

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
PORTALES, NEW MEXICO



AUDITED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL INFORMATION  
YEARS ENDED JUNE 30, 2014 and 2013

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
 PORTALES, NEW MEXICO  
 June 30, 2014 and 2013  
**TABLE OF CONTENTS**

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Official Roster	ii
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report	1
Basic Financial Statements:	
Balance Sheets	3
Statements of Revenue, Expenses and Changes in Net Position	4
Statements of Cash Flows	5
Statement of Budgetary Comparison – (GAAP) Budgetary Basis and Actual - 2014	6
Notes to Financial Statements	7
<b>SUPPLEMENTAL INFORMATION</b>	
Schedule of Collateral Pledged by Depository	19
Schedule of Deposits and Temporary Investments by Depository for Public Funds - 2014	20
Schedule of Deposits and Temporary Investments by Depository for Public Funds - 2013	21
Schedule of Net Patient Service Revenue - 2014	22
Schedule of Net Patient Service Revenue - 2013	24
Schedule of Other Operating Revenue	26
Schedule of Operating Expenses before Amortization & Depreciation – 2014	27
Schedule of Operating Expenses before Amortization & Depreciation – 2013	29
<b>COMPLIANCE</b>	
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>	31
Schedule of Findings and Responses – Current Year and Prior Year	33
Exit Conference	36

## **INTRODUCTORY SECTION**

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

OFFICIAL ROSTER  
June 30, 2014 and 2013

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**

Timothy Keller,  
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 Roosevelt County Special Hospital District (the District) as of and for the years ended June 30, 2014 and 2013, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements. We have also audited the statement of budgetary comparison as noted in the table of contents

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Basis for Qualified Opinion***

We were unable to obtain sufficient appropriate audit evidence about Roosevelt County Special Hospital District's patient accounts receivable (\$12,520,826), allowance for bad debts (\$4,994,384), allowance for contractual adjustments (\$3,108,434), inventory (\$1,067,043) and accrued payroll taxes and benefits (\$408,989) carried at a net of \$5,076,062 on the balance sheet at June 30, 2014, and Roosevelt County Special Hospital District's income from operations for the year then ended because we were unable to determine whether any adjustments to these amounts were necessary.

***Qualified Opinion***

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Roosevelt County

Special Hospital District as of June 30, 2014, and the results of its operations, changes in net assets and cash flows thereof and the budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America..

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of Roosevelt County Special Hospital District, as of June 30, 2013, and the change in financial position and cash flow thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

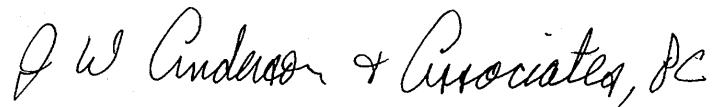
*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The additional schedules listed pages 19 through 21 in the table of contents are required by 2.2.2 NMAC and are presented for purposes of additional analysis. They are not a required part of the basic financial statements.

The additional schedules listed as supplemental information are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, the additional schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Report Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated February 23, 2016 on our consideration of the Hospital'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* in considering the Hospital's internal control over financial reporting and compliance.



JW Anderson & Associates, PC  
Certified Public Accountants  
Lubbock, Texas  
February 23, 2016

## **BASIC FINANCIAL STATEMENTS**



ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
STATEMENTS OF NET POSITION  
June 30, 2014 and 2013

	2014	2013
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 944,558	\$ 1,745,921
Patients Accounts Receivable, Net of Allowance for Doubtful Accounts (2014 - \$4,994,384; 2013 - \$2,851,083)	4,418,008	2,671,795
Gross Receipts Taxes Receivable	238,763	238,763
Due from State of New Mexico	927,034	1,422,167
Due from Health Insurance Programs	423,433	216,951
Physician Receivable	-	24,794
Other Receivables	327,285	1,005,598
Inventory	1,067,043	517,578
Prepaid Expenses	96,632	89,585
Current Portion of Debt Issuance Costs	-	7,922
<b>Total Current Assets</b>	<u>8,442,756</u>	<u>7,941,074</u>
<b>NONCURRENT ASSETS</b>		
Cash and Investments Held by Trustee for Debt Service	705,402	555,227
Cash Restricted by Bond Indenture for Debt Service	538,402	535,701
Capital Assets, Net	10,122,359	8,380,016
Debt Issuance Costs, Net of Current Portion and Accumulated Amortization (2014 - \$108,614; 2013 - \$100,692)	-	35,930
<b>Total Noncurrent Assets</b>	<u>11,366,163</u>	<u>9,506,874</u>
<b>TOTAL ASSETS</b>	<u>\$ 19,808,919</u>	<u>\$ 17,447,948</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 754,168	\$ 1,120,606
Accrued Salaries	371,217	432,694
Accrued Payroll Taxes and Benefits	408,989	81,465
Accrued Interest	13,219	15,004
Physician and Clinic Payable	190,891	328,984
Current Portion of Compensated Absences	516,543	118,626
Current Portion of Long-Term Debt and Capital Leases	1,319,456	795,726
<b>Total Current Liabilities</b>	<u>3,574,483</u>	<u>2,893,105</u>
<b>NONCURRENT LIABILITIES</b>		
Long-Term Debt and Capital Leases, Net of Current Portion	5,139,831	3,937,335
Compensated Absences, Net of Current Portion	374,659	380,096
<b>Total NonCurrent Liabilities</b>	<u>5,514,490</u>	<u>4,317,431</u>
<b>Total Liabilities</b>	<u>9,088,973</u>	<u>7,210,536</u>
<b>NET POSITION</b>		
Invested in Capital Assets, Net of Related Debt	3,663,072	3,646,955
Restricted Net Position	1,243,804	1,090,928
Unrestricted	5,813,070	5,499,529
<b>Total Net Positions</b>	<u>10,719,946</u>	<u>10,237,412</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 19,808,919</u>	<u>\$ 17,447,948</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 Years Ended June 30, 2014 and 2013

