

**MINER'S COLFAX MEDICAL CENTER  
COMBINED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**



Wealth Advisory

Outsourcing

Audit, Tax, and Consulting

**MINER'S COLFAX MEDICAL CENTER  
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JUNE 30, 2015**

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**MINER'S COLFAX MEDICAL CENTER  
BOARD OF TRUSTEES AND PRINCIPAL EMPLOYEES  
JUNE 30, 2015**

**BOARD OF TRUSTEES**

Kathy McQuery	President
Kenneth Scott Berry	Vice-President
Raymond Rodarte	Trustee
Dr. Donald Belknap	Trustee
William Jarrell	Trustee

**PRINCIPAL EMPLOYEES**

Shawn Lerch	Chief Executive Officer
Peggy Martinez	Chief Financial Officer

## INDEPENDENT AUDITORS' REPORT

Board of Trustees and Management  
Miner's Colfax Medical Center and  
Mr. Timothy Keller, New Mexico State Auditor  
Raton, New Mexico

### **Report on the Combined Financial Statements**

We have audited the accompanying combined financial statements of Miner's Colfax Medical Center (the Medical Center), which comprise the combined statement of net position as of June 30, 2015, and the related combined statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the combined financial statements.

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

Management is responsible for the preparation and fair presentation of these combined 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 the combined financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Medical Center's preparation and fair presentation of the combined 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 Medical Center'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 opinion.

***Opinion***

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Miner's Colfax Medical Center as of June 30, 2015, and the respective changes in net position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Adjustments to Prior Period Financial Statements***

As described in Note 13 to the combined financial statements, the Medical Center recorded adjustments to its net position at July 1, 2014. Our opinion is not modified with respect to this matter.

***Emphasis of Matter***

As discussed in Note 1, the combined financial statements of the Medical Center are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, the aggregate remaining fund information and all respective budgetary comparisons of the State of New Mexico that is attributable to the transactions of the Medical Center. They do not purport to, and do not present fairly the financial position of the entire State of New Mexico as of June 30, 2015, and the changes in the financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

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

***Other Information***

Our audit was conducted for the purpose of forming opinions on the Medical Center's combined financial statements and the budgetary comparisons. The accompanying Schedule of Deposit and Investment Accounts, Pledged Collateral, and Schedule of Vendor Information for Purchases Exceeding \$60,000, required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic combined financial statements.

Miner's Colfax Medical Center and  
Mr. Timothy Keller, New Mexico State Auditor

The Schedule of Deposit and Investment Accounts and Schedule of Pledged Collateral, required by 2.2.2 NMAC are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined 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 combined financial statements or to the basic combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Deposit and Investment Accounts and Schedule of Pledged Collateral are fairly stated, in all material respects, in relation to the basic combined financial statements as a whole.

The Schedule of Vendor Information for Purchases Exceeding \$60,000 as required by 2.2.2.10(A)(2)(g) of the State Audit Rule has not been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2016 on our consideration of the Medical Center'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 Medical Center's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Broomfield, Colorado  
November 10, 2016

**MINER'S COLFAX MEDICAL CENTER  
COMBINED STATEMENT OF NET POSITION  
JUNE 30, 2015**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 310,527
Interest in State Treasurer Investment Pool	11,389,736
Receivables:	
Patient and Resident Accounts Receivable, Net	3,175,587
Estimated Amounts Due from Third-Party Payors	2,258,000
Trust Fund Income	510,917
Other	9,481
Supplies	608,372
Total Current Assets	<u>18,262,620</u>

**NONCURRENT INVESTMENTS**

Restricted Funds Held in Escrow	1,000,000
Restricted Deposits	219,310
Total Noncurrent Investments	<u>1,219,310</u>

**CAPITAL ASSETS, NET**

	<u>28,960,176</u>
Total Assets	<u><u>\$ 48,442,106</u></u>

**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

Current Portion of Bonds Payable	\$ 935,000
Interest in State Treasurer Investment Pool	10,106,253
Accounts Payable:	
Trade	893,154
Construction	457,451
Accrued Payroll and Payroll Taxes	338,679
Accrued Compensated Absences	551,606
Accrued Employee Benefits	133,582
Accrued Interest	26,857
Total Current Liabilities	<u>13,442,582</u>

**LONG-TERM LIABILITIES**

Bonds Payable, Net of Current Portion	<u>11,965,000</u>
Total Liabilities	25,407,582

**NET POSITION**

Net Investment in Capital Assets	15,602,725
Restricted Expendable:	
Expendable for Future Permanent Healthcare Fund	1,000,000
Unrestricted	6,431,799
Total Net Position	<u>23,034,524</u>
Total Liabilities and Net Position	<u><u>\$ 48,442,106</u></u>

See accompanying Notes to Combined Financial Statements.

**MINER'S COLFAX MEDICAL CENTER  
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2015**

**OPERATING REVENUES**

Net Patient and Resident Service Revenue (Net of Provision for Uncollectible Accounts of approximately \$4,461,000)	\$ 18,409,161
Miner's Trust Fund Income	6,500,618
Other Revenue	663,360
Total Operating Revenues	<u>25,573,139</u>

**OPERATING EXPENSES**

Salaries and Wages	11,106,740
Employee Benefits	4,444,693
Supplies and Other	4,776,094
Purchased Services	3,618,890
Interest	277,395
Depreciation and Amortization	1,949,457
Total Operating Expenses	<u>26,173,269</u>

**OPERATING LOSS** (600,130)

**NONOPERATING REVENUES**

Interest Income	10,223
Noncapital Grants and Contributions	485,474
Total Nonoperating Revenues	<u>495,697</u>

**DEFICIT OF REVENUES OVER EXPENSES** (104,433)

Net Position - Beginning of Year - As Previously Reported 23,065,346

**PRIOR PERIOD ADJUSTMENTS** 73,611

Net Position - Beginning of Year - As Restated 23,138,957

**NET POSITION - END OF YEAR** \$ 23,034,524

*See accompanying Notes to Combined Financial Statements.*



**MINER'S COLFAX MEDICAL CENTER  
COMBINED STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2015**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from and on Behalf of Patients and Residents	\$ 24,494,562
Payments to Suppliers and Contractors	(9,033,227)
Payments to Employees	(15,695,675)
Other Receipts, Net	660,270
Net Cash Provided by Operating Activities	<u>425,930</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Noncapital Grants and Contributions	485,474
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal Paid on Bonds Payable	(910,000)
Principal Payments on Capital Lease Obligations	(17,161)
Purchase of Capital Assets	(2,866,545)
Net Cash Used by Capital and Related Financing Activities	<u>(3,793,706)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Income	10,223
Purchase of Investments	(66,598)
Proceeds from Sale of Investments Restricted for Capital Acquisition	2,721,459
Net Cash Provided by Investing Activities	<u>2,665,084</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	
	(217,218)
Cash and Cash Equivalents - Beginning of Year	<u>527,745</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 310,527</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (600,130)
Depreciation and Amortization	1,949,457
Provision for Bad Debts	4,461,379
(Increase) Decrease in:	
Patient and Resident Accounts Receivable	(4,762,596)
Other Receivables	(3,090)
Increase (Decrease) in:	
Supplies	(29,286)
Accounts Payable	(332,667)
Accrued Expenses and Other Liabilities	(143,137)
Estimated Amounts Due from Third-Party Payors	(114,000)
Net Cash Provided by Operating Activities	<u><u>\$ 425,930</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>	
Cash Paid During the Year for Interest, Net of Amounts Capitalized of \$77,491	<u><u>\$ 273,283</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Construction Payables Related to Construction in Progress	<u><u>\$ 457,451</u></u>

See accompanying Notes to Combined Financial Statements.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization and Reporting Entities**

In 1898, the Miners' Trust was established under the constitutional and statutory authority for the purpose of creating a "miners' hospital for disabled miners". The Miner's Hospital opened in 1906 in Raton, New Mexico. The original structure is located on approximately ten acres of land, which was donated expressly for that purpose. While specifically created for miners, private patients from the area have been admitted since its inception, although their presence is not to interfere with the specific trust purpose.

In 1968, the State of New Mexico (the State) attempted to close Miner's Hospital and to redistribute the Trust funds to various state institutions so that miners could be served in distant parts of the State. In response, local miners convinced the U.S. District Attorney to sue the State of New Mexico for breach of trust (United States of America v. State of New Mexico, U.S. District Court, #9484 Civil, 1974). As a result, the State of New Mexico was forced to re-open the Miner's Hospital as a general, acute care hospital and to re-pay the Trust all funds that were diverted. The court found that the wording of the Trust was very specific in that it required the hospital to exist in Raton, New Mexico.

Faced the with possibility of not having a hospital for its citizens, Colfax County obtained federal Hill-Burton funds to construct a county hospital in 1970, which was named Northern Colfax County Hospital (NCCH). When Miners' Hospital was reopened, the community of Raton, with a population of approximately 8,000, had two hospitals. The economics of health care and the sparse population were insufficient to sustain two hospitals. In December 1986, the Miners' Hospital was merged with NCCH to form Miner's Colfax Medical Center (the Medical Center). Although termed a merger, the transaction was more similar to an acquisition in that the State's control of the facility was virtually unchanged. Through fiscal year 2007, the former NCCH building served as the acute care hospital and the original Miners' Hospital building continues to be used as an extended care facility. The Medical Center moved into their new facility in November of 2007. Construction continued on certain components of the building through fiscal year 2008.

