

STATE OF NEW MEXICO
DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY,
STATE OF NEW MEXICO
AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016
INDEPENDENT AUDITORS' REPORT

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
FOR THE YEAR ENDED JUNE 30, 2016

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DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
FOR THE YEAR ENDED JUNE 30, 2016

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DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
BOARD OF DIRECTORS
FOR THE YEAR ENDED JUNE 30, 2016

Board of Directors

Randel Mansell	President
Charlie West	Vice-President
Beverly Overton	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
Barbara Perea-Sena	Director
Lisa Walraven	Ex-Officio Director

Other Officials

Lisa Walraven	Chief Executive Officer
Susan Vick	Chief Financial Officer



Beasley, Mitchell & Co.

Certified Public Accountants

Donald A. Beasley, CPA, Partner
Christine Wright, CPA, Partner
Beth Fant, EA, Partner
Brad Beasley, CPA, Partner

INDEPENDENT AUDITORS' REPORT

Mr. Timothy Keller
New Mexico State Auditor
To the Chairman and Board of Commissioners of
De Baca County, New Mexico and
The Chairman of 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 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the De Baca Family Practice Clinic, Inc.'s basic financial statements, as listed in the table of contents. We have also audited the budgetary comparison for the major proprietary fund presented as supplementary information as defined by the Governmental Accounting Standards Board, for the year ended June 30, 2016, as listed in the table contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of De Baca Family Practice Clinic, Inc., as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic 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. Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 37 - 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the De Baca Family Practice Clinic, Inc.'s basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of

federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Supporting Schedules on pages 51 through 53 required by 2.2.2 NMAC are presented for purposes of additional analysis and are also not a required part of the basic financial statements.

The schedule of expenditures of federal awards and the Supporting Schedules on pages 51 through 53 required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and Supporting Schedules on pages 51 through 53 required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and supporting schedule on page 44 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2016, on our consideration of the De Baca Family Practice Clinic, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the De Baca Family Practice Clinic, Inc.'s internal control over financial reporting and compliance.

Beasley Mitchell & Co LLP

Beasley, Mitchell & Co., LLP

Las Cruces, New Mexico

October 14, 2016

BASIC FINANCIAL STATEMENTS

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS AND DEFERRED OUTFLOWS

CURRENT ASSETS:

Cash and cash equivalents (note 3)	\$ 1,158,451
Patient account receivable, less allowance (\$ 85,045)(note 4)	108,997
Grants receivable (note 4)	114,762
Mill levy receivable	<u>15,941</u>
Total current assets	1,398,151

NON-CURRENT ASSETS:

Property and equipment net (note 5)	<u>305,216</u>
Total assets	<u>1,703,367</u>

Deferred outflows

Deferred outflows - contributions made subsequent to measurement date (note 6)	<u>167,296</u>
Total deferred outflows	<u>167,296</u>

Total assets and deferred outflows	<u>\$ 1,870,663</u>
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See accompanying notes to financial statements and independent auditors' report

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2016

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

CURRENT LIABILITIES:	
Accounts payable	\$ 34,873
Accrued salaries	86,117
Payroll taxes payable	17,687
Compensated absences	<u>43,842</u>
Total current liabilities	182,519
NON-CURRENT LIABILITIES:	
Net pension liability (note 6)	<u>1,965,763</u>
Total non-current liabilities	1,965,763
Deferred Inflows:	
Deferred inflows- change in assumption (note 6)	766
Deferred inflows- net difference between projected and actual investment earnings (note 6)	6,218
Deferred inflows - change in proportion and differences between employer contributions and proportionate share of contributions	61,951
Deferred inflows- investment experience	<u>43,543</u>
Total deferred inflows	<u>112,478</u>
Total liabilities and deferred inflows	2,260,760
NET POSITION	
Unrestricted	(695,313)
Net investment in capital assets	<u>305,216</u>
Total net position	<u>(390,097)</u>
Total liabilities, deferred inflows, and net position	<u>\$ 1,870,663</u>

