

Accounting & Consulting Group, LLP

Certified Public Accountants

STATE OF NEW MEXICO
JAL HOSPITAL DISTRICT
ANNUAL FINANCIAL REPORT
JUNE 30, 2013



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INTRODUCTORY SECTION

STATE OF NEW MEXICO
 Jal Hospital District
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 June 30, 2013

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STATE OF NEW MEXICO

Jal Hospital District

Official Roster

June 30, 2013

<u>Name</u>		<u>Title</u>
	<u>Board of Trustees</u>	
Stephen Aldridge		Chairman
W.E. Armstrong		Vice Chairman
Joyce Pittam		Secretary/Treasurer
Saul Monroy		Member
Jim Ellison		Member
	<u>Officials</u>	
Carolynn Swain		Office Manager

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FINANCIAL SECTION

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Accounting & Consulting Group, LLP
Certified Public Accountants

Independent Auditors' Report

Hector Balderas
New Mexico State Auditor and
The Board of Trustees
Jal Hospital District
Jal, New Mexico

Report on Financial Statements

We have audited the accompanying basic financial statements of the business-type activities of the Jal Hospital District as of and for the year ended June 30, 2013 as listed in the table of contents. We have also audited the budgetary comparison presented as supplementary information in the accompanying Statement A-1 for the year ended June 30, 2013.

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 statement that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards required that we plan and perform the audit to obtain a 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Jal Hospital District, as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budgetary comparisons referred to above present fairly, in all material respects, the budgetary comparisons of the District as of June 30, 2013, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by 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 District's financial statements and the budgetary comparisons. Supporting Schedules I and II required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Supporting Schedules I and II 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 the auditing standards generally accepted in the United States of America. In our opinion, the Supporting Schedules I and II are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2013 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. 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 District's internal control over financial reporting and compliance.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
October 8, 2013

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
 Jal Hospital District
 Statement of Net Position
 June 30, 2013

Exhibit A-1

	Total
ASSETS	
Current assets	
Cash and cash equivalents	\$ 700,347
Investments	735,866
Customer receivables (net of allowance for doubtful accounts of \$57,376)	226,308
Inventory	5,459
Prepaid expenses	28,251
Total current assets	1,696,231
Noncurrent assets	
Capital assets	1,483,683
Accumulated depreciation	(743,919)
Total noncurrent assets	739,764
Total assets	\$ 2,435,995
LIABILITIES	
Current liabilities	
Accounts payable	\$ 12,660
Accrued payroll expenses	67,060
Accrued compensated absences	17,008
Other current liabilities	6,740
Total current liabilities	103,468
Non-current liabilities	
Accrued compensated absences	3,269
Total noncurrent liabilities	3,269
Total liabilities	106,737
NET POSITION	
Net investment in capital assets	739,764
Unrestricted	1,589,494
Total net position	2,329,258
Total liabilities and net position	\$ 2,435,995

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Jal Hospital District
 Statement of Revenues, Expenses and Changes in Net Position
 For the Year Ended June 30, 2013

Exhibit A-2

Operating revenues	
Charges for services	\$ 396,288
Total operating revenues	396,288
Operating expenses	
Personnel services	982,989
Contractual services	55,183
Utilities	30,391
Repairs and maintenance	48,838
Other supplies and expenses	128,086
Insurance claims and expenses	56,464
Depreciation	89,778
Miscellaneous expenses	5,580
Total operating expenses	1,397,309
Operating income (loss)	(1,001,021)
Non-operating revenues (expenses)	
Operating grants	112,400
Interest income	3,905
Property taxes	1,139,551
Rental income	13,200
Miscellaneous income	12,443
Total non-operating revenues (expenses)	1,281,499
Change in net position	280,478
Net position - beginning of year	2,048,780
Total net position - end of year	\$ 2,329,258

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Jal Hospital District
 Statement of Cash Flows
 For the Year Ended June 30, 2013

