

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
PORTALES, NEW MEXICO



AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION

YEARS ENDED JUNE 30, 2009 and 2008

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
PORTALES, NEW MEXICO
June 30, 2009

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INTRODUCTORY SECTION

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

OFFICIAL ROSTER
JUNE 30, 2009

Name

Title

Board of Directors

Terry Cone	President
Lonnie Alexander	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

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4412 74th Street, Suite F-101
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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, 2009 and 2008, 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.

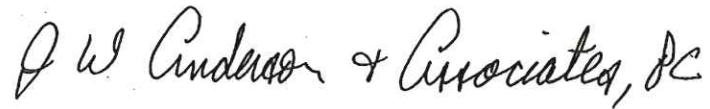
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan 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, 2009 and 2008 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, 2009 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, 2009 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".

JW Anderson & Associates, PC
Certified Public Accountants
Lubbock, Texas
October 14, 2009

BASIC FINANCIAL STATEMENTS

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 STATEMENTS OF NET ASSETS
 June 30, 2009 and 2008

ASSETS	2009	2008
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 107,443	\$ 65,220
Patients Accounts Receivable, Net of Allowance for Doubtful Accounts (2009 - \$1,946,924; 2008 - \$2,036,609)	2,043,608	2,201,816
Gross Receipts Taxes Receivable	208,125	229,984
Due from State of New Mexico	317,975	-
Physician Receivable	24,794	24,794
Other Receivables	48,766	629
Inventory	489,156	470,419
Prepaid Expenses	64,953	66,500
Current Portion of Debt Issuance Costs	7,922	7,922
Total Current Assets	<u>3,312,742</u>	<u>3,067,284</u>
NONCURRENT ASSETS		
Cash and Investments Held by Trustee for Debt Service	866,144	1,270,539
Cash Restricted by Bond Indenture for Debt Service	786,690	787,853
Capital Assets, Net	7,123,835	7,661,206
Debt Issuance Costs, Net of Current Portion and Accumulated Amortization (2009 - \$69,303, 2008- \$61,831)	67,270	75,192
Total Noncurrent Assets	<u>8,843,939</u>	<u>9,794,790</u>
TOTAL ASSETS	<u>\$ 12,156,681</u>	<u>\$ 12,862,074</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,653,290	\$ 1,721,179
Accrued Salaries	252,613	219,927
Accrued Payroll Taxes and Benefits	144,918	142,577
Accrued Interest	21,067	22,318
Physician and Clinic Payable	79,607	14,401
Due To Health Insurance Programs	212,763	204,720
Current Portion of Compensated Absences	48,343	48,729
Current Portion of Long-Term Debt and Capital Leases	797,157	761,517
Total Current Liabilities	<u>3,209,758</u>	<u>3,135,368</u>
NONCURRENT LIABILITIES		
Long-Term Debt and Capital Leases, Net of Current Portion	5,538,348	6,307,384
Compensated Absences, Net of Current Portion	360,288	324,282
Total NonCurrent Liabilities	<u>5,898,636</u>	<u>6,631,666</u>
Total Liabilities	<u>9,108,394</u>	<u>9,767,034</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	788,330	592,305
Restricted Net Assets	1,652,834	2,049,470
Unrestricted	607,123	453,265
Total Net Assets	<u>3,048,287</u>	<u>3,095,040</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,156,681</u>	<u>\$ 12,862,074</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, 2009 and 2008

