

# **Eunice Special Hospital District**

Basic Financial Statements,  
Supplemental Information, and  
Independent Auditors' Reports

June 30, 2016



**DINGUS | ZARECOR & ASSOCIATES** PLLC  
Certified Public Accountants

**Eunice Special Hospital District  
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## **INTRODUCTORY SECTION**

**Eunice Special Hospital District  
Board of Trustees and Principal Employee  
June 30, 2016**

*Board of Trustees*

Charles Hobbs, Jr.	Chairman
Shannon Cummins	Vice Chairman
Barbara Baggett	Secretary/Treasurer
Bill Robinson	Member
Billy W. Turner	Member

*Principal Employee*

Le' Ann Reaves	Clinic Manager
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**FINANCIAL SECTION**



**DINGUS | ZARECOR & ASSOCIATES PLLC**  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Board of Trustees and Management of  
Eunice Special Hospital District and  
Mr. Timothy Keller, New Mexico State Auditor  
Eunice, New Mexico

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Eunice Special Hospital District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. We have also audited the schedule of revenues and expenses – budget to actual of the District for the year ended June 30, 2016, presented as supplemental information 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the schedule of revenues and expenses – budget to actual of the District for the year ended June 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements and schedule of revenues and expenses – budget to actual. The schedule of pledged collateral and schedule of individual deposit and investment accounts are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of pledged collateral and schedule of individual deposit and investment accounts are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of vendor information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2016, 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 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.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
October 11, 2016



**Eunice Special Hospital District  
Management's Discussion and Analysis  
Year Ended June 30, 2016**

Our discussion and analysis of Eunice Special Hospital District's (the District) financial performance provides an overview of the District's financial activities for the fiscal years ended June 30, 2016 and 2015. Please read it in conjunction with the District's financial statements, which begin on page 9.

**Financial Highlights**

- The District's net position increased by \$292,767 or 3.1 percent in 2016.
- The District reported increased operating losses in 2016 of (\$220,974). Losses in 2016 increased by (\$220,974) or 22.1 percent over the loss reported in 2015.
- Nonoperating revenues decreased by \$132,011 or 8.4 percent in 2016 compared to 2015.

**Using This Annual Report**

The District's financial statements consist of three statements — a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the District, including resources held by the District but restricted for specific purposes by contributors, grantors, or enabling legislation.

**The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position**

Our analysis of the District's finances begins on page 6. One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in it. You can think of the District's net position — the difference between assets and liabilities — as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the District.

**The Statement of Cash Flows**

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as, "Where did cash come from? What was cash used for? What was the change in cash balance during the reporting period?"

**The District's Net Position**

The District's net position is the difference between its assets and liabilities reported in the Statement of Net Position on page 9. The District's net position increased by \$292,767, or 3.1%, in 2016, as shown in Table 1.

**Eunice Special Hospital District  
Management's Discussion and Analysis (Continued)  
Year Ended June 30, 2016**

**Table 1. Assets, Liabilities, and Net Position**

	<b>2016</b>	<b>2015</b>
<i>Assets</i>		
Current assets	\$ 7,925,350	\$ 7,657,853
Capital assets, net	1,763,032	1,804,795
<b>Total assets</b>	<b>\$ 9,688,382</b>	<b>\$ 9,462,648</b>
<i>Liabilities and net position</i>		
Current liabilities	\$ 81,308	\$ 148,341
Total liabilities	81,308	148,341
<i>Net position</i>		
Net investment in capital assets	1,763,032	1,804,795
Unrestricted	7,844,042	7,509,512
Total net position	9,607,074	9,314,307
<b>Total liabilities and net position</b>	<b>\$ 9,688,382</b>	<b>\$ 9,462,648</b>

A significant component of the change in the District's assets is the decrease in patient accounts receivable. Although operating revenues decreased in 2016 by \$207,041, or 47.3 percent, patient accounts receivable, net of estimated uncollectible amounts, also decreased by \$169,741 or 82.2 percent in 2016. In addition, patient service revenue decreased by \$177,338 in 2016 compared to 2015, but receivables decreased by \$169,741 or 82.2 percent. In both cases, the decrease in accounts receivable is primarily the result of overall slowdowns by health insurers in making payments in attempting to cut costs by managing their cash flows.

**Eunice Special Hospital District  
Management's Discussion and Analysis (Continued)  
Year Ended June 30, 2016**

**Operating Results and Changes in the Hospital's Net Position**

In 2016, the District's net position increased by \$292,767 or 3.1 percent, as shown in Table 2. This increase is made up of very different components.

