

Guadalupe County Hospital
A Component Unit of
Guadalupe County, New Mexico

Basic Financial Statements and
Independent Auditors' Reports
June 30, 2019 and 2018



CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

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INTRODUCTORY SECTION

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**GUADALUPE COUNTY HOSPITAL
A COMPONENT UNIT OF GUADALUPE COUNTY, NEW MEXICO
BOARD OF DIRECTORS AND PRINCIPAL EMPLOYEE
JUNE 30, 2019**

Board of Directors

| | |
|-----------------|---------------------|
| Keith Ross | Chairman |
| Lee Vega | Vice-Chairman |
| Yolanda Tenorio | Secretary/Treasurer |
| Erasmus Bravo | Member |
| Yvette Griego | Member |

Principal Employee

| | |
|------------------|---------------|
| Christina Campos | Administrator |
|------------------|---------------|

FINANCIAL SECTION



Independent Auditors' Report

To Brian S. Colón, Esq.
New Mexico State Auditor

Board of Directors and Management of
Guadalupe County Hospital
Santa Rosa, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of Guadalupe County Hospital, a component unit of Guadalupe County, New Mexico (the Hospital) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents. We have also audited the schedule of revenues and expenses – budget to actual of the Hospital for the year ended June 30, 2019, presented as supplemental information as listed in the table of contents. The financial statements of the Hospital as and for the year ended June 30, 2018, were audited by other auditors. Those auditors expressed an unmodified opinion on those financial statements in their report dated October 24, 2019.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque



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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the Hospital's basic financial statements and schedule of revenues and expenses – budget to actual. The other schedules required by 2.2.2 NMAC as noted in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2.2 NMAC as noted in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules required by 2.2.2 NMAC as noted in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2019 on our consideration of the Hospital'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.



Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
October 24, 2019

GUADALUPE COUNTY HOSPITAL
A COMPONENT UNIT OF GUADALUPE COUNTY, NEW MEXICO
STATEMENT OF NET POSITION
June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|---|----------------------|-------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 1,067,329 | 1,011,585 |
| Investments | 8,638,980 | 8,107,752 |
| Receivables: | | |
| Patient accounts receivable, net | 982,301 | 911,204 |
| Estimated third-party payor settlements | - | 24,782 |
| Safety net care pool | 339,027 | - |
| Taxes | 4,735 | 11,365 |
| Other | 601 | 239 |
| Inventories | 268,723 | 306,192 |
| Prepaid expenses | 145,541 | 41,755 |
| | <u>11,447,237</u> | <u>10,414,874</u> |
| <i>Total current assets</i> | | |
| Noncurrent Assets | | |
| Certificates of deposit restricted by New Mexicare management agreement | 509,139 | 505,754 |
| Cash and cash equivalents restricted by USDA loan agreement | 749,125 | 127,000 |
| Capital assets, net | 10,825,462 | 11,124,200 |
| | <u>12,083,726</u> | <u>11,756,954</u> |
| <i>Total noncurrent assets</i> | | |
| | <u>\$ 23,530,963</u> | <u>22,171,828</u> |
| <i>Total assets</i> | | |

GUADALUPE COUNTY HOSPITAL
A COMPONENT UNIT OF GUADALUPE COUNTY, NEW MEXICO
STATEMENT OF NET POSITION
June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|---|----------------------|-------------------|
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable | \$ 222,671 | 228,884 |
| Accrued compensation and related liabilities | 99,772 | 76,282 |
| Compensated absences | 91,651 | 79,305 |
| Safety net care pool | 796,193 | 583,959 |
| Accrued interest payable | 12,535 | 15,618 |
| Current maturities of revenue bonds payable | <u>158,517</u> | <u>127,653</u> |
| <i>Total current liabilities</i> | <u>1,381,339</u> | <u>1,111,701</u> |
| Noncurrent Liabilities | | |
| Revenue bonds payable, net of current portion | <u>419,281</u> | <u>577,798</u> |
| <i>Total liabilities</i> | <u>1,800,620</u> | <u>1,689,499</u> |
| NET POSITION | | |
| Investment in capital assets | 10,235,129 | 10,403,131 |
| Restricted | 1,258,264 | 632,754 |
| Unrestricted | <u>10,236,950</u> | <u>9,446,444</u> |
| <i>Total net position</i> | <u>21,730,343</u> | <u>20,482,329</u> |
| <i>Total liabilities and net position</i> | <u>\$ 23,530,963</u> | <u>22,171,828</u> |

