

**MINER'S COLFAX MEDICAL CENTER  
COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2017 AND 2016**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**MINER'S COLFAX MEDICAL CENTER  
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**MINER'S COLFAX MEDICAL CENTER  
BOARD OF TRUSTEES AND PRINCIPAL EMPLOYEES  
JUNE 30, 2017**

**BOARD OF TRUSTEES**

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

**PRINCIPAL EMPLOYEES**

Bo Beames	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 and the respective budget comparisons of Miner's Colfax Medical Center (the Medical Center), as of and for the years ended June 30, 2017 and 2016, and the related notes to the combined financial statements, which collectively comprise the Medical Center's combined financial statements as listed in the table of contents.

### ***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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2017 and 2016, and the respective changes in net position and cash flows thereof and the respective budgetary comparisons of Miner's Colfax Medical Center for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***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, 2017 and 2016, and the changes in the financial position for the years 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*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 be presented to supplement the basic combined financial statements. Such 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 financial reporting for placing the basic combined financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic combined financial statements, and other knowledge we obtained during our audits of the basic combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the Medical Center's combined financial statements and the budgetary comparisons. The accompanying combining statements of net position and combining statements of revenues, expenses, and changes in net position are presented for purposes of additional analysis and are not a required part of the basic combined financial statements. The accompanying schedule of deposit and investment accounts, pledged collateral, indigent care cost and funding report, and calculations of cost of providing indigent care, 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.

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

**Other Matters (Continued)**

*Other Information (Continued)*

The combining statements of net position and combining statements of revenues, expenses, and changes in net position 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. The schedule of deposit and investment accounts, schedule of pledged collateral, indigent care cost and funding report, and calculations of cost of providing indigent care 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 combining statements of net position, combining statements of revenues, expenses, and changes in net position, schedule of deposit and investment accounts, schedule of pledged collateral, indigent care cost and funding report, and calculations of cost of providing indigent care are fairly stated, in all material respects, in relation to the basic combined financial statements as a whole

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2017 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 22, 2017

**MINER'S COLFAX MEDICAL CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017 AND 2016**

**Introduction**

Our discussion and analysis of Miner's Colfax Medical Center's (the Medical Center) financial performance provides an overview of the Medical Center's financial activities for the fiscal years ended June 30, 2017 and 2016. Please read it in conjunction with the Medical Center's combined financial statements, which begin on page 10.

**Using this Annual Report**

The Medical Center's combined financial statements consist of combined statements of net position, combined statements of revenues, expenses, and changes in net position, and combined statements of cash flows. These combined financial statements and related notes provide information about the activities of the Medical Center including resources held by the Medical Center but restricted for specific purposes by contributors, grantors, or enabling legislation.

**Required Financial Statements**

The Medical Center's combined financial statements report information of the Medical Center using accounting methods similar to those used by private sector healthcare organizations. These statements offer short- and long-term information about its activities. The combined statements of net position includes all of the Medical Center's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Medical Center creditors (liabilities). The combined statements of net position also provide the basis for evaluating the capital structure of the Medical Center and assessing the liquidity and financial flexibility of the Medical Center.

All of the current year's revenues and expenses are accounted for in the combined statements of revenues, expenses, and changes in net position. This statement measures the success of the Medical Center's operations over the past year and can be used to determine whether the Medical Center has successfully recovered all of its costs through its patient and resident service revenue and other revenue sources. Revenues and expenses are reported on an accrual basis, which means the related cash could be received or paid in a subsequent period.

The final required statement is the combined statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, financing, and investing activities. It also provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

**Financial Highlights**

- The Medical Center's net position was \$19,229,111 at June 30, 2017, a decrease of \$1,990,668 from fiscal year 2016. The Medical Center's net position was \$21,219,779 at June 30, 2016, a decrease of \$1,814,745 from fiscal year 2015.
- The Medical Center reported an operating loss in fiscal years 2017 and 2016 of \$2,624,827 and \$2,300,711, respectively.
- Nonoperating revenues were reported at \$634,159 and \$485,966 for fiscal years 2017 and 2016, respectively.
- The Medical Center reported a total loss in fiscal years 2017 and 2016 of \$1,990,668 and \$1,814,745, respectively.

**MINER'S COLFAX MEDICAL CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017 AND 2016**

**The Medical Center's Combined Net Position**

The Medical Center's combined net position is the difference between its assets and liabilities reported in the combined statements of net position on page 9. This is one way to measure the Medical Center's financial health, or financial position. Over time, increases or decreases in the Medical Center's net position is one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors should be considered, such as changes in the Medical Center's patient base and measures of the quality of service, it provides to the community, as well as local economic factors to assess the overall health of the Medical Center.

**Table 1  
Condensed Combined Statements of Net Position**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,364,038	\$ 3,371,265	\$ 310,527
Investment in State Treasurer Investment Pool	12,679,514	12,251,469	11,389,736
Patient and Resident Accounts Receivable, Net	4,106,164	2,345,237	3,175,587
Other Current Assets	1,749,248	1,486,048	3,386,770
Capital Assets, Net	26,527,204	27,433,233	28,960,176
Noncurrent Investments	1,000,000	1,000,000	1,219,310
Total Assets	<u>\$ 47,426,168</u>	<u>\$ 47,887,252</u>	<u>\$ 48,442,106</u>
<b>LIABILITIES</b>			
Current Liabilities	\$ 17,930,975	\$ 15,281,360	\$ 13,442,582
Long-Term Liabilities	10,266,082	11,386,113	11,965,000
Total Liabilities	<u>28,197,057</u>	<u>26,667,473</u>	<u>25,407,582</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	15,379,688	15,240,976	15,602,725
Restricted Expendable	1,000,000	1,000,000	1,000,000
Unrestricted	2,849,423	4,978,803	6,431,799
Total Net Position	<u>19,229,111</u>	<u>21,219,779</u>	<u>23,034,524</u>
Total Liabilities and Net Position	<u>\$ 47,426,168</u>	<u>\$ 47,887,252</u>	<u>\$ 48,442,106</u>

Total assets decreased by \$461,084 from fiscal year 2016 to fiscal year 2017. Total assets were \$47,426,168 as of June 30, 2017. Total net position decreased by \$1,990,668 to \$19,229,111 in fiscal year 2017. The decrease in net position was a result of increased expenses in the current year that outpaced the growth in patient and resident service revenues. Cash and cash equivalents decreased in fiscal year 2017 as a result of a decline in collections on patient and resident accounts receivable. Capital assets decreased in the current year as a result of a decrease in capital asset additions offset by continued depreciation on those capital assets in service.



**MINER'S COLFAX MEDICAL CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017 AND 2016**

**Condensed Combined Statements of Net Position (Continued)**

Total assets decreased by \$554,854 from fiscal year 2015 to fiscal year 2016. Total assets were \$47,887,252 as of June 30, 2016. Total net position decreased by \$1,814,745 to \$21,219,779 in fiscal year 2016. The decrease in net position was a result of increased expenses in the current year that outpaced the growth in patient and resident service revenues. Cash and cash equivalents increase in fiscal year 2016 as a result of improved collections on patient and resident accounts receivable along with changes in timing of payments made on accruals. Other current assets decreased in the current year as a result of the Medicare cost report being estimated as a receivable in fiscal year 2015 compared to a payable in fiscal year 2016.

**Combined Operating Results and Changes in the Medical Center's Net Position**

The first component of the change in the Medical Center's net position is its operating loss. This is the difference between net patient and resident service revenues, other operating revenues, and the expenses incurred to perform those services. The Medical Center has reported an operating loss of \$2,624,827 and \$2,300,711 for fiscal years 2017 and 2016, respectively. As of June 30, 2017, the Medical Center's net position was reported at \$19,229,111 compared to \$21,219,779 as of June 30, 2016, as shown in Table 1.