	2014	2013
<b>OPERATING REVENUES</b>		
Net Patient Service Revenue	\$ 22,193,240	\$ 21,436,985
Other Operating Revenue	392,593	258,260
	<hr/>	<hr/>
<b>Total Operating Revenue</b>	22,585,833	21,695,245
<b>OPERATING EXPENSES</b>		
Salaries and Wages	13,286,879	11,217,008
Employee Benefits	1,392,402	1,523,868
Professional Fees and Purchased Services	3,345,394	2,942,259
Medical, Office and Other Supplies	2,307,124	2,473,113
Equipment Leases and Other Rentals	938,480	850,245
Utilities, Repairs & Maintenance	600,865	546,020
Education, Travel, Dues and Subscriptions	307,306	197,551
Other Expenses	407,683	193,900
Amortization of Debt Issuance Costs	43,853	7,575
Depreciation	874,332	769,880
	<hr/>	<hr/>
<b>Total Operating Expenses</b>	23,504,318	20,721,419
<b>Operating Gain (Loss)</b>	(918,485)	973,826
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Gross Receipts Taxes	1,318,371	1,285,874
Interest Income	360	2,434
Interest Expense	(216,200)	(240,371)
Gain on Sale of Assets	-	34,000
Non-Capital Grants and Contributions	298,488	920,528
	<hr/>	<hr/>
<b>Total Non-Operating Revenues (Expenses)</b>	1,401,019	2,002,465
<b>Income Before Capital Grants and Contributions</b>	482,534	2,976,291
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>		
	<hr/>	<hr/>
<b>Increase in Net Position</b>	482,534	2,976,291
<b>Net Position at Beginning of Year</b>	<hr/>	<hr/>
	10,237,412	7,261,121
<b>Net Position at End of Year</b>	<hr/> <hr/>	<hr/> <hr/>
	\$ 10,719,946	\$ 10,237,412

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2014 and 2013

	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts From and On Behalf of Patients	\$ 21,438,785	\$ 19,459,234
Payments to Suppliers and Contractors	(8,967,895)	(6,859,708)
Payments to and Benefits Paid on Behalf of Employees	(14,020,754)	(12,689,848)
Other Receipts and Payments, Net	392,593	258,260
<b>Net Cash Used Provided By Operating Activities</b>	<u>(1,157,271)</u>	<u>167,938</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Non-Capital Grants and Contributions	<u>298,488</u>	<u>920,528</u>
<b>Net Cash Provided By Non-Capital Financing Activities</b>	298,488	920,528
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Proceeds from Issuance of Long-Term Debt	95,504	970,000
Principal Paid on Long-Term Debt and Capital Leases	(952,973)	(763,238)
Interest Paid on Long-Term Debt and Capital Leases	(219,237)	(242,037)
Dedicated Gross Receipts Taxes for Long Term Debt	<u>1,319,621</u>	<u>1,285,874</u>
<b>Net Cash Provided By Capital Financing Activities</b>	242,915	1,250,599
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Capital Assets	(32,979)	(2,395,494)
Proceeds from Sale of Assets	-	34,000
Interest Income	<u>360</u>	<u>2,434</u>
<b>Net Cash Used By Investing Activities</b>	<u>(32,619)</u>	<u>(2,359,060)</u>
<b>Net (Decrease) in Cash and Cash Equivalent</b>	(648,487)	(19,995)
<b>Cash and Cash Equivalents at Beginning of Yea</b>	<u>2,836,849</u>	<u>2,856,844</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 2,188,362</u>	<u>\$ 2,836,849</u>
<b>Reconciliation of Operating Gain (Loss) to Net Cash Flows Provided by Operating Activiti</b>		
Operating (Loss) Gain	\$ (918,485)	\$ 973,826
<b>Adjustments to Reconcile Operating Gain (Loss) to Net Cash Provided by Operating Activitit</b>		
Depreciation and Amortization	918,185	777,455
<b>Changes in Current Assets and Liabilitie</b>		
Patients Accounts Receivable	(1,746,213)	(676,831)
Due from State of New Mexico	495,133	(616,798)
Due from Health Insurance Programs	(206,482)	46,501
Other Receivables	703,107	(730,623)
Inventory	(549,465)	(75,654)
Prepaid Expenses	(7,047)	(469)
Accounts Payable	(366,438)	207,170
Accrued Salaries Payable	(61,477)	38,655
Accrued Payroll Taxes and Benefits	327,524	14,568
Compensated Absences	392,480	(2,195)
Physician and Clinic Payable	<u>(138,093)</u>	<u>212,333</u>
<b>Net Cash Provided By Operating Activities</b>	<u>\$ (1,157,271)</u>	<u>\$ 167,938</u>
<b>Supplemental Cash Flow Informatio</b>		
Acquisition of Equipment through Financing	<u>\$ 2,583,695</u>	<u>\$ -</u>
<b>Reconciliation of Cash and Cash Equivalents to Statement of Net Positio</b>		
Unrestricted Cash and Cash Equivalents	\$ 944,558	\$ 1,745,921
Cash and Investments Held by Trustee for Debt Service	705,402	555,227
Cash Restricted by Bond Indenture for Debt Service	<u>538,402</u>	<u>535,701</u>
<b>Total Cash and Cash Equivalents</b>	<u>\$ 2,188,362</u>	<u>\$ 2,836,849</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
STATEMENT OF BUDGETARY COMPARISON  
Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Favorable (Unfavorable)</b>
<b>OPERATING REVENUES</b>				
Net Patient Service Revenue	\$ 23,546,403	\$ 23,249,103	\$ 22,193,240	\$ (1,055,863)
Miscellaneous	316,642	384,979	392,593	7,614
<b>Total Operating Revenue</b>	<u>23,863,045</u>	<u>23,634,082</u>	<u>22,585,833</u>	<u>(1,048,249)</u>
<b>OPERATING EXPENSES</b>				
Salaries and Wages	12,187,065	12,980,362	13,286,879	(306,517)
Employee Benefits	1,948,495	1,997,581	1,392,402	605,179
Professional Fees and Purchased Service:	2,376,223	3,166,171	3,345,394	(179,223)
Medical, Office and Other Supplies	4,178,621	2,325,013	2,307,124	17,889
Equipment Leases and Other Rentals	675,205	630,412	938,480	(308,068)
Utilities, Repairs & Maintenance	295,790	371,030	600,865	(229,835)
Education, Travel, Dues and Subscription:	356,925	276,064	307,306	(31,242)
Other	1,632,711	815,092	407,683	407,409
Depreciation and Amortization	921,448	869,851	918,185	(48,334)
<b>Total Operating Expenses</b>	<u>24,572,483</u>	<u>23,431,576</u>	<u>23,504,318</u>	<u>(72,742)</u>
<b>Operating Loss</b>	(709,438)	202,506	(918,485)	(1,120,991)
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Gross Receipt Taxes	1,291,544	1,319,621	1,318,371	(1,250)
Interest Income	2,000	471	360	(111)
Interest Expense	(252,611)	(181,722)	(216,200)	(34,478)
Gain on Sale of Assets	-	-	-	-
Non-Capital Grants and Contributions	248,500	291,317	298,488	7,171
<b>Total NonOperating Revenues (Expenses)</b>	<u>1,289,433</u>	<u>1,429,687</u>	<u>1,401,019</u>	<u>(28,668)</u>
<b>Excess of Revenues Over Expenses Before Capital Grants and Contributions</b>	579,995	1,632,193	482,534	(1,149,659)
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>				
<b>Increase in Net Position</b>	579,995	1,632,193	482,534	(1,149,659)
<b>Net Position at Beginning of Year</b>	<u>10,237,412</u>	<u>10,237,412</u>	<u>10,237,412</u>	<u>-</u>
<b>Net Position at End of Year</b>	<u>\$ 10,817,407</u>	<u>\$ 11,869,605</u>	<u>\$ 10,719,946</u>	<u>\$ (1,149,659)</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

