

EUNICE SPECIAL HOSPITAL DISTRICT

FINANCIAL STATEMENTS
with
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Year Ended June 30, 2008



JOHNSON, MILLER & CO.

Certified Public Accountants

A Professional Corporation

An Independent Member of BDO Seidman Alliance

EUNICE SPECIAL HOSPITAL DISTRICT

FINANCIAL STATEMENTS
with
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Year Ended June 30, 2008

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DISTRICT OFFICIALS

June 30, 2008

DISTRICT BOARD OF TRUSTEES

Maurice Hughes	Chairman
Glen Jenkins	Vice Chairman
Lucille Kellum	Secretary/Treasurer
Barbara Baggett	Member
Billy Thrash	Member



JOHNSON, MILLER & CO.

Certified Public Accountants

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An Independent Member Of BDO Seidman Alliance

Hobbs, New Mexico

Midland, Texas

Odessa, Texas

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON BASIC FINANCIAL STATEMENTS, BUDGETARY COMPARISON, AND SUPPLEMENTAL INFORMATION

Mr. Hector H. Balderas
New Mexico State Auditor
Eunice Special Hospital District Officials
Eunice, New Mexico

We have audited the accompanying basic financial statements of Eunice Special Hospital District (the District), as of and for the year ended June 30, 2008, as listed in the table of contents. We also have audited the budgetary comparison statement presented as supplemental information for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the District'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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Eunice Special Hospital District as of June 30, 2008, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement referred to above presents fairly, in all material respects, the budgetary comparison of the District as of and for the year ended June 30, 2008 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2008 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 5-9 is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and on the budgetary comparison that collectively comprise the District's financial statements. The other supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied by us 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.

Johnson, Miller & Co.

Hobbs, New Mexico
October 10, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Eunice Special Hospital District's financial performance provides an overview of the District's financial activities for the fiscal years ended June 30, 2008 and June 30, 2007. This information is presented in conjunction with audited financial statements that follow this section.

Financial Highlights

- The District's total assets increased by \$1,233,443 and total liabilities increased by \$66,187 resulting in total net assets increasing \$1,167,256.
- The District's operating expenses in fiscal year 2008 were \$1,188,144.
- As of the close of the current fiscal year, the District reported ending net assets of \$4,934,134.
- There was \$722,085 of revenue generated from service charges.
- Investment income increased by \$8,447.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the District.

The District's basic financial statements comprise two components: 1) fund financial statements, and 2) notes to basic financial statements. This report also contains supplemental information in addition to the basic financial statements themselves.

Financial Statement:

The financial statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses, and changes in fund net assets presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal period (e.g., uncollected taxes and earned but unused vacation leave).

The statement of cash flows reports the cash effects during the fiscal year of the District's operations, its noncapital financing transactions, its capital and related financing transactions, and its investing transactions.

The financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activity). The governmental activities include a local 2-mill levy. The business type activity includes providing medical services to the community of Eunice, New Mexico and surrounding area.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Fund financial statements

The District's basic services are reported in one unrestricted fund, which focuses on how money flows into and out of the fund and the balance left at year-end that is available for spending. The fund is reported using the accrual basis of accounting. The statements provide a detailed short-term view of the District's general operations and the basic services it provides.

Notes to basic financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the financial statement. The notes to the basic financial statements can be found beginning on page 13 of this report.

Financial Analysis

Net assets may serve over time as a useful indicator of an entity's financial position. By far the largest portion of the District's net assets is in cash and investments. The balance of unrestricted funds may be used to meet the District's ongoing obligations to citizens, patients, and creditors.

Governmental activities

- Property tax revenue \$1,533,453
- Investment income \$107,703

Business-type activities

- Revenue from service charges \$722,085

Net Assets

To begin our analysis, a summary of the District's Statement of Net assets is presented in Table A-1.

**Table A-1
Condensed Statements of Net Assets**

	FY 2008	FY 2007	Total Change
Current and Other Assets	\$3,758,719	\$3,205,783	\$552,936
Capital Assets	1,639,800	959,293	680,507
Total Assets	5,398,519	4,165,076	1,233,443
Current Liabilities	461,091	230,429	230,662
Non-Current Liabilities	3,294	167,769	(164,475)
Liabilities	464,385	398,198	66,187
Invested in capital assets, net of related debt	1,474,800	959,293	515,507
Unrestricted	3,459,334	2,807,585	651,749
Total Net Assets	\$4,934,134	\$3,766,878	\$1,167,256

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Net Assets (continued)

As can be seen from the table on the previous page, net assets increased \$1,167,256 to \$4,934,134 in fiscal year 2008 from \$3,766,878 in fiscal year 2007. Increased charges for services, tax revenues, and investment earnings led to a higher current asset balance; the expansion of clinic facilities and the purchase of additional equipment led to an increased capital asset balance; and increases in amounts payable to vendors increased liabilities. These effects combined to increase net assets.

