

EUNICE SPECIAL HOSPITAL DISTRICT

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT

Year Ended June 30, 2014

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DISTRICT OFFICIALS

June 30, 2014

DISTRICT BOARD OF TRUSTEES

Charles "Bud" Hobbs	Chairman
Pam Fisher	Vice Chairman
Barbara Baggett	Secretary/Treasurer
Billy Turner	Member
Bill Robinson	Member



INDEPENDENT AUDITORS' REPORT

Mr. Tim Keller
New Mexico State Auditor
Eunice Special Hospital District Officials
Eunice, New Mexico

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the business-type activities and the budgetary comparison statement of Eunice Special Hospital District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District'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

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. 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.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The District's accounting records as of and for the year ended June 30, 2014 were not sufficient to audit. Due to limited accounting records, we were unable to apply auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The amount by which these departures would affect the revenues and expenses of the funds is not reasonably determinable.

Disclaimer of Opinion

Because of the District's insufficient accounting records as discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position and Statement of Cash Flows as of and for the year ended June 30, 2014 which comprise the District's basic financial statements as listed in the table of contents. In addition, because of the District's insufficient accounting records, the scope of our work was not sufficient to enable us to express and we do not express, an opinion on the budgetary comparison statement presented as supplementary information in the accompanying basic financial statements of Eunice Special Hospital District as of and for the year ended June 30, 2014.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 9 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 assurance.

We were engaged to audit for the purpose of forming opinions on the basic financial statements and on the budgetary comparison that collectively comprise the District's financial statements. The other supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The scope of our work was not sufficient to enable us to express and we do not express, an opinion on the other supplementary information in the accompanying basic financial statements of Eunice Special Hospital District as of and for the year ended June 30, 2014.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2015 on our consideration of the District'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Hobbs, New Mexico
June 12, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Eunice Special Hospital District's financial performance provides an overview of the District's financial activities for the fiscal years ended June 30, 2014 and June 30, 2013. This information is presented in conjunction with audited financial statements that follow this section.

Financial Highlights

- The District's total assets increased by \$889,047 and total liabilities decreased by \$61,075, resulting in total net position increasing \$950,122.
- The District's operating and non-operating revenues in fiscal year 2014 were \$626,239 and \$1,703,093, respectively.
- The District's operating expenses in fiscal year 2014 were \$1,377,955.
- As of the close of the current fiscal year, the District reported ending net position of \$9,492,314.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the District.

The District's basic financial statements comprise two components: 1) fund financial statements, and 2) notes to basic financial statements. This report also contains supplemental information in addition to the basic financial statements themselves.

Financial Statement:

The financial statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses, and changes in fund net position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal period (e.g., uncollected taxes and earned but unused vacation leave).

The statement of cash flows reports the cash effects during the fiscal year of the District's operations, its noncapital financing transactions, its capital and related financing transactions, and its investing transactions.

The financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activity). The governmental activities include a local 2-mill levy. The business type activity includes providing medical services to the community of Eunice, New Mexico and surrounding area.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Fund financial statements

The District's basic services are reported in one unrestricted fund, which focuses on how money flows into and out of the fund and the balance left at year-end that is available for spending. The fund is reported using the accrual basis of accounting. The statements provide a detailed short-term view of the District's general operations and the basic services it provides.

Notes to basic financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the financial statement. The notes to the basic financial statements can be found beginning on page 13 of this report.

Financial Analysis

Net position may serve over time as a useful indicator of an entity's financial position. By far the largest portion of the District's net position is in cash and investments. The balance of unrestricted funds may be used to meet the District's ongoing obligations to citizens, patients, and creditors.

Governmental activities

- Property tax revenue \$1,699,822
- Investment income \$3,271

Business-type activities

- Revenue from charges for services \$616,643
- Miscellaneous Income \$9,596

Net Position

To begin our analysis, a summary of the District's Statement of Net Position is presented in Table A-1.

**Table A-1
Condensed Statements of Net Position**

	FY 2014	FY 2013	Total Change
Current and Other Assets	\$7,562,011	\$6,608,921	\$953,090
Capital Assets	2,197,039	2,261,082	(64,043)
Total Assets	\$9,759,050	\$8,870,003	\$889,047
Current Liabilities	\$266,736	\$327,096	\$60,360
Non-Current Liabilities	-	715	715
Total Liabilities	\$266,736	\$327,811	\$61,075
Invested in capital assets	\$2,197,039	\$2,261,082	\$64,043
Unrestricted	7,295,275	6,281,110	(1,014,165)
Total Net Position	\$9,492,314	\$8,542,192	\$950,122

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Net Position (continued)

As can be seen from the table on the previous page, net position increased \$950,122 to \$9,492,314 in fiscal year 2014 from \$8,542,192 in fiscal year 2013. An increased cash balance and receivable balance led to a higher current asset balance which affects the increase in net position.

Table A-2
Condensed Statement of Revenues,
Expenses and Changes in Net Position

	FY 2014	FY 2013	Dollar Change
Operating Revenues	\$626,239	\$500,286	\$125,953
Non-Operating Revenues	1,703,093	1,375,991	327,102
Total Revenues	2,329,332	1,876,277	453,055
Depreciation Expense	95,448	94,967	(481)
Other Operating Expenses	1,282,507	1,062,242	(220,265)
Non-Operating Expenses	1,255	-	(1,255)
Total Expenses	1,379,210	1,157,209	(222,001)
Change in Net Position	950,122	719,068	231,054
Beginning Net Position	8,542,192	7,823,124	719,068
Ending Net Position	\$9,492,314	\$8,542,192	\$950,122

While the Statement of Net Position shows the change in financial position of net position, the Statement of Revenues, Expenses and Changes in Net Position provides answers as to the nature and source of these changes.

The District's operating revenues increased by \$125,953. Operating revenues increased as a result of change in clinic manager and additional outreach to the community to attract new patients.

Operating expenses increased for this same period as a result of increased costs to provide services to more patients. In addition, there were outstanding payroll tax & health insurance expenses which had not been paid or reported by the previous manager.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Budgetary Highlights

The District adopts an annual Operating Budget following public workshops and a public hearing. The Operating Budget includes proposed expenses and the means of financing them.

A fiscal year 2014 budget comparison and analysis is presented in Table A-3.

**Table A-3
Budget vs. Actual
Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Variance
Revenues				
Property Taxes	\$1,370,000	\$1,370,000	\$1,668,818	\$298,818
Charges for Services	365,200	365,200	305,352	(59,848)
Investment Earnings	-	-	3,271	3,271
Operating Grants and Contributions	-	-	-	-
Miscellaneous	14,600	14,600	9,596	(5,004)
Total Revenues	\$1,749,800	\$1,749,800	\$1,987,037	\$237,237
Expenses				
Personnel Services	692,500	692,500	711,017	(18,517)
Contractual Services	249,100	249,100	299,028	(49,928)
Utilities	40,000	40,000	32,376	7,624
Repairs and Maintenance	35,000	35,000	1,191	33,809
Other Supplies & Expenses	156,800	156,800	202,758	(45,958)
Insurance Claims & Expenses	85,000	85,000	96,027	(11,027)
Miscellaneous	-	-	1,255	(1,255)
Capital Outlay				
Equipment purchase	1,000	1,000	31,405	(30,405)
Total Expenses	\$1,259,400	\$1,259,400	\$1,375,057	(\$115,657)
Net Income	\$490,400	\$490,400	\$611,980	\$121,580

Variations in budget and actual tax revenues were a result of the increase in the price of oil during this time period. A great majority of the tax revenue for the District is dependent on the oil & gas industry. Patient revenue is less than budgeted due to the number of patients seen as well as a change in types of patients seen, i.e. types of treatments and procedures patients required. 2014 Budget for patient revenue was not adjusted downward based on actual services provided in fiscal year ending June 30, 2013. Management is reviewing the financial reports & budgeting process to more accurately project operating revenues & expenses.

