CIBOLA GENERAL HOSPITAL CORPORATION

FINANCIAL STATEMENTS

JUNE 30, 2017 and 2016

CIBOLA GENERAL HOSPITAL CORPORATION

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CIBOLA GENERAL HOSPITAL CORPORATION
June 30, 2017

Official Roster

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Bob Tenequer, Chairperson
Paul Milan, Treasurer
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Thomas Whelan, Chief Executive Officer
Ed Brown, Assistant Administrator and CFO

Independent Auditor's Report

To the Board of Trustees
Cibola General Hospital Corporation
Grants, New Mexico
and
Timothy Keller, State Auditor

Report on the Financial Statements
We have audited the accompanying financial statements of Cibola General Hospital Corporation (the "Hospital"), a component unit of Cibola County (the County"), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents. We have also audited the budget comparison schedules for the years ended June 30, 2017 and 2016, presented as supplementary information, as defined by the Governmental Accounting Standards Board.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the U.S. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital as of June 30, 2017 and 2016, and the changes in its financial position and cash flows, and the respective budget comparison schedule for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the basic financial statements and the budget comparison schedule that collectively comprise the Hospital's financial statements as a whole. The accompanying schedules of pledged collateral, individual deposit and investment accounts, indigent care cost and funding report, and calculations of cost of providing indigent care, as required by Section 2.2.2 NMAC, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2017, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Ricci & Company LLC

Albuquerque, New Mexico
October 12, 2017

Introduction

This section of the financial report presents management's discussion and analysis of Cibola General Hospital Corporation (the "Hospital") financial performance during the fiscal year that ended June 30, 2017. This section presents comparative information and balances for the years ended June 30, 2017 and 2016. Please read it in conjunction with the Hospital's basic financial statements, which follow this section.

Financial Highlights

- Total assets decreased by ($3,041,000) in 2017 due to loss on operations, refund payment of SCNP proceeds from the previous two years and a prior period adjustment.
- The Hospital reported a loss in revenue in excess of expenses in 2017 of ($1,158,000), which represents a decrease of ($2,015,000), or -183%, compared to the increase in revenue in excess of expenses in 2016.This is primarily attributable to a downturn in most clinical volumes in the hospital, a rate cut in Medicaid sponsored funding and an increased reliance on contract labor over the prior year.

Using This Annual Report

The Hospital's financial statements consist of three statements: balance sheets; statements of revenues, expenses and changes in net position; and statements of cash flows. These statements provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital is accounted for as a business-type activity and presents its financial statement using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheets and Statements of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The balance sheets and the statements of revenues, expenses and changes in net position report information about the Hospital's resources and its activities in a way that helps answer this question.

These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position and changes in them. The Hospital's total net position, the difference between assets and liabilities, is one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Hospital.

The Hospital's Net Position

The Hospital's net position is the difference between its assets and liabilities reported in the balance sheets. The Hospital's net position decreased in 2017 by ($1,158,000), or -2.8%, as compared to the 2016.

The difference in net position in 2017, as opposed to the increase in 2016, was due primarily to increased operating expense in the areas of purchased services brought on by a shortage of hospital clinical personnel, a significant decreases in revenue generated due to decreased volume across almost all service lines and a prior period adjustment to the hospital's net position.

Operating Results and Changes in the Hospital's Net Position

The Hospital's excess of revenues over expenses were a loss in 2017 of ($1,158,000), a decrease of (1,790,000) from the 2016 revenues over expenses. As mentioned previously, this was due to an overall downturn in hospital volumes, a rate cut in Medicaid sponsored funding and an increased reliance on contract labor

Non-operating Revenues and Expenses

Non-operating revenues and expenses, which consists primarily of Mill Levy funds, noncapital grants and gifts, interest income, and miscellaneous non-operating expenses, decreased marginally over the prior year due to decreasing yields in the interest income..

Other Economic Factors

The Hospital's service area is comprised of the entirety of Cibola County. Over 90% of our patients are County residents. The County population is approximately 27,000. Predictions are that the population will remain stable. Major employers are the local prisons, the school system, mining companies such as the Lee Ranch Mine, government, retailing, and the hospitality industry. With a diversity of employers, and with gradual but certain economic recovery, it is believed that the risk of loss of our patient base is low. However, the increased utilization of high deductible insurance plans has had an impact on the hospital's volumes, As a Hospital, we are actively identifying opportunities to better serve the community. We understand that our proximity to our patient base is a key advantage. Current efforts in growing services are aimed at being the preferred provider for some who might travel to Albuquerque for many health care needs which might by met right here in Cibola County, as well as initiatives to improve overall population health.

