

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT

PORTALES, NEW MEXICO



AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION

YEARS ENDED JUNE 30, 2012 and 2011

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 PORTALES, NEW MEXICO
 June 30, 2012 and 2011

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Official Roster	ii
FINANCIAL SECTION	
Independent Auditors' Report	1
Basic Financial Statements:	
Balance Sheets	3
Statements of Revenue, Expenses and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6
SUPPLEMENTAL INFORMATION	
Statement of Budgetary Comparison – (GAAP) Budgetary Basis and Actual - 2012	19
Statement of Budgetary Comparison – (GAAP) Budgetary Basis and Actual - 2011	20
SUPPORTING SCHEDULES	
Schedule of Collateral Pledged by Depository	21
Schedule of Deposits and Temporary Investments by Depository for Public Funds - 2012	22
Schedule of Deposits and Temporary Investments by Depository for Public Funds - 2011	23
Schedule of Net Patient Service Revenue - 2012	24
Schedule of Net Patient Service Revenue - 2011	26
Schedule of Other Operating Revenue	28
Schedule of Operating Expenses – 2012	29
Schedule of Operating Expenses – 2011	31
COMPLIANCE	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33
Schedule of Findings and Responses – Current Year and Prior Year	35
Exit Conference	37
Communication with Those Charged with Governance	38

INTRODUCTORY SECTION

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
dba ROOSEVELT GENERAL HOSPITAL
PORTALES, NEW MEXICO

OFFICIAL ROSTER
June 30, 2012 and 2011

Name

Title

Board of Directors

Terry Cone	President
Lonnie Alexander	Secretary/Treasurer
Fred Anthony	Director
Peggy Davis	Director
Lydia Ornelas	Director

Hospital District Officials

Larry Leaming	Chief Executive Officer
Eva Stevens	Chief Financial Officer

FINANCIAL SECTION

JW ANDERSON & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Hector Balderas,
New Mexico State Auditor,
The Chairman and Board of Directors
Roosevelt County Special Hospital District
Portales, New Mexico

We have audited the accompanying financial statements of the business-type activities of the Roosevelt County Special Hospital District (the District) as of and for the years ended June 30, 2012 and 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. We have also audited the statement of budgetary comparison presented as supplemental information as noted in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

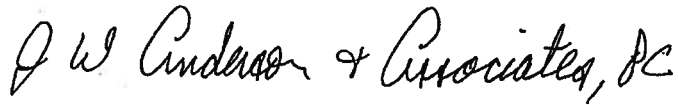
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all materials respects, the respective financial position of the business-type activities of Roosevelt County Special Hospital District as of June 30, 2012 and 2011 and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the statement of budgetary comparison referred to above presents fairly, in all materials respects, the budgetary comparison of Roosevelt County Special Hospital District for the years ended June 30, 2012 and 2011 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 14, 2013 on our consideration of Roosevelt County Special Hospital District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

The District has not presented the *Management's Discussion and Analysis* that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supporting schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "JW Anderson & Associates, PC".

JW Anderson & Associates, PC
Certified Public Accountants
Lubbock, Texas
May 14, 2013

BASIC FINANCIAL STATEMENTS

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 STATEMENTS OF NET ASSETS
 June 30, 2012 and 2011

ASSETS	2012	2011
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,079,544	\$ 1,074,135
Patients Accounts Receivable, Net of Allowance for Doubtful Accounts (2012 - \$1,998,626; 2011 - \$2,328,838)	1,994,964	1,967,213
Gross Receipts Taxes Receivable	238,763	238,763
Due from State of New Mexico	805,369	673,248
Due from Health Insurance Programs	263,452	137,790
Physician Receivable	26,732	24,794
Other Receivables	273,037	246,988
Inventory	441,924	554,874
Prepaid Expenses	89,116	70,159
Current Portion of Debt Issuance Costs	<u>7,922</u>	<u>7,922</u>
Total Current Assets	5,220,823	4,995,886
NONCURRENT ASSETS		
Cash and Investments Held by Trustee for Debt Service	1,246,926	1,479,102
Cash Restricted by Bond Indenture for Debt Service	530,374	525,144
Capital Assets, Net	6,754,402	6,113,113
Debt Issuance Costs, Net of Current Portion and Accumulated Amortization (2012 - \$93,119, 2011- \$85,197)	<u>43,505</u>	<u>51,427</u>
Total Noncurrent Assets	8,575,207	8,168,786
TOTAL ASSETS	<u>\$ 13,796,030</u>	<u>\$ 13,164,672</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 913,436	\$ 688,250
Accrued Salaries	394,039	300,109
Accrued Payroll Taxes and Benefits	66,897	55,241
Accrued Interest	16,670	18,309
Physician and Clinic Payable	116,651	111,214
Current Portion of Compensated Absences	64,877	60,177
Current Portion of Long-Term Debt and Capital Leases	<u>726,924</u>	<u>646,925</u>
Total Current Liabilities	2,299,494	1,880,225
NONCURRENT LIABILITIES		
Long-Term Debt and Capital Leases, Net of Current Portion	3,799,375	4,268,898
Compensated Absences, Net of Current Portion	<u>436,040</u>	<u>437,950</u>
Total NonCurrent Liabilities	4,235,415	4,706,848
Total Liabilities	6,534,909	6,587,073
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	2,228,103	1,197,290
Restricted Net Assets	1,777,300	2,004,246
Unrestricted	<u>3,255,718</u>	<u>3,376,063</u>
Total Net Assets	<u>7,261,121</u>	<u>6,577,599</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,796,030</u>	<u>\$ 13,164,672</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 Years Ended June 30, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Net Patient Service Revenue	\$ 18,677,605	\$ 19,640,893
Other Operating Revenue	<u>250,314</u>	<u>375,356</u>
Total Operating Revenue	18,927,919	20,016,249
OPERATING EXPENSES		
Salaries and Wages	10,301,191	9,667,865
Employee Benefits	1,460,943	1,387,890
Professional Fees and Purchased Services	3,051,491	3,212,149
Medical, Office and Other Supplies	2,439,719	2,598,568
Equipment Leases and Other Rentals	906,135	798,095
Utilities, Repairs & Maintenance	499,474	411,929
Education, Travel, Dues and Subscriptions	150,257	140,541
Other Expenses	164,383	124,380
Amortization of Debt Issuance Costs	7,922	7,922
Depreciation	<u>699,847</u>	<u>781,613</u>
Total Operating Expenses	<u>19,681,362</u>	<u>19,130,952</u>
Operating Gain (Loss)	(753,443)	885,297
NON-OPERATING REVENUES (EXPENSES)		
Gross Receipts Taxes	1,357,316	1,307,168
Interest Income	1,902	1,490
Interest Expense	(249,046)	(257,050)
Gain on Sale of Assets	3,000	-
Non-Capital Grants and Contributions	<u>227,793</u>	<u>92,563</u>
Total Non-Operating Revenues (Expenses)	<u>1,340,965</u>	<u>1,144,171</u>
Income Before Capital Grants and Contributions	587,522	2,029,468
CAPITAL GRANTS AND CONTRIBUTIONS		
Increase in Net Assets	<u>96,000</u>	<u>124,370</u>
Net Assets at Beginning of Year	<u>6,577,599</u>	<u>4,423,761</u>
Net Assets at End of Year	<u>\$ 7,261,121</u>	<u>\$ 6,577,599</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 STATEMENTS OF CASH FLOWS
 Years Ended June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts From and On Behalf of Patients	\$ 18,364,084	\$ 20,257,093
Payments to Suppliers and Contractors	(6,886,843)	(8,394,647)
Payments to and Benefits Paid on Behalf of Employees	(11,653,758)	(10,950,324)
Other Receipts and Payments, Net	<u>250,314</u>	<u>375,356</u>
Net Cash Provided By Operating Activities	73,797	1,287,478
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Non-Capital Grants and Contributions	<u>227,793</u>	<u>92,563</u>
Net Cash Provided By Non-Capital Financing Activities	227,793	92,563
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital Grants and Contributions	96,000	124,370
Principal Paid on Long-Term Debt and Capital Leases	(646,925)	(622,565)
Interest Paid on Long-Term Debt and Capital Leases	(250,685)	(258,416)
Dedicated Gross Receipts Taxes for Long Term Debt	<u>1,357,316</u>	<u>1,307,168</u>
Net Cash Provided By Capital Financing Activities	555,706	550,557
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Capital Assets	(1,083,735)	(174,940)
Proceeds from Sale of Assets	3,000	-
Interest Income	<u>1,902</u>	<u>1,490</u>
Net Cash Used By Investing Activities	<u>(1,078,833)</u>	<u>(173,450)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(221,537)	1,757,148
Cash and Cash Equivalents at Beginning of Year	<u>3,078,381</u>	<u>1,321,233</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,856,844</u>	<u>\$ 3,078,381</u>
Reconciliation of Operating Gain (Loss) to Net Cash Flows Provided by Operating Activities		
Operating Gain (Loss)	\$ (753,443)	\$ 885,297
Adjustments to Reconcile Operating Gain (Loss) to Net Cash Provided by Operating Activities		
Depreciation and Amortization	707,769	789,535
Changes in Current Assets and Liabilities		
Patients Accounts Receivable	(27,751)	656,422
Due from State of New Mexico	(132,121)	(182,725)
Due from Health Insurance Programs	(125,662)	357,873
Other Receivables	(27,987)	(215,370)
Inventory	112,950	(68,424)
Prepaid Expenses	(18,957)	(25,965)
Accounts Payable	225,186	(1,071,596)
Accrued Salaries Payable	93,930	29,750
Accrued Payroll Taxes and Benefits	11,656	18,404
Compensated Absences	2,790	57,277
Physician and Clinic Payable	<u>5,437</u>	<u>57,000</u>
Net Cash Provided By Operating Activities	<u>\$ 73,797</u>	<u>\$ 1,287,478</u>
Supplemental Cash Flow Information		
Acquisition of Equipment through Financing	<u>\$ 257,401</u>	
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets		
Unrestricted Cash and Cash Equivalents	\$ 1,079,544	\$ 1,074,135
Cash and Investments Held by Trustee for Debt Service	1,246,926	1,479,102
Cash Restricted by Bond Indenture for Debt Service	<u>530,374</u>	<u>525,144</u>
Total Cash and Cash Equivalents	<u>\$ 2,856,844</u>	<u>\$ 3,078,381</u>

