

**MINER'S COLFAX MEDICAL CENTER  
COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2019 AND 2018**



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**MINER'S COLFAX MEDICAL CENTER  
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**MINER'S COLFAX MEDICAL CENTER  
BOARD OF TRUSTEES AND PRINCIPAL EMPLOYEES  
JUNE 30, 2019**

**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
Lonny Medina	Chief Financial Officer



## INDEPENDENT AUDITORS' REPORT

Board of Trustees and Management  
Miner's Colfax Medical Center and  
Mr. Brian S. Colon, 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, 2019 and 2018, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2019 and 2018, 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, 2019 and 2018, 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. Brian S. Colon, 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 October 30, 2019 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 solely 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 effectiveness of the Medical Center's 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**

Denver, Colorado  
October 30, 2019

**MINER'S COLFAX MEDICAL CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019 AND 2018**

**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, 2019 and 2018. 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 \$22,961,028 at June 30, 2019, a decrease of \$708,472 from fiscal year 2018. The Medical Center's net position was \$23,669,500 at June 30, 2018, an increase of \$4,400,389 from fiscal year 2017.
- The Medical Center reported an operating loss in fiscal years 2019 and 2018 of \$8,371,576 and \$2,882,203, respectively.
- Nonoperating revenues were reported at \$7,663,104 and \$7,322,592 for fiscal years 2019 and 2018, respectively.
- The Medical Center reported a total net gain (loss) in fiscal years 2019 and 2018 of \$(708,472) and \$4,440,389, respectively.

**MINER'S COLFAX MEDICAL CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019 AND 2018**

**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 10. 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**

	2019	2018	2017
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 733,226	\$ 707,519	\$ 1,364,038
Investment in State Treasurer Investment Pool	21,000,663	17,821,910	12,679,514
Patient and Resident Accounts Receivable, Net	2,227,077	3,461,485	4,106,164
Other Current Assets	1,310,877	2,109,112	1,749,248
Capital Assets, Net	23,070,209	24,759,913	26,527,204
Noncurrent Investments	1,001,230	1,000,854	1,000,000
	<u>\$ 49,343,282</u>	<u>\$ 49,860,793</u>	<u>\$ 47,426,168</u>
<b>LIABILITIES</b>			
Current Liabilities	\$ 18,311,757	\$ 17,046,146	\$ 17,930,975
Long-Term Liabilities	8,070,497	9,145,147	10,266,082
Total Liabilities	<u>26,382,254</u>	<u>26,191,293</u>	<u>28,197,057</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	14,045,209	14,688,148	15,379,688
Nonspendable	792,723	837,112	1,028,617
Restricted Expendable	1,001,230	1,000,854	1,000,000
Unrestricted	7,121,866	7,143,386	1,820,806
Total Net Position	<u>22,961,028</u>	<u>23,669,500</u>	<u>19,229,111</u>
	<u>\$ 49,343,282</u>	<u>\$ 49,860,793</u>	<u>\$ 47,426,168</u>
Total Liabilities and Net Position	<u>\$ 49,343,282</u>	<u>\$ 49,860,793</u>	<u>\$ 47,426,168</u>

Total assets decreased by \$517,511 from fiscal year 2018 to fiscal year 2019. Total assets were \$49,343,282 as of June 30, 2019. Total net position decreased by \$708,472 to \$22,961,028 in fiscal year 2019. The decrease in net position was a result of an increase in the operating loss in the current year. Patient and resident accounts receivable decreased in the current year as a result of improvement revenue cycle efforts in fiscal year 2019. Investment in state treasurer investment pool increased in fiscal year 2019 as a result of transfers from the Miner's Trust Fund. Capital assets decreased in the current year as a result of an increase 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, 2019 AND 2018**

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

Total assets increased by \$2,434,625 from fiscal year 2017 to fiscal year 2018. Total assets were \$49,860,793 as of June 30, 2018. Total net position increased by \$4,440,389 to \$23,669,500 in fiscal year 2018. The increase in net position was a result of an improvement in the operating loss in the current year along with transfers of funds from the Miner's Trust Fund. Cash and cash equivalents decreased in fiscal year 2018 as a result of paying down current liabilities. Investment in state treasurer investment pool increased in fiscal year 2018 as a result of transfers from the Miner's Trust Fund. 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.

**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 \$8,371,576 and \$2,882,203 for fiscal years 2019 and 2018, respectively. As of June 30, 2019, the Medical Center's net position was reported at \$22,961,028 compared to \$23,669,500 as of June 30, 2018, as shown in Table 1.