**Table A-2
Condensed Statement of Revenues,
Expenses and Changes in Net Assets**

	FY 2008	FY 2007	Dollar Change
Operating Revenues	\$722,085	\$400,312	\$321,773
Non-Operating Revenues	1,633,315	1,571,772	61,543
Total Revenues	2,355,400	1,972,084	383,316
Depreciation Expense	52,506	43,417	9,089
Other Operating Expenses	1,135,638	715,822	419,816
Total Expenses	1,188,144	759,239	428,905
Net Income	1,167,256	1,212,845	(45,589)
Beginning Net Assets	3,766,878	2,554,033	1,212,845
Ending Net Assets	\$4,934,134	\$3,766,878	\$1,167,256

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Revenues, Expenses and Changes in Net Assets provides answers as to the nature and source of these changes.

The District's operating revenues increased by \$321,773.

Operating revenues increased significantly from 2007 to 2008 because of the increase of patients seen in the clinic and an increase in demand for drug testing services in local industries.

Significant changes in operating expenses are the result of higher wages paid to staff. In addition, the increase in clinic patients necessitated the purchase of more medical and office supplies in order to provide services.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

BUDGETARY HIGHLIGHTS

The District adopts an annual Operating Budget following public workshops and a public hearing. The Operating Budget includes proposed expenses and the means of financing them. The District's Operating Budget was revised at the Board of Trustees meeting on February 8, 2007 by unanimous vote. The revision was due to increased costs related to increased patient load and additional staff.

A fiscal year 2008 budget comparison and analysis is presented in Table A-4.

Table A-4
Budget vs. Actual
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance
Revenues				
Property Taxes	\$1,171,938	\$1,171,938	\$1,510,750	\$338,812
Charges for Services	495,000	495,000	704,361	209,361
Investment Earnings	60,000	60,000	107,703	47,703
Loss on Equipment	-	-	(1,158)	(1,158)
Total Revenues	\$1,726,938	\$1,726,938	\$2,321,656	\$594,718
Expenses				
Personnel Services	534,000	500,500	487,134	13,366
Contractual Services	93,000	135,000	73,624	61,376
Utilities	30,000	-	20,193	(20,193)
Repairs and Maintenance	10,000	-	3,271	(3,271)
Other Supplies & Expenses	238,900	268,000	242,614	25,386
Insurance Claims & Expenses	111,000	80,000	83,147	(3,147)
Misc. Expenses	42,500	6,500	-	6,500
Capital Outlay				
Land purchase	-	-	-	-
Equipment purchase	-	-	34,442	(34,442)
Construction of buildings	50,050	600,000	694,704	(94,704)
Total Expenses	1,109,450	1,590,000	1,639,129	(49,129)
Operating (Loss) Income	\$617,488	\$136,938	\$682,527	\$545,589

The budget was amended once during the year to include the construction of new buildings. In the process of certifying the final budget, a clerical error was made and the original budget amounts were not carried over to the final, approved budget.

The variances in the revenue amounts within the final budget to actual are the result of the same items listed as significant changes on page 7 of this report. Higher-than-expected property tax revenue and charges for services allowed the District to move more cash into investments, leading to higher investment earnings.

Expense variations are due primarily to the clerical error in submitting the amended budget to the Board of Trustees and the State of New Mexico and also the unbudgeted capital outlay.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

CAPITAL ASSETS:

**Table A-5
Capital Assets**

	FY 2008	FY 2007	Dollar Change
Property, plant and equipment	\$186,296	\$151,853	\$34,443
Building	854,762	854,762	-
Land	85,000	85,000	-
Construction in progress	694,704	-	694,704
Less Accumulated Depreciation	(180,962)	(132,322)	(48,640)
Total Capital Assets	\$1,639,800	\$959,293	\$680,507

The District purchased additional medical equipment in 2008 in order to meet the increased demand for services. In addition, the District is in the process of expanding clinic facilities and adding an additional location to provide drug testing services exclusively.

The District's long-term debt decreased from \$167,769 in 2007 to \$3,294 in 2008 as a result of the current year debt service payment on their General Obligation Bond.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Board of Trustees of the District considered many factors when setting the fiscal year 2008 budget. One of those factors is the local economy and the impact our fees have on the community. By maintaining reasonable fees the District believes it can continue to provide medical care to all the community of Eunice, NM.

DISTRICT CONTACT INFORMATION

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact Meagan Powell, Clinic Manager, Eunice Special Hospital District, P.O. Box 239, Eunice, New Mexico 88231 or by phone at 575-394-1091.

