

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT

PORTALES, NEW MEXICO



AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION

YEARS ENDED JUNE 30, 2013 and 2012

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 PORTALES, NEW MEXICO
 June 30, 2013 and 2012
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INTRODUCTORY SECTION

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

OFFICIAL ROSTER
June 30, 2013 and 2012

Name

Title

Board of Directors

Steven Connelly

President

Doug Stone

Secretary/Treasurer

Lorraine Goodrich

Director

Randy Lieb

Director

Paul Benoit

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Roosevelt County Special Hospital District, which comprise the statements of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position and cash flows for the years ended, and the related notes to the financial statements. We have also audited the budgetary comparison of Roosevelt County Special Hospital District for the year ended June 30, 2013, presented as supplemental information as listed in the table contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Roosevelt County Special Hospital District, as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparison of Roosevelt County Special Hospital District for the year ended June 30, 2013, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

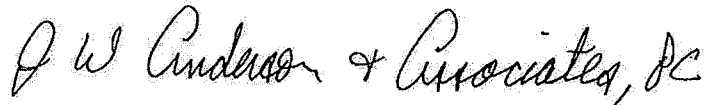
Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Roosevelt County Special Hospital District's basic financial statements. The accompanying supplemental schedules as identified in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic 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 by us and the other auditors. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Management has omitted the MD&A which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by GASB 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Audit Standards

In accordance with *Government Auditing Standards*, we have issued our report dated November 7, 2014 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 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.



JW Anderson & Associates, PC
Lubbock, Texas
November 7, 2014

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 STATEMENTS OF NET POSITION
 June 30, 2013 and 2012

ASSETS	2013	2012
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,745,921	\$ 1,079,544
Patients Accounts Receivable, Net of Allowance for Doubtful Accounts (2013 - \$2,851,083; 2012 - \$1,998,626)	2,671,795	1,994,964
Gross Receipts Taxes Receivable	238,763	238,763
Due from State of New Mexico	1,422,167	805,369
Due from Health Insurance Programs	216,951	263,452
Physician Receivable	24,794	26,732
Other Receivables	1,005,598	273,037
Inventory	517,578	441,924
Prepaid Expenses	89,585	89,116
Current Portion of Debt Issuance Costs	7,922	7,922
Total Current Assets	<u>7,941,074</u>	<u>5,220,823</u>
NONCURRENT ASSETS		
Cash and Investments Held by Trustee for Debt Service	555,227	1,246,926
Cash Restricted by Bond Indenture for Debt Service	535,701	530,374
Capital Assets, Net	8,380,016	6,754,402
Debt Issuance Costs, Net of Current Portion and Accumulated Amortization (2013 - \$100,692; 2012 - \$93,119)	35,930	43,505
Total Noncurrent Assets	<u>9,506,874</u>	<u>8,575,207</u>
TOTAL ASSETS	<u>\$ 17,447,948</u>	<u>\$ 13,796,030</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,120,606	\$ 913,436
Accrued Salaries	432,694	394,039
Accrued Payroll Taxes and Benefits	81,465	66,897
Accrued Interest	15,004	16,670
Physician and Clinic Payable	328,984	116,651
Current Portion of Compensated Absences	118,626	64,877
Current Portion of Long-Term Debt and Capital Leases	795,726	726,924
Total Current Liabilities	<u>2,893,105</u>	<u>2,299,494</u>
NONCURRENT LIABILITIES		
Long-Term Debt and Capital Leases, Net of Current Portion	3,937,335	3,799,375
Compensated Absences, Net of Current Portion	380,096	436,040
Total NonCurrent Liabilities	<u>4,317,431</u>	<u>4,235,415</u>
Total Liabilities	<u>7,210,536</u>	<u>6,534,909</u>
NET POSITION		
Invested in Capital Assets, Net of Related Debt	3,646,955	2,228,103
Restricted Net Position	1,090,928	1,777,300
Unrestricted	5,499,529	3,255,718
Total Net Position	<u>10,237,412</u>	<u>7,261,121</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 17,447,948</u>	<u>\$ 13,796,030</u>