	2009	2008
OPERATING REVENUES		
Net Patient Service Revenue	\$ 17,149,134	\$ 15,560,194
Other Operating Revenue	<u>351,150</u>	<u>386,736</u>
Total Operating Revenue	17,500,284	15,946,930
OPERATING EXPENSES		
Salaries and Wages	9,018,012	8,484,873
Employee Benefits	1,431,722	1,465,008
Professional Fees and Purchased Services	3,052,128	3,470,908
Medical, Office and Other Supplies	2,805,822	2,993,722
Equipment Leases and Other Rentals	932,770	691,302
Utilities, Repairs & Maintenance	450,308	452,745
Education, Travel, Dues and Subscriptions	151,531	127,603
Other Expenses	185,736	174,601
Amortization of Debt Issuance Costs	7,922	7,922
Depreciation	<u>769,050</u>	<u>848,504</u>
Total Operating Expenses	<u>18,805,001</u>	<u>18,717,188</u>
Operating Loss	(1,304,717)	(2,770,258)
NON-OPERATING REVENUES (EXPENSES)		
Gross Receipts Taxes	1,251,246	1,290,310
Interest Income	53,214	139,730
Interest Expense	(293,381)	(304,680)
Non-Capital Grants and Contributions	<u>242,169</u>	<u>150,770</u>
Total Non-Operating Revenues (Expenses)	<u>1,253,248</u>	<u>1,276,130</u>
Income (Loss) Before Capital Grants and Contributions	(51,469)	(1,494,128)
CAPITAL GRANTS AND CONTRIBUTIONS		
(Decrease) Increase in Net Assets	<u>4,716</u>	<u>109,037</u>
Net Assets at Beginning of Year	<u>3,095,040</u>	<u>4,480,131</u>
Net Assets at End of Year	<u>\$ 3,048,287</u>	<u>\$ 3,095,040</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 STATEMENTS OF CASH FLOWS
 Years Ended September 30, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts From and On Behalf of Patients	\$ 16,997,403	\$ 15,452,232
Payments to Suppliers and Contractors	(7,407,956)	(7,850,347)
Payments to and Benefits Paid on Behalf of Employees	(10,379,088)	(9,854,713)
Other Receipts and Payments, Net	<u>112,809</u>	<u>545,496</u>
Net Cash Used By Operating Activities	(676,832)	(1,707,332)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Non-Capital Grants and Contributions	<u>242,169</u>	<u>170,770</u>
Net Cash Provided By Non-Capital Financing Activities	242,169	170,770
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital Grants and Contributions	4,716	109,037
Proceeds from Long-Term Debt	-	458,682
Principal Paid on Long-Term Debt and Capital Leases	(769,348)	(674,060)
Interest Paid on Long-Term Debt and Capital Leases	(294,633)	(307,765)
Dedicated Gross Receipts Taxes for Long Term Debt	<u>1,273,105</u>	<u>1,300,907</u>
Net Cash Provided By Capital Financing Activities	213,840	886,801
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Capital Assets	(195,726)	(977,188)
Interest Income	<u>53,214</u>	<u>139,730</u>
Net Cash Used By Investing Activities	(142,512)	(837,458)
Net Decrease in Cash and Cash Equivalents	(363,335)	(1,487,219)
Cash and Cash Equivalents at Beginning of Year	<u>2,123,612</u>	<u>3,610,831</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,760,277</u>	<u>\$ 2,123,612</u>
Reconciliation of Operating Loss to Net Cash Flows Used by Operating Activities		
Operating Loss	\$ (1,304,717)	\$ (2,770,258)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation and Amortization	776,972	856,426
Changes in Current Assets and Liabilities		
Patients Accounts Receivable	158,208	(175,287)
Due from State of New Mexico	(317,975)	233,115
Physician Receivables	-	(3,190)
Other Receivables	(48,137)	353,288
Inventory	(18,737)	(10,213)
Prepaid Expenses	1,547	(46,595)
Accounts Payable	(67,889)	80,561
Accrued Salaries Payable	32,686	66,322
Accrued Payroll Taxes and Benefits	2,341	11,212
Compensated Absences	35,620	17,634
Physician and Clinic Payable	65,206	(154,568)
Due to Health Insurance Programs	<u>8,043</u>	<u>(165,779)</u>
Net Cash Used By Operating Activities	<u>\$ (676,832)</u>	<u>\$ (1,707,332)</u>
Supplemental Cash Flow Disclosures		
Equipment Acquired Through Financing	<u>\$ 35,952</u>	<u>\$ -</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets		
Unrestricted Cash and Cash Equivalents	\$ 107,443	\$ 65,220
Restricted Cash Accounts	<u>1,652,834</u>	<u>2,058,392</u>
Total Cash and Cash Equivalents	<u>\$ 1,760,277</u>	<u>\$ 2,123,612</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2009 and 2008

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 multi-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, 2009 and 2008

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 cash paid \$294,633 and \$307,765 in interest expense for the years ended June 30, 2009 and 2008, 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, 2009 and 2008

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 \$574,063 and \$501,885 for June 30, 2009 and 2008, 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, 2009 and 2008

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 \$53,200 for the fiscal year ended June 30, 2009.

Deficit Fund Net Assets – For the years ended June 30, 2009 and 2008, 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 1st for the upcoming fiscal year starting July 1st. 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. The Hospital was in compliance for the 2009 and 2008 fiscal years.

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, 2008 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, 2009.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Years Ended June 30, 2009 and 2008

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, 2009 and 2008, 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 \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution through December, 2013, when the amount of insurance will revert back to \$100,000.

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, 2009 and 2008

NOTE D – DEPOSITS AND INVESTMENTS – Continued

As of June 30, 2009, the Hospital has a cash collateralization and investment balances as follows.