The Medical Center is governed by a five-member board of trustees (board) appointed by the governor of New Mexico with State Senate confirmation. The board consists of one licensed physician, two miners, and two members of the general public. The Medical Center is a "stand alone" agency, reporting directly to the Governor's Office. The Medical Center has no component units. The Medical Center operates primarily on Trust funds and patient revenues. The budget is subject to legislative appropriation. It is a "non-reverting" agency, that is, unexpended funds or profits do not revert to the State's general fund, but rather are deposited into the Trust account, to be managed by the board, according to 23-3-4 NMSA 1978.

The operations of the Medical Center are presented in the accompanying combined financial statements as a single proprietary fund of the enterprise type although the Medical Center maintains separate accounts for its Operating Fund and the Miner's Trust Fund. The combining schedule of revenues, expenses, and changes in fund position shows how revenues and expenses are segregated between these two internal funds.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Nature of Organization and Reporting Entities (Continued)**

The Medical Center operates a 25-bed acute care hospital, a 47-bed extended care facility, and various outpatient clinics in Raton, New Mexico. In addition, an outreach program serves mining communities throughout the State. Non-miners continue to be served, provided that they bear the costs of their care. The Medical Center also bills miners for their care if they have insurance coverage; however, miners without the ability to pay are served regardless. The majority of users of the acute care facility are non-miners. The great majority of extended care facility residents are former miners. The outreach program, which uses a mobile van equipped to do chest x-rays, pulmonary function testing, and audiology services, serves miners exclusively.

**Miners' Trust Fund**

23-3-1, NMSA 1978 establishes the Miners' Trust Fund (Trust). The economic foundation of the Trust is land. The land is managed by the State Land Office and is held in trust for the Medical Center. Earnings are derived from royalties from mineral, oil and gas production, along with receipts from the sale of surface rights, are placed in the State's permanent fund. The permanent fund is the Trust's corpus, which is invested by the State's Investment Council. The corpus cannot be used for operations of the Medical Center. The investment income derived from the corpus is available for operations of the Medical Center and has been reported in the combined statement of revenues, expenses, and changes in net position. The corpus is not owned by the Medical Center and is not reported on the combined statement of net position.

**Standards of Accounting and Financial Reporting**

The accompanying combined financial statements of the Medical Center have been presented in conformity with generally accepted accounting principles in the United States of America. Revenues are recognized when earned, and expenses are recorded when the liability is incurred. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Budgetary Data**

The Medical Center prepares budgets that are submitted to the Legislative Finance Committee and the Department of Finance and Administration (DFA). Budgets are controlled at the "category" level, and amendments affecting a category must be approved by DFA. Authority to make expenditures lapses at the end of each fiscal year. The budgets are prepared and presented using the modified accrual basis of accounting, except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline in accordance with Section 6-10-4 NMSA 1978.

**Use of Estimates**

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

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

Cash and cash equivalents include business checking accounts maintained with local financial institutions, cash on hand, and certificates of deposit with an original maturity of three months or less, excluding restricted funds held in escrow and restricted deposits.

**Patient and Resident Accounts Receivable, Net**

The Medical Center reports patient and resident accounts receivable for services rendered at net realizable amounts from third-party payors, patients and others. The Medical Center provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. As a service to the patient, the Medical Center bills third-party payors directly and bills the patient when the patient's liability is determined. Patients are not required to provide collateral for services rendered. Patient accounts receivable are ordinarily due in full when billed. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the patient or third-party payor. In addition, an allowance is estimated for other accounts based on historical experience of the Medical Center. At June 30, 2015, the allowance for uncollectible accounts was approximately \$4,462,000.

**Supplies**

Supply inventories are stated at the lower of cost, determined using the first-in, first-out basis, or market.

**Noncurrent Investments**

Noncurrent investments consist of funds set aside by the board designation and restricted bond proceeds to be used for the construction of the rural healthcare clinic. In 1986, the board designated \$1,000,000 of funds to be placed in an escrow account to be invested in income earning securities for the purposes of supporting Colfax County. After a period of twenty years, Colfax County will receive the accumulated income earned in order to establish a permanent health care fund. Any subsequent earnings will be remitted to the Colfax County for any lawful health care purpose, as determined by Colfax County. After seventy five years, the escrow account will be returned to the board of the Medical Center.

**Capital Assets, Net**

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation, if acquired by gift. The Medical Center capitalizes acquisitions with an initial individual cost of \$5,000 and an estimated useful life in excess of one year. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Medical Center:

Land Improvements	5-30 Years
Buildings and Leasehold Improvements	5-40 Years
Equipment	3-10 Years

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Compensated Absences Payable**

Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited, and vacation pay is limited to payment for 240 hours. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate. Sick leave is payable semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50% of their hourly rate, not to exceed 120 hours each semiannual period. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50% hourly rate. The compensated absences payable is included in the combined statements of net position.

Employees are entitled to accumulate annual leave at a rate based on appointment date and length of continuous service. A maximum of 240 hours may be carried forward after the pay period beginning in December and ending in January. Employees are entitled to accrue sick leave at the rate of 3.69 hours per pay period. There is no limit to the amount of sick leave which an employee may accumulate.

**Net Position**

The net position of the Medical Center is classified in three components. *Net investment in capital assets* consist of capital assets net of accumulated depreciation and reduced by any outstanding balances of borrowings used to finance the purchase or construction of those assets. *Restricted expendable net position* is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Medical Center. Restricted net assets are reduced by any liabilities payable from restricted assets. *Unrestricted net position* is the remaining net position that does not meet the definition of invested in capital assets net of related debt or restricted.

**Net Patient and Resident Service Revenue**

Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the services are rendered and such estimated amounts are revised in future periods as adjustments become known.

**Charity Care**

The Medical Center provides care without charge or at amounts less than its established rates to patients who lack financial resources, some of whom meet the requirements to be considered indigent by various state and local government programs. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient and resident service revenue. Charges excluded from net patients and resident service revenue were approximately \$63,000 for 2015.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Treatment of Non-Miners**

Pursuant to Federal District Court orders in prior years, the Medical Center maintains a general hospital, a nursing home, and an area for disabled miners requiring boarding and sheltered care. The Medical Center developed the following approach for determining eligible costs for the care and treatment of miners and non-miners and for determining eligible income from those sources:

Maximum charges to the Trust for miners – all fixed costs, which would be necessary if non-miners were accepted, plus a portion of variable costs (ratio of patient days for miners to total patients).

Minimum charges to non-miners and third-party payors – portion of variable costs (ratio of patient days for non-miners to total patients).

The above approach determining which monies from the Trust will not be used for the care and treatment of non-miners has been accepted by the court. To the extent that the Medical Center receives amounts from non-miners or third-party payors in excess of the minimum described above for the care and treatment of non-miners, some fixed costs are not charged against the Trust.

**Grants and Contributions**

From time to time, the Medical Center receives grants and contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after deficit of revenues over expenses.

**Restricted Resources**

When the Medical Center has both restricted and unrestricted resources available to finance various programs, it is the Medical Center's policy to use restricted resources before unrestricted resources.

**Operating Revenues and Expenses**

The Medical Center's combined statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Medical Center's principal activity. Nonexchange revenues including interest income, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services.

**Advertising Costs**

The Medical Center expenses advertising costs as incurred.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the combined statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Medical Center did not have any items that qualified for reporting in this category as of June 30, 2015.

In addition to liabilities, the combined statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Medical Center did not have any items that qualified for reporting in this category as of June 30, 2015.

**Pensions**

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 27. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards governing accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

In January 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Compliant with the requirements of Government Accounting Standards Board Statement No. 68 and No. 71, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standards for the fiscal year ending June 30, 2015.

Miner's Colfax Medical Center, as an agency of the State of New Mexico, is a contributing employer to a cost-sharing multiemployer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Pensions (Continued)**

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

**Income Taxes**

The Medical Center is a state agency; therefore, it is exempt from federal and state income taxes.

**NOTE 2 NET PATIENT AND RESIDENT SERVICE REVENUE**

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. These payment arrangements include the following:

**Medicare**

The Medical Center became designated as a Critical Access Hospital on November 1, 2010. As a Critical Access Hospital, inpatient acute care services rendered to Medicare program beneficiaries are paid on a cost-reimbursed basis and inpatient non-acute services and outpatient services are reimbursed on a cost basis. The Medical Center is reimbursed for certain services at tentative rates with final settlement determined after submission of an annual cost report by the Medical Center and audit thereof by the Medicare fiscal intermediary. The Medical Center's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2013.

**Medicaid**

The State of New Mexico administers its Medicaid program through contracts with several Managed Care Organizations (MCOs). Medicaid beneficiaries are required to enroll with one of the MCOs. Through the Medical Center's contracts with MCOs, inpatient acute care services and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge and discounted fee schedules. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

**Other**

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



**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 2 NET PATIENT AND RESIDENT SERVICE REVENUE (CONTINUED)**

**Uninsured**

The Medical Center provides healthcare services to patients who have not purchased commercial healthcare insurance coverage and do not qualify as beneficiaries of the Medicare and Medicaid programs. Based upon financial information obtained, some of these patients qualify for discounts from charges under the Medical Center's charity care policy.

