

DE BACA FAMILY PRACTICE CLINIC  
A COMPONENT UNIT OF DE BACA COUNTY,  
STATE OF NEW MEXICO



AUDITED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL INFORMATION

YEARS ENDED JUNE 30, 2006 and 2005

DE BACA FAMILY PRACTICE CLINIC  
A COMPONENT UNIT OF DE BACA COUNTY,  
STATE OF NEW MEXICO  
Years Ended June 30, 2006 and 2005

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## **INTRODUCTORY SECTION**

DE BACA FAMILY PRACTICE CLINIC  
A COMPONENT UNIT OF DE BACA COUNTY, NEW MEXICO

OFFICIAL ROSTER  
JUNE 30, 2006

<u>Name</u>	<u>Title</u>
<u>Board of Directors</u>	
Charlie West	President
Randel Mansell	Vice-President
Kim Stallard	Secretary
Deanna Perez	Director
Ruby Gonzales	Director
Beverly Overton	Director
Selestino Joe Lovato	Director
Robert Niesen	Director
Mary Claire West	Director
Joe Steele	Director
Marie Gauna	Director
Joy Garner	Ex-Officio Director
<u>Clinic Officials</u>	
Joy Garner	Chief Executive Officer
Lynda Haynes	Chief Financial Officer

## **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

Domingo P. Martinez, CGFM  
New Mexico State Auditor  
The Office of Management and Budget  
To the Chairman and Board of Commissioners of  
De Baca County, New Mexico and  
The Chairman and Board of Directors  
De Baca Family Practice Clinic  
Fort Sumner, New Mexico

We have audited the accompanying financial statements of the business-type activities of the De Baca Family Practice Clinic, a component unit of De Baca County, New Mexico, as of and for the years ended June 30, 2006 and 2005, which collectively comprise the Clinic's basic financial statements as listed in the table of contents. We have also audited the budgetary comparison schedule presented as supplemental information as noted in the table of contents. These financial statements are the responsibility of the De Baca Family Practice Clinic's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

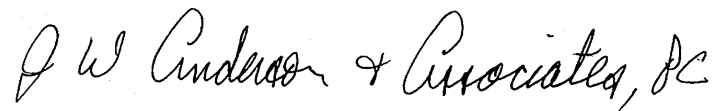
In our opinion, the financial statements referred to above present fairly, in all materials respects, the respective financial position of the business-type activities of De Baca Family Practice Clinic as of June 30, 2006 and 2005 and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budgetary comparison schedule referred to above present fairly, in all materials respects, the budgetary comparison of De Baca Family Practice Clinic for the year ended June 30, 2006 in conformity with accounting principles generally accepted in the United States of America

In accordance with *Government Auditing Standards*, we have also issued a report dated October 12, 2006 on our consideration of De Baca Family Practice Clinic's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The De Baca Family Practice Clinic has not presented the *Management's Discussion and Analysis* that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was performed for the purpose of forming an opinion on De Baca Family Practice Clinic's basic financial statements and budgetary comparison schedule. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The supporting schedules on pages 21 through 27 are presented for purposes of additional analysis, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in cursive script that reads "JW Anderson & Associates, PC". The signature is written in black ink and is positioned above the printed name of the firm.

JW Anderson & Associates, PC  
Certified Public Accountants  
Lubbock, Texas  
October 12, 2006

## **BASIC FINANCIAL STATEMENTS**



DE BACA FAMILY PRACTICE CLINIC  
A COMPONENT UNIT OF DE BACA COUNTY,  
STATE OF NEW MEXICO  
BALANCE SHEETS  
June 30, 2006 and 2005

<b>ASSETS</b>	<b>2006</b>	<b>2005</b>
<b>CURRENT ASSETS</b>		
Undesignated Cash and Cash Equivalents	\$ 183,244	\$ 139,484
Board Designated Cash and Cash Equivalents	300,000	300,000
Patients Accounts Receivable, Less Allowance for Doubtful Accounts (2006 - \$17,309; 2005 - \$18,518)	90,308	68,003
Grant Receivables	58,158	34,979
Other Receivables	7,884	-
<b>Total Current Assets</b>	<u>639,594</u>	<u>542,466</u>
<b>NONCURRENT ASSETS</b>		
Grant Restricted Cash	-	101,787
<b>CAPITAL ASSETS</b>		
Leasehold Improvements	213,003	134,873
Medical and Dental Equipment	332,395	146,889
Office and Computer Equipment	46,593	32,765
Maintenance Equipment	13,188	7,938
Allowance for Depreciation	(138,378)	(67,041)
	<u>466,801</u>	<u>255,424</u>
	<u>\$ 1,106,395</u>	<u>\$ 899,677</u>

See accompanying notes and independent auditors' report.

<b>LIABILITIES AND NET ASSETS</b>	<b>2006</b>	<b>2005</b>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 19,687	\$ 17,852
Accrued Salaries	16,679	7,788
Other Accrued Liabilities	2,089	10,644
Deferred Grant Revenue	-	101,787
Notes Payable - Current	63,851	-
<b>Total Current Liabilities</b>	<u>102,306</u>	<u>138,071</u>
 <b>NONCURRENT LIABILITIES</b>		
Compensated Absences	19,944	12,572
Note Payable - Long Term	33,112	-
<b>Total Noncurrent Liabilities</b>	<u>53,056</u>	<u>12,572</u>
 <b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	369,838	255,424
Unrestricted	581,195	493,610
	<u>951,033</u>	<u>749,034</u>
	<u>\$ 1,106,395</u>	<u>\$ 899,677</u>

DE BACA FAMILY PRACTICE CLINIC  
A COMPONENT UNIT OF DE BACA COUNTY,  
STATE OF NEW MEXICO  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
Years Ended June 30, 2006 and 2005