EUNICE SPECIAL HOSPITAL DISTRICT

STATEMENT OF NET ASSETS

Proprietary Funds

June 30, 2008

ASSETS

CURRENT ASSETS

Cash and cash equivalents (NOTE B)	\$ 551,208
Investments (NOTE C)	2,938,883
Accounts receivable, net (NOTE D)	239,610
Other receivables	10,059
Inventories	18,959

Total current assets **3,758,719**

NON-CURRENT ASSETS

Property, plant and equipment (NOTE E)	1,639,800
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Total non-current assets **1,639,800**

TOTAL ASSETS **5,398,519**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	274,328
Payroll liabilities	18,763
Compensated absences (NOTE I)	3,000
Bonds, notes and loans payable (NOTE F)	165,000

Total current liabilities **461,091**

NON-CURRENT LIABILITIES

Compensated absences (NOTE I)	3,294
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Total non-current liabilities **3,294**

TOTAL LIABILITIES **464,385**

NET ASSETS

Invested in capital assets, net of related debt	1,474,800
Unrestricted	3,459,334

TOTAL NET ASSETS **\$ 4,934,134**

The accompanying notes are an integral part of these statements.

EUNICE SPECIAL HOSPITAL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS Proprietary Funds

	<u>Year Ended June 30, 2008</u>
OPERATING REVENUES	
Charges for services	\$ 722,085
Total operating revenues	722,085
OPERATING EXPENSES	
Personnel services	494,645
Contractual services	73,624
Utilities	20,193
Repairs and maintenance	3,271
Other supplies and expenses	232,441
Bad debt expense	228,317
Insurance claims and expenses	83,147
Depreciation	52,506
Total operating expenses	1,188,144
Operating (loss)	(466,059)
NON-OPERATING REVENUES (EXPENSES)	
Property taxes	1,533,453
Interest income	107,703
Interest expense	(6,683)
Gain (Loss) on equipment	(1,158)
Total non-operating revenues (expenses)	1,633,315
Increase in net assets	1,167,256
Total net assets - beginning of period	3,766,878
Total net assets - end of period	\$ 4,934,134

The accompanying notes are an integral part of these statements.

EUNICE SPECIAL HOSPITAL DISTRICT

STATEMENT OF CASH FLOWS

Proprietary Funds

	<u>Year Ended June 30, 2008</u>
OPERATING ACTIVITIES	
Cash provided by business-type activities	\$ 476,043
Cash paid to suppliers	(111,385)
Cash paid to employees	(487,134)
Other cash payments	(83,147)
	<hr/>
Net cash (used) by operating activities	(205,623)
NONCAPITAL FINANCING ACTIVITIES	
Property tax receipts	1,510,750
	<hr/>
Net cash provided by noncapital financing activities	1,510,750
CAPITAL AND RELATED FINANCING ACTIVITIES	
Payment for purchase of equipment	(39,467)
Payment for construction in progress	(694,704)
Payment on bonds	(165,000)
Interest expense	(6,683)
	<hr/>
Net cash (used) by capital and related financing activities	(905,854)
INVESTING ACTIVITIES	
Transfers to investment account	(607,703)
Interest revenue received	107,703
	<hr/>
Net cash (used) by investing activities	(500,000)
Net decrease in cash	(100,727)
Cash - beginning of period	651,935
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Cash - end of period	\$ 551,208
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Reconciliation of net operating (loss) to net cash (used) by operating activities	
Operating (loss)	\$ (466,059)
Adjustments to reconcile net operating (loss) to net cash (used) by operating activities:	
Depreciation expense	52,506
Changes in assets and liabilities:	
Receivables, net	(17,727)
Inventories	(5,531)
Accounts payable	223,677
Accrued liabilities	7,511
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Net cash (used) by operating activities	\$ (205,623)
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EUNICE SPECIAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - Nature of Business and Significant Accounting Policies

This summary of significant accounting policies of Eunice Special Hospital District (the District) is presented to assist in understanding the District's financial statements. These financial statements and notes are representations of the District's management and Board of Trustees who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature & History of Business

Eunice Special Hospital District is an entity of the State of New Mexico located in Lea County, New Mexico. The organization provides medical attention to the residents of Lea County and others who may require it, through the use of a modern clinic located in the City of Eunice.

On April 8, 2003, a Board of Trustees was appointed to begin the formation of the District.

On August 19, 2003, the City of Eunice donated land located at 1109 Main, Eunice, NM with a book value to the District of \$10,000. On November 1, 2003, the Andrews Clinic donated various assets to the District with a book value to the District of \$103,785.

On March 13, 2007, a mill levy election was held and was approved for the tax years July 1, 2008 through June 30, 2011.

The financial statements of this organization conform to accounting principles generally accepted in the United States of America as applicable to a government hospital. The following is a summary of the more significant policies:

Reporting Entity:

The District has adopted GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No. 14. GASB 39 provides additional guidance to determine whether certain organizations for which the District is not financially accountable should be reported as discretely presented component units based on the nature and significance of their relationship with the District. In applying the guidance promulgated by GASB 39, the District has concluded that there are no entities that should be reported as a component unit in the District's financial statements.

Fund Accounting:

Enterprise Funds: (Unrestricted Funds)

Unrestricted funds are used to account for operations of the District that are financed and operated in a manner similar to private business enterprises where the intent is that the costs, including depreciation, of providing goods and services to the general public on a continuing basis, be financed or recovered primarily through user charges.