Revenue from Medicare and Medicaid programs accounted for approximately 48% and 19%, respectively, of the Medical Center's patient revenue for the year ended June 30, 2015. 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.

**NOTE 3 DEPOSITS AND INVESTMENTS**

The carrying values of deposits and investments shown are included in the combined statement of net position as follows:

Carrying Value:	
Cash and Deposits	\$ 1,813,320
Investments	1,000,000
Total Deposits and Investments	<u>\$ 2,813,320</u>
Included in the Following Net Position Captions:	
Cash and Cash Equivalents	\$ 310,527
Interest in State Treasurer Investment Pool	1,283,483
Noncurrent Cash and Deposits:	
Held in Escrow	1,000,000
Restricted Deposits	219,310
Total Deposits and Investments	<u>\$ 2,813,320</u>

**Deposits**

The Medical Center's deposits are held in both demand accounts, accounts held by the Department of Finance and Administration (DFA), and certificates of deposit, in accordance with state law (Section 8-6-3 NMSA 1978) which requires the Medical Center's operating cash account to be managed by the New Mexico State Treasurer's Office. Accordingly, the interest in State Treasurer Investment Pool of the Medical Center consists of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

**MINER'S COLFAX MEDICAL CENTER**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Custodial Credit Risk - Deposits**

Custodial credit risk is, in the event of the failure of a depository financial institution, the Medical Center will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Medical Center does not have a deposit policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent by not in the Medical Center's name. As of June 30, 2015, the Medical Center had the following subject to custodial credit risk:

Insured	<u>\$ 439,417</u>
Collateral Held by Pledging Bank's Trust Department Not in the Medical Center's Name	<u>\$ 1,740,340</u>
Uninsured and Undercollateralized	<u>\$ -</u>

In accordance with Section 6-10-17, NMSA, 1978 Compilation, the Medical Center is required to collateralize an amount equal to one-half of the public money in excess of \$250,000 (see Schedule of Pledged Collateral) at each financial institution. The Medical Center was in compliance with this requirement as of June 30, 2015.

**Investments**

Investments consist of funds held in escrow for a future permanent healthcare fund. The fund is invested in a U.S. Treasury Note, which has a AA+ rating and matures on December 13, 2016.

**Concentration of Credit Risk - Investments**

Concentration of credit risk is the risk of loss attributable to the magnitude of the Medical Center's investment in a single issuer. The Medical Center has no formal policy limiting the amount of investments or deposits at any single institution or with any single issuer.

**Credit Risk - Investments**

State law limits investments in commercial paper to the top rate issued by nationally recognized statistical rating organizations; however, the Medical Center had no formal policy on managing credit risk. The Medical Center's investments are authorized by Section 6-10-10, NMSA 1978. As of June 30, 2015, the Medical Center's investments consisted of a U.S. Treasury Note. State statute limits the Investment Council's investments to a rating of BB or B or the national association of insurance commissioners' equivalent by a national rating service.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Custodial Credit Risk - Investments**

Custodial credit risk is, in the event of the failure of a counterparty, the Medical Center will not be able to recover the value of its investments or will not be able to recover collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured and held by either (1) the counterparty or (2) the counterparty's trust department or agent but not in the Medical Center's name. The Medical Center has no policy on custodial credit risk.

**Interest Rate Risk - Investments**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Medical Center does not have a formal investment policy that limits investment maturities as a means on managing its exposure to fair value losses arising from increasing interest rates.

**NOTE 4 STATE GENERAL FUND INVESTMENT POOL**

Compliant with statute 6-10-3 (NMSA 1978), and to optimize state cash management and investment practices, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP). This pool is managed by the New Mexico State Treasurer's Office (STO). Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP.

Agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims were not reconciled from the inception of SHARE (the State's centralized accounting system), in July 2006, through January 2013, which caused uncertainty as to the validity of the claims and the ability of fiduciary resources to fulfill those claims. As a result of business process and systems configuration changes made during the Cash Management Remediation Project Phase I the Department of Finance and Administration's Financial Control division began reconciling transactional activity reported by the State's fiscal agent bank to the SHARE general ledger on a point forward basis beginning February 1, 2013. In March 2015, the Financial Control Division implemented a reconciliation process that compares statewide agency claims against the resources held in the SGFIP at STO. This process is known as the claims to resources reconciliation. The claims to resources reconciliation process has been applied to fiscal year-end 2014 and the months from January 2015 through June 2015.

Agency claims on the SGFIP will be honored in their entirety. Any adjustment necessary to the claims balance will be applied against the General Operating Reserve. No portion of the adjustment shall be allocated to any specific agency that participates in the SGFIP. In addition, the Medical Center has established daily and monthly procedures that mitigate the risk of misstatement of the Medical Center's balances within the Pool.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 4 STATE GENERAL FUND INVESTMENT POOL (CONTINUED)**

**Medical Center's Interest in State General Fund Investment Pool**

At June 30, 2015, the Medical Center had the following invested in the State General Fund Investment Pool:

Per New Mexico State Treasurer	
Agency 662, Fund 102 - Miners' Colfax	\$ (10,106,253)
Agency 662, Fund 985 - Miners' Trust Fund	11,389,736
Total per New Mexico State Treasurer	<u>\$ 1,283,483</u>

**Interest Rate Risk**

The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is a means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

**Credit Risk**

The New Mexico State Treasurer pools are not rated. For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2015.

**NOTE 5 CAPITAL ASSETS, NET**

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Disposals and Retirements	Transfers	Ending Balance
Land	\$ 656,562	\$ -	\$ -	\$ -	\$ 656,562
Buildings and Building Improvements	41,297,719	-	-	-	41,297,719
Equipment	11,052,382	368,871	(248,620)	-	11,172,633
Construction in Progress	278,537	2,735,819	-	-	3,014,356
	<u>53,285,200</u>	<u>3,104,690</u>	<u>(248,620)</u>	<u>-</u>	<u>56,141,270</u>
Less: Accumulated Depreciation	(25,480,257)	(1,949,457)	248,620	-	(27,181,094)
Capital Assets, Net	<u>\$ 27,804,943</u>	<u>\$ 1,155,233</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,960,176</u>

Construction in progress as of June 30, 2015 consists of costs related to the construction of a rural health clinic. The rural health clinic was completed in August 2015 at an approximate total cost of \$3,100,000. The project was funded with additional proceeds from the Series 2013 Bond issuance. The Medical Center capitalized interest expense related to the project of approximately \$77,000 during fiscal year 2015.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 6 LONG-TERM DEBT**

The following is a summary of long-term debt transactions for the Medical Center for the year ended June 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
State Permanent Fund Revenue Improvement and Refunding Bonds, Series 2013	\$ 13,810,000	\$ -	\$ (910,000)	\$ 12,900,000	\$ 935,000
Capital Lease Obligations	17,161	-	(17,161)	-	-
Total Long-Term Debt	<u>\$ 13,827,161</u>	<u>\$ -</u>	<u>\$ (927,161)</u>	<u>\$ 12,900,000</u>	<u>\$ 935,000</u>

**Series 2013 Bonds**

On April 11, 2013, the Medical center refinanced the New Mexico Finance Authority Bonds, Series 2004 and Series 2006, with proceeds from the issuance of the Miners' Colfax Medical Center State Permanent Fund Revenue Improvement and Refunding Bonds, Series 2013 with BBVA Compass Bank in the amount of \$14,645,000. The refunding was considered a legal defeasement of the Series 2004 and Series 2006 Bonds. The purpose of the refinancing was to lower the interest rate to 2.54% and finance the construction of a rural healthcare clinic with the additional bond proceeds. The Revenue Bonds outstanding as of June 30, 2015 are due in varying annual installments with a maturity date of June 1, 2027.

Under the terms of the refinancing agreement as of June 30, 2013, the Medical Center was required to deposit \$3,000,000 of the bond proceeds received and \$200,000 of the Medical Center's operating capital into a Building and Improvement Project Fund to be used for funding construction activities of the rural healthcare clinic. As of June 30, 2015 there was \$219,310 of restricted funds remaining to be expended on the rural healthcare clinic.

Pursuant to Sections 6-13-9 and 6-13-12, NMSA 1978, as amended, the board pledged each year's income distributed to the Medical Center from the permanent funds of the Medical Center held by the Treasurer of the State of New Mexico to secure the payment of the principal and interest on the bonds.

Scheduled principal and interest payments on the bonds are as follows:

<u>Year Ending June 30,</u>	Total to be		
	Paid	Principal	Interest
2016	\$ 1,262,660	\$ 935,000	\$ 327,660
2017	1,258,911	955,000	303,911
2018	1,259,654	980,000	279,654
2019	1,259,762	1,005,000	254,762
2020	1,259,235	1,030,000	229,235
2021 - 2025	6,304,648	5,565,000	739,648
2026 - 2027	2,522,964	2,430,000	92,964
Total	<u>\$ 15,127,834</u>	<u>\$ 12,900,000</u>	<u>\$ 2,227,834</u>

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 7 RESTRICTED NET POSITION**

At June 30, 2015, the restricted expendable net position was set aside by the board designation. In 1986, the board designated \$1,000,000 of funds to be placed in an escrow account to be invested in income earning securities for the purposes of supporting Colfax County. After a period of twenty years, Colfax County will receive the accumulated income earned in order to establish a permanent health care fund. Any subsequent earnings will be remitted to the Colfax County for any lawful health care purpose, as determined by Colfax County. After seventy five years, the escrow account will be returned to the board of the Medical Center.