	2006	2005
<b>OPERATING REVENUES</b>		
Net Patient Service Revenue	\$ 677,893	\$ 594,140
Operating Agreements	789,125	708,687
Medical Records Fees	<u>658</u>	<u>455</u>
<b>Total Operating Revenue</b>	1,467,676	1,303,282
<b>OPERATING EXPENSES</b>		
Routine Services	812,335	597,244
Special Services	152,896	143,419
Household and Property	132,532	102,430
Administrative and General	406,915	382,384
Depreciation	<u>71,337</u>	<u>42,808</u>
	<u>1,576,015</u>	<u>1,268,285</u>
<b>Operating Income (Loss)</b>	(108,339)	34,997
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Ad Valorem Taxes	171,704	160,325
Interest Income	100	4
Interest Expense	(2,809)	-
Fundraising Events	-	200
Miscellaneous	4,166	4,219
Non-Capital Grants and Contributions	<u>35,389</u>	<u>22,314</u>
	<u>208,550</u>	<u>187,062</u>
<b>Excess of Revenues Over Expenses Before Capital Grants and Contributions</b>	100,211	222,059
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>		
Capital Grants and Contributions	<u>101,787</u>	<u>76,802</u>
	<u>101,787</u>	<u>76,802</u>
<b>Increase in Net Assets</b>	201,998	298,861
<b>Net Assets at Beginning of Year</b>	<u>749,034</u>	<u>450,173</u>
<b>Net Assets at End of Year</b>	<u>\$ 951,033</u>	<u>\$ 749,034</u>

DE BACA FAMILY PRACTICE CLINIC  
A COMPONENT UNIT OF DE BACA COUNTY,  
STATE OF NEW MEXICO  
STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2006 and 2005

	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts From and On Behalf of Patients	\$ 655,588	\$ 571,444
Receipts from Grantors	702,013	659,401
Payments to Suppliers and Contractors	(487,728)	(458,651)
Payments and Benefits to Employees	(977,815)	(723,839)
Other Receipts and Payments, Net	(32,651)	(34,936)
<b>Net Cash Provided (Used) By Operating Activities</b>	<u>(140,593)</u>	<u>13,419</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Ad Valorem Taxes	171,704	160,325
Non-Capital Grants and Contributions	35,389	22,314
<b>Net Cash Provided By Non-Capital Financing Activities</b>	<u>207,093</u>	<u>182,639</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Capital Grants and Contributions	63,933	58,140
Payment on Long Term Debt	(30,782)	-
Interest Payments on Long Term Debt	(2,809)	-
Purchase of Capital Assets	(154,969)	(90,744)
<b>Net Cash Used By Capital Financing Activities</b>	<u>(124,627)</u>	<u>(32,604)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Income	100	4
<b>Net Cash Provided By Investing Activities</b>	<u>100</u>	<u>4</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(58,027)	163,458
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>541,271</u>	<u>377,813</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 483,244</u>	<u>\$ 541,271</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
Operating Income (Loss)	\$ (108,339)	\$ 34,997
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
Depreciation	71,337	42,808
Allowance for Doubtful Accounts	42,021	23,082
<b>Changes in</b>		
Patients Accounts Receivable	(22,305)	(22,696)
Grant Receivables	(23,179)	8,854
Other Receivables	(7,884)	393
Accounts Payable	1,835	1,041
Accrued Salaries Payable	8,891	(7,364)
Other Accrued Liabilities	(8,555)	1,741
Compensated Absences	7,372	7,365
Deferred Revenue	(101,787)	(76,802)
<b>Net Cash Provided (Used) By Operating Activities</b>	<u>\$ (140,593)</u>	<u>\$ 13,419</u>
<b>Schedule of Noncash Transactions</b>		
Asset Acquisition Financed by Long Term Debt	\$ 127,745	\$ -

DE BACA FAMILY PRACTICE CLINIC, INC.  
A COMPONENT UNIT OF DE BACA COUNTY, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2006 and 2005

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** - De Baca Family Practice Clinic (Clinic), was organized July 1, 2001, and was incorporated as a New Mexico non-profit corporation on the same date. On July 1, 2001, the Clinic was also granted an organization exempt from federal income tax under provisions contained in the United States Internal Revenue Code. The Clinic has an elected President and ten (10) Directors.

The Clinic is the successor organization as a result of the closure of De Baca General Hospital during 2001. The Clinic exists to operate, control, and manage all matters concerning De Baca County's health care functions. The De Baca County Board of Commissioners (County) appoints one Board of Director member of the Clinic, and the Clinic may not issue debt or levy taxes without the County's approval. For this reason, the Clinic is considered to be a component unit of De Baca County, New Mexico, and is included as a discretely presented component unit in the basic financial statements of the County.

The Clinic's authority for creation is established by the Rural Health Clinic Services Act (PL 95-210) enacted in 1977 and administers federal and state award programs reported in the Clinic's financial statements.

The Clinic receives funding through direct grants from U.S. Department of Health and Human Services (HHS). The program is defined in Section 330 of the Public Health Service Act which provides federal grant funding opportunities for organizations to provide care to underserved populations. Services that the Clinic must provide include primary health services, referrals to providers of health-related services, patient case management services, enabling services, education, and additional health services as appropriate for the health center population.

The Clinic also receives funds from the New Mexico Department of Health for programs designed to improve access to primary care and preventive services in rural and isolated areas, where health care providers are in short supply.

**Financial Reporting Entity** - The accompanying financial statements present the De Baca Family Practice Clinic, which is a component unit to De Baca County, New Mexico. The Clinic, itself, has no component unit entities as defined by applying the criteria set forth in GASB No. 14.

**Basis of Accounting and Financial Statement Presentation** - The Clinic's basic financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") as set forth or adopted by the Governmental Accounting Standards Board ("GASB") and the Financial Accounting Standards Board ("FASB"), and their predecessors, the National Council on Governmental Accounting ("NCGA") and the Accounting Principles Board ("APB"), respectively. Generally accepted accounting principles for local governments include those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*.

All activities of the Clinic are accounted for within a proprietary (enterprise) fund. Proprietary funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Clinic is classified as a special purpose government and is required to meet the requirements for being reported under criteria prescribed by GASB 34.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

GASB Statement Number 20 requires that governments' proprietary activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The Clinic has elected not to implement FASB Statements and Interpretations issued after November 30, 1989.

The accounting and financial reporting treatment applied to the Clinic is determined by its measurement focus. The Clinic's funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded at the time liabilities are incurred. All assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segregated into invested capital assets, net of related debt; restricted; and unrestricted components.

**Deposits and Investments** - The Clinic's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Clinic to invest in Certificates of Deposit, direct obligations of the U.S. Government, and the New Mexico State Treasurer's Investment Pool. Cash and temporary investments for the Clinic, are reported at fair value.