Contacting the Hospital's Financial Management

This financial report is designed to provide the Hospital's Board of Trustees, customers, and the citizens of Cibola County with a general overview of the Hospital's finances and to show the Hospital's financial accountability. If you have any questions about this report or need additional financial information, contact:

Ed Brown
Chief Financial Officer
Cibola General Hospital, Inc.
1016 Roosevelt Ave,
Grants, NM 87020
505-287-5302

FINANCIAL STATEMENTS

CIBOLA GENERAL HOSPITAL CORPORATION
STATEMENTS OF NET POSITION
Years Ended June 30, 2017 and 2016

ASSETS

		2017	2016 (as restated)
Current Assets			
Cash and cash equivalents	$	**3,369,899**	9,726,932
Funds set aside for future capital acquisitions/ replacements - cash and cash equivalents		**18,662,727**	13,920,747
Receivables			
Patient accounts receivable, net of estimated doubtful accounts of $1,599,108 in 2017 and $928,765 in 2016		**2,842,807**	2,694,292
Ad valorem taxes receivable		**-**	-
Other receivables		**18,455**	18,568
Funds set aside for future capital acquisitions/ replacements - investments		**1,800,000**	1,700,000
Prepaid expenses		**260,340**	325,533
Inventories		**208,640**	214,773
Total current assets		**27,162,868**	28,600,845
Funds set aside for future capital asset acquisitions/ replacements - investments		**5,200,000**	6,921,000
Capital assets, net		**9,857,906**	9,739,427
Total assets	$	**42,220,774**	45,261,272

LIABILITIES AND NET POSITION

Current Liabilities			
Accounts payable	$	**820,247**	799,064
Accrued liabilities		**693,257**	954,392
Safety net care pool		**-**	1,737,299
Estimated third-party payor settlements		**308,851**	214,103
Total current liabilities		**1,822,355**	3,704,858
Net Position			
Net investment in capital assets		**9,857,906**	9,739,427
Unrestricted		**30,540,513**	31,816,987
Total net position		**40,398,419**	41,556,414
Total liabilities and net position	$	**42,220,774**	45,261,272

See Notes to Financial Statements.

CIBOLA GENERAL HOSPITAL CORPORATION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2017 and 2016

	2017	2016 (as restated)
Operating Revenues		
Net patient service revenue	$ 24,733,963	27,726,800
Safety net care pool and other	550,204	(869,295)
Total operating revenues	25,284,167	26,857,505
Operating Expenses		
Salaries and wages	12,433,475	12,452,281
Payroll taxes and other	2,760,333	2,894,590
Purchased services and other	5,843,873	5,243,309
Supplies	2,251,293	2,408,280
Utilities, insurance, rentals and repairs	2,341,048	2,606,460
Professional fees	964,995	847,061
Depreciation and amortization	1,316,357	1,289,589
Other expense	24,601	35,961
Total operating expenses	27,935,975	27,777,531
Operating (loss) income	(2,651,808)	(920,026)
Nonoperating Revenues (Expenses)		
Ad valorem taxes	1,391,636	1,308,093
Interest income	131,357	160,988
Contributions	(300)	39,926
Loss on sale of capital assets	(554)	(3,216)
Unrealized investment gain	(28,326)	46,436
Total nonoperating revenues, net	1,493,813	1,552,227
Change in net position	(1,157,995)	632,201
Net position, beginning of year	41,556,414	40,924,213
Net position, end of year	$ 40,398,419	41,556,414

See Notes to Financial Statements.

CIBOLA GENERAL HOSPITAL CORPORATION
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

		2017	2016 (as restated)
Cash Flows From Operating Activities			
Cash received from customers and third-party payors	$	**25,230,513**	27,419,900
Cash payments to suppliers		**(13,178,672)**	(9,719,615)
Cash paid for payroll, payroll taxes, and benefits		**(15,346,871)**	(15,346,871)
Net cash provided (used) by operating activities		**(3,295,030)**	2,353,414
Cash Flows from Investing Activities			
Purchase of capital assets		**(1,435,390)**	(470,446)
Cash received from ad valorem taxes and other		**1,391,336**	1,347,719
Interest on investments		**131,357**	160,988
Redemption of certificates of deposit		**1,592,674**	390,923
Net cash provided by investing activities		**1,679,977**	1,429,184
Increase (decrease) in cash and cash equivalents		**(1,615,053)**	3,782,598
Cash and cash equivalents, beginning of year		**23,647,679**	19,865,081
Cash and cash equivalents, end of year	$	**22,032,626**	23,647,679
Reconciliation of End of Year Cash and Cash Equivalents to Balance Sheet			
Cash and cash equivalents	$	**3,369,899**	9,726,932
Funds set aside for future capital asset acquisitions/ replacements - cash and cash equivalents		**18,662,727**	13,920,747
Cash and cash equivalents, end of year	$	**22,032,626**	23,647,679

See Notes to Financial Statements.

CIBOLA GENERAL HOSPITAL CORPORATION
STATEMENTS OF CASH FLOWS - CONTINUED
Years Ended June 30, 2017 and 2016

		2017	2016 (as restated)
Reconciliation of Operating (Loss) Income to Net Cash Provided by Operating Activities			
Operating (loss) income	$	**(2,651,808)**	(920,026)
Adjustments to reconcile change in net assets to net cash provided by operating activities			
Provision for bad debts		**3,600,226**	3,937,747
Depreciation and amortization		**1,316,357**	1,289,589
Changes in operating assets:			
Patient accounts receivable		**(3,748,741)**	(4,375,824)
Other receivables		**113**	1,135,260
Sole community provider receivable		**-**	-
Safety net care pool		**-**	15,676
Prepaid expenses		**65,193**	(46,164)
Inventories		**6,133**	(304)
Estimated third-party settlements		**-**	-
Changes in operating liabilities:			
Accounts payable		**21,183**	270,007
Accrued liabilities		**(261,135)**	(314,538)
Unearned revenues		**-**	-
Safety net care pool		**(1,737,299)**	1,737,299
Estimated third-party settlements		**94,748**	(375,308)
Net cash provided (used) by operating activities	**$**	**(3,295,030)**	2,353,414

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 is a component unit of Cibola County (County) and the Board of County Commissioners appoints four out of nine members to the Board of Trustees of the Hospital. The Hospital does not have component units as defined by Governmental Accounting Standards Board (GASB) Codification, Section 2300.106(a)(2). The Hospital primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in the Cibola County area.