**Table 2**

**Condensed Combined Statements of Revenues, Expenses, and Changes in Net Position**

	2017	2016	2015
<b>OPERATING REVENUES</b>			
Net Patient and Resident Service Revenues	\$ 20,927,709	\$ 19,893,166	\$ 18,409,161
Other Operating Revenues	6,956,248	7,218,873	7,163,978
Total Operating Revenues	<u>27,883,957</u>	<u>27,112,039</u>	<u>25,573,139</u>
<b>OPERATING EXPENSES</b>			
Salaries, Wages, and Employee Benefits	16,344,499	16,068,570	15,551,433
Purchased Services	6,482,549	4,662,766	3,618,890
Supplies and Other	4,983,987	6,138,837	4,776,094
Interest	314,853	337,360	277,395
Depreciation	2,382,896	2,205,217	1,949,457
Total Operating Expenses	<u>30,508,784</u>	<u>29,412,750</u>	<u>26,173,269</u>
<b>OPERATING LOSS</b>	(2,624,827)	(2,300,711)	(600,130)
<b>NONOPERATING REVENUES</b>			
Interest Income	79	-	10,223
Noncapital Grants and Contributions	634,080	485,966	485,474
Net Nonoperating Revenues	<u>634,159</u>	<u>485,966</u>	<u>495,697</u>
<b>DEFICIT OF REVENUES OVER EXPENSES</b>	<u>\$ (1,990,668)</u>	<u>\$ (1,814,745)</u>	<u>\$ (104,433)</u>

**Operations**

Operating revenues increased to \$27,883,957 in fiscal year 2017 compared to \$27,112,039 in fiscal year 2016. Although total operating revenues had increased \$771,918 from prior year, expenses also increased \$1,096,034. The significant increases in expenses were related to salaries and benefits, physician locum fees, and depreciation.

**MINER'S COLFAX MEDICAL CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017 AND 2016**

**Operations (Continued)**

Salaries and benefits and purchased services increased due to the recruiting a large number of physicians, nurse practitioners, and physician assistants during fiscal year 2017 along with increased costs related to physician locums and agency staffing to cover staffing vacancies.

Operating revenues increased to \$27,112,039 in fiscal year 2016 compared to \$25,573,139 in fiscal year 2015. Although total operating revenues had increased \$1,538,900 from prior year, expenses also increased \$3,239,481. The significant increases in expenses were related to salaries and benefits, physician locum fees, and other costs.

Salaries and benefits and physician locum fees increased due to the recruiting a large number of physicians, nurse practitioners, and physician assistants during fiscal year 2016. Until these positions were filled there were increased locum tenens physician costs in order to cover the vacancies.

Other expenses increased during fiscal year 2016 as a result of a \$300,000 grant made to the University of New Mexico Foundation for Black Lung research and an intergovernmental transfer of \$1,317,040 to the State of New Mexico Human Service Department.

**Nonoperating Revenues and Expenses**

Nonoperating revenues consist primarily of noncapital grants and contributions. As shown in the table above, the net nonoperating revenue increased by \$148,193 from 2016 to 2017. The increase in fiscal year 2017 is primarily a reflection of an increase in grants received by the Medical Center. From 2015 to 2016, the net nonoperating revenue decreased by \$9,731 as a result of a decrease in interest income.

**Capital Assets, Net**

As of June 30, 2017, the Medical Center had \$26,527,204 invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the combined financial statements. This is a decrease of \$906,029 from fiscal year 2016 as a result of additions that were offset by continued depreciation of the Medical Center's capital assets in fiscal year 2017.

As of June 30, 2016, the Medical Center had \$27,433,233 invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the combined financial statements. This is a decrease of \$1,526,943 from fiscal year 2015. The Medical Center capitalized an on-site clinic in July 2015 at a total cost of approximately \$3,261,000. These additions were offset by continued depreciation of the Medical Center's capital assets in fiscal year 2016.

**Long-Term Debt**

The Medical Center's long-term debt consists of the Series 2013 State Permanent Fund Revenue Improvement and Refunding Bonds and one capital lease obligation that was entered into during fiscal year 2016. During fiscal years 2017 and 2016, the bonds payable were reduced by \$955,000 and \$935,000, respectively, as a result of bond payments made by the Medical Center. Total bonds payable at June 30, 2017 and 2016 was \$11,010,000 and \$11,965,000, respectively.

**MINER'S COLFAX MEDICAL CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017 AND 2016**

**Economic and Other Factors and Next Year's Budget**

The Medical Center's Board of Trustees and management considered many factors when setting the fiscal year 2018 budget. Of primary importance in setting the 2018 budget is the status of the state economy, taking into consideration the declining energy sector, continued regulatory pressures, shift of patients from private sources to Medicare, or uninsured.

- Potential changes to health care reform are expected with pending presidential transition.
- Continued physician shortages.
- Increased expectations for quality at a lower price.
- Increasing cost of pharmaceuticals attributed to an increase in Chemotherapy demand along with treatment protocols continuing to change.
- Increasing cost of information technology.
- Increasing competitive market pressures.

**Contacting the Medical Center's Financial Management**

This financial report is designed to provide our patients, residents, suppliers, taxpayers, and creditors with a general overview of the Medical Center's finances and to show the Medical Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Miner's Colfax Medical Center at 203 Hospital Drive, Raton, New Mexico 87740.

**MINER'S COLFAX MEDICAL CENTER  
COMBINED STATEMENTS OF NET POSITION  
JUNE 30, 2017 AND 2016**

	2017	2016
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,364,038	\$ 3,371,265
Interest in State Treasurer Investment Pool	12,679,514	12,251,469
Receivables:		
Patient and Resident Accounts Receivable, Net	4,106,164	2,345,237
Trust Fund Income	525,220	549,645
Other	195,411	220,797
Inventory	1,028,617	715,606
Total Current Assets	19,898,964	19,454,019
<b>NONCURRENT INVESTMENTS</b>		
Restricted Funds Held in Escrow	1,000,000	1,000,000
<b>CAPITAL ASSETS, NET</b>		
	26,527,204	27,433,233
Total Assets	\$ 47,426,168	\$ 47,887,252
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Current Portion of Bonds Payable	\$ 980,000	\$ 955,000
Current Portion of Capital Lease Obligation	95,751	89,741
Interest in State Treasurer Investment Pool	12,601,314	10,037,215
Accounts Payable	1,382,965	1,811,538
Accrued Payroll and Payroll Taxes	456,182	405,314
Accrued Compensated Absences Due in Less than One Year	525,374	389,290
Accrued Employee Benefits	187,469	171,351
Accrued Interest	23,920	24,911
Estimated Amounts Due to Third-Party Payors	1,678,000	1,397,000
Total Current Liabilities	17,930,975	15,281,360
<b>LONG-TERM LIABILITIES</b>		
Bonds Payable, Net of Current Portion	10,030,000	11,010,000
Capital Lease Obligation, Net of Current Portion	41,765	137,516
Accrued Compensated Absences Due in More than One Year	194,317	238,597
Total Long-Term Liabilities	10,266,082	11,386,113
Total Liabilities	28,197,057	26,667,473
<b>NET POSITION</b>		
Net Investment in Capital Assets	15,379,688	15,240,976
Restricted Expendable:		
Expendable for Future Permanent Healthcare Fund	1,000,000	1,000,000
Unrestricted	2,849,423	4,978,803
Total Net Position	19,229,111	21,219,779
Total Liabilities and Net Position	\$ 47,426,168	\$ 47,887,252

See accompanying Notes to Combined Financial Statements.