Year Ended June 30, 2009	Portales National Bank	Wells Fargo Bank	New Mexico Finance Authority	Bank of Albuquerque	Total
Total Deposits and Investments	\$ 523,921	\$ 67,964	\$ 580,561	\$ -	\$ 1,172,446
AP Institutional US Treasury Fund #52 Held by the Trustee in Hospital's Name	-	-	-	222,259	222,259
Securities Underlying a Repurchase Agreement Held by the Investment Trustee's Counterparty in the Hospital's Name	-	-	-	529,892	529,892
FDIC Coverage	<u>(250,000)</u>	<u>(67,964)</u>	<u>-</u>	<u>-</u>	<u>(317,964)</u>
Uninsured Funds Subject to Custodial Credit Risk	273,921	-	580,561	752,151	1,606,633
Collateralized by Securities Held by the Pledging Institution or By Its Trust Department Or Agent In the Hospital's Name	<u>(306,561)</u>	<u>-</u>	<u>-</u>	<u>(773,347)</u>	<u>(1,079,908)</u>
Funds (Over) Under Collateralized - Total Funds Subject to Custodial Credit Risk	<u>\$ (32,640)</u>	<u>\$ -</u>	<u>\$ 580,561</u>	<u>\$ (21,196)</u>	<u>\$ 526,725</u>
Year Ended June 30, 2009	Portales National Bank	Wells Fargo Bank	New Mexico Finance Authority	Bank of Albuquerque	Total
Collateral Requirements:					
50% of Uninsured Funds	\$ 136,960	\$ -	\$ -	\$ -	\$ 136,960
102% of Repurchase Agreement Uninsured Funds	-	-	-	540,490	540,490
Pledged Securities	<u>(306,561)</u>	<u>-</u>	<u>-</u>	<u>(551,088)</u>	<u>(857,649)</u>
(Over) Under Collateralized	<u>\$ (169,601)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,598)</u>	<u>\$ (180,199)</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 Years Ended June 30, 2009 and 2008

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>(1,305,972)</u>	<u>-</u>	<u>-</u>	<u>(772,175)</u>	<u>(2,078,147)</u>
Funds (Over) Under Collateralized - Total Funds Subject to Custodial Credit Risk	<u>\$ (563,243)</u>	<u>\$ -</u>	<u>\$ 582,814</u>	<u>\$ (21,196)</u>	<u>\$ (1,625)</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>(1,305,972)</u>	<u>-</u>	<u>-</u>	<u>(551,088)</u>	<u>(1,857,060)</u>
(Over) Under Collateralized	<u>\$ (884,608)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,598)</u>	<u>\$ (895,206)</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, 2009 and 2008. The Bank of Albuquerque's repurchase agreement with Bank of America has no rating as of June 30, 2009 and 2008, and has a WAM of 27 days. The fair value of the repurchase agreement investment is \$529,892 as of June 30, 2009 and 2008, 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, 2009 and 2008 and consist of the following amounts:

	2009	2008
Patient Receivables		
Hospital		
Private Insurance and Self Pay	\$ 2,865,730	\$ 3,136,583
Medicare	1,226,643	1,201,706
Medicaid	673,775	695,995
Internal Medicine	749,790	1,314,138
SANE	23,825	-
Rural Health Clinics	<u>4,139</u>	<u>42,743</u>
Gross Receivables	5,543,902	6,391,165
Less: Allowance for Doubtful Accounts	(1,946,924)	(2,036,609)
Less: Allowance for Contractuals	<u>(1,553,370)</u>	<u>(2,152,740)</u>
Net Patient Receivables	<u>\$ 2,043,608</u>	<u>\$ 2,201,816</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, 2009 and 2008, respectively.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 Years Ended June 30, 2009 and 2008

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>2009</u>	<u>2008</u>
Private Insurance and Self Pay	60%	60%
Medicare	26	22
Medicaid	14	18
	<u>100%</u>	<u>100%</u>

NOTE F – CAPITAL ASSETS

Capital asset activity consists of the following at June 30, 2009 and 2008:

	Balance			Balance			Balance
	06/30/07	Increases	Decreases	06/30/08	Increases	Decreases	06/30/09
<i>Non-depreciable assets:</i>							
Land	\$ 538,356	\$ -	\$ -	\$ 538,356	\$ -	\$ -	\$ 538,356
<i>Depreciable Assets:</i>							
Land Improvements	298,075	65,000	-	363,075	9,500	-	372,575
Building and Improvements	5,891,026	203,552	-	6,094,578	-	-	6,094,578
Equipment	5,220,494	708,636	-	5,929,130	222,179	-	6,151,309
Capital Lease Equipment	<u>1,697,913</u>	-	-	<u>1,697,913</u>	-	-	<u>1,697,913</u>
Total Depreciable Assets	13,107,508	977,188	-	14,084,696	231,679	-	14,316,375
<i>Less Accumulated Depreciation:</i>							
Land Improvements	(152,961)	(35,953)	-	(188,914)	(40,153)	-	(229,067)
Buildings and Improvements	(1,380,029)	(269,519)	-	(1,649,548)	(255,248)	-	(1,904,796)
Equipment	(2,882,439)	(543,032)	-	(3,425,471)	(473,649)	-	(3,899,120)
Capital Lease Equipment	<u>(1,697,913)</u>	-	-	<u>(1,697,913)</u>	-	-	<u>(1,697,913)</u>
Total Accumulated Depreciation	<u>(6,113,342)</u>	<u>(848,504)</u>	-	<u>(6,961,846)</u>	<u>(769,050)</u>	-	<u>(7,730,896)</u>
Net Capital Assets	<u>\$ 7,532,522</u>	<u>\$ 128,684</u>	<u>\$ -</u>	<u>\$ 7,661,206</u>	<u>\$(537,371)</u>	<u>\$ -</u>	<u>\$ 7,123,835</u>

