



# DE BACA FAMILY PRACTICE CLINIC

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*Your Patient Centered Medical Home proudly serving  
De Baca, Guadalupe and surrounding counties.*

STATE OF NEW MEXICO

DE BACA FAMILY PRACTICE CLINIC, INC.

A COMPONENT UNIT OF DE BACA COUNTY

AUDITED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL INFORMATION

YEAR ENDED JUNE 30, 2017



## TABLE OF CONTENTS

INTRODUCTORY SECTION	
Official Roster	3
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	5
Basic Financial Statements	
Statement of Net Position	9
Statement of Revenues, Expenditure, and Changes in Net Position	11
Statement of Cash Flows	12
Notes to Financial Statements	13
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Proportionate Share of Net Pension Liability	31
Schedule of De Baca Family Practice Clinic, Inc.'s Contributions	32
Notes to Required Supplementary Information	32
SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures, and Changes in Net Position - GAAP Budget (GAAP Budgetary Basis) and Actual on Budgetary Basis	34
Schedule of Collateral Pledged by Depository	35
Schedule of Net Patient Service Revenue	36
Schedule of Expenditures of Federal Awards	37
Notes to the Schedule of Expenditures of Federal Awards	38
COMPLIANCE SECTION	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	40
Report On Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance	42
Schedule of Findings and Questioned Costs	44
Schedule of Audit Findings and Responses	45
Exit Conference	47



## INTRODUCTORY SECTION .



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

OFFICIAL ROSTER  
June 30, 2017

Name	Title
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Board of Directors

Randel Mansell	President
Charlie West	Vice-President
Beverly Overton	Secretary
John Fallon	Director
Norma Head	Director
Selestino Joe Lovato	Director
Vincent Stallard	Director
Joe Steele	Director
Barbara Perea-Sena	Director
Marie Dickerman	Director
Bill Wertheim	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





# R. Kelly McFarland

Certified Public Accountant  
A Professional Corporation



America Counts on CPAs®

314 South 2nd Street • Post Office Box 1044 • Tucumcari, New Mexico 88401  
Voice (575) 461-1195 • Fax (575) 461-1198 • Web: [www.mcfarlandcpa.com](http://www.mcfarlandcpa.com)

## INDEPENDENT AUDITOR'S REPORT

Tim Keller, New Mexico State Auditor,  
To the Chairman and Board of Commissioners of  
De Baca County, New Mexico, and  
The Chairman and Board of Directors of 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***

I 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, 2017, 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.

### ***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***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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 to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinion**

In my 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, 2017, and the respective changes in its financial position, and, its cash flows 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 require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My 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 schedules related to PERA and Net Pension Liabilities, listed in the table of contents as *Required Supplemental Information*, 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. I 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 response to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

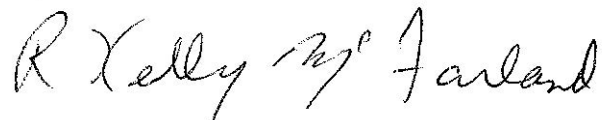
My audit was conducted for the purpose of forming an opinion on De Baca Family Practice Clinic, Inc.'s basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and other schedules listed as *other supplementary information* in the table of contents, 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 other schedules listed as *other supplementary information* in the table of contents 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 my opinion, the Schedule of Expenditures of Federal Awards and other

schedules listed as *other supplementary information* required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, I have also issued my report dated November 20, 2017, on my consideration of the De Baca Family Practice Clinic, Inc.'s internal control over financial reporting and on my 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 my 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.

A handwritten signature in cursive script that reads "R Kelly McFarland".

R. Kelly McFarland, CPA, PC  
Certified Public Accountants  
Tucumcari, New Mexico  
November 20, 2017



## BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO  
DE BACA FAMILY PRACTICE CLINIC, INC.  
COMPONENT UNIT OF DE BACA COUNTY  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

ASSETS AND DEFERRED OUTFLOWS

Current assets:

Cash and cash equivalents (Note E)	\$ 1,376,741
Patient accounts receivable, less allowance (Note F)	71,744
Guadalupe County indigent care receivable	1,800
Grants receivable (Note F)	27,385
Mill levy receivable	<u>1,203</u>

Total current assets	<u>1,478,873</u>
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Noncurrent assets:

Construction in progress (Note G)	56,475
Property and equipment (Note G)	1,315,800
Less: accumulated depreciation	<u>(1,031,622)</u>
Total noncurrent assets	<u>340,653</u>

Total assets	<u>1,819,526</u>
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Deferred outflows (Note I):

Deferred outflows - change in assumption	191,678
Deferred outflows - net difference between projected and actual investment earnings	163,323
Deferred outflows - change in proportion and differences between employer contributions and proportionate share of contributions	93,231
Deferred outflows - investment experience	601,457
Deferred outflows - contributions made subsequent to measurement date	<u>176,142</u>

Total deferred outflows	<u>1,225,831</u>
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Total assets and deferred outflows	<u>\$ 3,045,357</u>
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The accompanying notes are an integral part of these financial statements.



