

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
PORTALES, NEW MEXICO



AUDITED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL INFORMATION

YEARS ENDED JUNE 30, 2008 and 2007

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
PORTALES, NEW MEXICO  
June 30, 2008

**TABLE OF CONTENTS**

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Official Roster	ii
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report	1
Basic Financial Statements:	
Balance Sheets	3
Statements of Revenue, Expenses and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6
<b>SUPPLEMENTAL INFORMATION</b>	
Statement of Budgetary Comparison – (GAAP) Budgetary Basis and Actual	20
<b>SUPPORTING SCHEDULES</b>	
Schedule of Collateral Pledged by Depository	21
Schedule of Deposits and Temporary Investments by Depository for Public Funds - 2008	22
Schedule of Deposits and Temporary Investments by Depository for Public Funds - 2007	23
Schedule of Net Patient Service Revenue - 2008	24
Schedule of Net Patient Service Revenue - 2007	26
Schedule of Other Operating Revenue	28
Schedule of Operating Expenses – 2008	29
Schedule of Operating Expenses – 2007	31
Revenues and Expenses by Division – 2008	33
Revenues and Expenses by Division – 2007	34
<b>COMPLIANCE</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35
Schedule of Findings and Responses - Prior Year	37
Schedule of Findings and Responses - Current Year	38
Exit Conference	42
Communication with Those Charged with Governance	43

## **INTRODUCTORY SECTION**

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
dba ROOSEVELT GENERAL HOSPITAL  
PORTALES, NEW MEXICO

OFFICIAL ROSTER  
JUNE 30, 2008

Name

Title

Board of Directors

Terry Cone	President
Darwin Chenault	Secretary/Treasurer
Fred Anthony	Director
Peggy Davis	Director
Lydia Ornelas	Director

Hospital Officials

James D'Agostino	Chief Executive Officer
Eva Stevens	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 Chairman and Board of Directors  
Roosevelt County Special Hospital District  
Portales, New Mexico

We have audited the accompanying financial statements of the business-type activities of the Roosevelt County Special Hospital District (the Hospital) as of and for the years ended June 30, 2008 and 2007, which collectively comprise the Hospital's basic financial statements as listed in the table of contents. We have also audited the statement of budgetary comparison presented as supplemental information as noted in the table of contents. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express opinions on these financial statements based on our audit.

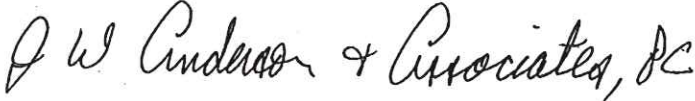
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 audits provide 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 Roosevelt County Special Hospital District as of June 30, 2008 and 2007 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 statement of budgetary comparison referred to above presents fairly, in all materials respects, the budgetary comparison of Roosevelt County Special Hospital District 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 a report dated October 14, 2008 on our consideration of Roosevelt County Special Hospital District'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 Hospital 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.

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

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

JW Anderson & Associates, PC  
Certified Public Accountants  
Lubbock, Texas  
October 14, 2008

## **BASIC FINANCIAL STATEMENTS**



ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
 STATEMENTS OF NET ASSETS  
 June 30, 2008 and 2007

<b>ASSETS</b>	<b>2008</b>	<b>2007</b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 65,220	\$ 307,672
Patients Accounts Receivable, Net of Allowance for Doubtful Accounts (2008 - \$2,036,609; 2007 - \$1,706,154)	2,201,816	2,026,529
Gross Receipts Taxes Receivable	229,984	240,581
Due from State of New Mexico	-	233,115
Physicians Receivable	24,794	21,604
Grants Receivable	-	20,000
Other Receivables	629	353,917
Inventory	470,419	460,206
Prepaid Expenses	66,500	19,905
Current Portion of Debt Issuance Costs	7,922	7,922
<b>Total Current Assets</b>	<u>3,067,284</u>	<u>3,691,451</u>
<b>NONCURRENT ASSETS</b>		
Cash and Investments Held by Trustee for Debt Service	1,270,539	2,585,781
Cash Restricted by Bond Indenture for Debt Service	787,853	717,378
Capital Assets, Net	7,661,206	7,532,522
Debt Issuance Costs, Net of Current Portion and Accumulated Amortization (2008 - \$61,831, 2007 - \$53,910)	75,192	83,113
<b>Total Noncurrent Assets</b>	<u>9,794,790</u>	<u>10,918,794</u>
<b>TOTAL ASSETS</b>	<u>\$ 12,862,074</u>	<u>\$ 14,610,245</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 1,721,179	\$ 1,640,618
Accrued Salaries	219,927	153,605
Accrued Payroll Taxes and Benefits	142,577	131,365
Accrued Interest	22,318	25,402
Physician and Clinic Payable	14,401	168,969
Due To Health Insurance Programs	204,720	370,499
Current Portion of Compensated Absences	48,729	30,092
Current Portion of Long-Term Debt and Capital Leases	761,517	665,378
<b>Total Current Liabilities</b>	<u>3,135,368</u>	<u>3,185,928</u>
<b>NONCURRENT LIABILITIES</b>		
Long-Term Debt and Capital Leases, Net of Current Portion	6,307,384	6,618,901
Compensated Absences, Net of Current Portion	324,282	325,285
<b>Total NonCurrent Liabilities</b>	<u>6,631,666</u>	<u>6,944,186</u>
<b>Total Liabilities</b>	<u>9,767,034</u>	<u>10,130,114</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	592,305	248,243
Restricted Net Assets	2,049,470	2,670,958
Unrestricted	453,265	1,560,930
<b>Total Net Assets</b>	<u>3,095,040</u>	<u>4,480,131</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 12,862,074</u>	<u>\$ 14,610,245</u>

See accompanying notes and independent auditors' report.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 Years Ended June 30, 2008 and 2007

	2008	2007
<b>OPERATING REVENUES</b>		
Net Patient Service Revenue	\$ 15,560,194	\$ 15,091,687
Other Operating Revenue	<u>386,736</u>	<u>368,949</u>
<b>Total Operating Revenue</b>	15,946,930	15,460,636
<b>OPERATING EXPENSES</b>		
Salaries and Wages	8,484,873	7,449,756
Employee Benefits	1,465,008	1,257,701
Professional Fees and Purchased Services	3,470,908	2,697,041
Medical, Office and Other Supplies	2,993,722	2,980,763
Equipment Leases and Other Rentals	691,302	456,824
Utilities, Repairs & Maintenance	452,745	385,090
Education, Travel, Dues and Subscriptions	127,603	107,046
Other Expenses	174,601	154,512
Amortization of Debt Issuance Costs	7,922	7,922
Depreciation	<u>848,504</u>	<u>800,894</u>
<b>Total Operating Expenses</b>	<u>18,717,188</u>	<u>16,297,549</u>
<b>Operating Loss</b>	(2,770,258)	(836,913)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Gross Receipts Taxes	1,290,310	1,264,889
Interest Income	139,730	199,786
Interest Expense	(304,680)	(301,122)
Non-Capital Grants and Contributions	<u>150,770</u>	<u>20,050</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<u>1,276,130</u>	<u>1,183,603</u>
<b>Income (Loss) Before Capital Grants and Contributions</b>	(1,494,128)	346,690
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>		
	<u>109,037</u>	<u>335,197</u>
<b>(Decrease) Increase in Net Assets</b>	(1,385,091)	681,887
<b>Net Assets at Beginning of Year</b>	<u>4,480,131</u>	<u>3,798,244</u>
<b>Net Assets at End of Year</b>	<u>\$ 3,095,040</u>	<u>\$ 4,480,131</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
 STATEMENTS OF CASH FLOWS  
 Years Ended September 30, 2008 and 2007