**Table 2  
Condensed Combined Statements of Revenues, Expenses, and Changes in Net Position**

	2019	2018	2017
<b>OPERATING REVENUES</b>			
Net Patient and Resident Service Revenues	\$ 22,705,333	\$ 25,967,880	\$ 20,927,709
Other Operating Revenues	3,110,340	4,028,535	593,983
Total Operating Revenues	<u>25,815,673</u>	<u>29,996,415</u>	<u>21,521,692</u>
<b>OPERATING EXPENSES</b>			
Salaries, Wages, and Employee Benefits	18,322,809	16,796,972	16,344,499
Purchased Services	7,678,362	7,997,964	6,482,549
Supplies and Other	5,759,003	5,749,052	4,983,987
Interest	252,279	282,139	314,853
Depreciation	2,174,796	2,052,491	2,382,896
Total Operating Expenses	<u>34,187,249</u>	<u>32,878,618</u>	<u>30,508,784</u>
<b>OPERATING LOSS</b>	(8,371,576)	(2,882,203)	(8,987,092)
<b>NONOPERATING REVENUES</b>			
Interest Income	35,077	13,596	79
Noncapital Grants and Contributions	585,109	587,046	634,080
Other Financing Sources	7,042,918	6,721,950	6,362,265
Net Nonoperating Revenues	<u>7,663,104</u>	<u>7,322,592</u>	<u>6,996,424</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</b>	<u>\$ (708,472)</u>	<u>\$ 4,440,389</u>	<u>\$ (1,990,668)</u>

**MINER'S COLFAX MEDICAL CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019 AND 2018**

**Operations**

Operating revenues decreased to \$25,815,673 in fiscal year 2019 compared to \$29,996,415 in fiscal year 2018. Although total operating revenues had decreased \$4,180,742 from prior year, expenses increased \$1,308,631. The significant increases in expenses were related to salaries and benefits, and depreciation.

Salaries and benefits increased due to filling vacant positions, recruiting physicians and nurses and increasing wage rates in order to be more competitive. Depreciation increased due to capital assets continuing to be depreciated.

Operating revenues increased to \$29,996,415 in fiscal year 2018 compared to \$21,521,692 in fiscal year 2017. Although total operating revenues had increased \$8,474,723 from prior year, expenses also increased \$2,369,834. The significant increases in expenses were related to salaries and benefits, physician locum fees, and depreciation.

**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 \$340,512 from 2018 to 2019. The increase in fiscal year 2019 is primarily a reflection of an increase in other financing sources received by the Medical Center. From 2017 to 2018, the net nonoperating revenue increased by \$326,168 as a result of an increase in other financing sources received by the Medical Center.

**Capital Assets, Net**

As of June 30, 2019, the Medical Center had \$23,070,209 invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the combined financial statements. This is a decrease of \$1,689,704 from fiscal year 2018 as a result of additions that were offset by continued depreciation of the Medical Center's capital assets in fiscal year 2019.

As of June 30, 2018, the Medical Center had \$24,759,913 invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the combined financial statements. This is a decrease of \$1,767,291 from fiscal year 2017 as a result of additions that were offset by continued depreciation of the Medical Center's capital assets in fiscal year 2018.

**Long-Term Debt**

The Medical Center's long-term debt consists of the Series 2013 State Permanent Fund Revenue Improvement and Refunding Bonds. During fiscal years 2019 and 2018, the bonds payable were reduced by \$1,005,000 and \$980,000, respectively, as a result of bond payments made by the Medical Center. Total bonds payable at June 30, 2019 and 2018 was \$9,025,000 and \$10,030,000, respectively.

**MINER'S COLFAX MEDICAL CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019 AND 2018**

**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 2020 budget. Of primary importance in setting the 2020 budget is the status of the state economy, taking into consideration:

- The volatility of the energy sector.
- Continued regulatory pressures.
- Shift of patients from private sources to Medicare, or uninsured.
- Potential changes to health care reform expected from Legislative actions.
- Potential changes to the State Medicaid program.
- Legislative support for Miner's Trust Fund capital projects and improvements.
- Continued physician and nursing shortages.
- Increased expectations for quality at a lower price.
- Increasing cost of contractual medical services.
- Increasing cost of pharmaceuticals.
- 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, 2019 AND 2018**

<b>ASSETS</b>	2019	2018
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 733,226	\$ 707,519
Interest in State Treasurer Investment Pool	21,000,663	17,821,910
Receivables:		
Patient and Resident Accounts Receivable, Net	2,227,077	3,461,485
Estimated Amounts Due from Third-Party Payors	305,000	1,272,000
Other	213,154	-
Inventory	792,723	837,112
Total Current Assets	25,271,843	24,100,026
<b>NONCURRENT INVESTMENTS</b>		
Restricted Funds Held in Escrow	1,001,230	1,000,854
<b>CAPITAL ASSETS, NET</b>	<b>23,070,209</b>	<b>24,759,913</b>
Total Assets	\$ 49,343,282	\$ 49,860,793
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Current Portion of Bonds Payable	\$ 1,030,000	\$ 1,005,000
Current Portion of Capital Lease Obligation	-	41,765
Interest in State Treasurer Investment Pool	14,582,206	13,551,093
Accounts Payable	1,253,169	1,036,439
Accrued Payroll and Payroll Taxes	511,731	532,263
Accrued Compensated Absences Due in Less than One Year	695,638	657,613
Accrued Employee Benefits	219,910	200,743
Accrued Interest	19,103	21,230
Total Current Liabilities	18,311,757	17,046,146
<b>LONG-TERM LIABILITIES</b>		
Bonds Payable, Net of Current Portion	7,995,000	9,025,000
Accrued Compensated Absences Due in More than One Year	75,497	120,147
Total Long-Term Liabilities	8,070,497	9,145,147
Total Liabilities	26,382,254	26,191,293
<b>NET POSITION</b>		
Net Investment in Capital Assets	14,045,209	14,688,148
Nonspendable	792,723	837,112
Restricted Expendable:		
Expendable for Future Permanent Healthcare Fund	1,001,230	1,000,854
Unrestricted	7,121,866	7,143,386
Total Net Position	22,961,028	23,669,500
Total Liabilities and Net Position	\$ 49,343,282	\$ 49,860,793