Depreciation, including any capital lease amortization, was \$769,050 and \$848,504 for the years ended June 30, 2009 and 2008, respectively. No additional assets were acquired by capital lease in the 2009 or 2008 fiscal years.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 Years Ended June 30, 2009 and 2008

NOTE G – OTHER RECEIVABLES

The Hospital recorded the following other receivables as of June 30, 2009 and 2008:

	2009	2008
Other Receivables:		
GRT Intercept Transfer in Transit to NMFA	\$ 48,462	\$ -
Returned Checks	-	242
Employee Receivable	<u>304</u>	<u>387</u>
Total Other Receivables	<u>\$ 48,766</u>	<u>\$ 629</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 2009 and 2008.

Bonds and Loans Payable	Balance 06/30/07	Increases	Decreases	Balance 06/30/08	Increases	Decreases	Balance 06/30/09
2006 Grant Bonds	\$ 288,889	\$ -	\$ 33,333	\$ 255,556	\$ -	\$ 33,334	\$ 222,222
2006 Loan Bonds	713,763	-	79,237	634,526	-	80,032	554,494
2006 Grant Bonds	57,776	-	5,529	52,247	-	5,812	46,435
2004 Grant Bonds	148,624	-	22,018	126,606	-	22,018	104,588
2004 Loan Bonds	31,387	-	4,010	27,377	-	4,215	23,162
2004 Grant Bonds	48,013	-	6,910	41,103	-	6,979	34,124
2004 Loan Bonds	48,013	-	6,910	41,103	-	6,979	34,124
2000 Grant Bonds	248,350	-	81,649	166,701	-	81,649	85,052
2000 Loan Bonds	339,796	-	110,206	229,590	-	110,206	119,384
2000 Co-op Contribution Bonds	55,289	-	17,518	37,771	-	18,415	19,356
NMFA Direct Loan #2	4,710,000	-	260,000	4,450,000	-	270,000	4,180,000
NMFA Direct Loan #1	594,379	-	38,058	556,321	-	39,200	517,121
GE Healthcare Financial Services	-	458,682	8,682	450,000	-	82,549	367,451
Viztek PACS	-	-	-	-	<u>35,952</u>	<u>7,960</u>	<u>27,992</u>
	<u>\$ 7,284,279</u>	<u>\$ 458,682</u>	<u>\$ 674,060</u>	<u>\$ 7,068,901</u>	<u>\$ 35,952</u>	<u>\$ 769,348</u>	<u>\$ 6,335,505</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 Years Ended June 30, 2009 and 2008

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.

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	80,837	GRT and Equipment
Series 2006 Grant Bonds	5%	Monthly	691	01/28/2016	6,109	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	4,431	GRT and Equipment
Series 2004 Grant Bonds	1%	Monthly	613	03/15/2014	7,050	GRT and Equipment
Series 2004 Loan Bonds	1%	Monthly	613	03/15/2014	7,050	GRT and Equipment
Series 2000 Grant Bonds	0%	Monthly	6,804	06/15/2010	81,648	GRT and Equipment
Series 2000 Loan Bonds	0%	Monthly	9,184	06/15/2010	110,206	GRT and Equipment
Series 2000 Co-op Contribution Bonds	5%	Monthly	1,657	06/15/2010	19,356	GRT and Equipment
<i>New Mexico Finance Authority:</i>						
Direct Loan -#1	5%	Annual	Varies	05/01/2020	285,000	GRT and Equipment
Direct Loan - #2	5%	Annual	Varies	05/01/2020	40,376	GRT and Equipment
<i>Other Debt</i>						
GE Healthcare Financial Services	6.03%	Monthly	8,963	04/01/2013	87,803	Equipment
Viztek PACS	0%	Monthly	995	11/30/2011	<u>11,940</u>	Equipment
					Total	<u>\$ 797,157</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 Years Ended June 30, 2009 and 2008

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, 2009 and 2008, resulting in an accumulated amortization of \$69,303 and \$61,381 as of June 30, 2009 and 2008, 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
2010	\$ 797,157	\$ 281,815	\$ 1,078,972
2011	621,680	257,948	879,628
2012	624,825	233,159	857,984
2013	631,915	206,916	838,831
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>549,260</u>	<u>30,635</u>	<u>579,895</u>
Total	<u>\$ 6,335,505</u>	<u>\$ 1,754,337</u>	<u>\$ 8,089,842</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, 2009 and 2008 is detailed below.

	Balance 06/30/07	Increases	Decreases	Balance 06/30/08	Increases	Decreases	Balance 06/30/09
Compensated Absences	<u>\$ 355,377</u>	<u>\$ 88,751</u>	<u>\$ 71,117</u>	<u>\$ 373,011</u>	<u>\$ 81,962</u>	<u>\$ 46,342</u>	<u>\$ 408,631</u>

The amount of compensated absences estimated to be due within one year is approximately \$48,343 and \$48,729, respectively.