**Table 2. Operating Results and Changes in Net Position**

	2016	2015
<i>Operating revenues</i>		
Net patient service revenue	\$ 222,868	\$ 400,206
Other operating revenue	7,871	37,574
<b>Total operating revenues</b>	<b>230,739</b>	<b>437,780</b>
<i>Operating expenses</i>		
Salaries, wages, and benefits	868,970	776,914
Professional fees	287,541	332,406
Depreciation	71,201	76,338
Other operating expenses	221,979	250,100
<b>Total operating expenses</b>	<b>1,449,691</b>	<b>1,435,758</b>
<i>Operating loss</i>	<b>(1,218,952)</b>	<b>(997,978)</b>
<i>Nonoperating revenues (expenses)</i>		
Tax revenue	1,526,529	1,784,487
Investment income	10,020	3,257
Loss on disposal of capital assets	(93,262)	(212,446)
<b>Total nonoperating revenues, net</b>	<b>1,443,287</b>	<b>1,575,298</b>
Capital grant	68,432	-
Change in net position	292,767	577,320
Net position, beginning of year	9,314,307	8,736,987
<b>Net position, end of year</b>	<b>\$ 9,607,074</b>	<b>\$ 9,314,307</b>

**Analysis of Financial Position, Results of Operations, Nonoperating Activities, and Cash Flows**

The first component of the overall change in the District's net position is its operating income (loss)—generally, the difference between net patient service and Premium revenues and the expenses incurred to perform those services. In each of the past two years, the District has reported an operating loss. This is consistent with the District's entire operating history. The District's hospital operations were begun in 2003 as a special hospital district, when it was agreed that a portion of its costs would be subsidized by property tax revenues, making the facility more affordable for the County's lower income residents. However, in each of the past two years, operating losses have increased. Losses in 2016 increased by \$220,974, or 22.1 percent higher than the loss reported in 2015.

**Eunice Special Hospital District  
Management's Discussion and Analysis (Continued)  
Year Ended June 30, 2016**

**Analysis of Financial Position, Results of Operations, Nonoperating Activities, and Cash Flows  
(continued)**

The primary components of these increased operating losses are:

- A decrease in net patient revenue of \$169,741, or 82.2 percent, in 2016. (Premium revenues in 2016 were roughly the same as in the previous year.
- Increases in salary and benefit costs for the hospital's employees (\$63,900, or 10.4 percent, in 2016 and \$28,156, or 17.0 percent, in 2016, respectively).
- Increase in repairs and maintenance expense of \$33,243, or 213.5%, in 2016.
- Decreases in expenses for professional fees, supplies, utilities, and insurance offset the reduction of revenue and increase in salaries and benefits expenses.
- An increase in the level of uncompensated care provided. These are services provided for which there is no expectation of payment.

Premium revenues from contracts with health maintenance organizations decreased in 2016 primarily because of changes in the fixed amount per individual per month (capitation rate) paid by the insurance companies.

The District sometimes provides care for patients who have little or no health insurance or other means of repayment. As discussed, this service to the community is consistent with the goals established for the District when it was established in 2003. Because there is no expectation of repayment, charity care is not reported as patient service revenues of the District.

Nonoperating revenues consist primarily of property taxes levied by the District and interest revenue and investment earnings. Property tax levy is primarily dependent on gas and oil production and prices which were both down compared to prior years.

**Capital Asset**

At the end of 2016, the District had \$1,763,032 million invested in capital assets, net of accumulated depreciation, as detailed in Note 4 to the financial statements. In 2016, the District purchased new equipment costing \$102,913 to replace aging equipment.

**Currently Known Facts, Decisions, and Conditions**

The County's largest employers are oil and gas production companies. Operations in the entire area have slowed due to price and demand of products.

**Contacting the District's Financial Management**

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Le'Ann Reaves, Clinic Manager, Eunice Special Hospital District, P.O. Box 220, Eunice, New Mexico 88231.

**Eunice Special Hospital District  
Statement of Net Position  
June 30, 2016**

**ASSETS**

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*Current assets*

Cash and cash equivalents	\$ 3,074,148
Investments	4,721,557
Receivables:	
Patient accounts receivable, net of estimated uncollectible accounts of approximately \$14,500	36,851
Taxes	52,161
Prepaid expenses	40,633
<b>Total current assets</b>	<b>7,925,350</b>

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*Noncurrent assets*

Capital assets, net	1,763,032
<b>Total noncurrent assets</b>	<b>1,763,032</b>

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<b>Total assets</b>	<b>\$ 9,688,382</b>
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**LIABILITIES AND NET POSITION**

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*Current liabilities*

Accounts payable	\$ 21,568
Accrued compensation and related liabilities	59,740
<b>Total current liabilities</b>	<b>81,308</b>

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*Net position*

Net investment in capital assets	1,763,032
Unrestricted	7,844,042
<b>Total net position</b>	<b>9,607,074</b>

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<b>Total liabilities and net position</b>	<b>\$ 9,688,382</b>
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*See accompanying notes to basic financial statements.*