**Receivables** - All receivables, including patient and third-party payor receivables, are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**Restricted Assets** - Certain resources are set aside and represent funds restricted for use in providing health care services in accordance with grantor requirements and restrictions and are classified on the statement of net assets sheet as restricted because their use is limited.

**Capital Assets** - Capital assets, which include property, equipment, information technology and proprietary purchased medical operations software and are defined by the Clinic as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The Clinic paid \$2,809 in interest expense for the year ended June 30, 2006. The Clinic did not incur any interest expense for the year ended June 30, 2005.

DE BACA FAMILY PRACTICE CLINIC, INC.  
A COMPONENT UNIT OF DE BACA COUNTY, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Years Ended June 30, 2006 and 2005

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

Leasehold improvements and equipment of the Clinic are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Leasehold improvements	40
Medical equipment	5 – 10
Office equipment	5 – 10
Maintenance equipment	5 – 10

**Compensated Absences** - Clinic employees are entitled to certain compensated absences based on their employment classification and length of employment. With minor exceptions, Clinic employees are allowed to accumulate 8 hours each month for sick leave, although amounts are not eligible for payment upon termination.

Earned vacation, up to the amount the employee accrues each year, is allowed to be carried over from one calendar year to the next. Upon termination, employees shall receive payment for unused, accrued vacation not to exceed 160 hours for exempt employees and 80 hours for non-exempt employees. All vacation pay is accrued when incurred and reported as accrued expenses in the financial statements. Monthly vacation benefits for nonexempt and exempt employee accrue at 3.08 and 6.15 hours per month, respectively.

**Net Assets** - Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted net assets. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net assets consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net assets consist of all other net assets not included in the above categories.

**Net Patient Service Revenue** - Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, and adjusted in future periods, as final settlements are determined.

**Property Taxes** - Property taxes are levied by the County on the Clinic’s behalf and are intended to finance the Clinic’s activities of the upcoming fiscal year. Taxes are recognized when the County levies the taxes and are reported net of any administrative fees withheld by the County. Amounts levied are based on assessed property values as of the preceding year. The property tax calendar includes these dates:

<u>Property Tax Calendar</u>	<u>Effective Date(s)</u>
Levy date	January 1
Lien date	January 1
Tax bill mailed	October 31
First installment payment due	November 10
First installment delinquent date	December 10
Second installment payment due	April 10
Second installment delinquent date	May 10

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Grants and Contributions** - The Clinic receives grants as well as contributions in the course of operations. 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 non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Presentation** - Certain prior year amounts may have been reclassified in order to present comparatively with the current reporting period classifications.

**Accounting Pronouncements** - Effective July 1, 2003, the Clinic adopted three accounting statements issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 34, *Basis Financial Statements and Management's Discussion and Analysis – for State and Local Governments* (GASB 34);
- Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; and
- Statement No. 38, *Certain Financial Statement Disclosures*. Statement No. 34, as amended by Statement No. 37, has no monetary impact on the financial statements but does require changes in the financial reporting model used by the Clinic. These changes are the presentation of a statement of cash flows prepared using the direct method of cash flow reporting, the classification of the Clinic's net assets, and additional footnote disclosures. Statement No. 34 also requires as supplementary information Management's Discussion and Analysis, which includes an analytical overview of the Clinic's financial activities. Statement No. 38 requires certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34. While this Statement does not affect amounts reported in the financial statements of the Clinic, certain note disclosures have been added and/or amended.

**Charity Care** - The Clinic provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Clinic does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

**NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Excess of Expenditures Over Appropriations** – For the year ended June 30, 2006 the Clinic's operating fund exceeded budgetary authority in total. The Clinic did not exceed the budgetary authority but several line item expenditures exceeded the budgeted amounts for the 2005 fiscal year.

**Deficit Fund Net Assets** – For the years ended June 30, 2006 and 2005, respectively, the Clinic's operating fund reported positive fund net assets.



DE BACA FAMILY PRACTICE CLINIC, INC.  
A COMPONENT UNIT OF DE BACA COUNTY, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Years Ended June 30, 2006 and 2005

**NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued**

**Budgetary Information** – The Chief Executive Officer annually obtains from the New Mexico Department of Finance and Administration and HHS approved operating budgets for the fiscal year commencing the following July 1. The Clinic's Commission is required to obtain approval from New Mexico Department of Finance and Administration (DFA) and U.S. Department of Health and Human Services (HHS) for any revisions that alter the total expenditures of any grant programs. The New Mexico DFA and HHS program budgets are prepared on a regulatory basis which is comparable to the GAAP financial presentation included in this report. Therefore, budgetary data for the Clinic's programs are included as supplementary information.

**NOTE C - DUE FROM HEALTH INSURANCE PROGRAMS**

The Clinic renders services to patients under contractual arrangements with the Health Insurance Programs (Medicare and Medicaid), and submits cost reports that are subject to audit adjustments by the agencies that administer the programs. The programs' administrative procedures preclude final determination of amounts due the Hospital for services to program patients until after the Clinic's cost reports are audited or otherwise reviewed, and settled upon by the respective administrative agencies. Settlement amounts from the cost report for the year ended June 30, 2005 have been recorded. No material changes are anticipated with the final settlement, nor from the initial settlement for the cost report for the period ended June 30, 2006.

Services rendered to Medicaid program beneficiaries are reimbursed under the greater of a prospective system or cost reimbursement. The Clinic is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital, and audits thereof by the Medicaid fiscal intermediary.

The Clinic has agreements with third-party payors that provide for payments to the Clinic at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

**NOTE D – CASH AND CASH EQUIVALENTS**

State statutes authorize the investment of Clinic funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the Clinic properly followed State deposit and investment requirements as of June 30, 2006 and 2005, respectively.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more financial institution. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

DE BACA FAMILY PRACTICE CLINIC, INC.  
A COMPONENT UNIT OF DE BACA COUNTY, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Years Ended June 30, 2006 and 2005

**NOTE D – CASH AND CASH EQUIVALENTS – Continued**

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

**Custodial Credit Risk** - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Clinic does not have a formal deposit policy for custodial credit risk. At June 30, 2006 and 2005, the carrying values of the Clinic's deposits were \$483,244 and \$541,271, respectively. The total cash balance in financial institutions of \$483,244 and \$541,271 consisted of non-interest bearing demand deposits. Of this balance, \$100,000 was covered by federal depository insurance and \$383,244 and \$441,271 was covered by collateral held in joint safekeeping by a third party for each year end, respectively. As of June 30, 2006, \$48,246 was uninsured or uncollateralized. No bank deposits were subject to custodial credit risk at June 30, 2005. The Clinic has not suffered any previous losses and management believes any risk of loss of funds is minimal.

Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Clinic for at least one half of the amount on deposit with the institution. The schedule listed below discloses requirements on reporting the insured portion of the Clinic's deposits regarding custodial credit risk.

	<b>2006 Citizens Bank</b>	<b>2005 Citizens Bank</b>
Total Amount of Cash Deposits	\$ 483,244	\$ 541,271
FDIC Coverage	<u>(100,000)</u>	<u>(100,000)</u>
Total Public Funds to be Collateralized	<u>\$ 383,244</u>	<u>\$ 441,271</u>
Insured	\$ 100,000	\$ 100,000
Securities pledged by the Financial Institution in the Clinic's name	334,998	441,271
Uninsured and Uncollateralized	<u>48,246</u>	<u>-</u>
Total Deposits	<u>\$ 483,244</u>	<u>\$ 541,271</u>

The types of collateral an institution is permitted to use as pledged securities are limited to direct obligations of the United States Government and all bonds issued by any agency or political subdivision of the State of New Mexico.

In accordance with FDIC, public unit deposits are funds owned by the Clinic. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

DE BACA FAMILY PRACTICE CLINIC, INC.  
A COMPONENT UNIT OF DE BACA COUNTY, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Years Ended June 30, 2006 and 2005

**NOTE E – RECEIVABLES**

Patient accounts receivables and other receivable reported as current assets by the Clinic at June 30, 2006 and 2005 consists of the following amounts:

	<b>2006</b>	<b>2005</b>
Patient Receivables		
Private Insurance and Self Pay	\$ 83,334	\$ 66,499
Medicare	19,294	13,918
Medicaid	<u>4,989</u>	<u>6,104</u>
Gross receivables	107,617	86,521
Less: Allowance for Doubtful Accounts	<u>17,309</u>	<u>18,518</u>
Net Patient Receivables	<u>\$ 90,308</u>	<u>\$ 68,003</u>

The Clinic establishes the allowance for doubtful accounts based on management’s estimate of individual account creditworthiness and likelihood of delinquent collections as of June 30, 2006 and 2005, respectively.

	<b>2006</b>	<b>2005</b>
Grant Receivables		
U.S. Department of Health and Human Services	\$ 42,158	\$ 18,979
State of New Mexico Rural Primary Health Care Association	<u>16,000</u>	<u>16,000</u>
Total Grant Receivables	<u>\$ 58,158</u>	<u>\$ 34,979</u>
Other Receivables		
Cost Report Receivable	\$ 5,561	\$ -
Employee Receivable	<u>2,323</u>	<u>-</u>
Total Other Receivables	<u>\$ 7,884</u>	<u>\$ -</u>

The Clinic has an outstanding property tax receivable of \$9,929, which has been fully reserved as uncollectible.

**Concentration of Credit Risk** - The Clinic grants credit without collateral to its patients, most of who are local residents, and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors was as follows:

	<u><b>2006</b></u>	<u><b>2005</b></u>
Private Insurance and Self Pay	73.8%	76.9%
Medicare	22.1	16.1
Medicaid	4.1	7.0
	<u>100.0%</u>	<u>100.0%</u>

DE BACA FAMILY PRACTICE CLINIC, INC.  
A COMPONENT UNIT OF DE BACA COUNTY, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Years Ended June 30, 2006 and 2005

**NOTE F – CAPITAL ASSETS**

Leasehold improvements and equipment capital asset activity consists of the following at June 30, 2006 and 2005:

	<b>Balance</b>			<b>Balance</b>
	<b><u>June 30, 2005</u></b>	<b><u>Additions</u></b>	<b><u>Disposals</u></b>	<b><u>June 30, 2006</u></b>
Leasehold Improvements	\$ 134,873	\$ 78,130	\$ -	\$ 213,003
Medical Equipment	146,889	55,380	-	202,269
Dental Equipment	-	130,126	-	130,126
Office Equipment	32,765	13,828	-	46,593
Maintenance Equipment	<u>7,938</u>	<u>5,250</u>	<u>-</u>	<u>13,188</u>
Totals at Historical Cost	322,465	282,714	-	605,179
Less Accumulated Depreciation				
Leasehold Improvements	(9,008)	(11,612)	-	(20,620)
Medical Equipment	(52,338)	(38,296)	-	(90,634)
Dental Equipment	-	(12,702)	-	(12,702)
Office Equipment	(5,202)	(7,327)	-	(12,529)
Maintenance Equipment	<u>(493)</u>	<u>(1,400)</u>	<u>-</u>	<u>(1,893)</u>
Total Accumulated Depreciation	<u>(67,041)</u>	<u>(71,337)</u>	<u>-</u>	<u>(138,378)</u>
Capital Assets, Net	<u>\$ 255,424</u>	<u>\$ 211,377</u>	<u>\$ -</u>	<u>\$ 466,801</u>
	<b>Balance</b>			<b>Balance</b>
	<b><u>June 30, 2004</u></b>	<b><u>Additions</u></b>	<b><u>Disposals</u></b>	<b><u>June 30, 2005</u></b>
Leasehold Improvements	\$ 90,745	\$ 44,128	\$ -	\$ 134,873
Medical Equipment	127,216	19,673	-	146,889
Office Equipment	11,476	21,289	-	32,765
Maintenance Equipment	<u>2,285</u>	<u>5,653</u>	<u>-</u>	<u>7,938</u>
Totals at Historical Cost	231,722	90,743	-	322,465
Less Accumulated Depreciation				
Leasehold Improvements	(17)	(8,991)	-	(9,008)
Medical Equipment	(22,854)	(29,484)	-	(52,338)
Office Equipment	(1,284)	(3,918)	-	(5,202)
Maintenance Equipment	<u>(78)</u>	<u>(415)</u>	<u>-</u>	<u>(493)</u>
Total Accumulated Depreciation	<u>(24,233)</u>	<u>(42,808)</u>	<u>-</u>	<u>(67,041)</u>
Capital Assets, Net	<u>\$ 204,789</u>	<u>\$ 47,934</u>	<u>\$ -</u>	<u>\$ 255,424</u>

Depreciation was \$71,337 and \$42,808 for the years ended June 30, 2006 and 2005, respectively.