**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 positions (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, 2014 and 2013

**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 positions 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:

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.

**Net Positions** - Net positions comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net positions are classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted net positions. 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 positions consists of net positions 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 positions consist of all other net positions not included in the above categories.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2014 and 2013

**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 \$643,560 and \$417,265 for June 30, 2014 and 2013, 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 \$258,619 and \$148,065 for the years ended June 30, 2014 and 2013, 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 Positions, 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. These revenue streams are recognized under GASB Statement No. 33 - *Accounting and Financial Reporting for Non-exchange 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.

**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 February 23, 2016, the date the financial statements were available to be issued.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2014 and 2013

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Subsequent Accounting Pronouncements** - In June 2012, GASB Statement No. 68 Accounting and Financial Reporting for Pensions—an amendment of GASB Statements No. 27 was issued. In November 2013 GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68 was issued. The provisions of these Statements are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The County will implement this standard during the fiscal year December 31, 2015

In April 2013, GASB Statement No. 70 Accounting and Financial Reporting for Nonexchange 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 standard had no effect on the Hospital in current years.

GASB Statements Numbers 72, 73, 74, 75, 76, 77, 78 and 79 have been issued and will have possible impact on future financial statements of the Hospital. The impact of these statements has not been assessed by the Hospital..

**NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Excess of Expenditures Over Appropriations** – For the year ended June 30, 2013, the District’s operating fund exceeded budgetary authority by \$4,550. The District also exceeded budgetary authority for the year ended June 30, 2014 by \$72,741.

**Deficit Fund Net Positions** – For the years ended June 30, 2014 and 2013, the District’s operating fund reported positive fund net positions.

**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 1<sup>st</sup> for the upcoming fiscal year starting July 1<sup>st</sup>. Final approval is provided by LGD after the previous fiscal year net positions 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 2014 and 2013 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.



ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2014 and 2013

**NOTE C - DUE FROM HEALTH INSURANCE PROGRAMS - continued**

Settlement amounts from the cost reports for the years ended June 30, 2014 and 2013 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, 2014 and 2013.

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, 2014 and 2013.

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, 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.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2014 and 2013

**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, 2014, the District has a cash collateralization and investment balances as follows.

	2014			
	JPS Community Bank	Wells Fargo Bank	New Mexico Finance Authority	Total
Total Deposits and Investments	\$ 1,263,479	\$ 68,560	\$ 532,036	\$ 1,864,075
Less FDIC Coverage	<u>(250,000)</u>	<u>(68,560)</u>	<u>-</u>	<u>(318,560)</u>
Amount to be Collateralized	1,013,479	-	532,036	1,545,515
Securities Pledged by the Financial Institution Held by their Trust Department	<u>(1,055,036)</u>	<u>-</u>	<u>(532,036)</u>	<u>(1,587,072)</u>
Under (Over) Collateralized	<u>\$ (41,557)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (41,557)</u>
50% Collateral Requirement	\$ 506,739	\$ -	\$ 266,018	\$ 772,757
102% of Repurchase Agreement Uninsured Funds	-	-	-	-
Securities Pledged by the Financial Institution Held by their Trust Department	<u>(1,055,036)</u>	<u>-</u>	<u>(532,036)</u>	<u>(1,587,072)</u>
Under (Over) Collateralized	<u>\$ (548,297)</u>	<u>\$ -</u>	<u>\$ (266,018)</u>	<u>\$ (814,315)</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2014 and 2013

**NOTE D - DEPOSITS AND INVESTMENTS – Continued**

As of June 30, 2013, the District has a cash collateralization and investment balances as follows.