See accompanying notes and independent auditors' report.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Roosevelt County Special Hospital District (the District), was organized as a special hospital district 1999, and consists of a five member board of directors. Construction of the Hospital and Medical Office Building (MOB) began in April, 2000, and the Hospital began to serve the community with outpatient and inpatient services in June and July of 2001, respectively. The Hospital is a 22-bed acute care facility with Level IV trauma designation.

A multi-year management agreement between the Hospital and Covenant Health Systems (Covenant) was re-established in October, 2003 to provide management services for the Hospital. The Hospital reimburses Covenant for the administrator's salary, including but not limited to social security payments, retirement benefits, and other benefits accruing to executive-level employees of Covenant. The agreement may be terminated by either party upon 30 days written notice.

Financial Reporting Entity - The accompanying financial statements present the Roosevelt County Special Hospital District. The District has no other assets, liabilities, revenues or expenses other than those of the District. The Hospital and District itself, is not a component unit of another governmental entity and has no component unit entities as defined by applying the criteria set forth in GASB No. 14.

Basis of Accounting and Financial Statement Presentation - The District's basic financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") as set forth or adopted by the Governmental Accounting Standards Board ("GASB") and the Financial Accounting Standards Board ("FASB"), and their predecessors, the National Council on Governmental Accounting ("NCGA") and the Accounting Principles Board ("APB"), respectively. Generally accepted accounting principles for local governments include those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*.

All activities of the District are accounted for within a proprietary (enterprise) fund. Proprietary funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District is classified as a special purpose government and is required to meet the requirements for being reported under criteria prescribed by GASB 34.

GASB Statement Number 20 requires that governments' proprietary activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The District has elected to implement FASB Statements and Interpretations issued after November 30, 1989 which do not conflict or contradict GASB applications.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The District's funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded at the time liabilities are incurred. All assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segregated into invested capital assets, net of related debt; restricted; and unrestricted components.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2012 and 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Presentation - Certain prior year amounts may have been reclassified in order to present comparatively with the current reporting period classifications.

Cash Deposits and Investments - The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Restricted Assets - Certain resources are set aside and represent funds restricted for use in providing health care services in accordance with grantor requirements and restrictions and are classified on the statement of net assets sheet as restricted because their use is limited.

Use of Restricted Cash - When the District incurs an expense for which it may use either restricted or unrestricted assets, it is the District's policy to use the restricted resources before using unrestricted resources.

Receivables - All receivables, including patient and third-party payor receivables, are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital Assets - Capital assets, which include property, equipment, information technology and proprietary purchased medical operations software and are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

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

Assets	Years
Leasehold Improvements	20-40
Medical, Office and Maintenance Equipment	5 – 10

Grants and Contributions - The District receives grants as well as contributions in the course of operations from various sources. Revenues from grants and contributions (including contributions for capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2012 and 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Net Assets - Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted net assets. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net assets consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net assets consist of all other net assets not included in the above categories.

Net Patient Service Revenue - Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, and adjusted in future periods, as final settlements are determined.

Charity Care - The District provides care to patients who meet certain criteria under its indigent and charity care policy without charge or at amounts less than its established rates. Through an agreement with Roosevelt County, the District provides the necessary care for the indigent of Roosevelt County. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charity care provided by the District's policy amounted to approximately \$611,696 and \$681,472 for June 30, 2012 and 2011, respectively.

ASU 2010-23 requires charity care to be disclosed on a cost basis. The District utilizes the cost to charge ratios, as calculated based on the most recent cost report filed with the intermediary, to determine the total cost of the charity care. The District's cost of providing charity care was \$291,473 and \$284,067 for the years ended June 30, 2012 and 2011, respectively.

Local Tax and Other County Support - The District receives the proceeds of a ½ cent Local Hospital Gross Receipts Tax imposed by Roosevelt County pursuant to New Laws 1997, Chapter 54, Section 2, Section 7-20C-3.A(3), and County Ordinance 99-5, and distributed pursuant to Sections 7-20C-6, 7-1-6.1 and 7-1-6.3, NMSA 1978. The funds are received monthly from the State of New Mexico Taxation and Revenue Department (TRD) either through intercept payments applied directly to the bond funded and cash loans received by the District from the New Mexico Finance Authority or directly to the District via electronic transfer. Funds received directly from TRD are deposited into a debt service account for the payment of principal and interest on the Hospital Gross Receipts Tax Subordinate Lien Revenue Bonds, Series 2000 through 2006, secured through agreements with the Roosevelt County Rural Electric Cooperative and the Roosevelt County Rural Telephone Cooperative, as required by the bond indentures. These amounts are included in the gross receipts tax revenue in the Statement of Revenues, Expenses and Changes in Net Assets, and are recorded as revenue when the underlying exchange has taken place, regardless if the District has actually received the funds. The ½ cent gross receipt tax is set to expire in June 2019.

Operating and Nonoperating Revenues - Operating revenue includes activities which have the characteristics of exchange transactions, such as patient services and contracts and grants. Nonoperating revenues include activities which have the characteristics of non-exchange transactions, such as investment income and gross receipts taxes. These revenue streams are recognized under GASB Statement No. 33 - *Accounting and Financial Reporting for Nonexchange Transactions*.

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; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters that are not covered and protected under the Federal Tort Claims Act. Settled claims, if any, have not exceeded this commercial coverage in any preceding year.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2012 and 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Inventory - Inventory is generally stated at cost on the first-in, first-out method.

Subsequent Events - FASB ASC 855-10-50-1 requires reporting entities to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or were available to be issued. Management has evaluated subsequent events through May 14, 2013, the date the financial statements were available to be issued.

Accounting Pronouncements - Effective July 1, 2003, the District adopted three accounting statements issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 34, *Basis Financial Statements and Management's Discussion and Analysis – for State and Local Governments* (GASB 34);
- Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; and
- Statement No. 38, *Certain Financial Statement Disclosures*. Statement No. 34, as amended by Statement No. 37, has no monetary impact on the financial statements but required changes in the financial reporting model used by the District. These changes include the presentation of a statement of cash flows prepared using the direct method of cash flow reporting, the classification of the District's net assets, and additional footnote disclosures. Statement No. 34 also requires as supplementary information Management's Discussion and Analysis, which includes an analytical overview of the District's financial activities. Statement No. 38 requires certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34. While this Statement does not affect amounts reported in the financial statements of the District, certain note disclosures have been added and/or amended.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations – For the year ended June 30, 2011, the District's operating fund did not exceed budgetary authority. The District exceeded budgetary authority by \$91,340 for the year ended June 30, 2012.

Deficit Fund Net Assets – For the years ended June 30, 2012 and 2011, respectively, the District's operating fund reported positive fund net assets.