This report shows interest revenue from the Districts LGIP investment, this revenue is not used in the general fund. It is reinvested and continues to be part of our other cash asset.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Capital Assets

**Table A-4
Capital Assets**

	FY 2014	FY 2013	Dollar Change
Equipment and software	\$438,376	\$406,971	\$31,405
Building and improvements	2,388,009	2,033,608	354,401
Land	119,000	119,000	-
Construction in Progress	-	354,401	(354,401)
Less Accumulated Depreciation	(748,346)	(652,898)	(95,448)
Total Capital Assets	\$2,197,039	\$2,261,082	\$(64,043)

The District purchased a Canon Color Copier, an outdoor sign for the clinic, and placed the pharmacy building, that the District started construction on during fiscal year 2013, in service during the 2014 fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Board of Trustees of the District considered many factors when setting the fiscal year 2014 budget. One of those factors is the local economy and the impact our fees have on the community. By maintaining reasonable fees the District believes it can continue to provide medical care to all the community of Eunice, NM.

DISTRICT CONTACT INFORMATION

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact Le'Ann Reaves, Clinic Manager, Eunice Special Hospital District, P.O. Box 239, Eunice, New Mexico 88231 or by phone at 575-394-1091.

EUNICE SPECIAL HOSPITAL DISTRICT

STATEMENT OF NET POSITION

Proprietary Funds

June 30, 2014

ASSETS

CURRENT ASSETS

Cash and cash equivalents (NOTE B)	\$ 3,452,297
Investments (NOTE C)	3,208,280
Accounts receivable, net (NOTE D)	893,496
Other receivables	7,938

Total current assets **7,562,011**

NON-CURRENT ASSETS

Property, plant and equipment (NOTE E)	2,197,039
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Total non-current assets **2,197,039**

TOTAL ASSETS **\$ 9,759,050**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 12,457
Payroll liabilities	252,016
Compensated absences (NOTE H)	2,263

Total current liabilities **266,736**

TOTAL LIABILITIES **266,736**

NET POSITION

Invested in capital assets	2,197,039
Unrestricted	7,295,275

TOTAL NET POSITION **9,492,314**

TOTAL LIABILITIES AND NET POSITION **\$ 9,759,050**

The accompanying notes are an integral part of these statements.

EUNICE SPECIAL HOSPITAL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION Proprietary Funds

	<u>Year Ended June 30, 2014</u>
OPERATING REVENUES	
Charges for services	\$ 616,643
Other operating income	9,596
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Total operating revenues	626,239
OPERATING EXPENSES	
Personnel services	637,486
Contractual services	299,028
Other supplies and expenses	215,215
Insurance claims and expenses	96,027
Depreciation	95,448
Utilities	32,376
Repairs and maintenance	1,191
Bad debt expense	1,184
	<hr/>
Total operating expenses	1,377,955
Operating (loss)	(751,716)
NON-OPERATING REVENUES (EXPENSES)	
Property taxes	1,699,822
Interest income	3,271
Interest expense	(1,255)
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Total non-operating revenues (expenses)	1,701,838
Increase in net position	950,122
Total net position - beginning of period	8,542,192
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Total net position - end of period	\$ 9,492,314
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The accompanying notes are an integral part of these statements.

EUNICE SPECIAL HOSPITAL DISTRICT

STATEMENT OF CASH FLOWS

Proprietary Funds

	Year Ended June 30, 2014
OPERATING ACTIVITIES	
Cash receipts from customers	\$ 304,166
Other operating cash receipts	4,773
Cash paid to suppliers	(535,353)
Cash paid to employees	(711,017)
Other cash payments	(96,027)
Net cash (used) by operating activities	(1,033,458)
NONCAPITAL FINANCING ACTIVITIES	
Property tax receipts	1,668,820
Net cash provided by noncapital financing activities	1,668,820
CAPITAL AND RELATED FINANCING ACTIVITIES	
Payment for purchase of equipment	(31,405)
Interest expense	(1,255)
Net cash (used) by capital and related financing activities	(32,660)
Net increase in cash	602,702
Cash - beginning of period	2,849,595
Cash - end of period	\$ 3,452,297
Reconciliation of net operating income (loss) to net cash (used) by operating activities	
Operating (loss)	\$ (751,716)
Adjustments to reconcile net operating (loss) to net cash (used) by operating activities:	
Depreciation expense	95,448
Changes in assets and liabilities:	
Receivables, net	(311,295)
Other receivables	(4,823)
Accounts payable	12,459
Accrued liabilities	(73,531)
Net cash provided (used) by operating activities	\$ (1,033,458)

The accompanying notes are an integral part of these statements.

EUNICE SPECIAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - Nature of Business and Significant Accounting Policies

This summary of significant accounting policies of Eunice Special Hospital District (the District) is presented to assist in understanding the District's financial statements. These financial statements and notes are representations of the District's management and Board of Trustees who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature & History of Business

Eunice Special Hospital District is an entity of the State of New Mexico located in Lea County, New Mexico. The organization provides medical attention to the residents of Lea County and others who may require it, through the use of a modern clinic located in the City of Eunice.

On April 8, 2003, a Board of Trustees was appointed to begin the formation of the District.

On August 19, 2003, the City of Eunice donated land located at 1109 Main, Eunice, NM with a book value to the District of \$10,000. On November 1, 2003, the Andrews Clinic donated various assets to the District with a book value to the District of \$103,785.

On March 13, 2007, a mill levy election was held and was approved for the tax years July 1, 2008 through June 30, 2011.

The financial statements of this organization conform to accounting principles generally accepted in the United States of America as applicable to a government hospital. The following is a summary of the more significant policies:

Reporting Entity:

The District has adopted GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No. 14. GASB 39 provides additional guidance to determine whether certain organizations for which the District is not financially accountable should be reported as discretely presented component units based on the nature and significance of their relationship with the District. In applying the guidance promulgated by GASB 39, the District has concluded that there are no entities that should be reported as a component unit in the District's financial statements.

The County has adopted the requirements of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement requires governments to account for deferred outflows of resources, deferred inflows of resources, and net position elements in Concepts Statement No. 4 as it relates to GASB Statements 53 (derivatives) and 60 (SCA's). Concepts Statement No. 4 indicates that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. This statement is effective for periods beginning after December 15, 2011

EUNICE SPECIAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - Nature of Business and Significant Accounting Policies (continued)

Fund Accounting:

Proprietary Fund Type: This fund type applies all applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 that are not in conflict with applicable GASB pronouncements.

Enterprise Funds: (Unrestricted Funds)

Unrestricted funds are used to account for operations of the District that are financed and operated in a manner similar to private business enterprises where the intent is that the costs, including depreciation, of providing goods and services to the general public on a continuing basis, be financed or recovered primarily through user charges.

Measurement Focus and Basis of Accounting:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

The unrestricted funds (enterprise funds) are accounted for using the full accrual basis of accounting. Their revenues are recognized when the related service is completed and billed. Property taxes are recognized as revenues in the year for which they are levied. Expenses are recorded when an item is utilized or a liability is incurred.

Operating and Non-operating Revenues:

Operating revenue includes activities that have the characteristics of exchange transactions, such as a) patient services and b) contracts and grants.

Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as property taxes and investment income and exchange transactions such as rental revenue. These revenue streams are recognized under GASB Statement No. 33 – *Accounting and Financial Reporting for Nonexchange Transactions*.