**Eunice Special Hospital District**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Year Ended June 30, 2016**

<i>Operating revenues</i>	
Net patient service revenue, net of provision for bad debts of \$112,336	\$ 222,868
Other	7,871
<b>Total operating revenues</b>	<b>230,739</b>
<i>Operating expenses</i>	
Salaries and wages	675,482
Employee benefits	193,488
Professional fees	287,541
Supplies	37,194
Utilities	32,715
Repairs and maintenance	48,815
Depreciation	71,201
Insurance	26,172
Other	77,083
<b>Total operating expenses</b>	<b>1,449,691</b>
<b>Operating loss</b>	<b>(1,218,952)</b>
<i>Nonoperating revenues (expenses)</i>	
Tax revenue	1,526,529
Investment income	10,020
Loss on disposal of capital assets	(93,262)
<b>Total nonoperating revenues, net</b>	<b>1,443,287</b>
Excess of revenues over expenses before capital grant	224,335
<b>Capital grant</b>	<b>68,432</b>
Change in net position	292,767
Net position, beginning of year	9,314,307
<b>Net position, end of year</b>	<b>\$ 9,607,074</b>

*See accompanying notes to basic financial statements.*

**Eunice Special hospital District**  
**Statement of Cash Flows**  
**Year Ended June 30, 2016**

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***Increase (Decrease) in Cash and Cash Equivalents***

*Cash flows from operating activities*

Cash received from and on behalf of patients	\$ 392,609
Cash received from other revenue	12,194
Cash paid to and on behalf of employees	(866,219)
Cash paid to suppliers and contractors	(619,322)
Net cash used in operating activities	(1,080,738)

*Cash flows from noncapital financing activities*

Cash received from tax revenues	1,542,509
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*Cash flows from capital and related financing activities*

Cash received from capital grant	68,432
Purchase of capital assets	(122,700)
Net cash used in capital and related financing activities	(54,268)

*Cash flows from investing activities*

Purchase of investments	(1,510,020)
Interest received	10,020
Net cash used in investing activities	(1,500,000)

Net decrease in cash and cash equivalents	(1,092,497)
Cash and cash equivalents, beginning of year	4,166,645

<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,074,148</b>
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*See accompanying notes to basic financial statements.*

**Eunice Special Hospital District**  
**Statement of Cash Flows (Continued)**  
**Year Ended June 30, 2016**

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***Reconciliation of operating loss to net cash  
used in operating activities***

Operating loss	\$	(1,218,952)
<i>Adjustments to reconcile operating loss to net cash used in operating activities</i>		
Depreciation		71,201
Provision for bad debts		(112,336)
Decrease (increase) in assets:		
Receivables:		
Patient accounts		282,077
Taxes		4,323
Prepaid expenses		(40,018)
Increase (decrease) in liabilities:		
Accounts payable		(69,784)
Accrued compensation and related liabilities		2,751
<b>Net cash used in operating activities</b>	<b>\$</b>	<b>(1,080,738)</b>

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*See accompanying notes to basic financial statements.*



**Eunice Special Hospital District**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2016**

**1. Reporting Entity and Summary of Significant Accounting Policies:**

**a. Reporting Entity**

Eunice Special Hospital District (the District) is a dedicated outpatient clinic located in Eunice, New Mexico. The District provides clinic, laboratory, and radiology services to residents of Lea County (the County). The District is governed by the Board of Directors consisting of five members. The District is not a component unit of another government entity.

**b. Summary of Significant Accounting Policies**

*Use of estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Enterprise fund accounting* – The District’s accounting policies conform to accounting principles generally accepted in the United States of America as applicable to proprietary funds of governments. The District uses enterprise fund accounting. Revenue and expenses are recognized on the accrual basis using the economic resources measurement focus.

*Cash and cash equivalents* – Cash and cash equivalents include business checking accounts maintained with local financial institutions, and cash on hand.

*Certificates of deposit* – Investments in certificates of deposit with readily determinable fair values are carried at their fair values in the statement of financial position.

*Investments* – Investments are recorded at fair value. Fair value is determined using quoted market prices.

*Prepaid expenses* – Prepaid expenses are expenses paid during the year relating to expenses incurred in future periods. Prepaid expenses are amortized over the expected benefit period of the related expense.

*Accrued compensation and related liabilities* – The liability for compensated absences consists of unpaid, accumulated annual personal leave balances. The liability has been calculated using the vesting method, whereby leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Employees can accumulate 160 hours throughout the year and upon termination they will be paid out all vacation hours earned. Additionally, the liability for accrued compensation included unpaid, accumulated wages earned.

*Restricted resources* – When the District has both restricted and unrestricted resources available to finance a particular program, it is the District’s policy to use restricted resources before unrestricted resources.