See accompanying notes to financial statements and independent auditors' report

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

REVENUES:	
Net patient service revenue	\$ 1,792,636
Operating agreements - Federal	1,196,567
Operating agreements - State	253,611
School clinic	52,500
Other grants and contributions	-
Mill levy, net	281,840
Medical records and fees	61,182
Miscellaneous	<u>6,142</u>
Total revenues	3,644,478
EXPENDITURES:	
Routine services	1,847,142
Special services	224,061
Facility and property	206,352
Administrative and general	797,920
Depreciation	<u>68,336</u>
Total expenditures	<u>3,143,811</u>
Operating income	<u>500,667</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest income	2,813
Grants - other	<u>7,978</u>
Total other financing sources	10,791
Net changes in net position	511,458
Net position, beginning of year, as previously stated	1,152,413
Restatement (note 7)	<u>(2,053,968)</u>
Net position, beginning of year, as re-stated	<u>(901,555)</u>
Net position, end of year	<u>\$ (390,097)</u>

See accompanying notes to financial statements and independent auditors' report

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

Cash flows from operating activities:

Cash received from customers	\$ 802,582
Payments to employees for services	26,033
Payments to suppliers and contractors	<u>(397,125)</u>

Net cash provided by operating activities 431,490

Cash flows from capital activities and related financing activities:

Grant proceeds	7,978
Interest expense	2,813
Change in capital assets	<u>(38,878)</u>

Net cash used by in capital activities and related financing activities (28,087)

Net increase in cash and cash equivalents 403,403

Cash and cash equivalents - beginning 755,048

Cash and cash equivalents - ending \$ 1,158,451

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 500,667
Adjustments to operating income to net cash provided by operating activities:	
Depreciation	68,336
Restatement	(2,053,968)
Changes in net position and liabilities:	
Accounts receivables	(18,260)
Other assets	(167,296)
Accounts payable	3,580
Accrued expenses	6,679
Compensated absences	13,511
Other liabilities	<u>2,078,241</u>

Net cash provided by operating activities \$ 431,490

See accompanying notes to financial statements and independent auditors' report

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the De Baca Family Practice Clinic, Inc. (the "Clinic"), is presented to assist in understanding the Clinic's financial statements. The financial statements and notes are representations of the Clinic's management, who is responsible for their integrity and objectivity.

Reporting Entity - The De Baca Family Practice Clinic, Inc. (the "Clinic") a Component Unit of De Baca County, State of New Mexico, 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 a 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 under-served 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.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, formally 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. However as a component unit of De Baca County, the Clinic balances and transactions are reported in a manner similar to the balances and transactions of the primary government, De Baca County.

Net Position - The government-wide financial statements utilize a net position presentation. Net position are categorized as follows:

Net investment in capital assets - This category reflects the portion of net position that are associated with capital assets less outstanding capital asset related debt.

Restricted net position - Restricted net position result from the constraints placed on the use of net position when externally imposed by creditors, grantors, laws and regulations of other governments and imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This category reflects net position of the City, not restricted for any project or other purpose. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fund Balances - In the fund financial statements, governmental fund balances are classified as follows:

Nonspendable - fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes amounts to be held in perpetuity.

Restricted - Fund balance should be reported when constraints placed on the use of resources are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments;
or
- b. Imposed by law through constitutional provisions or enabling legislation. Enabling legislation, as the term is used in this Statement, authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation.

Unassigned - fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The City's policy is to apply restricted resources first, committed sources second, assigned resources third, and unassigned resources last when an expense is incurred for purposes for which all or any fund balance classification is available.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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. There are no restricted net assets at June 30, 2016.

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.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment - Property and equipment, which include property, equipment, information technology and proprietary purchased medical operations software 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 year ended June 30, 2016.

