

**Roosevelt County
Special Hospital District
doing business as
Roosevelt General Hospital**

Basic Financial Statements and
Independent Auditors' Reports

June 30, 2019 and 2018



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

**Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
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INTRODUCTORY SECTION

**Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Governing Board and Principal Employees
June 30, 2019**

Board of Trustees

Paul Benoit	President
Doug Stone	Secretary/Treasurer
Jenny Clemmons	Trustee
Scott Reeves	Trustee
Robin Inge	Trustee

Principal Employees

Kaye Green	Chief Executive Officer
Bill Boyer	Chief Financial Officer

FINANCIAL SECTION



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Trustees
and Management of Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital,
and Mr. Brian Colon, New Mexico State Auditor
Portales, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of Roosevelt County Special Hospital District doing business as Roosevelt General Hospital (the District) as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. We have also audited the schedule of revenues and expenses – budget to actual of the District for the year ended June 30, 2019, presented as supplemental information as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the District as of June 30, 2019 and 2018, and the changes in its net position and its cash flows 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 schedule of revenues and expenses – budget to actual of the District for the year ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has not presented the 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 an opinion on the District’s basic financial statements as a whole and the schedule of revenues and expenses – budget to actual. The schedule of pledged collateral, schedule of individual deposit and investment accounts, and indigent care cost and funding report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2019, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended June 30, 2019. We issued a similar report for the year ended June 30, 2018, dated October 3, 2018, which has not been included with the 2019 financial and compliance report. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
October 3, 2019

Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Statements of Net Position
June 30, 2019 and 2018

ASSETS	2019	2018
<i>Current assets</i>		
Cash and cash equivalents	\$ 1,953,796	\$ 1,489,816
Patient accounts receivable, net of estimated uncollectible accounts	3,050,132	2,610,228
Safety net care pool receivable	463,694	669,729
Taxes receivable	210,000	242,065
Other receivable	21,756	12,000
340B contract pharmacy receivable	152,431	78,325
Inventories	834,236	986,015
Prepaid expenses	141,856	153,740
Total current assets	6,827,901	6,241,918
<i>Noncurrent assets</i>		
Cash and cash equivalents, restricted as to use	1,143,839	1,114,908
Capital assets, net	8,869,789	9,739,788
Total noncurrent assets	10,013,628	10,854,696
Total assets	\$ 16,841,529	\$ 17,096,614

See accompanying notes to basic financial statements.

Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Statements of Net Position (Continued)
June 30, 2019 and 2018

LIABILITIES AND NET POSITION	2019	2018
<i>Current liabilities</i>		
Current maturities of long-term debt and capital lease obligations	\$ 1,140,860	\$ 1,426,043
Accounts payable	419,179	1,341,665
Accrued compensation and related liabilities	1,334,660	967,203
Compensated absences	726,197	704,925
Accrued interest payable	4,900	9,496
Total current liabilities	3,625,796	4,449,332
<i>Noncurrent liabilities</i>		
Long-term debt and capital lease obligations, net of current maturities	612,741	1,188,861
Total liabilities	4,238,537	5,638,193
<i>Net position</i>		
Net investment in capital assets	7,111,288	7,115,388
Restricted	1,143,839	1,114,908
Unrestricted	4,347,865	3,228,125
Total net position	12,602,992	11,458,421
Total liabilities and net position	\$ 16,841,529	\$ 17,096,614

See accompanying notes to basic financial statements

Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2019 and 2018

	2019	2018
<i>Operating revenues</i>		
Net patient service revenue	\$ 27,976,874	\$ 23,467,022
Safety net care pool	2,291,578	2,082,728
Electronic health records incentive (payback)	(22,687)	(67,508)
Grants	336,264	362,840
Other	487,805	523,094
Total operating revenues	31,069,834	26,368,176
<i>Operating expenses</i>		
Salaries and wages	16,553,709	14,677,314
Employee benefits	2,019,743	1,887,595
Professional fees	1,081,391	1,325,855
Purchased services	3,012,369	3,413,889
Supplies	4,284,537	3,859,145
Utilities	439,415	429,134
Repairs and maintenance	752,925	712,045
Leases and rentals	254,838	311,166
Depreciation and amortization	1,593,874	1,482,695
Insurance	377,908	393,956
Other	797,072	807,136
Total operating expenses	31,167,781	29,299,930
<i>Operating loss</i>	(97,947)	(2,931,754)
<i>Nonoperating revenues (expenses)</i>		
Gross receipts tax revenue	1,408,050	1,528,013
Interest income	27,637	17,035
Interest expense	(158,176)	(212,055)
Gain (loss) on disposal of assets	(34,993)	40,798
Total nonoperating revenues, net	1,242,518	1,373,791
Excess of revenues (expenses) before gain on insurance settlement	1,144,571	(1,557,963)
<i>Gain on insurance settlement</i>	-	203,171
Change in net position	1,144,571	(1,354,792)
Net position, beginning of year	11,458,421	12,813,213
Net position, end of year	\$ 12,602,992	\$ 11,458,421

See accompanying notes to basic financial statements.

Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 29,960,477	\$ 25,264,901
Receipts from grants	336,264	362,840
Receipts from other revenue	487,805	523,094
Electronic health records payback	(22,687)	(67,508)
Payments to and on behalf of employees	(18,194,479)	(16,564,038)
Payments to suppliers and contractors	(11,759,278)	(10,814,632)
Net cash provided by (used in) operating activities	808,102	(1,295,343)
<i>Cash flows from capital and related financing activities</i>		
Principal payments on long-term debt and capital lease obligations	(1,480,241)	(1,507,336)
Proceeds from issuance of long-term debt	618,938	-
Interest paid	(162,772)	(216,344)
Purchase of capital assets	(758,868)	(1,232,431)
Proceeds from insurance settlement	-	203,171
Receipts from gross receipts tax proceeds	1,440,115	1,554,879
Net cash used in capital and related financing activities	(342,828)	(1,198,061)
<i>Cash flows from investing activities</i>		
Interest received	27,637	17,035
Net increase (decrease) in cash and cash equivalents	492,911	(2,476,369)
Cash and cash equivalents, beginning of year	2,604,724	5,081,093
Cash and cash equivalents, end of year	\$ 3,097,635	\$ 2,604,724

See accompanying notes to basic financial statements.

Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Statements of Cash Flows (Continued)
Years Ended June 30, 2019 and 2018

	2019	2018
<i>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</i>		
Cash and cash equivalents in current assets	\$ 1,953,796	\$ 1,489,816
Cash and cash equivalents, restricted as to use	1,143,839	1,114,908
Total cash and cash equivalents	\$ 3,097,635	\$ 2,604,724
<i>Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities</i>		
Operating loss	\$ (97,947)	\$ (2,931,754)
<i>Adjustments to reconcile operating loss to net cash provided by (used in) operating activities</i>		
Depreciation and amortization	1,593,874	1,482,695
Provision for bad debts	2,515,644	1,414,067
(Increase) decrease in assets:		
Receivables:		
Patient accounts	(2,955,548)	(1,173,383)
Safety net care pool	206,035	(501,216)
Estimated third-party payor settlement	-	54,008
340B contract pharmacy	(74,106)	(78,325)
Other	(9,756)	23,125
Inventories	151,779	(217,139)
Prepaid expenses	11,884	(96,404)
Increase (decrease) in liabilities:		
Accounts payable	(922,486)	751,237
Accrued compensation and related liabilities	367,457	(98,725)
Compensated absences	21,272	76,471
Net cash provided by (used in) operating activities	\$ 808,102	\$ (1,295,343)

See accompanying notes to basic financial statements.

**Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Notes to Basic Financial Statements
Years Ended June 30, 2019 and 2018**

1. Reporting Entity, Related Organizations, and Summary of Significant Accounting Policies:

a. Reporting Entity

Roosevelt County Special Hospital District doing business as Roosevelt General Hospital (the District) operates a 24-bed hospital and rural health clinic in Portales, New Mexico. The District provides inpatient, outpatient, physician, and counseling services for Roosevelt County, New Mexico residents.

Five Roosevelt County full-time residents are elected as hospital board members in accordance with the New Mexico Hospital Special District Act and New Mexico law.

b. Related Organizations

RGH Foundation Inc. – RGH Foundation Inc. (the Foundation) is a separate nonprofit corporation. The Foundation was organized to solicit and accept charitable contributions in order to provide support to the District. The Foundation’s financial position is not material to the District and has not been included in these financial statements.

Roosevelt General Hospital Auxiliary Inc. – The Roosevelt General Hospital Auxiliary Inc. (the Auxiliary) is a separate nonprofit corporation. The Auxiliary runs the gift shop located in the District and is authorized by the District to solicit contributions on its behalf. The Auxiliary’s financial position is not material to the District and has not been included in these financial statements.

c. Summary of Significant Accounting Policies

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

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

Cash and cash equivalents – Cash and cash equivalents include business checking accounts maintained with local financial institutions, cash on hand, and investments in highly liquid debt instruments with an original maturity of three months or less.

Inventories – Inventories consist of medical, pharmaceutical, and dietary supplies, and are stated at the lower of cost (using the first-in, first-out method) or market value.

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

Assets restricted as to use – Assets restricted as to use include assets held by the New Mexico Finance Authority (NMFA) for debt service and debt service reserve.

**Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2019 and 2018**

1. Reporting Entity, Related Organizations, and Summary of Significant Accounting Policies (continued):

c. Summary of Significant Accounting Policies (continued)

Compensated absences – The District’s employees earn paid days off at varying rates, depending on years of service. Paid days off earned, but not used, are paid upon termination.

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

Net position – Net position of the District is classified into three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District.

Unrestricted net position is remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*.

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

Grants and contributions – From time to time, the District receives grants from the state and others as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Grants that are unrestricted, or that are restricted to a specific operating purpose, are reported as operating revenues. Grants that are used to subsidize operating deficits are reported as nonoperating revenues. Contributions and amounts restricted for capital acquisitions are reported after nonoperating revenues and expenses.

