

**State of New Mexico  
New Mexico Hospital Equipment  
Loan Council  
Financial Statements  
June 30, 2018 and 2017**



**STATE OF NEW MEXICO**  
**New Mexico Hospital Equipment Loan Council**  
**June 30, 2018 and 2017**

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## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO**  
**New Mexico Hospital Equipment Loan Council**  
**June 30, 2018 and 2017**

**Official Roster**

<u>Name</u>	<u>Council</u>	<u>Title</u>
Daniel Lyon		Chair
R. Greg Leyendecker		Vice-Chair
Christine Campos		Secretary
Kent Carruthers		Treasurer
Vacant		Member
	<u>Program Administrator</u>	
Deborah Gorenz		President, Hospital Services Corporation

## **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

Council Members  
New Mexico Hospital Equipment Loan Council  
and  
Mr. Wayne Johnson  
New Mexico State Auditor

### Report on Financial Statements

We have audited the accompanying financial statements of the business type activities of the New Mexico Hospital Equipment Loan Council, State of New Mexico (Council), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents. We have also audited the budgetary comparison schedule, presented as supplementary information, for the year ended June 30, 2018, 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.

### Auditor's 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 of material misstatement.

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

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

## 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 and major fund of the Council as of June 30, 2018, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budgetary comparison schedule referred to in the first paragraph presents fairly, in all material respects, the budgetary comparison for the year ended June 30, 2018 in accordance with the accounting principles generally accepted in the United States of America.

## Emphasis of Matter

The financial statements of the Council as of and for the year ended June 30, 2017 were audited by other auditors whose report dated October 11, 2017, expressed an unqualified opinion on those financial statements.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 and 5 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2018, on our consideration of the Council'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 Council's internal control over financial reporting and compliance.



Albuquerque, New Mexico  
October 29, 2018

**STATE OF NEW MEXICO**  
**New Mexico Hospital Equipment Loan Council**  
**Management's Discussion and Analysis**  
**June 30, 2018**

**Introduction**

The New Mexico Hospital Equipment Loan Council (NMHELCL) discussion and analysis is designed to 1) assist the reader in focusing on significant financial issues, 2) provide an overview of the NMHELCL's financial activity, and 3) identify changes in the NMHELCL's financial position. The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts.

The financial statement presented include the statement of net position, statements of revenues, expenses, and changes in net position, and the statement of cash flows. Also included are notes to financial statements.

NMHELCL is a special-purpose government agency engaged in only one business-type activity, i.e., helping qualified medical facilities obtain financing for capital purchases and improvements. Accordingly, no government-wide presentation of the financial statement information is appropriate. NMHELCL is a proprietary enterprise fund. Enterprise funds are required to account for operations which charge a fee to external users for goods and services, and the activity is: (a) financed with debt that is solely secured by a pledge of the net revenues, or (b) has third party requirements that has costs of providing services be recovered with fees and charges, or (c) has a pricing policy designed so the fees and charges recover these costs.

The statements of net position give the financial position as of June 30, 2018 and 2017, the statements of revenues, expenses and changes in net position present the yearly activity, and the statements of cash flows reflect the change in cash and cash equivalents position for the years being reported. The notes to financial statements consist of information that is essential to a user's understanding of the basic financial statements.

NMHELCL does not use government money in its financing operations. However, NMHELCL has a legally adopted budget and presents the budgetary comparison schedule as supplementary information, as required.

**Condensed Financial Information**

NMHELCL's net position was \$2,716,623 and \$2,719,940 as of June 30, 2018 and 2017, respectively. The net position was all business-type net position.

NMHELCL's total assets were \$2,834,419 and \$2,835,517 as of June 30, 2018 and 2017, respectively.

NMHELCL's total liabilities were \$117,796 and \$115,577 as of June 30, 2018 and 2017, respectively.

The investment activity revenue was \$27,194 and \$23,331, and program activity revenue was \$91,958 and \$127,407 for the years ended June 30, 2018 and 2017, respectively.

The change in net position was \$(3,317) in fiscal year 2018 and \$14,644 in fiscal year 2017. The decrease was mainly due to no new loan origination fees received in 2018. For the fiscal year ended June 30, 2017, the Council received \$40,000 in loan origination fees.

The total cost of program activity was \$122,469 and \$136,094 for the years ended June 30, 2018 and 2017, respectively.



**STATE OF NEW MEXICO**  
**New Mexico Hospital Equipment Loan Council**  
**Management's Discussion and Analysis**  
**June 30, 2018**

**Financial Analysis**

The NMHELIC assists qualified medical facilities to finance capital equipment and improvement projects through the issuance of bonds or other financing arrangements. There were no new transactions originating in fiscal year 2018 and there were two new transactions originating in fiscal year 2017.

Program activity revenue, which consists of loan origination fees and ongoing fees, experienced a decrease of 27.8% in fiscal year 2018.

In recent years, NMHELIC has issued revenue bonds to individual hospitals and other healthcare organizations. Most of the financing activity has been in the form of conduit debt where neither the NMHELIC, nor any political subdivision of the State, is obligated in any manner for repayment. It is expected that this will continue into the future.

**Budget Comparison**

NMHELIC's budgetary comparison schedule is presented as supplementary information.