**STATE OF NEW MEXICO  
DE BACA FAMILY PRACTICE CLINIC, INC.  
COMPONENT UNIT OF DE BACA COUNTY  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

Current liabilities:

Accounts payable	\$ 35,521
Accrued payroll expenses	29,215
Accrued wages payable	28,590
Accrued compensated absences payable - current portion (Note H)	12,442
Total current liabilities	105,768

Noncurrent liabilities:

Accrued compensated absences payable - noncurrent portion (Note H)	60,103
Net pension liability (Note I)	3,268,820
Total noncurrent liabilities	3,328,923

Total liabilities	3,434,691
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Deferred inflows (Note I):

Deferred inflows - change in assumption	544
Deferred inflows - net difference between projected and actual investment earnings	0
Deferred inflows - change in proportion and differences between employer contributions and proportionate share of contributions	59,533
Deferred inflows - investment experience	31,901
Total deferred inflows	91,978

Total liabilities and deferred inflows	3,526,669
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NET POSITION

Net investments in capital assets	340,653
Unrestricted	(821,965)
Total net position	(481,312)

Total liabilities, deferred inflows, and net position	\$ 3,045,357
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The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
DE BACA FAMILY PRACTICE CLINIC, INC.  
COMPONENT UNIT OF DE BACA COUNTY  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
JUNE 30, 2017**

**OPERATING REVENUES:**

Net patient service revenue	\$ 1,740,966
Operating agreements - Federal	1,189,743
Operating agreements - State	175,000
School clinic	52,500
Other grants and contributions	2,763
Mill levy	338,545
Medical records and fees	723
Miscellaneous	<u>18,586</u>

Total operating revenues 3,518,826

**OPERATING EXPENSES:**

Routine services	2,225,954
Special services	260,954
Facility and property	257,205
Administrative and general	849,663
Depreciation	<u>77,093</u>

Total operating expenses 3,670,869

Operating income (loss) (152,043)

**NON-OPERATING REVENUES AND EXPENSES:**

Other financing sources (uses):	
Capital grant revenue	56,475
Interest income	<u>4,353</u>
Total other financing sources (uses)	<u>60,828</u>

Net change in net position (91,215)

Net position, beginning of year (390,097)

Net position - end of year \$ (481,312)

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
DE BACA FAMILY PRACTICE CLINIC, INC.  
COMPONENT UNIT OF DE BACA COUNTY  
STATEMENT OF CASH FLOWS  
JUNE 30, 2017**

Cash flow operating activities:	
Cash received from patients	\$ 1,741,313
Cash received from grants	1,658,236
Cash payments to employees for services	(2,413,893)
Cash payments to suppliers for goods and services	<u>(771,719)</u>
Net cash provided (used) by operating activities	<u>213,937</u>
Cash flows from capital and related financing activities:	
Capital grant	56,475
Construction of capital assets	(56,475)
Interest income	<u>4,353</u>
Net cash provided (used) by capital and related financing activities	<u>4,353</u>
Net increase (decrease) in cash and cash equivalents	218,290
Cash and cash equivalents, beginning of year	<u>1,158,451</u>
Cash and cash equivalents, end of year	<u>\$ 1,376,741</u>
Reconciliation of operating income (loss) to net cash:	
Operating income (loss)	\$ (152,043)
Depreciation	77,093
Change in expenditures for capital assets from operating activities	(56,055)
Adjustments to operating income to net cash provided by operating activities:	
Accounts receivable	150,292
Accounts payable	2,524
Accrued expenses	(60,599)
Accrued compensated absences	28,703
Other liabilities	<u>224,022</u>
Net cash provided (used) by operating activities	<u>\$ 213,937</u>
Non-cash activities: None	

STATE OF NEW MEXICO  
DE BACA FAMILY PRACTICE CLINIC, INC.  
A COMPONENT UNIT OF DE BACA COUNTY  
JUNE 30, 2017

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 has no component unit entities.

Reporting Entity - 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 thirteen (13) 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 healthcare 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 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 The 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 healthcare 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.

The Clinic is a dependent, Special Purpose Government, as defined by GASB Codification 2100.115. De Baca Family Practice Clinic, Inc., establishes its own budget without approval of another government, sets rates and charges, but cannot issue bonded debt without the approval of another government. The Clinic is engaged only in healthcare business-type activities.

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. The Clinic distinguishes operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing health-care services. Operating expenses include the cost of providing such services as well as administrative and depreciation expenses. All revenues not meeting this definition are reported as non-operating revenues and expenses.

STATE OF NEW MEXICO  
DE BACA FAMILY PRACTICE CLINIC, INC.  
A COMPONENT UNIT OF DE BACA COUNTY  
JUNE 30, 2017

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Presentation - Financial statement presentation follows the model established by GASB Statement No. 34 and presents its financial statements as required for enterprise funds.

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 based on historical collection and loss experience coupled with review of the current status of the existing receivables.

Allowances for Contractual Adjustments - The Clinic derives significant revenue from Medicare, Medicaid and other third-party payors that receive discounts from its established billing rates. Based on the historical discounts and the current status of receivables, the Clinic provides an allowance for these contractual adjustments.

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, if known, and available 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 in accordance with grantor requirements and restrictions are classified on the statement of net assets as restricted because their use is limited to the intended purpose. The Clinic did not have any restricted assets for the current year.

Use of Restricted Cash - Whenever the Clinic incurs an expense for which it may use either 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, are defined by the Clinic as assets with an initial, individual cost of more than \$3,500 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. Subsequent to June 30, 2017, the Clinic revised its capitalization policy to \$5,000.

STATE OF NEW MEXICO  
 DE BACA FAMILY PRACTICE CLINIC, INC.  
 A COMPONENT UNIT OF DE BACA COUNTY  
 JUNE 30, 2017

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 recorded as construction in progress until completed and then capitalized as projects are completed and placed in service. Interest, if any, 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, 2017.