Roosevelt County Special Hospital District
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 Years Ended June 30, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Net Patient Service Revenue	\$ 21,436,985	\$ 18,677,605
Other Operating Revenue	258,260	250,314
	<hr/>	<hr/>
Total Operating Revenue	21,695,245	18,927,919
OPERATING EXPENSES		
Salaries and Wages	11,217,008	10,301,191
Employee Benefits	1,523,868	1,460,943
Professional Fees and Purchased Services	2,942,259	3,051,491
Medical, Office and Other Supplies	2,473,113	2,439,719
Equipment Leases and Other Rentals	850,245	906,135
Utilities, Repairs & Maintenance	546,020	499,474
Education, Travel, Dues and Subscriptions	197,551	150,257
Other Expenses	193,900	164,383
Amortization of Debt Issuance Costs	7,575	7,922
Depreciation	769,880	699,847
	<hr/>	<hr/>
Total Operating Expenses	20,721,419	19,681,362
Operating Income (Loss)	973,826	(753,443)
NON-OPERATING REVENUES (EXPENSES)		
Gross Receipts Taxes	1,285,874	1,357,316
Interest Income	2,434	1,902
Interest Expense	(240,371)	(249,046)
Gain on Sale of Assets	34,000	3,000
Non-Capital Grants and Contributions	920,528	227,793
	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	2,002,465	1,340,965
Excess of Revenues over Expenses Before Capital Grants and Contributions	2,976,291	587,522
CAPITAL GRANTS AND CONTRIBUTIONS		
	<hr/>	<hr/>
Increase in Net Position	2,976,291	683,522
Net Position at Beginning of Year	<hr/>	<hr/>
	7,261,121	6,577,599
Net Position at End of Year	<hr/>	<hr/>
	\$ 10,237,412	\$ 7,261,121

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 STATEMENTS OF CASH FLOWS
 Years Ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts From and On Behalf of Patients	\$ 19,459,234	\$ 18,364,084
Payments to Suppliers and Contractors	(6,859,708)	(6,886,843)
Payments to and Benefits Paid on Behalf of Employees	(12,689,848)	(11,653,758)
Other Receipts and Payments, Net	<u>258,260</u>	<u>250,314</u>
Net Cash Provided By Operating Activities	167,938	73,797
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Non-Capital Grants and Contributions	<u>920,528</u>	<u>227,793</u>
Net Cash Provided By Non-Capital Financing Activities	920,528	227,793
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital Grants and Contributions	-	96,000
Proceeds from Issuance of Long-Term Debt	970,000	-
Principal Paid on Long-Term Debt and Capital Leases	(763,238)	(646,925)
Interest Paid on Long-Term Debt and Capital Leases	(242,037)	(250,685)
Dedicated Gross Receipts Taxes for Long Term Debt	<u>1,285,874</u>	<u>1,357,316</u>
Net Cash Provided By Capital Financing Activities	1,250,599	555,706
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Capital Assets	(2,395,494)	(1,083,735)
Proceeds from Sale of Assets	34,000	3,000
Interest Income	<u>2,434</u>	<u>1,902</u>
Net Cash Used By Investing Activities	(2,359,060)	(1,078,833)
Net Increase (Decrease) in Cash and Cash Equivalents	(19,995)	(221,537)
Cash and Cash Equivalents at Beginning of Year	2,856,844	3,078,381
Cash and Cash Equivalents at End of Year	<u>\$ 2,836,849</u>	<u>\$ 2,856,844</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows Provided by Operating Activities		
Operating Gain (Loss)	\$ 973,826	\$ (753,443)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities		
Depreciation and Amortization	777,455	707,769
Changes in Current Assets and Liabilities		
Patients Accounts Receivable	(676,831)	(27,751)
Due from State of New Mexico	(616,798)	(132,121)
Due from Health Insurance Programs	46,501	(125,662)
Other Receivables	(730,623)	(27,987)
Inventory	(75,654)	112,950
Prepaid Expenses	(469)	(18,957)
Accounts Payable	207,170	225,186
Accrued Salaries Payable	38,655	93,930
Accrued Payroll Taxes and Benefits	14,568	11,656
Compensated Absences	(2,195)	2,790
Physician and Clinic Payable	<u>212,333</u>	<u>5,437</u>
Net Cash Provided By Operating Activities	<u>\$ 167,938</u>	<u>\$ 73,797</u>
Supplemental Cash Flow Information		
Acquisition of Equipment through Financing	<u>\$ -</u>	<u>\$ 257,401</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets		
Unrestricted Cash and Cash Equivalents	\$ 1,745,921	\$ 1,079,544
Cash and Investments Held by Trustee for Debt Service	555,227	1,246,926
Cash Restricted by Bond Indenture for Debt Service	<u>535,701</u>	<u>530,374</u>
Total Cash and Cash Equivalents	<u>\$ 2,836,849</u>	<u>\$ 2,856,844</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

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 24-bed acute care facility with Level IV trauma designation.

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.

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.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 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:

Leasehold Improvements	10 - 50 Years
Medical, Office, & Maintenance Equipment	5 - 15 Years

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.

Net Position - Net position comprises the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted net position. 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 position consists of net position 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 position consists of all other net position not included in the above categories.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 \$417,265 and \$611,696 for June 30, 2013 and 2012, 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 \$207,866 and \$289,899 for the years ended June 30, 2013 and 2012, 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 *Local Hospital Gross Receipts Tax*, Section 7-20C-1 through 7-20C-17 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) through intercept payments applied directly to the bond funded and cash loans received by the District from the New Mexico Finance Authority. 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 at the June 2020.