**NOTE 8 MINERS' TRUST FUND**

The Medical Center is an income beneficiary of the State of New Mexico Land Grant Permanent Fund derived from trust lands assigned to the Medical Center by the Ferguson Act in 1898 and by the New Mexico Enabling Act in 1910. The trust principal is managed by the State Investment Council. Because the principal is not controlled by the Medical center, it is not reflected in the accompanying Medical Center's combined financial statements. The fair value of the trust principal approximated \$134.7 million as of June 30, 2015. Additionally the Medical Center has a 1/7 interest in the Charitable, Penal, and Reform portion of the trust, which trust principal totaled approximately \$17.1 million at June 30, 2015.

The principal of these trust monies cannot be used. Interest from the trusts is required to be used for the treatment and care of miners at the Medical Center. Land Grant Permanent Fund income distributed to the Medical Center approximated \$5 million in 2015. Charitable, Penal, and Reform monies distributed to the Medical center approximated \$759,000 in 2015. It is the Medical Center's policy to apply unrestricted resources when expenses are incurred for the purposes for which both restricted and unrestricted resources are available.

In addition, the trust fund receives monthly income allocations from the New Mexico State Land Office, which approximated \$657,000 of income and \$10,000 of interest in 2015.

**NOTE 9 PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**Plan Description**

Substantially all of the Medical Center's full-time employees participate in a public employee retirement system authorized under the Public Employees' Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiemployer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at <http://www.pera.state.nm.us>.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 9 PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

**Funding Policy**

The contribution requirements of plan members and the Medical Center are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Medical Center's contributions to PERA for the years ended June 30, 2015, 2014 and 2013 were \$1,469,853, \$1,237,431, and \$998,588, respectively, equal to the amount of the required contributions for each fiscal year.

**NOTE 10 POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

**Plan Description**

The Medical Center contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiemployer defined benefit post employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Retiree Health Care Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post employment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

**Funding Policy**

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 10 POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN  
(CONTINUED)**

**Funding Policy (Continued)**

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plans 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Medical Center's contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$182,078, \$149,387, and \$131,404, respectively, which equal the required contributions for each year.

**NOTE 11 JOINT POWERS AGREEMENT**

In fiscal year 1998, the Medical Center entered into a joint powers agreement with the New Mexico State Investment Council (SIC) (a joint power authority duly organization under the lases of the State of New Mexico pursuant to section 11-1-1 through 11-1-7, NMSA 1978). As a client of the said authority, the Medical Center, with other members, entered into an agreement with SIC whereas SIC is authorized to offer investment advisory or management services, included in the Pooled Investment Funds, to the client pursuant to Section 6-8-7 G NMSA 1978. In addition, SIC is responsible for providing annual fiscal year-end audit reports of the Pooled Investment Funds to each participant. This agreement does not have a specified termination date but may be terminated by either party upon thirty days written notice to the other party.



**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 12 COMMITMENTS AND CONTINGENCIES**

**Risk Management**

The Medical Center 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. The Medical Center is insured with the Risk Management Division (Risk Management) for the General Services Department of the State of New Mexico.

**Litigation**

In the normal course of business, the Medical Center is, from time to time, subject to allegations that may or do result in litigation. The Medical Center evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected losses, which are not covered by insurance, if any. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

**Malpractice Claims**

The Medical Center is insured with the Risk Management Division of the General Services Department of the State of New Mexico for malpractice coverage. The Tort Claims Act requires the Risk Management provide coverage for medical malpractice in the amount of \$1,050,000 per claim. There is no cap on the number of covered claims during a given year. Risk Management will assume all liability should a claim be assessed against the Medical Center.

**Operating Leases**

The Medical Center leases equipment under agreements that require monthly payments through lease expiration in September 2018. A summary of future minimum operating lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 161,633
2017	109,297
2018	68,043
2019	7,944
Total	<u>\$ 346,917</u>

Rent expense for the fiscal year ending June 30, 2016 was approximately \$504,000.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Compliance**

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Recently, federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously, billed and collected revenues from patient services. The Medical Center operates a Compliance Committee which reviews the operations of the Medical Center. The Medical Center records allowances where the government has shown a pattern of adjusting periodic reports submitted by the Medical Center, including Medicare cost reports, or where internal reviews indicate the possibility of future adjustments. Management believes that the Medical Center is in substantial compliance with current laws and regulations.

**Other**

In the normal course of business, there could be various outstanding contingent liabilities such as, but not limited to, the following:

- Lawsuits alleging negligence of care
- Environmental pollution
- Violation of a regulatory body's rules and regulations
- Violation of federal and/or state laws

No other contingent liabilities such as, but not limited to those described above, are reflected in the accompanying combined financial statements. No such liabilities have been asserted and, therefore, no estimate of loss, if any, is determinable.

**NOTE 13 PRIOR PERIOD ADJUSTMENTS**

During the year ended June 30, 2015, the Medical Center corrected errors to estimated amounts due from third-party payors, trust fund income receivable, other receivables, accounts payable, and accrued payroll and payroll taxes. The estimated amounts due from third-party payors were overstated due to the 2014 Medicare cost report estimate being recorded twice. Trust fund income receivable was understated as a result of the June 30, 2014 distribution received subsequent to June 30, 2014, from the State Land Grant Office not being recorded. Other receivable were overstated as a result of a receivable being recorded that had no support. Accounts payable were overstated as a result of accrued interest being recorded in both accrued interest and accounts payable as of June 30, 2014. Accrued payroll and payroll taxes were understated as a result of the entry to accrue for salaries and payroll taxes at June 30, 2014 being recorded backwards. Management also reviewed its net patient and residents accounts receivable as of June 30, 2014 and determined that the estimated amounts owed to the Medical center were understated as a result of subsequent receipts being greater than net patient accounts receivable balance.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE 13 PRIOR PERIOD ADJUSTMENTS (CONTINUED)**

The net impact of these restatements was an increase to net position as of June 30, 2014 of \$73,611. The following June 30, 2014 accounts are restated as a result:

	June 30, 2014 as Previously Reported	Correction of an Error	June 30, 2014 as Restated
Patient and Resident Accounts Receivable, Net	\$ 2,129,297	\$ 603,000	\$ 2,732,297
Estimated Amounts Due from Third-Party Payors	1,430,942	(880,245)	550,697
Trust Fund Income Receivable	99,231	418,077	517,308
Other Receivables	1,804,823	(69,447)	1,735,376
Accounts Payable	1,878,421	46,026	1,832,395
Accrued Payroll and Payroll Taxes	166,393	(43,800)	210,193
Unrestricted Net Position	23,065,346	73,611	23,138,957

**MINER'S COLFAX MEDICAL CENTER**  
**SCHEDULE OF REVENUES AND EXPENSES – BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2015**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Original Budget	Revised Budget	Actual	Variance Over (Under)
Meals	\$ 45,000	\$ 45,000	\$ 59,003	\$ 14,003
Payment for Care, Government	1,592,200	1,592,200	4,272,556	2,680,356
Payment for Care, Individuals	14,262,000	14,262,000	14,136,605	(125,395)
Federal Grants	324,000	485,474	485,474	-
Miscellaneous	190,800	305,285	614,580	309,295
Other Financing Sources	6,040,900	10,230,900	5,776,089	(4,454,811)
Miner's Trust Fund	6,040,900	10,230,900	6,500,618	(3,730,282)
Total Budgetary Basis Revenues	<u>\$ 28,495,800</u>	<u>\$ 37,151,759</u>	31,844,925	<u>\$ (5,306,834)</u>
Transfers from Miner's Trust Fund for Operations			<u>(5,776,089)</u>	
Total GAAP Basis Operating and Non-Operating Revenues			<u>\$ 26,068,836</u>	
	Original Budget	Revised Budget	Actual	Variance Over (Under)
Personnel Services	\$ 12,725,800	\$ 16,261,900	\$ 15,551,433	\$ (710,467)
Contract Services	3,926,000	4,662,513	3,618,890	(1,043,623)
Other Costs	5,803,100	5,996,446	5,053,489	(942,957)
Miners' Trust Fund	6,040,900	6,040,900	5,776,089	(264,811)
Total Budgetary Basis Expenses	<u>\$ 28,495,800</u>	<u>\$ 32,961,759</u>	29,999,901	<u>\$ (2,961,858)</u>
Depreciation			1,949,457	
Transfers from Miner's Trust Fund for Operations			<u>(5,776,089)</u>	
Total GAAP Basis Expenses			<u>\$ 26,173,269</u>	

**MINER'S COLFAX MEDICAL CENTER**  
**COMBINING STATEMENT OF NET POSITION**  
**JUNE 30, 2015**  
(SEE INDEPENDENT AUDITORS' REPORT)