	JPS 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>

**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 New Mexico Finance Authority have a Standard & Poor's AAA rating with a Weighted Average Maturity (WAM) of 37 days and 31 days as of June 30, 2014 and 2013, 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, 2014 and 2013

**NOTE E - NET PATIENT RECEIVABLES**

Patient accounts receivables are reported as current assets by the District at June 30, 2014 and 2013 and consist of the following amounts:

	<u>2014</u>	<u>2013</u>
Hospital Patient Receivables		
Medicare	\$ 11,246,797	\$ 7,869,046
Rural Health Clinics	1,262,026	1,235,701
SANE	<u>12,003</u>	<u>25,584</u>
Total Gross Patient Receivables	12,520,826	9,130,331
Allowance for Doubtful Accounts	(4,994,384)	(2,851,083)
Allowance for Contractuals	<u>(3,108,434)</u>	<u>(3,607,453)</u>
Net Patient Accounts Receivable	<u>\$ 4,418,008</u>	<u>\$ 2,671,795</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, 2014 and 2013, 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>2014</u>	<u>2013</u>
Medicare	23%	23%
Medicaid	14%	14%
Private Insurance and Self-Pay	<u>63%</u>	<u>63%</u>
	<u>100%</u>	<u>100%</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
June 30, 2014 and 2013

**NOTE F - CAPITAL ASSETS**

Capital asset activity consists of the following at June 30, 2014 and 2013:

	<u>Balance</u>			<u>Balance</u>			<u>Balance</u>
	<u>6/30/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/14</u>
<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	6,948,833	1,361,127	-	8,309,960	21,227	-	8,331,187
Equipment	<u>8,806,635</u>	<u>1,034,367</u>	<u>-</u>	<u>9,841,002</u>	<u>2,595,447</u>	<u>-</u>	<u>12,436,449</u>
Total Depreciable Assets	16,690,200	2,395,494	-	19,085,694	2,616,674	-	21,702,368
<i>Less Accumulated Depreciation</i>							
Land							
Improvements	(328,337)	(18,830)	-	(347,167)	(14,631)	-	(361,798)
Building and Improvements	(2,656,064)	(305,345)	-	(2,961,409)	(344,602)	-	(3,306,011)
Equipment Total	<u>(6,951,397)</u>	<u>(445,705)</u>	<u>-</u>	<u>(7,397,102)</u>	<u>(515,098)</u>	<u>-</u>	<u>(7,912,200)</u>
Accumulated Depreciation	<u>(9,935,798)</u>	<u>(769,880)</u>	<u>-</u>	<u>(10,705,678)</u>	<u>(874,331)</u>	<u>-</u>	<u>(11,580,009)</u>
Assets	<u>\$ 6,754,402</u>	<u>\$ 1,625,614</u>	<u>\$ -</u>	<u>\$ 8,380,016</u>	<u>\$ 1,742,343</u>	<u>\$ -</u>	<u>\$ 10,122,359</u>

Depreciation, including any capital lease amortization, was \$874,332 and \$769,880 for the years ended June 30, 2014 and 2013, 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, 2014 and 2013.

	<u>Balance</u>			<u>Balance</u>			<u>Balance</u>
	<u>6/30/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/14</u>
2006 Grant Bonds	\$ 122,223	\$ -	\$ (33,333)	\$ 88,890	\$ -	\$ (33,334)	\$ 55,556
2006 Loan Bonds	309,539	-	(83,298)	226,241	-	(84,134)	142,107
2006 Grant Bonds	27,152	-	(7,096)	20,056	-	(7,459)	12,597
2004 Grant Bonds	38,533	-	(22,019)	16,514	-	(16,514)	-
2004 Loan Bonds	8,354	-	(4,322)	4,032	-	(4,032)	-
2004 Grant Bonds	12,760	-	(7,265)	5,495	-	(5,495)	-
2004 Loan Bonds	12,760	-	(7,264)	5,496	-	(5,496)	-
NMFA Direct Loan #2	3,280,000	-	(335,000)	2,945,000	-	(355,000)	2,590,000
NMFA Direct Loan #1	392,324	-	(44,120)	348,204	-	(45,443)	302,761
GE Healthcare	87,384	-	(87,384)	-	-	-	-
Allscripts	235,270	-	(95,824)	139,446	-	(113,772)	25,674
RCRTC Grant Loan	-	470,000	(5,211)	464,789	-	(62,873)	401,916
RCED Loan	-	500,000	(31,102)	468,898	-	(62,673)	406,225
Celtic EMR	-	-	-	-	2,055,378	-	2,055,378
Celtic Reimbursement	-	-	-	-	623,820	(156,747)	467,073
	<u>\$ 4,526,299</u>	<u>\$ 970,000</u>	<u>\$ (763,238)</u>	<u>\$ 4,733,061</u>	<u>\$ 2,679,198</u>	<u>\$ (952,972)</u>	<u>\$ 6,459,287</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2014 and 2013

**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	84,979	GRT and Equipment
2006 Grant Bonds	5.00%	Monthly	\$ 691	1/28/16	7,841	GRT and Equipment
2004 Grant Bonds	0.00%	Monthly	\$ 1,835	3/15/14	-	GRT and Equipment
2004 Loan Bonds	5.00%	Monthly	\$ 457	3/15/14	-	GRT and Equipment
2004 Grant Bonds	1.00%	Monthly	\$ 613	3/15/14	-	GRT and Equipment
2004 Loan Bonds	1.00%	Monthly	\$ 613	3/15/14	-	GRT and Equipment
NMFA Direct Loan #2	5.00%	Annual	Varies	5/1/20	375,000	GRT and Equipment
NMFA Direct Loan #1	5.00%	Annual	Varies	5/1/20	46,806	GRT and Equipment
GE Healthcare	6.03%	Monthly	\$ 8,963	4/1/13	-	Equipment
Allscripts	2.76%	Monthly	\$ 4,821	9/1/14	25,674	GRT and Equipment
RCRTC Grant Loan	1.00%	Monthly	\$ 5,603	8/20/20	63,504	GRT and Equipment
RCED Loan	1.00%	Monthly	\$ 5,590	9/1/20	63,303	GRT and Equipment
Celtic EMR	0.00%	Monthly	\$ 38,625	7/1/19	411,076	GRT and Equipment
Celtic Reimbursement	0.00%	Monthly	\$ 18,322	10/1/16	<u>207,940</u>	Equipment
				Total	<u>\$ 1,319,456</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.