Budgetary Information – The Chief Financial Officer annually prepares an accrual-basis operating fiscal year budget for approval by the Board of Directors and tentative approval from the New Mexico Department of Finance Administration's Local Government Division (LGD) by June 1st for the upcoming fiscal year starting July 1st. Final approval is provided by LGD after the previous fiscal year fund balance/net assets are known. Expenditures cannot legally exceed the total budget. The District is required to obtain Board and LGD approval for any revisions that alter the total expenditures, whereas line item transfers which do not affect the total amount of budgeted expenditures do not need LGD approval. The District is required to submit quarterly budget to actual reconciliations to LGD, as well as the final budget to actual reconciliation as of the end of the fiscal year. The District was in compliance for the 2012 and 2011 fiscal years.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2012 and 2011

NOTE C - DUE FROM HEALTH INSURANCE PROGRAMS

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

Settlement amounts from the cost reports for the years ended June 30, 2012 and 2011 have been recorded. No material changes are anticipated with the final settlement, nor from the initial settlement for the cost reports for the periods ended June 30, 2012 and 2011.

Services rendered to Medicaid program beneficiaries are reimbursed under the greater of a prospective system or cost reimbursement. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District, and audits thereof by the Medicaid fiscal intermediary.

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

NOTE D - DEPOSITS AND INVESTMENTS

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State deposit and investment requirements as of June 30, 2012 and 2011, respectively.

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

In accordance with FDIC, public unit deposits are funds owned by the District. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution through December, 2013, when the amount of insurance will revert back to \$100,000.

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

The rate of interest in non-demand interest-bearing accounts is set by the State Board of Finance, but the rate of interest will not be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits and investments may not be returned to it. The District does not have a formal deposit policy for custodial credit risk other than following state statutes. The District has not suffered any previous losses and management believes any risk of loss of funds is minimal.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2012 and 2011

NOTE D - DEPOSITS AND INVESTMENTS – Continued

Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least 50% of the amount on deposit with the institution, and 102% for amounts invested in repurchase agreements with the institution. The types of collateral an institution is permitted to use as pledged securities are limited to direct obligations of the United States Government and all bonds issued by any agency or political subdivision of the State of New Mexico.

The schedules listed below disclose requirements on reporting the insured and uninsured portions of the District's deposits regarding custodial credit risk.

As of June 30, 2012, the District has a cash collateralization and investment balances as follows.

	JPS Community Bank	Wells Fargo Bank	2012 New Mexico Finance Authority	Bank of New York Mellon	Total
Total Deposits and Investments	\$ 1,931,318	\$ 68,463	\$ 530,374	\$ 532,244	\$ 3,062,399
Less FDIC Coverage	<u>(250,000)</u>	<u>(68,463)</u>	<u>-</u>	<u>(250,000)</u>	<u>(568,463)</u>
Amount to be Collateralized	1,681,318	-	530,374	282,244	2,493,936
Securities Pledged by the Financial Institution Held by their Trust Department	<u>(1,667,181)</u>	<u>-</u>	<u>(530,374)</u>	<u>(287,889)</u>	<u>(2,485,444)</u>
Under (Over) Collateralized	<u>\$ 14,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,645)</u>	<u>\$ 8,492</u>
50% Collateral Requirement	\$ 840,659	\$ -	\$ 265,187	\$ -	\$ 1,105,846
102% of Repurchase Agreement Uninsured Funds	-	-	-	287,889	287,889
Securities Pledged by the Financial Institution Held by their Trust Department	<u>(1,667,181)</u>	<u>-</u>	<u>(530,374)</u>	<u>(287,889)</u>	<u>(2,485,444)</u>
Under (Over) Collateralized	<u>\$ (826,522)</u>	<u>\$ -</u>	<u>\$ (265,187)</u>	<u>\$ -</u>	<u>\$ (1,091,709)</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2012 and 2011

NOTE D - DEPOSITS AND INVESTMENTS – Continued

As of June 30, 2011, the District has a cash collateralization and investment balances as follows.

	JPS Community Bank	Wells Fargo Bank	2011 New Mexico Finance Authority	Bank of New York Mellon	Total
Total Deposits and Investments	\$ 2,175,251	\$ 68,491	\$ 525,144	\$ 529,972	\$ 3,298,858
Less FDIC Coverage	<u>(250,000)</u>	<u>(68,491)</u>	<u>-</u>	<u>(250,000)</u>	<u>(568,491)</u>
Amount to be Collateralized	1,925,251	-	525,144	279,972	2,730,367
Securities Pledged by the Financial Institution Held by their Trust Department	<u>(1,675,251)</u>	<u>-</u>	<u>(525,144)</u>	<u>(285,571)</u>	<u>(2,485,966)</u>
Under (Over) Collateralized	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,599)</u>	<u>\$ 244,401</u>
50% Collateral Requirement	\$ 962,626	\$ -	\$ 262,572	\$ -	\$ 1,225,198
102% of Repurchase Agreement Uninsured Funds	-	-	-	285,571	285,571
Securities Pledged by the Financial Institution Held by their Trust Department	<u>(1,675,251)</u>	<u>-</u>	<u>(525,144)</u>	<u>(285,571)</u>	<u>(2,485,966)</u>
Under (Over) Collateralized	<u>\$ (712,626)</u>	<u>\$ -</u>	<u>\$ (262,572)</u>	<u>\$ -</u>	<u>\$ (975,198)</u>

Interest Rate Risk - Interest rate risk is the risk that the change in interest rates will adversely affect the fair value of the investments. The District does not have a formal policy to manage its exposure to interest rate risk.

The Government Obligations Money Market Funds held by Bank of New York Mellon has a Standard & Poor's AAAM rating with a Weighted Average Maturity (WAM) of 54 days and 54 days as of June 30, 2012 and 2011, respectively.

New Mexico Finance Authority Investment - The District maintains investment funds on account with the New Mexico Finance Authority (NMFA), which in turn invests the funds in the State Treasurer. NMFA's cash on deposit with the State Treasurer is invested by the State Treasurer in "overnight" repurchase programs. State statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50%. Repurchase agreements are collateralized at 102% by the NMFA's internal policies. Funds held by the NMFA acting as trustee for the District are invested in money market accounts that invest in United States Treasury obligations and/or repurchase agreements secured by U.S. Treasury obligations. Collateral, categories of risk, and market value of purchased investments reported on separate financial statements of the NMFA and State Treasurer may differ from the cash deposited with the NMFA by the District.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2012 and 2011

NOTE E - NET PATIENT RECEIVABLES

Patient accounts receivables are reported as current assets by the District at June 30, 2012 and 2011 and consist of the following amounts:

	<u>2012</u>	<u>2011</u>
Hospital Patient Receivables		
Medicare	\$ 1,309,035	\$ 1,550,868
Medicaid	647,852	900,719
Private Insurance and Self-Pay	3,656,854	3,125,470
Rural Health Clinics	614,188	870,647
SANE	<u>36,105</u>	<u>20,778</u>
Total Gross Patient Receivables	6,264,034	6,468,482
Allowance for Doubtful Accounts	(1,998,626)	(2,328,838)
Allowance for Contractuals	<u>(2,270,444)</u>	<u>(2,172,431)</u>
Net Patient Accounts Receivable	<u>\$ 1,994,964</u>	<u>\$ 1,967,213</u>

The District establishes the allowance for doubtful accounts based on management's estimate of individual account creditworthiness and likelihood of delinquent collections as of June 30, 2012 and 2011, respectively.

Concentration of Credit Risk - The District grants credit without collateral to its patients, most of who are local residents, and are insured under third-party payor agreements. The mix of gross receivables from Hospital patients and third-party payors are below.