Exhibit A-3

Cash flows from operating activities:	
Cash received from customers	\$ 397,461
Cash payments to employees for services	(1,000,972)
Cash payments to suppliers for goods and services	(334,586)
Net cash provided (used) by operating activities	<u>(938,097)</u>
Cash flows from noncapital financing activities:	
Operating grants	112,400
Property tax receipts	1,139,551
Miscellaneous income	12,443
Rental income	13,200
Net cash provided (used) by noncapital financing activities	<u>1,277,594</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(5,586)
Net cash provided (used) by capital and related financing activities	<u>(5,586)</u>
Cash flows from investing activities:	
Interest on investments	3,905
Net proceeds from sales of investments	248,660
Net cash provided (used) by investing activities	<u>252,565</u>
Net increase (decrease) in cash and cash equivalents	586,476
Cash and cash equivalents - beginning of year	<u>113,871</u>
Cash and cash equivalents - end of year	<u>\$ 700,347</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (1,001,021)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	89,778
Changes in assets and liabilities	
Customer receivables	1,173
Inventory	(1,146)
Prepaid expenses	(4,132)
Accounts payable	(4,766)
Accrued payroll expenses	(8,420)
Other liabilities	(3,384)
Accrued compensated absences	(6,179)
Net cash provided (used) by operating activities	<u>\$ (938,097)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Jal Hospital District
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies

This summary of significant accounting policies of Jal Hospital District (the “District”) is presented to assist in understanding the District’s financial statements. These financial statements and notes are representations of the District’s management and Board of Trustees who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

A. Nature of Business

Jal Hospital District is an entity of the State of New Mexico located in Lea County, New Mexico. The District provides medical attention to the residents of Lea County and others who may require it, through the use of a modern clinic located in the City of Jal.

Lea County, New Mexico assumed operation of Jal Hospital in January, 1983, after the previous operator, Medical Environments, Inc. (MEI), was declared bankrupt. The Hospital was then operated by the Lea County Commissioners and Brim & Associates, Inc. under a management contract until June 30, 1983, during which time an election was held to create the Hospital District for the tax years July 1, 1983, through June 30, 1987.

On July 1, 1983, a Board of Trustees was appointed to continue the District’s operation. The Board in turn approved the management contract with Brim & Associates, Inc. to provide administrative and operational management of the District. The District’s three year contract with Brim & Associates, Inc. provided for a management fee in the amount of \$90,000 plus annual adjustment for changes in the Consumer Price Index (medial component). The transfer of operations from Lea County to the Hospital District Board of Trustees was completed during the 1983-1984 fiscal year.

On July 1, 1983, Lea County contributed to the District various assets with a book value to the District of \$330,292 in exchange for \$1.00 from the Jal Hospital District.

On July 15, 1986, the District terminated its management contract with Brim & Associates, Inc. and discontinued all services including inpatient services as an acute care hospital.

On October 31, 1986, the Hospital District discontinued all services including outpatient clinic services. The Hospital District continued to collect accounts receivable, disposed of inventories and settled debts until April, 1988. At that time, an agreement was reached with Lea Regional Hospital of Hobbs, New Mexico, to provide, under contract, services of a physician and nurse for the sum of \$175,000 per year.

The Hospital District then opened the Jal Clinic located at 101 East Panther for outpatient services. All administrative staff was provided by the District. The Board of Trustees remained the governing body.

On June 30, 1990, the contract with Lea Regional Hospital was mutually discontinued and at the time, a physician and nurse were hired as employees of the District. During the 1989-1990 fiscal year, the Hospital Building, located at West Kansas Avenue, was sold to the City of Jal for the sum of \$1.00. Currently, the Hospital District operates a Rural Health Care Clinic in a manpower shortage area.

B. Reporting Entity

During the year ended June 30, 2013, the District adopted GASB Statements No. 61 through 63. GASB 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No 34, modifies certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

STATE OF NEW MEXICO
Jal Hospital District
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Reporting Entity (continued)

In evaluating how to define the District for financial reporting purposes, management has considered all potential programs and operations of the District. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing board by the District, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its patients, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patients.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

Based upon the application of these criteria, the District has no component units, and is not a component unit of any other entity.

C. Measurement Focus and Basis of Accounting

The District's basic financial statements are prepared in accordance with accounting principles generally accepted 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.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The District's proprietary (enterprise) fund is 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, regardless of the timing of related cash flows.

The accounts of the District are organized on the basis of fund type. The District has one fund which is considered a proprietary fund.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All assets and all liabilities associated with the operations are included on the balance sheet. Net position (i.e., total assets net of total liabilities) are segregated into net investment in capital assets and unrestricted components.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to patients for services provided. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as investment income and exchange transactions, such as rental revenue. These revenue streams are recognized under GASB Statement No. 33 *Accounting and Financial Reporting for Nonexchange Transactions*.