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, 2019 AND 2018**

	2019	2018
<b>OPERATING REVENUES</b>		
Net Patient and Resident Service Revenue (Net of Provision for Uncollectible Accounts of Approximately \$2,101,000 and \$1,570,000 for 2019 and 2018, Respectively)	\$ 22,705,333	\$ 25,967,880
Miner's Trust Fund Income	2,954,849	3,895,226
Other Revenue	155,491	133,309
Total Operating Revenues	25,815,673	29,996,415
<b>OPERATING EXPENSES</b>		
Salaries and Wages	13,641,807	12,478,500
Employee Benefits	4,681,002	4,318,472
Purchased Services	7,678,362	7,997,964
Supplies and Other	5,759,003	5,749,052
Interest	252,279	282,139
Depreciation	2,174,796	2,052,491
Total Operating Expenses	34,187,249	32,878,618
<b>OPERATING LOSS</b>	(8,371,576)	(2,882,203)
<b>NONOPERATING REVENUES</b>		
Interest Income	35,077	13,596
Noncapital Grants and Contributions	585,109	587,046
Other Financing Sources	7,042,918	6,721,950
Total Nonoperating Revenues	7,663,104	7,322,592
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</b>	(708,472)	4,440,389
Net Position - Beginning of Year	23,669,500	19,229,111
<b>NET POSITION - END OF YEAR</b>	\$ 22,961,028	\$ 23,669,500

See accompanying Notes to Combined Financial Statements.

**MINER'S COLFAX MEDICAL CENTER  
COMBINED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from and on Behalf of Patients and Residents	\$ 24,906,741	\$ 23,662,559
Payments to Suppliers and Contractors	(13,430,652)	(14,138,862)
Payments to Employees	(18,330,799)	(16,649,548)
Other Receipts, Net	3,110,340	4,749,166
Net Cash Used by Operating Activities	(3,744,370)	(2,376,685)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Noncapital Grants and Contributions	371,955	587,046
Other Financing Sources	7,042,918	6,721,950
Net Cash Provided by Noncapital Financing Activities	7,414,873	7,308,996
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal Paid on Bonds Payable	(1,005,000)	(980,000)
Principal Payments on Capital Lease Obligations	(41,765)	(95,751)
Purchase of Capital Assets	(485,092)	(333,204)
Net Cash Used by Capital and Related Financing Activities	(1,531,857)	(1,408,955)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Income	35,077	13,596
Purchase of Investments	(2,148,016)	(4,193,471)
Net Cash Used by Investing Activities	(2,112,939)	(4,179,875)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	25,707	(656,519)
Cash and Cash Equivalents - Beginning of Year	707,519	1,364,038
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 733,226	\$ 707,519
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (8,371,576)	\$ (2,882,203)
Depreciation	2,174,796	2,052,491
Provision for Bad Debts	2,100,947	1,569,922
(Increase) Decrease in Assets:		
Patient and Resident Accounts Receivable	(866,539)	(925,243)
Other Receivables	-	720,631
Inventory	44,389	191,505
Increase (Decrease) in Liabilities:		
Accounts Payable	216,730	(298,522)
Accrued Expenses and Other Liabilities	(10,117)	144,734
Estimated Amounts Due to Third-Party Payors	967,000	(2,950,000)
Net Cash Used by Operating Activities	\$ (3,744,370)	\$ (2,376,685)
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid During the Year for Interest	\$ 255,443	\$ 285,753

See accompanying Notes to Combined Financial Statements.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**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 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 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, 2019 AND 2018**

**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 37-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. Income received directly from the State Land Office is recorded as Miner's Trust Fund Income in the combined statements of revenues, expenses, and changes in net position. Amounts received from the State's Investment Council are recorded as Other Financing Sources and have 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, 2019 AND 2018**

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

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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, 2019 and 2018, the allowance for uncollectible accounts was approximately \$1,388,000 and \$1,096,000, respectively.

**Inventory**

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

**Noncurrent Investments**

Noncurrent investments consist of funds 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.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**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 to 30 Years
Buildings and Leasehold Improvements	5 to 40 Years
Equipment	3 to 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 four 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. *Nonspendable net position* consists of inventories held to serve patients and residents. *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, 2019 AND 2018**

**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 \$107,000 and \$213,000 for fiscal years 2019 and 2018, 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 excess (deficit) of revenues over expenses.

**MINER'S COLFAX MEDICAL CENTER**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**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, contributions, and other financing sources received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Other financing sources include amounts received from the New Mexico State Investment Council as transfers to the Medical Center from the State of New Mexico Land Grant Permanent Fund. 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, 2019 and 2018.

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, 2019 and 2018.

**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, 2019 AND 2018**

**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 Statements No. 68 and No. 71, *Accounting and Financial Reporting for Pensions*, the State of New Mexico implemented the standards for the fiscal year ended June 30, 2015.

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

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.

**Postemployment Benefits — State Retiree Health Care Plan**

Compliant with the requirements of Government Accounting Standards Boards Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State has implemented this standard for the fiscal year ended June 30, 2018.