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GUADALUPE COUNTY HOSPITAL
A COMPONENT UNIT OF GUADALUPE COUNTY, NEW MEXICO
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|---|----------------------|-------------------|
| Operating revenues | | |
| Net patient service revenue | \$ 7,821,431 | 7,719,764 |
| Retail pharmacy revenue | 1,454,792 | 1,331,927 |
| Safety net care pool | 963,809 | 217,128 |
| Grant income | 27,598 | 53,255 |
| Other | <u>6,450</u> | <u>4,504</u> |
| <i>Total operating revenues</i> | <u>10,274,080</u> | <u>9,326,578</u> |
| Operating expenses | | |
| Salaries and wages | 2,163,653 | 2,082,039 |
| Employee benefits | 605,244 | 555,287 |
| Professional fees | 4,371,504 | 4,304,748 |
| Retail pharmacy supplies | 1,065,142 | 1,038,079 |
| Other supplies | 664,774 | 692,456 |
| Utilities | 134,753 | 133,064 |
| Repairs and maintenance | 119,370 | 162,012 |
| Depreciation | 476,888 | 441,898 |
| Insurance | 148,881 | 113,185 |
| Management fees | 240,000 | 240,000 |
| Other supplies | <u>119,569</u> | <u>133,818</u> |
| <i>Total operating expenses</i> | <u>10,109,778</u> | <u>9,896,586</u> |
| <i>Operating income (loss)</i> | <u>164,302</u> | <u>(570,008)</u> |
| Nonoperating revenues (expenses) | | |
| Mill levy revenue | 676,984 | 655,024 |
| Investment income (loss) | 376,814 | (33,395) |
| Rental income | 57,740 | 57,600 |
| Interest expense | <u>(27,826)</u> | <u>(38,849)</u> |
| <i>Total nonoperating revenues, net</i> | <u>1,083,712</u> | <u>640,380</u> |
| <i>Change in net position</i> | 1,248,014 | 70,372 |
| Net position - beginning of year | <u>20,482,329</u> | <u>20,411,957</u> |
| Net position - end of year | <u>\$ 21,730,343</u> | <u>20,482,329</u> |

GUADALUPE COUNTY HOSPITAL
A COMPONENT UNIT OF GUADALUPE COUNTY, NEW MEXICO
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|--------------------|
| Increase (decrease) in cash and cash equivalents | | |
| <i>Cash flows from operating activities</i> | | |
| Cash received from and on behalf of patients | \$ 7,775,116 | 7,754,646 |
| Cash received from retail pharmacy | 1,454,792 | 1,331,927 |
| Cash received from safety net care pool provider payments | 624,782 | 881,711 |
| Cash received from operating grants | 27,598 | 53,016 |
| Cash received from other revenue | 6,088 | 4,504 |
| Cash paid to and on behalf of employees | (2,756,551) | (2,642,055) |
| Cash paid to suppliers and contractors | <u>(6,700,799)</u> | <u>(6,760,904)</u> |
| <i>Net cash provided by operating activities</i> | <u>431,026</u> | <u>622,845</u> |
| <i>Cash flows from noncapital financing activities</i> | | |
| Cash received from mill levies | <u>683,614</u> | <u>654,056</u> |
| <i>Cash flows from capital and related financing activities</i> | | |
| Principal payments on revenue bonds | (127,653) | (122,302) |
| Interest paid | (30,909) | (36,214) |
| Purchase of capital assets | <u>(178,150)</u> | <u>(236,876)</u> |
| <i>Net cash used in capital and related financing activities</i> | <u>(336,712)</u> | <u>(395,392)</u> |
| <i>Cash flows from investing activities</i> | | |
| Interest received | 186,387 | 139,592 |
| Cash received from rental activities | 57,740 | 57,600 |
| Purchase of investments | (1,346,687) | (2,149,910) |
| Proceeds from sale of investments | <u>1,002,501</u> | <u>752,664</u> |
| <i>Net cash used in investing activities</i> | <u>(100,059)</u> | <u>(1,200,054)</u> |
| Net increase (decrease) in cash and cash equivalents | 677,869 | (318,545) |
| Cash and cash equivalents, beginning of year | <u>1,138,585</u> | <u>1,457,130</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,816,454</u> | <u>1,138,585</u> |

GUADALUPE COUNTY HOSPITAL
A COMPONENT UNIT OF GUADALUPE COUNTY, NEW MEXICO
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|-----------------------|--------------------|
| Reconciliation of cash and cash equivalents to the statement of net position | | |
| Cash and cash equivalents | \$ 1,067,329 | 1,011,585 |
| Cash and cash equivalents restricted by USDA loan agreement | <u>749,125</u> | <u>127,000</u> |
| <i>Total cash and cash equivalents</i> | <u>\$ 1,816,454</u> | <u>1,138,585</u> |
| <i>Reconciliation of operating income (loss) to net cash provided by operating activities</i> | | |
| Operating income (loss) | \$ 164,302 | (570,008) |
| <i>Adjustments to reconcile operating income (loss) to net cash provided by operating activities</i> | | |
| Depreciation | 476,888 | 441,898 |
| Provision for bad debts | 896,529 | 662,109 |
| Decrease (increase) in assets: | | |
| Receivables: | | |
| Patient accounts | (967,626) | (348,127) |
| Estimated third-party payor settlements | 24,782 | (24,782) |
| Safety net care pool | (339,027) | 80,624 |
| Other | (362) | (239) |
| Inventories | 37,469 | 85,102 |
| Prepaid expenses | (103,786) | 41,700 |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (6,213) | (70,344) |
| Accrued compensation and related liabilities | 23,490 | (2,911) |
| Compensated absences | 12,346 | (1,818) |
| Estimated third-party payor settlements | - | (254,318) |
| Safety net care pool | <u>212,234</u> | <u>583,959</u> |
| <i>Net cash provided by operating activities</i> | <u>\$ 431,026</u> | <u>622,845</u> |

**GUADALUPE COUNTY HOSPITAL
A COMPONENT UNIT OF GUADALUPE COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Guadalupe County Hospital (the Hospital) is a 10-bed county-owned acute care hospital located in Santa Rosa, New Mexico. The Hospital provides inpatient, outpatient, and emergency medical care services for residents of Guadalupe County (the County), as well as operates an onsite retail pharmacy.