	<u>2012</u>	<u>2011</u>
Medicare	21%	21%
Medicaid	21%	28%
Private Insurance and Self-Pay	<u>58%</u>	<u>51%</u>
	<u>100%</u>	<u>100%</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2012 and 2011

NOTE F - CAPITAL ASSETS

Capital asset activity consists of the following at June 30, 2012 and 2011:

	<u>Balance</u> <u>6/30/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/11</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/12</u>
<i>Nondepreciable Assets</i>							
Land	\$ 538,356	\$ -	\$ -	\$ 538,356	\$ -	\$ -	\$ 538,356
<i>Depreciable Assets</i>							
Land							
Improvements	385,605	10,771	-	396,376	-	-	396,376
Building and Improvements	6,094,577	-	-	6,094,577	854,256	-	6,948,833
Equipment	<u>8,155,586</u>	<u>164,169</u>	<u>-</u>	<u>8,319,755</u>	<u>486,880</u>	<u>-</u>	<u>8,806,635</u>
 Total Depreciable Assets	 15,174,124	 174,940	 -	 15,349,064	 1,341,136	 -	 16,690,200
 Less Accumulated Depreciation							
Land							
Improvements	(264,019)	(35,737)	-	(299,756)	(28,581)	-	(328,337)
Building and Improvements	(2,160,044)	(255,248)	-	(2,415,292)	(240,772)	-	(2,656,064)
Equipment	<u>(6,030,275)</u>	<u>(490,628)</u>	<u>-</u>	<u>(6,520,903)</u>	<u>(430,494)</u>	<u>-</u>	<u>(6,951,397)</u>
Total Accumulated Depreciation	<u>(8,454,338)</u>	<u>(781,613)</u>	<u>-</u>	<u>(9,235,951)</u>	<u>(699,847)</u>	<u>-</u>	<u>(9,935,798)</u>
 Net Capital Assets	 <u>\$ 6,719,786</u>	 <u>\$ (606,673)</u>	 <u>\$ -</u>	 <u>\$ 6,113,113</u>	 <u>\$ 641,289</u>	 <u>\$ -</u>	 <u>\$ 6,754,402</u>

Depreciation, including any capital lease amortization, was \$699,847 and \$781,613 for the years ended June 30, 2012 and 2011, respectively.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2012 and 2011

NOTE G - LONG-TERM DEBT

The District's long term debt and capital lease obligation activity consists of the following for the fiscal years ended June 30, 2012 and 2011.

	Balance 6/30/10	Increases	Decreases	Balance 6/30/11	Increases	Decreases	Balance 6/30/12
2006 Grant Bonds	\$ 188,889	\$ -	\$ (33,333)	\$ 155,556	\$ -	\$ (33,333)	\$ 122,223
2006 Loan Bonds	473,657	-	(81,649)	392,008	-	(82,469)	309,539
2006 Grant Bonds	40,376	-	(6,473)	33,903	-	(6,751)	27,152
2004 Grant Bonds	82,569	-	(22,018)	60,551	-	(22,018)	38,533
2004 Loan Bonds	18,729	-	(5,480)	13,249	-	(4,895)	8,354
2004 Grant Bonds	27,073	-	(7,121)	19,952	-	(7,192)	12,760
2004 Loan Bonds	27,073	-	(7,121)	19,952	-	(7,192)	12,760
2000 Grant Bonds	3,402	-	(3,402)	-	-	-	-
2000 Loan Bonds	9,184	-	(9,184)	-	-	-	-
NMFA Direct Loan #2	3,895,000	-	(300,000)	3,595,000	-	(315,000)	3,280,000
NMFA Direct Loan #1	476,745	-	(41,587)	435,158	-	(42,834)	392,324
GE Healthcare							
Financial Services	279,638	-	(93,257)	186,381	-	(98,997)	87,384
Allscripts	-	-	-	-	257,401	(22,131)	235,270
Viztek PACS	16,053	-	(11,940)	4,113	-	(4,113)	-
	<u>\$ 5,538,388</u>	<u>\$ -</u>	<u>\$ (622,565)</u>	<u>\$ 4,915,823</u>	<u>\$ 257,401</u>	<u>\$ (646,925)</u>	<u>\$ 4,526,299</u>

Below are the terms, amounts due within one year, and maturity dates of the District's outstanding long term debt.

	Interest Rate	Payment Frequency	Payment Amount	Maturity Date	Due Within One Year	Security and Collateral
2006 Grant Bonds	0.00%	Monthly	\$ 2,778	2/28/16	\$ 33,333	GRT and Equipment
2006 Loan Bonds	1.00%	Monthly	\$ 7,168	2/28/16	83,297	GRT and Equipment
2006 Grant Bonds	5.00%	Monthly	\$ 691	1/28/16	7,095	GRT and Equipment
2004 Grant Bonds	0.00%	Monthly	\$ 1,835	3/15/14	21,197	GRT and Equipment
2004 Loan Bonds	5.00%	Monthly	\$ 457	3/15/14	5,146	GRT and Equipment
2004 Grant Bonds	1.00%	Monthly	\$ 613	3/15/14	7,264	GRT and Equipment
2004 Loan Bonds	1.00%	Monthly	\$ 613	3/15/14	7,264	GRT and Equipment
2000 Grant Bonds	0.00%	Monthly	\$ 6,804	6/15/10	-	GRT and Equipment
2000 Loan Bonds	0.00%	Monthly	\$ 9,184	6/15/10	-	GRT and Equipment
NMFA Direct Loan #2	5.00%	Annual	Varies	5/1/20	335,000	GRT and Equipment
NMFA Direct Loan #1	5.00%	Annual	Varies	5/1/20	44,119	Equipment
GE Healthcare						
Financial Services	6.03%	Monthly	\$ 8,963	4/1/13	87,384	Equipment
Allscripts	2.76%	Monthly	\$ 4,821	9/1/14	95,825	
Viztek PACS	0.00%	Monthly	\$ 995	11/30/11	-	Equipment
				Total	<u>\$ 726,924</u>	

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2012 and 2011

NOTE G - LONG-TERM DEBT – Continued

Sections 7-20C-1 and 7-1-6.13 NMSA 1978 authorize the District to issue revenue bonds and borrow funds from New Mexico Finance Authority (NMFA) and secure the bonds and loans with the gross receipts tax revenue and any resulting equipment purchased with the funds received from issuing the bonds.

Debt issuance costs of \$144,545 are being amortized over the life of the bonds, which is between 18 and 20 years. Annual amortization of the debt issuance costs is \$7,922, resulting in an accumulated amortization of \$93,117 and \$85,196 as of June 30, 2012 and 2011, respectively. Approximately seven to nine years remain on the amortization.

The District participates in an intercept agreement with NMFA through which a certain portion of the District's monthly gross receipts tax (GRT) receipts are paid directly to the NMFA and held in escrow to fund the annual principal and semi-annual interest payments due to the state agency.

The District paid in cash \$250,685 and \$258,416 in interest expense for the years ended June 30, 2012 and 2011, respectively.

Scheduled principal and interest payments on the District's long term debt are as follows:

Year Ending June 30,	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2013	\$ 726,924	\$ 212,358	\$ 939,282
2014	670,181	183,359	853,540
2015	574,133	160,247	734,380
2016	527,316	143,389	670,705
2017	469,657	111,887	581,544
Thereafter	<u>1,558,088</u>	<u>176,212</u>	<u>1,734,300</u>
Totals	<u>\$ 4,526,299</u>	<u>\$ 987,452</u>	<u>\$ 5,513,751</u>

NOTE H - COMPENSATED ABSENCES

Vacation leave is earned by employees during the year based on time worked and is non-cumulative. Vacation leave due, if any, is paid upon an employee's termination. Sick leave is also earned by employees based on length of employment during the year and is also non-cumulative. Compensation for sick leave is limited to time-off and is not monetarily compensated. The activity of the vacation leave due to employees as of June 30, 2012 and 2011 is detailed below.

	<u>Balance 6/30/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/11</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/12</u>
Compensated Absences	<u>\$ 440,850</u>	<u>\$ 96,270</u>	<u>\$ (38,993)</u>	<u>\$ 498,127</u>	<u>\$ 62,967</u>	<u>\$ (60,177)</u>	<u>\$ 500,917</u>

The amount of compensated absences estimated to be due within one year is approximately \$64,877 and \$60,177, respectively.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2012 and 2011

NOTE I - RESTRICTED NET ASSETS

The District has restricted \$1,777,300 and \$2,004,246 of net assets at June 30, 2012 and 2011, respectively, for debt service purposes.

NOTE J - EMPLOYEE RETIREMENT PLAN

The Roosevelt General Hospital 403(b) Plan (the Plan) provides retirement and incidental benefits for its employees. Amendments to the plan can be initiated by the District Board of Directors and must conform to the requirements of Section 403(b) of the Internal Revenue Code. The Plan is administered by Met Life's annuity services division. Eligible employees may contribute from 1% to 15% of their annual compensation to the plan, limited to a maximum annual amount as set by the Internal Revenue Service. The District matches 50% of employee contributions when the employee elects to contribute between 2% and 5% of annual compensation. Employees are vested in the matching contributions at a rate of 50% after three years of employment, and 100% after 5 years of employment. Below are the elective contributions by the employees and District for the most recent fiscal years.

