Gila Regional Medical Center
(A Component Unit of Grant County)

June 30, 2014 and 2013, Financial Statements,
Supplementary Information
and
Independent Auditor's Reports

REDW LLC
CPAs | Business & Financial Advisors

Gila Regional Medical Center
(A Component Unit of Grant County)
Table of Contents

Gila Regional Medical Center
(A Component Unit of Grant County)
Board of Trustees and Principal Employees
June 30, 2014

Independent Auditor's Report

Board of Trustees and Management of
Gila Regional Medical Center
and
Mr. Hector H. Balderas, New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of Gila Regional Medical Center (the "Medical Center"), a component unit of Grant County (the "County"), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements as listed in the table of contents. We have also audited the budget comparison schedules for the years ended June 30, 2014 and 2013, presented as supplementary information in the schedules of revenues, expenses and changes in net position–budget and actual 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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

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for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Medical Center as of June 30, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budget comparison schedules for the years then ended 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements and budget comparison schedules that collectively comprise the Medical Center's financial statements as a whole. The accompanying schedules of pledged collateral and individual deposit and investment accounts, as required by Section 2.2.2 NMAC, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2014, on our consideration of the Medical Center'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* and should be considered in assessing the results of our audit.

REDW LLC

Phoenix, Arizona
September 26, 2014

Required Supplementary Information
Management’s Discussion and Analysis

Gila Regional Medical Center
(A Component Unit of Grant County)
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Introduction

This section of the financial report presents management's discussion and analysis of Gila Regional Medical Center's (the "Medical Center") financial performance during the fiscal year that ended June 30, 2014. This section presents comparative information and balances for the years ended June 30, 2014, 2013 and 2012. Please read it in conjunction with the Medical Center's basic financial statements, which follow this section.

Financial Highlights

- Cash, cash equivalents, and certificates of deposit increased by $1,458,333 in 2014 and decreased by $8,029,885 in 2013, or 7% and (28%), respectively.
- The Medical Center's net position increased by $1,255,409 in 2014 and decreased by $9,021,105 in 2013, or 2% and (13%), respectively.
- The Medical Center reported an operating loss in 2014 of $1,650,249, which represents a decrease of $7,306,586, or 82%, compared to the operating loss reported in 2013.
- Net nonoperating revenues increased by $719,928 or 1,120% in 2014, compared to a decrease of $539,266 or 114% in 2013.
- The Medical Center received a $2,250,000 grant from the State of New Mexico for the Cancer Center in 2014.

Using This Annual Report

The Medical Center's financial statements consist of three statements: balance sheets; statements of revenues, expenses and changes in net position; and statements of cash flows. These statements provide information about the activities of the Medical Center, including resources held by the Medical Center but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Medical Center is accounted for as a business-type activity and presents its financial statement using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheets and Statements of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any medical center's finances is, "Is the medical center as a whole better or worse off as a result of the year's activities?" The balance sheets and the statements of revenues, expenses and changes in net position report information about the Medical Center'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. Using the accrual basis of accounting means that 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 Medical Center's net position and changes in them. The Medical Center's total net position, the difference between assets and liabilities, is one measure of the Medical Center's financial health or financial position. Over time, increases or decreases in the Medical Center's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Medical Center's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Medical Center.

The Statements of Cash Flows

The statements of cash flows report cash receipts, cash payments, and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash and cash equivalents during the reporting period.

The Medical Center's Net Position

The Medical Center's net position is the difference between its assets and liabilities reported in the balance sheets. The Medical Center's net position increased in 2014 by $1,255,409, or 2%, and decreased in 2013 by $9,021,105, or 13%, as shown in the following table:

ASSETS, LIABILITIES AND NET POSITION

	2014	2013	2012
Assets			
Cash and cash equivalents	**$ 5,735,937**	$ 4,350,936	$ 10,662,555
Certificates of deposit	**16,642,787**	16,569,455	18,287,721
Patient accounts receivable, net	**9,994,071**	13,177,810	11,343,749
Other current assets	**8,192,376**	6,411,742	9,286,441
Capital assets, net	**30,267,136**	29,818,345	30,994,473
Other noncurrent assets	**136,416**	136,416	198,453
Total assets	**$ 70,968,723**	$ 70,464,704	$ 80,773,392
Liabilities			
Long-term debt, including current maturities	**$ -**	$ -	$ 1,660,000
Other current and noncurrent liabilities	**6,985,666**	7,737,056	7,364,639
Total liabilities	**6,985,666**	7,737,056	9,024,639
Net Position			
Net investment in capital assets	**30,267,136**	29,703,636	29,150,565
Restricted-expendable for debt service	**-**	-	110,141
Unrestricted	**33,715,921**	33,024,012	42,488,047
Total net position	**63,983,057**	62,727,648	71,748,753
Total liabilities and net position	**$ 70,968,723**	$ 70,464,704	$ 80,773,392

The increase in net position of $1,255,409 in 2014, as opposed to the decrease of $9,021,105 in 2013, a turnaround of $10,276,514, was due primarily to a comprehensive strategic approach to leadership performance, assessing and improving service lines, controlling expenses, and aggressively managing patient accounts receivable and collections.

Operating Results and Changes in the Medical Center's Net Position

The Medical Center's operating loss in 2014 was approximately $1,650,000, an 82% decrease in the operating loss compared to 2013 results. In 2013, the operating loss was approximately $8,957,000. This compares to 2012 operating income of approximately $4,944,000. These results are shown in the following table:

Gila Regional Medical Center
(A Component Unit of Grant County)
Management's Discussion and Analysis
For the Year Ended June 30, 2014

OPERATING RESULTS AND CHANGE IN NET POSITION

	2014	2013	2012
Operating Revenue			
Net patient service revenue	**$ 61,434,706**	$ 55,336,010	$ 59,134,705
Safety net care pool	**3,777,521**	-	-
Sole community provider	**-**	8,486,331	17,583,225
Other revenue	**1,284,388**	893,301	2,061,982
Total operating revenue	**66,496,615**	64,715,642	78,779,912
Operating Expenses			
Salaries, wages and employee benefits	**36,055,183**	39,177,487	38,778,379
Purchased services and professional fees	**10,673,347**	11,443,343	12,147,775
Depreciation and amortization	**3,343,335**	3,434,086	3,382,462
Other operating expenses	**18,074,999**	19,617,561	19,527,090
Total operating expenses	**68,146,864**	73,672,477	73,835,706
Operating (loss)/ income	**(1,650,249)**	(8,956,835)	4,944,206
Nonoperating Revenue (Expenses)			
Interest income	**78,769**	68,534	136,281
Interest expense	**-**	(237,117)	(97,266)
Grants and gifts	**795,893**	701,837	450,596
Loss on disposal of assets	**(219,004)**	(597,524)	(14,615)
Net nonoperating revenue (expenses)	**655,658**	(64,270)	474,996
Capital grant from State of New Mexico for Cancer Center	**2,250,000**	-	-
Change in net position	**1,255,409**	(9,021,105)	5,419,202
Net position, beginning of year	**62,727,648**	71,748,753	66,329,551
Net position, end of year	**$ 63,983,057**	$ 62,727,648	$ 71,748,753

Operating Income

The first component of the overall change in the Medical Center's net position is its operating income or loss – the difference between net patient service and other operating revenues and the expenses incurred to perform those services. The Medical Center reported an operating loss in

2014 of $1,650,249, a decrease of $7,306,586 compared to the 2013 operating loss of $8,956,835. The primary components of the operating results in 2014 are as follows:

- An increase in net patient service revenue of $6,099,000, or (11.02%), was due in large part to increases in rates and the case mix during the year. The increase was partially offset by a volume decrease in Surgeries, which decreased with the lack of a full staff of surgeons, and in the Chemotherapy Department, which experienced lower volumes related to the transition to the new linear accelerator.
- The Medical Center lost the Sole Community Provider (SCP) funding when the program ended on December 31, 2013. SCP was replaced with Safety Net Care Pool Program that was created to offset some of the loss from the SCP Program. Revenue related to this new program was $3,777,521 during the year ended June 30, 2014.
- The Medical Center recorded a $791,101 income for Electronic Health Record (EHR) "Meaningful Use" from Medicare during 2014 compared to a $294,861 in 2013. The payments were received based on regulations passed by Congress in the HITECH Act and was paid based on the Medical Center meeting the Stage – I "meaningful use" criteria. Further details are outlined in Note 9 to the financial statements.
- Salaries and employee benefits decreased $3,122,304, or 8%, compared to the prior year. Due to the financial position of the Medical Center at June 30, 2013, there were no wage increases in 2014 and there was a strategic assessment of service lines and associated positions resulting in 55 fewer positions at June 30, 2014 than at June 30, 2013. Both manhours and overtime declined by approximately 10% and overall full time equivalent employees declined from 601 to 546.
- Other operating expenses decreased by $1,542,562 in 2014, or 8%, due in part to lower volumes in Operating Room and Chemotherapy services, but also due to cost control and efficiencies in the supply chain.
- Purchased services and professional fees decreased by $769,996, or 7%, in 2014. This was due to a thorough assessment and resulting decrease in contract fees, legal fees and recruiting fees, as well as ongoing management of contract labor costs.
- Total operating loss for 2014 of $1,650,249 was 2% of total operating revenue, compared to $8,956,835 and 14% in 2013.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses, which consist primarily of noncapital grants and gifts, interest income, and interest expense, increased by $719,928, or 1,120% in 2014 compared to 2013. The increase was mostly due to a decrease in loss on disposal of capital assets and absence of interest expense in the current year.

Capital Grant

During 2014, the Medical Center received a State of New Mexico legislative allocation from the Cigarette Tax Fund of $2,250,000 for the purchase of a new, state-of-the-art linear accelerator for the Cancer Center. This was placed into service on June 11, 2014 and will bring new revenue opportunities to the Medical Center with enhanced capabilities.

Cash Flows

Changes in the Medical Center's cash flows are consistent with changes in operating results and nonoperating revenues and expenses for 2014, 2013 and 2012, as discussed earlier.

Capital Assets and Debt Administration

Capital Assets

At the end of 2014, the Medical Center had $30.3 million invested in capital assets, net of accumulated depreciation. In 2014, the Medical Center invested approximately $3.8 million for the purchase of capital equipment and renovation projects. This consisted primarily of approximately $2.3 million for the Linear Accelerator purchase and related construction, $399,000 for new and upgraded information systems technology for both hardware and software, $303,000 for new surgical equipment, $286,000 for two new boilers, $98,000 for labor and delivery fetal surveillance equipment, $35,000 to renovate the pool at the Wellness Center, $24,000 for registration software and $497,000 for various diagnostic, clinical, and other smaller equipment purchases. Old, outdated equipment of $2.98 million was identified and disposed of during the year.

Debt

At June 30, 2014, the Medical Center had no debt outstanding. The Medical Center did not issue any new debt in 2014 or 2013.

Budgetary Highlights

There were no budget modifications during fiscal year 2014. Total operating revenues were more than budget by $2,237,942 due to higher net patient service revenues and the fact that EHR Meaningful Use Payment was not budgeted. In addition, Safety Net Care Pool funding was not budgeted as that program didn't exist at the time the budget was prepared.

Operating expenses were under budget primarily due to the following: approximately $3.02 million due to salaries and benefits, $1.03 million in supplies, and $206 thousand in leases, which were thoroughly reviewed and managed to lower costs. In addition, the State of New Mexico grant for the linear accelerator was not budgeted.

Other Economic Factors

The primary and secondary service areas of the Medical Center are comprised of four counties in Southwestern New Mexico. The population in both service areas combined was estimated to be 63,000 in 2013. In 2014, the total population is estimated to be about the same. These population figures were compiled by the Census Bureau. The area's largest employer is Freeport McMoRan (Freeport), an international mining conglomerate, which owns several copper mines in the Medical Center's service area. During the recession, parts of the mining operations were shut down, and unemployment increased significantly. During 2013 and 2014, Freeport has hired back over 600 workers and has reopened all mining operations that were closed. Freeport is currently reporting that both mines are operating at full production. Silver City is a tourist destination and many local businesses are involved in the tourism industry. Silver City also has been a destination for retirees due to its good climate and rural location. Future Medical Center growth will be driven, in part, by an increase in retirees, who are heavy users of hospital services. More retirees relocating to Silver City will be dependent on an improvement in home sales nationwide and on how fast the national economy continues to recover in 2014.

Contacting the Medical Center's Financial Management

This financial report is designed to provide the Medical Center's Board of Trustees, customers, and the citizens of Grant County with a general overview of the Medical Center's finances and to show the Medical Center's financial accountability. If you have any questions about this report or need additional financial information, contact:

Chief Financial Officer
Gila Regional Medical Center
1313 East 32nd Street
Silver City, NM 88061
(575) 538-4130

Basic Financial Statements

Gila Regional Medical Center

(A Component Unit of Grant County)
Balance Sheets
June 30,

	2014	2013
Assets		
Current assets		
Cash and cash equivalents	**$ 5,735,937**	$ 4,350,936
Certificates of deposit	**16,642,787**	16,569,455
Investments held by trustee for debt service	**-**	1,058
Patient accounts receivable, net of allowance: 2014 - $5,153,000; 2013 - $4,375,000	**9,994,071**	13,177,810
Safety net care pool receivable	**1,956,294**	-
Sole community provider receivable	**-**	2,460,191
Grant receivable	**2,250,000**	-
Other receivables, net	**983,150**	919,548
Inventories	**2,236,760**	2,409,694
Prepaid expenses and other	**766,172**	621,251
Total current assets	**40,565,171**	40,509,943
Noncurrent assets		
Capital assets, net	**30,267,136**	29,818,345
Other assets	**136,416**	136,416
Total assets	**$ 70,968,723**	$ 70,464,704

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

Gila Regional Medical Center
(A Component Unit of Grant County)
Balance Sheets — continued
June 30,

	2014	2013
Liabilities		
Current liabilities		
Accounts payable	**$ 3,240,436**	$ 3,227,031
Accrued expenses		
Compensated absences	**1,860,664**	2,108,133
Payroll	**1,534,566**	1,408,699
Current maturities of capital lease obligation	**-**	73,650
Estimated third party payor settlement	**350,000**	878,484
Total current liabilities	**6,985,666**	7,695,997
Capital lease obligation, less current maturities	**-**	41,059
Total liabilities	**6,985,666**	7,737,056
Net Position		
Net investment in capital assets	**30,267,136**	29,703,636
Unrestricted	**33,715,921**	33,024,012
Total net position	**63,983,057**	62,727,648
Total liabilities and net position	**$ 70,968,723**	$ 70,464,704

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

Gila Regional Medical Center
(A Component Unit of Grant County)
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30,

