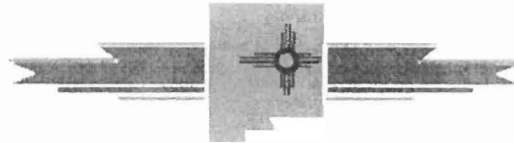


DE BACA FAMILY PRACTICE CLINIC
A COMPONENT UNIT OF DE BACA COUNTY,
STATE OF NEW MEXICO



AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION
YEARS ENDED JUNE 30, 2007 and 2006

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

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INTRODUCTORY SECTION

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

OFFICIAL ROSTER
JUNE 30, 2007

<u>Name</u>	<u>Title</u>
<i>Board of Directors</i>	
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
Joe Steele	Director
Marie Gauna	Director
Joy Garner	Ex-Officio Director
<i>Clinic Officials</i>	
Joy Garner	Chief Executive Officer
Lynda Haynes	Chief Financial Officer

FINANCIAL SECTION

JW Anderson & Associates, PC

Certified Public Accountants

Coppertree Office Park
4412 74th Street, Suite F-101
PO Box 6785
Lubbock, Texas 79493-6785
Office (806) 771-4000
Fax (806) 771-4005

INDEPENDENT AUDITORS' REPORT

Hector Balderas
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, 2007 and 2006, 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.

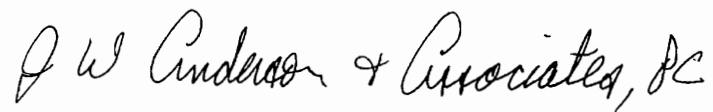
In our opinion, the financial statements referred to above present fairly, in all materials respects, the respective financial position of the business-type activities of De Baca Family Practice Clinic as of June 30, 2007 and 2006 and the changes in financial position and cash flows for the years then 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, 2007 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 August 24, 2007 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 28 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".

JW Anderson & Associates, PC
Certified Public Accountants
Lubbock, Texas
August 24, 2007

BASIC FINANCIAL STATEMENTS

DE BACA FAMILY PRACTICE CLINIC
A COMPONENT UNIT OF DE BACA COUNTY,
STATE OF NEW MEXICO
BALANCE SHEETS
June 30, 2007 and 2006

ASSETS	2007	2006
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 125,629	\$ 183,244
Patients Accounts Receivable, Less Allowance for Doubtful Accounts (2007 - \$16,686; 2006 - \$17,309)	96,326	90,308
Grant Receivables	90,824	58,158
Other Receivables	24,311	7,884
Total Current Assets	<u>337,090</u>	<u>339,594</u>
NONCURRENT ASSETS		
Board Restricted Cash and Cash Equivalents	325,000	300,000
CAPITAL ASSETS		
Leasehold Improvements	218,139	213,003
Medical and Dental Equipment	348,345	332,395
Office and Computer Equipment	46,593	46,593
Maintenance Equipment	13,188	13,188
Allowance for Depreciation	(217,410)	(138,378)
Total NonCurrent Assets	<u>733,855</u>	<u>766,801</u>
TOTAL ASSETS	<u>\$ 1,070,945</u>	<u>\$ 1,106,395</u>

LIABILITIES AND NET ASSETS	2007	2006
CURRENT LIABILITIES		
Accounts Payable	\$ 13,271	\$ 19,687
Accrued Salaries	18,210	16,679
Payroll Taxes Payable	2,444	2,089
Compensated Absences	21,826	19,944
Notes Payable - Current	33,109	63,851
Total Current Liabilities	<u>88,860</u>	<u>122,250</u>
 NONCURRENT LIABILITIES		
Note Payable - Long Term	<u>-</u>	<u>33,112</u>
Total Liabilities	88,860	155,362
 NET ASSETS		
Invested in Capital Assets, Net of Related Debt	375,746	369,838
Unrestricted	606,339	581,195
Total Net Assets	<u>982,085</u>	<u>951,033</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,070,945</u>	<u>\$ 1,106,395</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, 2007 and 2006