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 mill property tax levy which was approved by the voters of Cibola County for the sole purpose of supporting the Hospital's operations.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 governmental entities. The Governmental Accounting Standards Board (GASB) 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.

Basis of Presentation. The Hospital's financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange takes place, while those from government-mandated non-exchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated non-exchange transactions. Government-mandated non-exchange transactions that are not program-specific (such as county appropriations), ad valorem taxes, investment income, losses on sales of capital assets, changes in unrealized losses of certificate of deposit, and other income and expenses are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available. The Hospital prepares its financial statements as a business-type activity in conformity with applicable GASB pronouncements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Cash and Cash Equivalents. The Hospital considers all liquid investments with original maturities of three months or less to be 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. Certificates of deposit have original maturities in excess of three months and are not considered to be cash equivalents.

Patient Accounts Receivable and Allowance. 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 douhtful 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.

Management believes that the allowances for doubtful accounts and contractual allowances are adequate. Because of the uncertainty regarding the ultimate collectability of patient accounts receivable, there is a possibility that recorded estimates of the allowance for doubtful accounts and contractual allowances may change by a material amount in the near term.

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

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment. Acquisitions of property and equipment are recorded at cost when the useful life exceeds one year and $5,000 in accordance with Section 12-6-10 NMSA 1978. 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. Costs incurred for repair and maintenance are expensed as incurred.

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. Upon dissolution of the agreement between the Hospital and the County for any reason, all physical and tangible items of the Hospital will revert to the County.

Compensated Absences. Under the terms of employment, employees are granted paid time off (PTO) and Extended Illness Bank (EIB) in varying amounts. Employees accumulate PTO hours for subsequent use according to the length of continuous employment and within established maximum accrual limits, which may be paid out at separation of employment. EIB hours are not paid out at separation of employment. PTO may be accrued up to a maximum of 400 hours. Hours in excess of the maximum personal leave available are written off and are not payable to the employee.

When employees are terminated, they are compensated at their current hourly rate for accumulated unpaid PTO hours. All accumulated PTO is recorded as an expense and a liability in the Hospital's financial statements.

Net Position. The Hospital follows GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* Accordingly, the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is referred to as net position. Net position is categorized as follows:

- Net Investment in Capital Assets - Is intended to reflect the portion of net position which is associated with capital assets less outstanding capital asset related debt, if any. The Hospital has no capital asset related debt at fiscal year-end.

- Restricted Net Position - Restricted net position results when constraints placed on an assets' use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Unrestricted net position - Represents net position not otherwise classified as invested in capital assets or restricted net position.

Change in Net Position. The accompanying statements of revenues, expenses and changes in net position may include unrealized gains and losses on investments other than trading securities, 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.

Mill Levy Taxes. Mill levy taxes are collected by the County on behalf of the Hospital. They are considered imposed non-exchange transactions under Governmental Accounting Standards Board Statement No. 33, and therefore, are recorded by the Hospital in the period for which the taxes are levied, based on amounts reported by the County to the Hospital.

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.

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 restricted net position. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished by the Hospital, the net position is reclassified as unrestricted. Donor restricted contributions whose restrictions are met within the same year as received are reported as contributions and included in unrestricted net position in the accompanying financial statements.

Income Taxes. The Hospital is a not-for-profit corporation and has been recognized as tax-exempt under Code Section 501(c)(3) of the Internal Revenue Code. As such, its normal activities do not result in any income tax liability.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget Process. The Hospital's budget is prepared on a basis consistent with generally accepted accounting principles (GAAP), using an estimate of the anticipated revenues and expenditures. Budgets are approved and amended by the Board of Trustees. Formal budgetary integration is employed as a management control device during the year. Since the Hospital is a proprietary entity and does not receive legislative appropriations, the budget is not a binding budget.

Fair Value of Financial Instruments. Financial instruments include various cash equivalents, receivables, and payables. The carrying amount of those financial instruments has been estimated by management to approximate fair value due to their short maturity.

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.

Recent Accounting Pronouncements. In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-2, *Leases*, to make leasing activities more transparent and comparable. This new standard will require all leases with terms of more than 12 months be recognized by lessees as a right-of-use asset and a corresponding lease liability on the balance sheet. It will apply to both capital (or finance) leases and operating leases. In addition, ASU 2016-2 requires retrospective application to leases that exist at the beginning of the earliest comparative period presented. Management has not yet evaluated the effects of the new standard. The standard is effective for fiscal years beginning after December 15, 2019. Early application is permitted.

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. The reclassifications have no effect on the changes in net position.

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 are cost-based reimbursed, and outpatient services are reimbursed based upon a Medicare cost-based determined percentage of gross charges rates. Inpatient, non-acute 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.

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.