**MINER'S COLFAX MEDICAL CENTER  
COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
<b>OPERATING REVENUES</b>		
Net Patient and Resident Service Revenue (Net of Provision for Uncollectible Accounts of Approximately \$1,257,000 and \$365,000 for 2017 and 2016, Respectively)	\$ 20,927,709	\$ 19,893,166
Miner's Trust Fund Income	6,782,570	6,900,461
Other Revenue	173,678	318,412
Total Operating Revenues	27,883,957	27,112,039
<b>OPERATING EXPENSES</b>		
Salaries and Wages	12,073,612	11,753,415
Employee Benefits	4,270,887	4,315,155
Purchased Services	6,482,549	4,662,766
Supplies and Other	4,983,987	6,138,837
Interest	314,853	337,360
Depreciation	2,382,896	2,205,217
Total Operating Expenses	30,508,784	29,412,750
<b>OPERATING LOSS</b>	(2,624,827)	(2,300,711)
<b>NONOPERATING REVENUES</b>		
Interest Income	79	-
Noncapital Grants and Contributions	634,080	485,966
Total Nonoperating Revenues	634,159	485,966
<b>DEFICIT OF REVENUES OVER EXPENSES</b>	(1,990,668)	(1,814,745)
Net Position - Beginning of Year	21,219,779	23,034,524
<b>NET POSITION - END OF YEAR</b>	\$ 19,229,111	\$ 21,219,779

See accompanying Notes to Combined Financial Statements.

**MINER'S COLFAX MEDICAL CENTER  
COMBINED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from and on Behalf of Patients and Residents	\$ 19,447,782	\$ 24,157,734
Payments to Suppliers and Contractors	(12,435,868)	(10,465,859)
Payments to Employees	(16,185,709)	(15,887,885)
Other Receipts, Net	7,006,059	7,189,611
Net Cash Provided (Used) by Operating Activities	(2,167,736)	4,993,601
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Noncapital Grants and Contributions	634,080	485,966
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal Paid on Bonds Payable	(955,000)	(935,000)
Principal Payments on Capital Lease Obligations	(89,741)	(49,724)
Purchase of Capital Assets	(1,564,963)	(722,644)
Net Cash Used by Capital and Related Financing Activities	(2,609,704)	(1,707,368)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Income	79	-
(Purchase) Sale of Investments	2,136,054	(930,771)
Proceeds from Sale of Investments Restricted for Capital Acquisition	-	219,310
Net Cash Provided (Used) by Investing Activities	2,136,133	(711,461)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(2,007,227)	3,060,738
Cash and Cash Equivalents - Beginning of Year	3,371,265	310,527
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,364,038	\$ 3,371,265
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (2,624,827)	\$ (2,300,711)
Depreciation	2,382,896	2,205,217
Provision for Bad Debts	1,256,744	364,567
(Increase) Decrease in:		
Patient and Resident Accounts Receivable	(3,017,671)	245,001
Other Receivables	49,811	(29,262)
Inventory	(313,011)	(107,234)
Increase (Decrease) in:		
Accounts Payable	(340,477)	782,284
Accrued Expenses and Other Liabilities	157,799	178,739
Estimated Amounts Due from Third-Party Payors	281,000	3,655,000
Net Cash Provided (Used) by Operating Activities	\$ (2,167,736)	\$ 4,993,601
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid During the Year for Interest	\$ 316,040	\$ 339,306
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Fixed Asset Purchases Included in Accounts Payable	\$ 48,004	\$ 136,100
Fixed Assets Purchased through Capital Lease Obligation	\$ -	\$ 276,981

See accompanying Notes to Combined Financial Statements.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**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 10 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 with the 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 (the 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 "nonreverting" 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 statements of revenues, expenses, and changes in net position show how revenues and expenses are segregated between these two internal funds.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**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, on-site clinic, and various other 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 (the 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 statements of revenues, expenses, and changes in net position. The corpus is not owned by the Medical Center and is not reported on the combined statements 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.



**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

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

**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.

**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.

**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 patients and residents, the Medical Center bills third-party payors directly and bills the patients and residents when their liability is determined. Patients and residents are not required to provide collateral for services rendered. Patient and resident 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, resident, or third-party payor. In addition, an allowance is estimated for other accounts based on historical experience of the Medical Center. At June 30, 2017 and 2016, the allowance for uncollectible accounts was approximately \$896,000 and \$869,000, respectively.

**Inventory**

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 an on-site 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 20 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 75 years, the escrow account will be returned to the board of trustees of the Medical Center.

**MINER'S COLFAX MEDICAL CENTER**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

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

**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

**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.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

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

**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 \$115,000 and \$54,000 for fiscal years 2017 and 2016, respectively.

**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.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

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

**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 statements of revenues, expenses, and changes in net position distinguish 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.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the combined statements of net 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, 2017 and 2016.

In addition to liabilities, the combined statements of net 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, 2017 and 2016.

**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.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

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

**Pensions (Continued)**

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 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 multi-employer 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.

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.

**Fair Value Measurements**

To the extent available, the Medical Center's investments are recorded at fair value. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

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

**Fair Value Measurements (Continued)**

In contrast, unobservable inputs reflect an entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

*Level 1* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Medical Center has the ability to access.

*Level 2* – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

*Level 3* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

**Reclassifications**

Certain items in the prior year combined financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the Medical Center's overall net position.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**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, 2015.

**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.

**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 46% and 19%, respectively, of the Medical Center's patient and resident service revenue for the year ended June 30, 2017 and 47% and 23%, respectively, of the Medical Center's patient and resident service revenue for the year ended June 30, 2016, respectively. 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.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 3 DEPOSITS AND INVESTMENTS**

The carrying values of deposits and investments shown are included in the combined statements of net position as follows as of June 30:

	<u>2017</u>	<u>2016</u>
Carrying Value:		
Cash and Deposits	\$ 14,043,552	\$ 15,622,734
Investments	1,000,000	1,000,000
Total Deposits and Investments	<u>\$ 15,043,552</u>	<u>\$ 16,622,734</u>
Included in the Following Net Position Captions:		
Cash and Cash Equivalents	\$ 1,364,038	\$ 3,371,265
Interest in State Treasurer Investment Pool	12,679,514	12,251,469
Noncurrent Cash and Deposits:		
Restricted Funds Held in Escrow	1,000,000	1,000,000
Total Deposits and Investments	<u>\$ 15,043,552</u>	<u>\$ 16,622,734</u>

**Deposits**

The Medical Center's deposits are held in both demand accounts, certificates of deposit, and accounts held by the Department of Finance and Administration (DFA), 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.

**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, 2017 and 2016, the Medical Center had the following subject to custodial credit risk:

	<u>2017</u>	<u>2016</u>
Insured	<u>\$ 425,737</u>	<u>\$ 420,843</u>
Collateral Held by Pledging Bank's Trust Department Not in the Medical Center's Name	<u>\$ 1,130,050</u>	<u>\$ 2,814,790</u>
Uninsured and Undercollateralized	<u>\$ -</u>	<u>\$ -</u>



**MINER'S COLFAX MEDICAL CENTER**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

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

**Custodial Credit Risk – Deposits (Continued)**

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, 2017 and 2016.

**Investments**

Investments consist of funds held in escrow for a future permanent healthcare fund. The fund is invested in a savings account as of June 30, 2017. The Medical Center does not hold any investments which meet the definition of Level 1, Level 2, or Level 3 inputs.

**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, 2017 and 2016, 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.

**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.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**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 Board of Finance and Administration's Financial Control Division (FCD) 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 State Controller indicated on August 11, 2017 that as of June 30, 2017, resources held in the pool were equivalent to the corresponding business unit claims on those resources and all claims as recorded in SHARE shall be honored at face value.

The Medical Center has established daily and monthly procedures that mitigate the risk of misstatement of the Medical Center's balances within the Pool. In addition, as required by Section 6-5-2.1 (J) NMSA 1978, DFA/FCD is to complete, on a monthly basis, reconciliation with the balances and accounts kept by the state treasurer and adopt and promulgate rules regarding reconciliation for state agencies.