	2007	2006
OPERATING REVENUES		
Net Patient Service Revenue	\$ 730,678	\$ 677,893
Operating Agreements	718,374	789,125
School Clinic	45,000	-
Miscellaneous	3,852	4,166
Medical Records Fees	421	658
	<hr/>	<hr/>
Total Operating Revenue	1,498,325	1,471,842
OPERATING EXPENSES		
Routine Services	803,096	812,335
Special Services	203,451	152,896
Household and Property	124,449	132,532
Administrative and General	455,598	406,915
Depreciation	79,032	71,337
	<hr/>	<hr/>
Total Operating Expenses	1,665,626	1,576,015
Operating Loss	(167,301)	(104,173)
NON-OPERATING REVENUES (EXPENSES)		
Ad Valorem Taxes, Net	169,647	171,704
Interest Income	2,425	100
Interest Expense	(3,330)	(2,809)
Non-Capital Grants and Contributions	29,610	35,389
	<hr/>	<hr/>
Total Non-Operating Revenue (Expenses)	198,352	204,384
Excess of Revenues Over Expenses Before Capital Grants and Contributions	31,051	100,211
CAPITAL GRANTS AND CONTRIBUTIONS		
	<hr/>	<hr/>
Increase in Net Assets	31,051	201,998
Net Assets at Beginning of Year	<hr/>	<hr/>
	951,033	749,035
Net Assets at End of Year	<hr/>	<hr/>
	\$ 982,085	\$ 951,033
	<hr/>	<hr/>

DE BACA FAMILY PRACTICE CLINIC
A COMPONENT UNIT OF DE BACA COUNTY,
STATE OF NEW MEXICO
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts From and On Behalf of Patients	\$ 724,660	\$ 655,588
Receipts from Grantors	685,708	664,159
Payments to Suppliers and Contractors	(415,080)	(487,728)
Payments and Benefits to Employees	(1,142,978)	(977,815)
Other Receipts and Payments, Net	1,662	(32,652)
Net Cash Used By Operating Activities	<u>(146,028)</u>	<u>(178,448)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Ad Valorem Taxes, Net	169,647	171,704
Non-Capital Grants and Contributions	29,610	35,389
Net Cash Provided By Non-Capital Financing Activities	<u>199,257</u>	<u>207,093</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital Grants and Contributions	-	101,787
Payment on Long Term Debt	(63,853)	(30,782)
Interest Payments on Long Term Debt	(3,330)	(2,809)
Purchase of Capital Assets	(21,086)	(154,969)
Net Cash Used By Capital Financing Activities	<u>(88,269)</u>	<u>(86,773)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	2,425	100
Net Cash Provided By Investing Activities	<u>2,425</u>	<u>100</u>
Net Decrease in Cash and Cash Equivalents	(32,615)	(58,028)
Cash and Cash Equivalents at Beginning of Year	<u>483,244</u>	<u>541,272</u>
Cash and Cash Equivalents at End of Year	<u>\$ 450,629</u>	<u>\$ 483,244</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating Loss	\$ (167,301)	\$ (104,173)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation	79,032	71,337
Changes in		
Patients Accounts Receivable	(6,018)	(22,305)
Grant Receivables	(32,666)	(23,179)
Other Receivables	(16,427)	(7,884)
Accounts Payable	(6,416)	1,835
Accrued Salaries Payable	1,531	8,891
Payroll Taxes Payable	355	(8,555)
Compensated Absences	1,882	7,372
Deferred Revenue	-	(101,787)
Net Cash Used By Operating Activities	<u>\$ (146,028)</u>	<u>\$ (178,448)</u>
Schedule of Noncash Transactions		
Asset Acquisition Financed by Long Term Debt	\$ -	\$ 127,745
Reconciliation to Balance Sheet		
Cash and Cash Equivalents	\$ 125,629	\$ 183,244
Board Restricted Cash and Cash Equivalents	325,000	300,000
	<u>\$ 450,629</u>	<u>\$ 483,244</u>

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.