**Eunice Special Hospital District**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2016**

**1. Reporting Entity and Summary of Significant Accounting Policies (continued):**

**b. Summary of Significant Accounting Policies (continued)**

*Net position* – Net position of the District is classified in three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District, including amounts deposited with trustees as required by revenue bond indentures. The District had no restricted net assets as of June 30, 2016. *Unrestricted net position* is remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*.

*Operating revenues and expenses* – The District’s statement of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions, including grants for specific operating activities associated with providing healthcare services — the District’s principal activity. Nonexchange revenues, including taxes and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

*Grants and contributions* – From time to time, the District receives grants from the State of New Mexico, the City of Eunice and others, as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are restricted to specific capital acquisitions are reported after nonoperating revenues and expenses. Grants that are for specific projects or purposes related to the District’s operating activities are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue. Contributions, except for capital contributions, are reported as nonoperating revenue.

*Budgets and budgetary accounting* – Prior to the beginning of each fiscal year, an accrual basis budget for the District is prepared by the District’s management and is presented to the Board of Trustees for approval. Expenditures cannot legally exceed the total fund budget. Any budget amendments are approved by the Board of Trustees.

*Change in accounting policies* – Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurements and Application*, is effective for years beginning after June 15, 2015 (fiscal year ended June 30, 2016, for the District). The statement establishes new requirements on how fair value should be measured, which assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. The adoption of this statement has no impact on change in net position.

*Subsequent events* – The District has evaluated subsequent events through October 11, 2016, the date on which the financial statements were available to be issued.

**Eunice Special Hospital District**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2016**

**2. Deposits and Investments:**

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it.

The District's deposits are covered by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each financial institution. In accordance with Section 6-10-17 NMSA 1978 Compilation, the District is required to collateralize an amount equal to one-half of the public money in excess of \$250,000 at each financial institution.

The District's total deposits, as of June 30, 2016, totaled \$3,502,155. At June 30, 2016, the collateralized balance exceeded the minimum FDIC coverage and collateral by a total of \$1,626,382; therefore, the District is not subject to custodial credit risk.

Statutes authorize the District to invest in obligations of the United States (U.S.) Treasury, agencies, and instrumentalities, commercial paper, and bankers' acceptances.

**Local Government Investment Pool** – The District may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities, commercial paper rated not less than Grade "A" by a national rating service; bonds or other obligations issued by the State of New Mexico; the State Treasurer's New MexiGrow Local Government Investment Pool (the Pool); and in bank repurchase agreements. It may also invest, to a limited extent, in corporate bonds and equity securities.

The Pool is not Securities and Exchange Commission 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 agencies sponsored by the United States government. The Pool's 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. According to 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 funds' amounts were invested. Participation in the Pool is voluntary.

**Fair Value** – The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2016:

- Investments in government debt securities of \$1,127,934 are valued using quoted market prices (Level 1 inputs)
- Certificates of deposit funds of \$413,082 (Level 2 inputs)

**Eunice Special Hospital District**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2016**

**2. Deposits and Investments (continued):**

The District's investments are as follows:

	Fair Value	Investment Maturities (in Years)				Investment Ratings
		Less Than One	One to Five	Six to Ten	More than Ten	
<i>Held by State of New Mexico</i>						
New MexiGrow Local government investment pool	\$ 2,805,494	\$ 2,805,494	\$ -	\$ -	\$ -	AAAm
<i>Lea County State Bank</i>						
Certificates of Deposit	203,961	203,961	-	-	-	Not applicable
<i>PioneerBank</i>						
Certificates of Deposit	209,121	209,121	-	-	-	Not applicable
<i>Fidelity Investments</i>						
Money Market	375,047	375,047	-	-	-	Not applicable
Investment in government debt securities	1,127,934	465,183	662,751	-	-	AAA
<b>Total investments</b>	<b>\$ 4,721,557</b>	<b>\$ 4,058,806</b>	<b>\$ 662,751</b>	<b>\$ -</b>	<b>\$ -</b>	

**Eunice Special Hospital District**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2016**

**3. Patient Accounts Receivable:**

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patient accounts receivable, the District analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the District records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The District's allowance for uncollectible accounts for self-pay patients has not changed significantly from prior years. The District does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

Patient accounts receivable reported as current assets by the District consisted of these amounts:

<hr/>		
Receivable from patients and their insurance carriers	\$	41,720
Receivable from Medicare		2,064
Receivable from Medicaid		7,486
<hr/>		
Total patient accounts receivable		51,270
Less allowance for uncollectible accounts		14,419
<hr/>		
<b>Net patient accounts receivable</b>	<b>\$</b>	<b>36,851</b>
<hr/>		

**Eunice Special Hospital District**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2016**

**4. Capital Assets:**

In accordance with Section 12-6-10 NMSA 1987, the District capitalizes assets whose costs exceed \$5,000 and with an estimated useful life of at least one year. Capital asset acquisitions are recorded at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation.