State law (Section 8-6-3 NMSA 1978) requires the Medical Center's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Medical Center consist of an interest in the State General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

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

At June 30, 2017 and 2016, the Medical Center had the following invested in the State General Fund Investment Pool:

	2017	2016
Per New Mexico State Treasurer:		
Agency 662, Fund 102 - Miners' Colfax	\$ (12,601,314)	\$ (10,037,215)
Agency 662, Fund 985 - Miners' Trust Fund	12,679,514	12,251,469
Total per New Mexico State Treasurer	\$ 78,200	\$ 2,214,254

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

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

**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 years ended June 30, 2017 and 2016.

**NOTE 5 CAPITAL ASSETS, NET**

Capital asset activity for the years ended June 30, 2017 and 2016 was as follows:

	Beginning Balance June 30, 2016	Additions	Disposals and Retirements	Transfers	Ending Balance June 30, 2017
Land and Land Improvements	\$ 709,867	\$ -	\$ -	\$ -	\$ 709,867
Buildings and Building Improvements	44,375,044	-	-	-	44,375,044
Equipment	11,730,703	1,476,867	(706,219)	-	12,501,351
	56,815,614	1,476,867	(706,219)	-	57,586,262
Less: Accumulated Depreciation	(29,382,381)	(2,382,896)	706,219	-	(31,059,058)
Capital Assets, Net	<u>\$ 27,433,233</u>	<u>\$ (906,029)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,527,204</u>

	Beginning Balance July 1, 2015	Additions	Disposals and Retirements	Transfers	Ending Balance June 30, 2016
Land and Land Improvements	\$ 656,562	\$ -	\$ -	\$ 53,305	\$ 709,867
Buildings and Building Improvements	41,297,719	-	-	3,077,325	44,375,044
Equipment	11,172,633	431,609	-	126,461	11,730,703
Construction in Progress	3,010,426	246,665	-	(3,257,091)	-
	56,137,340	678,274	-	-	56,815,614
Less: Accumulated Depreciation	(27,177,164)	(2,205,217)	-	-	(29,382,381)
Capital Assets, Net	<u>\$ 28,960,176</u>	<u>\$ (1,526,943)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,433,233</u>

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 6 LONG-TERM DEBT**

The following is a summary of long-term debt transactions for the Medical Center for the years ended June 30, 2017 and 2016:

	Beginning Balance June 30, 2016	Additions	Reductions	Ending Balance June 30, 2017	Amounts Due Within One Year
State Permanent Fund Revenue Improvement and Refunding Bonds, Series 2013	\$ 11,965,000	\$ -	\$ (955,000)	\$ 11,010,000	\$ 980,000
Capital Lease Obligation	227,257	-	(89,741)	137,516	95,751
Total Long-Term Debt	<u>\$ 12,192,257</u>	<u>\$ -</u>	<u>\$ (1,044,741)</u>	<u>\$ 11,147,516</u>	<u>\$ 1,075,751</u>

  

	Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016	Amounts Due Within One Year
State Permanent Fund Revenue Improvement and Refunding Bonds, Series 2013	\$ 12,900,000	\$ -	\$ (935,000)	\$ 11,965,000	\$ 955,000
Capital Lease Obligation	-	276,981	(49,724)	227,257	89,741
Total Long-Term Debt	<u>\$ 12,900,000</u>	<u>\$ 276,981</u>	<u>\$ (984,724)</u>	<u>\$ 12,192,257</u>	<u>\$ 1,044,741</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 an on-site clinic with the additional bond proceeds. The Revenue Bonds outstanding 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 on-site 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.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

**Series 2013 Bonds (Continued)**

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

<u>Year Ending June 30,</u>	Total to be Paid	Principal	Interest
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	1,263,073	1,060,000	203,073
2022	1,261,149	1,085,000	176,149
2023 - 2027	6,303,390	5,850,000	453,390
Total	<u>\$ 12,606,263</u>	<u>\$ 11,010,000</u>	<u>\$ 1,596,263</u>

**Capital Lease Obligation**

In December 2015 the Medical Center entered into a capital lease obligation for the purchase of medical equipment. The lease is payable in monthly installments of \$8,489 and accrues interest at a rate of 6.50%. The term of the lease is 36 months and it matures in December 2018. As of June 30, 2017, future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	Amount
2018	\$ 101,870
2019	42,446
Total Minimum Lease Payments	144,316
Less: Amounts Representing Interest	(6,800)
Present Value of Future Minimum Capitalized	137,516
Less: Current Portion	(95,751)
Capital Lease Obligation, Net of Current Maturities	<u>\$ 41,765</u>

**NOTE 7 COMPENSATED BALANCES**

The changes in liabilities for compensated absences are as follows:

	Beginning Balance June 30, 2016	Increase	Decrease	Ending Balance June 30, 2017	Due Within One Year
Compensated Absences	\$ 627,887	\$ 549,070	\$ (457,266)	\$ 719,691	\$ 525,374

  

	Beginning Balance July 1, 2015	Increase	Decrease	Ending Balance June 30, 2016	Due Within One Year
Compensated Absences	\$ 551,606	\$ 418,926	\$ (342,645)	\$ 627,887	\$ 389,290

**MINER'S COLFAX MEDICAL CENTER**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 8 RESTRICTED NET POSITION**

At June 30, 2017 and 2016, 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 20 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 75 years, the escrow account will be returned to the board of trustees of the Medical Center.

**NOTE 9 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 \$142.4 and \$130.0 million as of June 30, 2017 and 2016, respectively. Additionally, the Medical Center has a 1/7 interest in the Charitable, Penal, and Reform portion of the trust, which trust principal totaled approximately \$18.0 and \$16.5 million as of June 30, 2017 and 2016, respectively.

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 \$5.6 million and \$5.9 million in fiscal years 2017 and 2016, respectively. Charitable, Penal, and Reform monies distributed to the Medical center approximated \$717,000 and \$751,000 in fiscal years 2017 and 2016, respectively. 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 \$359,000 and \$226,000 of income and \$61,000 and \$27,000 of interest in fiscal years 2017 and 2016, respectively.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 10 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 multi-employer 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>.

**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, 2017, 2016, and 2015 were \$1,629,156, \$1,590,480, and \$1,469,853, respectively, equal to the amount of the required contributions for each fiscal year.

**NOTE 11 POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

**Plan Description**

The Medical Center contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multi-employer defined benefit postemployment 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 postemployment 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.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 11 POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN  
(CONTINUED)**

**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).

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, 2017 and 2016, the statute required each participating employer to contribute 2.5%, respectively, 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, 2017 and 2016, 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, 2017, 2016, and 2015 were \$194,734, \$195,501, and \$182,078, respectively, which equal the required contributions for each year.



**MINER'S COLFAX MEDICAL CENTER**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 12 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 30 days written notice to the other party.

**NOTE 13 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.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Operating Leases**

The Medical Center leases equipment under agreements that require monthly payments through lease expiration in December 2019. A summary of future minimum operating lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 116,742
2019	49,543
2020	18,942
Total	<u>\$ 185,227</u>

Rent expense for the fiscal years ended June 30, 2017 and 2016 was approximately \$221,000 and \$430,000, respectively.

**Black Lung Research**

During fiscal year 2016 the Medical Center made a pledge to the University of New Mexico Foundation for \$1,500,000 for Black Lung research. This pledge is to be paid over five years in equal annual installments of \$300,000. In both fiscal years 2017 and 2016, the Medical Center paid \$300,000 on the pledge and this amount is recorded in supplies and other expenses in the combined statements of revenues, expenses, and changes in net position.

**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.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**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 14 SUBSEQUENT ACCOUNTING STANDARD PRONOUNCEMENT**

In June 2015, GASB Statement No. 75, *Account and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during fiscal year ending June 30, 2018. The Medical Center is still evaluating how this standard will affect the combined financial statements.