**STATE OF NEW MEXICO**  
**New Mexico Hospital Equipment Loan Council**  
**Statements of Net Position**  
**June 30, 2018 and 2017**

	<b>Business-Type Activities</b>	
	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 138,722	90,354
Certificates of deposit	866,841	381,709
Accounts receivable	62,260	70,221
Accrued interest receivable	6,259	1,911
Prepayments	809	221
Total current assets	<u>1,074,891</u>	<u>544,416</u>
Noncurrent assets		
Certificates of deposit	982,240	1,827,440
Investments in fixed income securities	777,288	463,661
Total noncurrent assets	<u>1,759,528</u>	<u>2,291,101</u>
Total assets	<u>2,834,419</u>	<u>2,835,517</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	14,000	16,150
Due to Hospital Services Corporation	103,796	99,427
Total current liabilities	<u>117,796</u>	<u>115,577</u>
Net position, unrestricted	\$ <u>2,716,623</u>	<u>2,719,940</u>

See the accompanying notes to the financial statements.

**STATE OF NEW MEXICO**  
**New Mexico Hospital Equipment Loan Council**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended June 30, 2018 and 2017**

	<b>Business-Type Activities</b>	
	<b>2018</b>	<b>2017</b>
<b>OPERATING REVENUES</b>		
Program administration fees	\$ 91,958	127,407
<b>OPERATING EXPENSES</b>		
Program administrator fees	94,586	108,750
Professional fees	14,034	15,298
Administrative	13,554	11,751
Insurance	295	295
Total operating expenses	<u>122,469</u>	<u>136,094</u>
<b>OPERATING LOSS</b>	<u>(30,511)</u>	<u>(8,687)</u>
<b>NONOPERATING REVENUES</b>		
Investment income	<u>27,194</u>	<u>23,331</u>
Change in net position	(3,317)	14,644
<b>NET POSITION</b>		
Beginning of year	<u>2,719,940</u>	<u>2,705,296</u>
End of year	<u>\$ 2,716,623</u>	<u>2,719,940</u>

See the accompanying notes to the financial statements.

**STATE OF NEW MEXICO**  
**New Mexico Hospital Equipment Loan Council**  
**Statements of Cash Flows**  
**Years Ended June 30, 2018 and 2017**

	<b>Business-Type Activities</b>	
	<b>2018</b>	<b>2017</b>
Cash flows from operating activities		
Receipts from conduit debtors	\$ 99,919	80,000
Payments for goods and services	(125,186)	(141,521)
Net cash provided (used) by operating activities	<u>(25,267)</u>	<u>(61,521)</u>
Cash flows from investing activities		
Certificates of deposit purchased	-	(2,223,095)
Investments in fixed income securities purchased	(329,000)	(464,139)
Certificates of deposit matured	383,759	2,402,171
Investment income	18,876	30,564
Net cash provided (used) by investing activities	<u>73,635</u>	<u>(254,499)</u>
Net increase (decrease) in cash and cash equivalents	48,368	(316,020)
Cash and cash equivalents		
Beginning of year	<u>90,354</u>	<u>406,374</u>
End of year	<u><u>138,722</u></u>	<u><u>90,354</u></u>
Reconciliation of operating loss to net cash provided (used) by operating activities		
Operating loss	(30,511)	(8,687)
Change in assets and liabilities		
Accounts receivable	3,613	(47,407)
Prepayments	(588)	295
Accounts payable	(2,150)	(4,729)
Due to Hospital Services Corporation	4,369	(993)
Net cash provided (used) by operating activities	<u><u>\$ (25,267)</u></u>	<u><u>(61,521)</u></u>

See the accompanying notes to the financial statements.

**STATE OF NEW MEXICO**  
**New Mexico Hospital Equipment Loan Council**  
**Notes to the Financial Statements**  
**June 30, 2018 and 2017**

**NOTE 1. Organization**

The New Mexico Hospital Equipment Loan Council ("Council") is a public body corporate and politic, separate and apart from the State of New Mexico ("State"), constituting a governmental instrumentality organized under the laws of the State, and governed by a five-member board appointed by the Governor of the State of New Mexico.

The purpose of the Council is to provide the healthcare industry with access to low cost capital through the issuance of tax-exempt and taxable bonds, loans, and leases. The Council can finance any real or personal property, instrument, service, or operational necessity that is determined by the Council to be directly or indirectly needed for medical care, treatment, or research, or to operate a health facility. The Council is authorized to borrow money and to issue bonds to provide financing for the purpose and projects of the Council pursuant to the New Mexico Hospital Equipment Loan Act, contained in Sections 58-23-1 through 58-23-32 of the New Mexico Statutes Annotated, 1978 and the New Mexico Public Securities Short-Term Interest Rate Act, Sections 6-18-1 through 6-18-16 of the New Mexico State Statutes, 1978, inclusive and amended (collectively, the "Act"). The Act provides that the Council shall be separate and apart from the State and shall not be subject to the supervision or control of any board, bureau, department, or agency of the State except as specifically provided in the Act. In order to effectuate the separation of the State from the Council, no use of the terms "state agency" or "instrumentality" in any other law of the State shall be deemed to refer to the Council unless the Council is specifically referred to therein.

The Council has no component units or fiduciary funds. The financial statements include only the activities of the Council. As further described in Note 6, the financial statements do not include activities of conduit debtors.