Year Ending June 30,	<u>Employee</u>	<u>Hospital</u>
2012	\$ 157,677	\$ 283,585
2011	153,432	297,021
2010	319,578	163,870
2009	279,675	120,626
2008	<u>246,020</u>	<u>116,326</u>
Totals	<u>\$ 1,156,382</u>	<u>\$ 981,428</u>

The District does not provide any other type of deferred compensation or retirement benefits, such as the state-sponsored PERA, nor does it participate in the Retiree Health Care Act (10-7C-1 to 10-7C-16, NMSA 1978).

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2012 and 2011

NOTE K - JOINT VENTURE

The District has formed Roosevelt County Imaging Center, LLC, a limited liability company, in conjunction with a Texas-based radiological association for the installation and operation of provider-based MRI services at the Hospital. According to the initial agreement, the District was to provide 67% and the radiological association was to provide 33% of the capital contributions to the LLC for startup and asset acquisition costs. As June 30, 2012 and 2011, the District has provided 100% of the capital toward leasing the new MRI machine and financing the construction and improvements to the radiology section of the Hospital containing the MRI machine. The MRI machine has been operational since December, 2007 and the District has, as a result, incurred all the operational costs, as well as the billing and collections for the MRI services. The District is to negotiate with the radiological association for the reimbursement of startup and operational costs incurred by the District on behalf of the radiological association, however, a reasonable amount of reimbursement cannot be adequately estimated as of the fiscal year end. The MRI machine is leased from GE Healthcare Financial Services in the District's name. The operating lease terms of the lease is 60 payments of \$20,818 at 4.6% interest with end-of-lease options to either purchase the equipment at fair market value, re-lease the equipment at fair market value, or return the equipment. The District paid approximately \$250,104 and \$249,816 in MRI operating lease expense for the years ended June 30, 2012 and 2011, respectively. The minimum lease payments for the term of the operating lease are as follows:

Year Ending June 30,	
2013	<u>\$ 228,998</u>
Totals	<u>\$ 228,998</u>

NOTE L - OPERATING LEASES

The District has entered into operating leases, which expire at various times, for Hospital and clinic equipment and clinic office space. The District incurred lease expense of approximately \$867,160 and \$623,049 related to these leases for the fiscal years ended June 30, 2012 and 2011, respectively. The minimum lease expense for the MRI machine operating lease is reported separately in Note L. Future minimum lease requirements for these leases are as follows:

Year Ending June 30,	
2013	\$ 478,973
2014	241,774
2015	154,489
2016	138,965
2017	<u>135,209</u>
Totals	<u>\$ 1,149,410</u>

NOTE M - EMR COMMITMENT

In December 2012, the District entered into an agreement for EMR software and implementation with equipment. The initial cost of the project is estimated to be \$2,239,789 with recurring annual costs estimated at \$370,729. The District expects to recover the cost of the EMR project with incentive payments from Medicare and Medicaid.

SUPPLEMENTAL INFORMATION

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ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 STATEMENT OF BUDGETARY COMPARISON
 Year Ended June 30,2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES				
Net Patient Service Revenue	\$ 22,819,432	\$ 18,887,762	\$ 18,677,605	\$ (210,157)
Miscellaneous	393,908	338,210	250,314	(87,896)
Total Operating Revenue	23,213,340	19,225,972	18,927,919	(298,053)
OPERATING EXPENSES				
Salaries and Wages	11,502,259	10,301,191	10,301,191	-
Employee Benefits	1,610,316	1,449,963	1,460,943	(10,980)
Professional Fees and Purchased Services	3,235,831	2,903,670	3,051,491	(147,821)
Medical, Office and Other Supplies	3,545,977	2,475,936	2,439,719	36,217
Equipment Leases and Other Rentals	714,652	663,593	906,135	(242,542)
Utilities, Repairs & Maintenance	356,264	324,386	499,474	(175,088)
Education, Travel, Dues and Subscriptions	71,570	64,676	150,257	(85,581)
Other	793,893	697,525	164,383	533,142
Depreciation and Amortization	789,119	709,082	707,769	1,313
Total Operating Expenses	22,619,881	19,590,022	19,681,362	(91,340)
Operating Loss	593,459	(364,050)	(753,443)	(389,393)
NON-OPERATING REVENUES (EXPENSES)				
Gross Receipt Taxes	1,295,461	1,357,316	1,357,316	-
Interest Income	2,537	1,456	1,902	446
Interest Expense	(277,479)	(221,549)	(249,046)	(27,497)
Gain on Sale of Assets	-	-	3,000	3,000
Non-Capital Grants and Contributions	195,586	312,838	227,793	(85,045)
Total NonOperating Revenues (Expenses)	1,216,105	1,450,061	1,340,965	(109,096)
Excess of Revenues Over Expenses Before Capital Grants and Contributions	1,809,564	1,086,011	587,522	(498,489)
CAPITAL GRANTS AND CONTRIBUTIONS				
Increase in Net Assets	1,809,564	1,086,011	683,522	(402,489)
Net Assets at Beginning of Year	6,577,599	6,577,599	6,577,599	-
Net Assets at End of Year	<u>\$ 8,387,163</u>	<u>\$ 7,663,610</u>	<u>\$ 7,261,121</u>	<u>\$ (402,489)</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 STATEMENT OF BUDGETARY COMPARISON
 Year Ended June 30,2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES				
Net Patient Service Revenue	\$ 20,798,163	\$ 19,619,417	\$ 19,640,893	\$ 21,476
Miscellaneous	543,578	374,458	375,356	898
Total Operating Revenue	21,341,741	19,993,875	20,016,249	22,374
OPERATING EXPENSES				
Salaries and Wages	9,985,000	9,662,863	9,667,865	(5,002)
Employee Benefits	1,997,000	1,386,492	1,387,890	(1,398)
Professional Fees and Purchased Services	3,345,539	2,980,309	3,212,149	(231,840)
Medical, Office and Other Supplies	3,334,588	2,928,053	2,598,568	329,485
Equipment Leases and Other Rentals	1,195,219	597,702	798,095	(200,393)
Utilities, Repairs & Maintenance	460,509	305,581	411,929	(106,348)
Education, Travel, Dues and Subscriptions	125,874	162,248	140,541	21,707
Other	561,406	603,781	124,380	479,401
Depreciation and Amortization	854,093	789,119	789,535	(416)
Total Operating Expenses	21,859,228	19,416,148	19,130,952	285,196
Operating Loss	(517,487)	577,727	885,297	307,570
NON-OPERATING REVENUES (EXPENSES)				
Gross Receipt Taxes	1,190,940	1,307,168	1,307,168	-
Interest Income	18,094	1,557	1,490	(67)
Interest Expense	(296,892)	(245,711)	(257,050)	(11,339)
Non-Capital Grants and Contributions	131,982	209,448	92,563	(116,885)
Total NonOperating Revenues (Expenses)	1,044,124	1,272,462	1,144,171	(128,291)
Excess of Revenues Over Expenses Before Capital Grants and Contributions	526,637	1,850,189	2,029,468	179,279
CAPITAL GRANTS AND CONTRIBUTIONS				
Increase in Net Assets	526,637	1,850,189	2,153,838	303,649
Net Assets at Beginning of Year	4,423,761	4,423,761	4,423,761	-
Net Assets at End of Year	<u>\$ 4,950,398</u>	<u>\$ 6,273,950</u>	<u>\$ 6,577,599</u>	<u>\$ 303,649</u>

SUPPORTING SCHEDULES

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
Years Ended June 30, 2012 and 2011

Name of Depository	Pledged Collateral	Name and Location of Custodian	Fair Market or Par Value June 30, 2012	Fair Market or Par Value June 30, 2011
<u>Portales National Bank</u>				
	Bernalillo NM Mun SD BQ GO Matures 8/1/2013 CUSIP: 085279PR2	The Independent Bankersbank Dallas, TX	\$ -	\$ 102,530
	FHLMC Call Only Fr Matures 11/15/2011 CUSIP: 3128X3K69	The Independent Bankersbank Dallas, TX	-	101,723
	FNMA Call Matures 6/27/2013 CUSIP: 3136FPSS7	The Independent Bankersbank Dallas, TX	-	301,211
	FNMA Call Matures 3/28/2012 CUSIP: 3136FRDZ3	The Independent Bankersbank Dallas, TX	-	504,271
	Macon & Dewitt IL Sch BQ Call Matures 10/01/2017 CUSIP: 555483AZ9	The Independent Bankersbank Dallas, TX	-	187,226
	San Juan Cnty NM ISD BQ NONC Matures 8/01/2014 CUSIP: 798359JC0	The Independent Bankersbank Dallas, TX	-	206,518
	FHLB Call Matures 6/27/2013 CUSIP: 313374AX8	The Independent Bankersbank Dallas, TX	456,730	-
	FNMA Call Matures 3/17/2011 CUSIP: 31398A3L4	The Independent Bankersbank Dallas, TX	908,285	-
	Ruidoso NM Muni SD #3 BQ Matures 8/01/2014 CUSIP: 781338HJ0	The Independent Bankersbank Dallas, TX	309,153	-
	Pledged to Meet 50% Collateral Requirements		1,674,168	1,403,479
<u>Bank of New York Mellon</u>				
	Pledged Bank Reserves	Bank of New York	542,889	540,571
	Pledged to Meet 102% Collateral Requirements		542,889	540,571
	Total Pledged Collateral		\$ 2,217,057	\$ 1,944,050