DE BACA FAMILY PRACTICE CLINIC, INC.  
A COMPONENT UNIT OF DE BACA COUNTY, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Years Ended June 30, 2006 and 2005

**NOTE G - LONG-TERM DEBT**

	<u>Balance</u> <u>6/30/05</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/06</u>	<u>Due Within</u> <u>One Year</u>
Installment Contract to a vendor for dental equipment, payable in monthly installments of \$5,599 for 24 months at 4.9% interest, maturing in December 2007.	\$ <u>-</u>	\$ <u>127,745</u>	\$ <u>30,782</u>	\$ <u>96,963</u>	\$ <u>63,851</u>
Total Long-Term Debt	\$ <u>-</u>	\$ <u>127,745</u>	\$ <u>30,782</u>	\$ <u>96,963</u>	\$ <u>63,851</u>

Following is a schedule of note payable service maturities:

	<u>Interest</u> <u>Amount</u>	<u>Principal</u> <u>Amount</u>	<u>Total</u> <u>Amount</u>
Year Ending June 30,			
2007	\$ 3,333	\$ 63,851	\$ 67,184
2008	<u>476</u>	<u>33,111</u>	<u>33,588</u>
	<u>\$ 3,809</u>	<u>\$ 96,962</u>	<u>\$ 100,772</u>

**NOTE H – PERA PENSION PLAN**

**Plan Description** – All employees of the Clinic who do not meet the criteria for exclusion participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employee Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement, 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. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, New Mexico 87504-2123.

**Funding Policy** – The Clinic’s plan members are covered under the Municipal Plan II. Under Plan II, members are required to contribute 9.15% of their gross salary. The Clinic is required to contribute 9.15% for all plan members. The contribution requirements of plan members and the Clinic are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Clinic’s contributions to PERA for the years ended June 30, 2006 and 2005 was \$57,724 and \$40,485, respectively.

The Clinic does not provide any other type of deferred compensation or retirement benefits, nor does it participate in the Retiree Health Care Act (10-7C-1 to 10-7C-16, NMSA 1978).

DE BACA FAMILY PRACTICE CLINIC, INC.  
A COMPONENT UNIT OF DE BACA COUNTY, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Years Ended June 30, 2006 and 2005

**NOTE I – GRANT REVENUE CONCENTRATIONS**

The Clinic received Federal and State of New Mexico operating and non-operating grants in the amounts reported below:

	<u>2006</u>	<u>Percent</u>	<u>2005</u>	<u>Percent</u>
U.S. Department of Health and Human Services 330 Grant	\$ 683,082	73.8%	\$ 576,802	71.4%
Other Federal Grants	3,858	0.4	2,176	0.3
State of New Mexico - RPHCA Grant	207,830	22.4	208,687	25.8
Other State of New Mexico Grants	<u>31,532</u>	<u>3.4</u>	<u>20,138</u>	<u>2.5</u>
Total Grants Received	<u>\$ 926,302</u>	<u>100.0%</u>	<u>\$ 489,371</u>	<u>100.0%</u>

The Clinic received funding for operations and capital expenditures from grants and contracts with the U.S. Department of Health and Human Services as well as the New Mexico Department of Health. Reduction or interruption of future funding from these sources is not expected, however, if reduction or interruption of funding occurred, it would have a material impact on the operations of the Clinic.

**NOTE J – DEFERRED GRANT REVENUE**

The Clinic, as part of the U.S. Department of Health and Human Services 330 Grant program, received \$178,589 funding in excess of expenditures for the year ended June 30, 2004. The Clinic submitted a request to and was approved by HHS for modification of the fund usage from operations to capital expenditures rather than refunding HHS the excess. The Clinic reclassified \$101,787 and \$76,802 in funds during the 2006 and 2005 fiscal years respectively, for operational and capital expenditure use in accordance with the agreement with HHS.

**NOTE K – RISK MANAGEMENT**

The Clinic 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; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any preceding years. A summary of the more significant policies and provisions are as follows:

Policy Type	<u>Liability Limits</u>		Deductible
	Aggregate	Per Occurrence	
Malpractice Clinic	\$ 3,000,000	\$ 1,000,000	\$ -
Property	\$ 890,400	\$ 890,000	\$ 250
CNP Additional Liability	\$ 6,000,000	\$ 1,000,000	\$ -
Director and Officer	\$ 1,000,000	\$ 1,000,000	\$ -
Business Auto Liability	\$ 750,000	\$ 750,000	\$ -
Workers Compensation	\$ 500,000	\$ 500,000	\$ -

DE BACA FAMILY PRACTICE CLINIC, INC.  
A COMPONENT UNIT OF DE BACA COUNTY, NEW MEXICO  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Years Ended June 30, 2006 and 2005

**NOTE L – COMMITMENTS TO PRIMARY GOVERNMENT**

The Clinic is committed under an operating lease for the Clinic’s facility expiring June 30, 2006, which renews annually with De Baca County. Future minimum operating lease payments are as follows:

<b>Year Ending June 30,</b>	<b>Obligation</b>
2007	\$ <u>13,200</u>

Although the Clinic’s facility lease with De Baca County is renewed on a yearly basis, it is unlikely that the Clinic will relocate out of the County-owned building.

**NOTE M – CONTINGENT LIABILITIES**

The Clinic participates in federal programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor agency. If expenditures are disallowed due to noncompliance with grant program regulations, the Clinic may be required to reimburse the grantor government. As of June 30, 2006 and 2005, significant amounts of grant expenditures have not been audited by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures, if any, that may be discovered in subsequent grantor audits may be disallowed by the grantor. Amounts of disallowed grant expenditures, if any, cannot be determined at this time. The Clinic expects such amounts, if any, will not have a material effect on any of the individual funds or the overall financial position of the Clinic.