EUNICE SPECIAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - Nature of Business and Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

The unrestricted funds (enterprise funds) are accounted for using the full accrual basis of accounting. Their revenues are recognized when the related service is completed and billed. Property taxes are recognized as revenues in the year for which they are levied. Expenses are recorded when an item is utilized or a liability is incurred.

Operating and Non-operating Revenues:

Operating revenue includes activities that have the characteristics of exchange transactions, such as a) patient services and b) contracts and grants.

Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as property taxes and investment income and exchange transactions such as rental revenue. These revenue streams are recognized under GASB Statement No. 33 – *Accounting and Financial Reporting for Nonexchange Transactions*.

Budgets and Budgetary Accounting:

Annual budgets of the District are prepared prior to June 1 and must be approved by the resolution of the Board and submitted for approval by the State of New Mexico. Once the budget has been formally approved, any amendments must also be approved by the Board and the State. Line items within the budget may be over-expended; however, it is not legally permissible to over-expend the budget in total.

Budgeted amounts are as originally adopted, or as amended by the Board and approved by the State. The budget is adopted on the cash basis, which is not in accordance with accounting principles generally accepted in the United States of America. The schedule of budgeted revenues and expenditures presents comparisons of legally adopted budgets with actual data on a budgetary basis.

The June 30, 2008 Budget was over-expended by \$49,129. This is due to a clerical error which caused the wrong budget to be approved by the Board of Trustees and the State of New Mexico. The District has since put measures in place to ensure the correct budget is sent to be approved by the Board of Trustees and the State of New Mexico.

Cash and Cash Equivalents, and Investments:

For purposes of the statement of cash flows, the District considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Immediate cash needs are met with resources deposited at the District's bank. The District has invested a portion of their cash with the New Mexico State Treasurer's Office short-term investment pool. Amounts invested with the State Treasurer are readily available to the District when needed and are recorded at cost which approximates fair value.

EUNICE SPECIAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - Nature of Business and Significant Accounting Policies (continued)

Inventory:

Inventory is valued at the lower of cost or market on a first-in, first-out method. Inventory consists of medical supplies held for use in operations or sale to patients.

Capital Assets:

Donated assets are recorded at their estimated value on the date donated. Capital assets such as equipment are defined as assets with a cost of more than \$5,000 per section 12-6-10 NMSA 1978. Depreciation of all exhaustible capital assets is charged as an expense against operations. Information technology equipment, including software, is depreciated in accordance with NMAC 2.20.1.9 C (5). Depreciation has been provided over the estimated useful lives as follows:

Buildings	25-40 years
Improvements	10-35 years
Equipment and Software	5-20 years

The District's policy is to capitalize interest incurred during construction as part of the historical cost of capital. Construction in progress is not depreciated until the capital assets are placed into service.

Net Patient Service Revenue:

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows:

* Medicare – Outpatient care services rendered to Medicare program beneficiaries are paid at determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

* Medicaid – Outpatient care services rendered to Medicaid program beneficiaries are paid at determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Allowance for Receivables:

The allowance for doubtful accounts is maintained at a level which, in the administration's judgment, is sufficient to provide for possible losses in the collection of these accounts.

Tax Collections:

The Eunice Special Hospital District receives property taxes from the Treasurer of the County of Lea. The County serves as the intermediary collecting agency and remits the District's share of property tax collections to the District. The District does not maintain detailed records of property taxes receivable by the individual taxpayer.

EUNICE SPECIAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - Nature of Business and Significant Accounting Policies (continued)

By April 1 of each year, the County Assessor shall mail a notice to each property owner informing them of the net taxable value of the property, which has been valued for taxation purposes by the Assessor. By May 1 of each year, the property valuation protest period expires. Upon receipt of the property tax schedule, the County Treasurer shall prepare and mail property tax bills to either the owner of the property or any person other than the owner to whom the tax bill is sent. Tax bills shall be mailed no later than November 1 of each tax year.

Property taxes of less than ten dollars are payable to the County Treasurer in full, due on November 10, delinquent December 11 in the year in which the tax bill was prepared and mailed. Property taxes of ten dollars or more are payable to the County Treasurer in two equal installments, the first half is due November 10, delinquent December 11. The second installment is due April 10, delinquent May 11 of the following year.

Compensated Absences:

Vacation, personal, and sick days earned during the current contract year must be taken by December 31 of the following year. A total of 132 hours of paid time off per year may be accumulated by each full-time, permanent employee. Unused vacation days may be carried over to the next year. Upon termination employees will be paid accumulated vacation days. See Note I for accrual of vacation. However, no accrual will be made for sick days because accrued days are lost if not used in the current year or upon termination.

Encumbrances:

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration.