	2014	2013
Operating Revenue		
Net patient service revenue	$ 61,434,706	$ 55,336,010
Safety net care pool	3,777,521	-
Sole community provider	-	8,486,331
Other revenue	1,284,388	893,301
Total operating revenue	66,496,615	64,715,642
Operating Expenses		
Salaries, wages and employee benefits	36,055,183	39,177,487
Supplies and other	16,394,160	17,858,575
Purchased services and professional fees	10,673,347	11,443,343
Depreciation and amortization	3,343,335	3,434,086
Rental and leases	1,680,839	1,758,986
Total operating expenses	68,146,864	73,672,477
Operating loss	(1,650,249)	(8,956,835)
Nonoperating Revenue (Expenses)		
Interest income	78,769	68,534
Interest expense	-	(237,117)
Loss on disposal of assets	(219,004)	(597,524)
Grants and gifts	795,893	701,837
Total nonoperating revenue (expenses), net	655,658	(64,270)
Revenues under expenses before capital grant	(994,591)	(9,021,105)
Capital grant from State of New Mexico for Cancer Center	2,250,000	-
Change in net position	1,255,409	(9,021,105)
Net position, beginning of year	62,727,648	71,748,753
Net position, end of year	$ 63,983,057	$ 62,727,648

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

Gila Regional Medical Center

(A Component Unit of Grant County)
Statements of Cash Flows
For the Years Ended June 30,

	2014	2013
Cash flows from operating activities		
Cash received from patients and third-party payors	**$ 69,592,165**	$ 66,019,773
Cash paid to suppliers and contractors	**(28,706,928)**	(31,233,190)
Cash paid to employees	**(36,176,785)**	(39,066,321)
Net cash provided (used) by operating activities	**4,708,452**	(4,279,738)
Cash flows from noncapital financing activities		
Grants and gifts	**795,893**	701,837
Cash flows from capital and related financing activities		
Principal paid on long-term debt	**-**	(1,660,000)
Payments on capital lease	**(114,709)**	(306,316)
Purchase of capital assets	**(4,070,096)**	(2,855,482)
Changes in assets limited as to use	**1,058**	301,280
Proceeds from sale of capital assets	**58,966**	-
Net cash used in capital and related financing activities	**(4,124,781)**	(4,520,518)
Cash flows from investing activities		
Sale (purchase) of certificates of deposit	**(73,332)**	1,718,266
Interest on investments	**78,769**	68,534
Net cash provided by investing activities	**5,437**	1,786,800
Net increase (decrease) in cash and cash equivalents	**1,385,001**	(6,311,619)
Cash and cash equivalents, beginning of year	**4,350,936**	10,662,555
Cash and cash equivalents, end of year	**$ 5,735,937**	$ 4,350,936

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

Gila Regional Medical Center

(A Component Unit of Grant County)
Statements of Cash Flows — continued
For the Years Ended June 30,

	2014	2013
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	**$ (1,650,249)**	$ (8,956,835)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	**3,343,335**	3,434,086
Provision for uncollectible accounts	**7,108,710**	6,346,226
Changes in assets and liabilities		
Patient accounts receivable	**(3,924,971)**	(8,180,287)
Safety net care pool receivable	**(1,956,294)**	-
Sole community provider receivable	**2,460,191**	1,488,323
Other receivables	**(63,602)**	329,395
Inventories	**172,934**	140,563
Prepaid expenses and other assets	**(144,921)**	235,185
Accounts payable and accrued expenses	**(108,197)**	(436,868)
Estimated third-party payor settlements	**(528,484)**	1,320,474
Net cash provided (used) by operating activities	**$ 4,708,452**	$ (4,279,738)

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

1) Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Gila Regional Medical Center (the "Medical Center") is a 68-bed acute care hospital located in Silver City, New Mexico. The Medical Center is a component unit of Grant County (the "County") and the Board of County Commissioners appoints members to the Board of Trustees of the Medical Center. The Medical Center primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in the Grant County area.

The Medical Center has a management advisory services agreement (MASA) with Quorum Health Resources (QHR), a healthcare management company. The MASA will expire on August 1, 2016. Management fees, included in purchased services and professional fees, approximated $47,000 and $435,000 in 2014 and 2013, respectively. In July 2013, the Medical Center renewed the agreement with QHR that expired on August 1, 2013. According to the new agreement expiring August 2016, QHR will provide minimal consulting services and, via Quorum Purchasing Advantage LLC (QPA), will offer unlimited access to Group Purchasing Organizations (GPO), currently HealthTrust Purchasing Group (HPG). The Medical Center will pay QPA an annual fee of $45,000 paid in advance in monthly installments. The fee will be adjusted annually by a greater of 5% or the percentage increase in the medical component of the Consumer Price Index (CPI) for urban wage earners and clerical workers. The Medical Center will reimburse QPA for incurred travel-related expenses, which should not to exceed $2,500 without prior written approval.

Basis of Accounting and Presentation

The Medical Center's financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program-specific (such as county appropriations), investment income, and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Medical Center first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

The Medical Center prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Certificates of Deposit

The Medical Center considers all liquid investments, other than investments of cash limited as to use, with original maturities of three months or less, to be cash equivalents. Certificates of deposit have original maturities in excess of three months and are not considered to be cash equivalents.

Patient Accounts Receivable and Allowances

The Medical Center reports patient accounts receivable for services rendered at estimated net realizable amounts from third-party payors, patients, and others. Contractual allowances represent the amounts which reduce patient accounts receivable to amounts that are considered to be collectible from third-party payors based on existing contracts the Medical Center has with these payors.

The allowance for doubtful patient accounts receivable is that amount which, in management's judgment, is adequate to reduce patient accounts receivable to an amount that is considered to be ultimately collectible. The Medical Center calculates both the contractual allowance and allowance for doubtful accounts based on percentages of accounts receivable aging categories that consider historical contractual adjustments and write-offs by major payor categories. Allowances are deducted from gross patient accounts receivable on the balance sheets.

Management believes that the allowances for doubtful accounts and contractual allowances are adequate. Because of the uncertainty regarding the ultimate collectability of patient accounts receivable, there is a possibility that recorded estimates of the allowance for doubtful accounts and contractual allowances will change by a material amount in the near term.

On a monthly basis, the Medical Center evaluates patient accounts receivable balances older than six months to determine collectibility. Accounts are considered uncollectible when there has been no recent payment activity and no other indication that payment will be received. Those balances that are considered uncollectible are written off upon approval from the Director of Patient Financial Services, Assistant Vice President of Finance and Chief Financial Officer, depending on the balance of the account.

Net Patient Service Revenue

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, and include estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are accrued on the estimated basis in the period the related services are rendered and adjusted in future periods as more information becomes available to improve estimates or final settlements are determined.

Inventories

Supply inventories consist primarily of medical and pharmaceutical supplies that are stated at the lower of cost, determined using the first-in, first-out method, or market value.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. The Medical Center's policy is to expense items with costs less than $5,000, in accordance with Section 12-6-10 NMSA 1978. Costs incurred for repair and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Medical Center:

Land improvements	15 – 20 years
Buildings and leasehold improvements	20 – 40 years
Equipment	3 – 10 years

The Medical Center capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. All interest was charged to expense in 2014 and 2013.

Compensated Absences

The Medical Center's policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits as earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned, but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments, such as social security and Medicare taxes computed, using rates in effect at that date.

Net Position

Net position of the Medical Center is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the Medical Center, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position is remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets or restricted expendable.

Charity Care

The Medical Center provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. The Medical Center maintains records to identify and monitor the level of charity care provided. Those records include the amount of charges foregone for services and supplies furnished under the Medical Center's charity care policy and aggregated approximately $5,285,000 and $9,250,000 in 2014 and 2013, respectively.

Income Taxes

As a political subdivision of the County, the Medical Center is exempt from federal and state income tax.

Budget Process

The Medical Center's budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), using an estimate of the anticipated revenues and expenditures. Budgets are approved and amended by the Finance Committee and the Board of Directors.

The Foundation

Gila Regional Medical Center Foundation (the "Foundation") is a legally separate, tax-exempt organization under Internal Revenue Code Section 501(c)(3) established primarily to raise and hold funds to support the Medical Center and its programs. Although the Medical Center does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the Medical Center. The resources and operations were determined not to be significant to the Medical Center and, therefore, the Foundation is not reported as a component unit of the Medical Center in the accompanying financial statements.