Operating and Non-operating Revenues - Operating revenue includes activities which have the characteristics of exchange transactions, such as patient services, contracts and grants. Non-operating revenues include activities which have the characteristics of non-exchange transactions, such as investment income and gross receipts taxes.

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.

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 November 7, 2014, the date the financial statements were available to be issued.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Accounting Pronouncements - In March 2012, GASB Statement No. 65 Items Previously Reported as Assets and Liabilities was issued. The provisions of this Statement are effective for financial statements with periods beginning after December 15, 2012. Earlier application is encouraged. The standard was not implemented during the fiscal year ended June 30, 2013. The District will implement this standard during the fiscal year June 30, 2014.

In March 2012, GASB Statement No. 66 Technical Corrections-2012 - an amendment of GASB Statements No. 10 and No. 62 was issued. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. This standard was implemented during the fiscal year ended June 30, 2013.

In June 2012, GASB Statement No. 67 Financial Reporting for Pension Plans - an amendment of GASB Statements No. 25 was issued. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged. The standard is expected to have no effect on the District in upcoming years.

In June 2012, GASB Statement No. 68 Accounting and Financial Reporting for Pensions - an amendment of GASB Statements No. 27 was issued. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The District will implement this standard during the fiscal year June 30, 2015.

In January 2013, GASB Statement No. 69 Government Combinations and Disposals of Government Operations was issued. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application is encouraged. The provisions of this Statement generally are required to be applied prospectively. The District is evaluating how this reporting standard will affect the District.

In April 2013, GASB Statement No. 70 Accounting and Financial Reporting for Non-exchange Financial Guarantees was issued. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. The District is evaluating how this reporting standard will affect the District.

GASB Statement No. 71, Pensions Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB 68, is effective for financial statements for periods after June 15, 2014. It amends GASB No. 68 to require, at transition, a government recognize a beginning deferred outflow of resources for its pension contribution, if any, made subsequent to the measurement date of the beginning net pension liability. It continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The District is evaluating how this reporting standard will affect the District.

Change in Accounting Principle - The accompanying financial statements reflect the implementation of GASB statements Nos. 62 and 63. Significant impacts of GASB Statement No. 62 include the adoption of regulated operations guidance which allows for enterprise funds that are used to account for rate-regulated activities to defer certain expenses and revenues that would otherwise be recognized when incurred, provided that such amounts are being recovered or expected to be recovered or refunded in fees charged to its customers. Significant impacts of GASB statement No. 63 include changing the title of the statement of net assets to the statement of net position and reformatting the statement of net position to add separate sections for deferred inflows of resources and deferred outflows of resources.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2013 and 2012

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations – For the year ended June 30, 2012, the District's operating fund exceeded budgetary authority by \$91,340. The District also exceeded budgetary authority for the year ended June 30, 2013 by \$4,550.

Deficit Fund Net Assets – For the years ended June 30, 2013 and 2012, 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 2013 and 2012 fiscal years.

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, 2013 and 2012 have been recorded. No material changes are anticipated with the final settlement, or from the initial settlement for the cost reports for the periods ended June 30, 2013 and 2012.

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, 2013 and 2012.

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.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2013 and 2012

NOTE D - DEPOSITS AND INVESTMENTS - continued

In accordance with FDIC, public unit deposits are funds owned by the District. Time deposits, savings deposits, interest bearing NOW accounts, and demand deposits accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate at the same institution. 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.

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, 2013, the District has a cash collateralization and investment balances as follows.

	JP Stone Community Bank	Wells Fargo Bank	2013 New Mexico Finance Authority	Bank of New York Mellon	Total
Total Deposits and Investments	\$ 1,899,531	\$ 68,481	\$ 535,701	\$ 531,288	\$ 3,035,001
Less FDIC Coverage	<u>(250,000)</u>	<u>(68,481)</u>	<u>-</u>	<u>(250,000)</u>	<u>(568,481)</u>
Amount to be Collateralized	1,649,531	-	535,701	281,288	2,466,520
Securities Pledged by the Financial Institution Held by their Trust Department	<u>(1,220,730)</u>	<u>-</u>	<u>(535,701)</u>	<u>(286,914)</u>	<u>(2,043,345)</u>
Under (Over) Collateralized	<u>\$ 428,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,626)</u>	<u>\$ 423,175</u>
50% Collateral Requirement	\$ 824,766	\$ -	\$ 267,851	\$ -	\$ 1,092,616
102% of Repurchase Agreement Uninsured Funds	-	-	-	286,914	286,914
Securities Pledged by the Financial Institution Held by their Trust Department	<u>(1,220,730)</u>	<u>-</u>	<u>(535,701)</u>	<u>(286,914)</u>	<u>(2,043,345)</u>
Under (Over) Collateralized	<u>\$ (395,965)</u>	<u>\$ -</u>	<u>\$ (267,851)</u>	<u>\$ -</u>	<u>\$ (663,815)</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2013 and 2012