Use of FASB Pronouncements:

The Eunice Special Hospital District has elected to utilize alternative #2 under GASB #20. Under alternative #2, the governmental entities using proprietary fund accounting must follow (1) all GASB pronouncements and (2) all FASB Statements and Interpretations issued after November 30, 1989, APB Opinions, and ARB's, no matter when issued, except those that conflict with a GASB pronouncement.

Use of Estimates:

The District uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. The significant estimates utilized are the allowance for uncollectible accounts, the estimated useful lives of property, plant and equipment, and estimated Medicare accounts receivable not billed at year end. Actual results could differ from those amounts.

EUNICE SPECIAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - Nature of Business and Significant Accounting Policies (continued)

Net Assets:

Invested in capital assets, net of related debt include net restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted net assets consist of net assets that do not meet the definition of "invested in capital assets, net of related debt."

Restricted assets are assets which have third-party limitations on their use. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE B - Cash and Cash Equivalents

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool and money market accounts. The District is also allowed to invest in the United States Government obligations; however, they have never taken this opportunity. All funds of the District must follow the above investment policies.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. 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.

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.

Excess 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 Government or are backed by the full faith and credit of those governments.

At June 30, 2008, the District's cash was \$551,108 in demand deposits. Of these balances \$100,000 was covered by federal depository insurance and \$451,108 was covered by collateral held in joint safekeeping by a third party.

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 District for at least one half of the amount on deposit with the institution. The schedule listed below will meet the State Auditor's requirements in reporting the insured portion of the deposits.

EUNICE SPECIAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE B - Cash and Cash Equivalents (continued)

	<u>June 30, 2008</u>
Demand and Interest Accounts	\$ 551,108
FDIC coverage	<u>(100,000)</u>
Total uninsured public funds	<u>\$ 451,108</u>

	<u>June 30, 2008</u>
Collateral requirement: 50% of regular accounts	\$ 225,554
Pledged security	<u>(479,532)</u>
(Excess) Collateralization	<u>\$ (253,978)</u>

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the District. 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.

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to them. The District does not have a deposit policy for custodial credit risk. As of June 30, 2008, \$451,108 of the District's bank balance of \$551,108 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

NOTE C – Investments

As of June 30, 2008, the District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
State Investment Pool	< 182 days	\$ 2,938,883

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

EUNICE SPECIAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE C –Investments (continued)

Credit Quality Risk – State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices.

All investments purchased for the LGIP must be high quality, with a credit rating of A or better to ensure the highest level of safety; U.S. Governments securities are rated AAA and all commercial paper investments is A-1+. Also, the State Treasurer is required by law to have the overnight repurchase agreements secured by U.S. Government securities at 102%.

The investments are valued at fair value based on quoted market prices as of the valuation date.

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested.

Participation in the local government investment pool is voluntary.

The LGIP is rated as AAAM by Standard & Poor's, and the fund's WAM is 46 days as of June 30, 2008.

NOTE D—Accounts Receivable

The following is a summary of the accounts receivable:

	<u>June 30, 2008</u>
Patients	\$ 77,778
Property Tax Receivable	118,735
Medicare, Medicaid, Other Insurers	<u>317,334</u>
	513,847
Allowance for Uncollectible Accounts	<u>(274,237)</u>
Total	<u>\$ 239,610</u>

EUNICE SPECIAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE E – Capital Assets

The following is an analysis of the property, plant and equipment:

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2008</u>
<u>Depreciable Capital Assets</u>				
Building and Improvements	\$ 854,762	\$ -	\$ -	\$ 854,762
Equipment and Software	151,853	39,467	(5,024)	186,296
Total Depreciable Capital Assets	<u>1,006,615</u>	<u>39,467</u>	<u>(5,024)</u>	<u>1,041,058</u>
Less Accumulated Depreciation:				
Building and Improvements	(54,792)	(21,917)	-	(76,709)
Equipment and Software	(77,530)	(30,589)	3,866	(104,253)
Total Accumulated Depreciation	<u>(132,322)</u>	<u>(52,506)</u>	<u>3,866</u>	<u>(180,962)</u>
<u>Nondepreciable Capital Assets</u>				
Land	85,000	-	-	85,000
Construction in Progress	-	694,704	-	694,704
Total Nondepreciable Capital Assets	<u>85,000</u>	<u>694,704</u>	<u>-</u>	<u>779,704</u>
Total Capital Assets	<u>\$ 959,293</u>	<u>\$ 681,665</u>	<u>\$ (1,158)</u>	<u>\$ 1,639,800</u>

During fiscal year June 30, 2008, the District reported depreciation expense of \$52,506.

NOTE F - Long-Term Debt

General Obligation Bonds

The District issued general obligation bonds to provide funds for the construction of a clinic in the City of Eunice. Bonds outstanding at June 30, 2008 consist of the following issue:

General Obligation Bonds
Series: September 1, 2003
Original Issue: \$750,000
Principal: August 1
Interest: February 1 and August 1
Rates: 1.75% to 2.75%

The Bonds shall constitute the general obligation of the District and shall be payable solely out of general (ad valorem) taxes which shall be levied against all taxable property in the District. The District is in compliance with all significant requirements of the bond covenant.