The Medical Center, as part of the primary government of the State, is a contributing employer to a cost-sharing multiple-employer defined benefit postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

**MINER'S COLFAX MEDICAL CENTER**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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

**Postemployment Benefits — State Retiree Health Care Plan (Continued)**

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) and will be available, when issued, from the Office of the 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.

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.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**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, 2016.

**Medicaid**

The State administers its Medicaid program through contracts with several Managed Care Organizations (MCOs). Medicaid beneficiaries are required to enroll with one of the MCOs. 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 43% and 12%, respectively, of the Medical Center's patient and resident service revenue for the year ended June 30, 2019 and 35% and 25%, respectively, of the Medical Center's patient and resident service revenue for the year ended June 30, 2018, 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, 2019 AND 2018**

**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:

	2019	2018
Carrying Value:		
Cash and Deposits	\$ 21,733,889	\$ 18,529,429
Investments	1,001,230	1,000,854
Total Deposits and Investments	\$ 22,735,119	\$ 19,530,283
Included in the Following Net Position Captions:		
Cash and Cash Equivalents	\$ 733,226	\$ 707,519
Interest in State Treasurer Investment Pool	21,000,663	17,821,910
Noncurrent Cash and Deposits:		
Restricted Funds Held in Escrow	1,001,230	1,000,854
Total Deposits and Investments	\$ 22,735,119	\$ 19,530,283

**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.



**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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

**Custodial Credit Risk — Deposits**

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

	<u>2019</u>	<u>2018</u>
Insured	<u>\$ 410,174</u>	<u>\$ 356,804</u>
Collateral Held by Pledging Bank's Trust Department Not in the Medical Center's Name	<u>\$ 2,919,025</u>	<u>\$ 1,500,420</u>
Uninsured and Undercollateralized	<u>\$ -</u>	<u>\$ -</u>

In accordance with Section 6-10-17, NMSA, 1978 Compilation, the Medical Center is required to collateralize an amount equal to one-half of the public money in excess of \$250,000 (see schedule of pledged collateral) at each financial institution. The Medical Center was in compliance with this requirement as of June 30, 2019 and 2018.

**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, 2019 and 2018. 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, 2019 and 2018, the Medical Center's investments consisted of a savings account. State statute limits the Investment Council's investments to a rating of BB or B or the national association of insurance commissioners' equivalent by a national rating service.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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

**Custodial Credit Risk — Investments**

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

**Interest Rate Risk — Investments**

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

**NOTE 4 STATE GENERAL FUND INVESTMENT POOL**

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

The State Controller indicated on September 17, 2019 that as of June 30, 2019, 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.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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

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

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

	2019	2018
Per New Mexico State Treasurer:		
Agency 662, Fund 102 - Miners' Colfax	\$ (14,582,206)	\$ (13,551,093)
Agency 662, Fund 985 - Miners' Trust Fund	21,000,663	17,821,910
Total per New Mexico State Treasurer	\$ 6,418,457	\$ 4,270,817

**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, 2019 and 2018.

**NOTE 5 CAPITAL ASSETS, NET**

Capital asset activity for the years ended June 30 was as follows:

	Beginning Balance June 30, 2018	Additions	Disposals and Retirements	Transfers	Ending Balance June 30, 2019
Land and Land Improvements	\$ 709,867	\$ -	\$ -	\$ -	\$ 709,867
Buildings and Building Improvements	44,446,889	455,137	-	-	44,902,026
Equipment	12,714,706	24,301	(1,676,360)	-	11,062,647
Construction in Progress	-	5,654	-	-	5,654
Total	57,871,462	485,092	(1,676,360)	-	56,680,194
Less: Accumulated Depreciation	(33,111,549)	(2,174,796)	1,676,360	-	(33,609,985)
Capital Assets, Net	\$ 24,759,913	\$ (1,689,704)	\$ -	\$ -	\$ 23,070,209

  

	Beginning Balance July 1, 2017	Additions	Disposals and Retirements	Transfers	Ending Balance June 30, 2018
Land and Land Improvements	\$ 709,867	\$ -	\$ -	\$ -	\$ 709,867
Buildings and Building Improvements	44,375,044	71,845	-	-	44,446,889
Equipment	12,501,351	213,355	-	-	12,714,706
Total	57,586,262	285,200	-	-	57,871,462
Less: Accumulated Depreciation	(31,059,058)	(2,052,491)	-	-	(33,111,549)
Capital Assets, Net	\$ 26,527,204	\$ (1,767,291)	\$ -	\$ -	\$ 24,759,913

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**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:

	Beginning Balance June 30, 2018	Additions	Reductions	Ending Balance June 30, 2019	Amounts Due Within One Year
State Permanent Fund Revenue Improvement and Refunding Bonds, Series 2013	\$ 10,030,000	\$ -	\$ (1,005,000)	\$ 9,025,000	\$ 1,030,000
Capital Lease Obligation	41,765	-	(41,765)	-	-
Total Long-Term Debt	<u>\$ 10,071,765</u>	<u>\$ -</u>	<u>\$ (1,046,765)</u>	<u>\$ 9,025,000</u>	<u>\$ 1,030,000</u>

  

	Beginning Balance July 1, 2017	Additions	Reductions	Ending Balance June 30, 2018	Amounts Due Within One Year
State Permanent Fund Revenue Improvement and Refunding Bonds, Series 2013	\$ 11,010,000	\$ -	\$ (980,000)	\$ 10,030,000	\$ 1,005,000
Capital Lease Obligation	137,516	-	(95,751)	41,765	41,765
Total Long-Term Debt	<u>\$ 11,147,516</u>	<u>\$ -</u>	<u>\$ (1,075,751)</u>	<u>\$ 10,071,765</u>	<u>\$ 1,046,765</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.