**MINER'S COLFAX MEDICAL CENTER**  
**SCHEDULE OF REVENUES AND EXPENSES – BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2017**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Original Budget	Revised Budget	Actual	Variance Over (Under)
Meals	\$ 4,000	\$ 4,000	\$ 65,911	\$ 61,911
Payment for Care, Government	6,581,300	6,581,300	3,283,460	(3,297,840)
Payment for Care, Individuals	14,410,000	19,210,000	17,644,249	(1,565,751)
Federal Grants	474,600	483,226	634,080	150,854
Miscellaneous	-	-	107,846	107,846
Other Financing Sources	6,000,000	6,000,000	6,378,950	378,950
Miner's Trust Fund	6,000,000	6,000,000	6,782,570	782,570
Total Budgetary Basis Revenues	<u>\$ 33,469,900</u>	<u>\$ 38,278,526</u>	34,897,066	<u>\$ (3,381,460)</u>
Transfers from Miner's Trust Fund for Operations			<u>(6,378,950)</u>	
Total GAAP Basis Operating and Nonoperating Revenues			<u>\$ 28,518,116</u>	
	Original Budget	Revised Budget	Actual	Variance Over (Under)
Personnel Services	\$ 17,669,900	\$ 17,671,113	\$ 16,344,499	\$ (1,326,614)
Contract Services	3,700,000	6,700,000	6,482,549	(217,451)
Other Costs	6,100,000	7,907,413	5,298,840	(2,608,573)
Miners' Trust Fund	6,000,000	6,000,000	6,378,950	378,950
Total Budgetary Basis Expenses	<u>\$ 33,469,900</u>	<u>\$ 38,278,526</u>	34,504,838	<u>\$ (3,773,688)</u>
Depreciation			2,382,896	
Transfers from Miner's Trust Fund for Operations			<u>(6,378,950)</u>	
Total GAAP Basis Expenses			<u>\$ 30,508,784</u>	

**MINER'S COLFAX MEDICAL CENTER**  
**COMBINING STATEMENT OF NET POSITION**  
**JUNE 30, 2017**  
(SEE INDEPENDENT AUDITORS' REPORT)

<b>ASSETS</b>	<u>Operating Program</u>	<u>Miners' Trust Fund Program</u>	<u>Total</u>
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 1,364,038	\$ -	\$ 1,364,038
Interest in State Treasurer Investment Pool	-	12,679,514	12,679,514
Receivables:			
Patient and Resident Accounts Receivable, Net	4,106,164	-	4,106,164
Trust Fund Income	-	525,220	525,220
Other	195,411	-	195,411
Inventory	<u>1,028,617</u>	<u>-</u>	<u>1,028,617</u>
Total Current Assets	6,694,230	13,204,734	19,898,964
<b>NONCURRENT INVESTMENTS</b>			
Restricted Funds Held in Escrow	1,000,000	-	1,000,000
<b>CAPITAL ASSETS, NET</b>	<u>26,527,204</u>	<u>-</u>	<u>26,527,204</u>
Total Assets	<u>\$ 34,221,434</u>	<u>\$ 13,204,734</u>	<u>\$ 47,426,168</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Current Portion of Bonds Payable	\$ 980,000	\$ -	\$ 980,000
Current Portion of Capital Lease Obligation	95,751	-	95,751
Interest in State Treasurer Investment Pool	12,601,314	-	12,601,314
Accounts Payable	1,382,965	-	1,382,965
Accrued Payroll and Payroll Taxes	456,182	-	456,182
Accrued Compensated Absences Due in			
Less than One Year	525,374	-	525,374
Accrued Employee Benefits	187,469	-	187,469
Accrued Interest	23,920	-	23,920
Estimated Amounts Due to Third-Party Payors	<u>1,678,000</u>	<u>-</u>	<u>1,678,000</u>
Total Current Liabilities	17,930,975	-	17,930,975
<b>LONG-TERM LIABILITIES</b>			
Bonds Payable, Net of Current Portion	10,030,000	-	10,030,000
Capital Lease Obligation, Net of Current Portion	41,765	-	41,765
Accrued Compensated Absences Due in			
More than One Year	<u>194,317</u>	<u>-</u>	<u>194,317</u>
Total Long-Term Liabilities	<u>10,266,082</u>	<u>-</u>	<u>10,266,082</u>
Total Liabilities	28,197,057	-	28,197,057
<b>NET POSITION</b>			
Net Investment in Capital Assets	15,379,688	-	15,379,688
Restricted Expendable:			
Expendable for Permanent Healthcare Fund	1,000,000	-	1,000,000
Unrestricted	<u>(10,355,311)</u>	<u>13,204,734</u>	<u>2,849,423</u>
Total Net Position	<u>6,024,377</u>	<u>13,204,734</u>	<u>19,229,111</u>
Total Liabilities and Net Position	<u>\$ 34,221,434</u>	<u>\$ 13,204,734</u>	<u>\$ 47,426,168</u>

**MINER'S COLFAX MEDICAL CENTER**  
**COMBINING STATEMENT OF NET POSITION**  
**JUNE 30, 2016**  
(SEE INDEPENDENT AUDITORS' REPORT)

<b>ASSETS</b>	Operating Program	Miners' Trust Fund Program	Total
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 3,371,265	\$ -	\$ 3,371,265
Interest in State Treasurer Investment Pool	-	12,251,469	12,251,469
Receivables:			
Patient and Resident Accounts Receivable, Net	2,345,237	-	2,345,237
Trust Fund Income	-	549,645	549,645
Other	220,797	-	220,797
Inventory	715,606	-	715,606
Total Current Assets	<u>6,652,905</u>	<u>12,801,114</u>	<u>19,454,019</u>
<b>NONCURRENT INVESTMENTS</b>			
Restricted Funds Held in Escrow	1,000,000	-	1,000,000
<b>CAPITAL ASSETS, NET</b>			
	<u>27,433,233</u>	<u>-</u>	<u>27,433,233</u>
Total Assets	<u>\$ 35,086,138</u>	<u>\$ 12,801,114</u>	<u>\$ 47,887,252</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Current Portion of Bonds Payable	\$ 955,000	\$ -	\$ 955,000
Current Portion of Capital Lease Obligation	89,741	-	89,741
Interest in State Treasurer Investment Pool	10,037,215	-	10,037,215
Accounts Payable	1,811,538	-	1,811,538
Accrued Payroll and Payroll Taxes	405,314	-	405,314
Accrued Compensated Absences Due in			
Less than One Year	389,290	-	389,290
Accrued Employee Benefits	171,351	-	171,351
Accrued Interest	24,911	-	24,911
Estimated Amounts Due to Third-Party Payors	1,397,000	-	1,397,000
Total Current Liabilities	<u>15,281,360</u>	<u>-</u>	<u>15,281,360</u>
<b>LONG-TERM LIABILITIES</b>			
Bonds Payable, Net of Current Portion	11,010,000	-	11,010,000
Capital Lease Obligation, Net of Current Portion	137,516	-	137,516
Accrued Compensated Absences Due in			
More than One Year	238,597	-	238,597
Total Long-Term Liabilities	<u>11,386,113</u>	<u>-</u>	<u>11,386,113</u>
Total Liabilities	26,667,473	-	26,667,473
<b>NET POSITION</b>			
Net Investment in Capital Assets	15,240,976	-	15,240,976
Restricted Expendable:			
Expendable for Permanent Healthcare Fund	1,000,000	-	1,000,000
Unrestricted	(7,822,311)	12,801,114	4,978,803
Total Net Position	<u>8,418,665</u>	<u>12,801,114</u>	<u>21,219,779</u>
Total Liabilities and Net Position	<u>\$ 35,086,138</u>	<u>\$ 12,801,114</u>	<u>\$ 47,887,252</u>