Budgets and budgetary accounting – Prior to the beginning of each fiscal year, an accrual basis budget for the District is prepared by the District’s management and is presented to the Board of Trustees for approval. Upon approval, the budget is sent to the State of New Mexico Department of Finance and Administration (DFA) for tentative approval. Final approval is granted after the beginning of the fiscal year when the fund balances for the prior year are known. Expenditures cannot legally exceed the total fund budget. Any budget amendments are approved by the Board of Trustees and sent to the DFA for approval. Budgeted amounts may be transferred between departments within a fund; however, any revisions that alter the total expenditures of a fund must be approved by the DFA.

Reclassifications – Certain reclassifications have been made to the 2018 financial statements to conform with the classifications used in the 2019 financial statements with no effect on previously reported change in net position.

**Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2019 and 2018**

1. Reporting Entity, Related Organizations, and Summary of Significant Accounting Policies (continued):

c. Summary of Significant Accounting Policies (continued)

Upcoming accounting standard pronouncements – In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, which increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The new guidance is effective for the District’s year ending June 30, 2021, although earlier application is encouraged. The District has not elected to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The new guidance is effective for the District’s year ending June 30, 2021. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

Subsequent events – Subsequent events have been reviewed through October 3, 2019, the date on which the financial statements were available to be issued.

2. Deposits and Investments:

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

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

Of the District’s total deposits of \$2,165,721 and \$1,860,854 at June 30, 2019 and 2018, respectively, all deposits were insured and collateralized, and therefore were not subject to custodial credit risk.

Statutes authorize the District to invest in obligations of the United States Treasury, agencies and instrumentalities, commercial paper, and bankers’ acceptances.

**Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2019 and 2018**

2. Deposits and Investments (continued):

Fair value – The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District’s certificates of deposit are valued using quoted market prices (Level 2 input).

The pledged collateral for the funds held by the NMFA (see Note 3) is unavailable because the bank commingles pledged collateral for all state funds it holds. However, the Office of the State Treasurer’s collateral bureau monitors pledged collateral for all state funds held by state agencies in such authorized bank accounts.

3. Cash and Cash Equivalents Restricted as to Use:

The composition of cash and cash equivalents restricted as to use was as follows:

	2019	2018
Restricted under New Mexico Finance Authority loan agreement for debt service, held by trustee	\$ 603,453	\$ 582,028
Restricted under New Mexico Finance Authority loan agreement for debt reserve, held by trustee	540,386	532,880
Total cash and cash equivalents restricted as to use	\$ 1,143,839	\$ 1,114,908

4. Patient Accounts Receivable:

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

**Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2019 and 2018**

4. Patient Accounts Receivable (continued):

The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The District's allowance for uncollectible accounts for self-pay patients has decreased from the prior year due to a decrease in accounts receivable for self-pay patients. The District does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

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

	2019	2018
Receivable from patients and their insurance carriers	\$ 5,548,555	\$ 5,870,943
Receivable from Medicare	448,043	371,613
Receivable from Medicaid	383,534	290,672
Total patient accounts receivable	6,380,132	6,533,228
Less allowance for uncollectible accounts	3,330,000	3,923,000
Net patient accounts receivable	\$ 3,050,132	\$ 2,610,228

5. Insurance Settlement:

During the year ended June 30, 2018, the District determined there was sufficient evidence of impairment due to hail damage to write down the reported value of the roof recorded by the District. The net book value of the roof at the time of the incident was \$-0-, as it was fully depreciated. Insurance proceeds of \$203,171 were recognized during the year ended June 30, 2018, as a result of this claim.

6. Capital Assets:

The District capitalizes assets whose costs exceed \$5,000 and whose estimated useful life is at least two years. Capital asset acquisitions are recorded at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land and construction in progress are depreciated or amortized (in the case of capital leases) by the straight-line method of depreciation using these asset lives:

Land improvements	5 to 25 years
Buildings and improvements	5 to 30 years
Equipment	2 to 25 years

Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2019 and 2018

6. Capital Assets (continued):

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

	2019				
	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
<i>Capital assets not being depreciated</i>					
Construction in progress	\$ 454,285	\$ 669,611	\$ -	\$ (985,490)	\$ 138,406
Land	538,356	-	-	-	538,356
Total capital assets not being depreciated	992,641	669,611	-	(985,490)	676,762
<i>Capital assets being depreciated</i>					
Land improvements	396,376	-	-	312,944	709,320
Buildings and improvements	8,778,277	-	-	465,676	9,243,953
Equipment	16,575,042	88,255	(2,495,315)	206,870	14,374,852
Total capital assets being depreciated	25,749,695	88,255	(2,495,315)	985,490	24,328,125
<i>Less accumulated depreciation for</i>					
Land improvements	(359,085)	(13,458)	-	-	(372,543)
Buildings and improvements	(4,633,197)	(294,644)	-	-	(4,927,841)
Equipment	(12,010,266)	(1,285,772)	2,461,324	-	(10,834,714)
Total accumulated depreciation	(17,002,548)	(1,593,874)	2,461,324	-	(16,135,098)
Total capital assets being depreciated, net	8,747,147	(1,505,619)	(33,991)	985,490	8,193,027
Capital assets, net of accumulated depreciation	\$ 9,739,788	\$ (836,008)	\$ (33,991)	\$ -	\$ 8,869,789

Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2019 and 2018

6. Capital Assets (continued):

	2018				
	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
<i>Capital assets not being depreciated</i>					
Construction in progress	\$ -	\$ 454,285	\$ -	\$ -	\$ 454,285
Land	538,356	-	-	-	538,356
Total capital assets not being depreciated	538,356	454,285	-	-	992,641
<i>Capital assets being depreciated</i>					
Land improvements	396,376	-	-	-	396,376
Buildings and improvements	8,648,808	129,469	-	-	8,778,277
Equipment	16,046,651	689,475	(161,084)	-	16,575,042
Total capital assets being depreciated	25,091,835	818,944	(161,084)	-	25,749,695
<i>Less accumulated depreciation for</i>					
Land improvements	(357,054)	(2,031)	-	-	(359,085)
Buildings and improvements	(4,321,307)	(311,890)	-	-	(4,633,197)
Equipment	(11,002,576)	(1,168,774)	161,084	-	(12,010,266)
Total accumulated depreciation	(15,680,937)	(1,482,695)	161,084	-	(17,002,548)
Total capital assets being depreciated, net	9,410,898	(663,751)	-	-	8,747,147
Capital assets, net of accumulated depreciation	\$ 9,949,254	\$ (209,466)	\$ -	\$ -	\$ 9,739,788

Construction in progress at June 30, 2019, primarily consisted of costs associated with the expansion of the emergency room, which is estimated to be completed in June 2021. Estimated costs to complete the project are approximately \$5 million.

**Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2019 and 2018**

7. Noncurrent Liabilities:

A schedule of changes in the District's noncurrent liabilities follows:

	2019				
	Beginning Balance	Additions	Decreases	Ending Balance	Amounts Due Within One Year
NMFA hospital facility direct loan	\$ 960,000	\$ -	\$ (465,000)	\$ 495,000	\$ 495,000
NMFA medical office facility direct loan	106,942	-	(52,681)	54,261	54,261
Roosevelt County Electric Cooperative (RCEC) loan	149,173	-	(65,885)	83,288	66,547
RCRTC loan 2012	144,045	-	(66,095)	77,950	66,759
LEAF finance agreement	113,029	-	(63,135)	49,894	49,894
RCRTC loan 2018	-	618,938	(54,196)	564,742	59,691
Capital lease obligations	1,141,715	-	(713,249)	428,466	348,708
Compensated absences	704,925	709,862	(688,590)	726,197	726,197
Total noncurrent liabilities	\$ 3,319,829	\$ 1,328,800	\$ (2,168,831)	\$ 2,479,798	\$ 1,867,057

	2018				
	Beginning Balance	Additions	Decreases	Ending Balance	Amounts Due Within One Year
NMFA hospital facility direct loan	\$ 1,400,000	\$ -	\$ (440,000)	\$ 960,000	\$ 465,000
NMFA medical office facility direct loan	158,088	-	(51,146)	106,942	52,681
Roosevelt County Electric Cooperative (RCEC) loan	214,402	-	(65,229)	149,173	65,885
RCRTC loan 2012	209,483	-	(65,438)	144,045	66,095
LEAF finance agreement	172,496	-	(59,467)	113,029	63,135
Capital lease obligations	1,967,771	-	(826,056)	1,141,715	713,247
Compensated absences	628,454	690,467	(613,996)	704,925	704,925
Total noncurrent liabilities	\$ 4,750,694	\$ 690,467	\$ (2,121,332)	\$ 3,319,829	\$ 2,130,968

At June 30, 2019, the capitalized costs and accumulated depreciation of the capital lease obligations were \$1,622,463 and \$815,159, respectively.

At June 30, 2018, the capitalized costs and accumulated depreciation of the capital lease obligations were \$3,972,989 and \$1,557,511, respectively.

Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2019 and 2018

7. Noncurrent Liabilities (continued):

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

Debt Instrument	Original Amount	Interest Rate	Payment Frequency	Payment Amount	Maturity Date	Due Within One Year
NMFA hospital facility direct loan	\$ 6,115,000	5.5% to 5.61%	annual	\$ varies	5/1/2020	\$ 495,000
NMFA medical office facility direct loan	\$ 814,469	3%	annual	\$ varies	5/1/2020	54,261
RCEC loan	\$ 500,000	1%	monthly	\$ 5,590	9/1/2020	66,547
RCRTC loan 2012	\$ 470,000	1%	monthly	\$ 5,603	8/20/2020	66,759
LEAF finance agreement	\$ 186,815	6%	monthly	\$ 5,683	3/15/2020	49,894
RCRTC loan 2018	\$ 618,938	1%	monthly	\$ 5,422	8/10/2028	59,691
Toshiba capital lease no. 1	\$ 460,500	4%	monthly	\$ 8,625	6/25/2020	101,154
Toshiba capital lease no. 2	\$ 59,500	6%	monthly	\$ 1,134	3/25/2020	9,971
Toshiba capital lease no. 3	\$ 999,419	5%	monthly	\$ 18,692	10/25/2020	215,429
Toshiba capital lease no. 4	\$ 102,544	5%	monthly	\$ 1,917	9/25/2020	22,154
						\$ 1,140,860

Sections 7-20C-1 and 7-1-6.13 NMSA 1978 authorize the District to issue revenue bonds and borrow funds from NMFA and secure the bonds and loans with the Gross Receipts Tax (GRT) 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 GRT receipts are paid directly to the NMFA and held in escrow to fund the annual principal and semiannual interest payments due to the state agency.