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

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

<u>Year Ending June 30,</u>	Total to be Paid	Principal	Interest
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	1,258,590	1,110,000	148,590
2024	1,260,396	1,140,000	120,396
2025 - 2027	3,784,404	3,600,000	184,404
Total	<u>\$ 10,086,847</u>	<u>\$ 9,025,000</u>	<u>\$ 1,061,847</u>

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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

**Capital Lease Obligation**

In December 2015, the Medical Center entered into a capital lease obligation for the purchase of medical equipment. The lease was payable in monthly installments of \$8,489 and accrued interest at a rate of 6.50%. The term of the lease was 36 months and it matured in December 2018.

**NOTE 7 INTERAGENCY ACTIVITY**

As of June 30, 2019 and 2018 the Medical Center owes \$52,785 and \$15,769, respectively, to the University of New Mexico Medical Group.

In fiscal years 2019 and 2018 there were transfers to the Miner's Trust Fund from State Investment Council of \$7,042,918 and \$6,721,950, respectively.

In fiscal years 2019 and 2018, there were transfers between Miner's Colfax Medical Center and Miner's Trust Fund of \$6,300,000 and \$6,000,000, respectively. These amounts have been eliminated in the combined financial statements.

**NOTE 8 COMPENSATED BALANCES**

The changes in liabilities for compensated absences are as follows:

	Beginning Balance June 30, 2018	Increase	Decrease	Ending Balance June 30, 2019	Due Within One Year
Compensated Absences	\$ 777,760	\$ 542,538	\$ (549,163)	\$ 771,135	\$ 695,638

	Beginning Balance July 1, 2017	Increase	Decrease	Ending Balance June 30, 2018	Due Within One Year
Compensated Absences	\$ 719,691	\$ 550,387	\$ (492,318)	\$ 777,760	\$ 657,613

**NOTE 9 RESTRICTED NET POSITION**

At June 30, 2019 and 2018, 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.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 10 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 \$152.6 million and \$149.2 million as of June 30, 2019 and 2018, 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 \$19.3 million and \$18.9 million as of June 30, 2019 and 2018, 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 \$6,251,000 and \$5,966,000 in fiscal years 2019 and 2018, respectively. Charitable, Penal, and Reform monies distributed to the Medical center approximated \$792,000 and \$756,000 in fiscal years 2019 and 2018, 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 \$2,344,000 and \$3,774,000 of income and \$611,000 and \$121,000 of interest in fiscal years 2019 and 2018, respectively.

**NOTE 11 PENSION PLAN — PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**Plan Description**

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

**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, 2019, 2018, and 2017 were \$1,922,464, \$1,686,321, and \$1,629,156, respectively, equal to the amount of the required contributions for each fiscal year.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 12 POSTEMPLOYMENT BENEFITS — STATE RETIREE HEALTH CARE PLAN**

**Plan Description**

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

**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.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 12 POSTEMPLOYMENT BENEFITS — STATE RETIREE HEALTH CARE PLAN  
(CONTINUED)**

**Funding Policy (Continued)**

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 years ended June 30, 2019 and 2018, 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 years ended June 30, 2019 and 2018, 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, 2019, 2018, and 2017 were \$226,247, \$198,509, and \$194,734, respectively, which equal the required contributions for each year.

**NOTE 13 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 State 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.



**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 14 COMMITMENTS AND CONTINGENCIES**

**Risk Management**

The Medical Center is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. The Medical Center is insured with the Risk Management Division (Risk Management) for the General Services Department of the State of New Mexico.

**Litigation**

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

**Malpractice Claims**

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

**Operating Leases**

The Medical Center leases equipment under agreements that require monthly payments through lease expiration in December 2023. A summary of future minimum operating lease payments are as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2020	\$ 127,695
2021	89,762
2022	22,303
2023	13,557
Total	<u>\$ 253,317</u>

Rent expense for the fiscal years ended June 30, 2019 and 2018 was approximately \$309,000 and \$243,000, respectively.

**MINER'S COLFAX MEDICAL CENTER  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**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 fiscal years 2019 and 2018, the Medical Center paid \$300,000 and \$600,000, respectively, 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.