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

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 title 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.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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 Clinic's cost of providing charity care was \$1,208 the year ended June 30, 2016.

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.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 October 14, 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 (Level3).

Budget - 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.

New Governmental Accounting Standards

In 2015, GASB issued GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and amendments to Certain Provisions of GASB Statements 67 and 68. The provisions in statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities or pensions that are not within the scope of Statement 68, which are effective

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Governmental Accounting Standards (Continued)

for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information supporting assessments of accountability and interperiod equity, and creating additional transparency. The Clinic is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In 2015, the GASB issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Clinic is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Governmental Accounting Standards (Continued)

provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Clinic is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In 2015, the GASB issued GASB Statement No. 77, *Tax Abatement Disclosures*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The Clinic is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In 2015, GASB issued GASB Statement No. 78, The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Governmental Accounting Standards (Continued)

In 2015, GASB issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

In 2016, GASB issued GASB Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended.

In 2016, GASB issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Governmental Accounting Standards (Continued)

In 2016, GASB issued GASB Statement No. 82, *Pension Issues An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

2. 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 year ended June 30, 2016 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, 2016. 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

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

2. DUE FROM HEALTH INSURANCE PROGRAMS (Continued)

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.

3. CASH AND CASH EQUIVALENTS

New Mexico State Statutes authorize the Clinic to deposit cash with a bank, savings and loan association, or credit union whose deposits are insured by an agency of the United States of America. All uninsured demand deposits and deposit - type investments such as certificates of deposits, are required to be collateralized with eligible securities, as described by New Mexico State Statues, in amounts equal to at least 50% of the uninsured deposits.

The Clinic maintains cash in two financial institution, one is The First National Bank of New Mexico, New Mexico ("First National Bank"). The second is the the Citizens Bank of Clovis. Collateral is held in safekeeping also in the form of pledge securities with a fair market value of \$2,352,131 as of June 30, 2016.

Custodial Credit Risk-Deposits - 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 deposit policy for custodial credit risk. Bank balances of \$250,000 are covered by federal depository insurance. Bank balances in excess of the federal depository insurance were collateralized with pledged securities at Citizens Bank of Clovis in an amount not exceeding 50% of total Clinic deposits.

As of June 30, 2016, the Clinic's bank balance was exposed to custodial risk as follows:

Total deposits in bank	\$ 1,158,451
Less: FDIC coverage	<u>250,000</u>
Uninsured public funds	908,451
Pledged collateral	<u>2,352,131</u>
Uninsured and uncollateralized (Over)/under	<u>\$ (1,443,680)</u>

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

4. ACCOUNTS AND GRANTS RECEIVABLE

Accounts receivable as of June 30, 2016, are as follows:

Accounts receivable:	
Medicare receivables	\$ 47,192
Medicaid receivables	53,256
Self pay and other receivables	<u>93,594</u>
Total gross patient receivables	194,042
Allowance for doubtful accounts	(57,853)
Allowance for contractual adjustments	<u>(27,192)</u>
Total	<u>\$ 108,997</u>

Grants receivable as of June 30, 2016, are as follows:

Federal 330 grant	\$ 103,119
A/R HC QI grant	2,143
HIIP grant	7,000
RPHCA grant	<u>2,500</u>
Total	<u>\$ 114,762</u>

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

5. FIXED ASSETS

	<u>Balance</u> <u>June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2016</u>
Leasehold improvements	\$ 485,834	\$ 19,579	\$ -	\$ 505,413
Medical equipment	408,966	-	-	408,966
Dental equipment	244,244	19,300	-	263,544
Office equipment	122,443	-	-	122,443
Maintenance equipment	<u>13,188</u>	<u>-</u>	<u>-</u>	<u>13,188</u>
Total depreciable Assets	1,274,675	38,879	-	1,313,554
Less accumulated depreciation				
Leasehold improvements	244,294	32,232	-	276,526
Medical equipment	405,667	2,873	-	408,540
Dental equipment	175,156	22,800	-	197,956
Office equipment	101,753	10,375	-	112,128
Maintenance equipment	<u>13,131</u>	<u>57</u>	<u>-</u>	<u>13,188</u>
Total accumulated depreciation	<u>940,001</u>	<u>68,337</u>	<u>-</u>	<u>1,008,338</u>
Net capital assets	<u>\$ 334,674</u>	<u>\$ (29,458)</u>	<u>\$ -</u>	<u>\$ 305,216</u>