Budgets and Budgetary Accounting:

Annual budgets of the District are prepared prior to June 1 and must be approved by the resolution of the Board and submitted for approval by the State of New Mexico. Once the budget has been formally approved, any amendments must also be approved by the Board and the State. Line items within the budget may be over-expended; however, it is not legally permissible to over-expend the budget in total.

Budgeted amounts are as originally adopted, or as amended by the Board and approved by the State. The budget is adopted on the cash basis, which is not in accordance with accounting principles generally accepted in the United States of America. The schedule of budgeted revenues and expenditures presents comparisons of legally adopted budgets with actual data on a budgetary basis.

EUNICE SPECIAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - Nature of Business and Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued):

The District has expenditures in excess of approved budgetary appropriations in the amount of \$115,657 for the year ended June 30, 2014.

Cash and Cash Equivalents, and Investments:

For purposes of the statement of cash flows, the District considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Immediate cash needs are met with resources deposited at the District's bank. The District has invested a portion of their cash with the New Mexico State Treasurer's Office short-term investment pool. Amounts invested with the State Treasurer are readily available to the District when needed and are recorded at cost which approximates fair value. The District has also invested in CD's with maturities of greater than 3 months at local banks.

Capital Assets:

Donated assets are recorded at their estimated value on the date donated. Capital assets such as equipment are defined as assets with a cost of more than \$5,000 per section 12-6-10 NMSA 1978. Depreciation of all exhaustible capital assets is charged as an expense against operations. Information technology equipment, including software, is depreciated in accordance with NMAC 2.20.1.9 C (5). Depreciation has been provided over the estimated useful lives as follows:

Buildings	25-40 years
Improvements	10-35 years
Equipment and Software	5-20 years

The District's policy is to capitalize interest incurred during construction as part of the historical cost of capital. Construction in progress is not depreciated until the capital assets are placed into service.

Net Patient Service Revenue:

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows:

* Medicare – Outpatient care services rendered to Medicare program beneficiaries are paid at determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

* Medicaid – Outpatient care services rendered to Medicaid program beneficiaries are paid at determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Allowance for Receivables:

The allowance for doubtful accounts is maintained at a level which, in the administration's judgment, is sufficient to provide for possible losses in the collection of these accounts.

EUNICE SPECIAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - Nature of Business and Significant Accounting Policies (continued)

Tax Collections:

The Eunice Special Hospital District receives property taxes from the Treasurer of the County of Lea. The County serves as the intermediary collecting agency and remits the District's share of property tax collections to the District. The District does not maintain detailed records of property taxes receivable by the individual taxpayer.

By April 1 of each year, the County Assessor shall mail a notice to each property owner informing them of the net taxable value of the property, which has been valued for taxation purposes by the Assessor. By May 1 of each year, the property valuation protest period expires. Upon receipt of the property tax schedule, the County Treasurer shall prepare and mail property tax bills to either the owner of the property or any person other than the owner to whom the tax bill is sent. Tax bills shall be mailed no later than November 1 of each tax year.

Property taxes of less than ten dollars are payable to the County Treasurer in full, due on November 10, delinquent December 11 in the year in which the tax bill was prepared and mailed. Property taxes of ten dollars or more are payable to the County Treasurer in two equal installments, the first half is due November 10, delinquent December 11. The second installment is due April 10, delinquent May 11 of the following year.

Compensated Absences:

Vacation, personal, and sick days earned during the current contract year must be taken by December 31 of the following year. A total of 132 hours of paid time off per year may be accumulated by each full-time, permanent employee. Unused vacation days may be carried over to the next year. Upon termination employees will be paid accumulated vacation days. See Note H for accrual of vacation. However, no accrual will be made for sick days because accrued days are lost if not used in the current year or upon termination.

Encumbrances:

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration.

Use of FASB Pronouncements:

The Eunice Special Hospital District has elected to utilize alternative #2 under GASB #20. Under alternative #2, the governmental entities using proprietary fund accounting must follow (1) all GASB pronouncements and (2) all FASB Statements and Interpretations issued after November 30, 1989, APB Opinions, and ARB's, no matter when issued, except those that conflict with a GASB pronouncement.

EUNICE SPECIAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - Nature of Business and Significant Accounting Policies (continued)

Use of Estimates:

The District uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. The significant estimates utilized are the allowance for uncollectible accounts, the estimated useful lives of property, plant and equipment, and estimated Medicare accounts receivable not billed at year end. Actual results could differ from those amounts.

Net Position:

Invested in capital assets, net of related debt include net restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted net position consists of net position that does not meet the definition of "invested in capital assets, net of related debt."

Restricted net position includes net position that has third-party limitations on their use. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE B - Cash and Cash Equivalents

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool and money market accounts. The District is also allowed to invest in the United States Government obligations; however, they have never taken this opportunity. All funds of the District must follow the above investment policies.

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

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

Excess funds may be temporarily invested in securities which are issued by the State or by the United States Government, or by their departments or agencies, and which are either direct obligations of the State or the United States Government or are backed by the full faith and credit of those governments.

At June 30, 2014, the District's cash consisted of \$3,465,862 in demand deposits. Of this balance, \$250,000 was covered by federal depository insurance. The remaining balance was uninsured and uncollateralized.

EUNICE SPECIAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE B - Cash and Cash Equivalents (continued)

Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution. The schedule listed below will meet the State Auditor's requirements in reporting the insured portion of the deposits.

	<u>June 30, 2014</u>
Demand and Interest Accounts	3,465,862
FDIC coverage	<u>(250,000)</u>
Total uninsured public funds	<u>\$ 3,215,862</u>
	<u>June 30, 2014</u>
Collateral requirement:	
50% of regular accounts	\$ 1,607,931
Pledged security held by pledging bank's trust department or agent but not in the District's name	<u>-</u>
(Excess) Under Collateralization	<u>\$ 1,607,931</u>

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

The insurance coverage of public unit accounts depends upon the type of deposit and the location of the insured depository institution. All time and savings deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. Separately, all demand deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. For the purpose of these rules, the term 'time and savings deposits' includes NOW accounts and money market deposit accounts but does not include interest-bearing demand deposit accounts (which were permitted after July 21, 2011). The term 'demand deposits' means both interest-bearing and noninterest-bearing deposits that are payable on demand and for which the depository institution does not reserve the right to require advance notice of an intended withdrawal. The insurance coverage of accounts held by government depositors is different if the depository institution is located outside the State in which the public unit is located. In that case, all deposits, both time and savings deposits and demand deposits, owned by the public unit and held by the public unit's official custodian are added together and insured up to \$250,000. Time and savings deposits are not insured separately from demand deposits.

EUNICE SPECIAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE B - Cash and Cash Equivalents (continued)

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to them. The District does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$3,215,862 of the District’s bank balance was exposed to custodial credit risk because it was uninsured and not collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the District’s name.

NOTE C –Investments

As of June 30, 2014, the District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
State Investment Pool	< 182 days	\$ 2,796,039
Certificate of Deposit	180 days	203,548
Certificate of Deposit	360 days	208,693
Total		\$ 3,208,280

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk – Concentration of credit risk exists when an agency has investments in any one issuer that represent five percent or more of total investments of the agency. The District does not have a formal investment policy that limits its exposure to concentrations of credit risk. The District is exposed to concentrations of credit risk arising from its investments in certificates of deposit at local banks. Each certificate of deposit held represents approximately 6.4% of total investments. These certificates of deposit were fully insured by the FDIC at June 30, 2014.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Quality Risk – State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices.