The Board of County Commissioners of the County affirms the Hospital Board of Directors, and the Hospital may not issue debt without the County's approval. For this reason, the Hospital is considered to be a component unit of Guadalupe County, New Mexico. As organized, the Hospital is exempt from federal and state income taxes. There are no component units of the Hospital.

The Hospital has a management agreement with New Mexicare, Inc. (New Mexicare), a nonprofit healthcare management company, to supervise and direct the Hospital's daily operations. According to the agreement, the Hospital is to maintain a \$500,000 cash reserve in the event of hospital default. The management agreement in effect through December 31, 2021, stipulates that the Hospital pays New Mexicare a flat monthly fee of \$12,000 for management and pays the County \$8,000 per month for administrative services.

A. Summary of Significant Accounting Policies

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

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

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

Investments – Investments are recorded at fair value. Fair value is determined using quoted market prices.

Inventories – Inventories consist of medical, pharmaceutical, and laboratory supplies and are stated at cost using the first-in, first-out method.

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

**GUADALUPE COUNTY HOSPITAL
A COMPONENT UNIT OF GUADALUPE COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

**NOTE 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Cash and cash equivalents restricted by USDA loan agreement - The Hospital's revenue bonds with the United States Department of Agriculture require the Hospital to establish a reserve account, and each year set aside into that account an amount at least equal to one-tenth of one yearly payment. Written approval must be obtained from Rural Development, Community Programs to utilize any of the reserve.

Compensated absences – The liability for compensated absences consists of unpaid, accumulated annual personal leave balances. The liability has been calculated using the vesting method, whereby leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Employees can accumulate as many hours as they wish throughout the year and upon termination, they will be paid out all vacation hours earned to date regardless of balance, until calendar year end when any excess over 120 hours is forfeited.

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

Net position – Net position of the Hospital is classified in three components:

Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets.

Restricted net position is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital, including amounts deposited with trustees as required by revenue bond indentures.

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

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

Grants and contributions – From time to time, the Hospital receives grants from the state of New Mexico and others, as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility

**GUADALUPE COUNTY HOSPITAL
A COMPONENT UNIT OF GUADALUPE COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

**NOTE 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are restricted to specific capital acquisitions are reported after nonoperating revenues and expenses. Grants that are for specific projects or purposes related to the Hospital's operating activities are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue. Contributions, except for capital contributions, are reported as nonoperating revenue.

Budgets and budgetary accounting – Prior to the beginning of each fiscal year, an accrual basis budget for the Hospital is prepared by the Hospital's management and is presented to the Board of Directors and the County Commissioners for approval. Expenditures cannot legally exceed the total fund budget. Any budget amendments are approved by the Board of Directors and County Commissioners. Budgeted amounts may be transferred between departments within a fund; however, any revisions that alter the total expenditures of a fund must be approved by the County Commissioners.

Upcoming accounting standards pronouncements – In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (ARO). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Specifically, this statement requires a government entity with legal obligations to perform future asset retirement activities related to its tangible capital assets to recognize a liability based on the guidance in this statement. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The determination of when a liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event obligating a government entity to perform asset retirement activities. This statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The Hospital has adopted this statement for the year ending June 30, 2019; however, there were no AROs and the implementation of this statement had no effect on the Hospital's financial statements.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement's primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. GASB Statement No. 88 was effective for periods beginning after June 15, 2018. The Hospital adopted this statement; however, the implementation of this statement had no effect on the Hospital's financial statements.

**GUADALUPE COUNTY HOSPITAL
A COMPONENT UNIT OF GUADALUPE COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

**NOTE 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2019.

GASB Statement No. 84, *Fiduciary Assets*

GASB Statement No. 87, *Leases*

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.*

GASB Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61.*

GASB Statement No. 91, *Conduit Debt Obligations.*

The Hospital will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The Hospital believes that the above listed new GASB pronouncements will not have a significant financial impact to the Hospital or in issuing its financial statements.

Subsequent events – The Hospital has evaluated subsequent events through October 24, 2019, the date on which the financial statements were available to be issued.

NOTE 2. DEPOSITS AND INVESTMENTS

Custodial credit risk is the risk that, in the event of a bank failure, the Hospital's deposits may not be returned to it. The Hospital's deposits are covered by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each financial institution. In accordance with Section 6-10-17 NMSA 1978 Compilation, the Hospital is required to collateralize an amount equal to one-half of the public money in excess of \$250,000 at each financial institution.

Of the Hospital's total deposits of \$11,104,086 and \$9,807,219 at June 30, 2019 and 2018, respectively, a total of \$127,231 and \$-0- was uninsured and uncollateralized at June 30, 2019 and 2018, respectively, and therefore subject to custodial credit risk.

Statutes authorize the Hospital to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, commercial paper, and bankers' acceptances.