Operating and Nonoperating Revenues - Operating revenue includes activities which have the characteristics of exchange transactions, such as patient services and contracts and grants. Nonoperating revenues include activities which have the characteristics of non-exchange transactions, such as investment income and ad valorem taxes. These revenue streams are recognized under GASB Statement No. 33 - *Accounting and Financial Reporting for Nonexchange Transactions*.

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 \$3,330 and \$2,809 in interest expense for the years ended June 30, 2007 and 2006, 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, 2007 and 2006

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:

Assets	Years
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, 2007 the Clinic's operating fund did not exceed budgetary authority in total at the fund level. The Clinic exceeded budgetary authority at the fund level for the 2005 fiscal year.

Deficit Fund Net Assets – For the years ended June 30, 2007 and 2006, respectively, the Clinic's operating fund reported positive fund net assets.

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, 2006 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, 2007.

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, 2007 and 2006, 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.

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, 2007 and 2006

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 other than following state statutes. At June 30, 2007 and 2006, the carrying values of the Clinic’s deposits were \$450,629 and \$483,244, respectively. The total cash balance in financial institutions of \$464,278 at June 30, 2007 consisted of interest-bearing accounts, while the \$503,077 as of June 30, 2006 consisted of non-interest bearing demand deposits. Of these balances, \$100,000 is covered by federal depository insurance and \$221,062 and \$334,998 was covered by collateral held in joint safekeeping by a third party for each year end, respectively. Approximately 69% and 86% of the Clinic’s funds are collateralized, respectively. As of June 30, 2007 and 2006, \$143,216 and \$68,079 was uninsured or uncollateralized respectively. 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 and uninsured portions of the Clinic’s deposits regarding custodial credit risk.

	2007 Citizens Bank	2006 Citizens Bank
Total Amount of Cash Deposits	\$ 464,278	\$ 503,077
FDIC Coverage	(100,000)	(100,000)
Total Public Funds to be Collateralized	<u>\$ 364,278</u>	<u>\$ 403,077</u>
Insured	\$ 100,000	\$ 100,000
Securities pledged by the Financial Institution in the Clinic’s name	221,062	334,998
Uninsured and Uncollateralized	<u>143,216</u>	<u>68,079</u>
Total Deposits	<u>\$ 464,278</u>	<u>\$ 503,077</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.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Years Ended June 30, 2007 and 2006

NOTE E – RECEIVABLES

Patient accounts receivables and other receivable reported as current assets by the Clinic at June 30, 2007 and 2006 consists of the following amounts:

	2007	2006
Patient Receivables		
Private Insurance and Self Pay	\$ 73,088	\$ 83,334
Medicare	35,732	19,294
Medicaid	<u>4,192</u>	<u>4,989</u>
Gross receivables	113,012	107,617
Less: Allowance for Doubtful Accounts	<u>16,686</u>	<u>17,309</u>
Net Patient Receivables	<u>\$ 96,326</u>	<u>\$ 90,308</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, 2007 and 2006, respectively.

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>2007</u>	<u>2006</u>
Private Insurance and Self Pay	62.9%	73.8%
Medicare	34.1	22.1
Medicaid	<u>3.0</u>	<u>4.1</u>
	<u>100.0%</u>	<u>100.0%</u>

The Clinic also maintained the following receivables as of June 30, 2007 and 2006:

	2007	2006
Grant Receivables		
U.S. Department of Health and Human Services	\$ 42,824	\$ 42,158
State of New Mexico Rural Primary Health Care Association	<u>48,000</u>	<u>16,000</u>
Total Grant Receivables	<u>\$ 90,824</u>	<u>\$ 58,158</u>
Other Receivables		
Cost Report Receivable	\$ 5,561	\$ 5,561
School Contract Receivable	18,750	-
Employee Receivable	<u>-</u>	<u>2,323</u>
Total Other Receivables	<u>\$ 24,311</u>	<u>\$ 7,884</u>

The Clinic has an outstanding property tax receivable of \$3,766, which has been fully reserved as uncollectible.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Years Ended June 30, 2007 and 2006

NOTE F – CAPITAL ASSETS

Leasehold improvements and equipment capital asset activity consists of the following at June 30, 2007 and 2006:

	Balance			Balance
	June 30, 2006	Additions	Disposals	June 30, 2007
Leasehold Improvements	\$ 213,003	\$ 5,136	\$ -	\$ 218,139
Medical Equipment	202,269	15,950	-	218,219
Dental Equipment	130,126	-	-	130,126
Office Equipment	46,593	-	-	46,593
Maintenance Equipment	<u>13,188</u>	<u>-</u>	<u>-</u>	<u>13,188</u>
Totals at Historical Cost	605,179	21,086	-	626,265
Less Accumulated Depreciation				
Leasehold Improvements	(20,620)	(14,951)	-	(35,571)
Medical Equipment	(90,634)	(28,008)	-	(118,642)
Dental Equipment	(12,702)	(26,025)	-	(38,727)
Office Equipment	(12,529)	(8,569)	-	(21,098)
Maintenance Equipment	<u>(1,893)</u>	<u>(1,479)</u>	<u>-</u>	<u>(3,372)</u>
Total Accumulated Depreciation	<u>(138,378)</u>	<u>(79,032)</u>	<u>-</u>	<u>(217,410)</u>
Capital Assets, Net	<u>\$ 466,801</u>	<u>\$ (57,946)</u>	<u>\$ -</u>	<u>\$ 408,855</u>

	Balance			Balance
	June 30, 2005	Additions	Disposals	June 30, 2006
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>

Depreciation was \$79,032 and \$71,337 for the years ended June 30, 2007 and 2006, 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, 2007 and 2006

NOTE G - LONG-TERM DEBT

	<u>Balance</u> <u>6/30/06</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/07</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>96,963</u>	\$ <u>-</u>	\$ <u>63,853</u>	\$ <u>33,109</u>	\$ <u>33,109</u>

	<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>

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, 2008	\$ <u>483</u>	\$ <u>33,109</u>	\$ <u>33,592</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, 2007 through 2004 was \$68,095, \$57,724, \$40,485 and \$27,815, 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, 2007 and 2006

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>2007</u>	<u>Percent</u>	<u>2006</u>	<u>Percent</u>
U.S. Department of Health and Human Services 330 Grant	\$ 506,574	73.8%	\$ 683,082	73.8%
Other Federal Grants	5,352	0.4	3,858	0.4
State of New Mexico - RPHCA Grant	211,800	22.4	207,830	22.4
Other State of New Mexico Grants	<u>24,258</u>	<u>3.4</u>	<u>31,532</u>	<u>3.4</u>
Total Grants Received	<u>\$ 747,984</u>	<u>100.0%</u>	<u>\$ 926,302</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 that are not covered and protected under the Federal Tort Claims Act. Settled claims, if any, have not exceeded this commercial coverage in any preceding year.

DE BACA FAMILY PRACTICE CLINIC, INC.
A COMPONENT UNIT OF DE BACA COUNTY, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Years Ended June 30, 2007 and 2006

NOTE L – COMMITMENTS TO PRIMARY GOVERNMENT

The Clinic is committed under an operating lease for the Clinic’s facility expiring June 30, 2007, which renews annually with De Baca County. Future minimum operating lease payments are as follows:

Year Ending June 30,	Obligation
2008	\$ <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, 2007 and 2006, 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.

NOTE N – COMPENSATED ABSENCES

Vacation leave is earned by employees during the year based on time worked and is non-cumulative. Vacation leave due, if any, is paid upon an employee’s termination. Sick leave is also earned by employees based on length of employment during the year and is also non-cumulative. Compensation for sick leave is limited to time-off and is not monetarily compensated. The activity of the vacation leave due to employees as of June 30, 2007 and 2006 is detailed below.

	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2007</u>
Compensated Absences	\$ <u>19,944</u>	\$ <u>49,805</u>	\$ <u>(47,923)</u>	\$ <u>21,826</u>
	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2006</u>
Compensated Absences	\$ <u>12,572</u>	\$ <u>51,716</u>	\$ <u>(44,344)</u>	\$ <u>19,944</u>

The amount of compensated absences estimated to be due within one year is approximately \$21,826 and \$19,944, respectively.