**NOTE 2. Summary of Significant Accounting Policies**

The Council's financial statements are prepared in accordance with accounting principles generally accepted in the United States as prescribed by the Governmental Accounting Standards Board ("GASB"). The GASB is responsible for establishing standards for accounting principles for state and local governments. The standards require a management discussion and analysis ("MD&A") section providing an analysis of the Council's overall financial position and results of operations.

The Council's accounting is reported as a business-type activity with one proprietary-type fund. Proprietary funds are accounted for on the economic resource measurement focus and accrual basis of accounting. The accounting objectives are a determination of net income, financial position, and changes in cash flows. The Council's proprietary fund is an enterprise fund. Enterprise funds are used for activities that are financed and operated in a manner similar to that of a private business enterprise where the costs of providing goods and services are recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary fund are program administration fees to conduit debtors as customers for services. Operating expenses for proprietary funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**STATE OF NEW MEXICO**  
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**Notes to the Financial Statements**  
**June 30, 2018 and 2017**

**NOTE 2. Summary of Significant Accounting Policies (continued)**

Other significant accounting policies established and used by the Council are discussed below.

Cash and Cash Equivalents

The Council considers as cash equivalents all highly liquid investments with maturities of three months or less when purchased.

Investments

It is the policy of the Council to invest monies not needed for immediate disbursement in accordance with State statutes, more particularly Chapter 58, Article 23, Section 12 (A), NMSA 1978, at the maximum interest rate available for maturities coincident with the future need for these funds.

The Council restricts authorized investments to direct U.S. Treasury obligations, U.S. Agency obligations, and obligations of the State of New Mexico or its political subdivisions, repurchase agreements secured by U.S. Treasury or U.S. Agency obligations, and qualified certificates of deposit or time deposits which are insured by the FDIC.

The Council's stated objective with regard to investments is to ensure that principal is preserved and enhanced over time, both in real and nominal terms. The goal is to increase capital both in absolute (nominal) terms and in real terms, i.e. after consideration of the effects of inflation.

The Council has adopted a detailed set of investment guidelines within which an investment manager may be granted discretion regarding asset allocation, selection of investment securities, and the timing of transactions.

Fair Value Measurements

The Council has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of fair value hierarchy are as follows: Level 1: unadjusted quoted prices for identical assets in active markets; Level 2: quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, and valuation methodology using other observable inputs or inputs derived from or corroborated by observable market data by correlation or other means; Level 3: valuation methodology using unobservable inputs.

The GASB Statement Fair Value Measurement and Application provides guidance for applying fair value to certain investments. The Council's investments in fixed income securities are valued using quoted market prices (Level 1 inputs). The Council's certificates of deposit as defined are considered nonparticipating interest-earning investment contracts and are measured and reported at cost.

Accounts Receivable

Accounts receivable consist of annual administration fees assessed to conduit debtors. All receivables are considered fully collectible.

**STATE OF NEW MEXICO**  
**New Mexico Hospital Equipment Loan Council**  
**Notes to the Financial Statements**  
**June 30, 2018 and 2017**

**NOTE 2. Deposits and Investments (continued)**

Revenue Recognition

The Council collects loan origination fees in relation to its conduit debt obligations. These fees are recorded as revenue at the time the debt obligation is closed. In addition, the Council performs certain monthly accounting and administration services for each of its conduit debt obligations and collects annual fees for these services. The annual fees are recorded as revenue as the monthly services are rendered. The Council classifies these program administration fees as operating revenues.

Net Position

The Council's financial statements utilize a net position presentation. Net position represents the excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources of the Council. The Council's net position is reported in three categories - net investment in capital assets, restricted, and unrestricted. Net investment in capital assets (net of related debt, if applicable) is intended to reflect the portion of net position which is associated with capital assets less related outstanding debt. The Council has no capital assets, deferred outflows of resources and deferred inflows of resources at June 30, 2018 and 2017, respectively. Restricted net position is intended to reflect net position which has third party limitations on its use. The Council has no restricted net position at June 30, 2018 and 2017, respectively. Unrestricted net position has no third party limitations on its use.

The Council's policy is to apply restricted resources first when an expense is incurred for which both restricted and unrestricted net position are available.

Risk Management

The Council is exposed to various risks of loss for which the Council purchases commercial insurance coverage. There have been no settled claims which have exceeded insurance coverage in any of the past three fiscal years.

Budgetary Information

The Council shall annually prepare a budget which shall be adopted by the Council Board. The budget is prepared on the accrual basis of accounting and is controlled at the fund level. The Council reports a budgetary comparison statement as supplementary information. Unrestricted net position at the beginning of the year may be used to complete the budget process.

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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**STATE OF NEW MEXICO**  
**New Mexico Hospital Equipment Loan Council**  
**Notes to the Financial Statements**  
**June 30, 2018 and 2017**

**NOTE 3. Cash and Cash Equivalents**

Cash and cash equivalents at June 30, 2018 and 2017 consist of two demand deposit accounts in New Mexico banks and cash in an investment account through New Mexico Bank & Trust ("NMB&T"). Under the terms of the agreements, NMB&T acts as the Council's agent in placing funds in money market deposit accounts which do not exceed the FDIC standard maximum deposit insurance amount of \$250,000 at destination institutions. NMB&T acts as the Council's custodian and Bank of New York Mellon ("BNY Mellon") acts as sub-custodian. The money market deposit accounts are recorded on the records of the destination institution in the name of BNY Mellon as sub-custodian and are recorded on the records of the BNY Mellon in the name of NMB&T as custodian, and are recorded on the records of NMB&T in the Council's name. The money market accounts were liquidated during the year ended June 30, 2017.