Scheduled future annual payments on the District's long-term debt and capital lease obligations payable are as follows:

Years Ending	Principal	Interest	Total
June 30,			
2020	\$ 1,140,860	\$ 45,331	\$ 1,186,191
2021	167,980	5,578	173,558
2022	60,897	4,169	65,066
2023	61,509	3,557	65,066
2024	62,126	2,939	65,065
2025-2029	260,229	5,457	265,686
	\$ 1,753,601	\$ 67,031	\$ 1,820,632

The District entered into two loan agreements with the NMFA, dated December 21, 1999, in the original amounts of \$6,115,000 and \$814,469, for the construction of a hospital and medical office buildings. The notes are due in annual installments, including varying interest rates, through May 1, 2020.

The NMFA loan agreements require that the District have a coverage ratio of 120 percent. The coverage ratio requires the sum of pledged revenue, which consists of all gross tax receipts revenue, to be 120 percent of the maximum aggregate annual debt service requirement. The District met this requirement as of June 30, 2019.

**Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2019 and 2018**

8. Net Patient Service Revenue:

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the District's patients will be unable or unwilling to pay for the services provided. Thus, the District records a significant provision for bad debts related to uninsured patients and the deductible and coinsurance portion of payments due from beneficiaries in the period the services are provided. The District has not changed its charity care or uninsured discount policies during fiscal years 2019 or 2018. Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	2019	2018
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 6,943,552	\$ 4,680,385
Medicaid	7,331,067	6,845,036
Other third-party payors	12,769,966	9,583,931
Patients	3,186,587	3,590,091
340B contract pharmacy	916,310	702,330
	31,147,482	25,401,773
Less:		
Charity care	654,964	520,684
Provision for bad debts	2,515,644	1,414,067
Net patient service revenue	\$ 27,976,874	\$ 23,467,022

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

- *Medicare* – Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The District is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare administrative contractor.
- *Medicaid/Centennial Care* – The state of New Mexico (the State) administers its Medicaid program through contracts with several managed care organizations (MCOs). Medicaid beneficiaries are required to enroll with one of the MCOs. The State pays each MCO a per-member, per-month rate based on their current enrollment. These amounts are allocated by each MCO to separate pools for the hospital, physicians, and ancillary providers. As a result, the MCOs assume the financial risk of providing healthcare to its members.

**Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2019 and 2018**

8. Net Patient Service Revenue (continued):

- *Medicaid/Centennial Care (continued)* – Though the District contracts with MCOs, inpatient acute care services and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge and discounted fee schedules. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

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

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The District provides charity care to patients who are financially unable to pay for the healthcare services they receive. The District's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended June 30, 2019 and 2018, were approximately \$227,000 and \$217,000, respectively.

9. Safety Net Care Pool:

The District receives funding for uncompensated care costs through the state of New Mexico's safety net care pool program. The District receives interim quarterly payments subject to settlements based on actual uncompensated care costs. The District estimates the settlement amounts for each calendar year. There is a reasonable possibility that recorded estimates will change by a material amount.

10. Gross Receipts Tax Revenue:

The District receives the proceeds of a ½ cent Local Hospital Gross Receipts Tax (GRT) imposed by Roosevelt County (the County) pursuant to Local Hospital GRT, Section 7-20C-1 through 7-20C-17 New Mexico 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 ½ cent gross receipts tax is set to expire in June 2037.

The District received a share of GRT collected by the County, approximating \$1,408,000 and \$1,528,000 in 2019 and 2018, respectively.

**Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2019 and 2018**

11. Retirement Plans:

The District has a deferred compensation plan created in accordance with Internal Revenue Code §457. The name of the plan is Roosevelt General Hospital 457(b) Plan (the 457(b) Plan). Substantially all employees are eligible. Employees may contribute from 1 percent to 15 percent of their annual compensation to the plan, limited to a maximum annual amount set by the Internal Revenue Service. Employee contributions were approximately \$376,000 and \$312,000 during the years ended June 30, 2019 and 2018, respectively.

The District provides a 401(a) profit-sharing pension plan for all employees that are at least part-time employees and benefit-eligible, after 90 days of service. The name of the plan is Roosevelt General Hospital 401(a) Profit-sharing Plan and Trust (the 401(a) Plan). The District matches up to 5 percent of employee's contributions when the employee elects to contribute 7 percent of their annual compensation. Employees are vested in the matching contributions at a rate of 50 percent after three years of employment, and 100 percent after five years of employment. The District's contributions to the 401(a) Plan were approximately \$226,000 and \$213,000 for the years ended June 30, 2019 and 2018, respectively.

The plans are administered by the District. The District has the authority to amend the plans.

12. Contingencies:

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; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Medical malpractice claims – The District is insured with a commercial insurance company for medical malpractice under a policy written on a self-insured retention of \$25,000 per occurrence. Coverage is limited to \$1,000,000 per occurrence and a \$3,000,000 annual aggregate. Should the claims-made policy not be renewed, or be replaced with equivalent insurance, claims based on occurrences during its term but reported subsequently will be uninsured. Management intends to continue claims-made coverage.

