<u>Medical</u>	<u>School-Based Health Clinic</u>	<u>Mental Health</u>	<u>Dental</u>
Salaries	\$ 615,117	\$ 76,541	\$ 90,411	\$ 473,754
Employee Benefits				
Payroll Taxes	43,618	-	7,807	20,588
Retirement	57,840	-	8,901	37,196
Health Insurance and Workers Compensation	35,792	-	4,875	28,222
Total Salaries and Related Expenses	752,367	76,541	111,994	559,760
Contractual Services	60,565	-	604	46,026
Supplies	27,916	1,685	202	51,554
Insurance	-	-	-	-
Continuing Education and Training	4,300	1,919	-	9,714
Postage and Shipping	-	-	-	682
Advertising	-	-	-	2,772
Dues, Fees and Licenses	-	-	-	-
Professional Fees	-	-	-	3,515
Occupancy	-	7,923	-	52,221
Noncapital Equipment	-	-	-	-
Grant Expenses	-	-	-	-
Other	-	-	-	-
Totals	\$ 845,148	\$ 88,068	\$ 112,800	\$ 726,244

<u>Laboratory and Radiology</u>	<u>Pharmacy</u>	<u>Facility</u>	<u>Administrative</u>	<u>Total</u>
\$ 80,438	\$ 3,367	\$ 56,063	\$ 413,691	\$ 1,809,382
7,673	317	4,807	30,882	115,692
9,282	-	3,087	34,411	150,717
12,738	-	-	42,357	123,984
<u>110,131</u>	<u>3,684</u>	<u>63,957</u>	<u>521,341</u>	<u>2,199,775</u>
-	-	-	-	-
20,382	-	7,845	95,659	231,081
68,397	-	6,616	27,361	183,731
-	-	14,734	-	14,734
-	-	-	19,389	35,322
-	-	-	8,806	9,488
-	-	-	4,585	7,357
-	-	-	8,849	8,849
-	-	-	15,975	19,490
1,438	-	93,803	4,461	159,846
-	-	-	11,994	11,994
-	-	-	42,820	42,820
-	-	-	9,356	9,356
<u>\$ 200,348</u>	<u>\$ 3,684</u>	<u>\$ 186,955</u>	<u>\$ 770,596</u>	<u>\$ 2,933,843</u>

COMPLIANCE

**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***

Tim Keller
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, 2015, and the related notes to the financial statements, which collectively comprise the Clinic's basic financial statements, and have issued our report thereon dated January 25, 2016. As noted in our report, we were unable to obtain support for a calculation of a pension liability for the fiscal years ended June 30, 2015 and 2014. As a result, we issued a qualified opinion.

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

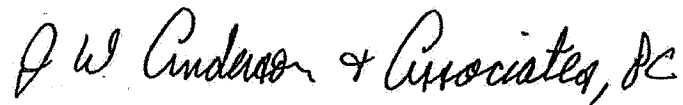
As part of obtaining reasonable assurance about whether the Clinic's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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: 2015-003.

Clinic's Response to Findings

The Clinic's response 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.



JW Anderson & Associates, PC
Certified Public Accountants
Lubbock, Texas
January 25, 2016

**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**

Tim Keller
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, 2015. 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, 2015.

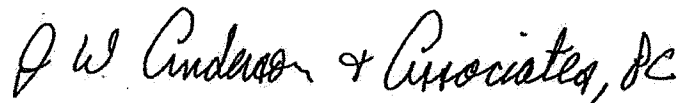
Report on Internal Control Over Compliance

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.



JW ANDERSON & ASSOCIATES, PC
A Professional Corporation
Lubbock, Texas
January 25, 2016

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, 2015

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	\$ 887,021
Total Federal Financial Assistance		\$ 887,021

* 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, 2015

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, 2015

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' reports issued:

Qualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

Type of auditors' report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____ Yes X 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?

 X 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, 2015

Section II – Financial Statement Findings

2015-001.

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, 2015

Prior Year

2013-003 - Exceeded Budgetary Authority - Other

Resolved

Current Year

2015-001 Late Submission of Audit Report

CONDITION - The audit report for the fiscal year ended June 30, 2015 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 October 15th 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 submit the audit report by October 15th of each fiscal year.

MANAGEMENT'S RESPONSE – The Clinic's management will work to submit the report by the deadline for upcoming fiscal years.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, STATE OF NEW MEXICO
EXIT CONFERENCE
June 30, 2015

The contents of this report were discussed with the De Baca Family Practice Clinic representatives on September 17, 2015. The following individuals attended the conference:

De Baca Family Practice Clinic

Lisa Walraven, CEO, Ex-officio Board Member
Susan Vick, Chief Financial Officer
Randall Mansell, Board Member
Ellen Vaughan, Board Member
Norma head, Board Member
Vincent Stallard, Board Member
Randie Hatley, CPA, Accountant

J.W. Anderson & Associates, PC

Larry Anderson, CPA, President
Jerry Hill, CPA, Vice-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.