NOTE 3. NET PATIENT SERVICE REVENUE (CONTINUED)

Net revenue from the Medicare and Medicaid programs accounted for approximately 38% and 44% of the Hospital's net patient service revenue for the years ended June 30, 2017 and 2016, 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 and Medicaid cost reports for fiscal years 2012 and prior have been settled and the 2013, 2014, 2015 fiscal year Medicaid cost reports remain open. The 2017 cost reports have not been prepared. Management believes that estimated settlement amounts accrued for at June 30, 2017 are adequate to provide for the settlement of all open cost reports. Estimates are continually monitored and reviewed, and as settlements are made or more information becomes available to improve estimates, differences are reflected in current operations. Medicare and Medicaid cost report receivables (liabilities) are as follows:

	2017	2016
Medicare		
2010	$ (8,851)	-
2011	-	-
2012	-	-
2013	-	-
2014	-	-
2015	-	-
2016	-	(235,000)
2017	(300,000)	-
	(308,851)	(235,000)
Medicaid		
2012	-	-
2013	-	20,897
Estimated third-party payor settlements	$ (308,851)	(214,103)

Other Third-Party Payors. 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 at June 30:

	2017	2016
Gross charges		
Inpatient gross charges	$ 13,583,830	14,362,110
Outpatient gross charges	45,191,168	47,954,621
	58,774,998	62,316,731
Less:		
Third-party contractual discounts and allowances	30,440,809	30,652,485
Unsponsored charges, including charity care	3,600,226	3,937,446
Net patient service revenue	$ 24,733,963	27,726,800

NOTE 3. NET PATIENT SERVICE REVENUE (CONTINUED)

Safety Net Care Pool Program (SNCP) – State statute provides for a county-imposed tax of one-twelfth percent of gross receipts be permanently transferred to the "Safety Net Care Pool Fund" and expended pursuant to the Indigent Hospital and County Health Care Act. The law allows counties to budget for expenditures on ambulance services, burial expenses, and hospital or medical expenses for indigent residents of their county. The law requires that qualifying hospitals receiving payment from the Safety Net Care Pool file a quarterly report on all indigent health care funding with the Human Services Department (HSD) and the County Commission, and the HSD to submit a quarterly report to the Legislative Finance Committee containing the previous quarter's Safety Net Care Pool Fund receipts and the disposition of funds.

All SNCP hospitals are to complete an application to the State by December 31 for funding based upon prior year indigent costs. State funding for SNCP is currently limited. Prior overpayments to a hospital can be recouped. In 2016, based upon information previously provided, the State requires repayment of prior years' receipts of $837,623 to which he Hospital has established a payable. Also in 2016, the Hospital furnished new data to the State for the subsequent year but no determination was yet been made. Accordingly, the Hospital has recorded a payable for revenues since the last settlement date of $674,832. In 2017, it was determined that the liability at June 30, 2016 was understated by $224,844. A prior period adjustment for $224,844 has been recorded for 2016 to correct, see also note 11.

NOTE 4. CASH, CASH EQUIVALENTS, AND FUNDS SET ASIDE FOR FUTURE CAPITAL ASSET ACQUISITIONS/REPLACEMENTS

Cash and Cash Equivalents. Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. In accordance with Section 6-10-17, NMSA, 1978 compilation, the Hospital is required to obtain collateral in an amount equal to one-half of the deposited public money in excess of $250,000 and 102 percent for repurchase agreements. The Hospital's policy is to require collateral in accordance with state statutes. As of June 30, 2017, and 2016, the Hospital was in compliance with the state statutes.

As of June 30, 2017, the Hospital had deposits with a bank balance of $29,195,112 which were all properly collateralized in accordance with state statute.

NOTE 4. CASH, CASH EQUIVALENTS, AND FUNDS SET ASIDE FOR FUTURE CAPITAL ASSET ACQUISITIONS/REPLACEMENTS (CONTINUED)

The Hospital has been designated as a beneficiary by a bank on a Line-of-Credit (LOC) issued by a Federal Home Loan Bank in the amount of up to $1,250,000 to secure uninsured deposits. The LOC expires on June 1, 2018 and as of June 30, 2017, has not been drawn on.

Funds Set Aside for Future Capital Asset Acquisitions/Replacements

Funds set aside for future capital asset acquisitions/replacements are stated at fair value (which approximates cost) and are comprised of the following at June 30:

	2017	2016
Certificates of deposit	$ 7,000,000	8,621,000
Deposits and money market	18,571,569	13,812,583
Interest receivable	91,158	108,164
Total funds set aside for future capital asset acquisitions/replacements	$ 25,662,727	22,541,747

At June 30, 2017 the Hospital had deposits and investments with the following maturities:

		Maturities in years			
	Fair Value	Less Than 1	1-5	6-10	More Than 10
CD's	$ 7,000,000	1,800,000	5,200,000	-	-
Deposits, investments	18,662,727	18,662,727	-	-	-
Total	$ 25,662,727	20,462,727	5,200,000	-	-

At June 30, 2016 the Hospital had deposits and investments with the following maturities:

		Maturities in years			
	Fair Value	Less Than 1	1-5	6-10	More Than 10
CD's	$ 8,621,000	1,700,000	6,921,000	-	-
Deposits, investments	13,920,747	13,920,747	-	-	-
Total	$ 22,541,747	15,620,747	6,921,000	-	-

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Hospital's practice is to invest in certificates of deposits with maturities of less than five years.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk – The Hospital places no limit on the amount that may be invested in any one issuer.