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

<u>Assets</u>	<u>Years</u>
Leasehold improvements	7 - 15
Medical equipment	5 - 7
Office equipment	3 - 7
Maintenance equipment	7 - 10
Dental Equipment	5 - 20

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 healthcare and related activities to be part of normal operations and considers this line item to be the performance indicator.

Income Taxes - The Clinic is exempt from federal income taxes as a governmental entity pursuant to IRC Section 115 and, in addition, has secured an exemption as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code.

Compensated Absences - The Clinic accrues, for its employees, paid time off 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>Effective Dates</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

STATE OF NEW MEXICO  
DE BACA FAMILY PRACTICE CLINIC, INC.  
A COMPONENT UNIT OF DE BACA COUNTY  
JUNE 30, 2017

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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, such care is not reported as revenue. 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 \$1,015 year ended June 30, 2017.

Presentation - Certain prior year amounts may have been reclassified for the current year's presentation.

Deferred Outflows/Inflows of Resources - The statement of Net Position reflects separate sections for deferred outflows/inflows of resources. Deferred outflows, related to the recognition of the net pension liability, represent the usage of net position applicable to future periods and will be recognized as expenditures in the future period to which it applies. Deferred inflows, also related to recognition of the net pension liability, represents the acquisition of net position applicable to future periods and will be recognized as revenue in the future period to which it applies.

Net Position - Net Position is classified as follows:

Net Investment in Capital Assets - This classification reflects the portion of net position associated with capital assets less outstanding capital asset related debt. The Clinic had no such debt at June 30, 2017.

Restricted Net Position - Restricted net position results from constraints placed on the use of net position when externally imposed by creditors, laws and regulations of other governments and imposed by law through constitutional provisions or enabling legislation, of which there was none a June 30, 2017. When the Clinic incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first.

Unrestricted Net Position - This classification reflects net position of the Clinic, not restricted for any project or other purpose.

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. The Clinic is protected under the Federal Tort Claims Act from claims arising from malpractice issues. Commercial insurance coverage is purchased for other risks. Settled claims, if any, have not exceeded such coverage.

Subsequent Events - Reporting entities are required to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or were available to be issued. Management has evaluated subsequent events through November 20, 2017, the date the financial statements were available to be issued.

STATE OF NEW MEXICO  
DE BACA FAMILY PRACTICE CLINIC, INC.  
A COMPONENT UNIT OF DE BACA COUNTY  
JUNE 30, 2017

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – The Clinic annually obtains from the New Mexico Department of Finance and Administration - Local Government Division and DHHS approved operating budgets for the fiscal year commencing the following July 1. The Clinic's Board 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 (DHHS) for any revisions that alter the total expenditures of any grant programs. The New Mexico DFA and DHHS program budgets are prepared on a regulatory basis. The DHHS budget is prepared on the GAAP basis financial presentation included in this report. Budgetary control (expenditures may not exceed appropriations) is at the fund level. Therefore, budgetary data for the Clinic's programs are included as supplementary information.

NOTE C - DUE FROM HEALTH INSURANCE PROGRAMS

The Clinic renders services to patients under contractual arrangements with the Health Insurance Programs (Medicare and Medicaid), and submits cost reports that are subject to audit adjustments by the agencies that administer the programs. The programs' administrative procedures preclude final determination of amounts due the Clinic for services to program patients until after the Clinic's cost reports are audited or otherwise reviewed and settled upon by the respective administrative agencies. Settlement amounts from the cost reports for the 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, 2017.

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 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, 2017, 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.



STATE OF NEW MEXICO  
 DE BACA FAMILY PRACTICE CLINIC, INC.  
 A COMPONENT UNIT OF DE BACA COUNTY  
 JUNE 30, 2017

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE E - 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 Statutes, in amounts equal to at least 50% of the uninsured deposits.

The Clinic maintains cash in only one financial institution, the Citizens Bank of Clovis. Collateral securing the accounts is required by the State. Collateral is held in safekeeping in the form of pledge securities with a fair market value of \$1,919,654 as of June 30, 2017.

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 for each type of bank account are covered by federal depository insurance. Uninsured bank balances in excess of the federal depository insurance were collateralized with pledged securities at Citizens Bank of Clovis.

As of June 30, 2017, the Clinic's bank balance was exposed to custodial risk as follows:

<u>Account Type</u>	June 30, 2017 <u>Reconciled Balance</u>	June 30, 2017 <u>Bank Balance</u>	FDIC <u>Coverage</u>	Uninsured <u>Public Funds</u>
Demand Deposits	\$ 562,507	\$ 598,179	\$ 250,000	\$ 348,179
Time and Savings Deposits	<u>814,234</u>	<u>814,025</u>	250,000	<u>564,025</u>
Total Uninsured Public Funds	<u>\$ 1,376,741</u>	<u>\$ 1,412,204</u>	<u>\$ 500,000</u>	912,204
Pledged Collateral				<u>1,919,654</u>
(Over)/Under Insured and Collateralized				<u>\$ (1,007,450)</u>

STATE OF NEW MEXICO  
 DE BACA FAMILY PRACTICE CLINIC, INC.  
 A COMPONENT UNIT OF DE BACA COUNTY  
 JUNE 30, 2017

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE F - RECEIVABLES

Patient accounts receivable and other receivables reported as current assets by the Clinic at June 30, 2017, consist of the following amounts:

Medicare Receivables	\$	30,678
Medicaid Receivables		43,205
Self pay and other receivables		<u>79,881</u>
Total Gross Patient Receivables		153,764
Allowance for Doubtful Accounts		(35,020)
Allowance for Contractual Adjustments		<u>(47,000)</u>
Patient Accounts Receivable - Net	\$	<u><u>71,744</u></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, 2017, and an allowance for contractual adjustments for anticipated discounts to third-party payors as discussed in Note C.