Note: Securities which are of obligations of the State of New Mexico, its agencies, institutions, counties, municipalities, or other subdivisions shall be accepted as securities at par value. All other securities shall be accepted at market value. (Section 6-10-16 (C) NMSA 1978)

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
SCHEDULE OF DEPOSITS AND TEMPORARY INVESTMENTS
BY DEPOSITORY FOR PUBLIC FUNDS
Year Ended June 30,2012

Account Description	Portales National Bank	Wells Fargo Bank	BNY Mellon	New Mexico Finance Authority	Total
Equipment Fund - Checking	\$ -	\$ 463	\$ -	\$ -	\$ 463
Payroll Account - Checking	118,349	-	-	-	118,349
Operating Account - Checking	32,111	-	-	-	32,111
Certificate of Deposit - Interest	-	68,000	-	-	68,000
RGH Internal Medicine Group - Interest Checking	97,090	-	-	-	97,090
RGH Rural Health Clinics - Interest Checking	1,075	-	-	-	1,075
RGH - Gross Receipts Tax - Interest Checking	721,374	-	-	-	721,374
Total Deposits	969,999	68,463	-	-	1,038,462
Investment in - Reserve Funds	961,318	-	532,244	-	1,493,562
Debt Service Reserve	-	-	-	530,374	530,374
Total Investments	961,318	-	532,244	530,374	2,023,936
Reconciling Items	(206,404)	-	-	-	(206,404)
Carrying Value	\$ 1,724,913	\$ 68,463	\$ 532,244	\$ 530,374	2,855,994
Petty Cash					850
Total Deposits and Investments - June 30, 2012					\$ 2,856,844
Reconciliation to Balance Sheet:					
Unrestricted Cash and Cash Equivalents					\$ 1,079,544
Held by Trustee for Debt Service					1,246,926
Restricted by Bond Indenture for Debt Service					530,374
					\$ 2,856,844

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
SCHEDULE OF DEPOSITS AND TEMPORARY INVESTMENTS
BY DEPOSITORY FOR PUBLIC FUNDS
Year Ending June 30, 2011

Account Description	Portales National Bank	Wells Fargo Bank	BNY Mellon	New Mexico Finance Authority	Total
Equipment Fund - Checking	\$ -	\$ 68,491	\$ -	\$ -	\$ 68,491
Payroll Account - Checking	303,300	-	-	-	303,300
Operating Account - Checking	301,125	-	-	-	301,125
RGH Internal Medicine Group - Interest Checking	51,723	-	-	-	51,723
RGH Rural Health Clinics - Interest Checking	1,075	-	-	-	1,075
RGH - Gross Receipts Tax - Interest Checking	955,822	-	-	-	955,822
Total Deposits	1,613,045	68,491	-	-	1,681,536
Investment in -					
Reserve Funds	562,205	-	529,972	-	1,092,177
Debt Service Reserve	-	-	-	525,144	525,144
Total Investments	562,205	-	529,972	525,144	1,617,321
Reconciling Items	(221,326)	-	-	-	(221,326)
Carrying Value	\$ 1,953,924	\$ 68,491	\$ 529,972	\$ 525,144	3,077,531
Petty Cash					850
					Total Deposits and Investments - June 30, 2011
					\$ 3,078,381
					Reconciliation to Balance Sheet:
					Unrestricted Cash and Cash Equivalents
					\$ 1,074,135
					Held by Trustee for Debt Service
					1,479,102
					Restricted by Bond Indenture for Debt Service
					525,144
					\$ 3,078,381

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
SCHEDULE OF NET PATIENT REVENUES
Year Ended June 30,2012

	<u>Inpatient</u>	<u>Outpatient</u>	<u>Emergency Room</u>
Nursing	\$ 1,312,601	\$ -	\$ -
Emergency Room	415,741	5,118	3,296,717
Clinics	-	5,680,835	-
Anesthesia	39,974	1,150	-
Operating Room	302,932	3,006	96,981
Observation	-	-	137
Professional Fees	230,992	1,578	1,899,087
Nuclear Medicine	12,024	160,663	-
SANE	-	61,585	-
Bone Density	-	61,194	-
MRI	57,790	1,378,204	8,886
Clinic Xray	-	-	-
Ultrasound	110,162	790,285	50,003
CT Scan	304,737	565,413	1,058,651
Central Supply	280,919	11,928	386,297
Laboratory	673,084	3,628,842	2,959,535
Mammography	-	133,861	-
Radiology	184,689	900,158	884,270
Cardiopulmonary	581,958	89,784	139,065
Physical Therapy	72,653	1,443,781	-
Speech Therapy	4,928	54,327	-
Occupational Therapy	-	-	-
Cardiac Rehab	-	2,437	-
EKG	80,078	108,513	188,532
Pharmacy	614,303	15,695	1,033,755
Home Health	-	-	-
Hospitalist	46,079	-	-
Gross Patient Revenue	\$ 5,325,644	\$ 15,098,357	\$ 12,001,916

DEDUCTIONS FROM REVENUE

- Charity Care
- Provision for Bad Debts
 - Hospital
 - Rural Health Clinic
- Third Party Contractual Allowances
 - Hospital
 - Rural Health Clinic

Total Deductions From Revenue

Net Patient Service Revenue

<u>Observation</u>	<u>Day Surgery</u>	<u>Total</u>
\$ -	\$ -	\$ 1,312,601
411,353	4,211	4,133,140
9,300	-	5,690,135
34,650	375,400	451,174
186,603	2,872,466	3,461,988
637,754	-	637,891
272,148	1,717	2,405,522
1,521	-	174,208
-	-	61,585
-	-	61,194
35,725	10,181	1,490,786
-	-	-
61,275	473	1,012,198
286,153	629	2,215,583
163,195	4,811	847,150
692,091	42,547	7,996,099
-	-	133,861
163,716	910,835	3,043,668
185,514	149	996,470
6,468	-	1,522,902
-	-	59,255
-	-	-
-	-	2,437
101,956	1,520	480,599
90,890	43,785	1,798,428
-	-	-
-	-	46,079
<u>\$ 3,340,312</u>	<u>\$ 4,268,724</u>	40,034,953

(611,696)

(2,661,507)

(592,178)

(16,854,508)

(637,459)

(21,357,348)

\$ 18,677,605

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
SCHEDULE OF NET PATIENT REVENUES
Year Ended June 30,2011

	<u>Inpatient</u>	<u>Outpatient</u>	<u>Emergency Room</u>
Nursing	\$ 2,209,870	\$ -	\$ -
Emergency Room	751,904	18,406	2,833,490
Clinics	-	5,935,538	-
Anesthesia	95,122	836	-
Operating Room	450,348	3,596	53,595
Observation	-	758	324
Professional Fees	210,088	726	1,257,209
Nuclear Medicine	1,521	105,470	-
SANE	-	56,254	-
Bone Density	-	50,995	-
MRI	110,584	1,136,776	4,036
Clinic Xray	-	339	-
Ultrasound	65,305	609,666	24,082
CT Scan	924,089	1,021,288	1,876,803
Central Supply	460,155	23,134	404,836
Laboratory	1,243,863	4,200,717	3,280,568
Mammography	-	81,256	-
Radiology	303,322	908,027	941,960
Cardiopulmonary	720,909	59,320	138,252
Physical Therapy	103,923	1,068,179	209
Speech Therapy	3,923	23,015	-
Occupational Therapy	-	-	-
Cardiac Rehab	-	12,683	-
EKG	131,681	111,430	180,188
Pharmacy	965,782	34,186	887,182
Home Health	-	-	-
Hospitalist	71,008	-	-
Gross Patient Revenue	\$ 8,823,397	\$ 15,462,595	\$ 11,882,734