NOTE 4. CASH, CASH EQUIVALENTS, AND FUNDS SET ASIDE FOR FUTURE CAPITAL ASSET ACQUISITIONS/REPLACEMENTS (CONTINUED)

Reconciliation to Balance Sheets

The carrying values of cash, cash equivalents, and funds set aside for future capital asset acquisitions/replacements are included in the balance sheets as follows:

	2017	2016
Carrying value		
Deposits	$ 13,369,009	23,199,934
Certificates of deposit	7,000,000	8,621,000
Money market	8,571,569	338,802
Interest receivable	91,158	108,164
Petty cash	890	780
	$ 29,032,626	32,268,680
Included in the following balance sheet captions		
Cash and cash equivalents	$ 3,369,899	9,726,933
Funds set aside for future capital asset acquisitions/ replacements – cash and cash equivalents	18,662,727	13,920,747
Funds set aside for future capital asset acquisitions/ replacements – investments	1,800,000	1,700,000
Funds set aside for future capital asset acquisitions/ replacements - investments	5,200,000	6,921,000
	$ 29,032,626	32,268,680

NOTE 5. CAPITAL ASSETS

The Hospital is a 501 (c)(3) not-for-profit corporation operating as a component unit of Cibola County. Consequently, the County holds title to certain assets capitalized on the Hospital balance sheets. The Hospital building and the Cibola Family Health Center building are utilized by the Hospital Corporation to provide patient care services, for the use of which, annual rental payment of $338,000 is rendered by the Hospital Corporation to the County in quarterly increments of $84,500. This amount is agreed upon by the respective County and Hospital Corporation governing bodies, and is subject to change when the County – Hospital Corporation Agreement is up for renewal.

NOTE 5. CAPITAL ASSETS (CONTINUED)

Capital asset activity of the Hospital for the years ended June 30 was as follows:

2017

	Beginning Balance	Additions	Disposals and Retirements	Transfers	Ending Balance
Capital assets not being depreciated					
Land	$ 128,777	32,223	-	-	161,000
Construction in progress	34,836	82,833	-	(52,254)	65,415
Total capital assets not being depreciated	163,613	115,056	-	(52,254)	226,415
Capital assets being depreciated					
Buildings & leasehold improvements	9,365,994	314,719	-	-	9,680,713
Equipment	8,555,627	1,005,615	(241,443)	52,254	9,372,053
Total capital assets being depreciated	17,921,621	1,320,334	(241,443)	52,254	19,052,766
Less accumulated depreciation for					
Building & leasehold improvements	2,911,234	419,308	-	-	3,330,542
Equipment	5,434,574	897,049	(240,889)	-	6,090,734
Total accumulated depreciation	8,345,808	1,316,357	(240,889)	-	9,421,275
Total capital assets being depreciated, net	9,575,814	3,977	(554)	52,254	9,631,491
Total capital assets, net	$9,739,427	119,033	(554)	-	9,857,906

2016

	Beginning Balance	Additions	Disposals and Retirements	Transfers	Ending Balance
Capital assets not being depreciated					
Land	$ 128,777	-	-	-	128,777
Construction in progress	212,972	34,836	-	(212,972)	34,836
Total capital assets not being depreciated	341,749	34,836	-	(212,972)	163,613
Capital assets being depreciated					
Buildings & leasehold improvements	9,372,905	-	(6,909)	-	9,365,996
Equipment	8,189,816	435,610	(282,772)	212,972	8,555,626
Total capital assets being depreciated	17,562,721	435,610	(289,681)	212,972	17,921,622
Less accumulated depreciation for					
Building & leasehold improvements	2,500,452	410,782	-	-	2,911,234
Equipment	4,842,233	878,808	(286,467)	-	5,434,574
Total accumulated depreciation	7,342,685	1,289,590	(286,467)	-	8,345,808
Total capital assets being depreciated, net	10,220,036	(853,980)	(3,214)	212,972	9,575,814
Total capital assets, net	$10,561,785	(819,144)	(3,214)	-	9,739,427

NOTE 6. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	2017	2016
Accrued compensated absences	$ 520,026	455,095
Accrued wages	159,451	484,992
Accrued payroll taxes	13,322	14,054
Other	458	251
Total accrued liabilities	$ 693,257	954,392

A schedule of changes in the Hospital's accrued compensated absences for the years ended June 30, is as follows:

2017

Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
$ 455,095	1,216,317	1,151,386	520,026	520,026

2016

Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
$ 474,698	646,869	666,472	455,095	455,095

NOTE 7. AD VALOREM TAXES

Pursuant to New Mexico law adopted in 1980 and amended in 1981 allowing counties to provide expanded tax support to qualified hospitals, the voters of Cibola County approved an ad valorem tax in 2011. The Hospital recorded $1,391,636 and $1,308,093 in the years June 30, 2017 and 2016, respectively, in ad valorem taxes. The amounts were used in accordance with the provisions of the ad valorem tax referendum. The Hospital receives ad valorem taxes from the Treasurer of Cibola County. The County serves as the intermediary collecting agency and remits the Hospital's share of ad valorem tax collections. The Hospital does not maintain records of ad valorem taxes receivable by the individual taxpayer.

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

NOTE 8. COMMITMENTS AND CONTINGENCIES

Operating Leases. The Hospital has agreed, as part of a settlement with the County of Cibola, to a five-year lease agreement, with an additional five-year renewal with the consent of both parties, for the use of the Hospital facility effective February 20, 2014 with an annual lease amount of $338,000. The County suspended rent from April 2016 thru September 2017. The Hospital also leases various equipment under operating leases expiring at various dates through 2022. Total lease expense in 2017 and 2016 was $128,673 and $378,605, respectively.