<b>ASSETS</b>	Operating Program	Miners' Trust Fund Program	Total
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 310,527	\$ -	\$ 310,527
Interest in State Treasurer Investment Pool	-	11,389,736	11,389,736
Receivables:			
Patient and Resident Accounts Receivable, Net	3,175,587	-	3,175,587
Estimated Amounts Due from Third-Party Payors	2,258,000	-	2,258,000
Trust Fund Income	-	510,917	510,917
Other	9,481	-	9,481
Supplies	608,372	-	608,372
Total Current Assets	<u>6,361,967</u>	<u>11,900,653</u>	<u>18,262,620</u>
<b>NONCURRENT INVESTMENTS</b>			
Restricted Funds Held in Escrow	1,000,000	-	1,000,000
Restricted Deposits	219,310	-	219,310
Total Noncurrent Investments	<u>1,219,310</u>	<u>-</u>	<u>1,219,310</u>
<b>CAPITAL ASSETS, NET</b>			
	<u>28,960,176</u>	<u>-</u>	<u>28,960,176</u>
Total Assets	<u><u>\$ 36,541,453</u></u>	<u><u>\$ 11,900,653</u></u>	<u><u>\$ 48,442,106</u></u>
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Current Portion of Bonds Payable	\$ 935,000	\$ -	\$ 935,000
Interest in State Treasurer Investment Pool	10,106,253	-	10,106,253
Accounts Payable:			
Trade	893,154	-	893,154
Construction	457,451	-	457,451
Accrued Payroll and Payroll Taxes	338,679	-	338,679
Accrued Compensated Absences	551,606	-	551,606
Accrued Employee Benefits	133,582	-	133,582
Accrued Interest	26,857	-	26,857
Total Current Liabilities	<u>13,442,582</u>	<u>-</u>	<u>13,442,582</u>
<b>LONG-TERM LIABILITIES</b>			
Bonds Payable, Net of Current Portion	11,965,000	-	11,965,000
Total Liabilities	<u>25,407,582</u>	<u>-</u>	<u>25,407,582</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	15,602,725	-	15,602,725
Restricted Expendable:			
Expendable for Permanent Healthcare Fund	1,000,000	-	1,000,000
Unrestricted	(5,468,854)	11,900,653	6,431,799
Total Net Position	<u>11,133,871</u>	<u>11,900,653</u>	<u>23,034,524</u>
Total Liabilities and Net Position	<u><u>\$ 36,541,453</u></u>	<u><u>\$ 11,900,653</u></u>	<u><u>\$ 48,442,106</u></u>

**MINER'S COLFAX MEDICAL CENTER**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2015**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Operating Program	Miners' Trust Fund Program	Total
<b>OPERATING REVENUES</b>			
Net Patient and Resident Service Revenue	\$ 18,409,161	\$ -	\$ 18,409,161
Miners' Trust Fund Income	-	6,500,618	6,500,618
Other Revenue	663,360	-	663,360
Total Operating Revenues	<u>19,072,521</u>	<u>6,500,618</u>	<u>25,573,139</u>
<b>OPERATING EXPENSES</b>			
Salaries and Wages	11,106,740	-	11,106,740
Employee Benefits	4,444,693	-	4,444,693
Supplies and Other	4,775,859	235	4,776,094
Purchased Services	3,618,890	-	3,618,890
Interest	277,395	-	277,395
Depreciation and Amortization	1,949,457	-	1,949,457
Total Operating Expenses	<u>26,173,034</u>	<u>235</u>	<u>26,173,269</u>
<b>OPERATING GAIN (LOSS)</b>	(7,100,513)	6,500,383	(600,130)
<b>NONOPERATING REVENUES</b>			
Interest Income	10,223	-	10,223
Noncapital Grants and Contributions	485,474	-	485,474
Total Nonoperating Revenues	<u>495,697</u>	<u>-</u>	<u>495,697</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</b>	(6,604,816)	6,500,383	(104,433)
Transfers	<u>5,776,089</u>	<u>(5,776,089)</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	(828,727)	724,294	(104,433)
Net Position - Beginning of Year	11,096,468	11,968,878	23,065,346
<b>PRIOR PERIOD ADJUSTMENTS</b>	<u>866,130</u>	<u>(792,519)</u>	<u>73,611</u>
Net Position - Beginning of Year - As Restated	<u>11,962,598</u>	<u>11,176,359</u>	<u>23,138,957</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 11,133,871</u>	<u>\$ 11,900,653</u>	<u>\$ 23,034,524</u>

**MINER'S COLFAX MEDICAL CENTER  
OTHER SUPPLEMENTARY INFORMATION  
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS  
YEAR ENDED JUNE 30, 2015  
(SEE INDEPENDENT AUDITORS' REPORT)**

Depository	Account Names	Type	Depository Balance	Reconciled Balance
State Treasurer's Office	Warrant Account	External Investment Pool	\$ 11,389,736	\$ 11,389,736
First National Bank of NM	Operating	Checking	339,820	339,820
Wells Fargo	Donation Fund	Checking	31,688	31,688
Wells Fargo	Resident Fund	Checking	12,021	12,021
Wells Fargo	Certificate of Deposit	CD	55,106	55,106
Intl Bank of Raton	Certificate of Deposit	CD	90,602	90,602
Cash and Cash Equivalents			<u>11,918,973</u>	<u>11,918,973</u>
Petty Cash	Petty Cash	Petty Cash	<u>600</u>	<u>600</u>
Total Cash and Cash Equivalents, Non-Agency Funds			11,919,573	11,919,573
International State Bank	Escrow Account	Escrow	<u>1,000,000</u>	<u>1,000,000</u>
Total Deposit and Investment Accounts			<u>\$ 12,919,573</u>	<u>\$ 12,919,573</u>

**MINER'S COLFAX MEDICAL CENTER  
OTHER SUPPLEMENTARY INFORMATION  
SCHEDULE OF PLEDGED COLLATERAL  
YEAR ENDED JUNE 30, 2015  
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>First National Bank of NM</u>	<u>Int'l Bank of Raton</u>	<u>Wells Fargo Donation Fund</u>	<u>Wells Fargo Resident Fund</u>	<u>Wells Fargo CD</u>
Deposits at June 30, 2015	\$ 339,820	\$ 90,602	\$ 31,688	\$ 12,021	\$ 55,106
Less: FDIC Coverage	<u>(250,000)</u>	<u>(90,602)</u>	<u>(31,688)</u>	<u>(12,021)</u>	<u>(55,106)</u>
Uninsured Public Funds	89,820	-	-	-	-
Pledged Collateral Held by the Pledging Bank's Trust Department or Agent, but not in the Medical Center's Name	<u>1,740,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Uninsured and Uncollateralized	<u>\$ (1,650,520)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
50% of Uninsured Pledge Collateral Requirement per Statute	\$ 44,910	\$ -	\$ -	\$ -	\$ -
Total Pledged Collateral	<u>1,740,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Pledged Collateral (Over) Under the Requirement	<u>\$ (1,695,430)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Pledged Collateral at June 30, 2015 Consists  
of the Following:

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Amount</u>
University of New Mexico Gallup	914684DW2	10/25/2023	\$ 1,006,702
Belen NM Consol SCD #2	077581PP5	8/1/2021	257,306
Lea Cnty NM SCH DIST #28	521570AR2	10/1/2020	476,332
			<u>\$ 1,740,340</u>

The custodian of the pledged securities for First National Bank is the Federal Home Loan Bank of Dallas in Dallas, Texas.



**MINER'S COLFAX MEDICAL CENTER  
OTHER SUPPLEMENTARY INFORMATION  
SCHEDULE OF VENDOR INFORMATION FOR PURCHASES  
EXCEEDING \$60,000 (EXCLUDING GRT) (UNAUDITED)  
YEAR ENDED JUNE 30, 2015  
(SEE INDEPENDENT AUDITORS' REPORT)**

RFB#/ RFP#	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address per the Procurement Documentation, of <u>ALL</u> Vendor(s) that Responded	In-State/Out-of-State Vendor (Y or N) (Based on the Statutory Definition)	Was the Vendor In-State and Chose Veteran's Preference (Y or N) for Federal Funds, Answer N/A	Brief Description of the Scope of Work
	Request for Bid	Jimmy Cooper, CRNA	\$ 217,602		3501 S. Soncy Road, Suite 118, Amarillo, Texas, 79119	N	N/A	CRNA Services
	Request for Bid	Southern Colorado Medical Services	255,164		1522 Stonewall Avenue, Trinidad, CO 81082	N	N/A	CRNA Services
	Request for Bid	University of New Mexico	130,000		1 University of New Mexico Building, Bldg 177, Albuquerque, NM 87131	Y	N	Temporary Physicians
	Request for Bid	Medicus Healthcare Solutions	-		550 Wadsworth Blvd., Suite 200, Lakewood, CO 80226	N	N/A	Temporary Physicians
	Request for Bid	Shared Medical Services	156,509		209 Limestone Pass, Cottage Grove, WI 53527	N	N/A	MRI Services
	Request for Bid	Horn and Associates Medical Staffing	134,725		320 Westway Place, Suite 509, Arlington, TX 76018	N	N/A	Nurse Staffing
	Request for Bid	Medical Solutions	176,400		1010 N. 102nd Street, Suite 300, Omaha, NE 68114	N	N/A	Nurse Staffing
	Request for Bid	TRS Healthcare	388,963		P.O. Box 595, Tontitown, AR 72770	N	N/A	Nurse Staffing
	Request for Bid	Q Shift / Cascade Healthcare Services	813,668		9925 Federal Drive, Unit 150, Colorado Springs, CO 80921	N	N/A	Nurse Staffing
	Request for Bid	Supplemental Healthcare Workforce	-		1640 W. Redstone Center Drive, Suite 200, Park City, UT 84098	N	N/A	Nurse Staffing
	Request for Bid	Cross Country Staffing	-		5201 Congress Avenue, Boca Raton, FL 33487	N	N/A	Nurse Staffing
	Request for Bid	EDS Imaging, Inc.	147,831		160 Hospital Drive, Raton, NM 87740	Y	N	Ultrasound Services
	Request for Bid	Rocky Mountain Sleep	91,459		1306 Fortino Blvd., Suite 110, Pueblo, CO 81008	N	N/A	Sleep Studies
	Request for Bid	Red Hill Enterprises, LLC	157,523		427 W. Topeka Avenue, Trinidad, CO 81082	N	N/A	Medical Assistant Services