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, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES				
Net Patient Service Revenue	\$ 812,981	\$ 748,981	\$ 730,678	\$ (18,303)
Operating Agreements	717,690	717,690	718,374	684
School Clinic	45,000	45,000	45,000	-
Miscellaneous	8,000	7,000	3,852	(3,148)
Medical Records Fees	-	-	421	421
Total Operating Revenue	<u>1,583,671</u>	<u>1,518,671</u>	<u>1,498,325</u>	<u>(20,346)</u>
OPERATING EXPENSES				
Salaries	982,142	981,500	953,868	27,632
Employee Benefits	205,811	206,725	192,878	13,847
Patient Care Contracts	120,100	106,308	102,564	3,744
Supplies	140,500	161,100	147,843	13,257
Other Contractual Services	41,800	49,100	43,705	5,395
Insurance	13,100	14,500	13,704	796
Continuing Education and Training	32,375	21,014	17,543	3,471
Postage and Shipping	4,500	6,000	5,288	712
Utilities	40,000	42,000	37,998	4,002
Advertising	3,000	2,100	2,022	78
Dues, Fees and Licenses	5,200	6,100	5,844	256
Property Lease	13,200	13,200	13,200	-
Professional Fees	20,000	26,000	24,242	1,758
Repairs and Maintenance	44,800	24,600	25,373	(773)
Other	5,689	950	522	428
Capital Outlay	89,000	35,000	21,086	13,914
	<u>1,761,217</u>	<u>1,696,197</u>	<u>1,607,680</u>	<u>88,517</u>
Operating Loss	<u>(177,546)</u>	<u>(177,526)</u>	<u>(109,355)</u>	<u>68,171</u>
NON-OPERATING REVENUES (EXPENSES)				
Ad Valorem Taxes	158,343	158,343	169,647	11,304
Interest Income	3,000	3,000	2,425	(575)
Interest Expense	(3,330)	(3,330)	(3,330)	20
Non-Capital Grants and Contributions	19,533	19,533	29,610	10,077
	<u>177,546</u>	<u>177,526</u>	<u>198,352</u>	<u>20,826</u>
Excess (Deficit) of Revenues Over Expenses	-	-	88,997	88,997
Net Assets at Beginning of Year	<u>951,033</u>	<u>951,033</u>	<u>951,033</u>	<u>-</u>
Net Assets at End of Year	<u>\$ 951,033</u>	<u>\$ 951,033</u>	<u>\$ 1,040,030</u>	<u>\$ 88,997</u>
Reconciliation of Budgetary Basis Net Assets to GAAP Basis Net Assets				
Net Assets - Budgetary Basis			\$ 1,040,030	
Capital Assets are expensed in the budget but are capitalized and depreciated for financial statement purposes			21,086	
Depreciation is an estimation of capital asset usage during the year and is not a budgetary item			<u>(79,032)</u>	
Net Assets at End of Year			<u>\$ 982,085</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
Years Ending June 30, 2007 and 2006

Name of Depository	Account Type	Bank Balance June 30, 2007	Net Reconciling Items	Reconciled Balance June 30, 2007
Citizens Bank of Clovis	Checking	\$ 164,278	\$ (13,649)	\$ 150,629
Citizens Bank of Clovis	Certificate of Deposit	300,000	-	300,000
		<u>\$ 464,278</u>	<u>\$ (13,649)</u>	<u>\$ 450,629</u>

Reconciliation to Basic Financial Statements

Total Clinic Cash

Cash and Cash Equivalents	\$ 125,629
Board Restricted Cash and Cash Equivalents	<u>325,000</u>
	<u>\$ 450,629</u>

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

Cash and Cash Equivalents	\$ 183,244
Board Restricted 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
 Years Ending June 30, 2007 and 2006

Name of Depository	Pledged Collateral	Name and Location of Custodian	Fair Market Value June 30, 2007
Citizens Bank of Clovis	GNMA Pool # 80729 Matures 8/20/2033	Texas Independent Bankers Dallas, TX	<u>\$ 221,062</u>