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

6. PERA PENSION PLAN

The Clinic late adopted GASB 68 during the year ended 2016. GASB 68, *Accounting and Financial Reporting for Pensions*, requires contributing employers of cost-sharing multiple employer defined benefit pension plans to include the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources related to their share of the pension plan in their financial statement presentation. PERA engaged their financial statement auditors to prepare a schedule allocating these obligations to the contributing employers as of the year ended June 30, 2015. As part of adopting GASB 68 during the current year, the Clinic recognized a Net Pension Liability (NPL), which represents the Clinic's share of the underfunded pension obligation at 2016.

General Information about the Pension Plan - Plan description. 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.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

6. PERA PENSION PLAN (CONTINUED)

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://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, 2015 available at: http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Contributions - The contribution requirements of defined benefit plan members and 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 FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf. The PERA coverage options that apply to the Clinic are Municipal General Division. Statutorily required contributions to the pension plan from the Clinic were \$167,296 and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

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. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

6. PERA PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

members. 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, 2015.

Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts.

In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) 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.

For PERA at June 30, 2016, the Clinic reported the following liability:

Municipal General Division	\$ <u>1,965,763</u>
Total Net Pension Liability	\$ <u>1,965,763</u>

The amounts are the proportionate share of the net pension liability. At June 30, 2015, the Clinic's proportion noted below was unchanged from its proportion measured as of June 30, 2014, due to the insignificance of the difference.

For the year ended June 30, 2016, the Clinic recognized the following pension expense:

General Division	\$ <u>29,915</u>
Total pension expense	\$ <u>29,915</u>

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

6. PERA PENSION PLAN (CONTINUED)

At June 30, 2016, the Clinic reported deferred outflows of resources and deferred inflows or resources related to pensions for Municipal General Division from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes in assumptions	\$ -	\$ 766
Net difference between projected and actual earnings on pension plan investments	-	6,218
Difference between expected and actual experience	-	43,543
De Baca Family Practice Clinic, Inc. contributions subsequent to the measurement date	167,296	-
Change in proportion and differences between employer contributions and proportionate share of contributions	-	61,951
Total	\$ 167,296	\$ 112,478

Liability Proportion

Municipal General Division	0.0768%
Municipal Police Division	0.0000%
Municipal Fire Division	0.0000%

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

6. PERA PENSION PLAN (CONTINUED)

In June 30, 2016 \$167,296, deferred outflows - contributions made after measurement date, will be recognized as a reduction of net pension liability. Other deferred amounts to be recognized in fiscal years following the reporting date are below:

Year Ended June 30:	<u>Municipal General Division</u>
2017	\$ 66,711
2018	66,711
2019	66,711
2020	(91,023)
2021	<u>3,368</u>
Total	<u>\$ 112,478</u>

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

6. PERA PENSION PLAN (CONTINUED)

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
- Investment rate of return	7.75% annual rate, net of investment expense
- Projected benefit payment	100 years
- Payroll growth	3.50% annual rate
- Projected salary increases	3.50% to 14.25% annual rate
- Includes inflation at	3.00% annual rate
- Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirements, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA
Experience Study Dates	July 1, 2008 to June 30, 2013