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 Years Ended June 30, 2009 and 2008

NOTE J – RESTRICTED NET ASSETS

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

	2009	2008
Capital Acquisitions	\$ -	\$ 515,394
Specific Program Expenditures	193,964	200,282
Debt Service	<u>1,458,870</u>	<u>1,333,794</u>
Total Restricted Net Assets	<u>\$ 1,652,834</u>	<u>\$ 2,049,470</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
2009	\$ 382,655	\$ 192,819
2008	246,020	116,326
2007	177,283	91,988
2006	128,319	80,527

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, 2009 and 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, 2009 and 2008

NOTE L – JOINT VENTURE - Continued

The Hospital has paid approximately \$249,816 and \$71,418 in MRI operating lease expense for the fiscal years ended June 30, 2009 and 2008 for the MRI machine. The minimum lease payments for the term of the operating lease are as follows:

	Year Ended	
	June 30,	Total
	2010	\$ 249,816
	2011	249,816
	2012	249,816
	2013	<u>187,362</u>
	Total	<u>\$ 936,810</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 \$341,882 and \$399,654 related to these leases for the fiscal year ended June 30, 2009 and 2008, respectively. The minimum lease expense for the MRI machine operating lease is reported separately in Note L. Future minimum lease requirements for these leases are as follows:

Fiscal Year Ending June 30,	Amount
2010	\$ 329,654
2011	168,206
2012	<u>30,594</u>
Total	<u>\$ 528,454</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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
OPERATING REVENUES				
Net Patient Service Revenue	\$ 17,761,803	\$ 17,252,753	\$ 17,149,134	\$ (103,619)
Miscellaneous	541,162	338,934	351,150	12,216
Total Operating Revenue	18,302,965	17,591,687	17,500,284	(91,403)
OPERATING EXPENSES				
Salaries and Wages	9,222,864	9,018,013	9,018,012	1
Employee Benefits	1,588,492	1,432,246	1,431,722	524
Professional Fees and Purchased Services	2,841,979	2,994,790	3,052,128	(57,338)
Medical, Office and Other Supplies	3,442,023	2,879,260	2,805,822	73,438
Equipment Leases and Other Rentals	725,027	729,049	932,770	(203,721)
Utilities, Repairs & Maintenance	417,870	360,094	450,308	(90,214)
Education, Travel, Dues and Subscriptions	-	-	151,531	(151,531)
Other	459,327	561,937	185,736	376,201
Depreciation and Amortization	767,580	776,412	776,972	(560)
Total Operating Expenses	19,465,162	18,751,801	18,805,001	(53,200)
Operating Loss	(1,162,197)	(1,160,114)	(1,304,717)	(144,603)
NON-OPERATING REVENUES (EXPENSES)				
Gross Receipt Taxes	1,324,705	1,273,104	1,251,246	(21,858)
Interest Income	132,401	53,079	53,214	135
Interest Expense	(299,118)	(294,138)	(293,381)	757
Non-Capital Grants and Contributions	128,256	243,796	242,169	(1,627)
Total NonOperating Revenues (Expenses)	1,286,244	1,275,841	1,253,248	(22,593)
Excess of Revenues Over Expenses Before Capital Grants and Contributions	124,047	115,727	(51,469)	(167,196)
CAPITAL GRANTS AND CONTRIBUTIONS				
Increase (Decrease) in Net Assets	124,047	115,727	(46,753)	(162,480)
Net Assets at Beginning of Year	3,095,040	3,095,040	3,095,040	-
Net Assets at End of Year	\$ 3,219,087	\$ 3,210,767	\$ 3,048,287	\$ (162,480)

SUPPORTING SCHEDULES

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
Years Ending June 30, 2009 and 2008

Name of Depository	Pledged Collateral	Name and Location of Custodian	Fair Market or Par Value June 30, 2009	Fair Market or Par Value June 30, 2008
<u>Portales National Bank</u>				
	Eastern NM Univ NonCall Fr Matures 8/15/2008 CUSIP: 27678NAG8	Texas Independent Bankers Dallas, TX	\$ -	\$ 250,000
	US Treasury Note Matures 10/31/2008 CUSIP: 912828FV7	Texas Independent Bankers Dallas, TX	-	504,922
	Grants Cibola Cnty SD NC Fr Matures 9/1/2010 CUSIP: 388240CA9	Texas Independent Bankers Dallas, TX	-	250,000
	Bernalillo SD Call Fr Matures 8/1/2011 CUSIP: 085279KR7	Texas Independent Bankers Dallas, TX	200,000	200,000
	FHLMC NonCall Fr Matures 11/15/2011 CUSIP: 3128X3569	Texas Independent Bankers Dallas, TX	-	101,050
	FHLMC Call Fr Matures 11/15/2011 CUSIP: 3128X3K69	Texas Independent Bankers Dallas, TX	106,561	-
	Pledged to Meet 50% Collateral Requirements		<u>306,561</u>	<u>1,305,972</u>
<u>Bank of Albuquerque</u>				
	US Treasury Matures 01/15/2025 CUSIP: 912810FR4	FHLB Tulsa, OK	551,088	551,088
	Pledged to Meet 102% Collateral Requirements		<u>551,088</u>	<u>551,088</u>
	Total Pledged Collateral		<u><u>\$ 857,649</u></u>	<u><u>\$ 1,857,060</u></u>