**SUPPLEMENTARY INFORMATION**



DE BACA FAMILY PRACTICE CLINIC  
A COMPONENT UNIT OF DE BACA COUNTY,  
STATE OF NEW MEXICO  
BUDGETARY COMPARISON SCHEDULE  
(GAAP) BUDGETARY BASIS AND ACTUAL  
Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>				
Net Patient Service Revenue	\$ 577,467	\$ 645,606	\$ 719,915	\$ 74,309
Operating Agreements	704,687	812,649	826,979	14,330
Medical Records Fees	-	1,000	658	(342)
<b>Total Operating Revenue</b>	<u>1,282,154</u>	<u>1,459,255</u>	<u>1,547,552</u>	<u>88,297</u>
<b>OPERATING EXPENSES</b>				
Salaries	698,208	804,368	820,313	(15,945)
Employee Benefits	154,793	168,057	165,210	2,847
Patient Care Contracts	290,300	181,949	184,008	(2,059)
Supplies	84,200	165,150	162,919	2,231
Other Contractual Services	35,600	38,000	37,561	439
Insurance	13,900	11,815	12,182	(367)
Continuing Education and Training	30,103	17,650	17,313	337
Postage and Shipping	4,000	4,150	4,252	(102)
Utilities	37,000	37,400	38,774	(1,374)
Advertising	3,000	2,360	2,299	61
Dues, Fees and Licenses	5,800	4,900	5,395	(495)
Property Lease	12,000	12,000	12,000	-
Professional Fees	32,000	26,050	25,591	459
Repairs and Maintenance	33,100	41,900	16,000	25,900
Other	8,200	1,625	861	764
Capital Outlay	107,962	104,752	154,969	(50,217)
	<u>1,550,166</u>	<u>1,622,126</u>	<u>1,659,647</u>	<u>(37,521)</u>
<b>Operating Income (Loss)</b>	(268,012)	(162,871)	(112,095)	50,776
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Ad Valorem Taxes	143,134	143,134	171,704	28,570
Interest Income	-	200	100	(100)
Interest Expense	-	(2,400)	(2,809)	(409)
Miscellaneous	5,000	9,800	4,166	(5,634)
Non-Capital Grants and Contributions	12,137	12,137	35,389	23,252
	<u>160,271</u>	<u>162,871</u>	<u>208,550</u>	<u>45,679</u>
<b>Excess (Deficit) of Revenues Over Expenses Before Capital Grants and Contributions</b>	(107,741)	-	96,455	96,455
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>				
Capital Grants and Contributions	-	-	63,933	63,933
	<u>-</u>	<u>-</u>	<u>63,933</u>	<u>63,933</u>
<b>Increase (Decrease) in Net Assets</b>	(107,741)	-	160,388	160,388
<b>Net Assets at Beginning of Year</b>	<u>749,034</u>	<u>-</u>	<u>749,034</u>	<u>749,034</u>
<b>Net Assets at End of Year</b>	<u>\$ 641,293</u>	<u>\$ -</u>	<u>\$ 909,422</u>	<u>\$ 909,422</u>
<b>Reconciliation of Budgetary Basis Net Assets to GAAP Basis Net Assets</b>				
Net Assets - Budgetary Basis			\$ 909,422	
Capital Assets are expensed in the budget but are capitalized and depreciated for financial statement purposes			154,969	
Depreciation is an estimation of capital asset usage during the year and is not a budgetary item			(71,337)	
Allowance for Doubtful Accounts is an estimation of how much of Accounts Receivable is uncollectible and not a budgetary item			(42,021)	
<b>Net Assets at End of Year</b>			<u>\$ 951,033</u>	

## **SUPPORTING SCHEDULES**

DE BACA FAMILY PRACTICE CLINIC  
A COMPONENT UNIT OF DE BACA COUNTY,  
STATE OF NEW MEXICO  
SCHEDULE OF DEPOSITS AND TEMPORARY INVESTMENTS  
BY DEPOSITORY FOR PUBLIC FUNDS  
Year Ending June 30, 2006

Name of Depository	Account Type	Bank Balance June 30, 2006	Net Reconciling Items	Reconciled Balance June 30, 2006
Citizens Bank of Clovis	Checking	\$ 503,077	\$ (19,833)	\$ 483,244

Reconciliation to Basic Financial Statements

Total Clinic Cash

Undesignated Cash and Cash Equivalents	\$ 183,244
Board Designated Cash and Cash Equivalents	<u>300,000</u>
	<u>\$ 483,244</u>

DE BACA FAMILY PRACTICE CLINIC  
 A COMPONENT UNIT OF DE BACA COUNTY,  
 STATE OF NEW MEXICO  
 SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY  
 FOR PUBLIC FUNDS  
 Year Ending June 30, 2006

Name of Depository	Pledged Collateral	Name and Location of Custodian	Fair Market Value June 30, 2006
Citizens Bank of Clovis	GNMA Pool # 80729 Matures 8/20/2033	Texas Independent Bankers Dallas, TX	<u>\$ 334,998</u>

DE BACA FAMILY PRACTICE CLINIC  
A COMPONENT UNIT OF DE BACA COUNTY,  
STATE OF NEW MEXICO  
SCHEDULES OF NET PATIENT SERVICE REVENUE  
Years Ended June 30, 2006 and 2005

	<b>2006</b>	<b>2005</b>
<b>ROUTINE SERVICES</b>		
Medical Services	\$ 748,662	\$ 740,293
Mental Health Services	7,470	-
Dental Services	<u>234,930</u>	<u>76,907</u>
	991,062	817,200
 <b>DEDUCTIONS FROM REVENUES</b>		
Medical Third Party Contractual Allowances	179,597	143,181
Mental Health Third Party Contractual Allowances	270	-
Dental Third Party Contractual Allowances	25,358	2,219
Charity Care Allowances	65,923	54,578
Allowance for Doubtful Accounts	<u>42,021</u>	<u>23,082</u>
	<u>313,169</u>	<u>223,060</u>
 <b>Net Patient Service Revenue</b>	 <u><u>\$ 677,893</u></u>	 <u><u>\$ 594,140</u></u>

DE BACA FAMILY PRACTICE CLINIC  
A COMPONENT UNIT OF DE BACA COUNTY,  
STATE OF NEW MEXICO  
SCHEDULES OF OPERATING EXPENSES  
Years Ended June 30, 2006 and 2005