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

**GUADALUPE COUNTY HOSPITAL
A COMPONENT UNIT OF GUADALUPE COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

The Hospital's investments are as follows:

| | 2019 | | | | |
|--------------------------------|---------------------|----------------------------------|------------------|------------|---------------|
| | Fair Value | Investment Maturities (in Years) | | | |
| | | Less Than One | One to Five | Six to Ten | More Than Ten |
| <i>Held at County</i> | | | | | |
| Certificates of deposit | \$ 509,139 | 509,139 | - | - | - |
| <i>Wells Fargo</i> | | | | | |
| Money market | 103,871 | 103,871 | - | - | - |
| <i>Moreton Capital Markets</i> | | | | | |
| Certificates of deposit | <u>8,535,109</u> | <u>2,000,927</u> | <u>6,534,182</u> | - | - |
| Total Investments | \$ <u>9,148,119</u> | <u>2,613,937</u> | <u>6,534,182</u> | - | - |

| | 2018 | | | | |
|--------------------------------|---------------------|----------------------------------|------------------|------------|---------------|
| | Fair Value | Investment Maturities (in Years) | | | |
| | | Less Than One | One to Five | Six to Ten | More Than Ten |
| <i>Held at County</i> | | | | | |
| Certificates of deposit | \$ 505,754 | 505,754 | - | - | - |
| <i>Wells Fargo</i> | | | | | |
| Money market | 9,355 | 9,355 | - | - | - |
| <i>Moreton Capital Markets</i> | | | | | |
| Certificates of deposit | <u>8,098,397</u> | <u>1,002,501</u> | <u>7,095,896</u> | - | - |
| Total Investments | \$ <u>8,613,506</u> | <u>1,517,610</u> | <u>7,095,896</u> | - | - |

Reconciliation of investments to the statements of net position:

| | 2019 | 2018 |
|---|---------------------|------------------|
| Investments | \$ 8,638,980 | 8,107,752 |
| Certificates of deposit restricted by New Mexicare Management agreement | <u>509,139</u> | <u>505,754</u> |
| Total investments | \$ <u>9,148,119</u> | <u>8,613,506</u> |

**GUADALUPE COUNTY HOSPITAL
A COMPONENT UNIT OF GUADALUPE COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Certificates of deposit held at County – The management agreement between the Hospital and New Mexicare requires the County to maintain a reserve in the amount of \$500,000 for Hospital operations. The schedule of pledged collateral for the funds held by the County is unavailable because the bank commingles pledged collateral for all funds it holds. The County monitors pledged collateral for all of its funds to ensure all holdings are adequately collateralized.

NOTE 3. PATIENT ACCOUNTS RECEIVABLE

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

The Hospital’s allowance for uncollectible accounts for self-pay patients has not changed significantly from prior years. The Hospital does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant write offs from third-party payors.

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

| | <u>2019</u> | <u>2018</u> |
|---|--------------------------|-----------------------|
| Receivable from patients and their insurance carriers | \$ 1,062,391 | 1,040,351 |
| Receivable from Medicare | 347,111 | 212,748 |
| Receivable from Medicaid | 122,518 | 107,400 |
| Total patient accounts receivable | <u>1,532,020</u> | <u>1,360,499</u> |
| Less allowance for uncollectible accounts | <u>549,719</u> | <u>449,295</u> |
| Net patient accounts receivable | \$ <u><u>982,301</u></u> | <u><u>911,204</u></u> |

GUADALUPE COUNTY HOSPITAL
A COMPONENT UNIT OF GUADALUPE COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 4. CAPITAL ASSETS

In accordance with Section 12-6-10 NMSA 1987, the Hospital capitalizes assets whose costs exceed \$5,000 and with an estimated useful life of at least one year. Capital asset acquisitions are recorded at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation.

All capital assets other than land and construction in progress are depreciated or amortized (in the case of capital leases) by the straight-line method of depreciation using these asset lives:

| | |
|----------------------------|---------------|
| Land improvements | 10 years |
| Buildings and improvements | 40 years |
| Equipment | 3 to 20 years |

Capital asset activity for the year ended June 30, 2019 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ 187,363 | - | - | 187,363 |
| Total capital assets not being depreciated | <u>187,363</u> | <u>-</u> | <u>-</u> | <u>187,363</u> |
| Capital assets being depreciated | | | | |
| Land improvements | 242,648 | - | - | 242,648 |
| Buildings and improvements | 12,420,886 | 4,933 | - | 12,425,819 |
| Equipment | 2,565,045 | 173,216 | - | 2,738,261 |
| Total capital assets being depreciated | <u>15,228,579</u> | <u>178,149</u> | <u>-</u> | <u>15,406,728</u> |
| Less accumulated depreciation | | | | |
| Land improvements | (151,365) | (23,349) | - | (174,714) |
| Buildings and improvements | (2,184,365) | (316,856) | - | (2,501,221) |
| Equipment | (1,956,012) | (136,683) | - | (2,092,695) |
| Total accumulated depreciation | <u>(4,291,742)</u> | <u>(476,888)</u> | <u>-</u> | <u>(4,768,630)</u> |
| Total capital assets being depreciated | <u>10,936,837</u> | <u>(298,739)</u> | <u>-</u> | <u>10,638,098</u> |
| Capital assets, net of accumulated depreciation | \$ <u>11,124,200</u> | <u>(298,739)</u> | <u>-</u> | <u>10,825,461</u> |