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

6. PERA PENSION PLAN (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.1 %	5.00 %
International Equity	24.8	5.20
Private Equity	7.0	8.20
Core and Global Fixed Income	26.1	1.85
Fixed Income Plus Sectors	5.0	4.80
Real Estate	5.0	5.30
Real Assets	7.0	5.70
Absolute Return	<u>4.0</u>	4.15
Total	100.0 %	

Discount rate - The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB 67. Therefore, the 7.75 percent assumed long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

6. PERA PENSION PLAN (CONTINUED)

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of De Baca Family Practice Clinic, Inc., calculated using the discount rate of 7.75 percent, as well as what the Clinic's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease 6.75%	Current 7.75%	1% Increase 8.75%
Clinic's proportionate share of the Net Pension Liability	<u>\$ 3,346,914</u>	<u>\$ 1,965,763</u>	<u>\$ 817,430</u>
TOTAL	<u>\$ 3,346,914</u>	<u>\$ 1,965,763</u>	<u>\$ 817,430</u>

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan - Employers should disclose the amount of payables to the Plan with a description of what gave rise to the payable per GASB 68, paragraphs 122 and 124. De Baca Family Practice Clinic, Inc. had payables of \$0 at June 30, 2016.

7. RESTATEMENT

A prior year adjustment of \$2,053,968 was recorded during the fiscal year ended June 30, 2016. The restatement was made to record the calculated net pension liability and deferred outflows and inflows per late implementation of GASB 68.

Net pension liability	\$ 1,965,763
Deferred inflows	61,951
Deferred outflows	(116,769)
Pension expense	<u>143,023</u>
Total restatement	<u>\$ 2,053,968</u>

REQUIRED SUPPLEMENTAL INFORMATION

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
SCHEDULE OF PROPORINATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS*
FOR THE YEAR ENDED June 30, 2016

	<u>2016</u>	<u>2015</u>
The De Baca Family Practice Clinic, Inc.'s proportion of the net pension liability	\$ 1,965,763	\$ 1,585,178
The De Baca Family Practice Clinic, Inc.'s proportionate share of the net pension liability	0.0768%	0.0768%
The De Baca Family Practice Clinic, Inc.'s covered-employee payroll	\$ 1,991,835	\$ 1,842,166
The De Baca Family Practice Clinic, Inc.'s proportionate share of the net pension liability as a percentage of its covered-employee payroll	98.69 %	86.05 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %	81.29 %

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The De Baca Family Practice Clinic, Inc. will present information for those years for which information is available.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
SCHEDULE OF DE BACA FAMILY PRACTICE CLINIC'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS*
FOR THE YEAR ENDED June 30, 2016

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 167,296	\$ 152,447
Contributions in relation to the contractually required contribution	<u>167,296</u>	<u>152,447</u>
Contribution deficiency (excess)	-	-
De Baca Family Practice Clinic, Inc.'s covered-employee payroll	<u>\$ 1,991,835</u>	<u>\$ 1,842,166</u>
Contributions as a percentage of covered-employee payroll	<u>9.39 %</u>	<u>9.39 %</u>

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The De Baca Family Practice Clinic, Inc. will present information for those years for which information is available.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED June 30, 2016

Changes of benefit terms - The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY 15 audit available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366 Public Employees Retirement Association 2015.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366%20Public%20Employees%20Retirement%20Association%202015.pdf).

Changes in assumptions - *The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at [http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20 Valuation%20Report FINAL.pdf](http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report%20FINAL.pdf).*

The summary of Key Findings for the PERA Fund (on page 2 of the report states "based on a recent experience study for the five-year period ending June 20, 2014, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