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 Clinic also reported the following receivables under grant agreements and awards as of June 30, 2017:

U.S. Department of Health and Human Services	\$	4,985
State of New Mexico Rural Primary Health Association		8,900
State of New Mexico School Contract		<u>13,500</u>
Total Grant Receivables	\$	<u><u>27,385</u></u>

STATE OF NEW MEXICO  
DE BACA FAMILY PRACTICE CLINIC, INC.  
A COMPONENT UNIT OF DE BACA COUNTY  
JUNE 30, 2017

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE G - PROPERTY AND EQUIPMENT.

Property and equipment consists of the following at June 30, 2017:

	June 30, 2016	Increases	Decreases	June 30, 2017
Leasehold Improvements	\$ 505,413	\$ 11,862		\$ 517,275
Medical Equipment	408,966		(40,995)	367,971
Dental Equipment	263,544	23,195		286,739
Office Equipment	122,443	20,998	(12,814)	130,627
Maintenance Equipment	13,188			13,188
 Total Depreciable Assets	 1,313,554	 56,055	 (53,809)	 1,315,800
 Less: Accumulated Depreciation				
Leasehold Improvements	276,526	34,476		311,002
Medical Equipment	408,540	426	(40,995)	367,971
Dental Equipment	197,956	27,364		225,320
Office Equipment	112,128	14,827	(12,814)	114,141
Maintenance Equipment	13,188			13,188
 Total Accumulated Depreciation	 1,008,338	 77,093	 (53,809)	 1,031,622
 Net Capital Assets	 \$ 305,216	 \$ (21,038)	 \$ 0	 284,178
 Construction in Progress				 56,475
 Net Capital Assets and Construction in Progress				 \$ 340,653

Expenditures for capital assets from operating activities	\$ 56,055
Construction in progress expenditures	56,475
 Total assets capitalized and Construction in Progress	 \$ 112,530

Fully depreciated assets in the amount of \$53,809 were disposed during the year.

Depreciation was \$77,093 for the year ended June 30, 2017, and is reported separately rather than allocated across departments.

STATE OF NEW MEXICO  
 DE BACA FAMILY PRACTICE CLINIC, INC.  
 A COMPONENT UNIT OF DE BACA COUNTY  
 JUNE 30, 2017

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE G - PROPERTY AND EQUIPMENT, Continued

Facility Remodel

The Clinic has approved a construction contract in the amount of \$444,960, for the remodeling of its De Baca Clinic facility. The construction is funded with a Health Infrastructure Investment Program grant in the amount of \$634,100. Construction in progress at June 30, 2017 is \$56,475. Construction is expected to be completed in fiscal year 2018.

NOTE H - COMPENSATED ABSENCES

During the current year, the Clinic revised its leave policy by consolidating the existing vacation and sick leave into a single “paid time off” (PTO) plan. Accrued vacation and sick leave on the date of the change, January 1, 2017, was rolled over into the new plan, such that employees did not lose any accumulated leave. Employees with hours over the maximum are allowed one year to use leave time more than the maximum accrual.

The plan provides for a leave of 128 hours the first year of service for full time employees up to 240 hours after 21 years of service. Employees may carry up to 120 hours of unused leave to the following year, but lose any leave over that amount on January 1 of each year.

Employees will be paid for up to 80 hours of accrued leave upon termination.

The effect on the financial statements of this change in policy was to recognize the additional expense resulting from the consolidation of vacation and sick leave. The amount of the additional expense solely from the change, is not available. Management classifies the liability for compensated absences as current or non-current, based on the estimated accrued leave (limited to 80 hours) expected to be paid to terminating employees.

The activity of the paid time off due to employees as of June 30, 2017, is detailed below.

<u>Balance</u>			<u>Balance</u>
<u>June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>
\$ 43,842	\$ 132,038	\$ 103,335	\$ 72,545

STATE OF NEW MEXICO  
DE BACA FAMILY PRACTICE CLINIC, INC.  
A COMPONENT UNIT OF DE BACA COUNTY  
JUNE 30, 2017

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE I - PERA PENSION PLAN

**General Information about the Pension Plan**

**Plan description.**

*Public Employees Retirement 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 Officers, 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 Public Employees Retirement 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), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

**Benefits Provided** - Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average credited service and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

**TIER II**

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013, with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014, employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

**Contributions** – See PERA's comprehensive annual financial report for Contribution provided description. See <http://www.nmpera.org/>.