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, 2014 and 2013

**NOTE G - LONG-TERM DEBT – Continued**

The District paid \$181,722 and \$201,466 in interest expense for the years ended June 30, 2014 and 2013, respectively.

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

Year Ending June 30,	<b>Principal Amount</b>	<b>Interest Amount</b>	<b>Total</b>
2015	\$ 1,319,456	\$ 232,096	\$ 1,551,552
2016	1,274,413	213,965	1,488,378
2017	1,061,294	172,233	1,233,527
2018	1,032,889	142,271	1,175,160
2019	1,060,737	114,124	1,174,861
2020 - 2021	710,499	31,679	742,178
Totals	<u>\$ 6,459,288</u>	<u>\$ 906,368</u>	<u>\$ 7,365,656</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, 2014 and 2013 is detailed below.

	<b>Balance 6/30/12</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 6/30/13</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 6/30/14</b>
Compensated Absences	<u>\$ 500,917</u>	<u>\$ 118,626</u>	<u>\$(120,821)</u>	<u>\$ 498,722</u>	<u>\$ 516,543</u>	<u>\$(124,063)</u>	<u>\$ 891,202</u>

The amount of compensated absences estimated to be due within one year of June 30, 2014 and 2013 is approximately \$516,543 and \$118,626, respectively.

**NOTE I - RESTRICTED NET POSITIONS**

The District has restricted \$1,243,804 and \$1,090,928 of net positions at June 30, 2014 and 2013, respectively, for debt service purposes.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2014 and 2013

**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>
2014	\$ 143,266	\$ 43,782
2013	163,299	266,176
2012	157,677	283,585
2011	153,432	297,021
2010	<u>319,578</u>	<u>163,870</u>
Totals	<u>\$ 793,986</u>	<u>\$ 1,010,652</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 \$938,480 and \$850,245 related to these leases for the fiscal years ended June 30, 2014 and 2013, respectively.

Year Ending June 30,	
2015	\$ 1,185,972
2016	911,834
2017	555,600
2018	521,146
2019	<u>549,422</u>
Totals	<u>\$ 3,723,974</u>

**NOTE L - EHR COMMITMENT**

In July 2013, the District entered into an agreement for EHR software and implementation with equipment. The initial cost of the project is estimated to be \$623,820 paid over 36 months at \$18,322 monthly. The project was completed and a final leasing agreement for the remaining costs of the project was entered into in June 2014. The contract was for \$2,055,378 to be paid over 5 years at a cost of \$463,500 annually. The District expects to recover the cost of the EMR project with incentive payments from Medicare and Medicaid.



## **SUPPLEMENTAL INFORMATION**

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY  
FOR PUBLIC FUNDS  
Years Ended June 30, 2014 and 2013

Name of Depository	Pledged Collateral	Name and Location of Custodian	Fair Market or Par Value June 30, 2014	Fair Market or Par Value June 30, 2013
<b><u>JP Stone Community Bank</u></b>				
	Clovis NM MUNI SCH DIST #1 BQ Matures 8/1/2016 CUSIP: 189414HS7	The Independent Bankersbank Dallas, TX	\$ 446,411	\$ 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	250,675	252,512
	Clovis NM MUNI SD #1 BQ Matures 8/1/15 CUSIP: 189414JE6	The Independent Bankersbank Dallas, TX	50,971	-
	Roswell NM ISD BQ Matures 8/1/2016 CUSIP: 778550GY3	The Independent Bankersbank Dallas, TX	206,802	-
	San Juan Cnty NM ISD BQ NONC Matures 8/01/2014 CUSIP: 798359JCO	The Independent Bankersbank Dallas, TX	100,176	-
	Pledged to Meet 50% Collateral Requirements		1,055,035	1,220,730
<b><u>Bank of New York Mellon</u></b>				
	Pledged Bank Reserves	Bank of New York		536,914
	Pledged to Meet 102% Collateral Requirements		-	536,914
	<b>Total Pledged Collateral</b>		<b>\$ 1,055,035</b>	<b>\$ 1,757,644</b>