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts From and On Behalf of Patients	\$ 15,452,232	\$ 14,960,203
Payments to Suppliers and Contractors	(7,850,347)	(6,125,308)
Payments to and Benefits Paid on Behalf of Employees	(9,854,713)	(8,632,001)
Other Receipts and Payments, Net	<u>545,496</u>	<u>(174,505)</u>
<b>Net Cash Provided (Used) By Operating Activities</b>	<b>(1,707,332)</b>	<b>28,389</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Non-Capital Grants and Contributions	<u>170,770</u>	<u>50</u>
<b>Net Cash Provided By Non-Capital Financing Activities</b>	<b>170,770</b>	<b>50</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Capital Grants and Contributions	109,037	335,197
Proceeds from Long-Term Debt	458,682	-
Principal Paid on Long-Term Debt and Capital Leases	(674,060)	(592,560)
Interest Paid on Long-Term Debt and Capital Leases	(307,765)	(300,371)
Dedicated Gross Receipts Taxes for Long Term Debt	<u>1,300,907</u>	<u>1,204,142</u>
<b>Net Cash Provided By Capital Financing Activities</b>	<b>886,801</b>	<b>646,408</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Capital Assets	(977,188)	(389,643)
Interest Income	<u>139,730</u>	<u>199,786</u>
<b>Net Cash (Used) Provided By Investing Activities</b>	<b>(837,458)</b>	<b>(189,857)</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(1,487,219)</b>	<b>484,990</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b><u>3,610,831</u></b>	<b><u>3,125,841</u></b>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$ 2,123,612</u></b>	<b><u>\$ 3,610,831</u></b>
<b>Reconciliation of Operating Loss to Net Cash Flows Provided (Used) by Operating Activities</b>		
Operating Loss	\$ (2,770,258)	\$ (836,913)
<b>Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities</b>		
Depreciation and Amortization	856,426	808,816
<b>Changes in Current Assets and Liabilities</b>		
Patients Accounts Receivable	(175,287)	(334,880)
Due from State of New Mexico	233,115	18,401
Physician Receivables	(3,190)	(3,372)
Other Receivables	353,288	(353,917)
Inventory	(10,213)	(84,557)
Prepaid Expenses	(46,595)	8,308
Accounts Payable	80,561	389,695
Accrued Salaries Payable	66,322	32,556
Accrued Payroll Taxes and Benefits	11,212	3,224
Compensated Absences	17,634	39,677
Physician and Clinic Payable	(154,568)	156,353
Due to Health Insurance Programs	<u>(165,779)</u>	<u>184,998</u>
<b>Net Cash Provided (Used) By Operating Activities</b>	<b><u>\$ (1,707,332)</u></b>	<b><u>\$ 28,389</u></b>
<b>Reconciliation of Cash and Cash Equivalents to Statement of Net Assets</b>		
Unrestricted Cash and Cash Equivalents	\$ 65,220	\$ 307,672
Restricted Cash Accounts	<u>2,058,392</u>	<u>3,303,159</u>
<b>Total Cash and Cash Equivalents</b>	<b><u>\$ 2,123,612</u></b>	<b><u>\$ 3,610,831</u></b>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2008 and 2007

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

**Organization** - Roosevelt County Special Hospital District (the Hospital), was organized as a special hospital district 1999, and consists of a five member board of directors. Construction of the Hospital and Medical Office Building (MOB) began in April, 2000, and the Hospital began to serve the community with outpatient and inpatient services in June and July of 2001, respectively. The Hospital is a 22-bed acute care facility with Level IV trauma designation.

A 5-year management agreement between the Hospital and Covenant Health Systems (Covenant) was re-established in October, 2003 to provide management services for the Hospital. The Hospital reimburses Covenant for the administrator's salary, including but not limited to social security payments, retirement benefits, and other benefits accruing to executive-level employees of Covenant. The agreement may be terminated by either party upon 30 days written notice.

**Financial Reporting Entity** - The accompanying financial statements present the Roosevelt County Special Hospital District. The District has no other assets, liabilities, revenues or expenses other than those of the Hospital. The Hospital and District itself, is not a component unit of another governmental entity and 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 Hospital'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 Hospital 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 Hospital is classified as a special purpose government and is required to meet the requirements for being reported under criteria prescribed by GASB 34.

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 Hospital has elected to implement FASB Statements and Interpretations issued after November 30, 1989 which do not conflict or contradict GASB applications.

The accounting and financial reporting treatment applied to the Hospital is determined by its measurement focus. The Hospital'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.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 Years Ended June 30, 2008 and 2007

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

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

**Deposits and Investments** - The Hospital'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 Hospital to invest in Certificates of Deposit, direct obligations of the U.S. Government, and the New Mexico State Treasurer's Investment Pool and New Mexico Finance Authority. Cash and temporary investments for the Hospital 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.

**Use of Restricted Cash** - When the Hospital incurs an expense for which it may use either restricted or unrestricted assets, it is the Hospital's policy to use the restricted resources before using unrestricted resources.

**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 gross receipts 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 Hospital 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 Hospital paid \$307,765 and \$300,372 in interest expense for the years ended June 30, 2008 and 2007, respectively.

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

Assets	Years
Leasehold Improvements	20-40
Medical, Office and Maintenance Equipment	5 – 10

**Grants and Contributions** - The Hospital receives grants as well as contributions in the course of operations from various sources. Revenues from grants and contributions (including contributions for 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.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Years Ended June 30, 2008 and 2007

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

**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.

**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.

**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.

**Charity Care** - The Hospital provides care to patients who meet certain criteria under its indigent and charity care policy without charge or at amounts less than its established rates. Through an agreement with Roosevelt County, the Hospital provides the necessary care for the indigent of Roosevelt County. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charity care provided by the Hospital's policy amounted to approximately \$501,885 and \$395,087 for June 30, 2008 and 2007, respectively.

**Local Tax and Other County Support** - The Hospital receives the proceeds of a ½ cent Local Hospital Gross Receipts Tax imposed by Roosevelt County pursuant to New Laws 1997, Chapter 54, Section 2, Section 7-20C-3.A(3), and County Ordinance 99-5, and distributed pursuant to Sections 7-20C-6, 7-1-6.1 and 7-1-6.3, NMSA 1978. The funds are received monthly from the State of New Mexico Taxation and Revenue Department (TRD) either through intercept payments applied directly to the bond funded and cash loans received by the Hospital from the New Mexico Finance Authority or directly to the Hospital via electronic transfer. Funds received directly from TRD are deposited into a debt service account for the payment of principal and interest on the Hospital Gross Receipts Tax Subordinate Lien Revenue Bonds, Series 2000 through 2006, secured through agreements with the Roosevelt County Rural Electric Cooperative and the Roosevelt County Rural Telephone Cooperative, as required by the bond indentures. These amounts are included in the gross receipts tax revenue in the Statement of Revenues, Expenses and Changes in Net Assets, and are recorded as revenue when the underlying exchange has taken place, regardless if the Hospital has actually received the funds. The ½ cent gross receipt tax is set to expire in June 2019.

**Risk Management** - The Hospital 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.

**Inventory** - Inventory is generally stated at cost on the first-in, first-out method.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Years Ended June 30, 2008 and 2007

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

**Accounting Pronouncements** - Effective July 1, 2003, the Hospital 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 required changes in the financial reporting model used by the Hospital. These changes include the presentation of a statement of cash flows prepared using the direct method of cash flow reporting, the classification of the Hospital'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 Hospital'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 Hospital, certain note disclosures have been added and/or amended.

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

**Excess of Expenditures Over Appropriations** – For the year ended June 30, 2008, the Hospital's operating fund exceeded budgetary authority in total at the fund level by \$231,093. The Hospital exceeded budgetary authority by \$10,771 for the fiscal year ended June 30, 2007.

**Deficit Fund Net Assets** – For the years ended June 30, 2008 and 2007, respectively, the Hospital's operating fund reported positive fund net assets.

**Budgetary Information** – The Chief Financial Officer annually prepares an accrual-basis operating fiscal year budget for approval by the Board of Directors and tentative approval from the New Mexico Department of Finance Administration's Local Government Division (LGD) by June 1<sup>st</sup> for the upcoming fiscal year starting July 1<sup>st</sup>. Final approval is provided by LGD after the previous fiscal year fund balance/net assets are known. Expenditures cannot legally exceed the total budget. The Hospital is required to obtain Board and LGD approval for any revisions that alter the total expenditures, whereas line item transfers which do not affect the total amount of budgeted expenditures do not need LGD approval. The Hospital is required to submit quarterly budget to actual reconciliations to LGD, as well as the final budget to actual reconciliation as of the end of the fiscal year. For the fiscal year 2007, the Hospital was not in compliance with these requirements. The Hospital was in compliance for the 2008 fiscal year.

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

The Hospital 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 Hospital'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, 2008

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Years Ended June 30, 2008 and 2007

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

Services rendered to Medicaid program beneficiaries are reimbursed under the greater of a prospective system or cost reimbursement. The Hospital 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 Hospital has agreements with third-party payors that provide for payments to the Hospital 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 – DEPOSITS AND INVESTMENTS**

State statutes authorize the investment of Hospital 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 Hospital properly followed State deposit and investment requirements as of June 30, 2008 and 2007, 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 Hospital. 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.

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 is set by the State Board of Finance, but the rate of interest will not 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 and investments may not be returned to it. The Hospital does not have a formal deposit policy for custodial credit risk other than following state statutes. The Hospital 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 Hospital for at least 50% of the amount on deposit with the institution, and 102% for amounts invested in repurchase agreements with the institution.

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.

The schedules listed below disclose requirements on reporting the insured and uninsured portions of the Hospital's deposits regarding custodial credit risk.



ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Years Ended June 30, 2008 and 2007

**NOTE D – DEPOSITS AND INVESTMENTS – Continued**

As of June 30, 2008, the Hospital has a cash collateralization and investment balances as follows.