STATE OF NEW MEXICO  
 DE BACA FAMILY PRACTICE CLINIC, INC.  
 A COMPONENT UNIT OF DE BACA COUNTY  
 JUNE 30, 2017

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE I - PERA PENSION PLAN, Continued

PERA Contributions, continued

<b>PERA Contribution Rates and Pension Factors as of July 1, 2016</b>						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per Year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
State Plan 3	7.42 %	8.92 %	16.99 %	3.0 %	2.5 %	90 %
Municipal Plan 1 (plan open to new employers)	7.0 %	8.5 %	7.4 %	2.0 %	2.0 %	90 %
Municipal Plan 2 (plan open to new employers)	9.15 %	10.65 %	9.55 %	2.5 %	2.0 %	90 %
Municipal Plan 3 (plan closed to new employers 6/95)	13.15 %	14.65 %	9.55 %	3.0 %	2.5 %	90 %
Municipal Plan 4 (plan closed to new employers 6/00)	15.65 %	17.15 %	12.05 %	3.0 %	2.5 %	90 %
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.90%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

STATE OF NEW MEXICO  
 DE BACA FAMILY PRACTICE CLINIC, INC.  
 A COMPONENT UNIT OF DE BACA COUNTY  
 JUNE 30, 2017

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE I - PERA PENSION PLAN, Continued

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2017, the De Baca Family Practice Clinic, Inc. reported a liability of \$3,268,820 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The De Baca Family Practice Clinic, Inc.'s proportion of the net pension liability was based on a projection of the De Baca Family Practice Clinic, Inc.'s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the De Baca Family Practice Clinic, Inc.'s proportion was 0.0768%, which was no increase from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the De Baca Family Practice Clinic, Inc. recognized pension expense of \$372,447. At June 30, 2017, De Baca Family Practice Clinic, Inc. reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERA's 2016 Schedule of Pension Amounts by Employer

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 163,323	\$ 31,901
Change in assumptions	191,678	544
Net Difference between projected and actual earnings on pension plan investments	601,457	0
Changes in proportion and differences between contributions and proportionate share of contributions	93,231	59,533
Employer contributions subsequent to the measurement date	<u>176,142</u>	<u>0</u>
 Total	 <u>\$ 1,225,831</u>	 <u>\$ 91,978</u>

STATE OF NEW MEXICO  
 DE BACA FAMILY PRACTICE CLINIC, INC.  
 A COMPONENT UNIT OF DE BACA COUNTY  
 JUNE 30, 2017

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE I - PERA PENSION PLAN, Continued

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

-  
 \$176,142 reported as deferred outflows of resources related to pensions resulting from De Baca Family Practice Clinic, Inc.'s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$	204,955
2019		204,955
2020		392,901
2021		154,900
2022		0

*Actuarial assumptions.* The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

<b>PERA</b>	
<b>Actuarial valuation date</b>	June 30, 2015
<b>Actuarial cost method</b>	Entry Age Normal
<b>Amortization method</b>	Level Percentage of Pay, Open
<b>Amortization period</b>	Solved for based on statutory rates
<b>Asset valuation method</b>	Fair Value
<b>Actuarial Assumptions:</b>	
Investment rate of return	7.48% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll Growth	2.75% for first 10 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 10 years
	2.75% all other years
Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, 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 (demographic) and July 1, 2010 through June 20, 2015 (economic)



STATE OF NEW MEXICO  
 DE BACA FAMILY PRACTICE CLINIC, INC.  
 A COMPONENT UNIT OF DE BACA COUNTY  
 JUNE 30, 2017

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE I - PERA PENSION PLAN, Continued

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued***

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2015 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 allocation and 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
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.5	1.79
Credit Oriented Fixed Income	15.0	5.77
Real Assets	<u>20.00</u>	7.35
Total	100.00%	

*Discount rate.* A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

*Sensitivity of the De Baca Family Practice Clinic, Inc.'s proportionate share of the net pension liability to changes in the discount rate.* The following presents the De Baca Family Practice Clinic, Inc.'s proportionate share of the net pension liability calculated using the discount rate of 7.48 percent, as well as what the De Baca Family Practice Clinic, Inc.'s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48 percent) or 1-percentage-point higher (8.48 percent) than the current rate:

STATE OF NEW MEXICO  
 DE BACA FAMILY PRACTICE CLINIC, INC.  
 A COMPONENT UNIT OF DE BACA COUNTY  
 JUNE 30, 2017

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE I - PERA PENSION PLAN, Continued

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued***

	1% Decrease 6.48%	Current Discount Rate 7.48%	1% Increase 8.48%
De Baca Family Practice Clinic, Inc.'s proportionate share of the Net Pension Liability	<u>\$ 4,873,519</u>	<u>\$ 3,268,820</u>	<u>\$ 1,937,801</u>

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in separately issued PERA'S financial reports.

STATE OF NEW MEXICO  
 DE BACA FAMILY PRACTICE CLINIC, INC.  
 A COMPONENT UNIT OF DE BACA COUNTY  
 JUNE 30, 2017

NOTES TO FINANCIAL STATEMENTS – CONTINUED

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>Amount</u>	<u>Percent</u>
U.S. Department of Health and Human Services	\$ 1,246,218	85%
State of New Mexico Rural Primary Health	175,000	12%
State of New Mexico School Based Clinic	52,500	3%
Total Grant Revenue	<u>\$ 1,473,718</u>	<u>100%</u>

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

NOTE K – OPERATING LEASES AND OTHER COMMITMENTS

Operating Leases

The Clinic leases its De Baca main clinic from the primary government, De Baca County. The current lease began July 1, 2014 and is for a period of five years, expiring June 30, 2019. The lease provides for an extension upon expiration of the lease for automatic one year terms, unless terminated by either party no later than 90 days prior to the expiration of the initial lease on the same terms and conditions. The lease is for \$13,200 annually, payable monthly at \$1,100 per month.