Custodial credit risk is the risk that in the event of bank failure, the Council's deposit may not be returned. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. At June 30, 2018 and 2017, no cash and cash equivalents were exposed to custodial credit risk due to all accounts being fully insured.

At June 30, 2018, cash and cash equivalents consist of the following:

<u>Name of Depository/Type of Account</u>	<u>Balance per Books</u>	<u>Balance per Bank</u>
Bank of the West, New Mexico	\$	
Demand deposit account	109,949	109,949
New Mexico Bank & Trust		
Demand deposit account	3,015	3,015
New Mexico Bank & Trust investment account		
Heartland-Wide Savings account, Dubuque, Iowa	25,758	25,758
Total cash and cash equivalents	\$ 138,722	138,722

All cash accounts are fully insured at June 30, 2018 as account balances are under the \$250,000 FDIC limit at each of the banks.

At June 30, 2017, cash and cash equivalents consist of the following:

<u>Name of Depository/Type of Account</u>	<u>Balance per Books</u>	<u>Balance per Bank</u>
Bank of the West, New Mexico	\$	
Demand deposit account	76,236	76,236
New Mexico Bank & Trust		
Demand deposit account	2,892	2,892
New Mexico Bank & Trust investment account		
Heartland-Wide Savings account, Dubuque, Iowa	11,226	11,226
Total cash and cash equivalents	\$ 90,354	90,354



**STATE OF NEW MEXICO**  
**New Mexico Hospital Equipment Loan Council**  
**Notes to the Financial Statements**  
**June 30, 2018 and 2017**

**NOTE 4. Certificates of Deposit**

The Council invests in certificates of deposit at Citizens Bank of Clovis, New Mexico ("Citizens") and through a Certificate of Deposit Account Registry Service ("CDARS") under Deposit Placement and Custodial Agreements with NMB&T and Citizens. Under the terms of the agreements, NMB&T and Citizens act as the Council's agents in placing funds in certificates of deposit which, together with accrued interest, do not exceed the FDIC standard maximum deposit insurance amount of \$250,000 at destination institutions. NMB&T and Citizens act as the Council's custodians and BNY Mellon acts as sub-custodian. The certificates of deposit are recorded on the records of the destination institution in the name of BNY Mellon as sub-custodian, and are recorded on the records of BNY Mellon in the name of NMB&T or Citizens as custodians, and are recorded on the records of NMB&T and Citizens in the Council's name. The CDARS certificates of deposit bear interest at rates agreed to by the Council, NMB&T and Citizens. Early withdrawal of any certificate of deposit is available subject to withdrawal penalties.

As the Council has invested in certificates of deposit that do not exceed the current FDIC insurance limit, the Council's certificates of deposit are not exposed to credit risk or to concentration of credit risk. The Council does not have a specific policy relating to the maturities of certificates of deposit. However, purchased certificates of deposit have had terms ranging from six months to three years, which limit the Council's exposure to interest rate risk.

At June 30, 2018, certificates of deposit consist of the following:

Description	Issue Date	Maturity Date	Interest Rate	Original Term	Amount
CDARS					
First Bank of Kansas	2/16/2017	2/14/2019	1.03%	2 years	\$ 87,659
First County Bank	2/16/2017	2/14/2019	1.03%	2 years	240,858
Rhinebeck Bank	2/16/2017	2/14/2019	1.03%	2 years	198,834
First Bank of Kansas	2/23/2017	2/21/2019	1.10%	2 years	133,447
Merrick Bank	2/23/2017	2/21/2019	1.10%	2 years	206,043
Current					866,841
First Federal Bank of the Midwest	2/9/2017	2/6/2020	1.34%	3 years	236,107
First National Bank of Michigan	2/9/2017	2/6/2020	1.34%	3 years	236,107
Peoples Bank	2/9/2017	2/6/2020	1.34%	3 years	41,495
First National Bank of Fort Smith	2/16/2017	2/13/2020	1.34%	3 years	74,354
First Virginia Community Bank	2/16/2017	2/13/2020	1.34%	3 years	114,754
Mercantile Bank of Michigan	2/16/2017	2/13/2020	1.34%	3 years	236,047
Peoples Bank	2/16/2017	2/13/2020	1.34%	3 years	32,324
Rhinebeck Bank	2/16/2017	2/13/2020	1.34%	3 years	11,051
Noncurrent					982,239
					\$ 1,849,080

Each account with the above depositories is fully insured at June 30, 2018 as account balances are under the \$250,000 FDIC limit.