All investments purchased for the LGIP must be high quality, with a credit rating of A or better to ensure the highest level of safety; U.S. Governments securities are rated AAA and all commercial paper investments is A-1+. Also, the State Treasurer is required by law to have the overnight repurchase agreements secured by U.S. Government securities at 102%.

The investments are valued at fair value based on quoted market prices as of the valuation date.

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment

EUNICE SPECIAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE C –Investments (continued)

Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested.

Participation in the local government investment pool is voluntary.

At June 30, 2014, the LGIP had an AAAM rating by Standard & Poor's, a WAM(R) of 48.6 days and a WAM (F) of 116.20 days.

NOTE D—Accounts Receivable

The following is a summary of the accounts receivable:

	<u>June 30, 2014</u>
Patients, Medicare, Medicaid, Other Insurers	872,756
Property Tax Receivable	<u>104,601</u>
	977,357
Allowance for Uncollectible Accounts	<u>(83,861)</u>
Total	<u>\$ 893,496</u>

EUNICE SPECIAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE E – Capital Assets

The following is an analysis of the property, plant and equipment:

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
<u>Depreciable Capital Assets</u>				
Building and Improvements	\$ 2,033,608	\$ 354,401	\$ -	\$ 2,388,009
Equipment and Software	406,971	31,405	-	438,376
Total Depreciable Capital Assets	<u>2,440,579</u>	<u>385,806</u>	<u>-</u>	<u>2,826,385</u>
Less Accumulated Depreciation:				
Building and Improvements	(325,763)	(55,633)	-	(381,396)
Equipment and Software	(327,135)	(39,815)	-	(366,950)
Total Accumulated Depreciation	<u>(652,898)</u>	<u>(95,448)</u>	<u>-</u>	<u>(748,346)</u>
<u>Nondepreciable Capital Assets</u>				
Land	119,000	-	-	119,000
Construction in Progress	354,401	-	(354,401)	-
Total Nondepreciable Capital Assets	<u>473,401</u>	<u>-</u>	<u>(354,401)</u>	<u>119,000</u>
Total Capital Assets	<u>\$ 2,261,082</u>	<u>\$ 290,358</u>	<u>\$(354,401)</u>	<u>\$ 2,197,039</u>

During fiscal year June 30, 2014, the District reported depreciation expense of \$95,448.

NOTE F - Retirement Plan

Employer Funded Plan

Effective October 2005, the Eunice Special Hospital District adopted a defined contribution retirement plan under Internal Revenue Code Section 403(b) with the Variable Annuity Life Insurance Company (VALIC). All full time employees are eligible to participate in the plan. The District matches employee contributions up to 5% of their gross salary. The employee contributions are 100% vested, and after 6 months the employer contributions are 100% vested as well. The District made \$76,365 in contributions to the retirement plan for the year ended June 30, 2014.

NOTE G - Insurance Coverage

The District will be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in a variety of insurance programs. Insurance coverage is purchased primarily through commercial carriers. Unemployment compensation is handled through a private carrier and is funded by the District.

EUNICE SPECIAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE H - Compensated Absences

The District had a liability for accrued vacation as of June 30, 2014 as follows:

Accrued vacation - beginning of year	\$ 2,263
Additions	-
Deletions	-
Accrued vacation - end of year	<u>\$ 2,263</u>

Of the \$2,263 balance, an estimated \$2,263 is due within one year.

NOTE I – Subsequent Events

The District has evaluated subsequent events through June 12, 2015, the date which the financial statements were available to be issued.

NOTE J – Subsequent Pronouncements

In June 2012, GASB Statement No. 68 Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and related amendment, GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to Measurement Date. The provisions of those Statements are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The standard is not expected to include a material liability for pension plan participation.

SUPPLEMENTAL INFORMATION

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF REVENUES AND EXPENSES BUDGET AND ACTUAL For the Year Ended June 30, 2014

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	Variance Positive (Negative)
REVENUES				
Property taxes	\$ 1,370,000	\$ 1,370,000	\$ 1,668,818	\$ 298,818
Charges for services	365,200	365,200	305,352	(59,848)
Investment earnings	-	-	3,271	3,271
Miscellaneous	14,600	14,600	9,596	(5,004)
Total revenues	\$ 1,749,800	\$ 1,749,800	\$ 1,987,037	\$ 237,237
EXPENSES				
Personnel services	692,500	692,500	711,017	(18,517)
Contractual services	249,100	249,100	299,028	(49,928)
Utilities	40,000	40,000	32,376	7,624
Repairs and maintenance	35,000	35,000	1,191	33,809
Other supplies and expenses	156,800	156,800	202,758	(45,958)
Insurance claims and expenses	85,000	85,000	96,027	(11,027)
Miscellaneous	-	-	1,255	(1,255)
Capital Outlay				
Equipment purchase	1,000	1,000	31,405	(30,405)
Total expenses	\$ 1,259,400	\$ 1,259,400	\$ 1,375,057	\$ (115,657)
Revenues over expenses	\$ 490,400	\$ 490,400	\$ 611,980	\$ 121,580
OTHER FINANCING SOURCES				
Prior year cash balance	2,849,595	2,849,595	-	
Total other financing sources	\$ 2,849,595	\$ 2,849,595	-	
Net change in fund balances	\$ 3,339,995	\$ 3,339,995	611,980	
Reconciliation to GAAP Basis:				
Depreciation expense			(95,448)	
Bad debt expense			(1,184)	
Increase in property tax receivable			31,004	
Increase in accounts receivable			311,295	
Increase in fixed assets			31,405	
Increase in accounts payable			(12,457)	
Decrease in accrued liabilities			73,527	
Increase in net assets			\$ 950,122	

The accompanying notes are an integral part of these statements.

OTHER SUPPLEMENTAL INFORMATION

EUNICE SPECIAL HOSPITAL DISTRICT

**SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
June 30, 2014**

None.

The accompanying notes are an integral part of these statements.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF DEPOSIT ACCOUNTS

June 30, 2014

Name of Depository	Account Name	Account Type	Bank Balance	Reconciled Balance
James Polk Stone Community Bank	Operational	Checking	<u>\$ 3,465,862</u>	<u>\$ 3,451,076</u>
Depository Cash Total			3,465,862	3,451,076
Cash on Hand			<u>1,221</u>	<u>1,221</u>
Cash Total			<u>\$ 3,467,083</u>	<u>\$ 3,452,297</u>
Lea County State Bank	Eunice Special Hospital District	CD	\$ 203,548	\$ 203,548
Pioneer Bank	Eunice Special Hospital District	CD	208,693	208,693
New Mexico State Treasurer	Eunice Health Clinic District	LGIP	2,794,691	2,794,691
New Mexico State Treasurer	Eunice Health Clinic District	LGIP	<u>1,348</u>	<u>1,348</u>
Investments Total			<u>\$ 3,208,280</u>	<u>\$ 3,208,280</u>

The accompanying notes are an integral part of these statements.



INDEPENDENT AUDITORS' 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

Mr. Tim Keller
New Mexico State Auditor
Eunice Special Hospital District Officials
Eunice, New Mexico

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the budgetary comparison statement of Eunice Special Hospital District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 12, 2015.

We were unable to express an opinion on those financial statements because the District's accounting records as of and for the year ended June 30, 2014 were not sufficient to audit. Due to limited accounting records, we were unable to apply auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The amount by which these departures would affect the revenues and expenses of the funds is not reasonably determinable.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (2010-001, 2010-002, 2010-003, 2010-005, 2010-007, 2011-003, 2011-009, 2012-003, 2013-001, and 2014-003).