The Clinic entered into a lease of its Guadalupe County Dental Facility with Guadalupe County, on March 1, 2013 for a primary term of five years, expiring on February 28, 2018. Renewal of the lease is not automatic, but is subject to good faith negotiations for renewal. The fair value of the lease was determined by be \$45,500 per year; however, in consideration for establishing a dental clinic for residents of the County, some of whom are uninsured and for leasehold improvements made by the Clinic to the facility, the cash lease payments were reduced. The lease for the final year of the lease is estimated at \$2,400 per month or \$28,800 annually.

Ambulance Agreement

The Clinic entered into an agreement in which the Village of Ft. Sumner is to provide ambulance services to residents of De Baca County and surrounding area. The agreement is dated July 1, 2016, terminating on June 30, 2018, unless sooner terminated be either party, for any reason, and dependent upon availability of grant funds. The Clinic will pay the Village \$40,000 annually, in monthly installments of \$3,333 and up to an additional sum of \$10,000 for services provided to Clinic patients who qualify for the Clinic's "Sliding Fee Discount Program".

STATE OF NEW MEXICO  
DE BACA FAMILY PRACTICE CLINIC, INC.  
A COMPONENT UNIT OF DE BACA COUNTY  
JUNE 30, 2017

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE K - OPERATING LEASES AND OTHER COMMITMENTS, Continued

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

	<u>Total</u>	<u>De Baca County</u>	<u>Guadalupe County</u>
2018	\$ 32,400	\$ 13,200	\$ 19,200
2019	<u>13,200</u>	<u>13,200</u>	<u>0</u>
Total	<u>\$ 45,600</u>	<u>\$ 26,400</u>	<u>\$ 19,200</u>

REQUIRED SUPPLEMENTAL INFORMATION

**STATE OF NEW MEXICO  
DE BACA FAMILY PRACTICE CLINIC, INC.  
COMPONENT UNIT OF DE BACA COUNTY  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN  
FOR LAST 10 FISCAL YEARS \*  
JUNE 30, 2017**

	<u>2017</u>		<u>2016</u>		<u>2015</u>
De Baca Family Practice Clinic, Inc.'s proportion of the net pension liability (asset)	\$ 3,268,820	\$	1,965,763	\$	1,585,178
De Baca Family Practice Clinic, Inc.'s proportion of the net pension liability (asset)	0.2046%		0.0768%		0.0768%
De Baca Family Practice Clinic, Inc.'s covered- employee payroll	\$ 1,844,416	\$	1,991,835	\$	1,842,166
De Baca Family Practice Clinic, Inc.'s proportionate share of the net pension liability as a percentage of its covered-employee payroll	177.23%		98.69%		86.05%
Plan fiduciary net position as a percentage of the total pension liability	69.18%		81.29%		81.29%

*\*Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for De Baca Family Practice Clinic, Inc.'s name is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**STATE OF NEW MEXICO**  
**DE BACA FAMILY PRACTICE CLINIC, INC.**  
**COMPONENT UNIT OF DE BACA COUNTY**  
**SCHEDULE OF DE BACA FAMILY PRACTICE CLINIC, INC.'S CONTRIBUTIONS**  
**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN**  
**LAST 10 FISCAL YEARS**  
**JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory required contributions	\$ 176,142	\$ 167,296	\$ 152,447
Contributions in relations to the statutorily required contributions	<u>176,142</u>	<u>167,296</u>	<u>152,447</u>
Annual contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

*\*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for De Baca Family Practice Clinic, Inc.'s name is not available prior to fiscal year 2015, the year the statement's requirements became effective.*

**Notes to Required Supplementary Information**  
**for the Year Ended June 30, 2017**

*Changes of benefit terms:* The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>

*Assumptions:* The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2016 report is available at <http://www.nmpera.org/>.





## SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO  
DE BACA FAMILY PRACTICE CLINIC, INC.  
COMPONENT UNIT OF DE BACA COUNTY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET (GAAP BUDGETARY BASIS) AND  
ACTUAL ON BUDGETARY BASIS  
JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual GAAP Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Net patient service revenue	\$ 1,816,515	\$ 1,824,303	\$ 1,740,966	\$ (83,337)
Operating agreements - Federal	1,092,136	1,290,734	1,189,743	(100,991)
Operating agreements - State	195,400	175,000	175,000	0
School clinic	52,500	52,500	52,500	0
Other grants and contributions	7,000	5,130	2,763	(2,367)
Mill levy, net	265,000	353,500	338,545	(14,955)
Medical records and fees	0	0	723	723
Miscellaneous	35,000	25,000	18,586	(6,414)
Total revenues	<u>3,463,551</u>	<u>3,726,167</u>	<u>3,518,826</u>	<u>(207,341)</u>
<b>EXPENDITURES</b>				
Medical	919,669	969,172	913,847	55,325
School-based health clinic	166,410	143,114	130,321	12,793
Mental health	0	38,961	41,209	(2,248)
Dental	800,922	837,365	813,856	23,509
Laboratory and radiology	244,819	254,964	244,985	9,979
Pharmacy	5,500	3,536	3,158	378
Facility	240,268	281,690	262,396	19,294
Administration	765,252	844,802	805,802	39,000
Other Expenses	235,711	267,563	239,060	28,503
Depreciation	90,000	90,000	77,093	12,907
Total expenditures	<u>3,468,551</u>	<u>3,731,167</u>	<u>3,531,727</u>	<u>199,440</u>
Excess (deficiency) of revenues over expenditures	<u>(5,000)</u>	<u>(5,000)</u>	<u>(12,901)</u>	<u>(7,901)</u>
Non-operating revenues (expenses):				
Other financing sources (uses)				
Capital grant revenue	594,637	56,475	56,475	0
Capital grant expenses	(594,637)	(56,475)	(56,475)	0
Interest	5,000	5,000	4,353	647
Total other financing sources (uses)	<u>5,000</u>	<u>5,000</u>	<u>4,353</u>	<u>647</u>
Net change in net position	0	0	(8,548)	(7,254)
Net position - beginning of year	<u>(390,097)</u>	<u>(390,097)</u>	<u>(390,097)</u>	<u>0</u>
Net position - end of year	<u>\$ (390,097)</u>	<u>\$ (390,097)</u>	<u>\$ (398,645)</u>	<u>\$ (7,254)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (8,548)	
Capital expenditures capitalized in Statement of Net Position; expensed for budgetary purposes			56,055	
Capital grant expenses included as construction in progress			56,475	
Change in compensated absences payable not budgeted			(28,703)	
Net pension liability accrual not budgeted			(166,494)	
Net changes in fund balance GAAP basis			<u>\$ (91,215)</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
 DE BACA FAMILY PRACTICE CLINIC, INC.  
 A COMPONENT UNIT OF DE BACA COUNTY  
 JUNE 30, 2017