**GUADALUPE COUNTY HOSPITAL
A COMPONENT UNIT OF GUADALUPE COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 4. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended June 30, 2018 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|-----------|-----------|-------------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ 187,363 | - | - | 187,363 |
| Total capital assets not being depreciated | 187,363 | - | - | 187,363 |
| Capital assets being depreciated | | | | |
| Land improvements | 242,648 | - | - | 242,648 |
| Buildings and improvements | 12,420,886 | - | - | 12,420,886 |
| Equipment | 2,328,169 | 236,876 | - | 2,565,048 |
| Total capital assets being depreciated | 14,991,703 | 236,876 | - | 15,228,579 |
| Less accumulated depreciation | | | | |
| Land improvements | (128,016) | (23,349) | - | (151,365) |
| Buildings and improvements | (1,867,509) | (316,856) | - | (2,184,365) |
| Equipment | (1,854,319) | (101,693) | - | (1,956,012) |
| Total accumulated depreciation | (3,849,844) | (441,898) | - | (4,291,742) |
| Total capital assets being depreciated | 11,141,859 | (205,022) | - | 10,936,837 |
| Capital assets, net of accumulated depreciation | \$ 11,329,222 | (205,022) | - | 11,124,200 |

NOTE 5. NONCURRENT LIABILITIES

A schedule of changes in the Hospital's noncurrent liabilities is as follows:

| | 2019 | | | | Amounts Due Within One Year |
|-----------------------|----------------------|-----------|-----------|-------------------|-----------------------------------|
| | Beginning Balance | Additions | Decreases | Ending Balance | |
| Revenue bonds payable | \$ 705,451 | - | (127,653) | 577,798 | 158,517 |
| Compensated absences | 79,305 | 109,064 | (96,718) | 91,651 | 91,651 |
| Total long-term debt | \$ 784,756 | 109,064 | (224,371) | 669,449 | 250,168 |

**GUADALUPE COUNTY HOSPITAL
A COMPONENT UNIT OF GUADALUPE COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 5. NONCURRENT LIABILITIES (CONTINUED)

| | 2018 | | | | Amounts Due Within One Year |
|-----------------------|----------------------|-----------|-----------|-------------------|-----------------------------------|
| | Beginning Balance | Additions | Decreases | Ending Balance | |
| Revenue bonds payable | \$ 827,753 | - | (122,302) | 705,451 | 127,653 |
| Compensated absences | 81,123 | 94,548 | (96,366) | 79,305 | 79,305 |
| Total long-term debt | \$ 908,876 | 94,548 | (218,668) | 784,756 | 206,958 |

Long-term debt – The terms and due dates of the Hospital’s long-term debt are as follows:

Guadalupe County, New Mexico Hospital Improvement Revenue Bonds, dated December 28, 2011, in the original amount of \$3,550,000, for the purpose of improvements and expansion of the Hospital’s facilities. Payments of \$158,516, including 4.375 percent interest, are payable annually on December 28. The bonds were purchased by the United States Department of Agriculture under the provisions of the Consolidated Farm and Rural Development Act. The bonds are secured by the Hospital’s net revenue and payments of bond principal are also secured by an insurance policy issued by a commercial insurer.

Annual principal and interest payments over the terms of long-term debt are as follows:

| Years Ending June 30, | Principal | Interest | Total Payments |
|--------------------------|------------|----------|-------------------|
| 2020 | \$ 132,662 | 25,854 | 158,516 |
| 2021 | 138,584 | 19,932 | 158,516 |
| 2022 | 144,770 | 13,746 | 158,516 |
| 2023 | 161,782 | 7,284 | 169,066 |
| Total | \$ 577,798 | 66,816 | 644,614 |

NOTE 6. NET PATIENT SERVICE REVENUE

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Hospital’s uninsured patients will be unable or unwilling to pay for the services provided. The Hospital’s provisions for bad debts and write-offs have not changed significantly from the prior year. The Hospital has not changed its charity care or uninsured discount policies during fiscal years 2019 or 2018. Thus, the Hospital records a significant provision for bad debts related to uninsured patients

**GUADALUPE COUNTY HOSPITAL
A COMPONENT UNIT OF GUADALUPE COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 6. NET PATIENT SERVICE REVENUE (CONTINUED)

in the period the services are provided. Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|------------------|
| Patient service revenue (net of contractual) | | |
| Adjustments and discounts): | | |
| Medicare | \$ 4,073,424 | 3,265,044 |
| Medicaid/Centennial Care | 1,027,296 | 920,273 |
| Other third-party payors | 2,969,503 | 3,657,300 |
| Patients | <u>844,716</u> | <u>664,430</u> |
| | 8,914,939 | 8,507,047 |
| Less: | | |
| Charity care | 196,979 | 125,174 |
| Provision for bad debts | <u>896,529</u> | <u>662,109</u> |
| Net patient service revenue | <u>\$ 7,821,431</u> | <u>7,719,764</u> |

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

Medicare – Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Hospital is reimbursed for some items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

Medicaid/Centennial Care – The State of New Mexico (the State) administers its Medicaid program through contracts with several Managed Care Organizations (MCOs). Medicaid beneficiaries are required to enroll with one of the MCOs. The State pays each MCO a per member, per month rate based on their current enrollment. These amounts are allocated by each MCO to separate pools for the hospital, physicians, and ancillary providers. As a result, the MCOs assume the financial risk of providing healthcare to its members. Through the Hospital’s contracts with the MCOs, inpatient and outpatient services are paid at prospectively determined rates per discharge and fee schedules.

**GUADALUPE COUNTY HOSPITAL
A COMPONENT UNIT OF GUADALUPE COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 6. NET PATIENT SERVICE REVENUE (CONTINUED)

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

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The net patient service revenue increased approximately \$47,538 and increased approximately \$37,000 in 2019 and 2018, respectively, due to differences between original estimates and final settlements or revised estimates.