**STATE OF NEW MEXICO**  
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**Notes to the Financial Statements**  
**June 30, 2018 and 2017**

**NOTE 4. Certificates of Deposit (continued)**

At June 30, 2017, certificates of deposit consist of the following:

Description	Issue Date	Maturity Date	Interest Rate	Original Term	Amount
Citizens Bank of Clovis	2/17/17	8/17/17	.60%	6 months	\$ 123,000
Citizens Bank of Clovis	2/17/17	2/17/18	.75%	1 year	125,326
CDARS					
First Merchants Bank	2/11/16	2/08/18	.91%	2 years	133,383
Current					381,709
First Bank Kansas	2/16/17	2/14/19	1.025%	2 years	86,766
First County Bank	2/16/17	2/14/19	1.025%	2 years	238,402
Rhinebeck Bank	2/16/17	2/14/19	1.025%	2 years	196,807
First Bank Kansas	2/23/17	2/21/19	1.10%	2 years	132,198
Merrick Bank	2/23/17	2/21/19	1.10%	2 years	204,114
First Federal Bank of the Midwest	2/9/17	2/06/20	1.341%	3 years	232,962
First National Bank of Michigan	2/9/17	2/06/20	1.341%	3 years	232,962
Peoples Bank	2/9/17	2/06/20	1.341%	3 years	40,942
First National Bank of Fort Smith	2/16/17	2/13/20	1.341%	3 years	73,363
First Virginia Community Bank	2/16/17	2/13/20	1.341%	3 years	113,225
Mercantile Bank of Michigan	2/16/17	2/13/20	1.341%	3 years	232,902
Peoples Bank	2/16/17	2/13/20	1.341%	3 years	31,893
Rhinebeck Bank	2/16/17	2/13/20	1.341%	3 years	10,904
Noncurrent	2/16/17	2/13/20	1.341%	3 years	1,827,440
					\$ 2,209,149

**NOTE 5. Investments**

As of June 30, 2018 and 2017, the Council has invested in U.S. Treasury obligations and obligations of Government Sponsored Enterprises as described below.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Council's policy is to minimize investment credit risk. The Council's fixed income securities rated are presented below using the Standard and Poor's rating scale.

June 30, 2018		Quality Ratings	
Investment Type	Fair Value	AA+	Not Rated
U.S. Treasury Bill	\$ 74,544	-	74,544
U.S. Treasury Notes	307,130	-	307,130
U.S. Government Sponsored Enterprises	395,614	370,652	24,962
Total investments	\$ 777,288	370,652	406,636
June 30, 2017		Quality Ratings	
Investment Type	Fair Value	AA+	Not Rated
U.S. Treasury Bill	\$ 49,820	49,820	-
U.S. Treasury Notes	50,015	-	50,015
U.S. Government Sponsored Enterprises	363,826	363,826	-
Total investments	\$ 463,661	413,646	50,015

**STATE OF NEW MEXICO**  
**New Mexico Hospital Equipment Loan Council**  
**Notes to the Financial Statements**  
**June 30, 2018 and 2017**

**NOTE 5. Investments (continued)**

Interest Rate Risk

Interest rate risk is the risk that changes in the interest rates of debt investments will adversely affect the value of the investment. The prices of securities fluctuate with market interest rates and securities held will decline if market interest rates rise. The portfolio's weighted average maturity ("WAM") is the key determinant of the tolerance of the investments to rising interest rates. In general, the longer the WAM, the more susceptible the investments are to rising interest rates. The Council's policy is to minimize investment interest risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and also satisfy requirements for cash reserves, thereby avoiding the need to sell securities on the open market prior to maturity and to maintain an average maturity of no more than three years. Based on stated final maturity date, the investments' WAM at June 30, 2018 and 2017 is 1.91 years and 2.8 years, respectively. Investment maturities are as follows:

<b>June 30, 2018</b>		<b>Investment Maturities in Years</b>	
<b>Investment Type</b>	<b>Fair Value</b>	<b>Less than 1+</b>	<b>1 to 5</b>
U.S. Treasuries	\$ 381,674	173,869	207,805
U.S. Government Sponsored Enterprises	395,614	49,792	345,822
	<u>\$ 777,288</u>	<u>223,661</u>	<u>553,627</u>

  

<b>June 30, 2017</b>		<b>Investment Maturities in Years</b>	
<b>Investment Type</b>	<b>Fair Value</b>	<b>Less than 1+</b>	<b>1 to 5</b>
U.S. Treasuries	\$ 99,835	74,772	25,063
U.S. Government Sponsored Enterprises	363,826	-	363,826
	<u>\$ 463,661</u>	<u>74,772</u>	<u>388,889</u>

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Council will not be able to recover the value of the investments that are in the possession of an outside party. The Council does not have any investments as of June 30, 2018 and 2017 that are exposed to custodial credit risk.

Concentrations of Credit Risk

Investment in securities issued by the Federal Home Loan Mortgage Corporation with a total value of \$229,326 and \$214,602 represent 9% and 8% of total investments and certificates of deposit at June 30, 2018 and 2017, respectively.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Council has no foreign currency risk, as all investments are in United States dollar denominated assets.

**STATE OF NEW MEXICO**  
**New Mexico Hospital Equipment Loan Council**  
**Notes to the Financial Statements**  
**June 30, 2018 and 2017**

**NOTE 6. Conduit Debt Obligations**

Accounting Standards define conduit debt obligations as certain limited obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local government entity for the express purpose of providing capital financing for a specific third party that is not part of the issuer's financial reporting entity. Although the conduit debt obligations bear the name of the issuer, the entity has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued.

The Council has issued revenue bonds, lease purchase agreements, and master financing agreements to provide financing for the acquisition and construction of equipment and facilities. These bonds, lease purchase agreements and master financing agreements are secured by the property financed and are payable solely from payments received on the underlying loans. Neither the Council nor any political subdivision of the State is obligated in any manner for repayment of either the bonds or the lease purchase or master financing agreements. Accordingly the bonds and the obligations under the lease purchase and master financing agreements are not reported as liabilities in the accompanying financial statements.