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies (2007-004, 2011-002, 2011-004, 2011-006, and 2013-003).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2010-008, 2010-010, 2011-012, 2012-001, 2012-002, 2013-004, 2013-005, 2013-006, 2013-007, 2014-001, and 2014-002.

The District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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.



Hobbs, New Mexico
June 12, 2015

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

**SCHEDULE REFERENCE NUMBER: 2007-004 Preparation of Financial Statements (Repeated)
(FORMERLY 07-04) - Significant Deficiency**

Condition: The financial statements and related disclosures are not being prepared by the District.

Criteria: Per SAS 112, the District's system of internal control should include controls over financial statement preparation, including footnote disclosures.

Effect: Insufficient controls over the preparation of financial statements and related disclosures limits the District's ability to prevent or detect a misstatement in its financial statements.

Cause: The District does not have the personnel or time to prepare the financial statements and related disclosures.

Recommendation: We recommend the District's management and personnel receive training on financial reporting.

Management Response: Management will take guidance from Auditors to implement controls & footnote disclosures. Management will obtain additional training as recommended.

**EUNICE SPECIAL HOSPITAL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2014**

SCHEDULE REFERENCE NUMBER: 2010-001 (FORMERLY 10-01) Lack of Support for Receipts (Modified and Repeated) - Material Weakness

Condition:	The District was unable to provide deposit slips for 14 deposits totaling \$1,299.31 out of the 25 deposits totaling \$2,360.75 selected for testwork. Deposits were selected from the account financial history by service date report for testing. Also the client was unable to provide documentation of services provided (encounters) and documentation of insurance claims filed (EOBs) for 3 deposits totaling \$183.34 out of the 25 deposits totaling \$2,360.75 selected for testwork.
Criteria:	Per SAS 115, a control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.
Effect:	Insufficient controls do not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.
Cause:	The District currently does not have procedures in place to appropriately keep track of deposits, encounters, and EOBs that are made to support transactions and keep a proper audit trail.
Recommendation:	We recommend the District implement control procedures which include the retention of supporting documentation in an organized manner.
Management Response:	New Manager, hired 1/2 way thru this fiscal year, is implementing required control procedures & document retention.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

**SCHEDULE REFERENCE NUMBER: 2010-002
(FORMERLY 10-02)**

**Identifying Receipts Recorded in the
General Ledger (Modified and Repeated) -
Material Weakness**

Condition:

The District was unable to provide support needed to identify the revenue recorded in the general ledger for 25 out of 25 payments totaling \$2,360.75 selected for testing from the bank statement.

Criteria:

Per SAS 115, a control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Effect:

Insufficient controls do not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Cause:

Daily deposits are not being recorded in the accounting system.

Recommendation:

We recommend the District implement control procedures which record receipts in a manner that creates an audit trail between their billing software and accounting software; for research and confirmation of the accuracy of the recorded transactions.

Management Response:

Individual receipts are recorded in the Medical Billing system. Reports are being developed from the billing system to use to make summary entries into accounting software.

It would be duplication of work to record all individual transactions in the accounting system.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

**SCHEDULE REFERENCE NUMBER: 2010-003
(FORMERLY 10-03)**

Accrued Compensation (Modified and Repeated) - Material Weakness

Condition:

The client was unable to provide an accurate schedule of vacation hours earned and used by employees during the fiscal year.

Criteria:

The client should keep up to date and accurate vacation information for all employees in order to properly accrue vacation amounts.

Effect:

Accrued vacation is inaccurate at year-end.

Cause:

The client does not have complete vacation information for each employee.

Recommendation:

Management should refer to the employee manual on current vacation policies. Management should keep up-to-date and accurate information on vacation time for all employees and properly calculate how much each employee has accumulated at year end.

Management Response:

Simplified vacation accrual process is being presented to Board of Directors. This will enable the accounting software to track vacation time allocated at beginning of each fiscal year and time taken reported thru payroll transactions.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

**SCHEDULE REFERENCE NUMBER: 2010-005
(FORMERLY 10-05)**

**Payroll Timesheets (Modified and Repeated) -
Material Weakness**

Condition:

The client could not provide sufficient supporting time sheets or other approval for 3 out of the 25 items selected for payroll test of controls.

Criteria:

Payroll disbursements should be supported by an approved time sheet summary or other pay approval.

Effect:

Documentation is important to verify the amount of hours worked and being paid to insure that they agree.

Cause:

The client could not locate the time sheets or other approval.

Recommendation:

Management should ensure that each payroll disbursement has proper documentation including an authorized time sheet or summary and that those records are retained in an organized manner.

Management Response:

New manager has implemented timesheet documentation approvals and retention procedures.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

**SCHEDULE REFERENCE NUMBER: 2010-007
(FORMERLY 10-07)**

**Missing Receivables Information (Modified
and Repeated) - Material Weakness**

Condition:	The client could not provide documentation of insurance claims filed (EOBs) for 15 out of the 25 receivables tested.
Criteria:	The client should keep all underlying accounting records to support the financial statement amounts.
Effect:	The auditor was unable to verify the District's accounts receivable balance and revenues.
Cause:	The District was unable to produce the required documents.
Recommendation:	Management should keep all accounting records in order to support the financial statement amounts.
Management Response:	New manager is implementing recommended procedure and document retention controls.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

**SCHEDULE REFERENCE NUMBER: 2010-008
(FORMERLY 10-08)**

**Incorrect Expense Code in General Ledger
(Modified and Repeated) - Other Matter**

Condition:

During the test of controls for disbursements, JMCO noted 1 disbursement totaling \$10,267.35 out of the 25 disbursements totaling \$72,724.52 selected for testwork were improperly coded in the general ledger. The disbursement was a capital asset coded incorrectly to an expense account.

During the test of controls for payroll, JMCO noted the District misclassified hours worked by an employee for 3 of the 25 employee checks. 1 of the 3 employee checks that were misclassified had sick time classified as overtime. The other 2 of the 3 employee checks that were misclassified had sick time classified as regular wages.

Criteria:

Management should ensure transactions are properly recorded in the general ledger.

Effect:

Expenses and capital assets are not properly stated in the general ledger.

Cause:

Expenses and capital assets were incorrectly recorded.

Recommendation:

Management should refer to the District's capitalization policy and put procedures into place to ensure all transactions are properly coded in the general ledger.

Management Response:

New manager is reviewing procedures and implementing audit recommendations. These transactions occurred prior to bringing on current manager. Checklists of procedures for capital asset purchases are being implemented.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

SCHEDULE REFERENCE NUMBER: 2010-010 (FORMERLY 10-10) Late report (Repeated) - Other Matter

Condition:	The District's June 30, 2014 audit report was not submitted to the state auditor by October 15, 2014.
Criteria:	New Mexico State Auditor Rule 2.2.2 NMAC Section 2.2.2.9 (A) requires that the audit report be filed by October 15th.
Effect:	The result of not submitting financial statements to the State Auditor could affect the amount of funding for future years and bond rating.
Cause:	The District did not provide all requested documents to complete the audit before the due date.
Recommendation:	We recommend that the District implement procedures to ensure that the books are kept in good order to enable auditing procedures to be performed on a timely basis.
Management Response:	New manager implemented monthly accounting reconciliation and review processes. Audit for year ending June 30, 2015 is on target to be completed by the October 15, 2015 due date.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

**SCHEDULE REFERENCE NUMBER: 2011-002
(FORMERLY 11-02)**

**Compare Budget to Actual Results (Modified
and Repeated) - Significant Deficiency**

Condition:

The District prepares budgets annually, but they are not regularly reviewed and compared to actual results by management and the Board of Trustees.

Criteria:

The State Auditor requires that the budgetary comparison statements be audited and included as part of the basic financial statements consistent with GASBS 34 footnote 53 and AAG-SLV 11.13.