STATE OF NEW MEXICO
Jal Hospital District
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Budgets and Budgetary Accounting

Annual budgets of the District are prepared prior to June 1 and must be approved by the resolution of the board, and submitted for approval by the State of New Mexico. Once the budget has been formally approved, any amendments must also be approved by the Board and the State. Line items within the budget may be over-expended; however, it is not legally permissible to over-expend the budget in total.

Budget amounts are as originally adopted, or as amended by the Board and approved by the State. The budget is adopted on a basis consistent GAAP. The schedule of budgeted revenues and expenditures presents comparisons of legally adopted budgets with actual data on a budgetary basis.

These budgets are prepared on the GAAP budgetary basis. Budgetary expenditures exclude encumbrances. The budget secures appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

The accompanying Statement of Revenues, Expenditures and Changes in Net Position-Budget (GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual revenues, expenditures and other financing sources and uses on a budgetary basis.

E. Assets, Liabilities and Net Position

Cash and Cash Equivalents: For purposes of the statement of cash flows, the District considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Immediate cash needs are met with resources deposited at the District's bank. The District has invested a portion of their cash with the New Mexico State Treasurer's Office Local Government Investment Pool. Amounts invested with the State Treasurer are readily available to the District when needed and are recorded at fair market value.

Inventory: Inventories are valued at the lower of cost or market on a first-in, first-out method. Inventory consists of medical supplies held for use in operations or sale to patients. The District method of accounting for inventory is the consumption method. Under the consumption approach, the District reports inventories they purchase as an asset and defer recognition of the expenditures until the period in which the inventories are actually consumed.

Accounts Receivable: Trade accounts receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances which are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Capital Assets: State law sets a capitalization threshold of \$5,000 for acquisitions of property and equipment. The District has elected to follow State policy. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at their estimated value on the date donated. Information technology equipment, including software, is depreciated in accordance with NMAC 2.20.1.9 C (5). Depreciation has been provided using the straight-line method over the following estimated useful lives:

Building	25-40 years
Improvements	10-35years
Equipment and Software	3-20 years

It is also the District's policy to capitalize interest incurred during construction as part of the historical cost of capital.

STATE OF NEW MEXICO
Jal Hospital District
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

E. *Assets, Liabilities and Equity (continued)*

Compensated Absences: Vacation and sick days earned during the current contract year must be taken by December 31 of the following year. A total of 5-15 days vacation per year (depending on length of employment) and 12 days sick leave per year may be accumulated by each fulltime, permanent employee. Unused vacation days are carried over to the next year, with a maximum accumulation of 3 weeks. Upon termination, employee will be paid accumulated vacation days. However, no accrual will be made for sick days because accrued sick days are lost if not used in the current year or upon termination.

Net Position: For the financial statements, net position is reported in three categories: net investment in capital assets, restricted, and unrestricted:

- **Net investment in capital assets** – This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any related debt attributable to the acquisition, construction, or improvement of those assets.
- **Restricted Net Position** – Net position is reported as restricted when constraints placed on net asset use are either (1) externally imposed by creditors, grantors, contributions or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – Net position that does not meet the definition of “restricted” and “Net Investment in Capital Assets.”

F. *Revenues*

Net Patient Service Revenue: The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. The following is a summary of the payment arrangements with major third-party payers:

Medicare – Outpatient care services rendered to Medicare program beneficiaries are paid at determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Medicaid – Outpatient care services rendered to Medicaid program beneficiaries are paid at determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Property Taxes: The Jal Hospital District receives property taxes from the Treasurer of Lea County. The County serves as the intermediary collecting agency and remits the District’s share of property tax collections to the District. The District does not maintain detailed records of property taxes receivable by the individual taxpayer.

By April 1 of each year, the County Assessor shall mail a notice to each property owner informing them of the net taxable value of the property, which has been valued for taxation purposes by the Assessor. By May 1 of each year, the property valuation protest period expires. Upon receipt of the property tax schedule, the County Treasurer shall prepare and mail property tax bills to either the owner of the property or any person other than the owner to whom the tax bill is sent. Tax bills shall be mailed no later than November 1 of each tax year.

Property taxes of less than ten dollars are payable to the County Treasurer in full, due on November 10, delinquent December 11 in the year in which the tax bill was prepared and mailed. Property taxes of ten dollars or more are payable to the County Treasurer in two equal installments, the first half is due November 10, and is delinquent December 11. The second installment is due April 10, and is delinquent May 11 of the following year.

