6200 Uptown Blvd NE, Suite 400 Albuquerque, NM 87110 p: 505.338.0800 f: 505.338.0801 riccicpa.com

Certified Public Accountants

ricci&company llc

CIBOLA GENERAL HOSPITAL CORPORATION

FINANCIAL STATEMENTS

JUNE 30, 2008

CIBOLA GENERAL HOSPITAL CORPORATION

CIBOLA GENERAL HOSPITAL CORPORATION
June 30, 2008

Official Roster

Principal Employees

Kenneth Cochran, Chief Executive Officer
J.F. Rimel, Jr., Assistant Administrator and CFO

ricci&company llc

Independent Auditors' Report

To the Board of Directors
Cibola General Hospital Corporation
Grants, New Mexico
and
Hector H. Balderas, State Auditor

We have audited the accompanying balance sheets of Cibola General Hospital Corporation (Corporation), a component unit of Cibola County, as of June 30, 2008 and 2007, and the related statements of operations and changes in cash flows for the fiscal year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards," we have also issued our report dated October 17, 2008 on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

The Corporation has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined to be necessary supplemental information, although not required to be part of the basic financial statements.

Ricci & Company LLC

Albuquerque, New Mexico
October 17, 2008

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Certified Public Accountants

FINANCIAL STATEMENTS

CIBOLA GENERAL HOSPITAL CORPORATION
BALANCE SHEETS
June 30, 2008 and 2007

ASSETS		2008	2007
Current Assets			
Cash and cash equivalents	$	**1,583,010**	449,988
Patient accounts receivable, net of estimated doubtful accounts of approximately $727,004 in 2008 and $612,000 in 2007		**2,991,062**	3,749,764
Other receivables, net of estimated doubtful accounts of approximately $0 in 2008 and 2007, respectively		**26,400**	3,109
Inventories		**167,354**	191,040
Prepaid expenses		**327,471**	240,552
Total current assets		**5,095,297**	4,634,453
Assets Limited as to Use		**5,535,479**	5,275,913
Property and Equipment, net		**4,278,395**	4,193,831
Total assets	$	**14,909,171**	14,104,197

LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	$	**790,711**	717,821
Accrued liabilities		**642,927**	546,995
Estimated third-party payor settlements		**280,000**	420,000
Total current liabilities		**1,713,638**	1,684,816
Commitments and Contingencies			
Net Assets			
Unrestricted		**13,195,533**	12,419,381
Total liabilities and net assets	$	**14,909,171**	14,104,197

See Notes to Financial Statements.

CIBOLA GENERAL HOSPITAL CORPORATION
STATEMENTS OF OPERATIONS
Years Ended June 30, 2008 and 2007

	2008	2007
Revenues		
Net patient service revenue	$ 18,848,205	17,312,368
Mil levy	981,237	856,955
Other	119,059	91,897
Total revenues	19,948,501	18,261,220
Expenses		
Salaries and wages	6,641,471	6,260,831
Payroll taxes and benefits	1,676,357	1,353,742
Purchased services and other	3,597,470	3,546,043
Supplies	1,769,129	1,506,952
Utilities, insurance, rentals and repairs	1,714,492	1,636,929
Professional fees	913,546	867,526
Depreciation and amortization	668,758	564,630
Provision for bad debts	2,461,118	1,944,121
Interest expense	-	3,448
Total expenses	19,442,341	17,684,222
Operating income	506,160	576,998
Other Income (Expense)		
Investment income	297,500	295,899
Other (expense) income	(55,164)	2,916
Total other income	242,336	298,815
Excess of revenues over expenses	748,496	875,813
Change in net unrealized gains on other than trading securities	6,353	23,576
Contributions	21,303	25,415
Increase in unrestricted net assets	776,152	924,804
Net assets, beginning of year	12,419,381	11,494,577
Net assets, end of year	$ 13,195,533	12,419,381

See Notes to Financial Statements.