**MINER'S COLFAX MEDICAL CENTER**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2017**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Operating Program	Miners' Trust Fund Program	Total
<b>OPERATING REVENUES</b>			
Net Patient and Resident Service Revenue	\$ 20,927,709	\$ -	\$ 20,927,709
Miners' Trust Fund Income	-	6,782,570	6,782,570
Other Revenue	173,678	-	173,678
Total Operating Revenues	<u>21,101,387</u>	<u>6,782,570</u>	<u>27,883,957</u>
<b>OPERATING EXPENSES</b>			
Salaries and Wages	12,073,612	-	12,073,612
Employee Benefits	4,270,887	-	4,270,887
Supplies and Other	4,983,987	-	4,983,987
Purchased Services	6,482,549	-	6,482,549
Interest	314,853	-	314,853
Depreciation	2,382,896	-	2,382,896
Total Operating Expenses	<u>30,508,784</u>	<u>-</u>	<u>30,508,784</u>
<b>OPERATING GAIN (LOSS)</b>	(9,407,397)	6,782,570	(2,624,827)
<b>NONOPERATING REVENUES</b>			
Interest Income	79	-	79
Noncapital Grants and Contributions	634,080	-	634,080
Total Nonoperating Revenues	<u>634,159</u>	<u>-</u>	<u>634,159</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</b>	(8,773,238)	6,782,570	(1,990,668)
Transfers	<u>6,378,950</u>	<u>(6,378,950)</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	(2,394,288)	403,620	(1,990,668)
Net Position - Beginning of Year	<u>8,418,665</u>	<u>12,801,114</u>	<u>21,219,779</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 6,024,377</u>	<u>\$ 13,204,734</u>	<u>\$ 19,229,111</u>

**MINER'S COLFAX MEDICAL CENTER**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2016**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Operating Program	Miners' Trust Fund Program	Total
<b>OPERATING REVENUES</b>			
Net Patient and Resident Service Revenue	\$ 19,893,166	\$ -	\$ 19,893,166
Miners' Trust Fund Income	-	6,900,461	6,900,461
Other Revenue	318,412	-	318,412
Total Operating Revenues	<u>20,211,578</u>	<u>6,900,461</u>	<u>27,112,039</u>
<b>OPERATING EXPENSES</b>			
Salaries and Wages	11,753,415	-	11,753,415
Employee Benefits	4,315,155	-	4,315,155
Supplies and Other	6,138,837	-	6,138,837
Purchased Services	4,662,766	-	4,662,766
Interest	337,360	-	337,360
Depreciation	2,205,217	-	2,205,217
Total Operating Expenses	<u>29,412,750</u>	<u>-</u>	<u>29,412,750</u>
<b>OPERATING GAIN (LOSS)</b>	(9,201,172)	6,900,461	(2,300,711)
<b>NONOPERATING REVENUES</b>			
Noncapital Grants and Contributions	485,966	-	485,966
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</b>	(8,715,206)	6,900,461	(1,814,745)
Transfers	6,000,000	(6,000,000)	-
<b>CHANGE IN NET POSITION</b>	(2,715,206)	900,461	(1,814,745)
Net Position - Beginning of Year	11,133,871	11,900,653	23,034,524
<b>NET POSITION - END OF YEAR</b>	<u>\$ 8,418,665</u>	<u>\$ 12,801,114</u>	<u>\$ 21,219,779</u>



**MINER'S COLFAX MEDICAL CENTER  
OTHER SUPPLEMENTARY INFORMATION  
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS  
YEAR ENDED JUNE 30, 2017  
(SEE INDEPENDENT AUDITORS' REPORT)**

Depository	Account Names	Type	Depository Balance	Reconciled Balance
State Treasurer's Office	Warrant Account	External Investment Pool	\$ 12,679,514	\$ 12,679,514
First National Bank of NM	Operating	Checking	1,187,666	1,187,666
Wells Fargo	Donation Fund	Checking	24,439	24,439
Wells Fargo	Resident Fund	Checking	5,079	5,079
Wells Fargo	Certificate of Deposit	CD	55,190	55,190
Intl Bank of Raton	Certificate of Deposit	CD	91,029	91,029
Cash and Cash Equivalents			<u>14,042,917</u>	<u>14,042,917</u>
Petty Cash	Petty Cash	Petty Cash	<u>635</u>	<u>635</u>
Total Cash and Cash Equivalents, Non-Agency Funds			14,043,552	14,043,552
International State Bank	Escrow Account	Escrow	<u>1,000,000</u>	<u>1,000,000</u>
Total Deposit and Investment Accounts			<u><u>\$ 15,043,552</u></u>	<u><u>\$ 15,043,552</u></u>

**MINER'S COLFAX MEDICAL CENTER  
OTHER SUPPLEMENTARY INFORMATION  
SCHEDULE OF PLEDGED COLLATERAL  
YEAR ENDED JUNE 30, 2017  
(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, 2017	\$ 1,187,666	\$ 91,029	\$ 24,439	\$ 5,079	\$ 55,190
Less: FDIC Coverage	(250,000)	(91,029)	(24,439)	(5,079)	(55,190)
Uninsured Public Funds	937,666	-	-	-	-
Pledged Collateral Held by the Pledging Bank's Trust Department or Agent, but not in the Medical Center's Name	1,130,050	-	-	-	-
Uninsured and Uncollateralized	<u>\$ (192,384)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
50% of Uninsured Pledge Collateral Requirement per Statute	\$ 468,833	\$ -	\$ -	\$ -	\$ -
Total Pledged Collateral	<u>1,130,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Pledged Collateral (Over) Under the Requirement	<u>\$ (661,217)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Pledged Collateral at June 30, 2017 Consists of the Following:					
<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Amount</u>		
FHLMC - Pool# G18527	3128MMSR5	10/1/2029	\$	775,702	
FNMA - Pool #MA0667	31417YW52	3/1/2031		354,348	
			<u>\$</u>	<u>1,130,050</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  
INDIGENT CARE COST AND FUNDING REPORT  
YEAR ENDED JUNE 30, 2017  
(SEE INDEPENDENT AUDITORS' REPORT)**

**Miner's Colfax Medical Center  
Indigent Care Cost and Funding Report**

	For years ended June 30,		
	2017	2016	2015
<b>A Funding for Indigent Care</b>			
A1 State appropriations specified for indigent care - Out of County Indigent Fund	\$ -	\$ -	\$ -
A2 County indigent funds received	114,851	53,711	62,527
A3 Out of county indigent funds received	-	-	-
A4 Payments and copayments received from uninsured patients qualifying for indigent care	100	-	-
A5 Reimbursement received for services provided to patients qualifying for coverage under EMSA	-	-	-
A6 Charitable contributions received from donors that are designated for funding indigent care	-	-	-
Other Sources	-	-	-
A7 Other source 1 (if applicable)	-	-	-
Total Funding for Indigent Care	<u>114,951</u>	<u>53,711</u>	<u>62,527</u>
<b>B Cost of Providing Indigent Care</b>			
Total cost of care for providing services to:			
B1 Uninsured patients qualifying for indigent care	61,754	31,189	70,296
B2 Patients qualifying for coverage under EMSA	-	-	-
B3 Cost of care related to patients portion of bill for insured patients qualifying for indigent care	18,549	5,557	32,080
B4 Direct costs paid to other providers on behalf of patients qualifying for indigent care	-	-	-
Total Cost of Providing Indigent Care	<u>80,303</u>	<u>36,746</u>	<u>102,376</u>
<b>Excess (Shortfall) of Funding for Indigent Care to Cost of Providing Indigent Care</b>	<u><b>\$ 34,648</b></u>	<u><b>\$ 16,965</b></u>	<u><b>\$ (39,849)</b></u>
<b>C Patient Receiving Indigent Care Services</b>			
C1 Total number of patients receiving indigent care	47	34	46
C2 Total number of patients encounters receiving indigent care	99	58	126

**MINER'S COLFAX MEDICAL CENTER  
OTHER SUPPLEMENTARY INFORMATION  
CALCULATIONS OF COST OF PROVIDING INDIGENT CARE  
YEAR ENDED JUNE 30, 2017  
(SEE INDEPENDENT AUDITORS' REPORT)**

**Miner's Colfax Medical Center**

Calculation of Cost of Providing Indigent Care

	<u>For years ended June 30,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Uninsured patients qualifying for indigent care</b>			
Charges for these patients	\$ 101,236	\$ 47,919	\$ 77,484
Ratio of cost to charges	61%	65%	91%
Cost for uninsured patients qualifying for indigent care	<u>\$ 61,754</u>	<u>\$ 31,189</u>	<u>\$ 70,296</u>
<b>Patients qualifying for coverage under Emergency Medical Services for Aliens (EMSA)</b>			
Charges for these patients	\$ -	\$ -	\$ -
Ratio of cost to charges	61%	65%	91%
Cost for patients qualifying for coverage under Emergency Medical Services for Aliens (EMSA)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Cost of care related to patient portion of bill for insured patients qualifying for indigent care</b>			
Indigent care adjustments for these patients	\$ 30,408	\$ 8,538	\$ 35,361
Ratio of cost to charges	61%	65%	91%
Cost of care related to patients portion of bill for insured patients qualifying for indigent care	<u>\$ 18,549</u>	<u>\$ 5,557</u>	<u>\$ 32,080</u>
<b>Direct costs paid to other providers on behalf of patients qualifying for indigent care</b>			
Payments to other providers for care of these patients	\$ -	\$ -	\$ -



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

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 and budgetary comparisons of Miner's Colfax Medical Center (the Medical Center), as of and for the year ended June 30, 2017, 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 22, 2017.