The Hospital provides charity care to patients who are financially unable to pay for the healthcare services they receive. The Hospital's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the Hospital does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended June 30, 2019 and 2018, were approximately \$22,000 and \$51,000, respectively. The Hospital did not receive any gifts or grants to subsidize charity care services during 2019 and 2018. The safety net care pool subsidizes services to uninsured patients and unreimbursed Medicaid costs.

NOTE 7. SAFETY NET CARE POOL

The Hospital receives funding for uncompensated care costs through the state of New Mexico's safety net care pool program. The Hospital receives interim quarterly payments subject to settlement based on actual uncompensated care costs. The Hospital estimates the settlement amounts for each calendar year. There is a reasonable possibility that recorded estimates will change by a material amount. The safety net care pool funding increased by approximately \$45,940 in 2019 and increased by approximately \$54,000 in 2018, due to differences between original estimates and final settlements or revised estimates.

NOTE 8. MILL LEVY TAX

A New Mexico law adopted in 1980 and amended in 1981 allows counties to provide expanded tax support to qualified hospitals. The Hospital received mill levy proceeds from the County approximating \$676,984 and \$655,024 in 2019 and 2018, respectively. Mill levies were used in accordance with the provisions of the 1980 Hospital Funding Act, as amended.

**GUADALUPE COUNTY HOSPITAL
A COMPONENT UNIT OF GUADALUPE COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 8. RETIREMENT PLANS

The Hospital has a deferred compensation plan created in accordance with Internal Revenue Code §457. The name of the plan is Guadalupe County Hospital 457(b) Governmental Deferred Compensation Plan (the Compensation Plan). The Compensation Plan is available to all employees and permits them to defer a portion of their salary until withdrawn in future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Employee contributions are immediately fully vested. Employee contributions to the Compensation Plan totaled approximately \$71,170 and \$74,000 for the years ended June 30, 2019 and 2018, respectively.

The Hospital provides a 401(a) profit-sharing pension plan for all employees with at least 90 days of service. The name of the plan is Guadalupe County Hospital 401(a) Plan (the Plan). The Hospital makes a contribution match of up to 3 percent of the employee's base wage. Employer contributions to the Plan are discretionary and are fully vested once the employee is eligible to participate in the Plan. The Hospital funds all retirement contributions and employees are not allowed to contribute to the Plan. Employer contributions to the Plan totaled approximately \$33,563 and \$34,000 for the years ended June 30, 2019 and 2018, respectively.

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

NOTE 10. RISK MANAGEMENT AND CONTINGENCIES

Medical malpractice claims – The Hospital has professional liability insurance coverage with Endurance American Specialty. The policy provides protection on a “claims-made” basis whereby claims filed in the current year are covered by the current policy. If there are occurrences in the current year, these will only be covered in the year the claim is filed if claims-made coverage is obtained in that year or if the Hospital purchases insurance to cover prior acts. The current professional liability insurance provides \$3,000,000 per claim of primary coverage with an annual aggregate limit of \$3,000,000. The policy has a \$5,000 deductible per claim.

Risk management – The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Industry regulations – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations, and government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse

**GUADALUPE COUNTY HOSPITAL
A COMPONENT UNIT OF GUADALUPE COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 10. RISK MANAGEMENT AND CONTINGENCIES (CONTINUED)

statutes, as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

NOTE 11. CONCENTRATION OF RISK

Patient accounts receivable – The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The majority of these patients are geographically concentrated in and around Guadalupe County.

The mix of receivables from patients and third-party payors was as follows:

| | 2019 | 2018 |
|--------------------------|------------|------------|
| Medicare | 32 | 21 |
| Medicaid/Centennial Care | 20 | 20 |
| Patients | 14 | 12 |
| Commercial and other | 34 | 47 |
| | <u>100</u> | <u>100</u> |

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

SUPPLEMENTAL INFORMATION

GUADALUPE COUNTY HOSPITAL
A COMPONENT UNIT OF GUADALUPE COUNTY, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2019

| | First National Bank of New Mexico | Moreton Capital Markets | Wells Fargo |
|---|--|--|------------------------|
| <i>Deposits at June 30, 2019</i> | \$ 1,177,231 | 8,638,980 | 1,287,875 |
| Less: | | | |
| Fair value adjustment | - | 32,042 | - |
| CDs held by Moreton Capital Markets and fully insured under FDIC limits | - | 8,606,938 | - |
| CDs held by Guadalupe County and fully collateralized FDIC insurance | 250,000 | - | 509,139 |
| | <u>250,000</u> | <u>-</u> | <u>250,000</u> |
| <i>Total uninsured public funds</i> | 927,231 | - | 528,736 |
| <i>Pledged collateral held by the pledging bank's trust department or agent, but not in the Hospital's name</i> | <u>800,000</u> | <u>-</u> | <u>557,050</u> |
| <i>Total uninsured and uncollateralized public funds</i> | <u>\$ 127,231</u> | <u>-</u> | <u>(28,314)</u> |
| 50% pledged collateral requirement per statute | 463,616 | - | 264,368 |
| Total pledged collateral | <u>800,000</u> | <u>-</u> | <u>557,050</u> |
| <i>Pledged collateral over the requirement</i> | <u>\$ 336,384</u> | <u>-</u> | <u>292,682</u> |
| | | Fair Value | |
| | First National Bank of New Mexico | Moreton Capital Markets | Wells Fargo |
| <i>Security</i> | | | |
| Federal Home Loan Bank of Dallas irrevocable stand by letter of credit | \$ 800,000 | - | - |
| FMAC FGPC, CUSIP 3128MCPV1, matures June 1, 2025 | - | - | 102,760 |
| FNMA FNMS, CUSIP 3138W0XX2, matures January 1, 2043 | - | - | 399,330 |
| FNMA FNMS, CUSIP 31418ACM8, matures January 1, 2042 | - | - | 54,960 |
| | <u>-</u> | <u>-</u> | <u>54,960</u> |
| <i>Total pledged securities</i> | <u>\$ 800,000</u> | <u>-</u> | <u>557,050</u> |