Subsequent Events
Subsequent events through September 26, 2014, the date which the financial statements were available to be issued, were evaluated for recognition and disclosure in the June 30, 2014, financial statements.

2) Net Patient Service Revenue

A summary of payment arrangements with major third-party payors follows:

Medicare—Services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Medical Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual costs reports by the Medical Center and audits thereof by the Medicare fiscal intermediary.

Medicaid—Prior to December 31, 2013, the State of New Mexico (the "State") administered its Medicaid program through contracts with several Managed Care Organizations (MCOs). Medicaid beneficiaries were required to enroll with one of the MCOs. The State paid each MCO a per member, per month rate based on their enrollment. These amounts were allocated by each MCO to separate pools for the hospital, physicians, and ancillary providers and the MCOs assumed the financial risk of providing health care to its members. This arrangement was referred to as "SALUD!".

In 2014, the State redesigned its Medicaid managed care program and Centennial Care began on January 1, 2014 with services provided by four managed care organizations (MCOs). These services include physical health, behavioral health, long-term care and community benefits. Most individuals who are enrolled in New Mexico's Medicaid program are eligible for Centennial Care and most adults who are eligible for New Mexico's Medicaid Expansion receive their services through Centennial Care.

Inpatient acute care services and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge and discounted fee schedules. These rates vary accordingly to a patient classification system that is based on clinical, diagnostic, and other factors. The Medical Center is reimbursed for certain cost reimbursable items such as depreciation, other capital costs, and bad debts at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare and Medicaid fiscal intermediaries.

For Medicaid program billing, starting in 2013, the Medical Center started billing all outpatient services based on Ambulatory Payment Classifications (APC's) rather than cost and a liability or receivable is no longer deemed necessary because significant adjustments are not anticipated. Previously, the majority of settlement amounts were a result of adjustments to the outpatient reimbursable costs.

Medicare and Medicaid cost report receivables (liabilities) are as follows:

	June 30, 2014 Amount	June 30, 2014 Status	June 30, 2013 Amount
Medicare			
2010	**$ -**	Final	$ 328,215
2011	**-**	Filed, desk audit	(50,000)
2012	**(50,000)**	Filed, tentative settlement	(50,000)
2013	**-**	Filed, tentative settlement	(1,201,795)
2014	**(100,000)**	Estimate, not filed	-
	(150,000)		(973,580)
Medicaid			
2010	**-**	Filed, pending audit	25,000
2011	**(50,000)**	Filed, pending audit	38,775
2012	**(50,000)**	Filed, pending audit	31,321
2013	**(50,000)**	Filed, pending audit	-
2014	**(50,000)**	Estimate, not filed	-
	(200,000)		95,096
Estimated third-party payor settlements	**$ (350,000)**		$ (878,484)

Management believes that these estimates are adequate. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Estimates are continually monitored and reviewed, and as settlements are made or more information becomes available to improve estimates, differences are reflected in current operations.

Settlements of prior-year cost reports and changes in estimates resulted in a decrease of approximately $528,000 and an increase of approximately $218,000 to net patient service revenue for the years ended June 30, 2014 and 2013, respectively.

Sole Community Provider Indigent Care Program (SCP)—The Medical Center, due to its isolated location and service to indigent patients, participated in a sole community provider indigent care program that is administered by the State of New Mexico. The program was funded by Grant County which paid the County share amount to the State that is required to draw down federal monies. New Mexico's federal and state shares are approximately 71% and 29%, respectively. The program consisted of two components: the regular quarterly payments and a supplemental payment. The supplemental payments were based on service to indigent and Medicaid patients as well as consideration of the Medical Center's Medicaid contractual write-offs. Revenues from the quarterly payments in 2013 totaled $8.2 million. Approximately $300,000 for the year ended June 30, 2013, are included in patient revenue for the supplemental payments. The State stopped the Sole Community Provider funding in December 2012, and no payments were received for the remainder of fiscal year 2013 until June and July 2013 when approximately $3.85 million was received. This resulted in a reduction of expected revenues of approximately $7.64 million for fiscal year 2013.

Safety Net Care Pool Program (SNCP)— Senate Bill 314 amended and repealed various sections of existing statute to comply with federally approved changes to the Sole Community Provider Fund. As of December 31, 2013, SCP was terminated and replaced by the SNCP. The law provides for a county-imposed tax of one-sixteenth percent of gross receipts be permanently transferred to the "Safety Net Care Pool Fund" and expended pursuant to the Indigent Hospital and County Health Care Act. The law allows counties to budget for expenditures on ambulance services, burial expenses, and hospital or medical expenses for indigent residents of their county. The law requires that qualifying hospitals receiving payment from the Safety Net Care Pool file a quarterly report on all indigent health care funding with the Human Services Department (HSD) and the County Commission, and the HSD to submit a quarterly report to the Legislative Finance Committee containing the previous quarter's Safety Net Care Pool Fund receipts and the disposition of funds. Revenues from the SNCP Program were approximately $3,778,000 for the year ended June 30, 2014, of which approximately $1,956,000 was due to the Medical Center at June 30, 2014.

Other Third-Party Payors—The Medical Center has also entered into payment agreements with certain commercial insurance carriers. The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined fee schedules.

The following summary details the components of net patient service revenue for the years ended June 30:

	2014	2013
Gross patient revenue		
Inpatient	**$ 56,683,661**	$ 43,089,550
Outpatient	**133,959,754**	122,163,482
Total gross patient revenue	**190,643,415**	165,253,032
Less contractual adjustments and provision for uncollectible accounts		
Third-party payor contractual allowances, discounts, and adjustments	**122,099,999**	103,570,796
Provision for uncollectible accounts	**7,108,710**	6,346,226
Total contractual adjustments and provision for uncollectible accounts	**129,208,709**	109,917,022
Net patient service revenue	**$ 61,434,706**	$ 55,336,010

3) Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Medical Center's deposits may not be returned to it. In accordance with Section 6-10-17, NMSA, 1978 compilation, the Medical Center is required to obtain collateral in an amount equal to one-half of the deposited public money in excess of $250,000 and 102 percent for repurchase agreements. The Medical Center's policy is to require collateral in accordance with state statutes. As of June 30, 2014 and 2013, the Medical Center was in compliance with the State collateralization requirements.

As of June 30, 2014, the Medical Center had deposits with a bank balance of $19,345,093, of which $5,097,047 was uninsured and uncollateralized, and therefore subject to custodial credit risk. As of June 30, 2013, the Medical Center had deposits with a bank balance of $19,430,137, of which $7,114,608 was uninsured and uncollateralized, and therefore subject to custodial credit risk.

On November 21, 2012, the Medical Center obtained a Line-of-Credit (LOC) issued by a federal home loan bank in the amount of $1,700,000 to secure uninsured deposits. As of June 30, 2014, the LOC has not been drawn on.

State Treasurer's Investment Pool

The Medical Center 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.

The Medical Center's value of its investment in the Pool, the credit rating of the Pool, and the weighted-average maturity (WAM) at June 30, 2014, is as follows:

June 30, 2014			
New MexiGrow LGIP	AAAm rated	$1,059	55-day WAM

At June 30, 2014 and 2013, the Medical Center had investments with the following maturities:

	June 30, 2014				
		Maturities in Years			
Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Repurchase agreement	**$ 3,297,303**	**$ 3,297,303**	$ -	$ -	$ -
State Treasurer's investment pool	**1,059**	**1,059**	-	-	-
	$ 3,298,362	**$ 3,298,362**	**$ -**	**$ -**	**$ -**

	June 30, 2013				
		Maturities in Years			
Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. Treasury securities and money market	$ 2,377,023	$ 2,377,023	$ -	$ -	$ -
State Treasurer's investment pool	1,058	1,058	-	-	-
	$ 2,378,081	$ 2,378,081	$ -	$ -	$ -

The repurchase agreement was collateralized at 102% at June 30, 2014 and 2013, by U.S. government agency securities.