At June 30, 2018 and 2017, conduit debt obligations outstanding are as follows:

	<u>2018</u>	<u>2017</u>
New Mexico Hospital Equipment Loan Council		
Hospital Revenue Bonds and Leases –		
Dialysis Clinic, Inc. Project, Series 2000	5,000,000	5,000,000
Rehoboth McKinley Christian Hospital Project, Series 2007	-	4,905,000
Lovelace Woman’s Hospital, Series 2007	12,617,082	12,617,082
Presbyterian Healthcare Services, Series 2008 A-D	300,850,000	314,280,000
La Vida Llena, Series 2010 A-C	17,455,000	17,690,000
San Juan Regional Medical Center, Series 2010	12,150,699	14,009,254
Lovelace Health Systems, Series 2011	32,800,000	32,800,000
Presbyterian Healthcare Services, Series 2012 A	75,000,000	75,000,000
La Vida Llena, Series 2012	39,145,000	40,040,000
Lovelace Health Systems, Series 2012	26,164,570	26,164,600
Gerald Champion Regional Medical Center, Series 2012	68,980,000	70,395,000
Presbyterian Healthcare Services, Series 2015 A	224,775,000	231,095,000
San Juan Regional Medical Center, Series 2017	26,528,686	29,510,371
Presbyterian Healthcare Services, Series 2017 A-B	304,780,000	304,780,000
	<u>\$ 1,146,246,037</u>	<u>1,178,286,307</u>

**STATE OF NEW MEXICO**  
**New Mexico Hospital Equipment Loan Council**  
**Notes to the Financial Statements**  
**June 30, 2018 and 2017**

**NOTE 7. Related Party Transactions**

The Council has entered into Deposit Placement Agreements and Custodial Agreements with New Mexico Bank & Trust ("NMB&T") and Citizens Bank of Clovis ("Citizens"), as further described in Notes 3 and 4. During the year ended June 30, 2017, the Council entered into a management agency agreement with NMB&T for investment of Council assets. Two Council members, respectively, are affiliated with NMB&T and Citizens. In addition, at June 30, 2018 and further described in Note 4 the Council has one certificate of deposit at Citizens. Agreements were executed in accordance with Council policies and procedures.

**NOTE 8. Program Administration**

The Council has an ongoing contract with a corporate third party (Hospital Services Corporation) to perform as program administrator. The duties of the program administrator include responding to all requests for information about the Council's various financing programs and processing loan applications and requests for issuance of financing by the Council. In addition, the program administrator provides all support services necessary for the Council to carry out its responsibilities, including maintaining files to document Council activities, preparing the annual budget and annual report, analyzing the Council's financial position, and providing the Council with current and complete information on all program related activity. The Council has recorded administrator fees in the amounts of \$94,586 and \$108,750 for the years ended June 30, 2018 and 2017, respectively, based on conduit debt issues and conduit debt outstanding. The agreement continues in force until terminated by either party.

**NOTE 9. Subsequent Events**

The Council has evaluated subsequent events through October 29, 2018 which is the date which the financial statements were available to be issued.

**NOTE 10. Tax Abatement**

The Council has no taxing authority; however, under the New Mexico Hospital Equipment Loan Act ("Act"), property financed by bonds issued by the Council is exempt from property tax as long as the bonds remain outstanding, not to exceed a period of thirty years. At June 30, 2018 and 2017, there are three bond issues outstanding for which the financed property is exempt from property tax based on the Act: Lovelace Women's Hospital, Series 2007, Lovelace Health Systems, Series 2011, and Lovelace Health Systems, Series 2012. The other bond issues outstanding at June 30, 2018 and 2017, as described in Note 6 to the financial statements pertain to entities whose property may not be subject to tax based upon their non-profit status.

The amount of the tax abatement provided by the above exemption is determined based the assessed value of the property together with the property tax rates in the locale where the property is located. The following table outlines the key information regarding the entities involved and the type and amounts of taxes abated.

**STATE OF NEW MEXICO**  
**New Mexico Hospital Equipment Loan Council**  
**Notes to the Financial Statements**  
**June 30, 2018 and 2017**