All capital assets other than land and construction in progress are depreciated by the straight-line method of depreciation using these asset lives:

Buildings and improvements	40 years
Equipment	3 to 15 years

Capital asset additions, retirements, transfers, and balances were as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
<i>Capital assets not being depreciated</i>					
Land	\$ 119,000	\$ -	\$ -	\$ -	\$ 119,000
Total capital assets not being depreciated	119,000	-	-	-	119,000
<i>Capital assets being depreciated</i>					
Buildings and improvements	2,033,608	19,787	(109,665)	-	1,943,730
Equipment	474,599	102,913	-	-	577,512
Total capital assets being depreciated	2,508,207	122,700	(109,665)	-	2,521,242
<i>Less accumulated depreciation for</i>					
Buildings and improvements	(431,188)	(52,296)	16,403	-	(467,081)
Equipment	(391,224)	(18,905)	-	-	(410,129)
Total accumulated depreciation	(822,412)	(71,201)	16,403	-	(877,210)
Total capital assets being depreciated, net	1,685,795	51,499	(93,262)	-	1,644,032
<b>Capital assets, net of accumulated depreciation</b>	<b>\$ 1,804,795</b>	<b>\$ 51,499</b>	<b>\$ (93,262)</b>	<b>\$ -</b>	<b>\$ 1,763,032</b>

**5. Compensated Absences:**

	Beginning Balance	Additions	Decreases	Ending Balance	Amount Due Within One Year
Compensated absences	\$ 34,219	\$ 4,583	\$ (9,033)	\$ 29,769	\$ 29,769

**Eunice Special Hospital District**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2016**

**6. Net Patient Service Revenue:**

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the District's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the District records a significant provision for bad debts related to uninsured patients in the period the services are provided. The District's provisions for bad debts and writeoffs have not changed significantly from the prior year. The District has not changed its charity care or uninsured discount policies during fiscal year 2016. Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, are as follows:

<hr/>		
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$	9,695
Medicaid/Centennial Care		79,582
Other third-party payors		141,813
Patients		104,114
		<hr/>
		335,204
Less:		
Provision for bad debts		112,336
		<hr/>
<b>Net patient service revenue</b>	<b>\$</b>	<b>222,868</b>
		<hr/>

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

- *Medicare* – Services rendered to Medicare program beneficiaries are paid on fee schedule.
- *Medicaid* – Services rendered to Medicaid program beneficiaries are paid on fee schedule.

The District also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the District under these agreements includes fee schedules, discounts from established charges, and prospectively determined daily rates.

The District provides care to patients who are financially unable to pay for the healthcare services they receive using a sliding fee schedule without charge or at amounts less than established rates.

The District's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District did not recognize any costs of caring for charity care patients for the year ended June 30, 2016. The District did not receive any gifts or grants to subsidize charity care services during 2016.

**Eunice Special Hospital District**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2016**

**7. Taxes:**

The District is the recipient of mill levy taxes approved by the voters of Lea County every four years. The County serves as an agent to collect property taxes levied in the County for all taxing authorities and remits the District's share of the property taxes to the District. The District recorded tax levy proceeds of \$250,564 in 2016.

Mill levy property taxes are levied based on the assessed value of the property of the school district as well as on the value of oil and equipment. Mill levy property taxes are levied on November 1, based on the assessed value of property as listed on the previous January 1. Assessed values are established by the Lea County Assessor at 100% of fair market values. Taxes are due in two equal payments by November 10 and April 10 of each year. The taxes attach as an enforceable lien on property thirty days after their due date, at which time they become delinquent. The District's share of collections is distributed monthly to the District by the Treasurer of Lea County, who serves as the intermediary collecting agency.

Additionally, the District receives a share of the gross receipt taxes collected by Lea County relating to oil and gas production. The District recognized the related revenue in the amount of \$923,414 in 2016.

The Louisiana Energy Services issued an industrial revenue bond with Lea County under the agreement that the Louisiana Energy Services would pay taxes while the bond was in place. Lea County acts as the intermediary collection agency, distributing funds to the related entities. The District recorded related revenue of \$347,180 in 2016.

**8. Deferred Compensation Plan:**

The District sponsors and administers a defined contribution retirement plan. The Eunice Health Clinic 403(b) Plan (the Plan) is available to all full-time employees. The District matches employee contributions up to 5% of their gross salary. Employee contributions are 100% vested immediately and employer contributions become 100% vested after six months. Total employer and employee contributions to the Plan totaled approximately \$25,000 each for the year ended June 30, 2016.

The plan is administered by the District. The District has the authority to amend the plan.