	2006	2005
<b>ROUTINE SERVICES</b>		
Medical Services	\$ 532,023	\$ 497,193
Mental Health Services	12,886	-
Dental Services	<u>267,426</u>	<u>100,051</u>
	812,335	597,244
<b>SPECIAL SERVICES</b>		
Pharmacy	22,812	15,315
Laboratory and Radiology	<u>130,084</u>	<u>128,104</u>
	152,896	143,419
<b>FACILITY AND PROPERTY</b>	132,532	102,430
<b>ADMINISTRATIVE AND GENERAL</b>	406,915	382,384
<b>DEPRECIATION</b>	<u>71,337</u>	<u>42,808</u>
	<u>\$ 1,576,015</u>	<u>\$ 1,268,285</u>

DE BACA FAMILY PRACTICE CLINIC  
A COMPONENT UNIT OF DE BACA COUNTY,  
STATE OF NEW MEXICO  
SCHEDULE OF DEPARTMENT EXPENSES  
Year Ending June 30, 2006

	<u>Medical</u>	<u>Dental</u>	<u>Laboratory and Radiology</u>
Salaries	\$ 348,386	\$ 117,871	\$ 51,671
Employee Benefits	77,942	16,941	7,824
<b>Total Salaries and Related Expenses</b>	426,328	134,812	59,495
Patient Care Contracts	77,015	68,340	25,767
Supplies	17,216	64,274	39,475
Other Contractual Services	6,390	-	-
Insurance	-	-	-
Continuing Education and Training	5,074	-	-
Postage and Shipping	-	-	-
Utilities	-	-	-
Advertising	-	-	-
Dues, Fees and Licenses	-	-	-
Property Lease	-	-	-
Professional Fees	-	-	-
Repairs and Maintenance	-	-	5,347
Other	-	-	-
<b>Totals</b>	<u>\$ 532,023</u>	<u>\$ 267,426</u>	<u>\$ 130,084</u>

<u>Mental Health</u>	<u>Pharmacy</u>	<u>Facility</u>	<u>Administrative</u>	<u>Total</u>
\$ -	\$ 9,238	\$ 52,865	\$ 240,282	\$ 820,313
-	481	7,181	54,841	165,210
-	9,719	60,046	295,123	985,523
-	-	-	-	-
12,886	-	-	-	184,008
-	13,093	4,943	23,918	162,919
-	-	7,262	23,909	37,561
-	-	-	12,182	12,182
-	-	-	12,239	17,313
-	-	-	4,252	4,252
-	-	38,774	-	38,774
-	-	-	2,299	2,299
-	-	-	5,395	5,395
-	-	12,000	-	12,000
-	-	-	25,591	25,591
-	-	9,507	1,146	16,000
-	-	-	861	861
<u>\$ 12,886</u>	<u>\$ 22,812</u>	<u>\$ 132,532</u>	<u>\$ 406,915</u>	<u>\$ 1,504,678</u>



DE BACA FAMILY PRACTICE CLINIC  
A COMPONENT UNIT OF DE BACA COUNTY,  
STATE OF NEW MEXICO  
SCHEDULE OF DEPARTMENT EXPENSES  
Year Ending June 30, 2005

	<u>Medical</u>	<u>Dental</u>	<u>Laboratory and Radiology</u>	<u>Pharmacy</u>
Salaries	\$ 284,268	\$ 8,625	\$ 64,242	\$ 3,492
Employee Benefits	<u>51,842</u>	<u>660</u>	<u>10,907</u>	<u>267</u>
<b>Total Salaries and Related Expenses</b>	336,110	9,285	75,149	3,759
Patient Care Contracts	124,271	90,766	6,198	-
Supplies	20,418	-	32,282	11,556
Other Contractual Services	5,170	-	-	-
Insurance	8,929	-	-	-
Continuing Education and Training	2,295	-	-	-
Postage and Shipping	-	-	-	-
Utilities	-	-	-	-
Advertising	-	-	-	-
Dues, Fees and Licenses	-	-	-	-
Property Lease	-	-	-	-
Professional Fees	-	-	-	-
Repairs and Maintenance	-	-	14,475	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Totals</b>	<u>\$ 497,193</u>	<u>\$ 100,051</u>	<u>\$ 128,104</u>	<u>\$ 15,315</u>

<u>Facility</u>	<u>Administrative</u>	<u>Total</u>
\$ 37,173	\$ 204,979	\$ 602,779
10,912	48,214	122,802
<hr/>	<hr/>	<hr/>
48,085	253,193	725,581
-	-	-
-	-	221,235
3,416	19,075	86,747
3,271	23,126	31,567
-	17,622	26,551
-	14,899	17,194
-	3,695	3,695
34,094	-	34,094
-	4,163	4,163
-	7,138	7,138
9,000	-	9,000
-	28,749	28,749
4,564	1,071	20,110
-	9,653	9,653
<hr/>	<hr/>	<hr/>
<u>\$ 102,430</u>	<u>\$ 382,384</u>	<u>\$ 1,225,477</u>

## **COMPLIANCE**

**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***

Domingo P. Martinez, CGFM  
New Mexico State Auditor  
The Office of Management and Budget  
To the Chairman and Board of Commissioners of  
De Baca County, New Mexico and  
The Chairman and Board of Directors  
De Baca Family Practice Clinic  
Fort Sumner, New Mexico

We have audited the financial statements of the business-type activities of the De Baca Family Practice Clinic, a component unit of De Baca County, New Mexico, as of and for the years ended June 30, 2006 and 2005 and have issued our report thereon dated October 12, 2006. We have also audited the budgetary comparison schedule presented as supplemental information. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

*Internal Control Over Financial Reporting*

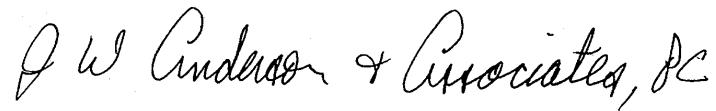
In planning and performing our audits, we considered De Baca Family Practice Clinic's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether De Baca Family Practice Clinic's financial statements are free of 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is disclosed in the accompanying comments and recommendations as 2006-1.

Board of Directors  
De Baca Family Practice Clinic

This report is intended solely for the information and use of Board of Directors, management, the State of New Mexico Office of the State Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "JW Anderson & Associates, PC".