Year Ended June 30, 2008	Portales National Bank	Wells Fargo Bank	New Mexico Finance Authority	Bank of Albuquerque	Total
Total Deposits and Investments	\$ 842,729	\$ 67,978	\$ 582,814	\$ -	\$ 1,493,521
AP Institutional US Treasury Fund #52 Held by the Trustee in Hospital's Name	-	-	-	221,087	221,087
Securities Underlying a Repurchase Agreement Held by the Investment Trustee's Counterparty in the Hospital's Name	-	-	-	529,892	529,892
FDIC Coverage	<u>(100,000)</u>	<u>(67,978)</u>	<u>-</u>	<u>-</u>	<u>(167,978)</u>
Uninsured Funds Subject to Custodial Credit Risk	742,729	-	582,814	750,979	2,076,522
Collateralized by Securities Held by the Pledging Institution or By Its Trust Department Or Agent In the Hospital's Name	<u>(1,315,942)</u>	<u>-</u>	<u>-</u>	<u>(772,175)</u>	<u>(2,088,117)</u>
Funds (Over) Under Collateralized - Total Funds Subject to Custodial Credit Risk	<u>\$ (573,213)</u>	<u>\$ -</u>	<u>\$ 582,814</u>	<u>\$ (21,196)</u>	<u>\$ (11,595)</u>
Year Ended June 30, 2008	Portales National Bank	Wells Fargo Bank	New Mexico Finance Authority	Bank of Albuquerque	Total
Collateral Requirements:					
50% of Uninsured Funds	\$ 421,364	\$ -	\$ -	\$ -	\$ 421,364
102% of Repurchase Agreement Uninsured Funds	-	-	-	540,490	540,490
Pledged Securities	<u>(1,315,942)</u>	<u>-</u>	<u>-</u>	<u>(551,088)</u>	<u>(1,867,030)</u>
(Over) Under Collateralized	<u>\$ (894,578)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,598)</u>	<u>\$ (905,176)</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Years Ended June 30, 2008 and 2007

**NOTE D – DEPOSITS AND INVESTMENTS – Continued**

As of June 30, 2007, the Hospital has a cash collateralization and investment balances as follows

Year Ended June 30, 2007	Portales National Bank	Wells Fargo Bank	New Mexico Finance Authority	Bank of Albuquerque	Total
Total Deposits and Investments	\$ 2,462,717	\$ 67,978	\$ 519,248	\$ -	\$ 3,049,943
AP Institutional US Treasury Fund #52 Held by the Trustee in Hospital's Name	-	-	-	214,385	214,385
Securities Underlying a Repurchase Agreement Held by the Investment Trustee's Counterparty in the Hospital's Name	-	-	-	529,892	529,892
FDIC Coverage	<u>(100,000)</u>	<u>(67,978)</u>	<u>-</u>	<u>-</u>	<u>(167,978)</u>
Uninsured Funds Subject to Custodial Credit Risk	2,362,717	-	519,248	744,277	3,626,242
Collateralized by Securities Held by the Pledging Institution or By Its Trust Department Or Agent In the Hospital's Name	<u>2,390,935</u>	<u>-</u>	<u>-</u>	<u>765,474</u>	<u>3,156,409</u>
Funds (Over) Under Collateralized - Total Funds Subject to Custodial Credit Risk	<u>\$ (28,218)</u>	<u>\$ -</u>	<u>\$ 519,248</u>	<u>\$ (21,197)</u>	<u>\$ 469,833</u>

Year Ended June 30, 2007	Portales National Bank	Wells Fargo Bank	New Mexico Finance Authority	Bank of Albuquerque	Total
Collateral Requirements:					
50% of Uninsured Funds	\$ 1,181,359	\$ -	\$ -	\$ -	\$ 1,181,359
102% of Repurchase Agreement Uninsured Funds	-	-	-	540,490	540,490
Pledged Securities	<u>(2,390,935)</u>	<u>-</u>	<u>-</u>	<u>(551,088)</u>	<u>(2,942,023)</u>
(Over) Under Collateralized	<u>\$(1,209,576)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,598)</u>	<u>\$ (1,220,174)</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 Years Ended June 30, 2008 and 2007

**NOTE D – DEPOSITS AND INVESTMENTS – Continued**

**Interest Rate Risk** - Interest rate risk is the risk that the change in interest rates will adversely affect the fair value of the investments. The Hospital does not have a formal policy to manage its exposure to interest rate risk. The AP Institutional US Treasury Fund #52 has a Moody’s AAAM rating with a Weighted Average Maturity (WAM) of 5 days as of June 30, 2008 and 2007. The Bank of Albuquerque’s repurchase agreement with Bank of America has no rating as of June 30, 2008 and 2007, and has a WAM of 27 days. The fair value of the repurchase agreement investment is \$529,892 as of June 30, 2008 and 2007, respectively.

**New Mexico Finance Authority Investment** - The Hospital maintains investment funds on account with the New Mexico Finance Authority (NMFA), which in turn invests the funds in the State Treasurer. NMFA’s cash on deposit with the State Treasurer is invested by the State Treasurer in “overnight” repurchase programs. State statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50%. Repurchase agreements are collateralized at 102% by the NMFA’s internal policies. Funds held by the NMFA acting as trustee for the Hospital are invested in money market accounts that invest in United States Treasury obligations and/or repurchase agreements secured by U.S. Treasury obligations. Collateral, categories of risk, and market value of purchased investments reported on separate financial statements of the NMFA and State Treasurer may differ from the cash deposited with the NMFA by the Hospital.

**NOTE E – NET PATIENT RECEIVABLES**

Patient accounts receivables are reported as current assets by the Hospital at June 30, 2008 and 2007 and consist of the following amounts:

	2008	2007
Patient Receivables		
Hospital		
Private Insurance and Self Pay	\$ 3,136,583	\$ 2,579,388
Medicare	1,201,706	1,209,071
Medicaid	695,995	501,036
Internal Medicine	1,314,138	250,361
Rural Health Clinic	<u>42,743</u>	<u>671,261</u>
Gross Receivables	6,391,165	5,211,117
Less: Allowance for Doubtful Accounts	(2,036,609)	(1,706,154)
Less: Allowance for Contractuals	<u>(2,152,740)</u>	<u>(1,478,434)</u>
Net Patient Receivables	<u>\$ 2,201,816</u>	<u>\$ 2,026,529</u>

The Hospital establishes the allowance for doubtful accounts based on management’s estimate of individual account creditworthiness and likelihood of delinquent collections as of June 30, 2008 and 2007, respectively.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 Years Ended June 30, 2008 and 2007

**NOTE E – NET PATIENT RECEIVABLES - Continued**

**Concentration of Credit Risk** - The Hospital, Internal Medicine and Rural Health 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 Hospital patients and third-party payors are below.

	<u>2008</u>	<u>2007</u>
Private Insurance and Self Pay	60%	60%
Medicare	22	28
Medicaid	18	12
	<u>100%</u>	<u>100%</u>

**NOTE F – CAPITAL ASSETS**

Capital asset activity consists of the following at June 30, 2008 and 2007:

	Balance 06/30/06	Increases	Decreases	Balance 06/30/07	Increases	Decreases	Balance 06/30/08
<i>Non-depreciable assets:</i>							
Land	\$ 538,356	\$ -	\$ -	\$ 538,356	\$ -	\$ -	\$ 538,356
<i>Depreciable Assets:</i>							
Land Improvements	298,075	-	-	298,075	65,000	-	363,075
Building and Improvements	5,625,098	265,928	-	5,891,026	203,552	-	6,094,578
Equipment	5,096,779	123,715	-	5,220,494	708,636	-	5,929,130
Capital Lease Equipment	<u>1,697,913</u>	-	-	<u>1,697,913</u>	-	-	<u>1,697,913</u>
Total Depreciable Assets	12,717,865	389,643	-	13,107,508	977,188	-	14,084,696
<i>Less Accumulated Depreciation:</i>							
Land Improvements	(126,759)	(26,202)	-	(152,961)	(35,953)	-	(188,914)
Buildings and Improvements	(1,119,849)	(260,180)	-	(1,380,029)	(269,519)	-	(1,649,548)
Equipment	(2,509,703)	(372,736)	-	(2,882,439)	(543,032)	-	(3,425,471)
Capital Lease Equipment	<u>(1,556,137)</u>	<u>(141,776)</u>	-	<u>(1,697,913)</u>	-	-	<u>(1,697,913)</u>
Total Accumulated Depreciation	<u>(5,312,448)</u>	<u>(800,894)</u>	-	<u>(6,113,342)</u>	<u>(848,504)</u>	-	<u>(6,961,846)</u>
Net Capital Assets	<u>\$ 7,943,773</u>	<u>\$(411,251)</u>	<u>\$ -</u>	<u>\$ 7,532,522</u>	<u>\$ 128,684</u>	<u>\$ -</u>	<u>\$ 7,661,206</u>

Depreciation, including capital lease amortization, was \$848,504 and \$800,894 for the years ended June 30, 2008 and 2007, respectively, of which \$0- and \$141,776 is attributed to the amortization of \$1,697,913 in assets acquired in capital leases. No additional assets were acquired by capital lease in the 2008 or 2007 fiscal years.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 Years Ended June 30, 2008 and 2007

**NOTE G – OTHER RECEIVABLES**

The Hospital recorded the following other receivables as of June 30, 2008 and 2007:

	2008	2007
Other Receivables:		
Due from Medicare	\$ -	\$ 170,919
Returned Checks	242	400
Employee Advances	387	-
Refund of Equipment Down Payment	<u>-</u>	<u>178,598</u>
Total Other Receivables	<u>\$ 629</u>	<u>\$ 353,917</u>

**NOTE H - LONG-TERM DEBT**

The Hospital's long term debt and capital lease obligation activity consists of the following for the fiscal years 2008 and 2007.