Note: Securities which are of obligations of the State of New Mexico, its agencies, institutions, counties, municipalities, or other subdivisions shall be accepted as securities at par value. All other securities shall be accepted at market value. (Section 6-10-16 (C) NMSA 1978)

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
SCHEDULE OF DEPOSITS AND TEMPORARY INVESTMENTS
BY DEPOSITORY FOR PUBLIC FUNDS
Year Ending June 30, 2009

Account Description	Portales National Bank	Wells Fargo Bank	Bank of Albuquerque	New Mexico Finance Authority	Total
Equipment Fund - Checking	\$ -	\$ 67,964	\$ -	\$ -	67,964
Payroll Account - Checking	-	-	-	-	-
Operating Account - Checking	117,813	-	-	-	117,813
RGH Internal Medicine Group - Interest Checking	22,971	-	-	-	22,971
RGH Rural Health Clinics - Interest Checking	1,085	-	-	-	1,085
RGH - Gross Receipts Tax - Interest Checking	<u>382,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>382,052</u>
Total Deposits	<u>523,921</u>	<u>67,964</u>	<u>-</u>	<u>-</u>	<u>591,885</u>
Investment in -					
Gov't Money Market Account	-	-	206,129	-	206,129
Bank of Albuquerque Repo Account	-	-	546,022	-	546,022
State Treasurer - Debt Service Reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>580,561</u>	<u>580,561</u>
Total Investments	<u>-</u>	<u>-</u>	<u>752,151</u>	<u>580,561</u>	<u>1,332,712</u>
Reconciling Items	<u>(165,020)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(165,020)</u>
Carrying Value	<u>\$ 358,901</u>	<u>\$ 67,964</u>	<u>\$ 752,151</u>	<u>\$ 580,561</u>	<u>1,759,577</u>
Petty Cash					<u>700</u>
Total Deposits and Investments - June 30, 2009					<u>\$ 1,760,277</u>
Reconciliation to Balance Sheet:					
Unrestricted Cash and Cash Equivalents					\$ 107,443
Held by Trustee for Debt Service					866,144
Restricted by Bond Indenture for Debt Service					<u>786,690</u>
					<u>\$ 1,760,277</u>

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>	<u>2,122,912</u>
Petty Cash					<u>700</u>
					<u>Total Deposits and Investments - June 30, 2008</u>
					<u>\$ 2,123,612</u>

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 NET PATIENT REVENUES
Year Ending June 30, 2009

	<u>Inpatient</u>	<u>Outpatient</u>	<u>Emergency Room</u>
Nursing	\$ 1,700,476	\$ -	\$ -
Emergency Room Clinic	334,015	27,679	1,434,439
Anesthesia	-	-	-
Operating Room	122,982	-	-
Observation	689,028	330	7,315
Professional Fees	(11,673)	-	-
Nuclear Medicine	242,352	1,084	1,156,991
SANE	15,612	344,594	6,462
Bone Density	-	52,925	-
MRI	-	59,009	-
Clinic Xray	34,691	795,102	8,813
Ultrasound	-	75,652	-
CT Scan	59,191	436,255	51,594
Central Supply	594,542	1,001,378	915,423
Laboratory	431,702	20,392	348,958
Mammography	783,246	3,182,794	1,687,390
Radiology	145	111,834	-
Cardiopulmonary	145,658	392,381	500,151
Physical Therapy	737,441	26,473	126,338
Speech Therapy	89,277	1,029,107	285
Occupational Therapy	8,606	27,286	-
Cardiac Rehab	-	278	-
EKG	-	79,970	-
Pharmacy	66,053	56,129	91,543
Home Health	835,512	27,578	776,335
Hospitalist	-	281,314	-
	19,268	-	-
Gross Patient Revenue	\$ 6,898,124	\$ 8,029,544	\$ 7,112,037

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>
\$ -	\$ -	\$ -	\$ 1,700,476
68,690	245	-	1,865,068
-	-	3,934,999	3,934,999
7,139	446,301	-	576,422
48,560	3,120,648	-	3,865,881
186,293	-	-	174,620
56,086	275	-	1,456,788
2,747	1,698	-	371,113
-	-	-	52,925
-	-	-	59,009
1,553	-	-	840,159
-	-	-	75,652
471	1,105	-	548,616
45,182	7,681	-	2,564,206
31,984	20,026	-	853,062
161,433	41,360	-	5,856,223
-	485	-	112,464
23,064	3,819	-	1,065,073
47,148	391	-	937,791
967	-	-	1,119,636
-	-	-	35,892
-	-	-	278
-	-	-	79,970
18,118	5,761	-	237,604
12,643	118,514	-	1,770,582
-	-	-	281,314
-	-	-	19,268
<u>\$ 712,078</u>	<u>\$ 3,768,309</u>	<u>\$ 3,934,999</u>	30,455,091