EUNICE SPECIAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE F - Long-Term Debt (continued)

Long-term liability for the year ended June 30, 2008 was as follows:

	June 30, 2007	Additions	Reductions	June 30, 2008	Due Within One Year
General Obligation Bonds					
Series: September 1, 2003	\$ 330,000	\$ -	\$ (165,000)	\$ 165,000	\$ 165,000
Totals	\$ 330,000	\$ -	\$ (165,000)	\$ 165,000	\$ 165,000

The annual debt service requirements to maturity, including principal and interest for long-term debt as of June 30, 2008, are as follows:

Year Ending June 30,	General Obligation Bonds 2003		
	Principal	Interest	Total debt service
2009	165,000	2,269	167,269
	\$ 165,000	\$ 2,269	\$ 167,269

NOTE G - Retirement Plan

Employer Funded Plan

Effective October 2005, the Eunice Special Hospital District adopted an Internal Revenue Code Section 403(b) retirement plan. All full time employees are eligible to participate in the plan. The District matches employee contributions up to 5% of their gross salary. The employee contributions are 100% vested, and after 6 months the employer contributions are 100% vested as well. Contributions to the retirement plan for the year ended June 30, 2008 totaled \$30,776, which consisted of \$15,388 contributed by both the employer and employees.

NOTE H - Insurance Coverage

The District will be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in a variety of insurance programs. Insurance coverage is purchased primarily through commercial carriers. Unemployment compensation is handled through a private carrier and is funded by the District.

EUNICE SPECIAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE I - Compensated Absences

The District had a liability for accrued vacation as of June 30, 2008 as follows:

Accrued vacation - beginning of year	5,769
Additions	16,484
Deletions	15,959
Accrued vacation - end of year	<u>\$ 6,294</u>

Of the \$6,294 balance, an estimated \$3,000 is due within one year.

Note J – Construction Commitments

At June 30, 2008, the District has two uncompleted construction contracts totaling \$324,025 for the clinic expansion and the additional location for drug testing.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF REVENUES AND EXPENSES BUDGET AND ACTUAL

For the Year Ended June 30, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	Variance Positive (Negative)
REVENUES				
Property taxes	1,171,938	1,171,938	1,510,750	338,812
Charges for services	495,000	495,000	704,361	209,361
Investment earnings	60,000	60,000	107,703	47,703
Loss on equipment	-	-	(1,158)	(1,158)
Total revenues	1,726,938	1,726,938	2,321,656	594,718
EXPENSES				
Personnel services	534,000	500,500	487,134	13,366
Contractual services	93,000	135,000	73,624	61,376
Utilities	30,000	-	20,193	(20,193)
Repairs and maintenance	10,000	-	3,271	(3,271)
Other supplies and expenses	238,900	268,000	242,614	25,386
Insurance claims and expenses	111,000	80,000	83,147	(3,147)
Miscellaneous	42,500	6,500	-	6,500
Capital Outlay				
Land purchase	-	-	-	-
Equipment purchase	-	-	34,442	(34,442)
Construction of buildings	50,050	600,000	694,704	(94,704)
Total expenses	1,109,450	1,590,000	1,639,129	(49,129)
Revenues over expenses	617,488	136,938	682,527	\$ 545,589
OTHER FINANCING SOURCES				
Prior year cash balance	651,935	651,935	-	
Total other financing sources	651,935	651,935	-	
Net change in fund balances	\$ 1,269,423	\$ 788,873	682,527	
Reconciliation to GAAP Basis:				
Depreciation expense			(52,506)	
Interest expense			(6,683)	
Bad debt expense			(228,317)	
Increase in property tax receivable			22,703	
Increase in accounts receivable			246,041	
Increase in inventories			5,531	
Increase in fixed assets			729,146	
Increase in accounts payable			(223,675)	
Decrease in accrued liabilities			(7,511)	
Net change in fund balance			\$ 1,167,256	

The accompanying notes are an integral part of these statements.

OTHER SUPPLEMENTAL INFORMATION

**SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
June 30, 2008**

Name of Depository	Description of Pledged Collateral	Fair Market Value June 30, 2008	Name and Location of Safekeeper
Wells Fargo Bank	FNCL 884134 5/1/2036	<u>\$ 479,532</u>	Wells Fargo Bank California
Total		<u>\$ 479,532</u>	

The accompanying notes are an integral part of these statements.

SCHEDULE OF DEPOSIT ACCOUNTS
June 30, 2008

Name of Depository	Account Name	Account Type	Bank Balance	Reconciled Balance
Wells Fargo Bank NM	Operational	Checking	\$ 306,229	\$ 303,288
Wells Fargo Bank NM	Bond	Checking	<u>247,820</u>	<u>247,820</u>
Bank Total			<u>\$ 554,049</u>	<u>\$ 551,108</u>

The accompanying notes are an integral part of these statements.