Effect:

Budgets are not useful if they are not compared to actual results.

Cause:

A third party consultant inputs the budget into the accounting software and has the capability to print the budget to actual reports, but management and the Board of Trustees currently do not utilize and review these comparisons.

Recommendation:

We recommend that the actual results of operations should be compared to the budgeted amounts monthly, and any large discrepancies should be investigated and explained so that any necessary corrective action can be considered. These analyses should be included in the monthly reports to the Board of Trustees to help them understand the financial results and their implications and to help the Board make informed decisions.

Management Response:

External accounting contractor is reviewing monthly financials and comparison to budget. Beginning in late 2014, analysis of large discrepancies is being performed with monthly processing; summary report will be provided to Board with monthly reports.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

SCHEDULE REFERENCE NUMBER: 2011-003 Closing Procedures (Repeated) - Material Weakness (FORMERLY 11-03)

Condition:	The District does not have appropriate period closing procedures.
Criteria:	Accounting records should provide an accurate record of transactions and conditions affecting the entity.
Effect:	There was a delay in the District producing financial reports needed by the auditors. Also, the auditors had to prepare entries and schedules that District personnel should have prepared.
Cause:	The District has not developed period closing procedures.
Recommendation:	<p>We believe that the period closing could proceed more quickly and smoothly by developing a logical order for closing procedures and assigning responsibility for completing the procedures to specific District personnel. The closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished.</p> <p>The following is our recommended summary of the required closing procedures:</p> <ul style="list-style-type: none">a. Complete all payroll processes, including –<ul style="list-style-type: none">i. Processing all payroll checks for the current fiscal year through June 30.ii. Preparing, reconciling, and filing payroll tax forms and reports, such as Forms 1099, 1096, 941, 940, W-2, and W-3.b) Determine that all transactions have been recorded and posted. Review the transactions for completeness by scanning the ending balances and the transactions posted to each general ledger account to detect unusual entries or unexpected ending balances.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

**SCHEDULE REFERENCE NUMBER: 2011-003 Closing Procedures (continued)
(FORMERLY 11-03)**

Recommendation (continued):

- c) Reconcile all general ledger accounts and make necessary adjustments, including –
 - i) Agreeing ending general ledger cash balances to ending bank reconciliation balances.
 - ii) Agreeing the ending accounts receivable balance to the total of the Aged Receivables Report.

 - iii) Agreeing the ending accounts payable balance to the total of the Aged Payables Report.
 - iv) Computing bad debt expense, accounts receivable, and allowance for doubtful accounts by using the allowance method.
 - v) Determining that fixed asset sales are recorded.
 - vi) Calculating and reconciling depreciation on fixed assets.
 - vii) Recording interest income on investments.
- d) Review all vendor accounts for inactive accounts and consider making them inactive in the accounting system to prevent accidental posting to them.
- e) Print the following year-end reports in order to have a record of historical transactions for the year (they may also be useful during the audit):
 - i) Accounts receivable –
 - 1. Revenue journal
 - 2. Cash receipts journal
 - 3. Customer ledgers
 - 4. Aged account receivable trial balance
 - ii) Accounts payable –
 - 1. Check register
 - 2. Aged accounts payable trial balance
 - 3. Forms 1099
 - iii) Payroll
 - 1. Payroll check register
 - 2. Quarterly earnings report
 - 3. Yearly earnings report
 - 4. Payroll tax reports
 - 5. State quarterly report forms
 - 6. Federal forms (940, 941, W-2, and W-3)

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

**SCHEDULE REFERENCE NUMBER: 2011-003 Closing Procedures (continued)
(FORMERLY 11-03)**

Recommendation (continued):

iv) General ledger –

1. Trial balance
2. Trial balance by report classification
3. Adjusting journal entries
4. Reclassification entries

Our audit procedures would include reviewing some of the procedures, entries and reports.

Management Response:

Management is reviewing all accounting procedures and documenting per recommendation of auditors. Significant progress is being made to implement auditors' recommendations. Procedures for month-end and year will be documented in checklist format.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

**SCHEDULE REFERENCE NUMBER: 2011-004
(FORMERLY 11-04)**

**Establish Allowance for Doubtful Accounts
(Repeated) - Significant Deficiency**

Condition:

The District did not provide an amount for an allowance for doubtful accounts.

Criteria:

Accounting records should provide an accurate record of transactions and conditions affecting the entity.

Effect:

Receivables are not appropriately valued which could lead to the financial statements being materially misstated.

Cause:

The District does not have an accounting policy for establishing an allowance for doubtful accounts.

Recommendation:

We recommend the District establish a policy for providing for uncollectible accounts and review this policy on a regular basis. Some items to consider when establishing this policy is the age of the receivables, historical collectability, and economic conditions.

Management Response:

New manager is implementing procedures and policies per auditor recommendations.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

**SCHEDULE REFERENCE NUMBER: 2011-006 Inventory Fixed Assets (Repeated) -
(FORMERLY 11-06) Significant Deficiency**

Condition:	The District does not perform a physical inventory of property and equipment included on the depreciation schedule.
Criteria:	Accounting records should provide an accurate record of transactions and conditions affecting the entity.
Effect:	The District's detailed record of assets could be incorrect.
Cause:	The District's currently does not have procedures in place to perform an inventory of fixed assets.
Recommendation:	We recommend that the District perform a physical inventory of property and equipment. In connection with this inventory, tags should be placed on each asset with numbers that are recorded in the detail property records. This will help improve the tracking of assets for disposal and impairment purposes.
Management Response:	Management is developing physical inventory procedure and tags for all property. Check list of requirements is requested from auditors.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

**SCHEDULE REFERENCE NUMBER: 2011-009
(FORMERLY 11-09)**

Prepare More Accurate Monthly Financial Statements (Modified and Repeated) - Material Weakness

Condition:

The Board of Trustees currently receive externally prepared profit and loss statements on a cash basis that do not include monthly accruals.

Criteria:

Accounting records should provide an accurate record of transactions and conditions affecting the entity.

Effect:

Management and the Board of Trustees received materially misstated information.

Cause:

A third party consultant creates an excel spreadsheet that lists monthly deposits and checks that clear the bank. The District only provides the Board of Trustees the excel spreadsheet for their review at monthly meetings.

Recommendation:

We recommend that the District record all transactions and reconcile accounts of the District during the monthly closing process in the accounting software. Monthly balance sheets and profit and loss statements should then be printed from the accounting software each month for the Board of Trustees to review at their monthly meeting.

Management Response:

Management is implementing recommended procedures. We request that the auditors provide us direction on presenting this information to the Board of Directors. Management had the impression that cash basis financial reports were appropriate for monthly reports, with accruals made at year end.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

**SCHEDULE REFERENCE NUMBER: 2011-012 Payroll Timesheets (Repeated) - Other Matter
(FORMERLY 11-12)**

Condition:	All timesheets selected for testing did not have clear and specific pay period reporting dates making it difficult to identify the correct pay period.
Criteria:	Timesheets should have accurate reporting period dates to support all underlying accounting records.
Effect:	The District will be unable to determine what timesheet is for the proper reporting period which could potentially allow for misstatements in payroll.
Cause:	Employee timesheets did not have clear period reporting dates.
Recommendation:	The District should have specific and clear dates on all timesheets to be able to properly keep track of timesheets for specified periods.
Management Response:	Management is implementing auditors' recommendations and providing additional training to staff to ensure compliance and review.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

**SCHEDULE REFERENCE NUMBER: 2012-001
(FORMERLY 12-01)**

Deduction Authorization Forms (Modified and Repeated) - Other Matter

Condition:

The auditor noted 5 out of the 5 employees selected for testing did not have proper support documents listing amounts to be deducted from employee checks for RHD health insurance in their personnel files.