STATE OF NEW MEXICO
Jal Hospital District
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

G. *Encumbrances*

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration.

H. *Estimates*

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

Significant estimates utilized in the preparation of these financial statements include allowances for uncollectible accounts, calculated third-party contractual adjustments, and the estimated lives of capital assets.

I. *Grant and Contributions*

From time to time, the District receives grants from the State of New Mexico 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. 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.

J. *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.

NOTE 2. Deposits and Investments

State statutes authorize the investment of the District's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The District is also allowed to invest in United States Government obligations. All funds of the District must follow the following investment policies.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. 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.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asking price on United States treasury bills of the same maturity on the day of deposit.

Excess 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.

At June 30, 2013 the carrying amount of the District's deposits was \$700,347.

STATE OF NEW MEXICO
 Jal Hospital District
 Notes to the Financial Statements
 June 30, 2013

NOTE 2. Deposits and Investments (continued)

By operation of federal law, beginning January 1, 2013, funds deposited in a noninterest-bearing transaction account (including an Interest on Lawyer Trust Account) no longer will receive unlimited deposit insurance coverage by the FDIC. Beginning January 1, 2013, all of the District's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of (\$250,000).

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63 NMSA 1978). New Mexico State 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 one half of the amount on deposit with the institution. At June 30, 2013, \$459,475 of the District's deposits of \$709,475 were exposed to custodial credit risk. Although the \$459,475 was in excess of FDIC insurance, it was fully collateralized by collateral held by the pledging bank's department or agent, not in the District's name. None of the District's deposits were uncollateralized at June 30, 2013.

Section 6-10-17, New Mexico Statutes Annotated, 1978 Compilation states the types of collateral allowed is limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. All depositories had collateral exceeding the amount required by law. The schedule listed below will meet the State of New Mexico Office of the State Auditor's requirements in reporting the insured portion of the deposits.

	<u>Wells Fargo Bank, N.A.</u>
Year ended June 30, 2013	
Total amount of deposits	\$ 709,475
FDIC Coverage	<u>(250,000)</u>
Total uninsured public funds	<u>459,475</u>
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the District's name	<u>459,475</u>
Uninsured and uncollateralized	<u><u>\$ -</u></u>
Collateral requirement (50% of uninsured public funds)	\$ 229,738
Pledged securities	<u>745,096</u>
Over (under) collateralization	<u><u>\$ 515,359</u></u>

STATE OF NEW MEXICO
 Jal Hospital District
 Notes to the Financial Statements
 June 30, 2013

NOTE 2. Deposits and Investments (continued)

Reconciliation to the Statement of Net Assets

The carrying amounts of deposits shown above are included in the District's statements of net assets as follows:

	June 30, 2013
Petty Cash	\$ 450
Deposits	709,475
Reconciling items	(9,578)
Carrying amount	\$ 700,347
Included in the following Statement of	
Net position captions:	
Cash and cash equivalents	\$ 700,347
Total	\$ 700,347

Investments

The District invests excess cash in the State Treasurer Local Government Investment Pool. The Pool's investments are valued at fair value based on quoted market prices as of the valuation date. The New Mexico State Treasurer Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued or backed by the United States Government or by its departments or agencies and are either direct obligations of the United States Government or agencies sponsored by the United States Governments. The Local Government Investment Pool's investments are monitored by the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per 6-10-10.1 F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contribution entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the fund is voluntary.

As of June 30, 2013, the District had the following investments:

Investments	Rated	Weighted Average Maturity (days)	Fair Value
New Mexico Grow Local Government Investment Pool	AAAm	59	\$ 735,390
Reserve Contingency Fund	Unrated	Does not earn interest	476
			\$ 735,866

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

STATE OF NEW MEXICO
 Jal Hospital District
 Notes to the Financial Statements
 June 30, 2013

NOTE 3. Accounts Receivable

The following is a summary of the District's accounts receivable at year end:

	June 30, 2013
Patient	\$ 159,492
Property Tax Receivable	77,380
Medicare	23,945
State of New Mexico - RPHCA	22,867
	283,684
Allowance for Uncollectible Accounts (Patient receivable)	(57,376)
	\$ 226,308

The vast majority of all patient receivables are concentrated in one geographical region, specifically Lea County.