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

Board of Trustees and Management  
Miner's Colfax Medical Center and  
Mr. Timothy Keller, New Mexico State Auditor  
Raton, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Miner's Colfax Medical Center (Medical Center), as of and for the year ended June 30, 2015, and the related notes to the combined financial statements, which collectively comprise the Medical Center's combined financial statements, and have issued our report thereon dated November 10, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the combined financial statements, we considered the Medical Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Medical Center'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 Medical Center's combined financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the following deficiencies, 2015-001 through 2015-007, described in the accompanying schedule of findings and responses to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Medical Center's combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2015-008 through 2015-013.

### **Medical Center's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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.



**CliftonLarsonAllen LLP**

Broomfield, Colorado  
November 10, 2016

**MINER'S COLFAX MEDICAL CENTER  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2015**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2015-001 (ORIGINAL FINDING 2014-001): CONTROL OVER FINANCIAL STATEMENT REPORTING PROCESS (MATERIAL WEAKNESS)**

**Condition**

The board of trustees and management share the ultimate responsibility for the Medical Center's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced.

The Medical Center engages CLA to assist in preparing its combined financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the Medical Center's internal control system. As part of its internal control over preparation of its combined financial statements, including disclosures, the Medical Center has implemented a comprehensive review procedure to ensure that the combined financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of accounting principles generally accepted in the United States of America and knowledge of the Medical Center's activities and operations.

The Medical Center personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the Medical Center's combined financial statements and related disclosures, to provide a high level of assurance that potential omissions or other errors that are material would be identified and corrected on a timely basis.

**Management's Progress for Repeat Findings**

The Medical Center filled the chief financial officer position subsequent to June 30, 2015 and that individual will be responsible for implementing internal controls to remedy the findings. The Medical Center also hired an independent financial consultant to assist with strengthening the financial systems, including the patient management system for revenue, and State of New Mexico SHARE system for expenses. The two systems are not interfaced and create numerous barriers in providing detailed financial statements. Currently, the agency manually creates financial reports to monitor operations.

**Criteria**

It is the responsibility of management to assure financial statements including all required footnote disclosures are presented in accordance with U.S. generally accepted accounting principles.

**Cause**

While performing audit procedures, it was noted that management does not have internal controls in place to provide reasonable assurance that the combined financial statements are prepared in accordance with U.S. generally accepted accounting principles.

**Effect**

Material misstatements related to combined financial statement presentation and disclosures could be present.

**MINER'S COLFAX MEDICAL CENTER  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2015**

**2015-001 (ORIGINAL FINDING 2014-001): CONTROL OVER FINANCIAL STATEMENT  
REPORTING PROCESS (MATERIAL WEAKNESS) (CONTINUED)**

**Recommendation**

We recommend that management implement an effective financial statement review process which would ensure compliance with accounting standards and all required footnote disclosures.

**Response and Action Plan of Management**

The Medical Center continues to work on implementing internal controls to ensure that monthly financials are complete and accurate. The Medical Center is working to ensure that potential omissions or other errors that are material would be identified and corrected on a timely basis.

**Corrective Account Plan (CAP)**

Actions Planned in Response to Finding: The Medical Center continues to work on implementing internal controls to ensure that monthly financials are complete and accurate. The Medical Center is working to ensure that potential omissions or other errors that are material would be identified and corrected on a timely basis.

Explanation of Disagreement: We concur with the finding.

Official Responsible for Ensuring Corrective Action: Chief executive officer, chief financial officer, and board of Trustees.

**MINER'S COLFAX MEDICAL CENTER  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2015**

**2015-002 (ORIGINAL FINDING 2014-002): MATERIAL AUDIT ADJUSTMENTS (MATERIAL WEAKNESS)**

**Condition**

During the course of the audit, we proposed material audit adjustments to the Medical Center's account balances. Additionally, we recorded prior period adjustments to beginning net assets as of July 1, 2014.

*Management's Progress for Repeat Findings*

Management continues to develop and implement procedures to improve internal controls designed to ensure account balances are properly stated throughout the year for year-end close. This is a high priority for the CFO who started with the Medical Center subsequent to June 30, 2015.

**Criteria**

Management should have an internal control system in place designed to include procedures to ensure account balances are properly stated throughout the year and at year-end.

**Cause**

Internal controls in place were not sufficient to detect misstatements to various accounts.

**Effect**

The Medical Center's combined financial statements were materially misstated which could have an impact on the decision making of governance and management.

**Recommendation**

We recommend that management implement an effective internal control system to ensure that adjustments are supported and recorded timely in the financial statements throughout the year.

**Response and Action Plan of Management**

Management continues to work on developing procedures to implement internal controls designed to ensure account balances are properly stated throughout the year.

**Corrective Account Plan (CAP)**

Actions Planned in Response to Finding: Management continues to work on developing procedures to implement internal controls designed to ensure account balances are properly stated throughout the year.

Explanation of Disagreement: We concur with the finding.

Official Responsible for Ensuring Corrective Action: Chief executive officer, chief financial officer, and board of trustees.

**MINER'S COLFAX MEDICAL CENTER  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2015**

**2015-003: JOURNAL ENTRY PROCESS (MATERIAL WEAKNESS)**

**Condition**

During the course of the audit, we noted numerous journal entries for which supporting documentation was not retained. As a result, we were not able to determine that the journal entries had the appropriate review and approval.

**Criteria**

Management should have a process of internal controls in place to reconcile and adjust general ledger accounts and the supporting documentation should be retained for those reconciliations and the related adjusting journal entries.

**Cause**

Internal controls in place were not in place to ensure the combined financial statements had supporting reconciliations and that the adjustments were made timely.

**Effect**

Fictitious or erroneous journal entries could be made to the Medical Center's combined financial statements.

**Recommendation**

We recommend that management that management keep support for all adjusting journal entries made to the Medical Center's combined financial statements.

**Response and Action Plan of Management**

Management continues to implement Internal controls in place to ensure the combined financial statements have supporting reconciliations and that the adjustments are made timely.

**Corrective Account Plan (CAP)**

Actions Planned in Response to Finding: Management continues to implement Internal controls in place to ensure the combined financial statements have supporting reconciliations and that the adjustments are made timely.

Explanation of Disagreement: We concur with the finding.

Official Responsible for Ensuring Corrective Action: Chief executive officer, chief financial officer, and board of trustees.

**MINER'S COLFAX MEDICAL CENTER  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2015**

**2015-004 (ORIGINAL FINDING 2014-003): DEVELOP MONTHLY AND YEAR-END CLOSING SCHEDULES (MATERIAL WEAKNESS)**

**Condition**

The year-end audit process was delayed due to account reconciliations not being performed on a monthly basis throughout fiscal year 2015. As a result, there was significant time needed by management to prepare the June 30, 2015 account reconciliations in order to prepare for the audit.

*Management's Progress for Repeat Findings*

Management continues to work on developing procedures to implement internal controls designed to ensure account balances are properly stated throughout the year. Also, management is implementing a process of maintaining appropriate records that will support the entries processed through the State of New Mexico SHARE system.

**Criteria**

Management should have a reconciliation process in place where all general ledger accounts are reconciled on a monthly basis and there is supporting documentation for the balances.

**Cause**

The Medical Center was not performing the reconciliations on a monthly basis. There was turnover in the finance department which resulted in delays in the reconciliations.

**Effect**

The combined financials statement could be materially misstated as a result of reconciliations not being prepared. Not reconciling accounts on a monthly basis also makes the Medical Center more susceptible to its assets being misappropriated.

**Recommendation**

We recommend that management implement a process where monthly reconciliations are performed for each general ledger account to ensure that the financial statements are reported accurately.

**Response and Action Plan of Management**

Management continues to work on developing procedures to implement internal controls designed to ensure account balances are properly stated throughout the year.

**Corrective Account Plan (CAP)**

Actions Planned in Response to Finding: Management continues to work on developing procedures to implement internal controls designed to ensure account balances are properly stated throughout the year.

Explanation of Disagreement: We concur with the finding.

Official Responsible for Ensuring Corrective Action: Chief executive officer, chief financial officer, and board of trustees.