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, 2007 and 2006

	2007	2006
ROUTINE SERVICES		
Medical Services	\$ 862,661	\$ 748,662
Mental Health Services	24,920	7,470
Dental Services	245,271	208,658
	<u>1,132,852</u>	<u>964,790</u>
DEDUCTIONS FROM REVENUES		
Medical Third Party Contractual Allowances	236,489	179,597
Mental Health Third Party Contractual Allowances	858	270
Dental Third Party Contractual Allowances	35,746	25,358
Charity Care Allowances	86,627	39,651
Allowance for Doubtful Accounts	42,454	42,021
	<u>402,174</u>	<u>286,897</u>
Net Patient Service Revenue	<u><u>\$ 730,678</u></u>	<u><u>\$ 677,893</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, 2007 and 2006

	2007	2006
ROUTINE SERVICES		
Medical Services	\$ 534,232	\$ 532,023
Mental Health Services	56,469	12,886
Dental Services	<u>212,395</u>	<u>267,426</u>
	803,096	812,335
SPECIAL SERVICES		
Pharmacy	20,528	22,812
School Clinic	30,939	-
Laboratory and Radiology	<u>151,984</u>	<u>130,084</u>
	203,451	152,896
FACILITY AND PROPERTY	124,449	132,532
ADMINISTRATIVE AND GENERAL	455,598	406,915
DEPRECIATION	<u>79,032</u>	<u>71,337</u>
	<u>\$ 1,665,626</u>	<u>\$ 1,576,015</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, 2007

	<u>Medical</u>	<u>Dental</u>	<u>Laboratory and Radiology</u>	<u>Mental Health</u>
Salaries	\$ 345,339	\$ 154,980	\$ 62,231	\$ 44,708
Employee Benefits	<u>79,538</u>	<u>25,724</u>	<u>8,065</u>	<u>11,761</u>
Total Salaries and Related Expenses	424,877	180,704	70,296	56,469
Patient Care Contracts	70,868	10,667	21,029	-
Supplies	24,897	21,024	53,523	-
Other Contractual Services	6,394	-	-	-
Insurance	-	-	-	-
Continuing Education and Training	7,196	-	-	-
Postage and Shipping	-	-	-	-
Utilities	-	-	-	-
Advertising	-	-	-	-
Dues, Fees and Licenses	-	-	-	-
Property Lease	-	-	-	-
Professional Fees	-	-	-	-
Repairs and Maintenance	-	-	7,136	-
Other	-	-	-	-
Totals	<u>\$ 534,232</u>	<u>\$ 212,395</u>	<u>\$ 151,984</u>	<u>\$ 56,469</u>

<u>Pharmacy</u>	<u>Facility</u>	<u>School Clinic</u>	<u>Administrative</u>	<u>Total</u>
\$ 4,883	\$ 52,396	\$ 30,647	\$ 258,684	\$ 953,868
587	7,412	292	59,499	192,878
5,470	59,808	30,939	318,183	1,146,746
-	-	-	-	102,564
-	-	-	27,201	147,843
15,058	6,140	-	35,370	43,705
-	1,941	-	13,704	13,704
-	-	-	10,347	17,543
-	-	-	5,288	5,288
-	37,998	-	-	37,998
-	-	-	2,022	2,022
-	-	-	5,844	5,844
-	13,200	-	-	13,200
-	-	-	24,242	24,242
-	5,362	-	12,875	25,373
-	-	-	522	522
<u>\$ 20,528</u>	<u>\$ 124,449</u>	<u>\$ 30,939</u>	<u>\$ 455,598</u>	<u>\$ 1,586,594</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, 2006

	<u>Medical</u>	<u>Dental</u>	<u>Laboratory and Radiology</u>
Salaries	\$ 348,386	\$ 117,871	\$ 51,671
Employee Benefits	<u>77,942</u>	<u>16,941</u>	<u>7,824</u>
Total Salaries and Related Expenses	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	-	-	-
Totals	<u>\$ 532,023</u>	<u>\$ 267,426</u>	<u>\$ 130,084</u>

COMPLIANCE



JW Anderson & Associates, PC

Certified Public Accountants

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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*

Hector Balderas
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 year ended June 30, 2007, which collectively comprise the Clinic's basic financial statements, and have issued our report thereon dated August 24, 2007. 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 audit, we considered the Clinic's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clinic's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clinic's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Clinic's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Clinic's financial statements that is more than inconsequential will not be prevented or detected by the Clinic's internal control.