Interest Rate Risk—As a means of limiting its exposure to fair value losses arising from rising interest rates, the Medical Center's practice is to invest in certificates of deposits and repurchase agreements with maturities of less than one year, except for funds held by a trustee for debt service.

Custodial Credit Risk—For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Medical Center will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk—The Medical Center places no limit on the amount that may be invested in any one issuer.

Reconciliation to Balance Sheets

The carrying values of deposits and investments are included in the balance sheets as follows:

	2014	2013
Carrying value		
Deposits	**$ 19,080,362**	$ 18,543,368
Investments and New MexiGrow Pool	**3,298,362**	2,378,081
	$ 22,378,724	$ 20,921,449
Included in the following balance sheets captions		
Cash and cash equivalents	**$ 5,735,937**	$ 4,350,936
Certificates of deposit	**16,642,787**	16,569,455
Investments held by trustee for debt service	**-**	1,058
	$ 22,378,724	$ 20,921,449

4) Patient Accounts Receivables

The Medical Center grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements.

Patient accounts receivable at June 30 consisted of the items shown below:

	2014	2013
Medicare	**$ 10,461,315**	$ 15,153,203
Medicaid	**4,215,449**	6,487,520
Other third-party payers	**4,488,147**	8,219,384
Patients	**8,994,981**	6,971,864
	28,159,892	36,831,971
Less allowance for contractual adjustments	**13,012,441**	19,279,161
	15,147,451	17,552,810
Less allowance for uncollectible accounts	**5,153,380**	4,375,000
	$ 9,994,071	$ 13,177,810

5) Capital Assets

Capital asset activity of the Medical Center for the years ended June 30 was as follows:

	2014				
	Beginning Balance	Additions	Disposals and Retirements	Transfers	Ending Balance
Capital assets not being depreciated					
Land	$ 806,200	$ -	$ -	$ -	$ 806,200
Construction in progress	284,395	2,526,206	-	(2,564,432)	246,169
Total capital assets not being depreciated	1,090,595	2,526,206	-	(2,564,432)	1,052,369
Capital assets being depreciated					
Land improvements	577,466	-	-	-	577,466
Buildings	32,188,167	61,882	-	-	32,250,049
Equipment	29,937,089	1,482,008	(2,985,486)	2,564,432	30,998,043
Total capital assets being depreciated	62,702,722	1,543,890	(2,985,486)	2,564,432	63,825,558
Less accumulated depreciation					
Land improvements	83,100	97,669	-	-	180,769
Buildings	13,121,384	985,769	-	-	14,107,153
Equipment	20,770,488	2,259,897	(2,707,516)	-	20,322,869
	33,974,972	3,343,335	(2,707,516)	-	34,610,791
Capital assets, net	$ 29,818,345	$ 726,761	$ (277,970)	$ -	$ 30,267,136

Gila Regional Medical Center

(A Component Unit of Grant County)
Notes to Basic Financial Statements
June 30, 2014 and 2013

	2013				
	Beginning Balance	Additions	Disposals and Retirements	Transfers	Ending Balance
Capital assets not being depreciated					
Land	$ 806,200	$ -	$ -	$ -	$ 806,200
Construction in progress	479,132	854,026	(449,590)	(599,173)	284,395
Total capital assets not being depreciated	1,285,332	854,026	(449,590)	(599,173)	1,090,595
Capital assets being depreciated					
Land improvements	541,193	-	-	36,273	577,466
Buildings	31,674,494	-	-	513,673	32,188,167
Equipment	36,620,807	2,001,456	(8,734,401)	49,227	29,937,089
Total capital assets being depreciated	68,836,494	2,001,456	(8,734,401)	599,173	62,702,722
Less accumulated depreciation					
Land improvements	46,935	36,165	-	-	83,100
Buildings	12,683,649	437,735	-	-	13,121,384
Equipment	26,396,769	2,960,186	(8,586,467)	-	20,770,488
	39,127,353	3,434,086	(8,586,467)	-	33,974,972
Capital assets, net	$ 30,994,473	$ (578,604)	$ (597,524)	$ -	$ 29,818,345

Due to the loss of the Sole Community Provider funding, the Medical Center decided to indefinitely halt the expansion project that was started in 2013. As a result $449,590 of construction in progress amounts were written off during the year ended June 30, 2013. Additionally, the Medical Center completed an analysis of its capital asset listing and wrote off $2,734,401 of capital assets that were not in use as of June 30, 2013. The net book value of these assets was $147,934.

In 2014, an analysis of the capital asset listing resulted in a $2,985,486 write-off for assets that were not in use as of June 30, 2014. The net book value of these assets was $277,970.

The Medical Center was awarded a $2,250,000 grant from the State of New Mexico for design, construction, equipment and furnishing additions to the Cancer Center. The total amount of the grant consisted of $1,650,000 remaining from the Series 2013 Bond and $600,000 of excess balance in the Rural County Cancer Treatment Fund. The Medical Center utilized these funds to purchase and put in service a linear accelerator at the Cancer Center. As of June 30, 2014, the funding under this award had not been received and is reported as grant receivable in the balance sheet.

6) Long-Term Obligations

The following is a summary of long-term obligation transactions for the Medical Center for the years ended June 30:

	2014				
	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Capital lease obligation	$ 114,709	$ -	$ 114,709	$ -	$ -
Other long-term liabilities					
Accrued compensated absences	2,108,133	1,860,664	2,108,133	1,860,664	1,860,664
Total long-term obligations	$ 2,222,842	$ 1,860,664	$ 2,222,842	$ 1,860,664	$ 1,860,664

	2013				
	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Long-term debt					
Revenue bonds					
Series 2004	$ 1,660,000	$ -	$ 1,660,000	$ -	$ -
Total long-term debt	1,660,000	-	1,660,000	-	-
Capital lease obligation	183,908	-	69,199	114,709	73,650
Other long-term liabilities					
Accrued compensated absences	2,048,158	2,108,133	2,048,158	2,108,133	2,108,133
Total long-term obligations	$ 3,892,066	$ 2,108,133	$ 3,777,357	$ 2,222,842	$ 2,181,783

Bond Issuance and Repayment

In 2013, the Medical Center Board of Trustees and administration, as a part of the Facility Master Plan, hired an architectural firm for preliminary design and feasibility studies regarding expansion of the main hospital building. Based on these feasibility studies and then current financial status, the Board of Trustees and administration, along with the Grant County Commission, entered into an agreement to borrow $10 million to begin the project. Shortly after the funds were borrowed, the State Sole Community Provider funding was halted for an unknown period of time. This change in the Sole Community Provider funding was unexpected. The Board of Trustees then decided to delay the expansion project and immediately repaid the borrowed funds with no prepayment penalty.

Capital Lease Obligation

During 2010, the Medical Center entered into a capital lease agreement for a blood chemistry analyzer for the lab. The terms of the lease agreement provide an option to purchase the equipment at a price substantially less than fair market value, which qualifies it as a capital lease. Capital assets, acquired by lease, were capitalized in 2010 in the amount of $509,969, and a capital lease obligation was recorded. In March 2011, the lease was re-negotiated and the value of the capitalized asset and respective capital lease obligation decreased to $369,269. Accumulated amortization on the equipment totaled $260,196 at June 30, 2013. The capital lease ended during the year ended June 30, 2014.