**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.

**MINER'S COLFAX MEDICAL CENTER**  
**SCHEDULE OF REVENUES AND EXPENSES — BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Original Budget	Revised Budget	Actual	Variance Over (Under)
Meals	\$ 75,000	\$ 75,000	\$ 87,787	\$ 12,787
Payment for Care, Government	12,000,000	20,308,300	11,993,614	(8,314,686)
Payment for Care, Individuals	11,659,000	11,659,000	10,711,719	(947,281)
Federal Grants	517,400	517,400	585,109	67,709
Miscellaneous	-	-	102,781	102,781
Other Financing Sources	6,300,000	6,300,000	6,300,000	-
Miner's Trust Fund	6,300,000	6,300,000	9,997,767	3,697,767
Total Budgetary Basis Revenues	\$ 36,851,400	\$ 45,159,700	39,778,777	\$ (5,380,923)
Transfers from Miner's Trust Fund for Operations			(6,300,000)	
Total GAAP Basis Operating and Nonoperating Revenues			\$ 33,478,777	
	Original Budget	Revised Budget	Actual	Variance Over (Under)
Personnel Services	\$ 18,459,800	\$ 19,168,100	\$ 18,322,809	\$ (845,291)
Contract Services	4,252,300	9,952,300	7,678,362	(2,273,938)
Other Costs	7,839,300	9,739,300	6,011,282	(3,728,018)
Other Financing Sources	6,300,000	6,300,000	6,300,000	-
Total Budgetary Basis Expenses	\$ 36,851,400	\$ 45,159,700	38,312,453	\$ (6,847,247)
Depreciation			2,174,796	
Transfers from Miner's Trust Fund for Operations			(6,300,000)	
Total GAAP Basis Expenses			\$ 34,187,249	

**MINER'S COLFAX MEDICAL CENTER**  
**COMBINING STATEMENT OF NET POSITION**  
**JUNE 30, 2019**  
(SEE INDEPENDENT AUDITORS' REPORT)

	Operating Program	Miners' Trust Fund Program	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 733,226	\$ -	\$ 733,226
Interest in State Treasurer Investment Pool	-	21,000,663	21,000,663
Receivables:			
Patient and Resident Accounts Receivable, Net	2,227,077	-	2,227,077
Estimated Amounts Due from Third-Party Payors	305,000	-	305,000
Other	213,154	-	213,154
Inventory	792,723	-	792,723
Total Current Assets	4,271,180	21,000,663	25,271,843
<b>NONCURRENT INVESTMENTS</b>			
Restricted Funds Held in Escrow	1,001,230	-	1,001,230
<b>CAPITAL ASSETS, NET</b>	22,597,574	472,635	23,070,209
Total Assets	\$ 27,869,984	\$ 21,473,298	\$ 49,343,282
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Current Portion of Bonds Payable	\$ 1,030,000	\$ -	\$ 1,030,000
Interest in State Treasurer Investment Pool	14,582,206	-	14,582,206
Accounts Payable	1,190,648	62,521	1,253,169
Accrued Payroll and Payroll Taxes	511,731	-	511,731
Accrued Compensated Absences Due in			
Less than One Year	695,638	-	695,638
Accrued Employee Benefits	219,910	-	219,910
Accrued Interest	19,103	-	19,103
Total Current Liabilities	18,249,236	62,521	18,311,757
<b>LONG-TERM LIABILITIES</b>			
Bonds Payable, Net of Current Portion	7,995,000	-	7,995,000
Accrued Compensated Absences Due in			
More than One Year	75,497	-	75,497
Total Long-Term Liabilities	8,070,497	-	8,070,497
Total Liabilities	26,319,733	62,521	26,382,254
<b>NET POSITION</b>			
Net Investment in Capital Assets	13,572,574	472,635	14,045,209
Nonspendable	792,723	-	792,723
Restricted Expendable:			
Expendable for Permanent Healthcare Fund	1,001,230	-	1,001,230
Unrestricted	(13,816,276)	20,938,142	7,121,866
Total Net Position	1,550,251	21,410,777	22,961,028
Total Liabilities and Net Position	\$ 27,869,984	\$ 21,473,298	\$ 49,343,282

**MINER'S COLFAX MEDICAL CENTER**  
**COMBINING STATEMENT OF NET POSITION**  
**JUNE 30, 2018**  
(SEE INDEPENDENT AUDITORS' REPORT)

	Operating Program	Miners' Trust Fund Program	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 707,519	\$ -	\$ 707,519
Interest in State Treasurer Investment Pool	-	17,821,910	17,821,910
Receivables:			
Patient and Resident Accounts Receivable, Net	3,461,485	-	3,461,485
Estimated Amounts Due from Third-Party Payors	1,272,000	-	1,272,000
Inventory	837,112	-	837,112
Total Current Assets	6,278,116	17,821,910	24,100,026
<b>NONCURRENT INVESTMENTS</b>			
Restricted Funds Held in Escrow	1,000,854	-	1,000,854
<b>CAPITAL ASSETS, NET</b>	24,759,913	-	24,759,913
Total Assets	\$ 32,038,883	\$ 17,821,910	\$ 49,860,793
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Current Portion of Bonds Payable	\$ 1,005,000	\$ -	\$ 1,005,000
Current Portion of Capital Lease Obligation	41,765	-	41,765
Interest in State Treasurer Investment Pool	13,551,093	-	13,551,093
Accounts Payable	1,036,439	-	1,036,439
Accrued Payroll and Payroll Taxes	532,263	-	532,263
Accrued Compensated Absences Due in			
Less than One Year	657,613	-	657,613
Accrued Employee Benefits	200,743	-	200,743
Accrued Interest	21,230	-	21,230
Total Current Liabilities	17,046,146	-	17,046,146
<b>LONG-TERM LIABILITIES</b>			
Bonds Payable, Net of Current Portion	9,025,000	-	9,025,000
Accrued Compensated Absences Due in			
More than One Year	120,147	-	120,147
Total Long-Term Liabilities	9,145,147	-	9,145,147
Total Liabilities	26,191,293	-	26,191,293
<b>NET POSITION</b>			
Net Investment in Capital Assets	14,688,148	-	14,688,148
Nonspendable	837,112	-	837,112
Restricted Expendable:			
Expendable for Permanent Healthcare Fund	1,000,854	-	1,000,854
Unrestricted	(10,678,524)	17,821,910	7,143,386
Total Net Position	5,847,590	17,821,910	23,669,500
Total Liabilities and Net Position	\$ 32,038,883	\$ 17,821,910	\$ 49,860,793