Criteria:

A complete personnel file should be prepared for all new employees and should be kept up to date for any personnel changes the employee makes during their employment.

Effect:

The District does not have proper support for the employee deduction.

Cause:

The District does not have proper support documents listing amounts to be deducted from employee checks for RHD health insurance in the employees' personnel files.

Recommendation:

The District should include all proper support documents listing the amounts authorized to be deducted from employee checks in the employees' personnel files.

Management Response:

New manager is implementing recommended procedures and documentation. Checklist of documentation for personnel files is being prepared. Staff will be trained and supervised to ensure compliance.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

**SCHEDULE REFERENCE NUMBER: 2012-002
(FORMERLY 12-02)**

**Time Card Authorization (Repeated) - Other
Matter**

Condition:

The employees' time cards do not have employee or supervisor signature approvals.

Criteria:

Time cards support the District's labor expenses and should be properly authorized.

Effect:

Employees could inaccurately complete the time cards without the supervisors knowledge.

Cause:

The District currently does not require approval on time cards.

Recommendation:

Since the time cards are the source document supporting the District's labor expenses, we recommend that employees be required to sign the time card and submit them to their supervisor or manager for approval. Requiring signatures can help impress on employees the need for accuracy and honesty in filling out the time cards and that by signing it they are making a representation about those matters. Knowledge that the cards will be reviewed by the supervisor or manager will also encourage employees to fill out the cards accurately and honestly. The supervisors or managers, who will be generally knowledgeable about their employees' attendance, hours, and work assignments during the pay period, should sign each time card indicating review and approval of hours worked by category (product, job, etc.). The review would determine that the employees have recorded time only when it had actually been worked and that the allocation of time by category was appropriate and reasonable. The supervisors or managers should be responsible for obtaining the cards from employees and submitting them to the Human Resources clerk on time.

Management Response:

Management is implementing recommended procedures immediately.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

**SCHEDULE REFERENCE NUMBER: 2012-003
(FORMERLY 12-03)**

**Fraudulent Credit Card Purchases (Repeated) ·
Material Weakness**

Condition:

The District discovered a former employee was making unauthorized purchases on the District's credit card in the amount of \$5,812.55. The employee was making unauthorized purchases up until termination in FY'14.

Criteria:

Per SAS 115, a control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Effect:

With the lack of controls over credit card purchases, an employee was able to make fraudulent purchases.

Cause:

The District did not have proper controls over the credit card purchases.

Recommendation:

We recommend the District establish controls over credit card purchases in order to prevent the risk of fraudulent credit card purchases.

Management Response:

Credit card used by prior manager has been canceled. New card issued by JP Stone is only used for Board approved functions which must be paid at time of purchase. Statements are reviewed monthly by Board Chairman. Additional controls are being implemented by management to prevent this issue.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

**SCHEDULE REFERENCE NUMBER: 2013-001
(FORMERLY 13-01)**

Payroll Taxes (Repeated) - Material Weakness

Condition:	The District did not make required payroll tax payments to the Internal Revenue Services (IRS) during the current fiscal year.
Criteria:	Employers are required to deposit federal income tax withheld, and both the employer and employee social security and Medicare taxes according to the employers' deposit schedule as required by the IRS.
Effect:	The District is subject to fees and penalties for failure to make these required payments.
Cause:	The District did not make the required IRS payroll tax payments.
Recommendation:	We recommend the District determine the amounts owed to the IRS and make these payments along with any assessed fees and penalties.
Management Response:	Management has been working to make required payments on all past due payroll taxes. With auditors assistance, transcript will be obtained from the IRS to verify that all past due taxes are paid.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

**SCHEDULE REFERENCE NUMBER: 2013-003
(FORMERLY 13-03)**

**Maintain a Schedule of Asset Additions
(Modified and Repeated) - Significant
Deficiency**

Condition:

The District does not maintain a schedule of assets purchased during the fiscal year.

Criteria:

Capital assets of proprietary funds should be capitalized and reported on the balance sheet.

Effect:

The District's financial statements overstate expenses and understate fixed assets.

Cause:

The District's currently expenses asset purchases during the year.

Recommendation:

We recommend the clinic manager indicate on the purchase orders which items should be added to the fixed asset account in the accounting software at the time the Board of Directors approve the purchase order.

Management Response:

Management is implemented recommended procedures.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

**SCHEDULE REFERENCE NUMBER: 2013-004 Missing W-4 (Repeated) - Other Matter
(FORMERLY 13-04)**

Condition:	The auditor noted 1 out of 5 employees selected for testing did not have a W-4 in their personnel file.
Criteria:	To know how much income tax to withhold from employees' wages, you should have a Form W-4, Employee's Withholding Allowance Certificate (PDF), on file for each employee.
Effect:	The District could be subject to fines and penalties for not having appropriate payroll documentation on file.
Cause:	The client could not locate this form.
Recommendation:	The District should include all W-4 forms in the employee's personnel file.
Management Response:	Management is compiling personnel procedures document and obtaining new forms for all payroll related issues.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

**SCHEDULE REFERENCE NUMBER: 2013-005
(FORMERLY 13-05)**

**Pay Rate Approvals (Modified and Repeated) -
Other Matter**

Condition:

The auditor noted 3 out of the 5 employees selected for testing did not have proper evidence of the approval of the current wage rates.

Criteria:

A complete personnel file should be prepared for all new employees and should be kept up to date for any personnel changes the employee makes during their employment.

Effect:

The District does not have proper support for the employee wage rate.

Cause:

The Board of Trustees approves employee wage rate changes, but does not document this in the personnel file.

Recommendation:

Since payroll is a major expense of the District, we believe that the appropriate level of management or the Board of Trustees should approve the initial rate at hire and approve rate changes and that the approval should be documented. Written authorization for pay rate changes should be maintained in the personnel file. Management or the Board of Trustees should periodically review the payroll master file and compare pay rates to the authorized rates contained in personnel files to determine that the current rates are appropriate. In addition, on a regular basis, the appropriate level of management or the Board of Trustees should determine that the current pay rates agree with the approved rates.

Management Response:

Management is compiling personnel procedures document and obtaining new forms for all payroll related issues. Pay raises have been approved by the Board but official documentation may not have been retained in personnel files. This requirement will be included on the personnel file documentation.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

**SCHEDULE REFERENCE NUMBER: 2013-006
(FORMERLY 13-06)**

**Bank Deposits Under Collateralized (Modified
and Repeated) - Other Matter**

Condition:

At June 30, 2014, no securities were pledged against \$3,215,862 of uninsured deposits in the JP Stone checking account.

Criteria:

Section 6-10-17 NMSA 1978 requires that "any financial institution designated as a depository of public money shall deliver securities having an aggregate value of at least one-half the amount of public money to be deposited to a custodial bank. In addition, the District's policy requires 103% collateral of market value on the deposits on amounts greater than the FDIC coverage.

Effect:

The District's deposits were under collateralized by \$3,215,862 and the funds could possibly not have been recovered in the unlikely event of a bank failure at June 30, 2014.

Cause:

The District did not obtain agreements for collateral needed in excess of FDIC coverage during the fiscal year ended June 30, 2014.

Recommendation:

We recommend the District enter into a collateral agreement with JP Stone.