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, 2014

Account Description	JP Stone Community Bank	Wells Fargo Bank	New Mexico Finance Authority	Total
Equipment Fund - Checking	\$ -	\$ -	\$ -	\$ -
Payroll Account - Checking	2,932	-	-	2,932
Operating Account - Checking	313,822	-	-	313,822
Certificate of Deposit - Interest	-	68,538	-	68,538
RGH Internal Medicine Group - Interest Checking	178,293	-	-	178,293
RGH Rural Health Clinics - Interest Checking	1,075	-	-	1,075
RGH - Gross Receipts Tax - Interest Checking	173,366	-	-	173,366
Total Deposits	669,488	68,538	-	738,026
Investment in -				
Reserve Funds	593,990	-	532,036	593,990
Debt Service Reserve	-	-	538,402	538,402
Total Investments	593,990	-	1,070,438	1,132,392
Reconciling Items	(215,292)	-	-	(215,292)
Carrying Value	<u>\$ 1,048,186</u>	<u>\$ 68,538</u>	<u>\$ 1,070,438</u>	1,655,126
Petty Cash				<u>1,200</u>
			Total Deposits and Investments	<u>\$ 1,656,326</u>
<b>Reconciliation to Balance Sheet:</b>				
			Unrestricted Cash and Cash Equivalents	\$ 944,558
			Held by Trustee for Debt Service	705,402
			Restricted by Bond Indenture for Debt Service	<u>538,402</u>
				<u>\$ 2,188,362</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
SCHEDULE OF DEPOSITS AND TEMPORARY INVESTMENTS  
BY DEPOSITORY FOR PUBLIC FUNDS  
Year Ending 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	<u>641,505</u>	<u>68,481</u>	<u>-</u>	<u>-</u>	<u>709,986</u>
Investment in - Reserve Funds	1,283,990	-	531,288	-	1,815,278
Debt Service Reserve	-	-	-	535,701	535,701
Total Investments	<u>1,283,990</u>	<u>-</u>	<u>531,288</u>	<u>535,701</u>	<u>2,350,979</u>
Reconciling Items	(224,966)	-	-	-	(224,966)
Carrying Value	<u>\$ 1,700,529</u>	<u>\$ 68,481</u>	<u>\$ 531,288</u>	<u>\$ 535,701</u>	<u>2,835,999</u>
Petty Cash					<u>850</u>
Total Deposits and Investments - June 30, 2013					<u>\$ 2,836,849</u>
<b>Reconciliation to Balance Sheet:</b>					
Unrestricted Cash and Cash Equivalents					\$ 1,745,921
Held by Trustee for Debt Service					555,227
Restricted by Bond Indenture for Debt Service					<u>535,701</u>
					<u>\$ 2,836,849</u>
					-

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
SCHEDULE OF NET PATIENT REVENUES  
Year Ended June 30, 2014

	<u>Inpatient</u>	<u>Outpatient</u>	<u>Emergency Room</u>
Nursing	\$ 1,655,379	\$ 3,011	\$ 583
Emergency Room	1,081,531	13,743	6,545,003
Clinics	-	8,863,693	-
Anesthesia	7,800	1,150	1,350
Operating Room	106,669	5,210	130,767
Observation	-	1,743	578
Professional Fees	-	-	-
Nuclear Medicine	-	-	-
SANE	-	78,395	-
Bone Density	-	20,558	-
MRI	132,274	1,562,185	28,146
Clinic Xray	-	-	-
Ultrasound	259,755	689,985	84,703
CT Scan	1,239,978	1,581,477	4,356,561
Central Supply	209,633	4,505	262,186
Laboratory	2,102,845	5,297,065	4,499,737
Mammography	280	137,588	-
Radiology	254,352	1,072,956	994,645
Cardiopulmonary	739,604	22,444	173,444
Physical Therapy	82,899	1,496,625	110
Speech Therapy	3,101	15,965	715
Occupational Therapy	-	-	-
Cardiac Rehab	-	17,633	-
EKG	97,885	77,865	275,324
Pharmacy	661,027	92,257	746,118
Home Health	-	-	-
Hospitalist	13,008	-	-
<b>Gross Patient Revenue</b>	<b>\$ 8,648,020</b>	<b>\$ 21,056,053</b>	<b>\$ 18,099,970</b>

**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>
\$ 11,969	\$ 365,809	\$ 2,036,751
661,600	20,710	8,322,587
7,800	-	8,871,493
12,500	337,336	360,136
146,093	3,830,929	4,219,668
504,018	-	506,339
6,807	191	6,998
-	-	-
-	-	78,395
-	-	20,558
58,228	2,871	1,783,704
-	-	-
140,110	-	1,174,553
741,607	6,941	7,926,564
88,358	14,330	579,012
966,915	71,981	12,938,543
-	-	137,868
131,218	1,317,962	3,771,133
142,788	729	1,079,009
12,906	110	1,592,650
-	-	19,781
-	-	-
-	-	17,633
76,191	595	527,860
117,181	261,578	1,878,161
-	-	-
-	-	13,008
<u>\$ 3,826,289</u>	<u>\$ 6,232,072</u>	<u>\$ 57,862,404</u>

(643,560)

(4,116,390)

(1,216,515)

(27,604,801)

(2,087,898)

(35,669,164)

\$ 22,193,240

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
Clinic Xray	-	-	-
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
Occupational Therapy	-	-	-
Cardiac Rehab	-	9,752	-
EKG	92,677	64,746	276,818
Pharmacy	681,604	30,654	972,291
Home Health	-	-	-
Hospitalist	38,431	-	-
<b>Gross Patient Revenue</b>	<b>\$ 7,821,376</b>	<b>\$ 20,450,466</b>	<b>\$ 19,050,853</b>

**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
-	-	-
-	-	38,431
<u>\$ 3,019,124</u>	<u>\$ 5,862,552</u>	56,204,371

(417,265)

(4,426,973)

(933,755)

(27,066,887)

(1,922,512)

(34,767,392)

\$ 21,436,979



ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
OTHER OPERATING REVENUE  
Years Ended June 30, 2014 and 2013

	<b>2014</b>	<b>2013</b>
<b>OTHER OPERATING REVENUE</b>		
Cafeteria	135,318	108,558
SANE Program	226,953	135,257
Medical Records	7,462	8,629
Vending Machines	-	357
Other Income	22,860	5,459
	<u>22,860</u>	<u>5,459</u>
	<u>\$ 392,593</u>	<u>\$ 258,260</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
SCHEDULE OF OPERATING EXPENSES BEFORE AMORTIZATION & DEPRECIATION  
Year Ended June 30, 2014