JW Anderson & Associates, PC  
Certified Public Accountants  
Lubbock, Texas  
October 12, 2006

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Domingo P. Martinez, CGFM  
New Mexico State Auditor  
The Office of Management and Budget  
To the Chairman and Board of Commissioners of  
De Baca County, New Mexico and  
The Chairman and Board of Directors  
De Baca Family Practice Clinic  
Fort Sumner, New Mexico

**Compliance**

We have audited the compliance of De Baca Family Practice Clinic with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended June 30, 2006 and 2005. The Clinic's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Clinic's management. Our responsibility is to express an opinion on the Clinic's compliance based on our audits.

We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Clinic's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination on the Clinic's compliance with those requirements.

In our opinion, the Clinic complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2006 and 2005.

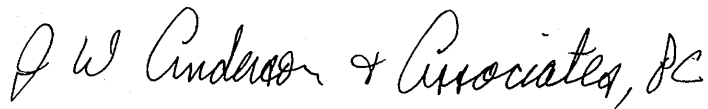
Board of Directors  
De Baca Family Practice Clinic

**Internal Control Over Compliance**

The management of the Clinic is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered The Clinic's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, New Mexico State Auditor's Office, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



JW ANDERSON & ASSOCIATES, PC  
A Professional Corporation  
Lubbock, Texas  
October 12, 2006

DE BACA FAMILY PRACTICE CLINIC  
 A COMPONENT UNIT OF DE BACA COUNTY,  
 STATE OF NEW MEXICO  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2006

<u>Grantor's Number</u>	<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	
<b>U.S. Department of Health and Human Services</b>			
04-3981160	Health Center Cluster	93.224	2/28/05
05-3981160	Health Center Cluster	93.224	2/28/06
06-3981160	Health Center Cluster	93.224	2/28/07
<b>Total Federal Financial Assistance</b>			



<u>Program or Award Amount</u>	<u>(Receivable) Deferred Amount At 6/30/05</u>	<u>Audit Period Receipts</u>	<u>Federal Program Expenses</u>	<u>(Receivable) Amount At 6/30/06</u>
\$ 678,589	\$ 101,787	\$ -	\$ 101,787	\$ -
511,000	(18,979)	431,642	412,663	-
<u>505,890</u>	<u></u>	<u>126,474</u>	<u>168,632</u>	<u>(42,158)</u>
<u>\$ 1,695,479</u>	<u>\$ 82,808</u>	<u>\$ 558,116</u>	<u>\$ 683,082</u>	<u>\$ (42,158)</u>

DE BACA FAMILY PRACTICE CLINIC  
 A COMPONENT UNIT OF DE BACA COUNTY,  
 STATE OF NEW MEXICO  
 SCHEDULES OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended June 30, 2006

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ reports issued: **Unqualified**

Internal control over financial reporting:

- Material weakness identified? \_\_\_\_\_ Yes      X   No
- Reportable conditions identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

**Federal Awards**

Internal control over major programs:

- Material weakness identified? \_\_\_\_\_ Yes      X   No
- Reportable conditions identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None reported

Type of auditors’ report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_\_\_ Yes      X   No

**Identification of major programs:**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.224	Health Center Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes      X   No

DE BACA FAMILY PRACTICE CLINIC  
A COMPONENT UNIT OF DE BACA COUNTY,  
STATE OF NEW MEXICO  
SCHEDULES OF FINDINGS AND QUESTIONED COSTS - Continued  
For the Year Ended June 30, 2006

**Section II – Financial Statement Findings**

No matters were reported.

**Section III – Federal Award Findings and Questioned Costs**

No matters were reported.

**Basis of Presentation:**

The accompanying schedule of expenditures of federal awards on pages 33 and 34 includes the federal grant activity of De Baca Family Practice Clinic and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

DE BACA FAMILY PRACTICE CLINIC  
A COMPONENT UNIT OF DE BACA COUNTY,  
STATE OF NEW MEXICO  
SCHEDULE OF AUDIT FINDINGS  
For the Year Ended June 30, 2006

**Prior Year -**

<u>Finding</u>	<u>Description</u>	<u>Status</u>
2005-1	Budget Variances	Repeated in Current Year

DE BACA FAMILY PRACTICE CLINIC  
A COMPONENT UNIT OF DE BACA COUNTY,  
STATE OF NEW MEXICO  
SCHEDULE OF AUDIT FINDINGS  
For the Year Ended June 30, 2006

**Current Year** -

**2006-1 Budget Variances**

CONDITION - The Clinic exceeded budgeted amounts in several expenditure categories which caused the Clinic to exceed budgetary authority at the line and fund level.

CRITERIA - Periodic review of budgeted to actual expenditures is needed to ensure that accounting and fiscal policies and limitations are met.

CAUSE - A comparison of the budget to actual expenditures near the end of the fiscal year did not occur to determine if any budget adjustments were necessary.

EFFECT - Without periodic budget to actual expenditure review, expenses may be exceeding the amount authorized by the Board of Directors or significant expense misclassifications may be overlooked.

RECOMMENDATION - We recommend the budget be compared to actual expenditures on at least a quarterly basis to ensure fiscal and grant compliance.

MANAGEMENT'S RESPONSE - We concur. The Board of Directors approved additional capital outlay expenditures however the budget was not adjusted to reflect the decision. This caused the Clinic to exceed budgeted expenditures in total. Other expenditures were within budgetary guidelines until year end audit adjustments were entered into the accounting records. More diligence will be made to ensure actual expenditures will stay within budgetary authority.

DE BACA FAMILY PRACTICE CLINIC  
A COMPONENT UNIT OF DE BACA COUNTY,  
STATE OF NEW MEXICO  
EXIT CONFERENCE  
For the Year Ended June 30, 2006

The contents of this report were discussed with the De Baca Family Practice Clinic representatives on August 23, 2006. The following individuals were available for the conference:

De Baca Family Practice Clinic

Joy Garner, CEO, Ex-officio Board Member  
Lynda Haynes, Chief Financial Officer

J.W. Anderson & Associates, PC

Larry Anderson, President  
Scott Northam, Audit Manager

The financial statements of De Baca Family Practice Clinic were prepared from original books and records provided by and with assistance from the management of the Clinic and J.W. Anderson & Associates, PC. Accordingly, management is responsible for ensuring the books and records adequately support the preparation of the financial statements in accordance with generally accepted accounting principles and that the records are current and in balance.