NOTE D - DEPOSITS AND INVESTMENTS – Continued

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

	JP Stone 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>

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 31 days and 54 days as of June 30, 2013 and 2012, 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, 2013 and 2012

NOTE E - NET PATIENT RECEIVABLES

Patient accounts receivables are reported as current assets by the District at June 30, 2013 and 2012 and consist of the following amounts:

	<u>2013</u>	<u>2012</u>
Hospital Patient Receivables		
Medicare	\$ 1,989,746	\$ 1,309,035
Medicaid	1,018,071	647,852
Private Insurance and Self-Pay	5,215,213	3,656,854
Rural Health Clinics	881,717	614,188
SANE	<u>25,584</u>	<u>36,105</u>
Total Gross Patient Receivables	9,130,331	6,264,034
Allowance for Doubtful Accounts	(2,851,083)	(1,998,626)
Allowance for Contractuals	<u>(3,607,453)</u>	<u>(2,270,444)</u>
Net Patient Accounts Receivable	<u>\$ 2,671,795</u>	<u>\$ 1,994,964</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, 2013 and 2012, 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>2013</u>	<u>2012</u>
Medicare	24%	23%
Medicaid	12%	12%
Private Insurance and Self-Pay	<u>64%</u>	<u>65%</u>
	<u>100%</u>	<u>100%</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2013 and 2012

NOTE F - CAPITAL ASSETS

Capital asset activity consists of the following at June 30, 2013 and 2012:

	Balance 6/30/11	Increases	Decreases	Balance 6/30/12	Increases	Decreases	Balance 6/30/13
<i>Nondepreciable Assets</i>							
Land	\$ 538,356	\$ -	\$ -	\$ 538,356	\$ -	\$ -	\$ 538,356
<i>Depreciable Assets</i>							
Land							
Improvements	396,376	-	-	396,376	-	-	396,376
Building and Improvements	6,094,577	854,256	-	6,948,833	1,361,127	-	8,309,960
Equipment	8,319,755	486,880	-	8,806,635	1,034,367	-	9,841,002
Total Depreciable Assets	15,349,064	1,341,136	-	16,690,200	2,395,494	-	19,085,694
<i>Less Accumulated Depreciation</i>							
Land							
Improvements	(299,756)	(28,581)	-	(328,337)	(18,830)	-	(347,167)
Building and Improvements	(2,415,292)	(240,772)	-	(2,656,064)	(305,345)	-	(2,961,409)
Equipment	(6,520,903)	(430,494)	-	(6,951,397)	(445,705)	-	(7,397,102)
Total Accumulated Depreciation	(9,235,951)	(699,847)	-	(9,935,798)	(769,880)	-	(10,705,678)
Assets	\$ 6,113,113	\$ 641,289	\$ -	\$ 6,754,402	\$ 1,625,614	\$ -	\$ 8,380,016

Depreciation, including any capital lease amortization, was \$769,880 and \$699,847 for the years ended June 30, 2013 and 2012, respectively.

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, 2013 and 2012.

	Balance 6/30/11	Increases	Decreases	Balance 6/30/12	Increases	Decreases	Balance 6/30/13
2006 Grant Bonds	\$ 155,556	\$ -	\$ (33,333)	\$ 122,223	\$ -	\$ (33,333)	\$ 88,890
2006 Loan Bonds	392,008	-	(82,469)	309,539	-	(83,298)	226,241
2006 Grant Bonds	33,903	-	(6,751)	27,152	-	(7,096)	20,056
2004 Grant Bonds	60,551	-	(22,018)	38,533	-	(22,019)	16,514
2004 Loan Bonds	13,249	-	(4,895)	8,354	-	(4,322)	4,032
2004 Grant Bonds	19,952	-	(7,192)	12,760	-	(7,265)	5,495
2004 Loan Bonds	19,952	-	(7,192)	12,760	-	(7,264)	5,496
NMFA Direct Loan #2	3,595,000	-	(315,000)	3,280,000	-	(335,000)	2,945,000
NMFA Direct Loan #1	435,158	-	(42,834)	392,324	-	(44,120)	348,204
GE Healthcare							
Financial Services	186,381	-	(98,997)	87,384	-	(87,384)	-
Allscripts	-	257,401	(22,131)	235,270	-	(95,824)	139,446
RCRTC Grant Loan	-	-	-	-	470,000	(5,211)	464,789
RCED Loan	-	-	-	-	500,000	(31,102)	468,898
Viztek PACS	4,113	-	(4,113)	-	-	-	-
	\$ 4,915,823	\$ 257,401	\$ (646,925)	\$ 4,526,299	\$ 970,000	\$ (763,238)	\$ 4,733,061