CIBOLA GENERAL HOSPITAL CORPORATION
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2008 and 2007

	2008	2007
Cash Flows From Operating Activities		
Cash received from customers	$ 17,005,789	14,665,556
Cash received from mil levy and other	1,098,309	999,623
Cash payments to suppliers	(7,984,980)	(7,381,826)
Cash paid for payroll, payroll taxes, and benefits	(8,221,896)	(7,595,018)
Interest received	303,853	319,475
Interest paid	-	(3,448)
Other (expense) income	(55,164)	2,916
Net cash provided by operating activities	2,145,911	1,007,278
Cash Flows From Investing Activities		
Sales and maturities of investments	4,308,673	3,283,294
Purchases of investments	(4,568,239)	(3,435,939)
Capital expenditures	(753,323)	(961,593)
Net cash used in investing activities	(1,012,889)	(1,114,238)
Cash Flows From Financing Activities		
Principal payments on long-term debt	-	(320,000)
Net increase (decrease) in cash and cash equivalents	1,133,022	(426,960)
Cash and cash equivalents, beginning of the year	449,988	876,948
Cash and cash equivalents, end of the year	$ 1,583,010	449,988
Supplemental cash flow information		
Cash paid for interest	$ -	3,448

See Notes to Financial Statements.

CIBOLA GENERAL HOSPITAL CORPORATION
STATEMENTS OF CASH FLOWS - CONTINUED
Years Ended June 30, 2008 and 2007

	2008	2007
Reconciliation of Net Assets to Net Cash Provided by Operating Activities		
Change in net assets	$ **776,152**	924,804
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Provision for bad debts	**2,461,118**	1,944,121
Depreciation and amortization	**668,758**	564,630
Changes in operating assets and liabilities		
Patients accounts receivable	**(1,702,415)**	(2,938,812)
Other receivables	**(23,291)**	25,356
Inventories	**23,686**	(44,144)
Prepaid expenses	**(86,919)**	(61,009)
Accounts payable	**72,890**	280,778
Accrued expenses	**95,932**	19,554
Estimated third-party settlements	**(140,000)**	292,000
Net cash provided by operating activities	$ **2,145,911**	1,007,278

See Notes to Financial Statements.

NOTE 1. ORGANIZATION

Cibola General Hospital Corporation (Hospital or Corporation) is a New Mexico not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Hospital is located in Grants, New Mexico. The primary interest of the Hospital is to provide medical services to the residents of Grants, Cibola County, and the surrounding area. The Hospital has no component units.

The Hospital meets the criteria set forth in accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB) for inclusion as a component unit of the County of Cibola (County) based on the financial accountability criteria as it relates to the following items: 1) while the agreement between the Hospital and the County does not directly address financial accountability, the County owns, and is obligated for the related debt, with respect to the building which the Hospital is entitled to use, for a quarterly fee and other consideration under the terms of the agreement and 2) the County assesses and remits to the Hospital a 4.25 mil property tax levy which was approved by the voters of Cibola County for the sole purpose of supporting the Hospital's operations.

This summary of significant accounting policies of the Hospital is presented to assist in the understanding of the Corporation's financial statements. The financial statements and notes are the representations of the Hospital's management who is responsible for their integrity and objectivity. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to not-for-profit healthcare entities. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The more significant of the Hospital's accounting policies are described below.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates.

Risk Management. The Corporation 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; and employee health, dental, and accident benefits. The Corporation has obtained commercial insurance coverage to protect itself against such losses.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents. Cash and cash equivalents consist of checking accounts and a money market savings account maintained with local financial institutions, as well as cash on hand. Amounts whose use is limited by Board of Trustees designation or other arrangements under trust agreements are excluded from cash and cash equivalents.

Patient Accounts Receivable. Patient accounts receivable represent the amount billed but uncollected for services provided to patients. Such receivables are carried at the billed amount less estimates for contractual discounts and allowances as well as for doubtful accounts. Management determines the allowance for doubtful accounts by examining aging categories by payor and by using historical experience applied to the aging. Individual accounts receivable are written off when deemed uncollectible. Recoveries of patient accounts receivable previously written off are recorded when received. Delinquent status is based on how recently payments have been received. The Hospital does not accrue interest on past due accounts.