Litigation – The District is occasionally involved in litigation arising in the course of business. Management estimates that these matters will be resolved without a material adverse effect on the District's future financial position or results of operations.

Industry regulations – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of various statutes and regulations by healthcare providers. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Management believes that the District is in compliance with fraud and abuse as well as other applicable government laws and regulations. If the District is found in violation of these laws, the District could be subject to substantial monetary fines, civil and criminal penalties, and exclusion from participation in the Medicare and Medicaid programs.

**Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Notes to Basic Financial Statements (Continued)
Years Ended June 30, 2019 and 2018**

13. Concentration of Risk:

Patient accounts receivable – The District receives payment for services rendered from federal and state agencies, private insurance carriers, employers, managed care programs, and patients. The majority of these patients are geographically concentrated in and around Roosevelt County. The mix of receivables from patients and third-party payors was as follows:

	2019	2018
Medicare	23 %	20 %
Medicaid	17	12
Patients	32	40
Commercial and other	28	28
	100 %	100 %

Physicians – The District is dependent on local physicians in its service area to provide admissions and utilize hospital services on an outpatient basis. A decrease in the number of physicians providing these services or a change in their utilization patterns may have an adverse effect on the District’s operations.

14. Subsequent Event:

In July 2019, the District issued gross receipts tax revenue bonds in the amount of \$5,285,000, which will be used for an emergency room expansion project.

SUPPLEMENTAL INFORMATION

Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Schedule of Pledged Collateral
June 30, 2019

	JP Stone Community Bank
Deposits at June 30, 2019	\$ 2,165,721
Less: FDIC coverage	(250,000)
Uninsured public funds	1,915,721
Pledged collateral held by the pledging bank's trust department or agent, but not in the District's name	3,160,563
Total uninsured and uncollateralized public funds	\$ (1,244,842)
50 percent pledged collateral requirement per statute	\$ 957,861
Total pledged collateral	3,160,563
Pledged collateral over the requirement	\$ 2,202,703

Pledged collateral at June 30, 2019, consists of the following:

JP Stone Community Bank	Fair Value	Maturity
FHLB QTRLY CALL STEP - 3130A7ZL2	\$ 987,565	5/23/2031
FHLB QTRLY CALL STEP - 3130A9RN3	494,970	10/28/2031
FHLB QTRLY CALL STEP - 3134G9UP0	990,734	6/29/2029
FNMA QTRLY CALL STEP - 3136G3PW9	687,294	5/25/2029
Total pledged securities	\$ 3,160,563	

The custodian of the pledged securities is the Independent Bankers Bank – Dallas, Texas.

See accompanying independent auditors' report.

Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Schedule of Individual Deposit and Investment Accounts
June 30, 2019

Depository	Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Other Reconciling Items	Book Balance
Deposit Accounts							
JP Stone Community Bank	Operating account	Interest bearing checking	\$ 676,355	\$ -	\$ (164,590)	\$ (12,703)	\$ 499,062
JP Stone Community Bank	Payroll account	Interest bearing checking	256,353	-	(22,191)	-	234,162
JP Stone Community Bank	Physician's Clinic account	Interest bearing checking	182,975	-	(158)	-	182,817
JP Stone Community Bank	Grants account	Interest bearing checking	687,640	-	-	-	687,640
JP Stone Community Bank	Cash reserves	Savings	362,398	-	-	(14,683)	347,715
Total Deposit Accounts			2,165,721	-	(186,939)	(27,386)	1,951,396
Cash on hand	Petty cash	Petty cash	2,400	-	-	-	2,400
New Mexico Finance Authority	Debt service	Money Market	602,951	-	-	502	603,453
New Mexico Finance Authority	Debt reserve	Money Market	541,483	-	-	(1,097)	540,386
Total deposits and investments			\$ 3,312,555	\$ -	\$ (186,939)	\$ (27,981)	\$ 3,097,635

See accompanying independent auditors' report.

**Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Indigent Care Cost and Funding Report
Year Ended June 30, 2019**

		For the Year Ended June 30,		
		2019	2018	2017
A	Funding for indigent care			
A1	State appropriations specified for indigent care	\$ -	\$ -	\$ -
A2	County indigent funds received	-	-	-
A3	Out of county indigent funds received	-	-	-
A4	Payments and copayments received from uninsured patients qualifying for indigent care	-	-	-
A5	Reimbursement received for services provided to patients qualifying for coverage under EMSA	-	-	-
A6	Charitable contributions received from donors that are designated for funding indigent care Other sources	-	-	-
A7	Other source 1 (if applicable)	-	-	-
	Total funding for indigent care	<u>-</u>	<u>-</u>	<u>-</u>
B	Cost of providing indigent care			
	Total cost of care for providing services to:			
B1	Uninsured patients qualifying for indigent care	229,237	218,687	268,989
B2	Patients qualifying for coverage under EMSA	-	-	-
B3	Cost of care related to patient portion of bill for insured patients qualifying for indigent care	-	-	-
B4	Direct costs paid to other providers on behalf of patients qualifying for indigent care	<u>-</u>	<u>-</u>	<u>-</u>
B5	Other costs of providing indigent care (please specify) Total cost of providing indigent care	<u>229,237</u>	<u>218,687</u>	<u>268,989</u>
	Shortfall of funding for charity care to cost of providing indigent care	<u>\$ (229,237)</u>	<u>\$ (218,687)</u>	<u>\$ (268,989)</u>
C	Patients receiving indigent care services			
C1	Total number of patients receiving indigent care	207	171	193
C2	Total number of patient encounters receiving indigent care	474	233	429

See accompanying independent auditors' report.

**Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Indigent Care Cost and Funding Report (Continued)
Year Ended June 30, 2019**

	For the Year Ended June 30,		
	2019	2018	2017
Uninsured patients qualifying for indigent care			
Charges for these patients	\$ 654,964	\$ 520,684	\$ 672,472
Ratio of cost to charges	35.0%	42.0%	40.0%
Cost for uninsured patients qualifying for indigent care	<u>\$ 229,237</u>	<u>\$ 218,687</u>	<u>\$ 268,989</u>
Patients qualifying for coverage under Emergency Medical Services for Aliens (EMSA)			
Charges for these patients	\$ -	\$ -	\$ -
Ratio of cost to charges	0.0%	0.0%	0.0%
Cost for patients qualifying for coverage under Emergency Medical Services for Aliens (EMSA)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cost of care related to patient portion of bill for insured patients qualifying for indigent care			
Indigent care adjustments for these patients	\$ -	\$ -	\$ -
Ratio of cost to charges	0.0%	0.0%	0.0%
Cost of care related to patient portion of bill for insured patients qualifying for indigent care	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Direct costs paid to other providers on behalf of patients qualifying for indigent care			
Payments to other providers for care of these patients	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditors' report.

Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Schedule of Revenues and Expenses – Budget to Actual
Year Ended June 30, 2019

	Actual	Approved Budget	Variance with Approved Budget - Over (Under)
<i>Revenues</i>			
Net patient service revenue, safety net care pool, and electronic health records incentive payment	\$ 30,245,765	\$ 30,477,766	\$ (232,001)
Gross receipts tax revenue	1,408,050	1,724,000	(315,950)
Other revenue	816,713	1,175,644	(358,931)
Total revenues	32,470,528	33,377,410	(906,882)
<i>Expenses</i>			
Salaries and wages, and benefits	18,573,452	18,908,246	(334,794)
Other	12,752,505	12,636,216	116,289
Total expenses	31,325,957	31,544,462	(218,505)
Change in net position	\$ 1,144,571	\$ 1,832,948	\$ (688,377)

See accompanying independent auditors' report.



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
and Management of Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital,
and Mr. Brian Colon, New Mexico State Auditor
Portales, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Roosevelt County Special Hospital District doing business as Roosevelt General Hospital (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 3, 2019. We also audited the schedule of revenues and expenses – budget to actual of the District for the year ended June 30, 2019, presented as supplemental information as listed in the table of contents.

Internal Control Over Financial Reporting

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

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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider deficiencies 2015-001 and 2019-001 described in the accompanying schedule of findings and responses to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2018-003 and 2019-002.

The District's Response to Findings

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

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
October 3, 2019

**Roosevelt County Special Hospital District
 doing business as Roosevelt General Hospital
 Summary of Auditors' Results
 Year Ended June 30, 2019**

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:
 Material weakness reported?

 X Yes No

Significant deficiencies reported not
 considered to be material weaknesses?

 Yes X No

Noncompliance material to financial statements noted?

 Yes X No

Other noncompliance material to financial statements noted?

 X Yes No

**Roosevelt County Special Hospital District
 doing business as Roosevelt General Hospital
 Schedule of Findings and Responses
 Year Ended June 30, 2019**

2015-001 Auditor-Detected Adjustments

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

Criteria Timely and accurate information should be available to management and those charged with governance to make decisions. No material adjusting journal entries should be detected by auditors during the audit process.

Condition Material audit adjustments were made to correct the following audit areas with respective net income effects:

- Accounts payable (\$83,558)
- Allowance for doubtful accounts (\$538,242)
- Accrued payroll and compensated absences (\$83,558)
- Various other areas \$29,632

The net income effect of all auditor detected journal entries decreased net income by \$676,371

The District made progress on its corrective action plan from 2018, which led to decreased auditor-detected journal entries; however, the District did not complete it due to turnover in the accounting department.

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

Effect There were material errors in the financial statements that were corrected through auditor-proposed adjustments.

Cause The accounts payable liability was understated, as invoices relating to fiscal year 2019 were received in fiscal year 2020, after the District had already closed the accounts payable system. The allowance for doubtful accounts was understated, as the District did not adjust the balance during the year. Accrued payroll and compensated absences were overstated, as they had not been adjusted for year-end changes relating to productivity standards and time-off carryover policies.

Recommendation The District should develop review processes to ensure the allowance for doubtful accounts remains accurate throughout the year, and should begin to accrue liabilities at year end that relate to the fiscal year but are received after. The District should also adjust the accrued payroll and compensated absences liability at year end to account for productivity standards and time off carryover policies.