NOTE 4. Capital Assets

The following summarizes changes in capital assets activity during fiscal year 2013:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Capital Assets, Not Being Depreciated:				
Land	\$ 3,700	\$ -	\$ -	\$ 3,700
Capital Assets, Being Depreciated:				
Building and Improvements	1,146,865	-	-	1,146,865
Equipment	334,897	5,585	7,364	333,118
Total Capital Asset Being Depreciated	1,481,762	5,585	7,364	1,479,983
Total	1,485,462	5,585	7,364	1,483,683
Less Accumulated Depreciation:				
Building and Improvements	395,606	59,450	-	455,056
Equipment	265,900	30,327	7,364	288,863
	661,506	89,777	7,364	743,919
Total capital assets, net of depreciation	\$ 823,956	\$ (84,192)	\$ -	\$ 739,764

Depreciation expense for the year ended June 30, 2013 was \$89,777.

STATE OF NEW MEXICO
 Jal Hospital District
 Notes to the Financial Statements
 June 30, 2013

NOTE 5. Retirement Plan

Employer Funded Plan

Effective July 1, 1991, the Jal Hospital District adopted an employer funded defined contribution retirement plan. The plan does not require the employees to contribute to the plan and no contributions were made by the employees into this plan for the fiscal year ended June 30, 2013. The plan allows the District to fund 0% to 15% of the gross salary of the employee, with the specific percent reviewed and approved by the Board of Trustees quarterly.

The plan has adopted a vesting schedule as follows:

Year	Percent Vested
1	0
2	20
3	40
4	60
5	80
6	100

The funds of the plan are invested in individual annuities for each participant with the Equitable Life Insurance Company. The annuities provide for a declining early withdrawal penalty that is applied in certain circumstances. The penalty begins at 6% in year one and declines to zero after year twelve. Employer contributions to the plan for the year ended June 30, 2013, 2012, and 2011 were \$69,940, \$63,029, and \$41,094 respectively.

New Mexico Public Employees Retirement Act (PERA)

The Jal Hospital District does not qualify to participate in PERA, the New Mexico retirement plan alternative.

NOTE 6. State Grant

The District received \$112,400 for the year ended June 30, 2013 which was used for normal operating expenses. The grant was from the State Department of Health, Rural Primary Health Care Act. This grant is available each year subject to the normal grant process.

NOTE 7. Insurance Coverage

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in a variety of insurance programs. Insurance coverage is purchased primarily through commercial carriers.

Unemployment compensation is handled through the Joint Unemployment Compensation Plan. Worker's compensation is handled through a private carrier, New Mexico Mutual Casualty, and is funded by the District.

NOTE 8. Compensated Absences

The District has a liability for accrued vacation for the year ended June 30, 2013 as follows:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Due Within One Year
Compensated Absences	\$ 26,456	\$ 45,227	\$ 51,406	\$ 20,277	\$ 17,008

STATE OF NEW MEXICO
Jal Hospital District
Notes to the Financial Statements
June 30, 2013

NOTE 9. Concentrations

The District depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the District is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

NOTE 10. Subsequent Pronouncements

In March 2012, GASB Statement No. 65 Items Previously Reported as Assets and Liabilities, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2014. The District is still evaluating how this reporting standard will affect the reporting entity.

In March 2012, GASB Statement No. 66 Technical Corrections-2012-an amendment of the GASB Statements No. 10 and No. 62, Effective Date: The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The District will implement this standard during fiscal year June 30, 2014. The District is still evaluating how this reporting standard will affect the reporting entity.

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

In June 2012, GASB Statement No. 68 Accounting and Financial Reporting for Pensions—an amendment of GASB Statements No. 27, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2015. The District is still evaluating how this reporting standard will affect the reporting entity.