SUPPLEMENTAL INFORMATION

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance
	Original	Final		(Unfavorable)
Unrestricted :				
Net patient service revenue	\$ 1,734,244	\$ 1,826,580	\$ 1,792,636	\$ 33,944
Operating agreement - Federal	1,093,245	1,384,800	1,196,567	188,233
Operating agreement- State	59,500	59,500	253,611	(194,111)
School Clinic	52,500	52,500	52,500	-
Ad Valorem taxes	255,000	266,000	281,840	(15,840)
Medical records fees	6,491	825	61,182	(60,357)
Capital grant	35,340	65,500	6,142	59,358
Total expenditures	3,236,320	3,655,705	3,644,478	11,227
Operating expenditures				
Medical	885,134	1,050,375	930,122	120,253
School-based health clinic	192,095	144,000	126,771	17,229
Mental health	118,148	44,808	33,233	11,575
Dental	794,737	882,670	794,468	88,202
Laboratory and radiology	215,265	244,060	220,192	23,868
Pharmacy	-	-	2,386	(2,386)
Facility	165,019	247,700	198,642	49,058
Administration	782,922	952,817	758,646	194,171
Budgeted technology capital outlay	10,000	10,000	11,015	(1,015)
Total expenditures	3,163,320	3,576,430	3,075,475	500,955
Excess (deficiency) of revenues and sources over expenses and uses	73,000	79,275	569,003	500,955
Non-operating revenues (expenses):				
Interest	5,000	2,800	2,813	13
Grants - other	7,000	7,925	7,978	53
Total non-operating revenues (expenses)	12,000	10,725	10,791	66
Net changes in net position Non-GAAP Basis	85,000	90,000	579,794	489,794
Net position - beginning of year, as previously reported	1,152,413	1,152,413	1,152,413	-
Restatement - GASB 68	-	-	(2,053,968)	(2,053,968)

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

Net position - beginning of year, as restated	<u>1,152,413</u>	<u>1,152,413</u>	<u>(901,555)</u>	<u>(2,053,968)</u>
Net position - ending	<u>\$ 1,237,413</u>	<u>\$ 1,242,413</u>	<u>\$ (321,761)</u>	<u>\$ (1,564,174)</u>

Reconciliation of Budgetary Basis to GAAP Basis:

Net changes in net position - budgetary basis	\$ 579,794
Capital assets are expended in the budget but are capitalized and depreciated for financial statement purpose	<u>(68,336)</u>
Net changes in net position - GAAP basis	<u>\$ 511,458</u>

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
SCHEDULE OF DEPOSITS AND TEMPORARY INVESTMENTS
BY DEPOSITORY AND PUBLIC FUNDS
JUNE 30, 2016

Name of Depository	Account Type	Bank Balance June 30, 2016	Net Reconciling Items	Reconciled Balance June 30, 2016
First National Bank of New Mexico	Money Market	\$ 411,772	\$ 250,000	\$ 661,772
Citizens Bank of Clovis	Interest Checking	<u>550,420</u>	<u>(53,741)</u>	<u>496,679</u>
		<u>\$ 962,192</u>	<u>\$ 196,259</u>	<u>\$ 1,158,451</u>

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
JUNE 30, 2016

<u>Name of Depository</u>	<u>Pledged Collateral</u>	<u>Name and Location of Custodian</u>	<u>Fair Market Value June 30, 2016</u>
Citizens Bank of Clovis	GNMA II Pool #4974 CUSIP #357021201405230 Matures 3/20/2026	The Independent Bankers AFS Dallas, TX	\$ 835,140
Citizens Bank of Clovis	GNMA II Pool #83051CUSIP #342640201312191 Matures 3/20/2042	The Independent Bankers AFS Dallas, TX	24
Citizens Bank of Clovis	SBAP 2012-20K 1 CUSIP #297647201211210 Matures 11/1/2032	The Independent Bankers AFS Dallas, TX	<u>1,516,967</u>
			<u>\$ 2,352,131</u>

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
SCHEDULES OF NET PATIENT SERVICE REVENUE
FOR THE YEAR ENDED JUNE 30, 2016

ROUTINE SERVICES

Medical services	\$ 1,323,801
Dental services	1,132,796
Mental health services	9,690
School-based health clinic	<u>181,977</u>
	2,648,264