**NOTE 10. Tax Abatement (continued)**

Agency Number	452
Agency Name	New Mexico Hospital Equipment Loan Council
Agency Type	State Agency
Tax Abatement Agreement Name	Lease Agreement (New Mexico Hospital Equipment Loan Council/Lovelace Health System, Inc. dated 12/1/2007; 'Lovelace Women's Hospital Project')
Recipient(s) of tax abatement	Lovelace Health Systems, Inc.
Parent company(ies) of recipient(s) of tax abatement	LHS Services, Inc.; Ardent Health Services
Tax abatement program (name and brief description)	Hospital Equipment Loan Act (New Mexico Statute 58-23-29)
Specific Tax(es) Being Abated	Property Tax
Legal authority under which tax abatement agreement was entered into	NMSA 7-38; Hospital Equipment Loan Act (New Mexico Statute 58-23-29)
Criteria that make a recipient eligible to receive a tax abatement	Health facilities that are licensed by the New Mexico Department of Health to provide health-related services, assisted living support or long term care; provides health-related research; or is properly accredited or certified and eligible to receive Medicare or Medicaid reimbursement for all or parts of its activities providing mental health services, developmental disabilities services, or related specialized support to, or on behalf of, a defined group of persons.
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	Taxes may be abated through an exemption of property tax. Property financed by bonds issued by the Council is exempt from property tax as long as the bonds remain outstanding, not to exceed a period of 30 years.
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	The amount of the tax abatement is determined based on the assessed value of the property with the applied property tax rates for the location of the property.
Are there provisions for recapturing abated taxes? (Yes or No)	No
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	NA
List each specific commitment made by the recipient of the abatement.	Expansion of the Lovelace Women's Hospital located at 4701 NE in Bernalillo County to include the construction of a Neonatal Intensive Care Unit and the acquisition and upgrade of equipment and technology for the NICU.
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	This cannot be determined by the New Mexico Hospital Equipment Loan Council as the abating agency. The Council is not a taxing authority, nor does it provide for valuation of qualifying property.
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment.	None
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by your agency</u> in association with the foregone tax revenue, list the amount of payments received in the current fiscal year.	NA
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by a different agency</u> in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year.	NA
List each specific commitment made by your agency or any other government, other than the tax abatement.	None
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency.	Yes, State of New Mexico (306), Bernalillo County (5001), City of Albuquerque (6004), Albuquerque Public Schools (7002), Central New Mexico Community College (966), UNM Hospital (969-K), Albuquerque Metro Arroyo Flood Control Authority (4003)
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission.	NA

**STATE OF NEW MEXICO**  
**New Mexico Hospital Equipment Loan Council**  
**Notes to the Financial Statements**  
**June 30, 2018 and 2017**

**NOTE 10. Tax Abatement (continued)**

Agency Number	452
Agency Name	New Mexico Hospital Equipment Loan Council
Agency Type	State Agency
Tax Abatement Agreement Name	Lease Agreement (New Mexico Hospital Equipment Loan Council/Lovelace Health System, Inc. dated 10/1/2011; 'Lovelace Heart Hospital')
Recipient(s) of tax abatement	Lovelace Health Systems, Inc.
Parent company(ies) of recipient(s) of tax abatement	LHS Services, Inc.; Ardent Health Services
Tax abatement program (name and brief description)	Hospital Equipment Loan Act (New Mexico Statute. 58-23-29)
Specific Tax(es) Being Abated	Property Tax
Legal authority under which tax abatement agreement was entered into	NMSA 7-38; Hospital Equipment Loan Act (New Mexico Statute 58-23-29)
Criteria that make a recipient eligible to receive a tax abatement	Health facilities that are licensed by the New Mexico Department of Health to provide health-related services, assisted living support or long term care; provides health-related research; or is properly accredited or certified and eligible to receive Medicare or Medicaid reimbursement for all or parts of its activities providing mental health services, developmental disabilities services, or related specialized support to, or on behalf of, a defined group of persons.
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	Taxes may be abated through an exemption of property tax. Property financed by bonds issued by the Council is exempt from property tax as long as the bonds remain outstanding, not to exceed a period of 30 years.
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	The amount of the tax abatement is determined based on the assessed value of the property with the applied property tax rates for the location of the property.
Are there provisions for recapturing abated taxes? (Yes or No)	No
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	NA
List each specific commitment made by the recipient of the abatement.	Provide a full range of cardiology services and increased capabilities in other specialties to more than 300,000 people in Albuquerque and throughout New Mexico.
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	This cannot be determined by the New Mexico Hospital Equipment Loan Council as the abating agency. The Council is not a taxing authority, nor does it provide for valuation of qualifying property. Valuation of property is determined by Bernalillo County. However, the following values are based on what has been determined by Bernalillo County. The Council does not confirm nor validate these amounts. Property Tax = \$314,422.91
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment.	None
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by your agency</u> in association with the foregone tax revenue, list the amount of payments received in the current fiscal year.	NA
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by a different agency</u> in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year.	NA
List each specific commitment made by your agency or any other government, other than the tax abatement.	None
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency.	Yes, State of New Mexico (306), Bernalillo County (5001), City of Albuquerque (6004), Albuquerque Public Schools (7002), Central New Mexico Community College (966), UNM Hospital (969-K), Albuquerque Metro Arroyo Flood Control Authority (4003)
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission.	NA

**STATE OF NEW MEXICO**  
**New Mexico Hospital Equipment Loan Council**  
**Notes to the Financial Statements**  
**June 30, 2018 and 2017**