JOHNSON, MILLER & CO.

Certified Public Accountants

A Professional Corporation

An Independent Member Of BDO Seidman Alliance

Hobbs, New Mexico

Midland, Texas

Odessa, Texas

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

Mr. Hector H. Balderas
New Mexico State Auditor
Eunice Special Hospital District Officials
Eunice, New Mexico

We have audited the basic financial statements of Eunice Special Hospital District (the District) as of and for the year ended June 30, 2008 as listed in the table of contents, and have issued our report thereon dated October 10, 2008. We also have audited the budgetary comparison statement presented as supplemental information as of and for the year ended June 30, 2008, as listed in the table of contents. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District'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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 District'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 District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting (07-1, 07-4, and 08-1 through 08-5).

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 District's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies listed above, we consider item 08-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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*.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, the State Auditor, the New Mexico Legislature, and is not intended to be and should not be used by anyone other than these specified parties.

Johnson, Miller & Co.

Hobbs, New Mexico
October 10, 2008

EUNICE SPECIAL HOSPITAL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2008

SCHEDULE REFERENCE NUMBER: 07-1

Bank Reconciliation

Condition:

The District's original bank reconciliation was improperly prepared and attempted to reconcile the cash account at July 17, 2008 rather than June 30, 2008. The clients subsequently prepared reconciliation was also incorrect in that it included improper reconciling items.

Criteria:

Monthly reconciliations are needed to provide control over cash accounts.

Effect:

The District would not be able to identify a material misstatement to cash in a timely manner.

Cause:

The Clinic Manager does not prepare reconciliations. An external bookkeeper prepared a bank reconciliation for July 17, 2008 instead of June 30, 2008. The reconciliation prepared at June 30, 2008 was inaccurate and had to be corrected during the audit.

Recommendation:

At a minimal cost, an accurate bank reconciliation should be prepared monthly resulting in improved control over cash.

Management Response:

Manager agrees that monthly bank statements need to be reconciled internally. As the new Clinic Manager, I discovered at the very end of the fiscal year that bank statements were not reconciled properly and had to seek assistance from our bookkeeper.

EUNICE SPECIAL HOSPITAL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2008

SCHEDULE REFERENCE NUMBER: 07-4

Preparation of Financial Statements

Condition:

The financial statements and related disclosures are not being prepared by the District.

Criteria:

Per SAS 112, the District's system of internal control should include controls over financial statement preparation, including footnote

Effect:

Insufficient controls over the preparation of financial statements and related disclosures limits the District's ability to prevent or detect a misstatement in its financial statements.

Cause:

The District does not have the personnel or time to prepare the financial statements and related disclosures.

Recommendation:

We recommend the District's management and personnel receive training on financial reporting.

Management Response:

Manager agrees that proper training is needed to ensure accurate financial reporting.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2008

SCHEDULE REFERENCE NUMBER: 08-1

Accounting Records

Condition:

Accounts receivable, accounts payable, revenue, and expenses were materially misstated when presented to the auditors.

Criteria:

Accounting records should provide an accurate record of transactions and conditions affecting the entity.

Effect:

Material misstatements were discovered in the accounting records.

Cause:

The former Clinic Manager did not use QuickBooks properly and current management is inexperienced with accounting and QuickBooks. An improper reconciling item was recorded as a payable. Receivables were not properly stated.

Recommendation:

Obtain training and/or assistance for management on accounting principles and QuickBooks and develop procedures to ensure proper recording of transactions.

Management Response:

As the new Clinic Manager, I took over a bookkeeping system that was not used properly, therefore I was unable to report accurate revenues, expenses, and payables because the books have not been correct for the past few years. The Board of Trustees as well as myself are working on training so we can convert to new software so we will be able to report information accurately for the future.

EUNICE SPECIAL HOSPITAL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2008

SCHEDULE REFERENCE NUMBER: 08-2

Timely Deposits

Condition:

During investigation of allegations against the former Clinic Manager by the District's Board, four deposit slips were found that were written three to four months before being deposited. A deposit slip written on August 25, 2007, with a total of \$579, of which \$414 was in cash, cleared the bank on December 11, 2007. A deposit slip written on January 17, 2008, with a total of \$414, all in cash, cleared the bank on April 21, 2008. A deposit slip written on January 24, 2008, with a total of \$434.38, of which \$151.63 was in cash, cleared the bank on April 21, 2008. A deposit slip written on January 25, 2008, with a total of \$489.69, of which \$116.00 was in cash, cleared the bank on April 21, 2008.

Criteria:

Per section 6-10-3 NMSA 1978, it is required that a local public body deposit all cash receipts within a 24-hour period after such deposits have been received by the local public body.

Effect:

The District is in violation of the related laws and regulations. As the District was unable to make the deposit in a timely manner, the cash receipts could be misplaced or stolen without proper internal controls over such cash receipts.