Bonds and Loans Payable	Balance 06/30/06	Increases	Decreases	Balance 06/30/07	Increases	Decreases	Balance 06/30/08
2006 Grant Bonds	\$ 300,000	\$ -	\$ 11,111	\$ 288,889	\$ -	\$ 33,333	\$ 255,556
2006 Loan Bonds	740,000	-	26,237	713,763	-	79,237	634,526
2006 Grant Bonds	60,000	-	2,224	57,776	-	5,529	52,247
2004 Grant Bonds	170,642	-	22,018	148,624	-	22,018	126,606
2004 Loan Bonds	35,203	-	3,816	31,387	-	4,010	27,377
2004 Grant Bonds	54,854	-	6,841	48,013	-	6,910	41,103
2004 Loan Bonds	54,854	-	6,841	48,013	-	6,910	41,103
2000 Grant Bonds	330,000	-	81,650	248,350	-	81,649	166,701
2000 Loan Bonds	450,000	-	110,204	339,796	-	110,206	229,590
2000 Co-op Contribution Bonds	71,955	-	16,666	55,289	-	17,518	37,771
NMFA Direct Loan #2	4,955,000	-	245,000	4,710,000	-	260,000	4,450,000
NMFA Direct Loan #1	631,328	-	36,949	594,379	-	38,058	556,321
GE Healthcare Financial Services	-	-	-	-	458,682	8,682	450,000
Capital Leases	<u>23,003</u>	<u>-</u>	<u>23,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,613,942</u>	<u>\$ -</u>	<u>\$ 592,560</u>	<u>\$ 7,284,279</u>	<u>\$ 458,682</u>	<u>\$ 674,060</u>	<u>\$ 7,068,901</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 Years Ended June 30, 2008 and 2007

**NOTE H - LONG-TERM DEBT - Continued**

Sections 7-20C-1 and 7-1-6.13 NMSA 1978 authorize the Hospital to issue revenue bonds and borrow funds from New Mexico Finance Authority (NMFA) and secure the bonds and loans with the gross receipts tax revenue and any resulting equipment purchased with the funds received from issuing the bonds.

Capital Lease Obligations were at varying rates of imputed interest from 4.86% to 9.71% collateralized by the related leased equipment with a cost of \$1,697,913 and \$1,697,913 as of June 30, 2008 and 2007, respectively.

Below are the terms, amounts due within one year, and maturity dates of the Hospital's outstanding long term debt.

Bond Name	Interest Rate	Payment Frequency	Payment Amount	Maturity Date	Due Within One Year	Security and Collateral
<i>Roosevelt County Special Hospital District Hospital Gross Receipts Tax Subordinate Lien Revenue Bonds:</i>						
Series 2006 Grant Bonds	0%	Monthly	\$ 2,778	02/28/2016	\$ 33,333	GRT and Equipment
Series 2006 Loan Bonds	1%	Monthly	7,168	02/28/2016	80,033	GRT and Equipment
Series 2006 Grant Bonds	5%	Monthly	691	01/28/2016	5,812	GRT and Equipment
Series 2004 Grant Bonds	0%	Monthly	1,835	03/15/2014	22,018	GRT and Equipment
Series 2004 Loan Bonds	5%	Monthly	457	03/15/2014	4,215	GRT and Equipment
Series 2004 Grant Bonds	1%	Monthly	613	03/15/2014	6,980	GRT and Equipment
Series 2004 Loan Bonds	1%	Monthly	613	03/15/2014	6,980	GRT and Equipment
Series 2000 Grant Bonds	0%	Monthly	6,804	06/15/2010	81,651	GRT and Equipment
Series 2000 Loan Bonds	0%	Monthly	9,184	06/15/2010	110,204	GRT and Equipment
Series 2000 Co-op Contribution Bonds	5%	Monthly	1,657	06/15/2010	18,414	GRT and Equipment
<i>New Mexico Finance Authority:</i>						
Direct Loan -#1	5%	Annual	Varies	05/01/2020	270,000	GRT and Equipment
Direct Loan - #2	5%	Annual	Varies	05/01/2020	39,200	GRT and Equipment
<i>Other Debt</i>						
GE Healthcare Financial Services	6.03%	Monthly	8,963	04/01/2013	<u>82,677</u>	Equipment
					Total	<u>\$ 665,378</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 Years Ended June 30, 2008 and 2007

**NOTE H - LONG-TERM DEBT - Continued**

Debt issuance costs of \$144,545 are being amortized over the life of the bonds. The annual amortization expense of \$7,922 for the fiscal years ended June 30, 2008 and 2007, resulting in an accumulated amortization of \$61,381 and \$53,910 as of June 30, 2008 and 2007, respectively.

The Hospital participates in an intercept agreement with NMFA through which a certain portion of the Hospital's monthly gross receipts tax (GRT) receipts are paid directly to the NMFA and held in escrow to fund the annual principal and semi-annual interest payments due to the state agency.

Scheduled principal and interest payments on the Hospital's long term debt are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	\$ 761,517	\$ 304,663	\$ 1,066,180
2010	785,217	281,815	1,067,032
2011	609,740	257,948	867,688
2012	620,712	233,159	853,871
2013	631,786	206,916	838,702
2014	556,908	182,894	739,802
2015	547,960	160,116	708,076
2016	527,316	143,390	670,706
2017	469,657	111,887	581,544
2018	491,146	86,206	577,352
2019	517,681	59,371	577,052
2020	<u>549,261</u>	<u>30,635</u>	<u>579,896</u>
Total	<u>\$ 7,068,901</u>	<u>\$ 2,059,000</u>	<u>\$ 9,127,901</u>

**NOTE I - 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, 2008 and 2007 is detailed below.

	Balance 06/30/06	Increases	Decreases	Balance 06/30/07	Increases	Decreases	Balance 06/30/08
Compensated Absences	<u>\$ 315,700</u>	<u>\$ 95,944</u>	<u>\$ 56,267</u>	<u>\$ 355,377</u>	<u>\$ 88,751</u>	<u>\$ 71,117</u>	<u>\$ 373,011</u>

The amount of compensated absences estimated to be due within one year is approximately \$48,729 and \$30,092, respectively.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 Years Ended June 30, 2008 and 2007

**NOTE J – RESTRICTED NET ASSETS**

Restricted but expendable net assets are available for the following purposes:

	2008	2007
Capital Acquisitions	\$ 515,394	\$ 726,185
Specific Program Expenditures	200,282	-
Debt Service	<u>1,333,794</u>	<u>1,944,773</u>
Total Restricted Net Assets	<u>\$ 2,049,470</u>	<u>\$ 2,670,958</u>

**NOTE K – EMPLOYEE RETIREMENT PLAN**

The Roosevelt General Hospital 403(b) Plan (the Plan) provides retirement and incidental benefits for its employees. Amendments to the plan can be initiated by the Hospital Board of Directors and must conform to the requirements of Section 403(b) of the Internal Revenue Code. The Plan is administered by Met Life's, formerly Travelers Life and Annuity Company, annuity services division. Eligible employees may contribute from 1% to 15% of their annual compensation to the plan, limited to a maximum annual amount as set by the Internal Revenue Service. The Hospital matches 50% of employee contributions when the employee elects to contribute between 2% and 5% of annual compensation. Employees are vested in the matching contributions at a rate of 50% after three years of employment, and 100% after 5 years of employment. Below are the elective contributions by the employees and Hospital for the most recent fiscal years.

Fiscal Year Ending June 30,	Employee	Hospital
2008	\$ 246,020	\$ 116,326
2007	177,283	91,988
2006	128,319	80,527
2005	113,670	55,183

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

**NOTE L – JOINT VENTURE**

The Hospital has formed Roosevelt County Imaging Center, LLC, a limited liability company, in conjunction with a Texas-based radiological association for the installation and operation of provider-based MRI services at the Hospital. According to the initial agreement, the Hospital was to provide 67% and the radiological association was to provide 33% of the capital contributions to the LLC for startup and asset acquisition costs. As of June 30, 2008, the Hospital has provided 100% of the capital toward leasing the new MRI machine and financing the construction and improvements to the radiology section of the Hospital containing the MRI machine. The MRI machine has been operational since December, 2007 and the Hospital has, as a result, incurred all the operational costs, as well as the billing and collections for the MRI services. The Hospital is to negotiate with the radiological association for the reimbursement of startup and operational costs incurred by the Hospital on behalf of the radiological association, however, a reasonable amount of reimbursement cannot be adequately estimated as of the fiscal year end.

The MRI machine is leased from GE Healthcare Financial Services in the Hospital's name. The operating lease terms of the lease is 60 payments of \$20,818 at 4.6% interest with end-of-lease options to either purchase the equipment at fair market value, re-lease the equipment at fair market value, or return the equipment.



ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 Years Ended June 30, 2008 and 2007

**NOTE L – JOINT VENTURE - Continued**

The Hospital has paid approximately \$71,418 in MRI operating lease expense for the fiscal year ended June 30, 2008 for the MRI machine. The minimum lease payments for the term of the operating lease are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	\$ 205,156	\$ 44,660	\$ 249,816
2010	214,795	35,021	249,816
2011	224,887	24,929	249,816
2012	235,452	14,364	249,816
2013	<u>183,821</u>	<u>3,541</u>	<u>187,362</u>
Total	<u>\$ 1,064,111</u>	<u>\$ 122,515</u>	<u>\$ 1,186,626</u>

**NOTE M – OPERATING LEASES**

The Hospital has entered into operating leases, which expire at various times, for Hospital and clinic equipment and clinic office space. The Hospital incurred lease expense of approximately \$399,564 and \$136,517 related to these leases for the fiscal year ended June 30, 2008 and 2007, respectively. Future minimum lease requirements for these leases are as follows:

Fiscal Year Ending June 30,	Amount
2009	\$ 591,698
2010	579,470
2011	418,022
2012	280,410
2013	<u>187,362</u>
Total	<u>\$ 2,056,962</u>

**NOTE N – CLINIC PURCHASE**

During the 2008 fiscal year, the Hospital completed the purchase of the practice of Eastern Medical Associates (EMA), and assumed the related assets, liabilities, operations and ongoing contractual obligations, such as operating leases, of the health clinic. The physicians associated with EMA contracted with the Hospital to remain on staff at the clinic.

**SUPPLEMENTAL INFORMATION**

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
STATEMENT OF BUDGETARY COMPARISON  
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>				
Net Patient Service Revenue	\$ 14,658,985	\$ 15,624,950	\$ 15,560,194	\$ (64,756)
Miscellaneous	291,368	380,698	386,736	6,038
<b>Total Operating Revenue</b>	<b>14,950,353</b>	<b>16,005,648</b>	<b>15,946,930</b>	<b>(58,718)</b>
<b>OPERATING EXPENSES</b>				
Salaries and Wages	8,106,579	8,484,873	8,484,873	-
Employee Benefits	1,261,205	1,463,353	1,465,008	(1,655)
Professional Fees and Purchased Services	1,716,497	3,064,372	3,470,908	(406,536)
Medical, Office and Other Supplies	2,877,546	2,873,456	2,993,722	(120,266)
Equipment Leases and Other Rentals	335,292	547,430	691,302	(143,872)
Utilities, Repairs & Maintenance	-	-	452,745	(452,745)
Education, Travel, Dues and Subscriptions	-	-	127,603	(127,603)
Other	1,214,508	1,193,095	174,601	1,018,494
Depreciation and Amortization	811,896	859,516	856,426	3,090
<b>Total Operating Expenses</b>	<b>16,323,523</b>	<b>18,486,095</b>	<b>18,717,188</b>	<b>(231,093)</b>
<b>Operating Loss</b>	<b>(1,373,170)</b>	<b>(2,480,447)</b>	<b>(2,770,258)</b>	<b>(289,811)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Gross Receipt Taxes	1,250,741	1,300,906	1,290,310	(10,596)
Interest Income	184,079	139,730	139,730	-
Interest Expense	(302,681)	(298,123)	(304,680)	(6,557)
Non-Capital Grants and Contributions	401,262	257,178	150,770	(106,408)
<b>Total NonOperating Revenues (Expenses)</b>	<b>1,533,401</b>	<b>1,399,691</b>	<b>1,276,130</b>	<b>(123,561)</b>
<b>Excess of Revenues Over Expenses Before Capital Grants and Contributions</b>	<b>160,231</b>	<b>(1,080,756)</b>	<b>(1,494,128)</b>	<b>(413,372)</b>
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>				
<b>Increase (Decrease) in Net Assets</b>	<b>160,231</b>	<b>(1,080,756)</b>	<b>(1,385,091)</b>	<b>(304,335)</b>
Net Assets at Beginning of Year	4,480,131	4,480,131	4,480,131	-
Net Assets at End of Year	\$ 4,640,362	\$ 3,399,375	\$ 3,095,040	\$ (304,335)

**SUPPORTING SCHEDULES**

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY  
FOR PUBLIC FUNDS  
Years Ending June 30, 2008 and 2007

Name of Depository	Pledged Collateral	Name and Location of Custodian	Fair Market Value June 30, 2008	Fair Market Value June 30, 2007
<b><u>Portales National Bank</u></b>				
	Eastern NM Univ NonCall Fr Matures 8/15/2008 CUSIP: 27678NAG8	Texas Independent Bankers Dallas, TX	\$ 250,485	\$ 247,793
	US Treasury Note Matures 10/31/2008 CUSIP: 912828FV7	Texas Independent Bankers Dallas, TX	504,922	499,023
	Grants Cibola Cnty SD NC Fr Matures 9/1/2010 CUSIP: 388240CA9	Texas Independent Bankers Dallas, TX	256,345	251,768
	Bernalillo SD Call Fr Matures 8/1/2011 CUSIP: 085279KR7	Texas Independent Bankers Dallas, TX	203,140	202,108
	FHLMC NonCall Fr Matures 11/15/2011 CUSIP: 3128X3569	Texas Independent Bankers Dallas, TX	101,050	96,582
	Portales Sales Tax Call Matures 6/1/2008 CUSIP: 736158BQ8	Texas Independent Bankers Dallas, TX	-	100,068
	FHLMC NonCall Fr Matures 6/15/2008 CUSIP: 3134A4VA9	Texas Independent Bankers Dallas, TX	-	493,281
	US Treasury Note Matures 6/30/2008 CUSIP: 912828FJ4	Texas Independent Bankers Dallas, TX	-	500,312
	Pledged to Meet 50% Collateral Requirements		1,315,942	2,390,935
<b><u>Bank of Albuquerque</u></b>				
	US Treasury Matures 01/15/2025 CUSIP: 912810FR4	FHLB Tulsa, OK	551,088	551,088
	Pledged to Meet 102% Collateral Requirements		551,088	551,088
	<b>Total Pledged Collateral</b>		<b>\$ 1,867,030</b>	<b>\$ 2,942,023</b>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
SCHEDULE OF DEPOSITS AND TEMPORARY INVESTMENTS  
BY DEPOSITORY FOR PUBLIC FUNDS  
Year Ending June 30, 2008

Account Description	Portales National Bank	Wells Fargo Bank	Bank of Albuquerque	New Mexico Finance Authority	Total
Equipment Fund - Checking	\$ -	\$ 67,978	\$ -	\$ -	67,978
Payroll Account - Checking	-	-	-	-	-
Operating Account - Checking	56,737	-	-	-	56,737
RGH Internal Medicine Group - Interest Checking	12,574	-	-	-	12,574
RGH Rural Health Clinics - Interest Checking	1,085	-	-	-	1,085
RGH - Gross Receipts Tax - Interest Checking	772,333	-	-	-	772,333
Total Deposits	<u>842,729</u>	<u>67,978</u>	<u>-</u>	<u>-</u>	<u>910,707</u>
Investment in -					
Gov't Money Market Account	-	-	205,039	-	205,039
Bank of Albuquerque Repo Account	-	-	545,940	-	545,940
State Treasurer - Debt Service Reserve	-	-	-	582,814	582,814
Total Investments	<u>-</u>	<u>-</u>	<u>750,979</u>	<u>582,814</u>	<u>1,333,793</u>
Reconciling Items	(121,588)	-	-	-	(121,588)
Carrying Value	<u>\$ 721,141</u>	<u>\$ 67,978</u>	<u>\$ 750,979</u>	<u>\$ 582,814</u>	2,122,912
Petty Cash					<u>700</u>
					<u>\$ 2,123,612</u>

Total Deposits and Investments - June 30, 2008

\$ 2,123,612

**Reconciliation to Balance Sheet:**

Cash and Cash Equivalents	\$ 65,220
Held by Trustee for Debt Service	1,270,539
Restricted by Bond Indenture for Debt Service	<u>787,853</u>
	<u>\$ 2,123,612</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
SCHEDULE OF DEPOSITS AND TEMPORARY INVESTMENTS  
BY DEPOSITORY FOR PUBLIC FUNDS  
Year Ending June 30, 2007

Account Description	Portales National Bank	Wells Fargo Bank	Bank of Albuquerque	New Mexico Finance Authority	Total
Equipment Fund - Checking	\$ -	\$ 67,978	\$ -	\$ -	67,978
Payroll Account - Checking	-	-	-	-	-
Operating Account - Checking	179,286	-	-	-	179,286
RGH Internal Medicine Group - Interest Checking	21,751	-	-	-	21,751
RGH Rural Health Clinic - Interest Checking	43,396	-	-	-	43,396
RGH - Gross Receipts Tax - Interest Checking	2,218,284	-	-	-	2,218,284
Total Deposits	<u>2,462,717</u>	<u>67,978</u>	<u>-</u>	<u>-</u>	<u>2,530,695</u>
Investment in -					
Gov't Money Market Account	-	-	214,385	-	214,385
Bank of Albuquerque Repo Account	-	-	529,892	-	529,892
State Treasurer - Debt Service Reserve	-	-	-	519,248	519,248
Total Investments	<u>-</u>	<u>-</u>	<u>744,277</u>	<u>519,248</u>	<u>1,263,525</u>
Reconciling Items	(183,889)	-	-	-	(183,889)
Carrying Value	<u>\$ 2,278,828</u>	<u>\$ 67,978</u>	<u>\$ 744,277</u>	<u>\$ 519,248</u>	3,610,331
Petty Cash					500
Total Deposits and Investments - June 30, 2007					<u>\$ 3,610,831</u>