7) Tax Sheltered Annuity Plan

The Medical Center contributes to a tax sheltered retirement plan covering all eligible employees. The plan is a 403(b) plan under the Internal Revenue Code and is administered by Met Life. Eligible employees may participate in the Medical Center's retirement plan after 12 months of continuous employment on a regular full-time or part-time status. The Medical Center will contribute 2.5% of the employee's annual salary provided the employee is a participant in the plan. Beginning the fifth year of employment, the Medical Center will match an additional 2.5% of the employee's contribution up to a maximum of 5% of the employee's annual salary. Employees may contribute a maximum of 20% of their annual salary. The Medical Center's contributions for each employee are vested immediately upon contribution. The Medical Center's contributions to the plan were approximately $712,000 and $707,000 for the years ended June 30, 2014 and 2013, respectively. Employee contributions to the plan were approximately $1,181,000 and $1,378,000 for 2014 and 2013, respectively. There are no stand-alone financial reports available to the public for the plan.

8) Commitments and Contingencies

Healthcare Regulatory Environment—The healthcare industry is subject to laws and regulations of federal, state and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased 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, the imposition of significant fines and penalties and significant repayments for patient services previously billed.

Management believes that the Medical Center is in compliance with applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

The Health Insurance Portability and Accountability Act (HIPAA) was enacted August 21, 1996, to assure health insurance portability, guarantee security and privacy of health information, enforce standards for health information and establish administrative simplification provisions. Under the Health Information Technology for Economic and Clinical Health (HITECH) Act, several of the HIPAA security and privacy requirements have been expanded, including business associates being subject to civil and criminal penalties and enforcement proceedings for violations of HIPAA. Management believes that the Medical Center is in compliance with all applicable provisions of HIPAA and HITECH.

Risk Management—The Medical Center 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.

Medical Malpractice Claims—The Medical Center purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a healthcare provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Medical Center's claim experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Litigation—In the normal course of business, the Medical Center is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Medical Center's commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Medical Center evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Medical Center's future financial position or results of operations. However, events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Operating Leases—The Medical Center leases equipment through operating lease agreements expiring in various years through 2016. Total rent expense for all operating leases was approximately $1,681,000 and $1,759,000 for 2014 and 2013, respectively.

Future minimum lease payments for noncancelable operating leases with lease terms exceeding one year at June 30, 2014, are as follows:

Year Ending June 30,	
2015	$ 1,450,243
2016	1,450,243
2017	29,611
Total future minimum lease payments	$ 2,930,097

9) Electronic Health Record Incentive Payment

The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid incentive payments beginning in 2011 for eligible hospitals and professionals that adopt and meaningfully use certified electronic health record (EHR) technology. Income related to Medicare and Medicaid incentive payments is recognized using a gain contingency model that is based upon when an eligible hospital has demonstrated meaningful use of certified EHR technology for the applicable period and the cost report information for the full cost report year that will determine the final calculation of the incentive payment is available.

Medicare EHR incentive calculations and related initial payment amounts are based upon the most current filed cost report information available at the time eligible hospitals demonstrate meaningful use of certified EHR technology for the applicable period. This initial payment amount will be adjusted based upon an updated calculation using the annual cost report information for the cost report period that began during the applicable payment year. Thus, incentive income recognition occurs at the point eligible hospitals demonstrate meaningful use of certified EHR technology for the applicable period and the cost report information for the full cost report year that will determine the final calculation of the incentive payment is available.

For the year ended June 30, 2014, the Medical Center recognized $791,101 of electronic health record incentive income consisting of $506,585 from the Medicare and $284,516 from the Medicaid incentive programs, respectively. For the year ended June 30, 2013, the Medical Center recognized d $294,861 from the Medicaid incentive program. The Medical Center included the EHR incentive program revenue in the line item “Other revenue” in the statements of revenues, expenses and changes in net position.

Supplementary Information (Audited)

Gila Regional Medical Center

(A Component Unit of Grant County)
Schedule of Revenues, Expenses and Changes in Net Position—Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget - Favorable
	Original	Final	**Actual**	(Unfavorable)
Operating Revenue	$ 64,258,673	$ 64,258,673	**$ 66,496,615**	$ 2,237,942
Operating Expenses				
Salaries, wages and employee benefits	33,035,960	33,035,960	**36,055,183**	(3,019,223)
Supplies and other	15,361,942	15,361,942	**16,394,160**	(1,032,218)
Purchased services and professional fees	10,859,972	10,859,972	**10,673,347**	186,625
Depreciation	3,408,935	3,408,935	**3,343,335**	65,600
Rental and leases	1,475,054	1,475,054	**1,680,839**	(205,785)
Total operating expenses	64,141,863	64,141,863	**68,146,864**	(4,005,001)
Operating income (loss)	116,810	116,810	**(1,650,249)**	(1,767,059)
Nonoperating Revenue, Net	67,512	67,512	**655,658**	588,146
Revenues over (under) expenses before capital grant	184,322	184,322	**(994,591)**	(1,178,913)
Capital grant from State of New Mexico for Cancer Center	-	-	**2,250,000**	2,250,000
Change in net position	$ 184,322	$ 184,322	**1,255,409**	$ 1,071,087
Net position, beginning of year			**62,727,648**	
Net position, end of year			**$ 63,983,057**	

Note to Schedule

Annual budgets are adopted as required by New Mexico statutes. Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis that is consistent with accounting principles generally accepted in the United States of America.

This is for informational purposes only because the Medical Center is a proprietary entity and does not receive legislative appropriations; therefore, the budget is not a binding budget.

Gila Regional Medical Center
(A Component Unit of Grant County)
Schedule of Revenues, Expenses and Changes in Net Position—Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget - Favorable
	Original	Final	**Actual**	(Unfavorable)
Operating Revenue	$ 77,613,308	$ 77,613,308	**$ 64,715,642**	$ (12,897,666)
Operating Expenses				
Salaries, wages and employee benefits	39,094,162	39,094,162	**39,177,487**	(83,325)
Supplies and other	17,913,605	17,913,605	**17,858,575**	55,030
Purchased services and professional fees	12,988,025	12,988,025	**11,443,343**	1,544,682
Depreciation	3,349,426	3,349,426	**3,434,086**	(84,660)
Rental and leases	1,966,681	1,966,681	**1,758,986**	207,695
Total operating expenses	75,311,899	75,311,899	**73,672,477**	1,639,422
Operating income (loss)	2,301,409	2,301,409	**(8,956,835)**	(11,258,244)
Nonoperating Revenue (Expenses), Net	396,907	396,907	**(64,270)**	(461,177)
Change in net position	$ 2,698,316	$ 2,698,316	**(9,021,105)**	$ (11,719,421)
Net position, beginning of year			**71,748,753**	
Net position, end of year			**$ 62,727,648**	

Note to Schedule

Annual budgets are adopted as required by New Mexico statutes. Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis that is consistent with accounting principles generally accepted in the United States of America.

This is for informational purposes only because the Medical Center is a proprietary entity and does not receive legislative appropriations; therefore, the budget is not a binding budget.