	<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	\$ 168,662	\$ -	\$ -	\$ 2,258
Nursing	1,025,327	-	41,878	66,697
Emergency Room/Trauma	909,187	-	453,660	211,775
SS/DP	57,307	-	-	828
Anesthesia	-	-	340,097	1,086
Operating Room	439,550	-	363,672	(109,251)
Infection Control	69,990	-	-	1,570
Education	26,506	-	-	1,056
Nuclear Medicine	-	-	-	-
SANE Program	188,737	-	4,863	8,471
MRI/CT	147,424	-	222,792	1,580
Dietary	267,805	-	10,263	200,335
Central Supply	37,935	-	389	(73,292)
Laboratory	578,739	-	128,631	788,912
Radiology	653,734	-	102,749	31,406
Cardiopulmonary	383,866	-	24,387	52,900
Physical Therapy	606,611	-	936	28,792
Cardiac Rehab	-	-	-	3,313
Pharmacy	213,691	-	79,102	533,048
Home Health	-	-	-	-
Maintenance	141,814	-	154,035	3,491
Housekeeping	236,205	-	395	148,839
Business Office	459,258	-	286,713	25,650
Marketing/Public Relations	86,957	-	6,400	5,114
Health Insurance	266,794	-	18,077	5,916
Human Resources	104,944	1,392,402	6,415	4,503
Payroll	67,199	-	8,452	1,295
Quality Assurance	38,051	-	-	28
Accounts Payable	51,465	-	410	1,086
Finance	175,402	-	76,683	5,366
Management Information Systems	48,753	-	311,523	11,323
Administrative	395,650	-	473,971	25,777
Medical Staff	127,149	-	683	3,390
Rural Health Clinics	5,312,167	-	228,218	313,862
<b>Operating Expenses</b>	<u><u>\$ 13,286,879</u></u>	<u><u>\$ 1,392,402</u></u>	<u><u>\$ 3,345,394</u></u>	<u><u>\$ 2,307,124</u></u>

<b>Equipment Leases and Other Rentals</b>	<b>Utilities, Repairs &amp; Maintenance</b>	<b>Education, Travel, Dues and Subscriptions</b>	<b>Other Expenses</b>	<b>Total</b>
\$ -	\$ 1,000	\$ 18,844	\$ 1,442	\$ 192,206
2,334	1,683	18,883	642	1,157,444
-	18,428	13,340	2,300	1,608,690
-	1,200	1,557	-	60,892
-	-	-	-	341,183
-	124,079	14,881	-	832,931
-	1,215	3,744	-	76,519
-	550	2,302	-	30,414
-	-	-	-	-
84,754	18,084	21,862	7,345	334,116
254,891	5,430	800	-	632,917
2,896	4,240	6,401	1,824	493,764
-	7	-	-	(34,961)
26,472	1,605	10,188	7,958	1,542,505
212,236	15,690	10,581	2,265	1,028,661
4,293	1,220	2,258	359	469,283
24,701	2,423	7,348	-	670,811
-	-	-	-	3,313
1,138	11,000	90	-	838,069
-	-	-	-	-
12,327	282,243	162	-	594,072
138	18,196	-	-	403,773
10,560	5	2,973	65	785,224
-	1,401	15,938	80,267	196,077
61,858	-	639	-	353,284
-	1,200	864	33,746	1,544,074
-	205	349	-	77,500
34,373	-	(1,860)	-	70,592
41	100	-	-	53,102
-	1,100	1,378	36,222	296,151
149,372	9,863	18,602	-	549,436
-	5,122	70,066	186,185	1,156,771
-	-	5,500	2,183	138,905
56,096	73,576	59,616	44,880	6,088,415
<u>\$ 938,480</u>	<u>\$ 600,865</u>	<u>\$ 307,306</u>	<u>\$ 407,683</u>	<u>\$ 22,586,133</u>

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	-	29,713	27,579
Physical Therapy	525,156	-	1,272	35,013
Cardiac Rehab	-	-	-	-
Pharmacy	223,348	-	81,366	375,777
Home Health	-	-	-	-
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	-	12,264	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
<b>Operating Expenses</b>	<u><u>\$ 11,217,008</u></u>	<u><u>\$ 1,523,868</u></u>	<u><u>\$ 2,942,259</u></u>	<u><u>\$ 2,473,113</u></u>

<b>Equipment Leases and Other Rentals</b>	<b>Utilities, Repairs &amp; Maintenance</b>	<b>Education, Travel, Dues and Subscriptions</b>	<b>Other Expenses</b>	<b>Total</b>
\$ -	\$ 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	396,664
24,118	4,044	5,434	-	595,037
-	-	-	-	-
-	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	1,722	8,692	95,028	196,675
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>

## **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***

Timothy Keller,  
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, 2014 and 2013, 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 February 23, 2016. 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 identify deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. The conversion to the new accounting system that resulted in a qualified opinion on the financials as discussed in Finding 2014-001 is considered to be a material weakness in internal control over financial reporting.

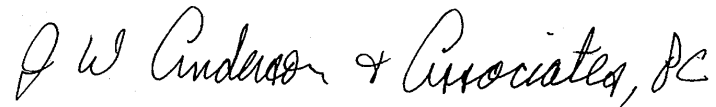
**Compliance and Other Matters**

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  
February 23, 2016



ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
 SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
 June 30, 2014 and 2013

**Prior Years**

<u>Finding</u>	<u>Description</u>	<u>Status</u>
2010-001	Late Submission of Audit Report	Revised and Repeated
2011/2012-001	Late Submission of Audit Report	Revised and Repeated
2012-001	Exceeded Budgetary Authority	Revised and Repeated
2013-001	Exceeded Budgetary Authority	Revised and Repeated
2013-002	Late Submission of Audit Report	Revised and Repeated

**Current Year**

**2012-001 Exceeded Budgetary Authority (Other)(Revised and Repeated)**

CONDITION - The District exceeded budgetary authority at the fund level by \$72,742.