**Reconciliation to Balance Sheet:**

Cash and Cash Equivalents	\$ 307,672
Held by Trustee for Debt Service	2,585,781
Restricted by Bond Indenture for Debt Service	717,378
	<u>\$ 3,610,831</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
SCHEDULE OF NET PATIENT REVENUES  
Year Ending June 30, 2008

	<u>Inpatient</u>	<u>Outpatient</u>	<u>Emergency Room</u>
Nursing	\$ 2,030,720	\$ -	\$ -
Emergency Room	242,927	26,934	1,207,120
Clinic	-	-	-
Anesthesia	146,151	3,020	-
Operating Room	736,902	11,311	6,335
Observation	(16,173)	-	-
Professional Fees	218,587	495	1,078,875
Nuclear Medicine	59,201	385,583	1,698
Bone Density	364	43,346	-
MRI	31,148	729,916	6,245
Clinic Xray	-	139,659	-
Ultrasound	50,398	322,364	51,533
CT Scan	748,538	1,115,575	976,408
Dietary	-	132	-
Central Supply	462,773	22,858	360,382
Laboratory	711,255	2,744,118	1,368,764
Mammography	-	101,687	-
Radiology	132,950	324,028	518,992
Cardiopulmonary	755,390	21,274	131,168
Physical Therapy	125,900	1,049,009	-
Speech Therapy	4,282	76,236	-
Cardiac Rehab	110	66,660	-
EKG	47,078	40,593	92,920
Pharmacy	981,670	109,524	766,600
Home Health	-	287,419	-
<b>Gross Patient Revenue</b>	<b>\$ 7,470,171</b>	<b>\$ 7,621,741</b>	<b>\$ 6,567,040</b>

**DEDUCTIONS FROM REVENUE**

- Charity Care
- Provision for Bad Debts
  - Hospital
  - Rural Health Clinic
- Third Party Contractual Allowances
  - Hospital
  - Rural Health Clinic

**Total Deductions From Revenue**

**Net Patient Service Revenue**



<u>Observation</u>	<u>Day Surgery</u>	<u>Clinic</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 2,030,720
31,517	1,959	-	1,510,457
-	-	4,559,718	4,559,718
21,168	472,907	-	643,246
167,197	3,124,209	-	4,045,954
140,420	-	-	124,247
32,632	2,079	-	1,332,668
1,698	6,793	-	454,973
-	-	-	43,710
1,759	-	-	769,068
-	-	-	139,659
3,075	1,105	-	428,475
46,259	8,695	-	2,895,475
-	-	-	132
29,669	23,379	-	899,061
55,266	40,973	-	4,920,376
-	819	-	102,506
14,087	3,459	-	993,516
23,167	2,351	-	933,350
2,237	-	-	1,177,146
-	-	-	80,518
-	-	-	66,770
6,106	4,214	-	190,911
9,544	101,048	-	1,968,386
-	-	-	287,419
<u>\$ 585,801</u>	<u>\$ 3,793,990</u>	<u>\$ 4,559,718</u>	30,598,461
			(501,885)
			(1,690,152)
			(378,444)
			(11,138,881)
			<u>(1,328,905)</u>
			<u>(15,038,267)</u>
			<u>\$ 15,560,194</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
 SCHEDULE OF NET PATIENT REVENUES  
 Year Ending June 30, 2007

	<u>Inpatient</u>	<u>Outpatient</u>	<u>Emergency Room</u>
Nursing	\$ 2,414,022	\$ -	\$ -
Emergency Room	188,741	57,957	1,042,197
Clinic	-	-	-
Anesthesia	118,996	671	-
Operating Room	536,822	4,285	19,372
Observation	(17,284)	-	-
Professional Fees	199,161	149	1,029,303
Nuclear Medicine	74,234	621,370	-
Bone Density	-	70,665	-
MRI	20,893	754,473	1,759
Clinic Xray	-	130,375	-
Ultrasound	204,726	216,491	45,276
CT Scan	564,045	1,306,876	946,292
Central Supply	457,694	38,791	322,038
Laboratory	684,340	3,397,464	1,250,643
Mammography	-	126,973	-
Radiology	147,999	394,281	537,067
Cardiopulmonary	892,290	32,708	135,306
Physical Therapy	188,941	1,063,680	-
Cardiac Rehab	1,460	90,200	-
EKG	57,104	57,271	105,986
Pharmacy	1,167,721	256,401	753,148
Home Health	-	240,744	-
<b>Gross Patient Revenue</b>	<b>\$ 7,901,905</b>	<b>\$ 8,861,825</b>	<b>\$ 6,188,387</b>

**DEDUCTIONS FROM REVENUE**

- Charity Care
- Provision for Bad Debts
  - Hospital
  - Rural Health Clinic
- Third Party Contractual Allowances
  - Hospital
  - Rural Health Clinic

**Total Deductions From Revenue**

**Net Patient Service Revenue**

<u>Observation</u>	<u>Day Surgery</u>	<u>Clinic</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 2,414,022
27,444	629	-	1,316,968
-	-	2,218,284	2,218,284
3,584	509,592	-	632,843
13,841	2,516,716	-	3,091,036
118,987	-	-	101,703
32,357	1,496	-	1,262,466
-	3,397	-	699,001
-	364	-	71,029
-	-	-	777,125
-	-	-	130,375
11,533	1,382	-	479,408
45,790	21,107	-	2,884,110
16,209	26,029	-	860,761
40,819	56,851	-	5,430,117
-	1,025	-	127,998
14,175	2,516	-	1,096,038
24,745	2,411	-	1,087,460
837	121	-	1,253,579
-	-	-	91,660
10,922	4,042	-	235,325
7,021	109,059	-	2,293,350
-	-	-	240,744
<u>\$ 368,264</u>	<u>\$ 3,256,737</u>	<u>\$ 2,218,284</u>	28,795,402
			(395,087)
			(1,596,635)
			(16,999)
			(11,154,566)
			<u>(540,428)</u>
			<u>(13,703,715)</u>
			<u>\$ 15,091,687</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
 OTHER OPERATING REVENUE  
 Years Ended June 30, 2008 and 2007

	2008	2007
<b>OTHER OPERATING REVENUE</b>		
Cafeteria	\$ 226,325	\$ 183,560
Rentals and Fees	24,000	82,195
SANE Program	115,126	80,781
Medical Records	7,889	6,290
Vending Machines	1,964	1,448
Other Income	11,432	14,675
	<u>\$ 386,736</u>	<u>\$ 368,949</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
SCHEDULE OF OPERATING EXPENSES  
Year Ending June 30, 2008

	<u>Salaries and Wages</u>	<u>Employee Benefits</u>	<u>Professional Fees and Purchased Services</u>
Nursing Administration	\$ 104,791	\$ -	\$ -
Nursing	1,266,834	-	37
Emergency Room/Trauma	861,901	-	843,269
SS/DP	53,390	-	-
Anesthesia	-	-	342,082
Operating Room	335,509	-	61,696
Infection Control	60,182	-	65
Education	62,196	-	-
Nuclear Medicine	83,976	-	22,196
SANE Program	138,895	-	458
MRI/CT	-	-	86,319
Dietary	186,558	-	5,789
Central Supply	36,542	-	-
Laboratory	420,116	-	105,059
Radiology	651,375	-	135,256
Cardiopulmonary	218,628	-	21,598
Physical Therapy	356,625	-	631
Cardiac Rehab	58,740	-	19
Pharmacy	169,283	-	101,047
Home Health	278,891	-	694
Maintenance	124,356	-	7,201
Housekeeping	182,289	-	860
Business Office	230,534	-	382,961
Public Relations	-	-	-
Health Insurance	224,614	-	1,221
Human Resources	41,740	1,465,008	2,551
Payroll	25,342	-	-
Quality Assurance	-	-	16
Accounts Payable	28,089	-	-
Finance	71,475	-	3,036
Management Information Systems	11,275	-	83,613
Administrative	35,574	-	374,049
Medical Staff	299,740	-	-
RGH Internal Medicine	(5,526)	-	-
Rural Health Clinic Professional	1,186,642	-	882,515
Rural Health Clinic Clerical	684,297	-	6,670
<b>Operating Expenses Before Depreciation</b>	<b>\$ 8,484,873</b>	<b>\$ 1,465,008</b>	<b>\$ 3,470,908</b>