**MINER'S COLFAX MEDICAL CENTER  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2015**

**2015-005 (ORIGINAL FINDING 2014-006): ESTIMATING THIRD-PARTY COST REPORT  
SETTLEMENTS (MATERIAL WEAKNESS)**

**Condition**

Third-party cost report settlements are subject to significant changes based on historical experience or changes in regulations that may be subject to different interpretations. The Medical Center currently does not have a methodology in place for estimating current year cost report settlements throughout the year.

**Management's Progress for Repeat Findings**

The Medical Center has contracted a consultant that has expertise in estimating third-party payor settlements so the accounting records can accurately reflect the year over year changes.

**Criteria**

Management should have a process to estimate its current year cost report settlements throughout the year as these estimates can have a significant impact on the combined financial statements.

**Cause**

Management currently does not have a process in place to estimate its cost report settlements.

**Effect**

The combined financial statements could be materially over- or understated throughout the fiscal year.

**Recommendation**

We recommend that management implement a process to estimate its current year cost report settlements so that the combined financial statements are accurately stated throughout the year.

**Response and Action Plan of Management**

The Medical Center has contracted a consultant that has expertise in estimating third-party payor settlements so that the accounting records can accurately reflect the year over year changes.

**Corrective Account Plan (CAP)**

**Actions Planned in Response to Finding:** The Medical Center has contracted a consultant that has expertise in estimating third-party payor settlements so that the accounting records can accurately reflect the year over year changes.

**Explanation of Disagreement:** We concur with the finding.

**Official Responsible for Ensuring Corrective Action:** Chief executive officer, chief financial officer, and board of trustees.

**MINER'S COLFAX MEDICAL CENTER  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2015**

**2015-006: PATIENT REVENUE CYCLE INTERNAL CONTROLS (MATERIAL WEAKNESS)**

**Condition**

As part of our review of the patient revenue cycle, we noted that access rights within the patient billing system are not able to be limited to specific areas of need. This creates a segregation of duties issue as anyone with access rights to the patient billing system has access to the whole system. As a result, there is a possibility that an individual with access to the system could write-off patient balances without formal approval. For example, a patient accounts biller would have access to the billing system, but as a result of not being able to limit access rights to only the billing module that individual would also have the ability to post adjustments to patient accounts.

**Criteria**

Management should have adequate internal controls to properly segregate duties within the patient revenue cycle.

**Cause**

There are limitations within the patient billing system that do not allow for the appropriate segregation of duties to be implemented.

**Effect**

The Medical Center's assets could be misappropriated as a result of not being able to adequately segregate duties.

**Recommendation**

We recommend the Medical Center work with the patient billing software company to see if there is a way to appropriately segregate duties. If not, we recommend the Medical Center implement compensating controls to offset the risk of not being able to appropriately segregate duties. An example of a compensating control would be having an individual without access to the patient billing software review all administrative adjustments over a certain dollar threshold for reasonableness. Also, implementing a monthly cash reconciliation process and reconciling the payments deposited in the bank account to the payments posted in the patient accounting system would be another compensating control to ensure that all deposits are accounted for.

**Response and Action Plan of Management**

The Medical Center's management will review patient information over a certain threshold for reasonableness. Monthly cash reconciliations will be implemented to ensure patient receipts within the patient billing software and bank deposits match and are accounted for.

**Corrective Account Plan (CAP)**

Actions Planned in Response to Finding: The Medical Center's management will review patient information over a certain threshold for reasonableness. Monthly cash reconciliations will be implemented to ensure patient receipts within the patient billing software and bank deposits match and are accounted for.

Explanation of Disagreement: We concur with the finding.

Official Responsible for Ensuring Corrective Action: Chief executive Officer, chief financial officer, and board of trustees.

**MINER'S COLFAX MEDICAL CENTER  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2015**

**2015-007 (ORIGINAL FINDING 2014-005): ANALYZE LEASES PRIOR TO COMMENCEMENT TO DETERMINE WHETHER THEY ARE CAPITAL OR OPERATING LEASES FOR PROPER ACCOUNTING TREATMENT (MATERIAL WEAKNESS)**

**Condition**

As part of the audit, it was noted that the Medical Center had entered into numerous lease agreements that were recorded as operating leases that require being reported as capital leases.

**Management's Progress for Repeat Findings**

The Medical Center will review and analyze all lease terms in order to determine required accounting treatment. This will avoid potentially significant unexpected year-end adjustments to combined financial statements. The CFO will also improve efficiencies with properly accounting for these transactions as they are entered into.

**Criteria**

Management should review the terms of the lease agreements when they enter into the lease agreements to determine whether the lease should be recorded as an operating lease or capital lease.

**Cause**

There were not the appropriate internal controls in place to analyze whether or not a lease should be recorded as an operating or capital lease when the lease agreement is entered into.

**Effect**

The combined financial statements were not accurately presented to reflect the capital lease obligation on the combined statement of net position. As a result, there was a passed adjustment recorded as of June 30, 2015.

**Recommendation**

We recommend that management implement a process to review all lease agreements entered into to determine if they should be recorded as an operating or capital lease.

**Response and Action Plan of Management**

The Medical Center will review and analyze all lease terms in order to determine required accounting treatment. This will avoid potentially significant unexpected year-end adjustments to combined financial statements. It will also improve efficiencies with properly accounting for these transactions as they are entered into.

**Corrective Account Plan (CAP)**

**Actions Planned in Response to Finding:** The Medical Center will review and analyze all lease terms in order to determine required accounting treatment. This will avoid potentially significant unexpected year-end adjustments to combined financial statements. It will also improve efficiencies with properly accounting for these transactions as they are entered into.

**Explanation of Disagreement:** We concur with the finding.

**Official Responsible for Ensuring Corrective Action:** Chief executive officer, chief financial officer, and board of trustees.

**MINER'S COLFAX MEDICAL CENTER  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2015**

**2015-008: CASH RECEIPTS (COMPLIANCE AND OTHER MATTERS)**

**Condition**

Supporting records for cash receipts were not available to perform internal control testing on due to cash reconciliations not being performed throughout fiscal year 2015.

**Criteria**

Management should reconcile the bank accounts on a monthly basis and have supporting records for each individual transaction.

**Cause**

The Medical Center was not performing the reconciliations on a monthly basis. There was also turnover in the finance department, which resulted in delays in the reconciliations.

**Effect**

The combined financials statement could be materially misstated as a result of reconciliations not being prepared. Also, if monthly reconciliations are not being performed it creates a great risk of the Medical Center's assets being misappropriated.

**Recommendation**

We recommend that management implement a process where cash is reconciled monthly and all cash receipts have appropriate documentations to ensure that cash is accurately reported.

**Response and Action Plan of Management**

The Medical Center is actively working on hiring appropriate staff to ensure that monthly reconciliations are performed on cash and receipts to avoid any misstatements and to reduce the risk of the Medical Center's assets being misappropriated.

**Corrective Account Plan (CAP)**

Actions Planned in Response to Finding: The Medical Center is actively working on hiring appropriate staff to ensure that monthly reconciliations are performed on cash and receipts to avoid any misstatements and to reduce the risk of the Medical Center's assets being misappropriated.

Explanation of Disagreement: We concur with the finding.

Official Responsible for Ensuring Corrective Action: Chief executive officer, chief financial officer, and board of trustees.

**MINER'S COLFAX MEDICAL CENTER  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2015**

**2015-009 (ORIGINAL FINDING 2014-007): LATE SUBMISSION OF AUDIT REPORT (COMPLIANCE  
AND OTHER MATTERS)**

**Condition**

The Medical Center's audit report for the year ended June 30, 2015 was not submitted as of the due date of December 1, 2015 because the Medical Center's 2014 audit report was not yet completed. There has also been turnover within the finance department, which caused delays in completing reconciliations.

**Management's Progress for Repeat Findings**

The Medical Center hired a CFO subsequent to June 30, 2015, which will be helpful in overcoming the current circumstances including internal control issues and monthly reconciliations not being performed. The CFO and independent financial consultant will work together to enhance the internal controls and work to enhance the accounting processes and procedures.

**Criteria**

Audit reports not received on or before the due date are considered to be in non-compliance with the requirements of Section 2.2.2.9.A of the State Audit Rule.

**Cause**

Account reconciliations as of June 30, 2015 were not prepared timely.

**Effect**

The result was the late submission of the Medical Center's audit report for the year ended June 30, 2015. The users of the combined financial statements did not receive the information in a timely manner.

**Recommendation**

We recommend that management be more proactive with respect to preparation of all necessary information and schedules related to its year-end close.

**Response and Action Plan of Management**

The Medical Center hired a CFO subsequent to June 30, 2015 which will be helpful in overcoming the current circumstances including internal control issues and monthly reconciliations not being performed. The CFO and independent financial consultant will work together to enhance the internal controls and work to enhance the accounting processes and procedures.

**Corrective Account Plan (CAP)**

**Actions Planned in Response to Finding:** The Medical Center hired a CFO subsequent to June 30, 2015 which will be helpful in overcoming the current circumstances including internal control issues and monthly reconciliations not being performed. The CFO and independent financial consultant will work together to enhance the internal controls and work to enhance the accounting processes and procedures.

**Explanation of Disagreement:** We concur with the finding.

**Official Responsible for Ensuring Corrective Action:** Chief executive officer, chief financial officer, and board of trustees.