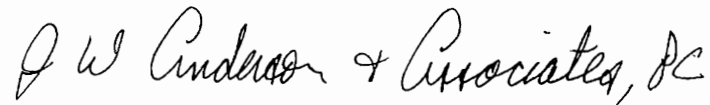
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Clinic's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and Section 12-6-5 NMSA 1978.

This report is intended solely for the information and use of Board of Directors, management and the State of New Mexico Office of the State Auditor 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
August 24, 2007

JW Anderson & Associates, PC

Certified Public Accountants

Coppertree Office Park
4412 74th Street, Suite F-101
PO Box 6785
Lubbock, Texas 79493-6785
Office (806) 771-4000
Fax (806) 771-4005

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

Hector Balderas
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 (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, 2007 and 2006. 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, 2007 and 2006.

Internal Control Over Compliance

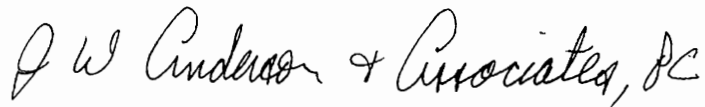
The management of the Clinic is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered The Clinic's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Clinic's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.

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

JW ANDERSON & ASSOCIATES, PC
A Professional Corporation
Lubbock, Texas
August 24, 2007

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, 2007

<u>Grantor's Number</u>	<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	
	<u>U.S. Department of Health and Human Services</u>		
06-3981160	Health Center Cluster	93.224	2/28/07
07-3981160	Health Center Cluster	93.224	2/28/08
	Total Federal Financial Assistance		

<u>Program or Award Amount</u>	<u>(Receivable) Amount At 6/30/06</u>	<u>Audit Period Receipts</u>	<u>Federal Program Expenses</u>	<u>(Receivable) Amount At 6/30/07</u>
\$ 505,890	\$ (42,158)	\$ 337,264	\$ 295,106	\$ -
<u>511,890</u>	<u>-</u>	<u>168,626</u>	<u>211,450</u>	<u>(42,824)</u>
<u>\$ 1,017,780</u>	<u>\$ (42,158)</u>	<u>\$ 505,890</u>	<u>\$ 506,556</u>	<u>\$ (42,824)</u>

DE BACA FAMILY PRACTICE CLINIC
A COMPONENT UNIT OF DE BACA COUNTY,
STATE OF NEW MEXICO
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2007

NOTE A - GENERAL

The accompanying Schedule of Expenditures of Federal Awards on pages 33 and 34 presents the activity of all federal financial assistance programs of De Baca Family Practice Clinic. The De Baca Family Practice Clinic, as a reporting entity, is defined in Note A of the Clinic's financial statements.

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.

NOTE B - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note A of the Clinic's financial statements.

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, 2007

Section I – Summary of Auditors’ Results

Financial Statements

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

Internal control over financial reporting:

- Control deficiencies identified? _____ Yes X None reported
- Material weaknesses identified? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Control deficiencies identified? _____ Yes X None reported
- Material weaknesses identified? _____ 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, 2007

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

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, 2007

Prior Year -

<u>Finding</u>	<u>Description</u>	<u>Status</u>
2006-1	Budget Variances	Resolved

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, 2007

Current Year - NONE

DE BACA FAMILY PRACTICE CLINIC
A COMPONENT UNIT OF DE BACA COUNTY,
STATE OF NEW MEXICO
EXIT CONFERENCE
For the Year Ended June 30, 2007

The contents of this report were discussed with the De Baca Family Practice Clinic representatives on August 21, 2007. The following individuals attended the conference:

De Baca Family Practice Clinic

Joy Garner, CEO, Ex-officio Board Member
Lynda Haynes, Chief Financial Officer
Randall Mansell, Board Member
Charlie West, Board Member
Kim Stallard, Board Member
Susan Vick, Office Staff

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.