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2013 and 2012

NOTE G - LONG-TERM DEBT - continued

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

	<u>Interest Rate</u>	<u>Payment Frequency</u>	<u>Payment Amount</u>	<u>Maturity Date</u>	<u>Due Within One Year</u>	<u>Security and Collateral</u>
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	84,134	GRT and Equipment
2006 Grant Bonds	5.00%	Monthly	\$ 691	1/28/16	7,459	GRT and Equipment
2004 Grant Bonds	0.00%	Monthly	\$ 1,835	3/15/14	16,514	GRT and Equipment
2004 Loan Bonds	5.00%	Monthly	\$ 457	3/15/14	4,032	GRT and Equipment
2004 Grant Bonds	1.00%	Monthly	\$ 613	3/15/14	5,496	GRT and Equipment
2004 Loan Bonds	1.00%	Monthly	\$ 613	3/15/14	5,496	GRT and Equipment
NMFA Direct Loan #2	5.00%	Annual	Varies	5/1/20	355,000	GRT and Equipment
NMFA Direct Loan #1	5.00%	Annual	Varies	5/1/20	45,443	Equipment
Allscripts	2.76%	Monthly	\$ 4,821	9/1/14	113,273	GRT and Equipment
RCRTC Grant Loan	1.00%	Monthly	\$ 5,603	8/20/20	62,873	GRT and Equipment
RCED Loan	1.00%	Monthly	\$ 5,590	9/1/20	62,673	Equipment
				Total	<u>\$ 795,726</u>	

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 \$7,575, resulting in an accumulated amortization of \$100,692 and \$93,117 as of June 30, 2013 and 2012, respectively. Approximately six to eight 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.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2013 and 2012

NOTE G - LONG-TERM DEBT – Continued

The District paid \$240,371 and \$249,046 in interest expense for the years ended June 30, 2013 and 2012, 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>
2014	\$ 795,726	\$ 192,121	\$ 987,847
2015	700,940	167,748	868,688
2016	655,397	149,617	805,014
2017	599,025	116,828	715,853
2018	621,813	89,847	711,660
2019/2022	<u>1,360,160</u>	<u>93,379</u>	<u>1,453,539</u>
Totals	<u>\$ 4,733,061</u>	<u>\$ 809,540</u>	<u>\$ 5,542,601</u>

NOTE H - COMPENSATED ABSENCES

Paid time off (PTO) is earned by employees during the year based on time worked and is non-cumulative. PTO includes all of the following types of leave: vacation, sick, personal, and holiday. Paid time off due, if any, is paid upon an employee's termination. The activity of paid time off due to employees as of June 30, 2013 and 2012 is detailed below.

	<u>Balance 6/30/11</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/13</u>
Compensated Absences	<u>\$ 498,127</u>	<u>\$ 62,967</u>	<u>\$ (60,177)</u>	<u>\$ 500,917</u>	<u>\$ 118,626</u>	<u>\$ (120,821)</u>	<u>\$ 498,722</u>

The amount of compensated absences estimated to be due within one year of June 30, 2013 is approximately \$118,626.

NOTE I - RESTRICTED NET ASSETS

The District has restricted \$1,090,928 and \$1,777,300 of net assets at June 30, 2013 and 2012, respectively, for debt service purposes.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2013 and 2012

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>
2013	\$ 266,176	\$ 163,299
2012	283,585	157,677
2011	297,021	153,432
2010	319,578	163,870
2009	<u>279,675</u>	<u>120,626</u>
Totals	<u>\$ 1,446,035</u>	<u>\$ 758,904</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).

NOTE K - 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 \$1,070,416 and \$1,117,264 related to these leases for the fiscal years ended June 30, 2013 and 2012, respectively.

Year Ending June 30,	
2014	\$ 937,399
2015	502,608
2016	228,470
2017	92,100
2018	<u>143,568</u>
Totals	<u>\$ 1,904,145</u>

NOTE L - EHR COMMITMENT

In July 2013, the District entered into an agreement for EHR software and implementation with equipment. The project was completed in two phases. Each phase has its own contract. The first is approximately \$623,820 paid over 36 months at \$18,322 monthly. On completion of the project, a second contract was made for the remaining \$2,055,378 to be paid over 5 years starting in June 2014 with monthly payments of \$38,625. The District expects to recover the cost of the EHR project with incentive payments from Medicare and Medicaid.