DEDUCTIONS FROM REVENUE

- Charity Care
- Provision for Bad Debts
 - Hospital
 - Rural Health Clinic
- Third Party Contractual Allowances
 - Hospital
 - Rural Health Clinic

Total Deductions From Revenue

Net Patient Service Revenue

<u>Observation</u>	<u>Day Surgery</u>	<u>Total</u>
\$ -	\$ -	\$ 2,209,870
217,731	3,734	3,825,265
2,100	-	5,937,638
7,829	454,148	557,935
40,420	2,992,144	3,540,103
257,785	-	258,867
87,452	671	1,556,146
-	-	106,991
-	-	56,254
-	-	50,995
5,050	3,937	1,260,383
-	-	339
3,627	507	703,187
162,526	2,916	3,987,622
51,084	8,038	947,247
264,876	79,580	9,069,604
-	-	81,256
67,417	619,507	2,840,233
69,045	667	988,193
1,994	-	1,174,305
-	-	26,938
-	-	-
-	-	12,683
53,916	5,016	482,231
30,138	87,929	2,005,217
-	-	-
-	-	71,008
<u>\$ 1,322,990</u>	<u>\$ 4,258,794</u>	41,750,510

(681,472)

(2,838,987.00)

(621,271)

(17,138,001)

(829,886)

(22,109,617)

\$ 19,640,893

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 OTHER OPERATING REVENUE
 Years Ended June 30, 2012 and 2011

	2012	2011
OTHER OPERATING REVENUE		
Cafeteria	\$ 126,432	\$ 184,290
SANE Program	111,187	150,858
Medical Records	8,441	6,065
Ancillary Programs	-	400
Vending Machines	226	594
Other Income	4,028	33,149
	<u>4,028</u>	<u>33,149</u>
	<u>\$ 250,314</u>	<u>\$ 375,356</u>

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ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
SCHEDULE OF OPERATING EXPENSES
Year Ended June 30,2012

	<u>Salaries and Wages</u>	<u>Employee Benefits</u>	<u>Professional Fees and Purchased Services</u>	<u>Medical, Office and Other Supplies</u>
Nursing Administration	\$ 128,740	\$ -	\$ 27,338	\$ 1,105
Nursing	1,023,904	-	53,083	59,434
Emergency Room/Trauma	1,315,889	-	872,926	67,535
SS/DP	60,120	-	-	1,086
Anesthesia	-	-	376,516	1,155
Operating Room	302,535	-	122,291	312,476
Infection Control	65,701	-	-	1,401
Education	-	-	-	4,840
Nuclear Medicine	30,982	-	38,245	24,056
SANE Program	130,659	-	3,323	5,070
MRI/CT	-	-	211,623	15,088
Dietary	192,215	-	24,414	254,413
Central Supply	38,314	-	-	325,566
Laboratory	487,377	-	139,786	584,633
Radiology	662,915	-	92,894	19,413
Cardiopulmonary	294,721	-	7,021	27,821
Physical Therapy	544,883	-	13,630	29,278
Cardiac Rehab	-	-	-	297
Pharmacy	222,343	-	88,063	330,093
Home Health	-	-	-	-
Maintenance	115,749	-	48,973	1,329
Housekeeping	188,992	-	656	118,860
Business Office	414,762	-	241,319	24,939
Marketing/Public Relations	43,589	-	28,803	3,282
Health Insurance	229,007	-	15,394	10,585
Human Resources	88,218	1,460,943	4,173	5,037
Payroll	41,313	-	1,591	140
Quality Assurance	-	-	-	1,107
Accounts Payable	44,796	-	451	1,432
Finance	105,787	-	20,746	5,513
Management Information Systems	46,587	-	13,581	5,794
Administrative	164,504	-	302,355	6,365
Medical Staff	144,826	-	4,134	3,043
Rural Health Clinics	3,171,763	-	298,162	187,533
Operating Expenses Before Depreciation	\$ 10,301,191	\$ 1,460,943	\$ 3,051,491	\$ 2,439,719

<u>Equipment Leases and Other Rentals</u>	<u>Utilities, Repairs & Maintenance</u>	<u>Education, Travel, Dues and Subscriptions</u>	<u>Other Expenses</u>	<u>Total</u>
\$ 4,950	\$ 10,976	\$ 17,713	\$ -	\$ 190,822
16,960	14,806	6,271	-	1,174,458
817	2,549	14,930	500	2,275,146
-	1,200	3,818	-	66,224
-	-	99	-	377,770
-	35,805	1,380	-	774,487
-	625	3,468	-	71,195
246	-	13,051	-	18,137
-	-	-	4,649	97,932
30,763	8,195	9,996	2,842	190,848
267,998	5,747	-	-	500,456
10,857	8,468	6,061	290	496,718
9,244	-	-	-	373,124
47,649	7,206	361	2,110	1,269,122
193,573	5,415	6,666	10,232	991,108
2,205	2,020	2,066	862	336,716
28,267	32,288	3,389	-	651,735
-	-	-	-	297
2,199	8,330	160	-	651,188
-	-	89	-	89
18,386	204,272	-	-	388,709
617	36,754	731	-	346,610
14,865	37	302	(31)	696,193
4,964	1,529	-	57,467	139,634
85,496	10,893	-	-	351,375
4,871	1,421	7,978	12,180	1,584,821
1,870	-	510	9	45,433
49,869	-	-	-	50,976
-	303	-	-	46,982
54	6,532	295	26,329	165,256
16,996	9,790	-	-	92,748
-	13,975	16,410	3,150	506,759
-	-	1,625	775	154,403
92,419	70,338	32,888	43,019	3,896,122
<u>\$ 906,135</u>	<u>\$ 499,474</u>	<u>\$ 150,257</u>	<u>\$ 164,383</u>	<u>\$ 18,973,593</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
SCHEDULE OF OPERATING EXPENSES
Year Ended June 30,2011

	<u>Salaries and Wages</u>	<u>Employee Benefits</u>	<u>Professional Fees and Purchased Services</u>	<u>Medical, Office and Other Supplies</u>
Nursing Administration	\$ 112,301	\$ -	\$ 61,424	\$ 366
Nursing	1,203,671	-	3,677	60,152
Emergency Room/Trauma	714,986	-	794,916	47,824
SS/DP	63,574	-	-	2,249
Anesthesia	-	-	355,817	1,349
Operating Room	328,443	-	132,385	484,201
Infection Control	64,704	-	-	13,224
Education	52,217	-	-	1,120
Nuclear Medicine	18,643	-	34,839	7,630
SANE Program	115,953	-	4,877	13,627
MRI/CT	-	-	209,917	3,680
Dietary	191,463	-	15,531	334,189
Central Supply	-	-	-	160,907
Laboratory	470,491	-	141,083	666,524
Radiology	576,534	-	78,741	35,661
Cardiopulmonary	274,404	-	27,026	32,330
Physical Therapy	338,763	-	134	24,309
Cardiac Rehab	-	-	-	(124)
Pharmacy	189,232	-	68,250	348,825
Home Health	-	-	-	(173)
Maintenance	142,611	-	56,985	528
Housekeeping	180,849	-	457	121,850
Business Office	383,608	-	279,037	35,976
Marketing/Public Relations	17,081	-	-	851
Health Insurance	226,753	-	12,740	11,528
Human Resources	60,838	1,387,890	18,264	886
Payroll	31,737	-	469	2,137
Quality Assurance	-	-	-	-
Accounts Payable	37,664	-	456	380
Finance	107,479	-	36,269	4,669
Management Information Systems	47,488	-	9,741	14,500
Administrative	150,756	-	354,633	5,066
Medical Staff	834,391	-	1,028	136
Rural Health Clinics	2,731,231	-	513,453	162,191
Operating Expenses Before Depreciation	\$ 9,667,865	\$ 1,387,890	\$ 3,212,149	\$ 2,598,568