Assets Whose Use is Limited. Assets limited as to use consist primarily of internally designated assets set aside by the Board of Trustees of the Corporation to purchase property and equipment as well as to offset the effects of increasing managed care penetration within the Hospital's service area. Such penetration typically results in reduced reimbursement levels. The Board of Trustees retains control over the internally designated assets and may, at its discretion, use the assets for other purposes.

Property and Equipment. Acquisitions of property and equipment are recorded at cost when the useful life exceeds one year and $1,000. Depreciation is provided over the estimated useful life of the asset and is computed using the straight-line method over the following useful lives.

Equipment	3-20 years
Buildings and land improvements	10-40 years

Equipment under capital lease obligations is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the accompanying statements of activities.

Gifts of long-lived operating assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from excess of revenues, gains, and other support over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories. Inventories, consisting primarily of pharmaceuticals and medical supplies, are stated at the lower of cost or market (first-in, first-out) basis.

Operating Revenues. Operating revenues are all revenues derived from the Hospital's core business operations.

Temporarily Restricted Net Assets. Temporarily restricted net assets are amounts whose use has been specified by donors for a specific time period or purpose. Such amounts are restricted for the purchase of property and equipment.

Excess of Revenues Over Expenses. The accompanying statements of activities include excess of revenues over expenses. Changes in unrestricted net assets, which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Net Patient Service Revenue. 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 for other 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 charity care policy without charge or at any amount less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue. In addition, the Hospital provides services to other medically indigent patients under various state and local government programs. Such programs pay amounts that are less than the cost of the services provided to the recipients.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donor Restricted Gifts. Unconditional promises to give cash and other assets to the Hospital are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. Gifts received with donor stipulations that limit the use of the donated assets are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished by the Hospital, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Income Taxes. The Corporation is a not-for-profit corporation and has been recognized as tax-exempt under Code Section 501(c)(3) of the Internal Revenue Code.

Concentrations of Credit and Market Risk. Financial instruments that potentially expose the Hospital to concentrations of credit and market risk consist primarily of cash and cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution. The Hospital has not experienced any losses on its cash equivalents. The Hospital's investments do not represent significant concentrations of market risk since the Hospital's investment portfolio is adequately diversified among issuers.

Reclassifications. Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NOTE 3. NET PATIENT SERVICE REVENUE

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

Medicare. Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

NOTE 3. NET PATIENT SERVICE REVENUE (CONTINUED)

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audit thereof by the Medicaid fiscal intermediary.

Net revenue from the Medicare and Medicaid programs accounted for approximately 35% and 52% of the Hospital's net patient revenue for the years ended June 30, 2008 and 2007, respectively. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Medicare cost reports 2005 and prior have been settled. However in the current year, the 2005 cost report was "reopened", and the Hospital was assessed an additional $93,653. The Medicare cost report for 2006 has been tentatively settled, while 2007 remains open. Medicaid cost reports for 2004 and prior have been settled and 2005 through 2007 remain open. Management believes that estimated settlements accrued for June 30, 2008 are adequate to provide for the settlement of all open cost reports. The 2008 cost reports have not been finalized; however an estimated accrual related to the 2008 costs reports has been made at year end.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge and discounts from established charges.

Net patient service revenue consists of the following:

	2008	2007
Inpatient gross charges	**$11,215,875**	9,802,678
Outpatient gross charges	**19,234,504**	17,350,332
Sole community provider	**2,833,940**	2,327,071
	33,284,319	29,480,081
Less:		
Third-party contractual discounts and allowances	**13,344,727**	11,454,500
Unsponsored charges, including charity care	**1,091,387**	713,213
Net patient service revenue	**$18,848,205**	17,312,368

NOTE 4. ASSETS LIMITED AS TO USE

Assets limited as to use are stated at fair value (which approximates cost) and are comprised of the following at June 30:

	2008	2007
Certificates of deposit	$ 4,895,784	5,190,742
Money market	567,774	4,577
Interest receivable	71,921	80,594
Total assets limited as to use	$ 5,535,479	5,275,913

The Board of Trustees retains control over these assets and may, at its discretion, use the assets for other purposes.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation and amortization are summarized as follows:

	2008	2007
Non-depreciable assets		
Land	$ 437,412	128,777
Construction in progress	6,000	150,145
Total non-depreciable assets	443,412	278,922
Depreciable assets		
Building and land improvements	2,753,603	2,753,603
Equipment	5,118,587	4,742,345
Total depreciable assets	7,872,190	7,495,948
Accumulated depreciation and amortization	(4,037,207)	(3,581,039)
Net depreciable assets	3,834,983	3,914,909
Total property and equipment, net	$ 4,278,395	4,193,831

NOTE 6. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

		2008	2007
Accrued paid time off	$	**379,993**	334,685
Accrued wages		**172,165**	127,985
Accrued payroll taxes		**65,230**	63,853
Other		**25,539**	20,472
Total accrued liabilities	$	**642,927**	546,995

NOTE 7. MIL LEVY

Pursuant to New Mexico law adopted in 1980 and amended in 1981 allowing counties to provide expanded tax support to qualified hospitals, the County of Cibola approved mil levy tax in 1998. The Hospital recorded $981,237 and $856,955 in the years June 30, 2008 and 2007, respectively, in mil levy proceeds. The amounts were used in accordance with the provisions of the property tax referendum. The Hospital receives mil levy taxes from the Treasurer of Cibola County. The County serves as the intermediary collecting agency and remits the Hospital's share of mil levy tax collections. The Hospital does not maintain detailed records of mil levy taxes receivable by the individual taxpayer.

Mil levy property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10 and April 10. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent.

NOTE 8. MEDICAL MALPRACTICE CLAIMS

The Hospital has purchased a commercial insurance policy on a claims-made basis for coverage of its professional liability exposure. Losses under this policy have not exceeded the coverage limits for the years ended June 30, 2008 and 2007. Certain malpractice claims have been asserted against the Hospital by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. In the opinion of legal counsel, the outcome of these actions will not have a significant effect on the financial position or the operating results of the Hospital.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Operating Leases. The Hospital has agreed, as part of a settlement with the County of Cibola, to a ten-year lease agreement for the use of the Hospital facility effective March 31, 2004. The Hospital also leases various equipment under operating leases expiring at various dates through 2008. Total rental expense in 2008 and 2007 was $486,909 and $455,853, respectively.

The following schedule details future minimum lease payments as of June 30, 2008, for operating leases with initial or remaining lease terms in excess of one year:

Year Ending June 30,	
2009	$ 313,891
2010	280,196
2011	274,796
2012	265,000
2013	265,000
Thereafter	176,667
	$ 1,575,550

Regulatory Audits. The Hospital is involved in standard regulatory audits arising in the ordinary course of business. While the ultimate outcome of these matters is not presently determinable, it is the opinion of management that the resolution of the outstanding audits will not have a material adverse effect on the financial position or results of operations of the Hospital.

NOTE 10. PENSION PLAN

The Corporation has a 403(b) Plan (Plan) to provide retirement and incidental benefits for its employees. Employees may contribute up to a maximum annual amount as set periodically by the Internal Revenue Service. The Hospital matches 50% of an employee's contributions up to 5% of the employee's gross income. All matching contributions vest 20% each year for five years. In addition, the Plan provides for discretionary contributions as determined by the Board of Directors. Company matching contributions to the Plan totaled $62,782 and $62,008 in 2008 and 2007, respectively.