Schedule of Collateral Pledged by Depository for Public Funds as of June 30, 2017

<u>Pledged Collateral</u>	<u>Name and Location of Custodian</u>	<u>Fair Market Value</u>
GNMA II Pool #4974 Matures 3/20/2026	The Independent Bankers AFS Dallas, TX	\$ 615,480
SBAP 2012-20K 1 Matures 11/1/2032	The Independent Bankers AFS Dallas, TX	1,304,174
		\$ 1,919,654

**STATE OF NEW MEXICO**  
**DE BACA FAMILY PRACTICE CLINIC, INC.**  
**COMPONENT UNIT OF DE BACA COUNTY**  
**SCHEDULE OF NET PATIENT SERVICE REVENUE**  
**JUNE 30, 2017**

**ROUTINE SERVICES:**

Medical services	\$ 1,268,756
Dental services	1,121,498
Mental health services	19,372
School-based health clinic	<u>213,966</u>

Total routine services	<u>2,623,592</u>
------------------------	------------------

**DEDUCTIONS FROM REVENUES:**

Contractual allowances:	
Medical services	509,363
Dental services	326,836
Mental health services	1,419
School-based health clinic	13,993
Charity care allowances	1,015
Allowance for doubtful accounts	<u>30,000</u>

Total deductions from revenues	<u>882,626</u>
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<b>Net Patient Service Revenue</b>	<b><u>\$ 1,740,966</u></b>
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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, 2017

<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	
Consolidated Health Centers 330 Grant		\$1,020,462
DSHII Grant		19,208
QA/QI Grant		86,322
Affordable Care Act (ACA) Grants for Capital Development in Health Centers	93.526	<u>56,475</u>
	Total Federal Financial Assistance	<u>\$1,182,467</u>

\*Indicates a major program

See notes to the Schedule of Expenditures of Federal Awards.

DE BACA FAMILY PRACTICE CLINIC, INC.  
A COMPONENT UNIT OF DE BACA COUNTY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2017

**Notes to Schedule of Expenditures of Federal Awards**

**Note 1 – Basis of presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the De Baca Family Practice Clinic, Inc for the year ended June 30, 2017 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule only presents a selected portion of the operations of the Clinic, it is not intended to and does not present the financial position or changes in net position of the Clinic.

**Note 2 – Non-Cash Assistance**

The Clinic did not receive non-cash federal assistance for the year ended June 30, 2017.

**Note 3 – Sub recipients**

The Clinic provided no federal awards to sub recipients for the year ended June 30, 2017

**Note 4 – Cost Rate**

The Clinic did not use the 10% de minimis cost rate for the current year.

## COMPLIANCE SECTION



**R. Kelly McFarland**

**Certified Public Accountant**

**A Professional Corporation**



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314 South 2nd Street • Post Office Box 1044 • Tucumcari, New Mexico 88401  
Voice (575) 461-1195 • Fax (575) 461-1198 • Web: [www.mcfarlandcpa.com](http://www.mcfarlandcpa.com)

**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 AUDITOR'S REPORT**

Tim Keller, New Mexico State Auditor,  
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.

I 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 of De Baca Family Practice Clinic, Inc. as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of De Baca Family Practice Clinic, Inc. presented as listed in the table of contents, and have issued my report, thereon, dated November 20, 2017.

**Internal Control Over Financial Reporting**

In planning and performing my audit, of the financial statements, I 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 my 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, I 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.

My 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 my audit, I did not identify any deficiencies in internal control that I 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, I 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 my audit, and accordingly, I do not express such an opinion. The result of my tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, which is described in the accompanying Schedule of Findings and Responses as item 2017-001 and 2017-002.

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

De Baca Family Practice Clinic, Inc.'s responses to the finding identified in my report are described in the accompanying *Schedule of Findings and Responses*. The Clinic's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my 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.

A handwritten signature in black ink that reads "R Kelly McFarland". The signature is written in a cursive, flowing style.