**NOTE 10. Tax Abatement (continued)**

Agency Number	452
Agency Name	New Mexico Hospital Equipment Loan Council
Agency Type	State Agency
Tax Abatement Agreement Name	Lease Agreement (New Mexico Hospital Equipment Loan Council/Lovelace Health System, Inc. dated 12/1/2012; 'Roswell Regional Hospital Project')
Recipient(s) of tax abatement	Lovelace Health Systems, Inc.
Parent company(ies) of recipient(s) of tax abatement	LHS Services, Inc.; Ardent Health Services
Tax abatement program (name and brief description)	Hospital Equipment Loan Act (New Mexico Statute. 58-23-29)
Specific Tax(es) Being Abated	Property Tax
Legal authority under which tax abatement agreement was entered into	NMSA 7-38; Hospital Equipment Loan Act (New Mexico Statute 58-23-29)
Criteria that make a recipient eligible to receive a tax abatement	Health facilities that are licensed by the New Mexico Department of Health to provide health-related services, assisted living support or long term care; provides health-related research; or is properly accredited or certified and eligible to receive Medicare or Medicaid reimbursement for all or parts of its activities providing mental health services, developmental disabilities services, or related specialized support to, or on behalf of, a defined group of persons.
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	Taxes may be abated through an exemption of property tax. Property financed by bonds issued by the Council is exempt from property tax as long as the bonds remain outstanding, not to exceed a period of 30 years.
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	The amount of the tax abatement is determined based on the assessed value of the property with the applied property tax rates for the location of the property.
Are there provisions for recapturing abated taxes? (Yes or No)	No
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	NA
List each specific commitment made by the recipient of the abatement.	Acquisition of the 26-bed acute care hospital and related properties, including the Roswell Family and Urgent Care Clinic, which the Borrower intends to reopen.
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	This cannot be determined by the New Mexico Hospital Equipment Loan Council as the abating agency. The Council is not a taxing authority, nor does it provide for valuation of qualifying property. Valuation of property is determined by Chavez County. However, the following values are based on what has been determined by Chavez County. The Council does not confirm nor validate these amounts. Property Tax = \$256,558.83
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment.	None
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by your agency</u> in association with the foregone tax revenue, list the amount of payments received in the current fiscal year.	NA
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by a different agency</u> in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year.	NA
List each specific commitment made by your agency or any other government, other than the tax abatement.	None
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency.	Yes, State of New Mexico (306), Chavez County (5003), City of Roswell (6148), Roswell Independent Schools (7072), Eastern New Mexico University (955), Pecos Valley Artesian Conservancy District (4030)
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission.	NA



**STATE OF NEW MEXICO**  
**New Mexico Hospital Equipment Loan Council**  
**Statement of Revenues and Expenses**  
**Budget and Actual**  
**Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES</b>				
Origination fees	\$ 40,000	-	-	-
Annual fees	95,050	93,660	91,958	1,702
Investment income	25,000	25,000	27,194	(2,194)
Total revenues	160,050	118,660	119,152	(492)
<b>OPERATING EXPENSES</b>				
General counsel	2,000	2,000	1,193	807
Annual audit	13,720	13,720	12,841	879
Program administrator fees	100,000	95,000	94,586	414
Origination Fees	13,333	-	-	-
Council expense	1,100	1,100	900	200
Miscellaneous	11,500	15,000	12,654	2,346
Insurance	295	295	295	-
Total operating expenses	141,948	127,115	122,469	4,646
Change in net position	\$ 18,102	(8,455)	(3,317)	(5,138)
Net position at beginning of year	\$ 2,719,940			

See the accompanying notes to the financial statements.

**STATE OF NEW MEXICO**  
**New Mexico Hospital Equipment Loan Council**  
**Statement of Revenues and Expenses**  
**Budget and Actual**  
**Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES</b>				
Origination fees	\$ 20,000	20,000	40,000	(20,000)
Annual fees	92,000	92,000	87,407	4,593
Investment income	25,000	25,000	23,331	1,669
Total revenues	137,000	137,000	150,738	(13,738)
<b>OPERATING EXPENSES</b>				
General counsel	2,500	2,500	1,618	882
Annual audit	14,000	14,000	13,680	320
Program administrator fees	95,000	95,000	95,416	(416)
Origination Fees	6,667	6,667	13,334	(6,667)
Council expense	1,500	1,500	1,741	(241)
Miscellaneous	10,000	10,000	10,010	(10)
Insurance	295	295	295	-
Total operating expenses	129,962	129,962	136,094	(6,132)
Change in net position	\$ 7,038	7,038	14,644	(7,606)
Net position at beginning of year	\$ 2,705,296			

See the accompanying notes to the financial statements.

**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**

Council Members  
New Mexico Hospital Equipment Loan Council  
and  
Mr. Wayne Johnson  
New Mexico State Auditor

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 the New Mexico Hospital Equipment Loan Council, State of New Mexico (Council) as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and the related budgetary comparison schedule, presented as supplementary information and have issued our report thereon dated October 29, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Council'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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.



Albuquerque, New Mexico  
October 29, 2018

**STATE OF NEW MEXICO  
New Mexico Hospital Equipment Loan Council  
Schedule of Findings and Responses  
June 30, 2018**

**PRIOR YEAR AUDIT FINDINGS**

None noted.

**CURRENT YEAR FINDINGS**

No matters were reported.

**STATE OF NEW MEXICO  
New Mexico Hospital Equipment Loan Council  
Exit Conference  
June 30, 2018**

**EXIT CONFERENCE**

An exit conference was held on October 29, 2018, and the contents of this report were discussed. In attendance were the following:

**New Mexico Hospital Equipment Loan Council**

Daniel Lyon, Chair

Christine Campos, Secretary

**Hospital Services Corporation, contract program administrator**

Deborah Gorenz, President

Jody Belkofer, Controller

Daniel Alsup, Modrall, Sperling, Roehl, Harris & Sisk, P.A., General Counsel

**Axiom Certified Public Accountants and Business Advisors LLC**

Jaime Rumbaoa, CPA - Partner

**Financial Statement Preparation**

The New Mexico Hospital Equipment Loan Council's financial statements were prepared substantially by the independent auditor, Axiom Certified Public Accountants and Business Advisors LLC. However, the financial statements are the responsibility of management.