New Mexico State Auditor's Supplementary Information

Gila Regional Medical Center
(A Component Unit of Grant County)
Schedule of Pledged Collateral
For the Year Ended June 30, 2014

Account	Account Type	Wells Fargo Bank, NA	Ambank	Compass Bank	First Savings Bank	First NM Bank	Total
General Account	Checking	$ 2,656,074	$ -	$ -	$ -	$ -	$ 2,656,074
Employee Assistance Account	Checking	46,232	-	-	-	-	46,232
Certificate of Deposit	CD	1,543,184	-	-	-	-	1,543,184
Certificate of Deposit	CD	1,041,205	-	-	-	-	1,041,205
Certificate of Deposit	CD	-	1,558,586	-	-	-	1,558,586
Certificate of Deposit	CD	-	1,766,706	-	-	-	1,766,706
Certificate of Deposit	CD	-	1,048,630	-	-	-	1,048,630
Certificate of Deposit	CD	-	1,036,211	-	-	-	1,036,211
Certificate of Deposit	CD	-	-	3,341,738	-	-	3,341,738
Certificate of Deposit	CD	-	-	-	1,097,406	-	1,097,406
Certificate of Deposit	CD	-	-	-	3,197,291	-	3,197,291
Certificate of Deposit	CD	-	-	-	-	1,011,830	1,011,830
Total amount of deposit in bank		5,286,695	5,410,133	3,341,738	4,294,697	1,011,830	19,345,093
Less FDIC insurance		500,000	250,000	250,000	250,000	250,000	1,500,000
Total uninsured public funds		$ 4,786,695	$ 5,160,133	$ 3,091,738	$ 4,044,697	$ 761,830	$ 17,845,093
Collateral requirement - 50% (Section 6-10-17)		$ 2,393,348	$ 2,580,067	$ 1,545,869	$ 2,022,349	$ 380,915	$ 8,922,548

Gila Regional Medical Center
(A Component Unit of Grant County)
Schedule of Pledged Collateral — continued
For the Year Ended June 30, 2014

Account		Maturity	CUSIP		Wells Fargo Bank, NA	Ambank	First Savings Bank	First NM Bank	Total
Pledged securities held by Wells Fargo; held in the name of the Medical Center									
FN AU4290	FNMA	Matures 09/01/2043	3138X3XU1	(2)	$ 1,882,126	$ -	$ -	$ -	$ 1,882,126
FN AS0035	FNMA	Matures 07/01/2043	3138W9BD1	(2)	537,600	-	-	-	537,600
Pledged securities held by Ambank; held in the name of the Medical Center									
Belen Schools	MUNI	Matures 08/01/2017	077581MM5	(1)	-	106,678	-	-	106,678
Clovis NM MSD	MUNI	Matures 08/01/2023	189414HL2	(1)	-	540,185	-	-	540,185
Clovis NM MSD	MUNI	Matures 08/01/2028	189414KJ3	(1)	-	752,416	-	-	752,416
Fed Home Loan Bank	FNMA	Matures 09/12/2015	313370SJ8	(2)	-	501,415	-	-	501,415
MBS GNMA2	MUNI	Matures 03/20/2027	36202F5C6	(1)	-	839,580	-	-	839,580
Hobbs Schools	MUNI	Matures 04/15/2019	433866DB3	(1)	-	107,340	-	-	107,340
Los Lunas NM Dist. 1	MUNI	Matures 07/15/2018	545562PE4	(1)	-	432,016	-	-	432,016
Lovington, NM	MUNI	Matures 10/01/2019	547473CK2	(1)	-	105,925	-	-	105,925
Lovington, NM	MUNI	Matures 09/01/2021	547473CZ9	(1)	-	104,380	-	-	104,380
Roswell ISD	MUNI	Matures 08/01/2014	778550FZ1	(1)	-	250,908	-	-	250,908
San Juan Cty, NM	MUNI	Matures 08/01/2017	798359HP3	(1)	-	214,252	-	-	214,252
San Juan Cty, NM	MUNI	Matures 08/01/2016	798359JE6	(1)	-	155,112	-	-	155,112
Santa FE	MUNI	Matures 08/01/2016	801901JC4	(1)	-	262,874	-	-	262,874
Sthrn Sandoval CO	MUNI	Matures 08/01/2017	843789DW5	(1)	-	103,185	-	-	103,185
Torrance ETC Cty	MUNI	Matures 05/15/2018	891400NE9	(1)	-	408,032	-	-	408,032
Pledged securities held by First Savings Bank; held in the name of the Medical Center									
Springfield TWP NJ-XLCA	MUNI	Matures 08/15/2014	851511KT1	(1)	-	-	50,190	-	50,190
MBS FNMA 10-yr	FNMA	Matures 04/01/2024	314188BB54	(2)	-	-	201,396	-	201,396
MBS GNMA 10yr	GNMA	Matures 03/15/2027	36176XE21	(2)	-	-	75,321	-	75,321
US Bank/ Minnesota Reconstruction	MUNI	Matures 02/01/2018	687119LR6	(1)	-	-	107,113	-	107,113
MBS FHLMC	FHLMC	Matures 03/01/2023	31307BJW1	(2)	-	-	169,345	-	169,345
MBS FNMA 15 yr	FNMA	Matures 02/21/2027	3138E4X71	(2)	-	-	960,266	-	960,266
GNR 2010-115 QG	FNMA	Matures 11/20/2038	38377KKM1	(2)	-	-	97,217	-	97,217
GNR 2011-4MD	FNMA	Matures 11/20/2038	38377TBL4	(2)	-	-	136,899	-	136,899
GNR 2009-55 HC	MUNI	Matures 06/20/2039	38374VPS2	(1)	-	-	36,542	-	36,542
FNR 2010-135 CH	MUNI	Matures 04/25/2040	31398SN66	(1)	-	-	120,286	-	120,286
GNR 2011-43E	MUNI	Matures 12/20/2040	38377UMA3	(1)	-	-	176,169	-	176,169
MBS FNMA 10 yr	FNMA	Matures 04/15/2018	31371NGQ2	(1)	-	-	78,278	-	78,278

Gila Regional Medical Center
(A Component Unit of Grant County)
Schedule of Pledged Collateral — continued
For the Year Ended June 30, 2014

Account		Maturity	CUSIP		Wells Fargo Bank, NA	Ambank	First Savings Bank	First NM Bank	Total
Pledged securities held by First NM Bank, held in the name of the Medical Center									
Lovington NM Mun School	MUNI	Matures 10/01/2018	547473CJ5	(1)	-	-	-	200,000	200,000
Dulce NM Indpt School	MUNI	Matures 09/01/2017	264430HB8	(1)	-	-	-	200,000	200,000
Gallup McKinley Cnty	MUNI	Matures 08/01/2022	364010PJ1	(1)	-	-	-	300,000	300,000
Las Vegas NM Cty	MUNI	Matures 08/01/2017	51778FAY5	(1)	-	-	-	270,000	270,000
Hobbs NM School Dist	MUNI	Matures 04/15/2023	433866CN8	(1)	-	-	-	250,000	250,000
Bloomfield NM	MUNI	Matures 08/01/2016	0904072BS3	(1)	-	-	-	115,000	115,000
Grants & Cibola Cntys	MUNI	Matures 10/01/2016	388240CZ4	(1)	-	-	-	140,000	140,000
Corona NM Muni School	MUNI	Matures 08/01/2014	219762BA8	(1)	-	-	-	60,000	60,000
Total pledged collateral					2,419,726	4,884,298	2,209,022	1,535,000	11,048,046
Amount over collateralized for 50% requirement					$ 26,378	$ 2,304,231	$ 186,673	$ 1,154,085	$ 2,125,498
FHLBank (A Federal Home Loan Bank) - Line of Credit									
Investments at Compass Bank - total uninsured funds					3,091,738				
Required collateralization - 50% of uninsured portion					1,545,869				
Irrevocable Letter of Credit No 64387 (expires 3/4/2015)					1,700,000				
Amount over collateralized for 50% requirement					154,131				
Repurchase Agreement									
Amount of repurchase agreement					$ 3,297,303				
Required collateralization - 102% of uninsured portion					3,363,249				
Pledged securities held by Wells Fargo Bank, NA held in the name of the Medical Center	FNMA	Matures 02/01/2039	36202E2A6	(2)	3,363,249				
Amount over collateralized for 102% requirement					$ -				

(1) Municipal bond.
(2) U.S. Treasury or agency bond.