R. Kelly McFarland, CPA, PC  
Certified Public Accountant  
Tucumcari, New Mexico  
November 20, 2017

# R. Kelly McFarland

Certified Public Accountant  
A Professional Corporation



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## INDEPENDENT AUDITOR'S 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 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

I have audited De Baca Family Practice Clinic, Inc.'s, a component unit of De Baca County, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* 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, 2017. De Baca Family Clinic Inc.'s major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questions 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

My responsibility is to express an opinion on compliance for each of De Baca Family Practice Clinic, Inc.'s major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of De Baca Family Practice Clinic, Inc.'s compliance.

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

In my opinion, De Baca Family Practice Clinic, Inc., complied, in all material respects, with the types of compliance requirements referred to above that have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### **Other Matters**

The results of my 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 my audit of compliance, I 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, I 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, 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.

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my 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.



R. Kelly McFarland, CPA, PC  
Certified Public Accountant  
Tucumcari, New Mexico  
November 20, 2017

DE BACA FAMILY PRACTICE CLINIC, INC.  
 A COMPONENT UNIT OF DE BACA COUNTY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 JUNE 30, 2017

**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>
93.224	Health Center Cluster Consolidated Health Centers 330 Grant DSHII Grant QA/QI Grant

Dollar threshold used to distinguish between Type A  
 And Type B programs \$ 750,000

Auditee qualified as low-risk auditee Yes

DE BACA FAMILY PRACTICE CLINIC, INC.  
A COMPONENT UNIT OF DE BACA COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017

**Prior audit findings**

None

**Current audit findings**

**FINDING 2017-001** (not a significant deficiency)

Capital Asset Accounting

Condition - The Clinic maintains a listing of its capital assets on an Excel spread sheet, which is also used to compute depreciation. The spread sheet is not the most effective manner of accounting for assets acquired with federal grant funds, as well as meeting compliance requirements, although it does meet the compliance requirements. The Clinic's capitalization policy for fiscal year 2017 was to capitalize assets with a cost of over \$3,500. The Clinic has amended the policy effective for fiscal year 2018 to \$5,000.

Criteria – Section 12-6-10 NMSA 1978 requires the capitalization of chattels and equipment that cost over \$5,000. Equipment purchased with federal grant funds requires compliance with federal directives (2 CFR.313) relating to inventory management and dispositions of equipment acquired under federal awards. Section 12-6-5 NMSA 1978 requires implementation of “good accounting practices”. A review of the Clinic's compliance with these matters is required by the annual Single Audit. The federal directives do not prescribe a specific method of meeting this compliance requirement and the Excel spreadsheet does meet the requirement; however, we bring to your attention that the implementation of this requirement could be enhanced through the use of fixed asset management software.

Fixed Asset Management software assists in meeting the federal compliance requirements by providing a more complete and robust capital asset accounting system. The software will prompt users to use serial numbers to identify equipment, more readily classifies equipment to similar groups, (IT equipment, X Ray equipment, etc.) and assists in consistency in the use of equipment lives for computation of depreciation.

Effect – Management meets its compliance requirement regarding capital assets, which are maintained on an Excel spread sheet. However, the Clinic is a federally funded health clinic and currently receives and will continue to receive a major portion of its revenue from the continuing federal funding – not just a one-time grant. The Clinic will acquire more equipment every year from federal grants. Using software dedicated to capital asset accounting will only strengthen internal controls to preclude possible future noncompliance.

Cause - The Clinic was not familiar with special software which could enhance the accounting for capital assets or how the software could assist with compliance.

Recommendation – I recommend the Clinic consider acquiring fixed asset management software to more effectively account for its capital assets.

Response - We appreciate your perception that acquiring fixed management software will strengthen internal controls to preclude possible future noncompliance. Senior management will consider and investigate the possibility. We will look at feasibility, along with the size of our organization, to determine which avenue which will benefit us. Our plan is to have software in place and managed by the Operations Manager by close of FY 2018.

DE BACA FAMILY PRACTICE CLINIC, INC.  
A COMPONENT UNIT OF DE BACA COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017

**Current audit findings, Continued**

**FINDING 2017-002** (finding that does not rise to the level of a significant deficiency)

Late Audit Report

Condition - The Clinic's audit report was submitted after the date required by the State Audit Rule for component unit audit reports.

Criteria – The State Audit Rule establishes the required date for submission of the component unit audit report, as 15 days prior to the due date of the Primary Government.

Effect – The audit report was filed after the required filing date.

Cause – The auditors did not budget sufficient time to obtain all required information, necessary to timely complete the audit.

Recommendation – The auditors will be more focused on the document request and will schedule field work as soon as management has the books of account closed. The measures will ensure the timely completion of the audit report.

Response - No response.

DE BACA FAMILY PRACTICE CLINIC, INC.  
A COMPONENT UNIT OF DE BACA COUNTY  
EXIT CONFERENCE  
JUNE 30, 2017

An exit conference was conducted on November 17, 2017 with the following management in attendance:

De Baca Family Practice Clinic, Inc.

Randie Hatley - Contract Accountant  
Lisa Walraven - CEO  
Susan Vick - CFO

R. Kelly McFarland, CPA, PC

R. Kelly McFarland, CPA  
Debra Sloan, CPA

An exit conference was conducted on November 21, 2017 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 President  
Lisa Walraven - CEO

R. Kelly McFarland, CPA, PC

Debra Sloan, CPA

**Financial Statement Preparation**

The financial statements of the De Baca Family Practice Clinic, Inc. as of, and for the year ended, June 30, 2017 were prepared by R Kelly McFarland, CPA, PC, with the aid of responsible Clinic management. Official responsible personnel agree that the presentations are made with their knowledge and agreement.