GUADALUPE COUNTY HOSPITAL
A COMPONENT UNIT OF GUADALUPE COUNTY, NEW MEXICO
SCHEDULE OF DEPOSITS
June 30, 2019

| Bank | Account Name | Account Type | Bank Balance | Deposits in Transit | Outstanding Checks | Book Balance | |
|---------------------------------------|-----------------------------------|---------------------|---------------------|----------------------------|---------------------------|---------------------|-------------------|
| <i>Deposit Accounts</i> | | | | | | | |
| | First National Bank of New Mexico | Checking | Interest bearing | \$ 749,125 | - | - | 749,125 |
| | First National Bank of New Mexico | Checking | Interest bearing | 428,106 | - | 8,285 | 419,821 |
| | Wells Fargo | Checking | Interest bearing | 778,736 | - | 131,328 | 647,408 |
| <i>Cash on hand</i> | | | | | | | |
| | | | | | | | 100 |
| <i>Investments</i> | | | | | | | |
| | Moreton Capital Markets | | | 8,638,980 | - | - | 8,638,980 |
| | Wells Fargo | | | 509,139 | - | - | 509,139 |
| <i>Total deposits and investments</i> | | | | \$ <u>11,104,086</u> | <u>-</u> | <u>139,613</u> | <u>10,964,573</u> |

GUADALUPE COUNTY HOSPITAL
A COMPONENT UNIT OF GUADALUPE COUNTY, NEW MEXICO
SCHEDULE OF REVENUES AND EXPENSES - BUDGET TO ACTUAL
Year Ended June 30, 2019

| | <u>Actual</u> | <u>Original and Final Budget</u> | <u>Variance with Final Budget - Favorable (Unfavorable)</u> |
|---|---------------------|--------------------------------------|---|
| <i>Revenues</i> | | | |
| Net patient service revenue | \$ 7,821,431 | 7,852,110 | (30,679) |
| Retail pharmacy revenue | 1,454,792 | 1,400,281 | 54,511 |
| Safety net care pool | 963,809 | 316,000 | 647,809 |
| Electronic health records incentive payment | - | 150,000 | (150,000) |
| Other | 34,048 | 101,645 | (67,597) |
| Nonoperating revenues, net | <u>1,083,712</u> | <u>682,500</u> | <u>401,212</u> |
| <i>Total revenues</i> | 11,357,792 | 10,502,536 | 855,256 |
| <i>Expenses</i> | | | |
| | <u>10,109,778</u> | <u>10,409,690</u> | <u>299,912</u> |
| Change in net position | <u>\$ 1,248,014</u> | <u>92,846</u> | <u>1,155,168</u> |

GUADALUPE COUNTY HOSPITAL
A COMPONENT UNIT OF GUADALUPE COUNTY, NEW MEXICO
INDIGENT CARE COST AND FUNDING REPORT
Year Ended June 30, 2019

| | For years ended June 30, | | |
|--|---------------------------------|--------------------|--------------------|
| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
| A Funding for Indigent Care | | | |
| A1 State appropriations specified for indigent care - out of County Indigent Fund | \$ - | - | - |
| A2 County indigent funds received | - | - | - |
| A3 Out of county indigent funds received | - | - | - |
| A4 Payments and copayments received from uninsured patients qualifying for indigent care | - | - | - |
| A5 Payments and copayments received from uninsured patients qualifying for coverage under EMSA | - | - | - |
| A6 Charitable contributions received from donors that are designated for funding indigent care other sources | - | - | - |
| A7 Other source 1 (if applicable) | - | - | - |
| <i>Total Funding for Indigent Care</i> | <u>-</u> | <u>-</u> | <u>-</u> |
| B Cost of Providing Indigent Care | | | |
| Total cost of care for providing services to: | | | |
| B1 Uninsured patients qualifying for indigent care | 21,962 | 51,321 | 34,556 |
| B2 Patients qualifying for coverage under EMSA | - | - | - |
| B3 Cost of care related to patients portion of bill for insured patients qualifying for indigent care | - | - | - |
| B4 Direct cost paid to other providers on behalf of patients qualifying for indigent care | - | - | - |
| <i>Total Cost of Providing Indigent Care</i> | <u>21,962</u> | <u>51,321</u> | <u>34,556</u> |
| Shortfall of Funding for Indigent Care to Cost of Providing Indigent Care | <u>\$ 21,962</u> | <u>51,321</u> | <u>34,556</u> |
| C Patients Receiving Indigent Care Services | | | |
| C1 Total number of patients receiving indigent care | 262 | 264 | 225 |
| C2 Total number of patients encounters receiving indigent care | 807 | 649 | 525 |
| <i>Uninsured patients qualifying for indigent care</i> | | | |
| Charges for these patients | \$ 99,194 | 125,174 | 79,863 |
| Ratio of cost to charges | <u>22%</u> | <u>41%</u> | <u>43%</u> |
| <i>Cost for uninsured patients qualifying for indigent care</i> | <u>\$ 21,962</u> | <u>51,321</u> | <u>34,556</u> |
| <i>Patients qualifying for coverage under Emergency Medical Services for Aliens (EMSA)</i> | | | |
| Charges for these patients | \$ - | - | - |
| Ratio of cost to charges | <u>22%</u> | <u>41%</u> | <u>43%</u> |
| <i>Cost for patients qualifying for coverage under EMSA</i> | <u>\$ -</u> | <u>-</u> | <u>-</u> |
| <i>Cost of care related to patient portion of bill for insured patients qualifying for indigent care</i> | | | |
| Indigent care adjustments for these patients | \$ - | - | - |
| Ratio of cost to charges | <u>22%</u> | <u>41%</u> | <u>43%</u> |
| <i>Cost of care related to patient portion of bill for insured patients qualifying for indigent care</i> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Direct costs paid to other providers on behalf of patients qualifying for indigent care</i> | | | |
| Payments to other providers for care of these patients | \$ - | - | - |