**MINER'S COLFAX MEDICAL CENTER**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Operating Program	Miners' Trust Fund Program	Total
<b>OPERATING REVENUES</b>			
Net Patient and Resident Service Revenue	\$ 22,705,333	\$ -	\$ 22,705,333
Miners' Trust Fund Income	-	2,954,849	2,954,849
Other Revenue	155,491	-	155,491
Total Operating Revenues	<u>22,860,824</u>	<u>2,954,849</u>	<u>25,815,673</u>
<b>OPERATING EXPENSES</b>			
Salaries and Wages	13,641,807	-	13,641,807
Employee Benefits	4,681,002	-	4,681,002
Purchased Services	7,678,362	-	7,678,362
Supplies and Other	5,650,103	108,900	5,759,003
Interest	252,279	-	252,279
Depreciation	2,174,796	-	2,174,796
Total Operating Expenses	<u>34,078,349</u>	<u>108,900</u>	<u>34,187,249</u>
<b>OPERATING GAIN (LOSS)</b>	(11,217,525)	2,845,949	(8,371,576)
<b>NONOPERATING REVENUES</b>			
Interest Income	35,077	-	35,077
Noncapital Grants and Contributions	585,109	-	585,109
Other Financing Sources	-	7,042,918	7,042,918
Total Nonoperating Revenues	<u>620,186</u>	<u>7,042,918</u>	<u>7,663,104</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</b>	(10,597,339)	9,888,867	(708,472)
Transfers	<u>6,300,000</u>	<u>(6,300,000)</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	(4,297,339)	3,588,867	(708,472)
Net Position - Beginning of Year	<u>5,847,590</u>	<u>17,821,910</u>	<u>23,669,500</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 1,550,251</u>	<u>\$ 21,410,777</u>	<u>\$ 22,961,028</u>

**MINER'S COLFAX MEDICAL CENTER**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2018**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Operating Program	Miners' Trust Fund Program	Total
<b>OPERATING REVENUES</b>			
Net Patient and Resident Service Revenue	\$ 25,967,880	\$ -	\$ 25,967,880
Miners' Trust Fund Income	-	3,895,226	3,895,226
Other Revenue	133,309	-	133,309
Total Operating Revenues	<u>26,101,189</u>	<u>3,895,226</u>	<u>29,996,415</u>
<b>OPERATING EXPENSES</b>			
Salaries and Wages	12,478,500	-	12,478,500
Employee Benefits	4,318,472	-	4,318,472
Purchased Services	7,997,964	-	7,997,964
Supplies and Other	5,749,052	-	5,749,052
Interest	282,139	-	282,139
Depreciation	2,052,491	-	2,052,491
Total Operating Expenses	<u>32,878,618</u>	<u>-</u>	<u>32,878,618</u>
<b>OPERATING GAIN (LOSS)</b>	(6,777,429)	3,895,226	(2,882,203)
<b>NONOPERATING REVENUES</b>			
Interest Income	13,596	-	13,596
Noncapital Grants and Contributions	587,046	-	587,046
Other Financing Sources	-	6,721,950	6,721,950
Total Nonoperating Revenues	<u>600,642</u>	<u>6,721,950</u>	<u>7,322,592</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</b>	(6,176,787)	10,617,176	4,440,389
Transfers	<u>6,000,000</u>	<u>(6,000,000)</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	(176,787)	4,617,176	4,440,389
Net Position - Beginning of Year	<u>6,024,377</u>	<u>13,204,734</u>	<u>19,229,111</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 5,847,590</u>	<u>\$ 17,821,910</u>	<u>\$ 23,669,500</u>

**MINER'S COLFAX MEDICAL CENTER  
OTHER SUPPLEMENTARY INFORMATION  
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS  
YEAR ENDED JUNE 30, 2019  
(SEE INDEPENDENT AUDITORS' REPORT)**

Depository	Account Names	Type	Depository Balance	Reconciled Balance
State Treasurer's Office	Warrant Account	External Investment Pool	\$ 21,000,663	\$ 21,000,663
First National Bank of NM	Operating	Checking	2,072,282	572,282
Wells Fargo	Donation Fund	Checking	60,240	60,240
Wells Fargo	Resident Fund	Checking	5,943	5,943
Intl Bank of Raton	Certificate of Deposit	CD	93,991	93,991
Cash and Cash Equivalents			<u>23,233,119</u>	<u>21,733,119</u>
Petty Cash	Petty Cash	Petty Cash	<u>770</u>	<u>770</u>
Total Cash and Cash Equivalents, Non-Agency Funds			23,233,889	21,733,889
International State Bank	Escrow Account	Escrow	<u>1,001,230</u>	<u>1,001,230</u>
Total Deposit and Investment Accounts			<u><u>\$ 24,235,119</u></u>	<u><u>\$ 22,735,119</u></u>