The following schedule details future minimum lease payments as of June 30, 2017, for operating leases with initial or remaining lease terms in excess of one year:

Year Ending June 30,	
2018	$ 356,891
2019	287,023
2020	45,918
2021	39,016
2022	39,016
	$ 767,864

Healthcare Regulatory Environment – The healthcare industry is subject to laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government healthcare participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. The government continues to conduct reviews and investigations of allegations concerning possible violations of fraud and abuse statues and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayment for patient services previously billed.

Management believes the Hospital is in compliance with fraud and abuse statutes as well as other applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

The Health Insurance Portability and Accountability Act (HIPAA) was enacted August 21, 1996, to assure health insurance portability, guarantee security and privacy of health information, enforce standards for health information and establish administrative simplification provisions. Under the Health Information Technology for Economic and Clinical Health (HITECH) Act, several of the HIPAA security and privacy requirements have been expanded, including business associates being subject to civil and criminal penalties and enforcement proceedings for violations of HIPAA. Management believes that the Hospital is in compliance with all applicable provisions of HIPAA and HITECH.

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 8. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Medical Malpractice Claims. The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a healthcare provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claim experience, no such accrual has been made. It is reasonably possible that this estimate may change in the near term.

Litigation. In the ordinary course of business, claims alleging malpractice and other matters may have been filed against the Hospital. Claims may also be filed for incidents that have occurred, including some of which the Hospital is not presently aware. It is not possible to estimate the likelihood and amount of such potential claims. The Hospital has purchased a commercial insurance policy on a claims-made basis for coverage of its professional liability expense. Losses under this policy have not exceeded the coverage limits for the years ended June 30, 2017 and 2016. 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. DEFINED CONTRIBUTION RETIREMENT PLAN

The Hospital has a 403(b) Plan (the "Plan") to provide retirement and incidental benefits for its employees. The Plan allows eligible employees to defer a portion of their annual compensation pursuant to Section 403(b) of the Internal Revenue Code. The Hospital matches 50% of an employee's contributions subject to IRS per-employee dollar limits. All matching contributions vest 20% each year for five years. In addition, the Plan provides for discretionary contributions as determined by the Board of Trustees. The Plan does not have stand-alone financial reports available for the public. Company matching contributions to the Plan totaled $290,469 and $205,184 in 2017 and 2016, respectively.

NOTE 10. CONCENTRATION OF CREDIT RISK

Receivables. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. Management believes that estimates made for the allowance for doubtful accounts are adequate.

Because of the uncertainty regarding the ultimate collectability of patient accounts receivable, there is at least a reasonable possibility that recorded estimates of the allowance for doubtful accounts will change by a material amount in the near term.

The Hospital recognizes that revenue and receivables from government agencies are significant to its operations, however does not believe that there are any significant credit risks associated with these governmental agencies. The mix of receivables from patients and third-party payors at June 30 was as follows:

	2017	2016
Medicare	30%	32%
Medicaid	22%	26%
Commercial insurance	16%	19%
All other payors	32%	23%
	100%	100%

NOTE 11. PRIOR PERIOD ADJUSTMENT

The Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2016 includes a prior period adjustment of $224,844, which resulted in an increased loss in the Safety net care pool and other revenue and an increase in the Safety net care pool liability by this same amount at June 30, 2016. The adjustment is due to a correction of an error in the Safety net care pool liability calculation. Total net position for 2016 was also reduced by $224,844.

CIBOLA GENERAL HOSPITAL CORPORATION
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance with Final Budget - Favorable
	Original	Final	Actual	(Unfavorable)
Operating Revenue	$ 30,984,434	30,984,434	25,284,167	(5,700,267)
Operating Expenses				
Salaries and wages	13,271,379	13,271,379	12,433,475	837,904
Purchased services	4,320,205	4,320,205	5,843,873	(1,523,668)
Payroll taxes and benefits	3,228,749	3,228,749	2,760,333	468,416
Utilities, insurance, rentals and repairs	2,305,960	2,305,960	2,341,048	(35,088)
Supplies and other	3,061,940	3,061,940	2,275,894	786,046
Depreciation and amortization	1,329,288	1,329,288	1,316,357	12,931
Professional fees	1,173,261	1,173,261	964,995	208,266
Total operating expenses	28,690,782	28,690,782	27,935,975	754,807
Operating income	2,293,652	2,293,652	(2,651,808)	(4,945,460)
Nonoperating Revenue (Expense), Net	353,584	353,584	1,493,813	1,140,229
Change in net position	$ 2,647,236	2,647,236	(1,157,995)	(3,805,231)
Net position, beginning of year (as restated)			41,556,414	
Net position, end of year			$ 40,398,419	

Note to Schedule

Annual budgets are adopted as required by New Mexico statutes. Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis that is consistent with accounting principles generally accepted in the United States of America.

This is for informational purposes only because the Hospital is a proprietary entity and does not receive legislative appropriations; therefore, the budget is not a binding budget.