SUPPLEMENTAL INFORMATION

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
STATEMENT OF BUDGETARY COMPARISON
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES				
Net Patient Service Revenue	\$ 23,414,408	\$ 21,381,492	\$ 21,436,985	\$ 55,493
Miscellaneous	408,482	859,120	258,260	(600,860)
Total Operating Revenue	23,822,890	22,240,612	21,695,245	(545,367)
OPERATING EXPENSES				
Salaries and Wages	13,114,109	11,138,976	11,217,008	(78,032)
Employee Benefits	2,140,223	1,479,402	1,523,868	(44,466)
Professional Fees and Purchased Services	3,293,729	2,754,364	2,942,259	(187,895)
Medical, Office and Other Supplies	3,018,339	2,611,540	2,473,113	138,427
Equipment Leases and Other Rentals	794,823	676,944	850,245	(173,301)
Utilities, Repairs & Maintenance	391,630	333,614	546,020	(212,406)
Education, Travel, Dues and Subscriptions	102,408	180,480	197,551	(17,071)
Other	814,772	763,762	193,900	569,862
Depreciation and Amortization	845,513	777,787	777,455	332
Total Operating Expenses	24,515,546	20,716,869	20,721,419	(4,550)
Operating Income (Loss)	(692,656)	1,523,743	973,826	(549,917)
NON-OPERATING REVENUES (EXPENSES)				
Gross Receipt Taxes	1,357,193	1,285,874	1,285,874	-
Interest Income	1,406	1,143	2,434	1,291
Interest Expense	(268,000)	(201,466)	(240,371)	(38,905)
Gain on Sale of Assets	-	-	34,000	34,000
Non-Capital Grants and Contributions	165,000	160,809	920,528	759,719
Total NonOperating Revenues (Expenses)	1,255,599	1,246,360	2,002,465	756,105
Excess of Revenues Over Expenses Before Capital Grants and Contributions	562,943	2,770,103	2,976,291	206,188
CAPITAL GRANTS AND CONTRIBUTIONS				
Increase in Net Position	562,943	2,770,103	2,976,291	206,188
Net Position at Beginning of Year	7,261,121	7,261,121	7,261,121	-
Net Position at End of Year	<u>\$ 7,824,064</u>	<u>\$ 10,031,224</u>	<u>\$ 10,237,412</u>	<u>\$ 206,188</u>

SUPPORTING SCHEDULES

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
Years Ended June 30, 2013 and 2012

Name of Depository	Pledged Collateral	Name and Location of Custodian	Fair Market or Par Value June 30, 2013	Fair Market or Par Value June 30, 2012
<u>JP Stone Community Bank</u>				
	Clovis NM MUNI SCH DIST #1 BQ Matures 8/1/2016 CUSIP: 189414HS7	The Independent Bankersbank Dallas, TX	\$ 453,998	\$ -
	Santa Fe NM GMNTY CLG Dist BQ Matures 8/1/2016 CUSIP: 801901JC4	The Independent Bankersbank Dallas, TX	514,220	-
	Univ of NM Gallup Branch CCD Matures 10/15/2014 CUSIP: 914684DM4	The Independent Bankersbank Dallas, TX	252,512	-
	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		1,220,730	1,674,168
<u>Bank of New York Mellon</u>				
	Pledged Bank Reserves	Bank of New York	536,914	542,889
	Pledged to Meet 102% Collateral Requirements		536,914	542,889
	Total Pledged Collateral		\$ 1,757,644	\$ 2,217,057

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, 2013

Account Description	JP Stone Community Bank	Wells Fargo Bank	BNY Mellon	New Mexico Finance Authority	Total
Equipment Fund - Checking	\$ -	\$ 194	\$ -	\$ -	\$ 194
Payroll Account - Checking	14,288	-	-	-	14,288
Operating Account - Checking	472,609	-	-	-	472,609
Certificate of Deposit - Interest	-	68,287	-	-	68,287
RGH Internal Medicine Group - Interest Checking	129,594	-	-	-	129,594
RGH Rural Health Clinics - Interest Checking	1,075	-	-	-	1,075
RGH - Gross Receipts Tax - Interest Checking	23,939	-	-	-	23,939
Total Deposits	641,505	68,481	-	-	709,986
Investment in					
Reserve Funds	1,283,990	-	531,288	-	1,815,278
Debt Service Reserve	-	-	-	535,701	535,701
Total Investments	1,283,990	-	531,288	535,701	2,350,979
Reconciling Items	(224,966)	-	-	-	(224,966)
Carrying Value	\$ 1,700,529	\$ 68,481	\$ 531,288	\$ 535,701	2,835,999
Petty Cash					850
Total Deposits and Investments - June 30, 2013					\$ 2,836,849
Reconciliation to Balance Sheet:					
Unrestricted Cash and Cash Equivalents					\$ 1,745,921
Held by Trustee for Debt Service					555,227
Restricted by Bond Indenture for Debt Service					535,701
					\$ 2,836,849

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

Account Description	JP Stone Community 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

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ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 SCHEDULE OF NET PATIENT REVENUES
 Year Ended June 30, 2013