**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, 2017-001 through 2017-005, described in the accompanying schedule of findings and responses to be material weaknesses.

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

### **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 2017-006 through 2017-010.

### **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 22, 2017

**MINER'S COLFAX MEDICAL CENTER  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2017**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2017-001 (ORIGINAL FINDING 2015-001): 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 CliftonLarsonAllen (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 during fiscal year 2016 and that individual is responsible for implementing internal controls to remedy the findings. The Medical Center has 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. The Medical Center continues to explore ways to be more efficient on the monitoring and creation of reports.

**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 (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**2017-001 (ORIGINAL FINDING 2015-001): 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. A monthly close process and reconciliation is being administered on the patient management system to ensure all transactions are captured and accounted for. Management has identified a need for additional financial staffing and is expecting to hire one additional staff person to assume the responsibility of reconciliations.

**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. Throughout fiscal year 2018 the Medical Center will be working to ensure that potential omissions or other errors that are material would be identified and corrected on a timely basis. The goal is to have the processes and procedures fully implemented in time for the June 30, 2018 combined financial statement audit.

Explanation of Disagreement: We concur with the finding.

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

**2017-002 (ORIGINAL FINDING 2015-002): MATERIAL AUDIT ADJUSTMENTS (MATERIAL  
WEAKNESS)**

**Condition**

During the course of the audit, we proposed material audit adjustments to the Medical Center's account balances.

**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. With the hiring of additional financial staffing, management expects these functions will be addressed and corrected by ensuring that duties are distributed and monthly close and reconciliations are performed.

**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.



**MINER'S COLFAX MEDICAL CENTER  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**2017-002 (ORIGINAL FINDING 2015-002): MATERIAL AUDIT ADJUSTMENTS (MATERIAL WEAKNESS) (CONTINUED)**

**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. Management's goal is to continue to develop procedures to ensure the financial statements are complete and accurate throughout fiscal year 2018 and to minimize the chance of any year-end audit adjustments during the June 30, 2018 combined financial statement audit.

Explanation of Disagreement: We concur with the finding.

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

**2017-003 (ORIGINAL FINDING 2015-004): DEVELOP MONTHLY CLOSING SCHEDULES (MATERIAL WEAKNESS)**

**Condition**

During the course of the audit, we noted the Medical Center performed a mid-year financial statement reconciliation and review. However, the Medical Center is not performing monthly reconciliations and reviews of its combined financial statements.

**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. Management has implemented monthly close of the patient management system. Developing procedures to maintain the financial system in conjunction with that close is in progress and should be upcoming in fiscal year 2018.

**MINER'S COLFAX MEDICAL CENTER  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**2017-003 (ORIGINAL FINDING 2015-004): DEVELOP MONTHLY CLOSING SCHEDULES  
(MATERIAL WEAKNESS) (CONTINUED)**

**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. This process is improving and should be finalized with the hire of additional financial staffing.

**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. Management's goal is to continue to develop procedures to ensure the financial statements are complete and accurate throughout fiscal year 2018 and to supporting schedules in place for the June 30, 2018 combined financial statement audit.

Explanation of Disagreement: We concur with the finding.

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

**2017-004 (ORIGINAL FINDING 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.

**MINER'S COLFAX MEDICAL CENTER  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**2017-004 (ORIGINAL FINDING 2015-006): PATIENT REVENUE CYCLE INTERNAL CONTROLS  
(MATERIAL WEAKNESS) (CONTINUED)**

*Management's Progress for Repeat Findings*

The Medical Center has implemented a reconciliation process in which bank deposits are reconciled to the Explanation of Benefits received from the insurance carriers to ensure that all deposits are accounted for. After this reconciliation process, the Business Office informs the CFO who will then review and close the month on the patient accounting side to ensure no other transactions can be posted to that period. This is performed by the 10th day of every month. In fiscal year 2018, the Medical Center will also look to implement a monthly review of all patient account adjustments made during the month as part of the regular financial review process that would include CEO and CFO sign offs.

**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.

**Response and Action Plan of Management**

The Medical Center's management will review patient information over a certain threshold for reasonableness. Monthly cash reconciliations have been implemented to ensure patient receipts within the patient billing software and bank deposits match and are accounted for. The CFO is alerted when the monthly reconciliation process is finalized and reviews to ensure accuracy while following up on any discrepancies. The CFO processes the monthly close functions in the patient system.

**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 have been implemented to ensure patient receipts within the patient billing software and bank deposits match and are accounted for.

**MINER'S COLFAX MEDICAL CENTER  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**2017-004 (ORIGINAL FINDING 2015-006): PATIENT REVENUE CYCLE INTERNAL CONTROLS  
(MATERIAL WEAKNESS) (CONTINUED)**

Explanation of Disagreement: We concur with the finding.

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

**2017-005: INVENTORY COUNT DOCUMENTATION (MATERIAL WEAKNESS)**

**Condition**

As a result of audit procedures performed over inventory, it was discovered that the Medical Center did not complete an inventory valuation analysis for central supply as part of the year-end count procedures. As the inventory system is limited in functionality, the Medical Center was not able to obtain the valuation of the central supply inventory as of year-end. This resulted in an estimate required to value respective inventory as of June 30, 2017.

**Cause**

Lack of policies and procedures in place around year-end inventory count process.

**Effect**

Inventory could be misstated at year-end which could materially impact the combined financial statements.

**Recommendation**

We recommend that management implement policies and procedures over year-end inventory count processes to ensure accuracy of counts and availability of valuations to support the balances recorded on the combined statement of net position.

**Response and Action Plan of Management**

An inventory count was completed by all departments and validated by the Warehouse Supervisor the last week of the fiscal year. Implementation of a better process is being explored. Accounting staff is researching inventory tools that may be beneficial to monitoring and capturing inventory at all times.

**Corrective Account Plan (CAP)**

Actions Planned in Response to Finding: Accounting staff is exploring the possibility of purchasing an inventory bar code system to monitor and ensure all inventory is captured and accounted for. Reconciliations will be put in place to ensure month-end data is correct and rolls to year-end.

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 (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**2017-006: PATIENTS QUALIFYING FOR INDIGENT CARE (COMPLIANCE AND OTHER MATTERS)**

**Condition**

The Medical Center's policies in effect during the three-year period ending June 30, 2017 state approval or denial of indigent care to be obtained from Colfax County. We noted during testing, there was not supporting documentation of approvals for the years ended June 30, 2016 and 2015.

**Criteria**

Per requirements of Section 2.2.2.12 F (3)(a) of the State Audit Rule, the patient must qualify for indigent care and must be in compliance with polices in effect during the three-year period ending June 30, 2017.

**Cause**

Required items to support patient qualification of the indigent care program were not retained for fiscal years 2016 and 2015.

**Effect**

The lack of documentation to support qualification of the indigent care program results in noncompliance with the Medical Center's policy in effect during the three-year period ending June 30, 2017.