Gila Regional Medical Center
(A Component Unit of Grant County)
Schedule of Individual Deposit and Investment Accounts
June 30, 2014

Depository	Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Deposit Accounts						
Wells Fargo	GRMC	Checking	$ 2,656,074	$ 32,350	$ 298,931	$ 2,389,493
Wells Fargo	GRMC	Checking	46,232	-	-	46,232
			2,702,306	32,350	298,931	2,435,725
Cash on hand		Petty cash	-	-	-	1,850
			2,702,306	32,350	298,931	2,437,575
Investment Pool						
State Treasurer's Local Government Investment Pool		Investment pool	1,059	-	-	1,059
			1,059	-	-	1,059
Certificates of Deposit						
Wells Fargo	GRMC	Certificates of Deposit	2,584,389	-	-	2,584,389
AM Bank	GRMC	Certificates of Deposit	5,410,133	-	-	5,410,133
Compass Bank	GRMC	Certificates of Deposit	3,341,738	-	-	3,341,738
First Savings Bank	GRMC	Certificates of Deposit	4,294,697	-	-	4,294,697
First New Mexico Bank	GRMC	Certificates of Deposit	1,011,830	-	-	1,011,830
			16,642,787	-	-	16,642,787
Repurchase Agreement						
Wells Fargo	Sweep	Repurchase	3,297,303	-	-	3,297,303
Total deposits and investments			$ 22,643,455	$ 32,350	$ 298,931	$ 22,378,724

Independent Auditor's 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
Gila Regional Medical Center
and
Mr. Hector H. Balderas, New Mexico State Auditor

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 Gila Regional Medical Center (the "Medical Center"), a component unit of Grant County, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements, as well as the budget comparison schedules for the year ended June 30, 2014, presented as supplementary information, and have issued our report thereon dated September 26, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Medical Center'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 Medical Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Medical Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2014-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Medical Center'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 2014-001, 2014-002 and 2014-003.

The Medical Center's Responses to Findings

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

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 Medical Center'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 Medical Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

REDW LLC

Phoenix, Arizona
September 26, 2014

2014-001 — Journal Entry Review and Approval — Significant Deficiency

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Criteria or Specific Requirement: To help prevent error or fraud, all journal entries should be reviewed by someone other than the preparer.

Condition: During the audit, it was noted that 12 of 12 journal entries tested were not reviewed and authorized by someone other than the preparer.

Cause: Policies and procedures are not properly followed to ensure the propriety or completeness of journal entries. Specifically, controls to ensure proper segregation of duties related to the preparation, approval, and posting of journal entries were not properly followed.

Effect: Financial statements amounts may be misstated and/or not properly supported. Failure to implement effective processes and procedures could increase the risks of fraud, violations of appropriation laws and mismanagement of funds.

Auditor's Recommendations: Develop and implement procedures that will strengthen controls over the journal entry review and approval process to ensure that journal entries are reviewed and approved by someone other than the preparer, and ensure that support for all journal entries is properly filed and maintained.

Management's Response: The CFO has implemented a new month-end process to ensure that all journal entries are reviewed and approved by someone other than the preparer. The CFO will review the existing documentation support practice for journal entries to identify opportunities to improve the processes.

2014-002 (Prior Year Finding SA 2013-001) — Capital Asset Records — Findings that do not rise to the level of a significant deficiency

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Criteria or Specific Requirement: Internal accounting records should agree to the capital asset listing.

Condition: Issues were identified with balances related to capital assets. The ending accumulated depreciation balances in the trial balance did not agree to balances in the capital asset listing. Additionally, depreciation expense for the year in the trial balance did not agree to corresponding balance in the capital asset summary as well as in the capital asset listing. As a result, a $167,900 audit adjustment (net impact of $54,378) was needed to reconcile the ending accumulated depreciation balances and increase depreciation expense to align the general ledger to the capital asset detail.

Cause: The Medical Center is in the process of updating their capital asset records to an electronic record keeping system. This system was not fully implemented by the time of the audit. Additionally, the Medical Center disposed of assets that were no longer in use which may have contributed to some of the variances identified.

Effect: Assets may not be properly recorded and disclosed resulting in errors to the financial statements.

Auditor's Recommendations: Improve controls related to capital assets and construction in progress accounts to ensure the financial records agree to the capital asset listing. The new capital asset software will help improve these items and should be implemented as soon as practical.

Management's Response: New capital asset software is in the process of being implemented and will be fully functional by the end of fiscal year 2015.

2014-003 — Segregation of Duties — Findings that do not rise to the level of a significant deficiency

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Criteria or Specific Requirement: Management should ensure appropriate segregation of duties to prevent accounts payable personnel from having access and capability to create a new vendor or modify vendor information in the vendor management system.

Condition: Accounts payable staff, have access to create new vendors in the vendor management module of the system.

Cause: The Medical Center did not have proper controls surrounding access to the vendor management module.

Effect: This creates an opportunity to create a fictitious vendor and make payments on goods or services not received.

Auditor's Recommendations: Improve controls surrounding access to the vendor management module to ensure proper segregation of duties.

Management's Response: The Accounts Payable personnel did have the access, but it was never used to create a new vendor. The access was granted to the staff due to a shortage of personnel at the Accounting department. We will audit all of the other accounting related computer accesses in all areas and make other changes that are necessary to ensure that a clear segregation of duties is in place regarding who has access to each accounting function set up in the Meditech financial software modules. The Controller will be reviewing and approving all future requests to change computer access to any accounting-related software module to ensure that segregation of duties is maintained.

Gila Regional Medical Center
(A Component Unit of Grant County)
Current Status Schedule of Prior Years' Audit Findings
For the Year Ended June 30, 2014

Prior-Year Number	Description	Current Status
SA 2012-002	Payroll Timesheets — Other	Resolved. The Medical Center has implemented mitigating controls to review and approve timecards in the timekeeping system and contact supervisors to complete review and approve prior to running a payroll.
SA 2013-001	Capital Asset Inventory — Other	Repeat. Internal accounting records did not agree to the capital asset listing. The accumulated depreciation amounts needed to be reconciled to the capital asset listing.
SA 2013-002	Late Submittal of IPA Recommendation Form for FY2013 Audit and Audit Contract to State Auditor — Other	Resolved. The Medical Center submitted the IPA Recommendation Form and Audit Contract to the State Auditor for the FY2014 audit timely.

Gila Regional Medical Center
(A Component Unit of Grant County)
Other Disclosures
For the Year Ended June 30, 2014

Exit Conference
A closed meeting exit conference was held with the Medical Center on September 26, 2014, in Silver City, New Mexico with the following attending:

Gila Regional Medical Center

Charles Kelly	Chair of the Board of Trustees
Pam Archibald	Vice-Chair of the Board of Trustees
Jeremiah Garcia	Secretary/Treasurer of the Board of Trustees
Joe Ramirez	Board Member
Freddie Rodriguez	Board Member
John Stanley, MD	Board Member
Donald Stinar, MD	Board Member
Victor Nwachuku, MD	Chief of Staff
Brian Cunningham	Chief Executive Officer
Dan Otero	Chief Operating Officer
Omaira Heakin	Chief Financial Officer
Beth Allred	Controller
Pat Sheyka	Chief Nursing Officer
Holley Hudgins	Marketing Director
Wanda True	Assistant Vice President Nursing Services

REDWLLC

Chris Tyhurst, CPA	Principal
Alan Demir, CPA	Manager

Financial Statement Preparation
The Medical Center's independent public accountants assisted in the preparation of the financial statements presented in this report; however, the Medical Center is responsible for the financial statement and disclosure content. The Medical Center's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.