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

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

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO

Statement A-1

Jal Hospital District

Statement of Revenues, Expenses and Changes in Net Position

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 379,000	\$ 379,000	\$ 396,288	\$ 17,288
Total operating revenues	379,000	379,000	396,288	17,288
Operating expenses				
Personnel services	1,044,086	1,044,086	982,989	61,097
Contractual services	74,000	74,000	55,183	18,817
Utilities	35,000	35,000	30,391	4,609
Repairs and maintenance	65,000	65,000	48,838	16,162
Other supplies and expenses	160,300	160,300	128,086	32,214
Insurance claims and expenses	75,000	75,000	56,463	18,537
Miscellaneous	79,200	79,200	5,580	73,620
Total operating expenses	1,532,586	1,532,586	1,307,530	225,056
Operating income (loss)	(1,153,586)	(1,153,586)	(911,242)	242,344
Non-operating revenues (expenses)				
Operating grants	104,000	104,000	112,400	8,400
Interest income	3,000	3,000	3,905	905
Rental income	13,200	13,200	13,200	-
Property tax income	750,000	750,000	1,139,551	389,551
Miscellaneous income	3,000	3,000	12,443	9,443
Total non-operating revenues (expenses)	873,200	873,200	1,281,499	408,299
Change in net position	(280,386)	(280,386)	370,257	650,643
Designated cash (budgeted increase in cash)	365,700	365,700	-	365,700
Total net position, beginning of year	-	-	2,048,780	2,048,780
Total net position, end of year	\$ -	\$ -	\$ 2,419,037	\$ 2,333,723
Change in net position, above			\$ 370,257	
Adjustments for depreciation			(89,778)	
Change in net position (Exhibit A-2)			\$ 280,479	

The accompanying notes are an integral part of these financial statements

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
 Jal Hospital District
 Schedule of Deposit and Investment Accounts
 June 30, 2013

Schedule I

Deposit Type	Deposits	Investments	Total
	Wells Fargo Bank, N.A.	NM State Treasurer Local Government Investment Pool	
Checking	\$ 709,475	\$ -	\$ 709,475
New Mexico LGIP	-	735,390	735,390
Reserve Contingency Fund	-	476	476
Total	<u>709,475</u>	<u>735,866</u>	<u>1,445,341</u>
Reconciling items:			
Deposits in transit	2,406	-	2,406
Outstanding checks	(11,984)	-	(11,984)
Total reconciling items	<u>(9,578)</u>	<u>-</u>	<u>(9,578)</u>
Total at June 30, 2013	<u>\$ 699,897</u>	<u>\$ 735,866</u>	1,435,763
Add: Petty Cash			450
			<u>\$1,436,213</u>
Deposits and investments per financial statements			
Cash and cash equivalents			700,347
Investments			735,866
Total deposits and investments			<u>\$1,436,213</u>

See accompanying independent auditors' report

STATE OF NEW MEXICO

Schedule II

Jal Hospital District

Schedule of Collateral Pledged by Depository for Public Funds

June 30, 2013

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market Value at June 30, 2013</u>	<u>Name and Location of Safekeeper</u>
Wells Fargo Bank					
	FN A16900 3.000%	10/1/2026	3138ALU21	\$ 43,763	Federal Reserve Bank
	FN AJ4145 4.000%	11/1/2041	3138AVTB1	23,209	Federal Reserve Bank
	FN AK4303 3.500%	4/1/2042	3138E8X98	4,493	Federal Reserve Bank
	FN AK6147 3.500%	3/1/2042	3138EAZM2	530,670	Federal Reserve Bank
	FN AR9199 3.000%	3/1/2043	3138W7GH1	34,018	Federal Reserve Bank
	FN AT2015 3.000%	4/1/2043	3138WPGZ1	4,861	Federal Reserve Bank
	FN 666353 6.000%	11/1/2032	31391GH66	14,913	Federal Reserve Bank
	FN AB4742 3.000%	3/1/2042	31417BHU4	4,161	Federal Reserve Bank
	FN AD6370 4.500%	5/1/2040	31418UC07	85,008	Federal Reserve Bank
Total				<u>\$ 745,096</u>	

See accompanying independent auditors' report

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COMPLIANCE SECTION

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Accounting & Consulting Group, LLP
Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Hector Balderas
New Mexico State Auditor and
The Board of Trustees
Jal Hospital District
Jal, 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 the business-type activities of Jal Hospital District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the budgetary comparison presented as supplementary information in the accompanying statement A-1 for the year ended June 30, 2013, and have issued our report thereon dated October 8, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness as item FS 2010-001.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies as items FS 2012-001, FS 2012-002, and FS 2012-003.

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 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 FS 2011-003.