**9. Risk Management and Contingencies:**

**Medical malpractice claims** – The District carries professional liability insurance coverage with American Casualty Company of Reading, Pennsylvania. The policies are held in the names of each covered provider and provide protection on a “by Occurrence” basis whereby claims filed in the current year are covered by the effective policy at the time of occurrence. The current professional liability insurance provides \$1,000,000 per claim of primary coverage with an annual aggregate limit of \$3,000,000. The policy has a \$-0- deductible per claim.

**Risk management** – The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.



**Eunice Special Hospital District**  
**Notes to Basic Financial Statements (Continued)**  
**Year Ended June 30, 2016**

**10. Risk Management and Contingencies (continued):**

*Industry regulations* – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations, and government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the District is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions known or unasserted at this time.

**11. Concentration of Risk:**

*Patient accounts receivable* – The District grants credit without collateral to its patients, most of whom are local residents, and are insured under third-party payor agreements. The majority of these patients are geographically concentrated in and around Lea County.

The mix of receivables from patients and third-party payors was as follows:

Medicare	10 %
Medicaid	12
Patients	23
Commercial and other	55
	<b>100 %</b>

*Providers* – The District is dependent on local healthcare providers practicing in its service area to provide services on an outpatient basis. A decrease in the number of providers providing these services or changes in their utilization patterns may have an adverse effect on District’s operations.

**SUPPLEMENTAL INFORMATION**

**Eunice Special Hospital District  
Schedule of Pledged Collateral  
June 30, 2016**

	<b>The James Polk Stone Community Bank</b>	<b>Lea County State Bank</b>	<b>Pioneer Bank</b>
Deposits at June 30, 2016	\$ 3,089,073	\$ 203,961	\$ 209,121
Less: FDIC insurance	(250,000)	(250,000)	(250,000)
Uninsured public funds	2,839,073	(46,039)	(40,879)
Pledged collateral held by the pledging bank's trust department or agent, but not in the Hospital's name	3,045,918	-	-
Total uninsured and uncollateralized public funds	\$ (206,845)	\$ -	\$ -
50% pledged collateral requirement per statute	\$ 1,419,537	\$ -	\$ -
Total pledged collateral	3,045,918	-	-
<b>Pledged collateral over the requirement</b>	<b>\$ 1,626,382</b>	<b>\$ -</b>	<b>\$ -</b>
<b>The James Polk Stone Community Bank</b>			
FNMA- CUSIP 31359M2D4, matures December 15, 2016	\$ 2,041,644	\$ -	\$ -
FNMA- CUSIP 3135G0GY3, matures January 30, 2016	1,004,274	-	-
<b>Total pledged securities</b>	<b>\$ 3,045,918</b>	<b>\$ -</b>	<b>\$ -</b>

*See accompanying independent auditors' report.*

**Eunice Special Hospital District  
Schedule of Individual Deposit and Investment Accounts  
June 30, 2016**

<b>Depository</b>	<b>Account Name</b>	<b>Account Type</b>	<b>Bank Balance</b>	<b>Deposits in Transit</b>	<b>Outstanding Checks</b>	<b>Book Balance</b>
<b>Deposit Accounts</b>						
The James Polk Stone Community Bank	Operations	Checking	\$ 3,089,073	\$ -	\$ 16,146	\$ 3,072,927
<b>Cash on hand</b>	Petty cash	Petty cash	1,221	-	-	1,221
<b>Investments</b>						
State of New Mexico	Investment Portfolio	Local Government Investment Pool	2,805,494	-	-	2,805,494
Lea County State Bank	Investment - CD	Certificates of Deposit	203,961	-	-	203,961
Pioneers Bank	Investment - CD	Certificates of Deposit	209,121	-	-	209,121
Fidelity Investments	Investment Portfolio	Money Market	375,047	-	-	375,047
Fidelity Investments	Investment Portfolio	Government debt securities	1,127,934	-	-	1,127,934
<b>Total deposits and investments</b>			<b>\$ 7,811,851</b>	<b>\$ -</b>	<b>\$ 16,146</b>	<b>\$ 7,795,705</b>

*See accompanying independent auditors' report.*

**Eunice Special Hospital District  
Schedule of Vendor Information  
Year Ended June 30, 2016**

Agency Number	Agency Name	Agency Type	RFB#/RFP# (If applicable)	Type of Procurement	Vendor Name	Did Vendor Win Contract?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Physical address of vendor (City, State)	Did the Vendor provide documentation of eligibility for in-state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work	If the procurement is attributable to a Component Unit, Name of Component Unit
Eunice Special Hospital District did not enter into any contracts exceeding \$60,000 during the year ended June 30, 2016, that required procurement procedures per New Mexico Procurement Code.													