**MINER'S COLFAX MEDICAL CENTER  
OTHER SUPPLEMENTARY INFORMATION  
SCHEDULE OF PLEDGED COLLATERAL  
YEAR ENDED JUNE 30, 2019  
(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>
Deposits at June 30, 2019	\$ 2,072,282	\$ 93,991	\$ 60,240	\$ 5,943
Less: FDIC Coverage	<u>(250,000)</u>	<u>(93,991)</u>	<u>(60,240)</u>	<u>(5,943)</u>
Uninsured Public Funds	1,822,282	-	-	-
Pledged Collateral Held by the Pledging Bank's Trust Department or Agent, but not in the Medical Center's Name	<u>2,919,025</u>	<u>-</u>	<u>-</u>	<u>-</u>
Uninsured and Uncollateralized	<u><u>\$ (1,096,743)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
50% of Uninsured Pledge Collateral Requirement per Statute	\$ 911,141	\$ -	\$ -	\$ -
Total Pledged Collateral	<u>2,919,025</u>	<u>-</u>	<u>-</u>	<u>-</u>
Pledged Collateral (Over) Under the Requirement	<u><u>\$ (2,007,884)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Pledged Collateral at June 30, 2019 Consists  
of the Following:

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Amount</u>
SBA Pool #522319	83165AYQ1	12/25/2041	\$ 419,025
Federal Home Loan Bank Standby Letter of Credit	3577000330	11/4/2019	1,500,000
Federal Home Loan Bank Standby Letter of Credit	3577000318	2/20/2020	1,000,000
			<u><u>\$ 2,919,025</u></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, 2019  
(SEE INDEPENDENT AUDITORS' REPORT)**

	Year Ended June 30,		
	2019	2018	2017
<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
A3 Out of county indigent funds received	-	4,096	-
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>-</u>	<u>4,096</u>	<u>114,951</u>
<b>B Cost of Providing Indigent Care</b>			
Total cost of care for providing services to:			
B1 Uninsured patients qualifying for indigent care	81,455	139,860	61,754
B2 Patients qualifying for coverage under EMSA	-	-	-
B3 Cost of care related to patients portion of bill for insured patients qualifying for indigent care	651	14,572	18,549
B4 Direct costs paid to other providers on behalf of patients qualifying for indigent care	-	-	-
Total Cost of Providing Indigent Care	<u>82,106</u>	<u>154,432</u>	<u>80,303</u>
<b>Excess (Shortfall) of Funding for Indigent Care to Cost of Providing Indigent Care</b>	<u><b>\$ (82,106)</b></u>	<u><b>\$ (150,336)</b></u>	<u><b>\$ 34,648</b></u>
<b>C Patient Receiving Indigent Care Services</b>			
C1 Total number of patients receiving indigent care	44	100	47
C2 Total number of patients encounters receiving indigent care	70	207	99

**MINER'S COLFAX MEDICAL CENTER  
OTHER SUPPLEMENTARY INFORMATION  
CALCULATIONS OF COST OF PROVIDING INDIGENT CARE  
YEAR ENDED JUNE 30, 2019  
(SEE INDEPENDENT AUDITORS' REPORT)**

	Year Ended June 30,		
	2019	2018	2017
<b>Uninsured patients qualifying for indigent care</b>			
Charges for these patients	\$ 106,338	\$ 192,777	\$ 101,236
Ratio of cost to charges	77%	73%	61%
Cost for uninsured patients qualifying for indigent care	<u>\$ 81,455</u>	<u>\$ 139,860</u>	<u>\$ 61,754</u>
<b>Patients qualifying for coverage under Emergency Medical Services for Aliens (EMSA)</b>			
Charges for these patients	\$ -	\$ -	\$ -
Ratio of cost to charges	77%	73%	61%
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	\$ 850	\$ 20,086	\$ 30,408
Ratio of cost to charges	77%	73%	61%
Cost of care related to patients portion of bill for insured patients qualifying for indigent care	<u>\$ 651</u>	<u>\$ 14,572</u>	<u>\$ 18,549</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. Brian S. Colon, 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, 2019, 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 October 30, 2019.

**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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Trustees and Management  
Miner's Colfax Medical Center and  
Mr. Brian S. Colon, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Denver, Colorado  
October 30, 2019

**MINER'S COLFAX MEDICAL CENTER  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2019**

**SECTION I – SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

- |   |            |                              |  |
|---|------------|------------------------------|--|
| 1. Type of auditors' report issued:   | Unmodified |                              |  |
| 2. Internal control over financial reporting:   |            |                              |  |
| • Material weakness(es) identified?   | _____ yes  | _____ <u>X</u> no            |  |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | _____ yes  | _____ <u>X</u> none reported |  |
| 3. Noncompliance material to financial statements noted?                                      | _____ yes  | _____ <u>X</u> no            |  |

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None noted.

**SECTION III – CURRENT YEAR STATUS OF PRIOR YEAR AUDIT FINDINGS**

No findings reported in prior year.

**MINER'S COLFAX MEDICAL CENTER  
EXIT CONFERENCE  
YEAR ENDED JUNE 30, 2019**

An exit conference was held with the Medical Center on October 30, 2019. 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  
Lonny Medina, CFO  
Barbra Gonzales, Controller  
Kathy McQueary, Board President  
Scott Berry, Board Vice-President

**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.