(574,063)

(1,847,916)

(293,274)

(9,309,230)

(1,281,474)

(13,305,957)

\$ 17,149,134

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

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)
			(483,536)
			(11,033,789)
			<u>(1,328,905)</u>
			<u>(15,038,267)</u>
			<u>\$ 15,560,194</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
 OTHER OPERATING REVENUE
 Years Ended June 30, 2009 and 2008

	2009	2008
OTHER OPERATING REVENUE		
Cafeteria	\$ 210,190	\$ 226,325
Rentals and Fees	24,000	24,000
SANE Program	94,164	115,126
Medical Records	7,005	7,889
Vending Machines	1,434	1,964
Other Income	14,357	11,432
	<u>351,150</u>	<u>386,736</u>
	<u>\$ 351,150</u>	<u>\$ 386,736</u>

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
SCHEDULE OF OPERATING EXPENSES
Year Ending June 30, 2009

	<u>Salaries and Wages</u>	<u>Employee Benefits</u>	<u>Professional Fees and Purchased Services</u>
Nursing Administration	\$ 122,631	\$ -	\$ -
Nursing	1,196,922	-	2,999
Emergency Room/Trauma	918,903	-	877,412
SS/DP	56,290	-	-
Anesthesia	-	-	343,056
Operating Room	316,347	-	62,196
Infection Control	62,148	-	70
Education	70,704	-	-
Nuclear Medicine	72,362	-	17,992
SANE Program	149,575	-	2,651
MRI/CT	-	-	161,112
Dietary	171,933	-	59,914
Central Supply	30,412	-	(50)
Laboratory	432,922	-	133,394
Radiology	603,967	-	58,829
Cardiopulmonary	259,871	-	25,854
Physical Therapy	368,352	-	1,246
Cardiac Rehab	66,628	-	-
Pharmacy	178,198	-	108,367
Home Health	290,455	-	1,132
Maintenance	126,476	-	11,371
Housekeeping	162,485	-	17,775
Business Office	242,286	-	340,286
Marketing/Public Relations	-	-	1,882
Health Insurance	238,544	-	5,686
Human Resources	45,157	1,431,722	481
Payroll	29,770	-	-
Quality Assurance	-	-	-
Accounts Payable	34,022	-	-
Finance	113,033	-	404
Management Information Systems	43,756	-	5,181
Administrative	38,000	-	398,950
Medical Staff	429,694	-	-
Rural Health Clinic Professional	1,535,720	-	410,265
Rural Health Clinic Clerical	610,449	-	3,673
Operating Expenses Before Depreciation	\$ 9,018,012	\$ 1,431,722	\$ 3,052,128

<u>Medical, Office and Other Supplies</u>	<u>Equipment Leases and Other Rentals</u>	<u>Utilities, Repairs & Maintenance</u>	<u>Education, Travel, Dues and Subscriptions</u>	<u>Other Expenses</u>	<u>Total</u>
\$ 1,073	\$ -	\$ -	\$ 1,622	\$ -	\$ 125,326
59,612	8,932	15,990	490	-	1,284,945
41,671	914	5,600	41,495	-	1,885,995
362	-	1,107	946	97	58,802
948	-	-	-	-	344,004
616,246	26,747	28,481	2,133	-	1,052,150
529	-	30	4,068	-	66,845
3,666	-	-	14,928	-	89,298
635	44,455	92	1,057	3,815	140,408
5,642	4,111	1,031	9,263	-	172,273
13,153	249,817	-	-	-	424,082
287,500	-	4,635	200	-	524,182
394,167	9,072	-	45	-	433,646
673,105	46,259	9,363	1,000	7,974	1,304,017
49,024	150,569	21,293	1,562	3,046	888,290
25,621	1,507	68	785	-	313,706
29,789	30,797	1,010	6,142	-	437,336
286	-	-	-	-	66,914
275,878	-	-	3,654	-	566,097
7,788	5,869	5,013	16,919	112	327,288
10,019	24,205	247,878	120	-	420,069
188,881	-	309	-	-	369,450
35,286	12,777	795	749	-	632,179
3,213	-	-	976	47,289	53,360
10,375	15,187	157	437	-	270,386
2,509	-	12	3,090	8,333	1,491,304
834	-	-	-	-	30,604
15	1,500	-	632	-	2,147
1,066	-	-	26	-	35,114
381	33,000	-	451	55,630	202,899
7,204	-	2,460	-	-	58,601
1,050	11,143	779	16,500	22,412	488,834
278	-	-	553	-	430,525
55,497	156,542	70,262	12,933	32,492	2,273,711
2,519	99,367	33,943	8,755	4,536	763,242
<u>\$ 2,805,822</u>	<u>\$ 932,770</u>	<u>\$ 450,308</u>	<u>\$ 151,531</u>	<u>\$ 185,736</u>	<u>\$ 18,028,029</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
Operating Expenses Before Depreciation	\$ 8,484,873	\$ 1,465,008	\$ 3,470,908