NOTE 11. CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30 was as follows:

	2008	2007
Medicare	**25%**	18%
Medicaid	**17%**	26%
Commercial insurance	**14%**	14%
All other payors	**44%**	42%
	100%	100%

Quorum Health Resources (Quorum) manages the Hospital pursuant to a five-year agreement effective December 1, 2006 through December 1, 2011, between Quorum and the Hospital, whereby the Hospital reimburses Quorum for the appointed administrator's and chief financial officer's salaries, including, but not limited to, social security payments, retirement benefits and other benefits accruing to executive-level employees of Quorum. This agreement may be terminated by either party upon 60 days' written notice. As part of this agreement, the Hospital is able to purchase medical supplies from various vendors at more favorable prices than the Hospital could negotiate on its own. An unexpected termination of this contract with Quorum could have an adverse effect on the operations of the Hospital due to the loss of key management personnel and the favorable purchasing agreements until such time a new contract could be negotiated with an alternate management firm. The Hospital is not aware of, and does not anticipate, any termination of the existing contract.

NOTE 12. FUNCTIONAL EXPENSES

The Hospital provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows:

	2008	2007
Health care services	**$ 12,564,286**	11,456,812
General and administrative	**6,878,055**	6,227,410
Total functional expenses	**$ 19,442,341**	17,684,222

Ricci & Company LLC

CERTIFIED PUBLIC ACCOUNTANTS
6200 UPTOWN BLVD. NE - SUITE 400
ALBUQUERQUE, NM 87110

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*

To the Board of Directors
Cibola General Hospital Corporation
Grants, New Mexico
and
Hector H. Balderas, State Auditor

We have audited the accompanying balance sheet of Cibola General Hospital Corporation (Corporation), a component unit of Cibola County, as of June 30, 2008, and the related statements of operations and changes in cash flows for the fiscal year then ended. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinions on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the Corporation'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 Corporation's internal control.

To the Board of Directors
Cibola General Hospital Corporation

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph on this section and would not necessarily identify all deficiencies in the 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 Corporation'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*.

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

Albuquerque, New Mexico
October 17, 2008

CIBOLA GENERAL HOSPITAL CORPORATION
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2008

FINDING - COMPLIANCE

08-01 DUE DATE OF AUDIT REPORT

CRITERIA

According to the State Auditor Rule NMAC 2.2.2.9.A, the audited financial statements are due by November 15 following the fiscal year end thus, requiring the June 30, 2008 report to be filed by November 15, 2008.

CONDITION

The June 30, 2008 audit report was not filed timely as required by the State Auditor Rule NMAC 2.2.2.9.A.

CAUSE

The Hospital is considered to be a Component Unit of Cibola County and therefore is required to be submitted to the Office of the State Auditor with the County's audit report. The June 30, 2008 audit report for the County was not submitted until March 2009.

EFFECT

The users of the financial statements do not have a timely final audit report for their review and since the County did not submit their report on time, the Hospital is in violation of the State Auditor Rule NMAC 2.2.2.9.A.

RECOMMENDATION

Since the opinion date of this audit report is before the due date, the Hospital should continue its efforts of working with the County to deliver a timely final audit report.

MANAGEMENT RESPONSE

We concur with the recommendation. The opinion date shows that if we were a stand alone entity, the Hospital's report would be submitted on time and we would not have this finding.

CIBOLA GENERAL HOSPITAL CORPORATION
SUMMARY OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2007

	Current Status
Cibola General Hospital Corporation	
07-01 Travel and Per Diem	Resolved

CIBOLA GENERAL HOSPITAL CORPORATION
EXIT CONFERENCE
For the Year Ended June 30, 2008

Exit Conference

An exit conference was held on October 23, 2008 to discuss the annual financial report. Attending were the following:

Representing Cibola General Hospital:

Board Members

Dr. Jane Pitts, Commissioner
Bob Ewell, Commissioner
Ida Chavez, Commissioner
Ann Mattila, member
Paul Milan, member
Ron Ortiz, member

Administrative Staff

Ken Cochran, CEO
J.F. Rimel, Jr., Assistant Administrator and CFO
Julie Hidalgo, Secretary

Representing the Independent Auditor:

Herman Chavez, CPA
Shawn Mortensen, CPA

Note: Management is responsible for the context of the report, even though the financial statements were prepared substantially by the independent auditor.