DEDUCTIONS FROM REVENUES

Contractual allowances	
Medical services	458,800
Dental services	372,282
Mental health services	536
School-based health clinic	(2,678)
Charity care allowances	1,208
Allowance for doubtful accounts	<u>25,480</u>
	<u>855,628</u>

Net Patient Service Revenue \$ 1,792,636

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
SCHEDULES OF OPERATING EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

ROUTINE SERVICES

Medical services	\$ 889,013
School-based health clinic	131,322
Mental health services	36,293
Dental services	<u>790,514</u>

1,847,142

SPECIAL SERVICES

Laboratory and radiology	221,132
Pharmacy	<u>2,929</u>

224,061

FACILITY AND PROPERTY

206,352

ADMINISTRATIVE AND GENERAL

797,920

DEPRECIATION

68,336

\$ 3,143,811

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
SCHEDULE OF DEPARTMENT EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Medical	School- Based Health Clinic	Mental Health	Dental	Laboratory and Radiology	Pharmacy	Facility	Administrative	Total
Salaries	\$ 655,036	\$ 109,231	\$ 26,138	\$ 538,137	\$ 111,844	\$ 2,200	\$ 74,992	\$ 474,257	\$ 1,991,835
Employee benefits									
Payroll taxes	50,171	-	2,462	23,929	8,474	186	5,887	34,931	126,040
Retirement	11,042	-	550	8,074	1,847	-	922	7,480	29,915
Health insurance and workers compensation	<u>49,645</u>	<u>-</u>	<u>3,415</u>	<u>36,922</u>	<u>10,245</u>	<u>-</u>	<u>-</u>	<u>59,840</u>	<u>160,067</u>
Total salaries and related expenses	765,894	109,231	32,565	607,062	132,410	2,386	81,801	576,508	2,307,857
Contractual services	67,857	-	-	69,140	640	-	9,163	16,409	163,209
Supplies	43,231	6,698	-	54,110	74,893	543	5,355	37,423	222,253
Insurance	-	-	-	-	-	-	8,743	-	8,743
Continuing education and training	8,037	2,645	3,728	9,963	706	-	-	27,481	52,560
Postage and shipping	-	-	-	331	167	-	-	5,895	6,393
Advertising	1,577	3,432	-	-	-	-	-	14,147	19,156
Dues, fees and licenses	2,417	-	-	1,194	773	-	-	14,345	18,729
Professional fees	-	1,119	-	-	-	-	-	12,876	13,995
Occupancy	-	8,197	-	48,714	11,543	-	101,290	-	169,744
Noncapital equipment	-	-	-	-	-	-	-	31,464	31,464
Grant expenses	-	-	-	-	-	-	-	58,300	58,300
Accrued expense P-card	-	-	-	-	-	-	-	3,072	3,072
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,336</u>	<u>68,336</u>
Totals	<u>\$ 889,013</u>	<u>\$ 131,322</u>	<u>\$ 36,293</u>	<u>\$ 790,514</u>	<u>\$ 221,132</u>	<u>\$ 2,929</u>	<u>\$ 206,352</u>	<u>\$ 866,256</u>	<u>\$ 3,143,811</u>

DE BACA FAMILY PRACTICE CLINIC, INC.
 A COMPONENT UNIT OF DE BACA COUNTY
 SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000 (excluding GRT)
 FOR THE YEAR ENDED JUNE 30, 2016

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
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None noted

COMPLIANCE



Beasley, Mitchell & Co.