Management Response:

Management has addressed this issue with the bank and obtained the required agreements per auditors' recommendations.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

**SCHEDULE REFERENCE NUMBER: 2013-007
(FORMERLY 13-07)**

**Late Submission of IPA Recommendation
and Audit Contract (Repeated) - Other Matter**

Condition:	The District did not submit a fully completed and signed IPA recommendation form and audit contract by the deadline as specified by Subsection G 2.2.2.8 NMAC.
Criteria:	According to 2.2.2.8(G)(6)(c) NMAC, each agency shall submit the completed IPA recommendation form for audits and the completed and signed audit contract to the state auditor by the deadline indicated in Subparagraph (c) of Subsection G of 2.2.2.8 NMAC.
Effect:	The District was not in compliance with 2.2.2.8(G)(6)(c) NMAC.
Cause:	The District did not submit a fully completed and signed IPA recommendation form and audit contract by the specified due date.
Recommendation:	We recommend the District be aware of the deadline set and specified by the State Auditor for timely submission of the IPA recommendation form and audit contract.
Management Response:	Management is implementing required procedures.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

SCHEDULE REFERENCE NUMBER: 2014-001 Expenditures in Excess of Budget - Other Matter

Condition: The District has expenditures in excess of approved budgetary appropriations in the amount of \$115,657 for the year ended June 30, 2014.

Criteria: Annual budgets of the District must be approved by the resolution of the Board and submitted for approval by the State of New Mexico. Once the budget has been formally approved, any amendments must also be approved by the Board. Line items within the budget may be over-expended; however, it is not legally permissible to over-expend the budget in total.

Effect: As a result, the control established by the use of budgets has been compromised. Continued over-expenditure of budgeted balances may result in unnecessary usage of operating funds to absorb over-expenditures.

Cause: Inadequate monitoring of the budget resulted in a failure to propose budgetary adjustments required to prevent over expenditure.

Recommendation: Budgets in future years should be periodically reviewed so that budget adjustments can be made as necessary.

Management Response: Management is implementing required procedures.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

SCHEDULE REFERENCE NUMBER: 2014-002 Procurement Policy - Other Matter

Condition: During the test of controls for disbursements, JMCO noted 23 out of 25 items totaling \$71,042.09 selected for testing did not have the proper approval. Additionally, JMCO noted 17 out of the 25 items totaling \$55,076.18 did not have a complete requisition form.

Criteria: NMAC 1.4.1.50 allows state purchasing agents to procure construction or items of tangible personal property having a value not exceeding \$20,000 by issuing a direct purchase order to a contractor based up the best obtainable price and in accordance with any procedures or processes set forth by the state purchasing agent.

Per the District's procurement policy approved and adopted on May 12, 2003, a requisition form with three verbal quotes and justification for the purchase is required for all purchases exceeding \$100.00. All purchases over \$100.00 must be approved by the Board of Trustees or their designee. All purchases over \$5,000 require three written quotes. All purchases over \$10,000 shall be advertised for sealed bids.

NMAC 1.4.1.51 state if three written quotes cannot be obtained, the agency shall document the reason and include the document in the procurement file. Such notations as "does not carry" or "did not return my phone call" do not qualify as a valid quotation.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

SCHEDULE REFERENCE NUMBER: 2014-002 Procurement Policy - Other Matter (Continued)

Effect: The District is not following the controls in place to prevent and detect misstatements on a timely basis.

Cause: Management is not following the District's adopted procurement policy.

Recommendation: We recommend the District review the current adopted procurement policy and revise the policy to reflect current procurement procedures ensuring that the District's policies, at minimum, include the procurement policies as required by the State Auditor.

Management Response: New manager is implementing required procedures.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF CURRENT YEAR FINDINGS

June 30, 2014

FINANCIAL STATEMENT PRESENTATION

The financial statements of the Eunice Special Hospital District were prepared from the original books and records provided by the management of this entity by Johnson Miller & Co., CPA's. Management is responsible for the contents of the report, even though the auditor prepared the financial statements. See the related finding at 2007-004 on page 28.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF STATUS OF PRIOR FINDINGS

<u>2007-004</u> (FORMERLY 07-04)	Preparation of Financial Statements – Repeated
<u>2008-001</u> (FORMERLY 08-01)	Accounting Records – Resolved
<u>2010-001</u> (FORMERLY 10-01)	Lack of Support for Receipts – Modified and Repeated
<u>2010-002</u> (FORMERLY 10-02)	Identifying Receipts Recorded in the General Ledger – Modified and Repeated
<u>2010-003</u> (FORMERLY 10-03)	Accrued Compensation – Modified and Repeated
<u>2010-004</u> (FORMERLY 10-04)	Cash Disbursements – Resolved
<u>2010-005</u> (FORMERLY 10-05)	Payroll Timesheets – Modified and Repeated
<u>2010-007</u> (FORMERLY 10-07)	Missing Receivables Information – Modified and Repeated
<u>2010-008</u> (FORMERLY 10-08)	Incorrect Expense Code in General Ledger – Modified and Repeated
<u>2010-009</u> (FORMERLY 10-09)	Late Employee and Employer 403(b) Contributions – Resolved
<u>2010-010</u> (FORMERLY 10-10)	Late Report – Repeated
<u>2011-001</u> (FORMERLY 11-01)	Monthly Bank Reconciliations – Resolved
<u>2011-002</u> (FORMERLY 11-02)	Compare Budget to Actual Results – Modified and Repeated
<u>2011-003</u> (FORMERLY 11-03)	Closing Procedures – Repeated
<u>2011-004</u> (FORMERLY 11-04)	Establish Allowance for Doubtful Accounts - Repeated
<u>2011-005</u> (FORMERLY 11-05)	Hiring an Accounting Manager – Resolved
<u>2011-006</u> (FORMERLY 11-06)	Inventory Fixed Assets - Repeated
<u>2011-007</u> (FORMERLY 11-07)	List of Authorized Check Signers - Resolved
<u>2011-009</u> (FORMERLY 11-09)	Prepare More Accurate Monthly Financial Statements – Modified and Repeated
<u>2011-012</u> (FORMERLY 11-12)	Payroll Timesheets – Repeated
<u>2012-001</u> (FORMERLY 12-01)	Deduction Authorization Forms – Modified and Repeated
<u>2012-002</u> (FORMERLY 12-02)	Time Card Authorization - Repeated
<u>2012-003</u> (FORMERLY 12-03)	Fraudulent Credit Card Purchases – Repeated
<u>2013-001</u> (FORMERLY 13-01)	Payroll Taxes – Repeated

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF STATUS OF PRIOR FINDINGS (Continued)

<u>2013-002</u> (FORMERLY 13-02)	Expenses Recorded in Incorrect Period – Resolved
<u>2013-003</u> (FORMERLY 13-03)	Maintain a Schedule of Fixed Asset Additions – Modified and Repeated
<u>2013-004</u> (FORMERLY 13-04)	Missing W-4 – Repeated
<u>2013-005</u> (FORMERLY 13-05)	Pay Rate Approvals – Modified and Repeated
<u>2013-006</u> (FORMERLY 13-06)	Bank Deposits Under Collateralized – Modified and Repeated
<u>2013-007</u> (FORMERLY 13-07)	Late Submission of IPA Recommendation and Audit Contract – Repeated

EUNICE SPECIAL HOSPITAL DISTRICT

OTHER DISCLOSURES

For the year ended June 30, 2014

EXIT CONFERENCE

An exit conference was conducted on July 12, 2015 in which the contents of this report were discussed. The following persons were in attendance:

Charles "Bud" Hobbs	Board of Trustees
Bill Robinson	Board of Trustees
Le'Ann Reeves	Clinic Manager
Mary Hinds, CPA	Audit Director
Tabatha Coffey, CPA	Audit Supervisor
Breanna Oakley	Audit Staff