<u>Medical, Office and Other Supplies</u>	<u>Equipment Leases and Other Rentals</u>	<u>Utilities, Repairs & 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
REVENUES AND EXPENSES BY DIVISION
Year Ended June 30, 2009

	Hospital	Rural Health Clinics	Total
OPERATING REVENUES			
Net Patient Service Revenue	\$ 14,788,883	\$ 2,360,251	\$ 17,149,134
Other Operating Revenue	351,150	-	351,150
Total Operating Revenue	15,140,033	2,360,251	17,500,284
OPERATING EXPENSES			
Salaries and Wages	6,871,843	2,146,169	9,018,012
Employee Benefits	1,431,722	-	1,431,722
Professional Fees and Purchased Services	2,638,190	413,938	3,052,128
Medical, Office and Other Supplies	2,747,806	58,016	2,805,822
Equipment Leases and Other Rentals	676,861	255,909	932,770
Utilities, Repairs & Maintenance	346,103	104,205	450,308
Education, Travel, Dues and Subscriptions	129,843	21,688	151,531
Other Expenses	148,708	37,028	185,736
Amortization of Debt Issuance Costs	7,922	-	7,922
Depreciation	641,031	128,019	769,050
Total Operating Expenses	15,640,029	3,164,972	18,805,001
Operating Loss	(499,996)	(804,721)	(1,304,717)
NON-OPERATING REVENUES (EXPENSES)			
Gross Receipts Taxes	1,251,246	-	1,251,246
Interest Income	53,214	-	53,214
Interest Expense	(293,381)	-	(293,381)
Non-Capital Grants and Contributions	242,169	-	242,169
Total Non-Operating Revenues (Expenses)	1,253,248	-	1,253,248
Income (Loss) Before Capital Grants and Contributions	753,252	(804,721)	(51,469)
CAPITAL GRANTS AND CONTRIBUTIONS			
	4,716	-	4,716
Decrease in Net Assets	\$ 757,968	\$ (804,721)	\$ (46,753)

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

	Hospital	Rural Health Clinic	Total
OPERATING REVENUES			
Net Patient Service Revenue	\$ 12,812,917	\$ 2,747,277	\$ 15,560,194
Other Operating Revenue	386,736	-	386,736
Total Operating Revenue	13,199,653	2,747,277	15,946,930
OPERATING EXPENSES			
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
Total Operating Expenses	15,284,074	3,433,114	18,717,188
Operating Loss	(2,084,421)	(685,837)	(2,770,258)
NON-OPERATING REVENUES (EXPENSES)			
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
Total Non-Operating Revenues (Expenses)	1,276,130	-	1,276,130
Income (Loss) Before Capital Grants and Contributions	(808,291)	(685,837)	(1,494,128)
CAPITAL GRANTS AND CONTRIBUTIONS			
	109,037	-	109,037
Decrease in Net Assets	\$ (699,254)	\$ (685,837)	\$ (1,385,091)

COMPLIANCE

JW Anderson & Associates, PC

Certified Public Accountants

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Hector Balderas,
New Mexico State Auditor;
The 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, 2009 and 2008, 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, 2009. 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.

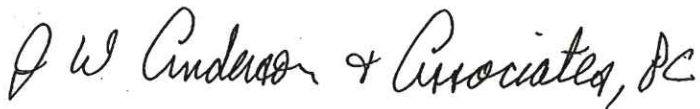
Compliance and Other Matters

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 and Responses as 2006-1.

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, 2009

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
For the Year Ended June 30, 2009

Prior Year -

<u>Finding</u>	<u>Description</u>	<u>Status</u>
2006-1	Exceeded Budgetary Authority	Repeated
2007-2	Quarterly Submission of Budget Reports	Resolved
2008-1	Improper Monitoring of Medicaid Claims	Resolved
2008-2	Improper Accounts Receivable Cut-off	Resolved

ROOSEVELT COUNTY SPECIAL HOSPITAL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
For the Year Ended June 30, 2009

Current Year -

2006-1 Exceeded Budgetary Authority

CONDITION - The Hospital exceeded budgetary authority at the fund level by \$53,200.

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
EXIT CONFERENCE
For the Year Ended June 30, 2009

The contents of this report were discussed with the Roosevelt County Special Hospital District representatives on August 20, 2009. The following individuals were available for the conference:

RCSHD

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

J.W. Anderson & Associates, PC

Larry Anderson, President
Scott Northam, Audit Manager
Jerry Hill, Audit Manger

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

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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, 2009 and 2008, 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, 2009. 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 May 21, 2009, 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, 2009. 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, 2009

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, 2009