*See accompanying independent auditors' report.*

**Eunice Special Hospital District**  
**Schedule of Revenues and Expenses – Budget to Actual**  
**Year Ended June 30, 2016**

	<b>Actual</b>	<b>Original and Final Budget</b>	<b>Variance with Final Budget - Favorable (Unfavorable)</b>
<i>Revenues</i>			
Net patient service revenue	\$ 222,868	\$ 248,600	\$ (25,732)
Other	7,871	-	7,871
Nonoperating revenues, net	1,443,287	1,651,500	(208,213)
Capital grants	68,432	100,000	(31,568)
<b>Total revenues</b>	<b>1,742,458</b>	<b>2,000,100</b>	<b>(257,642)</b>
<i>Expenses</i>			
Salaries, wages, and benefits	868,970	925,250	56,280
Professional fees	287,541	109,000	(178,541)
Other	293,180	469,900	176,720
<b>Total expenses</b>	<b>1,449,691</b>	<b>1,504,150</b>	<b>54,459</b>
<b>Change in net position</b>	<b>\$ 292,767</b>	<b>\$ 495,950</b>	<b>\$ (203,183)</b>

*See accompanying independent auditors' report.*



**DINGUS | ZARECOR & ASSOCIATES PLLC**  
Certified Public Accountants

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*

Board of Trustees and Management of  
Eunice Special Hospital District and  
Mr. Timothy Keller, New Mexico State Auditor  
Eunice, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Eunice Special Hospital District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 11, 2016. We have also audited the schedule of revenue and expenses – budget to actual of the District for the year ended June 30, 2016, presented as supplemental information as listed in the table of contents.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, 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 opinion 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 following deficiencies, described in the accompanying schedule of findings and responses, to be material weaknesses: 2016-001, 2016-002, and 2016-003.

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 deficiency 2016-004, described in the accompanying schedule of findings and responses, to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 2016-005 and 2016-006.

### **District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subject 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.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
October 11, 2016



**Eunice Special Hospital District  
Schedule of Findings and Responses  
Year Ended June 30, 2016**

**2016-001 Auditor Detected Journal Entries**

Compliance Finding     Significant Deficiency     Material Weakness

<i>Criteria</i>	Local governmental entities are required to maintain internal controls over financial accounting and reporting systems to help ensure public funds are properly safeguarded.
<i>Condition</i>	Numerous audit adjustments were proposed by the audit team in order to correct the financial statements.
<i>Context</i>	This finding appears to be a <i>systemic</i> problem.
<i>Effect</i>	The financial statements being used by the Board of Trustees and Management for decision-making purposes were not accurate.
<i>Cause</i>	The District does not have a system of internal controls to identify all necessary end-of-year adjustments.
<i>Recommendation</i>	Adequate internal controls should be implemented to properly reconcile all statement of net position accounts and identify all adjustments necessary to make prior to the audit process.
<i>Management's Response</i>	The Clinic Manager is continuing to work with outside financial experts to assist the District on reconciling annual and monthly financial statements. The District expects to resolve these issues by January 2017.

**Eunice Special Hospital District  
Schedule of Findings and Responses (Continued)  
Year Ended June 30, 2016**

**2016-002 Allowance For Uncollectible Accounts**

Compliance Finding     Significant Deficiency     Material Weakness

<i>Criteria</i>	The calculation of the allowance for uncollectible accounts is an integral part of financial reporting and should be calculated monthly to ensure that the financial statements are accurate.
<i>Condition</i>	The District does not have policies and procedures in place regarding the calculation of the allowance for uncollectible accounts receivable.
<i>Context</i>	This finding appears to be a <i>systemic</i> problem.
<i>Effect</i>	The financial statements being used by the Board and Management for decision-making purposes were not accurate.
<i>Cause</i>	The District does not have a system of calculating the allowance for uncollectible accounts based on historical data.
<i>Recommendation</i>	The District should develop policy and procedures that utilize system reports to determine the historical payment rate by payor and review the accounts receivable listing to determine if a significant change has taken place in aging or composition of the accounts receivable. These factors should be included in the calculation of the necessary accounts receivable allowance.
<i>Management's Response</i>	The Clinic Manager and consultant will work with the special hospital districts in the area to develop a policy and procedures for dealing with accounts receivable. Anticipate completion of resolve is March 2017.