<u>Equipment Leases and Other Rentals</u>	<u>Utilities, Repairs & Maintenance</u>	<u>Education, Travel, Dues and Subscriptions</u>	<u>Other Expenses</u>	<u>Total</u>
\$ 1,200	\$ -	\$ 16,962	\$ -	\$ 192,253
6,849	16,507	4,576	-	1,295,432
181	3,358	11,436	-	1,572,701
-	1,080	3,046	-	69,949
-	131	-	-	357,297
-	13,449	2,170	-	960,648
-	-	4,950	-	82,878
-	-	19,610	-	72,947
-	-	1,622	5,483	68,217
29,399	8,934	20,654	9,759	203,203
269,063	-	-	-	482,660
676	6,866	1,467	486	550,678
9,979	14	45	-	170,945
54,393	1,307	350	2,801	1,336,949
148,427	17,232	1,886	11,716	870,197
2,929	-	1,669	-	338,358
6,765	36,670	2,781	-	409,422
-	-	-	-	(124)
2,100	1,078	456	-	609,941
(193)	437	-	-	71
16,217	212,588	404	-	429,333
-	32,897	115	-	336,168
12,850	37	711	75	712,294
-	219	167	44,744	63,062
84,938	1,294	367	-	337,620
2,964	400	7,754	12,496	1,491,492
-	-	199	-	34,542
39,077	-	-	-	39,077
-	-	-	229	38,729
-	350	295	25,100	174,162
2,684	533	2,013	-	76,959
-	500	12,315	1,395	524,665
-	-	1,986	-	837,541
107,597	56,048	20,535	10,096	3,601,151
<u>\$ 798,095</u>	<u>\$ 411,929</u>	<u>\$ 140,541</u>	<u>\$ 124,380</u>	<u>\$ 18,341,417</u>

COMPLIANCE

JW ANDERSON & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS

**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***

Hector Balderas,
New Mexico State Auditor;
The Chairman and Board of Directors
Roosevelt County Special Hospital District
Portales, New Mexico

We have audited the accompanying financial statements of the business-type activities of the Roosevelt County Special Hospital District, as of and for the years ended June 30, 2012 and 2011, which collectively comprise the Hospital's basic financial statements and the statement of budgetary comparison presented as supplemental information as listed in the table of contents, and have issued our report thereon dated May 14, 2013. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 combination of control deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected in a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

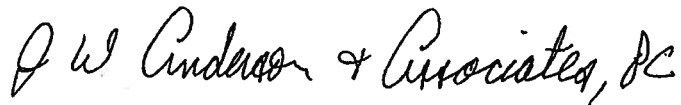
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain other matters which are required to be reported under *Government Auditing Standards* paragraphs 5.14 and 5.16 and Section 12-6-5 NMSA 1978 which are described in the accompanying Schedule of Audit Findings and Responses as 2010-1 and 2012-1.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of by the District Board and management, the Office of the State Auditor, the New Mexico Legislature, New Mexico Department of Finance and Administration and applicable state and federal awarding agencies and pass-through agencies, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "JW Anderson & Associates, PC".

JW Anderson & Associates, PC
Certified Public Accountants
Lubbock, Texas
May 14, 2013

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
June 30, 2012 and 2011

Prior Year

<u>Finding</u>	<u>Description</u>	<u>Status</u>
2010-1	Late Submission of Audit Report	Repeated

Current Year

2010-1 Late Submission of Audit Report

CONDITION - The audit report for fiscal years 2011 and 2012 was not submitted by the New Mexico State deadline.

CRITERIA – New Mexico State Auditor Rule 2.2.2.9A (1) requires audit reports for hospitals to be submitted by October 15th following the end of the fiscal year.

CAUSE - The Medicare cost report was prepared by a third party and has a November 30th deadline while the financial statements are due on October 15th as required by the State Auditor Rule. Management elected to wait for the completion of the cost report to include the cost report's tentative repayment amount in the financial statements since the amount was a material adjustment to the financial statements as a whole, rather than submitting an audit draft to the State Auditor Office with an adjustment pending.

EFFECT - The District is out of compliance with New Mexico State Auditor Rule 2.2.2.9A (1).

RECOMMENDATION - We recommend the District be proactive in the audit report preparation by maintaining communications with the auditor and the State Auditor regarding progress of the audit.

MANAGEMENT'S RESPONSE - Medicare and Medicaid cost report tentative settlements are not generally predictable with reasonable accuracy without the Provider Statistics and Reimbursements (PS&R) logs provided from Medicare. Medicare releases the PS&R logs generally 90 to 100 days after the fiscal year end.

With the addition of the District's clinic being designated a Rural Health Clinic near the start of the fiscal year, additional time was necessary to prepare a thorough and complete cost report, and accordingly, an accurate tentative settlement.

Although an estimate can be made using the District's internal statistics and logs, management felt it would be prudent to wait for the preliminary cost report to be completed and record the resulting liability before submitting the audit to the State Auditor to avoid the possibility of a material adjustment arising after submission.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND RESPONSES - Continued
June 30, 2012 and 2011

Current Year - Continued

2012-1 Exceeded Budgetary Authority

CONDITION - The District exceeded budgetary authority at the fund level by \$91,340.

CRITERIA - Section 6-6-6 NMSA 1978 restricts local governmental entities from expending above the approved budget and Section 4-48A-10 NMSA 1978 applies the preparation and approval of budget provisions of local governments to special hospital districts.

CAUSE - A comparison of the budget to actual expenditures near the end of the fiscal year did not factor any potential audit entries which may affect expenditures into the final budget adjustment.

EFFECT - Without periodic budget to actual expenditure review, expenses may be exceeding the amount authorized by the Board of Directors or significant expense misclassifications may be overlooked.

RECOMMENDATION - We recommend the final review of the budget for the fiscal year be performed so as to accommodate any potential year end adjustments which might cause the budget to be exceeded.

MANAGEMENT'S RESPONSE - The District's revenues and expenses are compared to the actual results on a quarterly basis, and the budget is adjusted accordingly. Although the District tries to include all necessary year-end adjustments before the final budget comparison, the audit may adjust line item expenditures not adjusted during the year end closing process. We will evaluate our budget comparison and closing processes during the next fiscal year to determine whether additional expenditures need to be budgeted to include the potential audit adjustments.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
EXIT CONFERENCE
June 30, 2012

The contents of this report were discussed with the Roosevelt County Special Hospital District representatives on May 13, 2013. The following individuals were available for the conference:

RCSHD

Steven Connelly, Board Chairman
Eva Stevens, Chief Financial Officer

J.W. Anderson & Associates, PC

Larry Anderson, President

The financial statements of Roosevelt County Special Hospital District were prepared from original books and records provided by and with assistance from the management of the District and J.W. Anderson & Associates, PC.

Although Audit Standards strongly emphasize that the District prepare its own financial statements, the consensus between the District management and the auditors was that it would be more time and cost efficient for the auditors to prepare the financial statements and the related notes. Accordingly, the District has designated a competent management-level individual to oversee the auditors' services and have made all management decisions and performed all management functions. The District has reviewed, approved, and accepted responsibility for the accompanying financial statements and related notes, and for ensuring that the underlying accounting records adequately support the preparation of the financial statements in accordance with generally accepted accounting principles and that the records are current and in balance.

JW ANDERSON & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Hector Balderas,
New Mexico State Auditor;
The Chairman and Board of Directors
Roosevelt County Special Hospital District
Portales, New Mexico

We have audited the accompanying financial statements of the business-type activities of the Roosevelt County Special Hospital District (District), as of and for the years ended June 30, 2012 and 2011, which collectively comprise the District's basic financial statements and the statement of budgetary comparison presented as supplemental information as listed in the table of contents, and have issued our report thereon dated May 14, 2013. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As communicated in our engagement letter dated July 3, 2012, our responsibility, as described by professional standards, is to plan and perform our audit to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Roosevelt County Special Hospital District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding other matters noted during our audit in a separate letter to you dated May 14, 2013.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing Roosevelt County Special Hospital District's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Roosevelt County Special Hospital District is included in Note A to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the fiscal years. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimate affecting the financial statements is the accumulated depreciation.

Management's estimate of the accumulated depreciation is based on estimated useful lives of capital assets. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Roosevelt County Special Hospital District's financial statements relate to: revenue recognition and patient accounts receivable.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. There were no uncorrected financial statement misstatements whose effects, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management: none.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Roosevelt County Special Hospital District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated May 14, 2013.

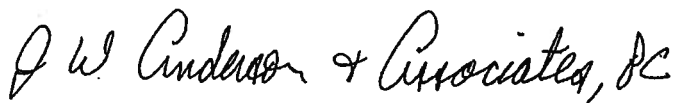
Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Findings or Issues

In the normal course of our professional association with Roosevelt County Special Hospital District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Roosevelt County Special Hospital District's auditors.

This report is intended solely for the information and use of by the District Board and management, the Office of the State Auditor, the New Mexico Legislature, New Mexico Department of Finance and Administration and applicable state and federal awarding agencies and pass-through agencies, and is not intended to be and should not be used by anyone other than these specified parties.



JW Anderson & Associates, PC
Certified Public Accountants
Lubbock, Texas
May 14, 2013