The District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
October 8, 2013

STATE OF NEW MEXICO
Jal Hospital District
Schedule of Findings and Responses
June 30, 2013

Section I – Summary of Audit Results

Financial Statements:

- | | |
|--|-------------|
| 1. Type of auditors' report issued | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | No |

STATE OF NEW MEXICO
Jal Hospital District
Schedule of Findings and Responses
June 30, 2013

Section II – Financial Statement Findings and Responses

FS 2010-001 Segregation of Duties-Material Weakness (Revised and Repeated)

Condition

During our testwork, a lack of segregation of duties was noted in the following areas:

- Journal entries are prepared and posted by the same person and are not reviewed
- Checks are prepared and mailed by the same individual

Criteria

Segregation of conflicting duties within accounting functions is a basic internal control that mitigates the risk of significant misstatement.

Effect

Lack of segregation of duties is opportunity for either intentional or unintentional errors or fraud.

Cause

The cause for the lack of segregation of duties is due to the limited number of staff employed by the District.

Recommendation

We recommend that there be a segregation of duties whenever possible. We recommend board involvement in the review of accounting functions on a regular basis and that other employees be cross-trained on some of the accounting functions.

Views of Responsible Officials and Planned Corrective Actions

The District will look at a plan to separate the duties of the Office Manager, however in a small office with limited personnel it sometimes is difficult.

STATE OF NEW MEXICO
Jal Hospital District
Schedule of Findings and Responses
June 30, 2013

Section II – Financial Statement Findings and Responses (continued)

FS 2011-003 Untimely Deposits - Other (Revised and Repeated)

Condition

During our testwork of receipts we noted that 1 out of the 5 receipts tested were not deposited within 24 hours of receipt. This receipt totaled \$1036.03 out of \$6,504.38 tested.

Criteria

Sound accounting practices require the District to cash within 24 hours of receipt.

Effect

Money is at a higher risk of being unaccounted for, either intentionally or unintentionally.

Cause

For the fiscal year 2013 management did not have a documented policy to ensure that deposits were deposited within 24 hours of receipt.

Auditors' Recommendation

We recommend that the Jal Hospital District formally document a process to ensure that cash receipts are deposited within 24 hours.

Views of Responsible Officials and Planned Corrective Actions

The Jal hospital District will strive to deposit within twenty four hours.

STATE OF NEW MEXICO
 Jal Hospital District
 Schedule of Findings and Responses
 June 30, 2013

Section II – Financial Statement Findings and Responses (continued)

FS 2012-001 Lack of Internal Controls over Voided Checks-Significant Deficiency (Revised and Repeated)

Condition

During our testwork over cash, we noted several internal control issues including:

- Supporting documentation is not being maintained for all voided checks. Out of 33 voided checks tested 8 checks did not have appropriate supporting documentation.

Criteria

The Codification of Statements on Auditing Standards (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 115 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 115 paragraph 15 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

Good internal control policy dictates that the District shall establish and maintain a cash management program to safeguard voided checks. Systems of internal control with the most favorable designs include procedures designed to prevent or detect errors due to misclassification of transactions in the accounting records. (AU 325.21 appdx.) Section 12-6-5, NMSA 1978 requires the audit report to set out in detail any violation of good accounting practices found by the audit.

Effect

This results in an increased risk of theft of voided checks and potential for misappropriation of District funds.

Cause

The District did not have the appropriate controls in place over voided checks. Controls appear to be implemented during the year in response to the prior year audit.

Auditors' Recommendation

We recommend that the District review cash management procedures with the responsible individuals monthly to ensure that all areas of cash have sufficient internal controls, including accounting for all voided checks.

Views of Responsible Officials and Planned Corrective Actions

Jal Hospital District will implement a policy for handling and keeping voided checks in a separate area.

STATE OF NEW MEXICO
 Jal Hospital District
 Schedule of Findings and Responses
 June 30, 2013

Section II – Financial Statement Findings and Responses (continued)

FS 2012-002 Lack of Internal Controls over Access to Servers-Significant Deficiency (Revised and Repeated)

Condition

During our testwork IT operations, it was noted that a server containing sensitive medical information and another server containing financial information are located in an unsecured area.

Criteria

The Codification of Statements on Auditing Standards (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 115 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 115 paragraph 15 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

Effect

Without a well controlled process for granting physical and logical access to servers, unauthorized users may have access and misuse may occur.

Cause

Management feels that since the servers are located in a highly trafficked area, that anyone trying to access the servers without authorization would be noticed.

Auditors' Recommendation

We recommend that the District relocate servers to a locked area of the Clinic, or purchase a locking cabinet to restrict physical access to the servers.