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

To Brian S. Colón, Esq.
New Mexico State Auditor

Board of Directors and Management of
Guadalupe County Hospital
Santa Rosa, New Mexico

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Guadalupe County Hospital, a component unit of Guadalupe County, New Mexico (the Hospital) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated October 24, 2019. We have also audited the schedule of revenues and expenses – budget to actual of the Hospital for the year ended June 30, 2019, presented as supplemental information as listed in the table of contents.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital'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 Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as item 2019-001.

Guadalupe County Hospital's Response to Findings

Guadalupe County Hospital's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Hospital's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

Purpose of this Report

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



Pattillo, Brown & Hill, LLP
Albuquerque, New Mexico
October 24, 2019

**GUADALUPE COUNTY HOSPITAL
A COMPONENT UNIT OF GUADALUPE COUNTY, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019**

SUMMARY OF AUDIT RESULTS

| | |
|---|------------|
| Type of auditor’s report issued | Unmodified |
| Internal control over financial reporting: | |
| • Material weakness(es) identified? | No |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | No |
| Noncompliance material to financial statements noted? | No |

A. FINANCIAL STATEMENT FINDINGS

2019-001 Internal Control over Cash Disbursements (Other Matters)

CONDITION: During our testing of cash disbursements we noted the following:

- For 1 transaction totaling \$115 out of a sample of 25 transactions tested, the purchase order was not signed by the authorizing individual.
- For 1 transaction totaling \$1,250 out of a sample of 25 transactions tested, the check was missing a second authorized signature.

CRITERIA: 6-6-2.J NMAC 1978 states that expenditures must be monitored to ensure expenditures are made within budgetary constraints and to ensure expenditures are legal. In addition, the Hospital’s internal control policies over cash disbursements require purchase orders to be approved by an authorized individual and checks require dual signatures. The Committee of Sponsoring Organization of the Treadway Commission (COSO) define internal control as a process, effected by an entity’s board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives related to operations, reporting and compliance.

EFFECT: Purchases could be made in excess of the budget or unpermitted purchases could be made.

CAUSE: Hospital personnel did not follow Hospital purchasing policies and procedures.

RECOMMENDATION: Hospital personnel should be reminded of purchasing policies and procedures. In addition, the Finance Department should review purchase orders to verify expenditure has been approved. The Finance Department should also review checks before mailing them out to verify they have been signed.

**GUADALUPE COUNTY HOSPITAL
A COMPONENT UNIT OF GUADALUPE COUNTY, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019 AND 2018**

A. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-001 Internal Control over Cash Disbursements (Other Matters) – (CONTINUED)

MANAGEMENT'S RESPONSE: The hospital has implemented additional procedure steps to ensure that purchase orders are signed appropriately. Shipping slips and/or signatures for verification of receipts are also being utilized. Lastly, checks will be double checked to ensure there are two signatures, prior to issuing them.

RESPONSIBLE PARTY/TIMELINE TO CORRECT: Administrator and Accounting Director are responsible for implementation and adherence. These processes were implemented immediately and are in place. Date of implementation was September 1, 2019.

B. SECTION 12-6-5 NMSA 1978 FINDINGS

NONE

C. STATUS OF PRIOR YEAR FINDINGS

No prior year findings

**GUADALUPE COUNTY HOSPITAL
A COMPONENT UNIT OF GUADALUPE COUNTY, NEW MEXICO
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2019**

An exit conference was held September 19, 2019, with the Board of Directors to discuss the basic financial statements and results of the audit. The personnel attending this meeting were:

| | |
|----------------------------|--------------------------------|
| Keith Ross | Chairman |
| Lee Vega | Vice-Chairman |
| Yolanda Tenorio | Secretary/Treasurer |
| Erasmus Bravo | Member |
| Yvette Griego | Member |
| Christina Campos | Administrator |
| Frank Tenorio | Lab Manager |
| Mandelyn Cordova | DON |
| Chris Garner, Partner, CPA | Pattillo, Brown & Hill, L.L.P. |

These financial statements were prepared by Pattillo, Brown & Hill, L.L.P. from records of the Hospital.