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  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES - Continued  
June 30, 2014 and 2013

**Current Year - continued**

**2010-001 Late Submission of Audit Report (Other)(Revised and Repeated)**

CONDITION - The audit report for fiscal year 2014 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 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 2014 calendar year. Also, the transition to new software has caused multiple accounting issues. This caused a delay in necessary information getting to 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 - In the audit year 2011, the facility procured a new audit firm approved by the New Mexico Office of the State Auditor. The firm, which also prepared the facility's Medicare Cost Report, was a regional firm which was acquired by a large national accounting firm just prior to commencement of the audit. Many of the staff from the audit firm resigned over the change in ownership, and, after many delays, very late in the audit season, the firm acknowledged that they would not be able to complete our facility's audit as contracted because of lack of staffing.

At that point in time, after conferring with the New Mexico Office of the State Auditor, Roosevelt General Hospital procured our previous auditor to conduct a 2 year audit for years ending 2011-2012. The additional burden of a 2 year audit made the 2011-2012 reports untimely and delayed the commencement of the 2013 audit.

The most significant impact on the 2014 audit, which drastically disrupted its timeliness, was the implementation of a hospital-wide computer/software system in January, 2014, totally replacing the existing financial software and transitioning from paper records in all other areas of the hospital. The installation was much more difficult and took considerably longer than anticipated, vendor training was seriously inadequate, and existing processes for accounting responsibilities and calculations were no longer applicable, so this caused multiple accounting issues. Lack of sufficient training made retrieval and processing of information difficult. Two different software systems were used during the fiscal year, one for the first 6 months, and the new one from January-June 2014. All information from the two systems had to be merged for the audit, and many data elements, including the Chart of Accounts, were not in the same format. Also, the CFO was heavily engaged in the software transition process for the entire hospital and the majority of her time was consumed by this project. Another key accounting employee, who was the primary lead for the hospital audit, resigned during the audit process.

These issues created a situation where the audit was unable to be completed within the timeline proposed in the audit. Because the data and formatting were not identical in both computer systems used during the audit year, the audit firm was required to update and re-organize many of their files. Some information was not available during and after the fieldwork, and the audit firm also had less staff than in previous years. In addition, the issues and delays incurred by the software conversion caused the audit firm difficulties in scheduling the remaining audit work and report in a timely manner. Once information was obtained by the audit firm, it was difficult for them to devote adequate time for completion of the audit.

Because the 2014 audit was not yet completed, and a Trial Balance was not available, the 2015 audit could not be commenced and also has not been completed on a timely basis.

Steps that have already been taken or will be implemented to ensure timely submission of the audit in the future include:

- Throughout all Financial departments, additional training and more familiarity with the system has created

greater user competence and has greatly enhanced retrieval and processing of information from the system, so the issues relating to the implementation of a new computer/software system should mitigate as users are becoming competent in use of the system.

- New accounting processes, spreadsheets, calculations and supporting documentation has been implemented and have matured in their effectiveness.
- Administration has approved and the CFO will be hiring additional skilled, experienced staff for the financial department.
- The IT department has taken over much of maintenance of the system, so the CFO requirements for this project have greatly reduced.

The previous software system has been retired, and the financial records are retained and retrieved from an integrated, consistent environment

### **2014-001 Qualified Opinion on Financial Statements (Material Weakness)**

CONDITION - The opinion on the financials was qualified due to a lack of supporting documentation. We were unable to obtain sufficient appropriate audit evidence about Roosevelt County Special Hospital District's patient accounts receivable (\$12,520,826), allowance for bad debts (\$4,994,384), allowance for contractual adjustments (\$3,108,434), inventory (\$1,067,043) and accrued payroll taxes and benefits (\$408,989) carried at a net of \$5,076,062 on the balance sheet at June 30, 2014.

CRITERIA – Generally Accepted Auditing Standards states “The auditor must obtain sufficient appropriate audit evidence by performing audit procedures to afford a reasonable basis for an opinion regarding the financial statements under audit”.

CAUSE - 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 2014 calendar year. Also, the transition to new software has caused multiple accounting issues. This caused issues with supporting documentation for several balance sheet accounts

EFFECT – There was a qualified opinion on the District's financial statements.

RECOMMENDATION - We recommend the District maintain appropriate documentation to support account balances.

MANAGEMENT'S RESPONSE - The same factors that created the untimely submission of the audit, namely the transition to a new computer system, created the circumstances for this finding. Not only was information retrieval difficult, but the format of the reporting created the need for new organization and management of the data, and there was not adequate time for the audit firm to learn the intricacies of the system and its outputs to determine if appropriate audit evidence was present.

Steps that have already been taken or will be implemented to ensure timely submission of the audit in the future include:

- Throughout all financial departments, additional training and more familiarity with the system has created greater user competence and has greatly enhanced retrieval and processing of information from the system, so the issues relating to the implementation of a new computer/software system should mitigate as users are becoming competent in use of the system.
- New accounting processes, spreadsheets, calculations and supporting documentation has been implemented and have matured in their effectiveness.
- Administration has approved and the CFO will be hiring additional skilled, experienced staff for the financial department.
- The IT department has taken over much of maintenance of the system, so the CFO requirements for this project have greatly reduced.
- The previous software system has been retired, and the financial records are retained and retrieved from an integrated, consistent environment.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
EXIT CONFERENCE  
June 30, 2014

The contents of this report were discussed with the Roosevelt County Special Hospital District representatives on March 4, 2016. The following individuals were available for the conference:

RCSHD

Eva Stevens, Chief Financial Officer  
Larry Leaming, Chief Executive Office  
Randy Lieb, Board Member

J.W. Anderson & Associates, PC

JW Larry Anderson, CPA

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.