Views of Responsible Officials and Planned Corrective Actions

Presently the hospital district does not have another area to relocate the servers. The temperature control is also a factor. The Board of Trustees will address this issue when updating the facility.

STATE OF NEW MEXICO
Jal Hospital District
Schedule of Findings and Responses
June 30, 2013

Section II – Financial Statement Findings and Responses (continued)

FS 2012-003 Auditor Prepared Financial Statements-Significant Deficiency (Repeated)

Condition

The financial statements and related disclosures are not being prepared by the District. The District does not have a procedure in place to detect and correct material misstatements in the financial statements.

Criteria

A system of internal control over financial reporting does not stop at the general ledger. It includes controls over financial statement preparation, including footnote disclosures. The fact that the auditor prepares the financial statements may mean they are correct, but it does not eliminate the control deficiency.

Effect

The District has a control deficiency since there are not sufficient controls over the preparation of financial statements and related disclosures. The risk of material misstatement of the financial statements is increased by the lack of control procedures over the preparation of the District's financial statements.

Cause

District personnel do not have the time and have not been trained in the preparation of financial statements and related disclosures.

Auditors' Recommendation

We recommend that management and personnel receive training over preparation of financial statements and related disclosures under Generally Accepted Accounting Principles, or contract with a consultant to assist with the preparation and implement procedures to detect and correct misstatements.

Views of Responsible Officials and Planned Corrective Actions

The Jal Hospital District will arrange for personnel to acquire training to allow them to complete the financial statements.

STATE OF NEW MEXICO
Jal Hospital District
Schedule of Findings and Responses
June 30, 2013

Section III - Schedule of Prior Year Audit Findings

FS 2010-001 Segregation of Duties	Revised and Repeated
FS 2011-003 Untimely Deposits	Revised and Repeated
FS 2012-001 Lack of Internal Controls over Voided Checks	Revised and Repeated
FS 2012-002 Lack of Internal Controls over Access to Servers	Revised and Repeated
FS 2012-003 Auditor Prepared Financial Statements	Revised and Repeated
FS 2012-004 Late Audit Report	Resolved

STATE OF NEW MEXICO
Jal Hospital District
Other Disclosures
For the Year Ended June 30, 2013

A. AUDITOR PREPARED FINANCIAL STATEMENTS

Accounting and Consulting, Group, LLP prepared the GAAP-basis financial statements and footnotes of Jal Hospital District from the original books and records provided to them by the management of the District. The responsibility for the financial statements remains with the District.

B. EXIT CONFERENCE

The contents of this report were discussed on October 15, 2013. The following individuals were in attendance.

Jal Hospital District Officials

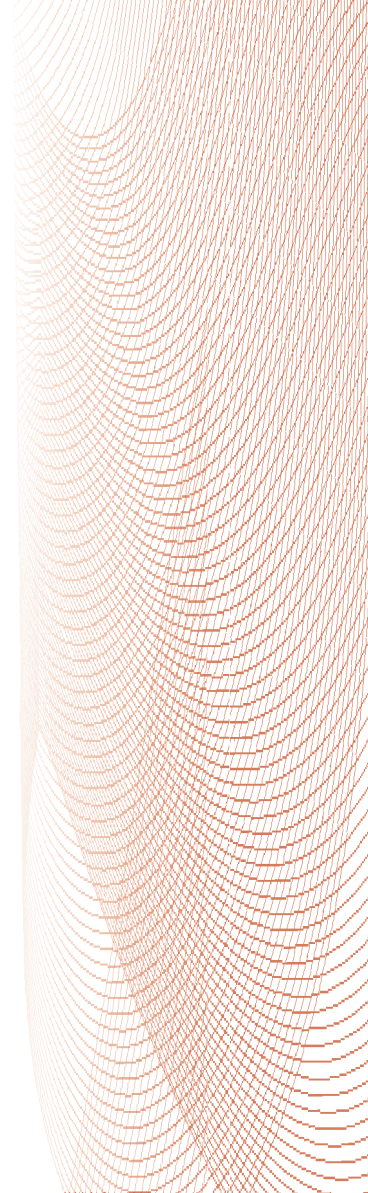
Joyce Pittam
Carolynn Swain

Board Secretary/Treasurer
Office Manager

Accounting and Consulting Group, LLP

Benjamin A. Martinez, CPA

Senior Accountant



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