Management's Response The Chief Financial Officer (CFO) will create processes to calculate and accrue for doubtful accounts. Accounts payable will remain open after year end until all invoices can be entered into the correct period, with any invoices found after accounts payable has been closed manually accrued. Adjustments will be made at year end to accurately reflect compensated absences and accrued payroll expenses. These new processes will be implemented in fiscal year 2020.

**Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Schedule of Findings and Responses (Continued)
Year Ended June 30, 2019**

2019-001 Internal Controls

Compliance Finding Significant Deficiency Material Weakness

<i>Criteria</i>	Internal control policies should be implemented to ensure accurate financial reporting and reduce the risk of fraud.
<i>Condition</i>	An estimate for the allowance for doubtful accounts was not prepared during the year, which led to a material audit adjustment of \$538,242. Additionally, supporting documentation was not maintained for manual journal entries prepared during the year.
<i>Context</i>	This finding appears to be a <i>systemic</i> problem.
<i>Effect</i>	There is an increased risk fraudulent activity would not be detected, and inaccurate financial information would be used by management and the Board of Trustees.
<i>Cause</i>	The District had limited accounting staff and experienced turnover in the accounting department during the year.
<i>Recommendation</i>	We recommend an estimate for the allowance for doubtful accounts is maintained and updated on a regular basis, using measures such as the patient accounts receivable aging and historical writeoff percentages to estimate a reasonable allowance. We recommend supporting documentation for all manual journal entries is maintained.
<i>Management's Response</i>	The CFO will create a model and process to consistently calculate an allowance for doubtful accounts. Supporting documentation for the calculation will be maintained, as well as documentation for other manually created journal entries posted during the year. These new processes will be implemented in fiscal year 2020.

**Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Schedule of Findings and Responses (Continued)
Year Ended June 30, 2019**

2018-003 State Compliance Audit Requirements – Operating Budget

Compliance Finding Significant Deficiency Material Weakness

<i>Criteria</i>	New Mexico State Audit Rule 2.2.10 J (11) NMAC, requires the District to have its operating budget approved by the state.
<i>Condition</i>	<p>The District did not have its operating budget approved by the state.</p> <p>The District did not make progress on implementing the corrective action plan from the 2018 audit as the report and findings did not become final until November 2018, five months into the fiscal year.</p>
<i>Context</i>	This finding appears to be an <i>isolated</i> instance.
<i>Effect</i>	The District is not in compliance with the New Mexico state audit rule.
<i>Cause</i>	The District did not follow New Mexico state regulations regarding the approval of operating budgets.
<i>Recommendation</i>	We recommend the District have its operating budget approved by the state annually.
<i>Management's Response</i>	The CFO will develop a method of securing state approval of the District's operating budget on an annual basis, in addition to the required gross receipts tax capital budget currently being reported quarterly. A 2020 operating budget with Board resolution will be submitted to the state for approval.

**Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Schedule of Findings and Responses (Continued)
Year Ended June 30, 2019**

2019-002 State Compliance Audit Requirements – Other Non Compliance

Other Non-Compliance Significant Deficiency Material Weakness

<i>Criteria</i>	Timely deposits of employee contributions to the 457(b) retirement plan are required for safekeeping and proper investment of the employee contributions. Although no particular law defines the timelines of deposits to 457(b) plans, similar type plans require deposits to be made within seven business days after the date of the payroll to which they relate.
<i>Condition</i>	Of the 26 total payroll periods in to fiscal year 2019, 21 employee contributions deposits exceeded seven business days, 3 of which exceeded thirty business days.
<i>Context</i>	This finding appears to be a <i>systemic</i> instance.
<i>Effect</i>	The District is not meeting its fiduciary duty to its employees who are enrolled in the 457(b) plan.
<i>Cause</i>	The District did not have policies and procedures in place to ensure deposits were made timely.
<i>Recommendation</i>	We recommend the District deposit retirement withholdings as soon as feasibly possible, but no later than seven business days after the payroll to which they relate.
<i>Management's Response</i>	The CFO and Human Resources Director will monitor the deposits to employee retirement plans to ensure they are completed on a regular schedule with less delay. These new processes will be implemented in fiscal year 2020.

**Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Schedule of Prior Audit Findings
Year Ended June 30, 2019**

Prior-Year Number	Description	Current Status
2015-001	Auditor-Detected Adjustments	Repeated
2018-001	Account Reconciliations	Resolved
2018-002	Arise Sexual Assault Services	Resolved
2018-003	State Compliance Audit Requirements – Operating Budget	Repeated
2018-004	State Compliance Audit Requirements – Actual Expenses Exceed Budgeted Expenses	Resolved

**Roosevelt County Special Hospital District
doing business as Roosevelt General Hospital
Exit Conference
Year Ended June 30, 2019**

An exit conference was held August 30, 2019, with the following individuals to discuss the basic financial statements and results of the audit. The personnel attending this meeting were:

Doug Stone	Board Treasurer
Kaye Green	Chief Executive Officer
Bill Boyer	Chief Financial Officer
Lance Towle	Accountant
Sandra Martinez	Accounts Payable
Teresa Villaneva	Human Resource Director
Josh Rettinghouse	Dingus, Zarecor & Associates PLLC
Philip Sigitov	Dingus, Zarecor & Associates PLLC

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