	<u>Inpatient</u>	<u>Outpatient</u>	<u>Emergency Room</u>
Nursing	\$ 1,540,948	\$ -	\$ -
Emergency Room	864,233	11,173	5,948,832
Clinics	-	7,232,063	-
Anesthesia	38,850	3,150	1,100
Operating Room	168,827	8,703	123,755
Observation	-	569	(326)
Professional Fees	201,331	881	1,864,926
Nuclear Medicine	5,292	78,545	2,649
SANE	-	53,305	-
Bone Density	-	44,756	-
MRI	80,275	1,713,243	40,005
Ultrasound	172,045	669,940	55,591
CT Scan	922,575	1,347,333	3,486,441
Central Supply	398,673	13,801	437,148
Laboratory	1,698,030	6,112,950	4,672,187
Mammography	-	143,371	-
Radiology	215,566	1,070,584	922,201
Cardiopulmonary	628,606	69,029	244,024
Physical Therapy	70,121	1,723,621	2,963
Speech Therapy	3,292	48,297	248
Cardiac Rehab	-	9,752	-
EKG	92,677	64,746	276,818
Pharmacy	681,604	30,654	972,291
Hospitalist	38,437	-	-
Gross Patient Revenue	\$ 7,821,382	\$ 20,450,466	\$ 19,050,853

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>
\$ -	\$ -	\$ 1,540,948
519,469	6,310	7,350,017
9,600	-	7,241,663
38,100	653,800	735,000
203,016	3,793,556	4,297,857
419,244	-	419,487
192,079	1,889	2,261,106
-	-	86,486
-	-	53,305
-	-	44,756
28,522	4,003	1,866,048
91,383	2,009	990,968
445,918	6,223	6,208,490
121,505	6,879	978,006
590,475	96,604	13,170,246
-	-	143,371
110,750	1,236,659	3,555,760
123,828	174	1,065,661
7,740	-	1,804,445
-	-	51,837
-	-	9,752
73,192	1,289	508,722
44,303	53,157	1,782,009
-	-	38,437
<u>\$ 3,019,124</u>	<u>\$ 5,862,552</u>	<u>56,204,377</u>

(417,265)

(4,426,973)

(933,755)

(28,237,964)

(751,435)

(34,767,392)

\$ 21,436,985

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
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	-
Cardiac Rehab	-	2,437	-
EKG	80,078	108,513	188,532
Pharmacy	614,303	15,695	1,033,755
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>	<u>40,034,953</u>

(611,696)

(2,661,507)

(592,178)

(16,854,508)

(637,459)

(21,357,348)

\$ 18,677,605

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 OTHER OPERATING REVENUE
 Years Ended June 30, 2013 and 2012

	2013	2012
OTHER OPERATING REVENUE		
Cafeteria	\$ 108,558	\$ 126,432
SANE Program	135,257	111,187
Medical Records	8,629	8,441
Vending Machines	357	226
Other Income	5,459	4,028
	<u>\$ 258,260</u>	<u>\$ 250,314</u>

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ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
SCHEDULE OF OPERATING EXPENSES BEFORE AMORTIZATION & DEPRECIATION
Year Ended June 30, 2013

	<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	\$ 164,655	\$ -	\$ -	\$ 602
Nursing	956,780	-	38,233	61,790
Emergency Room/Trauma	1,003,915	-	591,506	33,118
SS/DP	66,041	-	-	284
Anesthesia	-	-	355,475	307
Operating Room	410,639	-	25,481	367,116
Infection Control	68,791	-	-	2,182
Education	11,655	-	-	2
Nuclear Medicine	13,875	-	29,400	12,337
SANE Program	169,511	-	7,020	9,713
MRI/CT	-	-	219,884	2,732
Dietary	195,568	-	13,141	240,335
Central Supply	37,050	-	-	194,449
Laboratory	548,735	-	160,148	708,881
Radiology	764,047	-	83,764	23,458
Cardiopulmonary	326,712	-	38,513	27,579
Physical Therapy	525,156	-	1,272	35,013
Pharmacy	223,348	-	81,366	375,777
Maintenance	111,697	-	129,718	659
Housekeeping	206,890	-	572	129,757
Business Office	408,602	-	280,351	22,792
Marketing/Public Relations	73,688	-	3,464	4,881
Health Insurance	239,766	-	12,068	7,497
Human Resources	95,306	1,523,868	8,646	2,592
Payroll	50,264	-	1,785	610
Quality Assurance	15,092	-	6,120	419
Accounts Payable	44,115	-	-	2,199
Finance	146,089	-	74,348	3,962
Management Information Systems	47,989	-	99,877	3,497
Administrative	345,402	-	423,664	6,936
Medical Staff	244,387	-	16,293	172
Rural Health Clinics	3,701,243	-	240,150	191,465
Operating Expenses	\$ 11,217,008	\$ 1,523,868	\$ 2,942,259	\$ 2,473,113