Certified Public Accountants

Donald A. Beasley, CPA, Partner
Christine Wright, CPA, Partner
Beth Fant, EA, Partner
Brad Beasley, CPA, Partner

**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*
INDEPENDENT AUDITORS' REPORT**

Mr. Timothy Keller
New Mexico State Auditor
To the Chairman and Board of Commissioners of
De Baca County, New Mexico and
The Chairman of 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 the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements and the budgetary comparison presented as supplemental information of De Baca Family Practice Clinic, Inc. as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the basic financial statements of De Baca Family Practice Clinic, Inc. presented as supplemental information, and have issued our report thereon dated October 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered De Baca Family Practice Clinic, Inc.'s internal control over financial reporting 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 De Baca Family Practice Clinic, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of De Baca Family Practice Clinic, Inc.'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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. Given the limitations, during our audit we did not identify any deficiencies in internal control that we considered 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 De Baca Family Practice Clinic, Inc.'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 result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Beasley Mitchell & Co LLP

Beasley, Mitchell & Co.
Las Cruces, New Mexico
October 14, 2016



Beasley, Mitchell & Co.

Certified Public Accountants

Donald A. Beasley, CPA, Partner
Christine Wright, CPA, Partner
Beth Fant, EA, Partner
Brad Beasley, CPA, Partner

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mr. Timothy Keller
New Mexico State Auditor
To the Chairman and Board of Commissioners of
De Baca County, New Mexico and
The Chairman of 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 Uniform Grant Guidance that could have a direct and material effect on each of De Baca Family Practice Clinic, Inc.'s major federal programs for the year ended June 30, 2016. 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.

Auditors' 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 De Baca Family Practice Clinic, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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, 2016.

Other Matters

The results of our auditing procedures disclose no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

Report on Internal Control over Compliance

Management of De Baca Family Practice Clinic, Inc., 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 De Baca Family Practice Clinic, Inc.'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 the Uniform Guidance, 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 De Baca Family Practice Clinic, Inc.'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Beasley Mitchell & Co LLP

Beasley, Mitchell & Co., LLP

Las Cruces, New Mexico

October 14, 2016

DE BACA FAMILY PRACTICE CLINIC, INC.
 A COMPONENT UNIT OF DE BACA COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2016

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Program Expenses</u>
<u>U.S. Department of Health and Human Services</u>		
Health Center Cluster*	93.224 and 93.527	\$ <u>1,188,624</u>
Total Federal Financial Assistance		\$ <u>1,188,624</u>

* Indicates a major program

DE BACA FAMILY PRACTICE CLINIC, INC.
 A COMPONENT UNIT OF DE BACA COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2016

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards

Type of auditors' report issued: Unmodified

Internal control over major programs

- Material weakness (es) identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? No

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

- Any audit findings disclosed that are required to be reported in accordance with the Uniform Grant Guidance? No

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
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93.224	Health Center Cluster
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Dollar threshold used to distinguish between Type A and Type B programs	\$ <u>750,000</u>
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Auditee qualified as low-risk auditee Yes

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016

Prior audit findings

Current status

2015-001 Late Submission of Audit Report

Resolved

Current audit findings

NONE NOTED

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY
EXIT AND ENTRANCE CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2016

An entrance conference was conducted August 29, 2016 in a closed meeting pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

De Baca Family Practice Clinic, Inc.

Randel Mansell	Board Member
Lisa Walraven	CEO
Susan Vick	CFO

Beasley, Mitchell & Co., LLP

Dahlia Garcia	Senior, Audit Department
Juan A Garcia	Staff II, Audit Department

An exit conference was conducted September 1, 2016 in a closed meeting pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

De Baca Family Practice Clinic, Inc.

Randel Mansell	Board Member
Randie Hatley	Contracted Accountant
Vincent Stallard	Board Member
Lisa Walraven	CEO
Susan Vick	CFO

Beasley, Mitchell & Co., LLP

Dahlia Garcia	Senior, Audit Department
Juan Garcia	Staff II, Audit Department

FINANCIAL STATEMENT PREPARATION

The financial statements of the De Baca Family Practice Clinic, Inc. as of, and for the year ended, June 30, 2016 were prepared by Beasley, Mitchell & Co., LLP, with the aid of responsible Clinic management. Official responsible personnel agree that the presentations are made with their knowledge and agreement.