**Recommendation**

We recommend that management implement policies and procedures around documentation retention and ensure its Indigent Fund Policy is being followed.

**Response and Action Plan of Management**

The Medical Center will maintain at least two years of the approval documentation from the County for the Indigent Fund in order to be able to provide, if requested.

**Corrective Account Plan (CAP)**

Actions Planned in Response to Finding: The Medical Center maintained the required approval documentation for fiscal year 2017 adjustments. In the future, the Business Office will retain these records for at least two years to ensure adequate documentation is retrievable, if requested.

Explanation of Disagreement: We concur with the finding.

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

**MINER'S COLFAX MEDICAL CENTER  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**2017-007: (ORIGINAL FINDING 2015-009): LATE SUBMISSION OF AUDIT REPORT  
(COMPLIANCE AND OTHER MATTERS)**

**Condition**

The Medical Center's audit report for the year ended June 30, 2017 was not submitted as of the due date of November 1, 2017 due to delays in providing appropriate support and documentation as required throughout the audit process.

**Management's Progress for Repeat Findings**

The Medical Center hired a CFO during fiscal year 2016, which has assisted in overcoming certain historical circumstances including internal control issues and monthly reconciliations not being performed. However, the Medical Center continues to enhance the internal controls and accounting processes and procedures. While the completion of the cost report is required to complete the audited financial statements, the Medical Center was not able to finalize the cost report prior to the due date of the audited financial statements. This resulted in the late submission of the audit report.

**Criteria**

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

**Cause**

Requested items required for the completion of the audit were delayed.

**Effect**

The result was the late submission of the Medical Center's audit report for the year ended June 30, 2017. 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 financial team will work together to enhance the internal controls and accounting process and procedures during fiscal year 2018 with the intention of meeting the audit submission deadline in the future.

**Corrective Account Plan (CAP)**

**Actions Planned in Response to Finding:** The Medical Center will work to improve and gain efficiencies during the monthly close process to correct any identified errors/miscodes in order to ensure schedules prepared at year-end are reconciled with the intent of meeting the audited financial report submission deadlines.

**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 (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**2017-008 (ORIGINAL FINDING 2015-012): FUEL CARDS (COMPLIANCE AND OTHER MATTERS)**

**Condition**

Our test work associated with the fuel card testing resulted in the identification of 20 charges that were inappropriate in the context of the NMAC (specifically mid-grade gasoline).

**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 accounting staff will work together to enhance the internal controls and work to enhance the accounting processes and procedures. Although the process has improved since original finding in 2015, there is still monitoring and training that needs to be implemented monthly to ensure the proper usage of the fuel cards.

**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 20 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. Management's goal is to implement additional processes and procedures in fiscal year 2018.

**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 (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**2017-009 (ORIGINAL FINDING 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 instances 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.

**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 accounting staff will work together to enhance the internal controls and work to enhance the accounting processes and procedures.

**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**

The Medical Center has implemented a monthly review process of all travel expenses to ensure that proper documentation is obtained when a traveler has passed the \$1,500 threshold in fiscal year 2018.

**Corrective Account Plan (CAP)**

**Actions Planned in Response to Finding:** The chief financial officer and accounting staff 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. Management's goal is to implement these processes and procedures in fiscal year 2018.

**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 (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**2017-010: DISPOSAL OF FIXED ASSETS (COMPLIANCE AND OTHER MATTERS)**

**Condition**

During our test work associated with fixed assets, it was noted that fixed asset disposals are not recorded at time of disposal and documentation was not submitted to the State of New Mexico 30 days prior to disposal, as required by Sections 13-6-1 through 13-6-2 NMSA 1978.

**Criteria**

The Medical Center is required to submit documentation to the State of New Mexico 30 days prior to disposal of fixed assets.

**Cause**

There was lack of management oversight and effective internal controls surrounding the disposal of fixed assets.

**Effect**

Fixed assets could be misstated or misappropriated.

**Recommendation**

We recommend management establish effective controls and procedures to ensure that the fixed assets be updated for disposals and that State protocol be followed for submitting disposals.

**Response and Action Plan of Management**

Internal controls will be put in place to ensure that Warehouse Staff is appropriately reporting fixed asset disposals according to the State of New Mexico Administrative Code. Staff will be educated on the proper process to follow for disposal of property.

**Corrective Account Plan (CAP)**

Actions Planned in Response to Finding: The Medical Center will establish a team to review, develop requirements, and implement a proper disposal reporting process according to NMAC. The Medical Center will ensure that all staff managers are informed of this process. Warehouse Supervisor will monitor to ensure that proper disposal policies are followed.

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, 2017**

**2016-001: CONTROL OVER FINANCIAL STATEMENT REPORTING PROCESS (MATERIAL WEAKNESS)**

**Current Year Status**

Unresolved – see current year comment 2017-001.

**2016-002: MATERIAL AUDIT ADJUSTMENTS (MATERIAL WEAKNESS)**

**Current Year Status**

Unresolved – see current year comment 2017-002.

**2016-003: JOURNAL ENTRY PROCESS (MATERIAL WEAKNESS)**

**Current Year Status**

Resolved – Management obtained and retained all supporting documentation for journal entries.

**2016-004: DEVELOP MONTHLY AND YEAR-END CLOSING SCHEDULES (MATERIAL WEAKNESS)**

**Current Year Status**

Unresolved – see current year comment 2017-003.

**2016-005: ESTIMATING THIRD-PARTY PAYOR COST REPORT SETTLEMENTS (MATERIAL WEAKNESS)**

**Current Year Status**

Resolved. Management prepared a mid-year cost report settlement.

**2016-006: PATIENT REVENUE CYCLE INTERNAL CONTROLS (MATERIAL WEAKNESS)**

**Current Year Status**

Unresolved – see current year comment 2017-004.

**2016-007: ANALYZE LEASES PRIOR TO COMMENCEMENT TO DETERMINE WHETHER THEY ARE CAPITAL OR OPERATING LEASES FOR PROPER ACCOUNTING TREATMENT (MATERIAL WEAKNESS)**

**Current Year Status**

Resolved. Leases properly analyzed prior to commencement.

**MINER'S COLFAX MEDICAL CENTER  
CURRENT YEAR STATUS OF PRIOR YEAR AUDIT FINDINGS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**2016-008: CASH RECEIPTS (COMPLIANCE AND OTHER MATTERS)**

**Current Year Status**

Resolved. Supporting records were retained to support cash receipts throughout fiscal year 2017.

**2016-009: LATE SUBMISSION OF AUDIT REPORT (COMPLIANCE AND OTHER MATTERS)**

**Current Year Status**

Unresolved – see current year comment at 2017-007.

**2016-010: TRAVEL AND PER DIEM - \$1,500 LIMIT (COMPLIANCE AND OTHER MATTERS)**

**Current Year Status**

Unresolved – see current year comment 2017-009.

**2016-011: FUEL CARDS (COMPLIANCE AND OTHER MATTERS)**

**Current Year Status**

Unresolved – see current year comment 2017-008.

**2016-012: PHYSICAL INVENTORY OF CAPITAL ASSETS (COMPLIANCE AND OTHER MATTERS)**

**Current Year Status**

Resolved. The Medical Center completed a physical inventory of capital assets during the fiscal year 2017.

**MINER'S COLFAX MEDICAL CENTER  
EXIT CONFERENCE  
YEAR ENDED JUNE 30, 2017**

An exit conference was held with the Medical Center on November 15, 2017. 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**

Bo Beames, CEO  
Peggy Martinez, CFO  
Dr. Douglas Schmidt, Medical Director  
Kathy McQueary, Chair  
Kenneth Scott Berry, Vice-Chair  
Raymond Rodarte, Secretary/Treasurer  
William Jarrell, Trustee  
Dr. Donald Belknap, Trustee

**CLIFTONLARSONALLEN LLP**

James Mann, CPA, Principal

**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.