<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>
\$ -	\$ 3,750	\$ 5,149	\$ 199	\$ 174,355
33,504	(18,648)	21,448	-	1,093,107
4,311	9,500	25,727	-	1,668,077
-	1,200	1,480	125	69,130
-	-	-	-	355,782
2,265	110,013	1,867	-	917,381
-	1,200	3,467	-	75,640
-	-	302	-	11,959
-	-	1,091	3,815	60,518
47,495	13,988	14,843	4,405	266,975
252,079	3,639	98	-	478,432
5,262	9,036	2,863	45	466,250
7,677	336	-	-	239,512
43,792	7,933	7,551	2,943	1,479,983
213,738	13,460	2,745	8,411	1,109,623
3,694	5,590	2,241	1,135	405,464
24,118	4,468	5,434	-	595,461
-	9,800	1,115	-	691,406
13,439	190,532	25	-	446,070
195	32,720	679	-	370,813
17,305	11,973	776	(75)	741,724
400	1,298	8,692	95,028	187,451
68,058	41	-	-	327,430
-	1,200	8,037	24,785	1,664,434
-	-	442	(15)	53,086
27,366	-	1,408	-	50,405
-	-	-	-	46,314
-	3,270	947	30,521	259,137
4,249	5,518	-	-	161,130
850	8,728	40,195	3,960	829,735
-	-	203	388	261,443
80,448	115,475	38,726	18,230	4,385,737
<u>\$ 850,245</u>	<u>\$ 546,020</u>	<u>\$ 197,551</u>	<u>\$ 193,900</u>	<u>\$ 19,943,964</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
SCHEDULE OF OPERATING EXPENSES BEFORE AMORTIZATION & DEPRECIATION
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	<u>\$ 10,301,191</u>	<u>\$ 1,460,943</u>	<u>\$ 3,051,491</u>	<u>\$ 2,439,719</u>

<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>

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***

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, 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, the financial statements of the business-type activities of Roosevelt County Special Hospital District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Roosevelt County Special Hospital District's basic financial statements, and have issued our report thereon dated November 7, 2014.

Internal Control over Financial Reporting

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

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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Roosevelt County Special Hospital District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the Schedule of Audit Findings and Responses as items 2010-1, 2012-1 and 2013-1.

Entity's Response to Findings

Roosevelt County Special Hospital District's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. Roosevelt County Special Hospital District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

J W Anderson & Associates, PC

JW Anderson & Associates, PC
Certified Public Accountants
Lubbock, Texas
November 7, 2014

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND RESPONSES
 June 30, 2013 and 2012

Prior Years

<u>Finding</u>	<u>Description</u>	<u>Status</u>
2010-1	Late Submission of Audit Report	Repeated
2012-1	Exceeded Budgetary Authority	Repeated

Current Year

2010-1 - Late Submission of Audit Report - Compliance

CONDITION - The audit report for fiscal year 2013 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.

Furthermore, the hospital's CFO was the main contact for a large project that took up much of her time. The project was not complete until well into the 2013 calendar year. This caused a delay in necessary information getting to the JW Anderson for completion of the audit.

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.

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.

In the future, management will designate additional staff to help facilitate the workload for the necessary requirements for any large projects and/ or gathering of information for an on-going audit.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND RESPONSES - Continued
June 30, 2013 and 2012

Current Year - continued

2012-1 - Exceeded Budgetary Authority – Compliance

CONDITION - The District exceeded budgetary authority at the fund level by \$4,550.

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.

2013-1 - Submission of Audit Contract and Recommendation – Compliance

CONDITION - Per 2.2.2.8(G)(6)(c) NMAC Audit Rule, the District did not meet the deadline for submission of the audit contract and recommendation by the deadline for the fiscal year ending 2013.

CRITERIA - 2.2.2.8(G)(6)(c) NMAC Audit Rule requires that the audit contract and recommendation be submitted to the Office of the State Auditor by May 1st.

CAUSE - The audit contract and recommendation was prepared on September 25, 2013 by client personnel.

EFFECT - Preparation of the audit contract and recommendation on September 25, 2013 caused the submission to arrive late to the Office of the State Auditor.

RECOMMENDATION - We recommend the District management personnel prepare the audit contract and recommendation in April of each fiscal year to allow enough time to deliver to the Office of the State Auditor by the due date of May 1st.

MANAGEMENT'S RESPONSE - The District's management will prepare and submit the audit contract and recommendation by the deadline for upcoming fiscal years and all such submissions will be sent with a return receipt request.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
EXIT CONFERENCE
June 30, 2013

The contents of this report were discussed with the Roosevelt County Special Hospital District representatives on November 4, 2014. The following individuals were available for the conference:

RCSHD

Steven Connelly, Board President
Eva Stevens, Chief Financial Officer
Dr. Larry Leaming, Chief Executive Officer
Martha Lamb, Administrative Assistant - Finance

J.W. Anderson & Associates, PC

Larry Anderson, President
Allison Ash, Staff Auditor
Leah Gilbreath, Staff Auditor

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.