<u>Medical, Office and Other Supplies</u>	<u>Equipment Leases and Other Rentals</u>	<u>Utilities, Repairs &amp; Maintenance</u>	<u>Education, Travel, Dues and Subscriptions</u>	<u>Other Expenses</u>	<u>Total</u>
\$ 1,431	\$ -	\$ -	\$ 365	\$ -	\$ 106,587
53,629	10,463	45,736	3,268	131	1,380,098
34,896	2,929	2,000	26,853	-	1,771,848
134	70	838	1,104	-	55,536
5,467	-	-	-	-	347,549
676,361	6,638	29,996	2,364	-	1,112,564
1,553	-	5	6,136	-	67,941
2,296	-	-	13,421	-	77,913
824	42,455	1,447	1,304	3,815	156,017
3,494	289	4,980	3,451	-	151,567
6,674	62,488	-	-	20,488	175,969
281,240	157	2,581	392	-	476,717
365,870	10,005	1,347	-	-	413,764
609,911	31,551	3,824	1,311	6,341	1,178,113
117,750	157,974	6,877	4,632	-	1,073,864
25,442	693	259	-	-	266,620
28,488	5,327	4,242	898	-	396,211
391	-	-	73	-	59,223
419,680	-	798	1,178	-	691,986
7,465	9,920	6,164	17,035	215	320,384
12,190	28,682	214,805	-	-	387,234
160,423	300	147	-	-	344,019
33,382	13,264	2,852	123	-	663,116
-	-	-	-	15,303	15,303
8,282	19,110	123	755	-	254,105
728	-	-	2,826	3,410	1,516,263
851	-	-	-	-	26,193
12	2,250	-	1,203	-	3,481
416	-	-	257	-	28,762
1,136	35,090	-	1,267	57,803	169,807
5,974	-	1,337	1,119	-	103,318
1,512	-	23,209	19,234	24,626	478,204
188	-	-	1,627	-	301,555
-	-	-	-	-	(5,526)
116,633	158,019	55,056	6,522	38,379	2,443,766
8,999	93,628	44,122	8,885	4,090	850,691
<u>\$ 2,993,722</u>	<u>\$ 691,302</u>	<u>\$ 452,745</u>	<u>\$ 127,603</u>	<u>\$ 174,601</u>	<u>\$ 17,860,762</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
SCHEDULE OF OPERATING EXPENSES  
Year Ending June 30, 2007

	<u>Salaries and Wages</u>	<u>Employee Benefits</u>	<u>Professional Fees and Purchased Services</u>
Nursing Administration	\$ 87,266	\$ -	\$ 506
Nursing	1,307,020	-	-
Emergency Room	791,290	-	581,845
SS/DP	50,030	-	4,703
Clinic	-	-	-
Anesthesia	-	-	340,284
Operating Room	317,019	-	56,799
Infection Control	57,740	-	-
Education	58,324	-	-
Nuclear Medicine	61,392	-	49,076
SANE Program	96,626	-	574
MRI	-	-	-
Dietary	169,596	-	4,141
Central Supply	57,865	-	(533)
Laboratory	399,226	-	124,544
Radiology	632,521	-	249,005
Cardiopulmonary	219,265	-	12,032
Physical Therapy	323,927	-	889
Cardiac Rehab	61,742	-	-
Pharmacy	158,476	-	90,475
Home Health	206,499	-	588
Maintenance	134,810	-	7,890
Housekeeping	167,618	-	838
Business Office	226,081	-	253,127
Public Relations	-	-	-
Health Insurance	187,944	-	10,299
Human Resources	39,757	1,257,701	-
Payroll	25,087	-	-
Quality Assurance	-	-	-
Accounts Payable	17,293	-	-
Finance	70,127	-	15,018
Management Information Systems	47,445	-	13,936
Administrative	33,238	-	426,379
Medical Staff	501,542	-	-
RGH Internal Medicine	650,433	-	20,719
Rural Health Clinic Professional	277,917	-	433,808
Rural Health Clinic Clerical	14,640	-	99
<b>Operating Expenses Before Depreciation</b>	<u>\$ 7,449,756</u>	<u>\$ 1,257,701</u>	<u>\$ 2,697,041</u>

<u>Medical, Office and Other Supplies</u>	<u>Equipment Leases and Other Rentals</u>	<u>Utilities, Repairs &amp; Maintenance</u>	<u>Education, Travel, Dues and Subscriptions</u>	<u>Other Expenses</u>	<u>Total</u>
\$ 781	\$ -	\$ 134	\$ 1,720	\$ -	\$ 90,407
70,026	13,364	2,686	11,703	-	1,404,799
41,391	17,119	664	11,098	-	1,443,407
497	-	1,165	1,347	-	57,742
283	1,503	26,482	200	-	28,468
2,296	-	850	-	-	343,430
674,461	10,738	33,989	2,323	-	1,095,329
1,383	-	-	1,390	-	60,513
2,464	-	-	12,843	-	73,631
1,243	54,651	125	415	3,815	170,717
3,757	200	937	6,124	24	108,242
-	-	-	-	16,309	16,309
248,980	-	3,864	763	-	427,344
266,692	7,159	757	311	-	332,251
687,193	46,208	15,981	4,350	4,310	1,281,812
135,353	134,439	22,049	422	-	1,173,789
20,320	56	4,431	380	-	256,484
44,171	168	2,653	527	-	372,335
1,909	-	-	-	-	63,651
406,145	800	729	1,704	-	658,329
11,448	8,510	4,581	16,269	130	248,025
17,301	20,729	209,233	270	-	390,233
144,143	-	4	150	-	312,753
33,360	11,307	301	352	-	524,528
-	-	-	-	8,126	8,126
9,770	13,542	-	988	-	222,543
1,544	-	-	1,716	2,440	1,303,158
1,145	-	-	113	-	26,345
257	1,000	-	438	-	1,695
1,458	-	-	621	-	19,372
11,512	40,603	158	1,506	33,937	172,861
3,191	-	1,539	226	-	66,337
8,637	-	747	19,621	77,783	566,405
-	-	-	1,661	-	503,203
18,497	6,928	31,938	1,151	-	729,666
95,371	53,300	15,516	3,978	7,287	887,177
13,784	14,500	3,577	366	351	47,317
<u>\$ 2,980,763</u>	<u>\$ 456,824</u>	<u>\$ 385,090</u>	<u>\$ 107,046</u>	<u>\$ 154,512</u>	<u>\$ 15,488,733</u>



ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
REVENUES AND EXPENSES BY DIVISION  
Year Ended June 30, 2008

	Hospital	Rural Health Clinic	Total
<b>OPERATING REVENUES</b>			
Net Patient Service Revenue	\$ 12,707,825	\$ 2,852,369	\$ 15,560,194
Other Operating Revenue	386,736	-	386,736
	<u>13,094,561</u>	<u>2,852,369</u>	<u>15,946,930</u>
<b>Total Operating Revenue</b>			
<b>OPERATING EXPENSES</b>			
Salaries and Wages	6,613,934	1,870,939	8,484,873
Employee Benefits	1,465,008	-	1,465,008
Professional Fees and Purchased Services	2,581,723	889,185	3,470,908
Medical, Office and Other Supplies	2,868,090	125,632	2,993,722
Equipment Leases and Other Rentals	439,655	251,647	691,302
Utilities, Repairs & Maintenance	353,567	99,178	452,745
Education, Travel, Dues and Subscriptions	112,196	15,407	127,603
Other Expenses	132,132	42,469	174,601
Amortization of Debt Issuance Costs	7,922	-	7,922
Depreciation	709,847	138,657	848,504
	<u>15,284,074</u>	<u>3,433,114</u>	<u>18,717,188</u>
<b>Total Operating Expenses</b>			
<b>Operating Loss</b>	(2,189,513)	(580,745)	(2,770,258)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Gross Receipts Taxes	1,290,310	-	1,290,310
Interest Income	139,730	-	139,730
Interest Expense	(304,680)	-	(304,680)
Non-Capital Grants and Contributions	150,770	-	150,770
	<u>1,276,130</u>	<u>-</u>	<u>1,276,130</u>
<b>Total Non-Operating Revenues (Expenses)</b>			
<b>Income (Loss) Before Capital Grants and Contributions</b>	(913,383)	(580,745)	(1,494,128)
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>			
	<u>109,037</u>	<u>-</u>	<u>109,037</u>
<b>Decrease in Net Assets</b>	<u>\$ (804,346)</u>	<u>\$ (580,745)</u>	<u>\$ (1,385,091)</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
REVENUES AND EXPENSES BY DIVISION  
Year Ended June 30, 2007

	Hospital	Rural Health Clinic	Total
<b>OPERATING REVENUES</b>			
Net Patient Service Revenue	\$ 13,430,830	\$ 1,660,857	\$ 15,091,687
Other Operating Revenue	368,949	-	368,949
<b>Total Operating Revenue</b>	<u>13,799,779</u>	<u>1,660,857</u>	<u>15,460,636</u>
<b>OPERATING EXPENSES</b>			
Salaries and Wages	7,157,199	292,557	7,449,756
Employee Benefits	1,257,701	-	1,257,701
Professional Fees and Purchased Services	2,263,134	433,907	2,697,041
Medical, Office and Other Supplies	2,871,608	109,155	2,980,763
Equipment Leases and Other Rentals	389,024	67,800	456,824
Utilities, Repairs & Maintenance	365,997	19,093	385,090
Education, Travel, Dues and Subscriptions	102,702	4,344	107,046
Other Expenses	146,874	7,638	154,512
Amortization of Debt Issuance Costs	7,922	-	7,922
Depreciation	667,990	132,904	800,894
<b>Total Operating Expenses</b>	<u>15,230,151</u>	<u>1,067,398</u>	<u>16,297,549</u>
<b>Operating Loss</b>	(1,430,372)	593,459	(836,913)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Gross Receipts Taxes	1,264,889	-	1,264,889
Interest Income	199,786	-	199,786
Interest Expense	(301,122)	-	(301,122)
Non-Capital Grants and Contributions	20,050	-	20,050
<b>Total Non-Operating Revenues (Expenses)</b>	<u>1,183,603</u>	<u>-</u>	<u>1,183,603</u>
<b>Income (Loss) Before Capital Grants and Contributions</b>	(246,769)	593,459	346,690
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>			
<b>Increase in Net Assets</b>	<u>\$ 88,428</u>	<u>\$ 593,459</u>	<u>\$ 681,887</u>

## **COMPLIANCE**

# 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 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 Chairman and Board of Directors  
Roosevelt County Special Hospital District  
Portales, New Mexico

We have audited the accompanying financial statements of the business-type activities of the Roosevelt County Special Hospital District, as of and for the years ended June 30, 2008 and 2007, which collectively comprise the Hospital's basic financial statements and the statement of budgetary comparison presented as supplemental information as listed in the table of contents, and have issued our report thereon dated October 14, 2008. 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 Hospital'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 Hospital's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital'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 Hospital'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 Hospital's financial statements that is more than inconsequential will not be prevented or detected by the Hospital'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 Hospital'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.