**Eunice Special Hospital District  
 Schedule of Findings and Responses (Continued)  
 Year Ended June 30, 2016**

**2016-003 Fixed Asset Accounting**

[ ] Compliance Finding    [ ] Significant Deficiency    [X] Material Weakness

<i>Criteria</i>	Local governmental entities are required to maintain internal controls over fixed assets.
<i>Condition</i>	Material audit adjustments were proposed by the audit team in regard to fixed assets. Items that should have been capitalized as fixed assets had instead been expensed. Also, a significant item that had been disposed of had not been removed from the fixed asset listing.
<i>Context</i>	This finding appears to be a <i>systemic</i> issue.
<i>Effect</i>	The financial statements being used by the Board and Management for decision-making purposes were not accurate.
<i>Cause</i>	The District does not have a system of internal controls to identify necessary fixed asset adjustments.
<i>Recommendation</i>	Adequate internal controls should be implemented to properly reconcile fixed assets throughout the fiscal year and to ensure that all fixed asset purchases are properly capitalized.
<i>Management's Response</i>	The Clinic Manager, will continue to work with the accountant on reconciling annual and monthly financials, fixed assets will also be reconciled as they are obtained or deleted. This will be an ongoing process and will be completed in January 2017.

**Eunice Special Hospital District  
Schedule of Findings and Responses (Continued)  
Year Ended June 30, 2016**

**2016-004 Missing Patient Records**

Compliance Finding     Significant Deficiency     Material Weakness

*Criteria*                      The District should maintain records of all patient visits and the results of patient visits.

*Condition*                    The District was unable to provide medical records relating to several patient accounts receivable balances.

*Context*                      This finding appears to be a *systemic* problem.

*Effect*                        The auditor was unable to verify existence of some accounts receivable balances.

*Cause*                         The District did not ensure that employees were following the District's processes.

*Recommendation*        The District should require all employees to follow policies and procedures recording medical record creation and retention and have a system of internal controls in place to ensure this compliance.

*Management's Response*    The Clinic Manager will train employees and monitor their actions on a regular basis to see that patient records are maintained properly. This is an ongoing process as employees cycle through positions and rules and regulations are updated.

**Eunice Special Hospital District  
Schedule of Findings and Responses (Continued)  
Year Ended June 30, 2016**

**2016-005 Filing of Documents to the State Auditors Office**

Compliance Finding     Significant Deficiency     Material Weakness

<i>Criteria</i>	The audit contract must be delivered to the Office of the State Auditor (OSA) each year by April 15.
<i>Condition</i>	The audit contract was not delivered to the OSA until September 1, 2016.
<i>Context</i>	This finding appears to be an isolated occurrence.
<i>Effect</i>	The District did not comply with New Mexico State Law.
<i>Cause</i>	There are no policies and procedures regarding the submission of these documents to the OSA.
<i>Recommendation</i>	Policies and procedures should be created to ensure that all required documents are filed with the OSA by the statutory deadlines.
<i>Management's Response</i>	The Clinic Manager finalized the audit contracts in September 2016 and this should not occur in the future.

**Eunice Special Hospital District  
Schedule of Findings and Responses (Continued)  
Year Ended June 30, 2016**

**2016-006 Per Diem and Mileage Act**

Compliance Finding     Significant Deficiency     Material Weakness

<i>Criteria</i>	Per the Travel and Per Diem Act, mileage may be reimbursed at a rate not to exceed the federal maximum.
<i>Condition</i>	The District is calculating mileage reimbursements at 60 cents per mile, which is 2.5 cents above the federal reimbursement amount.
<i>Context</i>	This finding appears to be a <i>systemic</i> occurrence.
<i>Effect</i>	The District did not comply with the New Mexico Travel and Per Diem Act.
<i>Cause</i>	There are no policies and procedures regarding setting reimbursement rates.
<i>Recommendation</i>	Policies and procedures should be created to ensure that all reimbursements are within the OSA guidelines.
<i>Management's Response</i>	The District has policies and procedures in effect for mileage and per diem reimbursements consistent with State and Federal law. Management updated their mileage policy in September 2016.

**Eunice Special Hospital District  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2016**

<b>Prior- Year Number</b>	<b>Description</b>	<b>Current Status</b>
2007-004	Financial Statement Preparation	Resolved
2010-001	Lack of Support for Receipts	Resolved
2010-002	Identifying Receipts Recorded in the General Ledger	Resolved
2010-007	Missing Receivables Information	Resolved
2011-002	Compare Budget to Actual	Resolved
2012-002	Time Card Authorization	Resolved
2013-006	Minimum Pledged Collateral Requirement	Resolved
2014-001	Expenditures in Excess of Budget	Resolved
2014-002	Procurement Policy	Resolved

**Eunice Special Hospital District  
Exit Conference  
Year Ended June 30, 2016**

An exit conference was held October 11, 2016, with the Board of Directors to discuss the basic financial statements and results of the audit. The personnel attending this meeting were:

Shannon Cummins  
Le'Ann Reaves  
Joe Lodge  
Shayna Zerobnick

Vice Chairman  
Clinic Manager  
Dingus, Zarecor & Associates PLLC  
Dingus, Zarecor & Associates PLLC

These financial statements were prepared by Dingus, Zarecor & Associates PLLC from records of the District.