CIBOLA GENERAL HOSPITAL CORPORATION
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance with Final Budget - Favorable
	Original	Final	Actual	(Unfavorable)
Operating Revenue	$ 30,159,659	30,159,659	26,857,505	(3,302,154)
Operating Expenses				
Salaries and wages	13,308,040	13,308,040	12,452,281	855,759
Purchased services	3,570,210	3,570,210	5,243,309	(1,673,099)
Payroll taxes and benefits	2,913,398	2,913,398	2,894,590	18,808
Utilities, insurance, rentals and repairs	2,634,002	2,634,002	2,606,460	27,542
Supplies and other	2,531,877	2,531,877	2,444,241	87,636
Depreciation and amortization	1,451,844	1,451,844	1,289,589	162,255
Professional fees	915,624	915,624	847,061	68,563
Total operating expenses	27,324,995	27,324,995	27,777,531	(452,536)
Operating income (loss)	2,834,664	2,834,664	(920,026)	(3,754,690)
Nonoperating Revenue (Expense), Net	156,160	156,160	1,552,227	1,396,067
Change in net position	$ 2,990,824	2,990,824	632,201	(2,358,623)
Net position, beginning of year			40,924,213	
Net position, end of year (as restated)			$ 41,556,414	

Note to Schedule
Annual budgets are adopted as required by New Mexico statutes. Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis that is consistent with accounting principles generally accepted in the United States of America.

This is for informational purposes only because the Hospital is a proprietary entity and does not receive legislative appropriations; therefore, the budget is not a binding budget.

CIBOLA GENERAL HOSPITAL CORPORATION
SCHEDULE OF PLEDGED COLLATERAL
FOR THE YEAR ENDED JUNE 30, 2017

Account	Account Type	Wells Fargo Bank, NA	Bank of New Mexico	US Bank	Total
Operating Account	Checking	$ 13,623,543		-	13,623,543
Operating Account	Money Market	2,538,919	6,032,650	-	8,571,569
Certificate of Deposits	CD	4,400,000	800,000	1,800,000	7,000,000
Total amount of deposit in bank		20,562,462	6,832,650	1,800,000	29,195,112
Less: FDIC insurance		500,000	500,000	250,000	1,250,000
Total uninsured public funds		20,062,462	6,332,650	1,550,000	27,945,112
Collateral requirement - 50% (Section 6-10-7)		$ 10,031,231	3,166,325	775,000	13,972,556

Account		Maturity	CUSIP		Wells Fargo Bank, NA	Bank of New Mexico	Total
Pledged securities held by the Bank of New York Mellon from Wells Fargo; held in the name of the Hospital							
WU1499		11/1/2041	3132GKV94	(1) $	312,062.03	-	312,062
WU1499		3/1/2042	3132GRZP9	(1)	713,832.80	-	713,833
WU1499		7/1/2031	3140F7JQ3	(1)	14,175,179.67	-	14,175,180
		9/1/2042	31417DAD5	(1)	82,686.02		82,686
		9/1/2036	31418CBG8	(1)	8,788.81		8,789
Pledged securities held by Independent Bankersbank; held in the name of the Hospital							
Gadsden NM ISD #6	MUNI	8/15/2020	362550MN2	(2)	-	306,218	306,218
Gallup Mckinley Cnty NM BQ GO	MUNI	8/1/2021	364010NW4	(2)	-	250,124	250,124
Gallup McKinley Co NM SD #1 BQ GO	MUNI	8/1/2019	364010RH3	(2)	-	356,105	356,105
Grants & Cibola Cntys NM SD	MUNI	10/15/2018	388240EZ2	(2)	-	500,501	500,501
Grants & Cibola Cntys NM Call GO'	MUNI	10/15/2019	388240FA6	(2)	-	500,572	500,572
Grants & Cibola Cntys NM SD#1 GO	MUNI	4/15/2019	388240FR9	(2)	-	500,391	500,391
Los Lunas, NM SD #1 BQ GO	MUNI	7/15/2018	545562QE3	(2)	-	151,546	151,546
Central LA Cnty SCH BQ Call	MUNI	1/1/2025	153136BK1	(2)	-	446,533	446,533
Delaware OH Pks & Rec BQ Call	MUNI	12/1/2026	246213AS1	(2)	-	295,000	295,000
Harris CO TX Call Rev	MUNI	8/15/2026	414005BE7	(2)	-	516,239	516,239
Total pledged collateral					15,292,548	3,823,229	19,115,779
Amount over collateralized for 50% requirement					$ 5,261,317	656,904	5,918,223

FHLBank (A Federal Home Loan Bank) - Line of Credit	
Investments at US Bank - total uninsured funds	$ 1,550,000
Required collateralization - 50% of uninsured portion	775,000
Irrevocable Letter of Credit No 64387 (expires 6/1/2018)	1,250,000
Amount over collateralized for 50% requirement	$ 475,000

(1) U.S. Treasury or agency bond.
(2) Municipal bond.