**MINER'S COLFAX MEDICAL CENTER  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2015**

**2015-010: BUDGET ADJUSTMENT REQUESTS (COMPLIANCE AND OTHER MATTERS)**

**Condition**

The Medical Center did not retain supporting documentation for the budget adjustment requests made throughout fiscal year 2015. The State of New Mexico Department of Finance and Administration enters the budget adjustment requests into SHARE so there was likely supporting documentation at one time, but it was not able to be reproduced.

**Criteria**

Management should retain supporting documentation for all budget adjustment requests.

**Cause**

The individual submitting the budget adjustment requests did not retain the documentation for the budget adjustment requests.

**Effect**

We were not able to verify that the budget adjustment requests were properly approved.

**Recommendation**

We recommend that management implement a process to ensure that supporting documentation is retained for all budget adjustment requests.

**Response and Action Plan of Management**

The chief financial officer will put in place the process of maintain budget records when budget adjustments are made that are officially sent to Department of Finance and Administration. Documentation will be retained for all budget adjustment requests. Every time there is an adjustment, proper documentation prepared for the adjustment will be maintained. This will ensure the records match what is in the State of New Mexico SHARE system for budget authorities.

**Corrective Account Plan (CAP)**

Actions Planned in Response to Finding: The chief financial officer will put in place the process of maintaining budget records when budget adjustments are made that are officially sent to Department of Finance and Administration. Documentation will be retained for all budget adjustment requests.

Explanation of Disagreement: We concur with the finding.

Official Responsible for Ensuring Corrective Action: Chief executive officer, chief financial officer, and board of trustees.

**MINER'S COLFAX MEDICAL CENTER  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2015**

**2015-011: TRAVEL AND PER DIEM - \$1,500 LIMIT (COMPLIANCE AND OTHER MATTERS)**

**Condition**

Our test work associated with the travel and per diem expenditures revealed one instance in which an employee exceeded the \$1,500 threshold for annual travel expenditures and a letter to the appropriate department head/supervisor was not included in the file.

**Criteria**

Management should implement a process for tracking employee travel expenses to ensure those who are getting close to the \$1,500 travel expenditure threshold are identified and approval for the expenditure that causes the employee to exceed the threshold is made prior to the travel occurring.

**Cause**

Approval was not retained in the employee file to support the travel expenditures in excess of the \$1,500 requirement.

**Effect**

Employee travel in excess of the travel and per diem requirement may not be properly approved and as a result the employee may have excessive travel reimbursement.

**Recommendation**

We recommend management implement a process to track employee travel and per diem expenditures to ensure that the proper approval is in place for employees that exceed the \$1,500 requirement.

**Response and Action Plan of Management**

Miners' Colfax Medical Center has hired a chief financial officer who will be responsible for internal controls and implementing a process of monitoring the employees travel to ensure proper procedures are followed and requirements for the travel are met.

**Corrective Account Plan (CAP)**

Actions Planned in Response to Finding: The chief financial officer will be responsible for internal controls and implementing a process of monitoring the employees travel to ensure proper procedures are followed and requirements for the travel are met.

Explanation of Disagreement: We concur with the finding.

Official Responsible for Ensuring Corrective Action: Chief executive officer, chief financial officer, and board of trustees.

**MINER'S COLFAX MEDICAL CENTER  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2015**

**2015-012: FUEL CARDS (COMPLIANCE AND OTHER MATTERS)**

**Condition**

Our test work associated with the fuel card testing resulted in the identification of two charges that were inappropriate in the context of the NMAC (specifically mid-grade gasoline).

**Criteria**

Per 1.5.3.19 NMAC, each agency will evaluate fuel card purchase exception reports provided by the fuel credit card company on a monthly basis.

**Cause**

There was lack of management oversight and effective internal controls surrounding the fuel cards.

**Effect**

The two transactions identified were not in compliance with applicable laws and department policy.

**Recommendation**

We recommend management establish effective controls and procedures to ensure gas cards are in compliance with applicable laws and department policy.

**Response and Action Plan of Management**

Internal controls will be put in place through the Warehouse Supervisor to ensure that monthly statements are reviewed for accuracy and the requirements will be communicated to employees to ensure proper use of the fuel cards. Discrepancies will be communicated to management. Appropriate training and monitoring will ensure that fuel cards are used in accordance to NMAC.

**Corrective Account Plan (CAP)**

Actions Planned in Response to Finding: Internal controls will be put in place through the Warehouse Supervisor to ensure that monthly statements are reviewed for accuracy and the requirements will be communicated to employees to ensure proper use of the fuel cards. Discrepancies will be communicated to management. Appropriate training and monitoring will ensure that fuel cards are used in accordance to NMAC.

Explanation of Disagreement: We concur with the finding.

Official Responsible for Ensuring Corrective Action: Chief executive officer, chief financial officer, and board of trustees.



**MINER'S COLFAX MEDICAL CENTER  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2015**

**2015-013: VENDOR/EMPLOYEE POINT OF CONTACT WITH THE NEW MEXICO DEPARTMENT OF FINANCE AND ADMINISTRATION (COMPLIANCE AND OTHER MATTERS)**

**Condition**

Our test work noted that there was only one representative assigned to be the point of contact for vendors and/or employees with the New Mexico Department of Finance and Administration (DFA). The Medical Center's CFO should appoint two individuals to be a point of contact in order to create vendors or update vendor information.

**Criteria**

Each agency shall assign two individuals to be assigned to create vendors with DFA.

**Cause**

There was turnover with the individuals assigned to be the points of contact for the Medical Center and the points of contact were not updated timely.

**Effect**

The Medical Center did not have an adequate number of individuals assigned as points of contact with DFA to set up new vendors. As a result there is an increased potential of fictitious vendors potentially being set up within the system.

**Recommendation**

We recommend the Medical Center implement internal controls to ensure that the individuals assigned as points of contact with DFA are updated timely.

**Response and Action Plan of Management**

Miners' Colfax Medical Center chief financial officer will appoint two representatives as Point of Contacts to work with Department of Finance and Administration on Vendor/Employee related issues.

**Corrective Account Plan (CAP)**

Actions Planned in Response to Finding: The chief financial officer will appoint two representatives as Point of Contacts to work with Department of Finance and Administration on Vendor/Employee related issues.

Explanation of Disagreement: We concur with the finding.

Official Responsible for Ensuring Corrective Action: Chief executive officer, chief financial officer, and board of trustees.

**MINER'S COLFAX MEDICAL CENTER  
CURRENT YEAR STATUS OF PRIOR YEAR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2015**

**2014-001: PREPARATION OF FINANCIAL STATEMENTS (MATERIAL WEAKNESS)**

**Current Year Status**

Unresolved – see current year comment 2015-001.

**2014-002: MATERIAL AUDIT ADJUSTMENTS (MATERIAL WEAKNESS)**

**Current Year Status**

Unresolved – see current year comment 2015-002.

**2014-003: DEVELOP MONTHLY AND YEAR-END CLOSING SCHEDULES (MATERIAL WEAKNESS)**

**Current Year Status**

Unresolved – see current year comment 2015-004.

**2014-004: ACQUIRE A FIXED ASSET TRACKING SYSTEM (MATERIAL WEAKNESS)**

**Current Year Status**

Resolved. The Medical Center has a fixed asset tracking system in place.

**2014-005: ANALYZE LEASES PRIOR TO COMMENCEMENT TO DETERMINE WHETHER THEY ARE CAPITAL OR OPERATING LEASES FOR PROPER ACCOUNTING TREATMENT (MATERIAL WEAKNESS)**

**Current Year Status**

Unresolved – see current year comment 2015-007.

**2014-006: ESTABLISH A METHODOLOGY FOR ESTIMATING THIRD-PARTY PAYOR SETTLEMENTS (MATERIAL WEAKNESS)**

**Current Year Status**

Unresolved – see current year comment 2015-005.

**2014-007: FAILURE TO REMIT THE AUDITED FINANCIAL STATEMENTS TO THE NEW MEXICO STATE AUDITOR BY THE FILING DEADLINE (COMPLIANCE AND OTHER MATTERS)**

**Current Year Status**

Unresolved – see current year comment 2015-009.

**2014-008: BUDGET CATEGORY LEVEL VIOLATION (COMPLIANCE AND OTHER MATTERS)**

**Current Year Status**

Resolved. The Medical Center did not report any expenditures that exceeded budget.

**MINER'S COLFAX MEDICAL CENTER  
EXIT CONFERENCE  
YEAR ENDED JUNE 30, 2015**

An exit conference was held with the Medical Center on November 10, 2016. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the combined financial statements by the state auditor. In attendance were:

**MINER'S COLFAX MEDICAL CENTER**

Shawn Lerch, CEO  
Peggy Martinez, CFO  
Kathy McQuery, Board President  
Kenneth Scott Berry, Board Vice-President

**CLIFTONLARSONALLEN LLP**

Daniel Frein, CPA, Principal  
James Mann, CPA, Manager

**PREPARATION OF COMBINED FINANCIAL STATEMENTS**

The combined financial statements presented in this report have been prepared by the independent auditor, and reviewed and approved by the management of Miner's Colfax Medical Center. The responsibility of the combined financial statements lies with management, as addressed in the Independent Auditors' Report