Cause:

The District indicated the former Clinic Manager utilized the cash and later deposited the funds.

Recommendation:

The District needs to ensure all deposits are made in a timely manner.

Management Response:

I have incorporated a checks and balance system to ensure that all deposits are made daily and that two signatures are required by employees.

EUNICE SPECIAL HOSPITAL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2008

SCHEDULE REFERENCE NUMBER: 08-3

Budget Over-expended

Condition:	Actual expenditures exceeded budgeted expenditures by \$49,129.
Criteria:	As Per the Section 6-6-6 NMSA 1978, when any budget for a local body public body has been approved and received by a local public body, it is binding upon all officials and governing authorities, and no governing authority or official shall allow or approve claims in excess thereof.
Effect:	The District is not in compliance with Section 6-6-6 NMSA 1978.
Cause:	Clerical error caused the wrong budget to be approved by the Board of Trustees and the State of New Mexico.
Recommendation:	The District should carefully review budgets before requesting State of New Mexico approval.
Management Response:	As the new manager, I can prevent any future errors to the budget. This budget was created by the previous manager.

EUNICE SPECIAL HOSPITAL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2008

SCHEDULE REFERENCE NUMBER: 08-4

Disposition of Assets

Condition:

The disposition of three computers was not reported to the State Auditor at least 30 days before the date of disposition. Also the hard drive erasure certification was not performed for the three computers.

Criteria:

Under State Audit Rule 2.2.2.10V, at least thirty days prior to any disposition of property on the agency inventory list, written notification of the official finding and proposed disposition duly sworn and subscribed under oath by each member of the authority approving the action must be sent to the State Auditor. Also, in the event a computer is included in the planned disposition, hard drive erasure certification is required.

Effect:

The District is not in compliance with State Audit Rule 2.2.2.10V.

Cause:

The District did not notify the State Auditor of the disposal of assets nor were the computers certified.

Recommendation:

The Clinic should take the appropriate required measures in the State Audit Rule 2.2.2.10V when disposing of property.

Management Response:

The District was unaware of the missing equipment. It was discovered by management during inventory inspection. These missing computers were sold by the previous manager with no notification or documentation of the incident.

EUNICE SPECIAL HOSPITAL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2008

SCHEDULE REFERENCE NUMBER: 08-5

Accounts Receivable

Condition:	Accounts receivable include approximately \$114,000 of receivables which are fully reserved for uncollectibility over one year old that do not appear to be collectible.
Criteria:	Accounts receivable should represent valid, collectible claims of the District for services rendered.
Effect:	While there is no effect on total net assets or the change in net assets, both accounts receivable and the allowance for uncollectible accounts are overstated.
Cause:	Procedures for reviewing receivables for collectibility are not being performed.
Recommendation:	The District should review receivables for collectibility periodically and ensure that procedures for writing off receivables when payment is not expected.
Management Response:	The Board of Trustees are working with the accounting department to clean up old receivables (outstanding) to help have an accurate receivables account to incorporate with the new accounting software to help report an accurate profit and loss.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF CURRENT YEAR FINDINGS

June 30, 2008

FINANCIAL STATEMENT PRESENTATION

The financial statements of the Eunice Special Hospital District were prepared from the original books and records provided by the management of this entity by Johnson Miller & Co., CPA's. Management is responsible for the contents of the report, even though the auditor prepared the financial statements. See the related finding at 07-4 on page 29.

EUNICE SPECIAL HOSPITAL DISTRICT

SCHEDULE OF STATUS OF PRIOR FINDINGS

07-1

The bank statement closing date has been changed to the end of the month, beginning with the May bank statement. However, the District did not prepare a bank reconciliation for June 30, 2008 but for July 18, 2008. This reconciliation had the same improper reconciling item as in the prior year. A new reconciliation was performed at June 30, 2008; however, the improper reconciling item was again included. The new Clinic Manager has not received training in bookkeeping or accounting.

Modified and repeated at 07-1

07-2

The bank card is no longer used, as of April 2008. In addition, we selected 2 bank card transactions for review during internal controls testwork at w/p series XVI and noted no problems with the recording of transactions.

Finding resolved and not repeated in current year.

07-3

Copies of all required filings have been kept.

Finding resolved and not repeated in current year.

07-4

The District's accounting personnel do not have the requisite knowledge or experience to draft the financial statements. The District's internal controls do not include controls over the preparation of financial statements. In addition, the accounting records were materially misstated when they were provided to the auditors. The current Clinic Manager has not received any training in bookkeeping or accounting.

Repeated at 07-4.

EUNICE SPECIAL HOSPITAL DISTRICT

OTHER DISCLOSURES

For the year ended June 30, 2008

EXIT CONFERENCE

An exit conference was conducted on October 15, 2008 in which the contents of this report were discussed. The following persons were in attendance:

Meagan Powell	Clinic Manager
Maurice Hughes	Board Member
Mary Hinds, CPA	Audit Manager