CIBOLA GENERAL HOSPITAL CORPORATION
SCHEDULE OF INDIVIDUAL DEPOSIT AND INVESTMENT ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2017

Depository	Account Name	Account Type		Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Wells Fargo	Operating	Checking	$	13,623,543	-	254,534	13,369,009
Wells Fargo	Operating	Money Market		2,538,919	-	-	2,538,919
Wells Fargo	Payroll	Checking		-	-	-	-
Bank of New Mexico	Operating	Money Market		6,032,650	-	-	6,032,650
			$	22,195,112	-	254,534	21,940,578
Certificates of Deposit							
Wells Fargo	Board Designated	Certificates of Deposit	$	4,400,000	-	-	4,400,000
Bank of New Mexico	Board Designated	Certificates of Deposit		800,000	-	-	800,000
U.S. Bank	Board Designated	Certificates of Deposit		1,800,000	-	-	1,800,000
			$	7,000,000	-	-	7,000,000
Other							
Interest receivable		Interest receivable	$	-	-	-	91,158
Cash on hand		Petty cash		-	-	-	890
Total deposits and investments			$	29,195,112	-	254,534	29,032,626

CIBOLA GENERAL HOSPITAL CORPORATION
SCHEDULE OF INDIGENT CARE COST AND FUNDING REPORT
FOR THE YEAR ENDED JUNE 30, 2017, 2016 AND 2015

		2017	2016	2015
A	**Funding for Indigent Care**			
A1	State appropriations specified for indigent care			
A2	County indigent funds received	-	-	-
A3	Out of county indigent funds received	-	-	-
A4	Payments and copayments received from uninsured patients qualifying for indigent care	336,295	647,894	693,983
A5	Reimbursement received for services provided to patients qualifying for coverage under EMSA	-	-	-
A6	Charitable contributions received from donors that are designated for funding indigent care	-	-	-
	Other sources			
A7	Other source - Safety Net Care Pool receipts (payments)	(1,737,399)	899,776	837,623
	Total Funding for Indigent Care	(1,401,104)	1,547,670	1,531,606
B	**Cost of Providing Indigent Care**			
	Total cost of care for providing services to:			
B1	Uninsured patients qualifying for indigent care	435,733	660,028	413,079
B2	Patients qualifyiog for coverage under EMSA	-	-	-
B3	Cost of care related to patient portion of bill for insured patients qualifying for indigent care	320,610	564,734	507,861
B4	Direct costs paid to other providers on behalf of patients qualifying for indigent care	-	-	-
B5	Other costs of providing Indigent Care (please specify)			
	Total Cost of Providing Indigeot Care	756,342	1,224,762	920,940
	Excess (Shortfall) of Funding for Charity Care to Cost of Providing Indigent Care	$ (2,157,446)	$ 322,908	$ 610,665
C	**Patients Receiving Indigent Care Services**			
C1	Total number of patients receiving indigent care	367	440	320
C2	Total number of patient encounters receiving indigent care	766	1,058	660

CIBOLA GENERAL HOSPITAL CORPORATION
SCHEDULE OF CALCULATIONS OF COST OF PROVIDING INDIGENT CARE
FOR THE YEAR ENDED JUNE 30, 2017, 2016 AND 2015

	2017	2016	2015
Uninsured patients qualifying for indigent care			
Charges for these patients	917,776	1,480,721	985,629
Ratio of cost to charges	47.5%	44.6%	41.9%
Cost for uninsured patients qualifying for indigent care	435,733	660,028	413,079
Patients qualifying for coverage under Emergency Medical Services for Aliens (EMSA)			
Charges for these patients	-	-	-
Ratio of cost to charges	47.5%	44.6%	41.9%
Cost for Patients qualifying for coverage under Emergency Medical Services for Aliens (EMSA)	-	-	-
Cost of care related to patient portion of bill for insured patients qualifying for indigent care			
Indigent care adjustments for these patients	675,295	1,266,937	1,211,782
Ratio of cost to charges	47.5%	44.6%	41.9%
Cost of care related to patient portion of bill for insured patients qualifying for indigent care	320,610	564,734	507,861
Direct costs paid to other providers on behalf of patients qualifying for indigent care			
Payments to other providers for care of these patients	-	-	-
	-	-	-

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Independent Auditor's 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 Trustees
Cibola General Hospital Corporation
Grants, New Mexico
and
Timothy Keller, State Auditor

We have audited, in accordance with the 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, the financial statements of Cibola General Hospital Corporation (the "Hospital"), a component unit of Cibola County, (the "County"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, as well as the budget comparison schedules for the year ended June 30, 2017, presented as supplementary information, and have issued our report thereon dated October 11, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

A deficiency *in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

To the Board of Trustees
Cibola General Hospital Corporation
and
Timothy Keller, State Auditor

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ricci & Company, LLC

Albuquerque, New Mexico
October 12, 2017

CIBOLA GENERAL HOSPITAL CORPORATION
SCHEDULE OF CURRENT FINDINGS AND RESPONSES
For the Year Ended June 30, 2017

NO CURRENT YEAR FINDINGS

CIBOLA GENERAL HOSPITAL CORPORATION
SUMMARY OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2017

Section I – Financial Statement Findings
2016 – 001 and 002 State Audit Rule

PRIOR YEAR FINDINGS RESOLVED

CIBOLA GENERAL HOSPITAL CORPORATION
EXIT CONFERENCE
For the Year Ended June 30, 2017

Exit Conference

An exit conference was held on October 13, 2017 to discuss the annual financial report. Attending were the following:

Cibola General Hospital Corporation
Thomas Whelan, CEO
Ed Brown, Assistant Administrator and CFO
Paul Milan, Board Treasurer and Finance Chair

Ricci & Company, LLC
Wayne Brown, Partner
Dock Livingston, Manager

Financial Statement Preparation
The Hospital's independent public accountants prepared the accompanying basic financial statements; however, the Hospital is responsible for the basic financial statement and disclosure content. The Hospital's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.