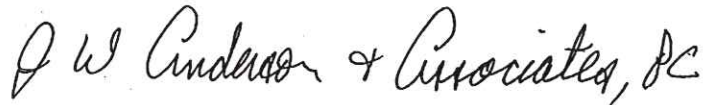
Compliance and Other Matters

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

However, we noted certain matters which are required to be reported under *Government Auditing Standards* (July 2007 revision) paragraphs 5.14 and 5.16 and Section 12-6-5 NMSA 1978 which are described in the accompanying Schedule of Audit Findings as 2006-1, 2007-2, 2008-1 and 2008-2.

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

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



JW Anderson & Associates, PC  
Certified Public Accountants  
Lubbock, Texas  
October 14, 2008

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
For the Year Ended June 30, 2008

**Prior Year -**

<u>Finding</u>	<u>Description</u>	<u>Status</u>
2006-1	Exceeded Budgetary Authority	Repeated
2007-1	Late Submission of Audit Report	Resolved
2007-2	Quarterly Submission of Budget Reports	Repeated

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
For the Year Ended June 30, 2008

**Current Year** -

**2006-1 Exceeded Budgetary Authority**

CONDITION - The Hospital exceeded budgetary authority at the fund level by \$231,093.

CRITERIA - Section 6-6-6 NMSA 1978 restricts local governmental entities from expending above the approved budget and Section 4-48A-10 NMSA 1978 applies the preparation and approval of budget provisions of local governments to special hospital districts.

CAUSE - A comparison of the budget to actual expenditures near the end of the fiscal year did not factor any potential audit entries which may affect expenditures into the final budget adjustment.

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

RECOMMENDATION - We recommend the final review of the budget for the fiscal year be performed so as to accommodate any potential year end adjustments which might cause the budget to be exceeded.

MANAGEMENT'S RESPONSE - The Hospital's revenues and expenses are compared to the actual results on a quarterly basis, and the budget is adjusted accordingly. Although the Hospital tries to include all necessary year-end adjustments before the final budget comparison, the audit may adjust line item expenditures not adjusted during the year end closing process. We will evaluate our budget comparison and closing processes during the next fiscal year to determine whether additional expenditures need to be budgeted to include the potential audit adjustments.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
For the Year Ended June 30, 2008

**Current Year** -

**2007-2 Quarterly Budget Submissions**

CONDITION - Quarterly budget reports were not timely filed with the Department of Finance Administration's Local Government Division.

CRITERIA - Section 6-6-2(F) require quarterly budget reports to be filed with the DFA's Local Government Division.

CAUSE - Inconsistent information was provided to the Hospital regarding the necessity of the quarterly budgetary filings as well as personnel changes in the CFO position.

EFFECT - The Hospital is out of compliance with Section 6-6-2(F) NMSA 1978.

RECOMMENDATION - We recommend the Hospital review their reporting process procedures to ensure all pertinent budget reporting deadlines are met.

MANAGEMENT'S RESPONSE - The quarterly budget adjustments were approved by the Board of Directors through the respective resolutions, but were not timely submitted to the DFA's LGD because of the inconsistent information provided to the Hospital staff. The Hospital administration position normally handling the submission was in transition during the fiscal year. The administration will review the process as recommended.



ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
For the Year Ended June 30, 2008

**Current Year** -

**2008-1 Improper Monitoring of Medicaid Claims**

CONDITION – Approximately 18 Medicaid claims were denied because the claims' filing deadlines were exceeded, resulting in contractual adjustments of approximately \$107,462 in Medicaid charges.

CRITERIA - Medicaid claims must be properly filed within the filing deadline for payment by Medicaid according to Medicaid and New Mexico Human Services Department - Medical Assistance Division's Billing Instruction manual section 8.310.

CAUSE – Billing software miscoding on Medicaid operating room and emergency room charges caused the initial filing to be denied by Medicaid and the resulting charge code corrections and claim refilings occurred outside Medicaid's filing window.

EFFECT - The Hospital was unable to collect any revenue on the identified claims.

RECOMMENDATION - We recommend the Hospital review their outstanding Medicaid claims on a monthly basis to ensure any claims outstanding longer than 60 days are reviewed for proper coding so any necessary refiling is completed within the allotted timeframe.

MANAGEMENT'S RESPONSE - We will review our Medicaid charge coding and submission procedures to ensure the proper coding is on the charges submitted to Medicaid. We will also enhance our monthly review to better evaluate any outstanding claims management.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
For the Year Ended June 30, 2008

**Current Year** -

**2008-2 Improper Accounts Receivable Cut-off**

CONDITION – Charges for service are not being properly posted into the correct month, resulting in an improper cut-off at month end and year end. Approximately \$127,069 in 1,636 medical charges occurring in the fiscal year ended June 30, 2008 was posted into the next fiscal year.

CRITERIA - Accrual accounting policies dictate that revenue charges be posted to the accounting system in the month of occurrence.

CAUSE – The accounts receivable software is posting charges according to date the information is entered into the computer system, rather than date of service, causing a timing issue relating to the charges.

EFFECT – Accounts receivable and revenue is effectively understated for the month the services occur and overstated in the month the information is entered into the accounting system.

RECOMMENDATION - We recommend the Hospital review their policies and procedures regarding timely posting of patient service charges to ensure the revenue is properly recorded in the month of occurrence.

MANAGEMENT'S RESPONSE - We will review our software coding and posting procedures with the appropriate personnel, as well as enhance our monthly reporting procedures to prevent future charge timing issues.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT  
EXIT CONFERENCE  
For the Year Ended June 30, 2008

The contents of this report were discussed with the Roosevelt County Special Hospital District representatives on September 19, 2008. The following individuals were available for the conference:

RCSHD

Terry Cone, Board Member  
James D'Agostino, Administrator  
Eva Stevens, Chief Financial Officer

J.W. Anderson & Associates, PC

Larry Anderson, President  
Scott Northam, Audit Manager

The financial statements of Roosevelt County Special Hospital District were prepared from original books and records provided by and with assistance from the management of the Hospital and J.W. Anderson & Associates, PC.

Although Statement of Auditing Standards No. 112 - *Communicating Internal Control Related Matters Identified in an Audit* strongly emphasizes that the Hospital prepare its own financial statements, the consensus between the Hospital management and the auditors was that it would be more time and cost efficient for the auditors to prepare the financial statements and the related notes. Additionally, the Hospital CFO position was in transition during the fiscal year. Accordingly, the Hospital has designated a competent management-level individual to oversee the auditors' services and have made all management decisions and performed all management functions. The Hospital has reviewed, approved, and accepted responsibility for the accompanying financial statements and related notes, and for ensuring that the underlying accounting 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.

# 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

### COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Hector Balderas  
New Mexico State Auditor  
The Chairman and Board of Directors  
Roosevelt County Special Hospital District  
Portales, New Mexico

We have audited the accompanying financial statements of the business-type activities of the Roosevelt County Special Hospital District (Hospital), as of and for the years ended June 30, 2008 and 2007, which collectively comprise the Hospital's basic financial statements and the statement of budgetary comparison presented as supplemental information as listed in the table of contents, and have issued our report thereon dated October 14, 2008. Professional standards require that we provide you with the following information related to our audit.

#### Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated September 15, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As such, there is a risk that material misstatements may exist and not be detected by us. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Hospital's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

As part of our audit, we considered the internal control of the Hospital. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management regarding the appropriateness of accounting policies and their application. The significant accounting policies used by the Hospital are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2008. We noted no transactions entered into by the Hospital during the year that were both significant and unusual, and of which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was management's estimate of the allowances for doubtful accounts and contractals which are based on a historical average of bad debt and contractual write-offs. We evaluated the key factors and assumptions used to develop the allowances for doubtful accounts and contractals in determining that it is reasonable in relation to the financial statements taken as a whole.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### Audit Adjustments

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Professional standards define an audit adjustment as a proposed correction to the financial statements that, in our judgment, may not have been detected except through auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Hospital's financial reporting process. In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by management, either individually or in the aggregate, indicate matters that could have a significant effect on the Hospital's financial reporting process.

### Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 14, 2008

### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Hospital's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

*J W Anderson & Associates, PC*

JW Anderson & Associates, PC  
Certified Public Accountants  
Lubbock, Texas  
October 14, 2008