



**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)**

JUNE 30, 2019 AND 2018



INTRODUCTORY SECTION

CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
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JUNE 30, 2019

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**CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
OFFICIAL ROSTER
JUNE 30, 2019**

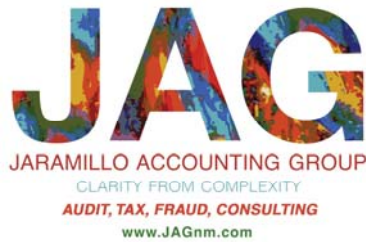
Board of Trustees

Bob Tenequer	Chairperson
Nestor Griego	Vice Chairperson
Dr. Ann Church	Chief of Medical Staff
Jeff Rimel	Treasurer
Chase A. Elkins	Secretary
Carlos Tapia	Member
Robert Windhorst	Member
Kendra Brown	Member
Eileen Yarborough	Member

Principal Employees

Thomas Whelan	Chief Executive Officer
Jim Hermes	Chief Financial Officer

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Cibola General Hospital Corporation
Grants, New Mexico and
Mr. Brian Colón, Esq.
New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of Cibola General Hospital Corporation (a component unit of Cibola County) (“the Hospital”) as of and for the year ended June 30, 2019, 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 Schedule of Revenues and Expense – Budget to Actual of the Hospital presented as Supplementary Information.

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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 to 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.

Board of Trustees
Cibola General Hospital Corporation
and Mr. Brian Colón, Esq.
New Mexico State Auditor

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

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, 2019, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly in all material respects, the Schedule of Revenues and Expenses – Budget to Actual of the Hospital for the year ended June 30, 2019, in accordance with accounting principles generally accepted in the United State of America.

Other Matters

Required Supplementary Information

Management has omitted the Management Discussion and Analysis that accounting principles, generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Hospital. The Schedule of Deposit and Investment Accounts, Schedule of Pledged Collateral, Schedule of Indigent Care Cost and Funding Report, and Schedule of Calculations of Cost of Providing Indigent Care, as required by NMAC 2.2.2, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

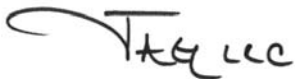
The Schedules of Deposit and Investment Accounts, Schedule of Pledged Collateral, Schedule of Indigent Care Cost and Funding Report, and Schedule of Calculations of Cost of Providing Indigent Care are the responsibility of management and were derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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.

The financial statements of Cibola General Hospital Corporation as of and for the fiscal year ended June 30, 2018 were audited by other auditors, whose report dated June 15, 2019, expressed a disclaimer of opinion on those statements.

Board of Trustees
Cibola General Hospital Corporation
and Mr. Brian Colón, Esq.
New Mexico State Auditor

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2019 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "JAG LLC". The signature is stylized, with a large, sweeping initial "J" and "A" followed by "G LLC".

Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
December 2, 2019

CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 19,437,966	\$ 19,462,284
Investments	750,000	4,944,240
Receivables		
Patient accounts, net of allowance for estimated uncollectible accounts of \$10,319,937 in 2019 and \$8,400,255 in 2018	5,082,161	5,188,492
Safety net care pool receivable	1,213,838	812,631
Interest	109,685	90,776
Other	6,427	1,431
Estimated third-party payor settlements	-	88,106
Prepaid expenses	754,381	248,204
Inventories	260,942	241,275
Total current assets	27,615,400	31,077,439
Non-current Assets		
Investments	2,650,000	791,352
Capital assets, net	4,725,409	5,228,612
Ad valorem taxes	409,906	87,337
Total non-current assets	7,785,315	6,107,301
Total assets	\$ 35,400,715	\$ 37,184,740
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	\$ 1,202,643	\$ 1,321,671
Accrued liabilities	1,187,072	907,931
Claims payable	80,000	102,531
Estimated third-party payor settlements	924,049	916,000
Total current liabilities	3,393,764	3,248,133
Net Position		
Net investment in capital assets	4,725,409	5,228,612
Unrestricted	27,281,542	28,707,995
Total net position	32,006,951	33,936,607
Total liabilities and net position	\$ 35,400,715	\$ 37,184,740

See Accompanying Notes.

CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Operating Revenue		
Net patient service revenue	\$ 25,100,361	\$ 24,486,883
Safety net care pool	2,094,092	1,197,230
Other revenue	122,433	359,196
Total operating revenue	<u>27,316,886</u>	<u>26,043,309</u>
Operating Expenses		
Salaries and wages	13,348,467	12,849,974
Payroll taxes and other	1,480,066	1,613,435
Purchased services and other	7,233,194	6,635,931
Supplies	2,431,356	2,432,538
Utilities, insurance, rentals, and repairs	2,723,134	2,717,675
Facility lease - Cibola County	338,000	253,500
Professional fees	766,060	1,054,118
Depreciation and amortization	1,330,927	1,175,365
Claims expense	1,498,486	1,384,009
Other expenses	74,480	37,176
Total operating expenses	<u>31,224,170</u>	<u>30,153,721</u>
Operating loss	<u>(3,907,284)</u>	<u>(4,110,412)</u>
Non-operating Revenue (Expense)		
Ad valorem taxes	1,855,593	1,372,102
Investment income	56,345	74,793
Interest income	63,182	58,458
Contributions	-	(1,600)
Loss on sale of capital assets	(10,439)	(34,838)
Unrealized gain (loss) on investment	12,947	(27,159)
Total non-operating revenue	<u>1,977,628</u>	<u>1,441,756</u>
Change in net position	<u>(1,929,656)</u>	<u>(2,668,656)</u>
Net position, beginning of year	<u>33,936,607</u>	<u>36,605,263</u>
Net position, end of year	<u>\$ 32,006,951</u>	<u>\$ 33,936,607</u>

See Accompanying Notes.

CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
STATEMENTS OF CASH FLOWS
JUNE 30, 2019 AND 2018

	2019	2018
Cash Flows From Operating Activities		
Patients and third-party payors	\$ 25,592,152	\$ 24,519,450
Suppliers	(14,211,096)	(14,176,414)
Payroll, payroll taxes, and benefits	(14,549,392)	(14,234,126)
Net cash used in operating activities	(3,168,336)	(3,891,090)
Cash Flows From Non-capital Financing Activities		
Ad valorem taxes and other	1,533,024	1,341,188
Cash Flows From Investing Activities		
Interest on investments	113,564	106,474
Certificate of deposit purchase	2,335,592	1,264,408
Net cash provided by investing activities	2,449,156	1,370,882
Cash Flows From Capital and Related Financing Activities		
Capital assets purchases	(850,287)	(1,300,164)
Net change in cash and cash equivalents	(36,443)	(2,479,184)
Cash and cash equivalents, beginning of year	19,462,284	21,941,468
Cash and cash equivalents, end of year	\$ 19,425,841	\$ 19,462,284
Reconciliation of operating revenue (loss) to net cash provided by (used in) operating activities		
Operating loss	\$ (3,907,284)	\$ (4,110,412)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Removal of construction in progress	-	40,654
Depreciation and amortization	1,330,927	1,175,365
Changes in assets and liabilities		
Patient accounts receivable	106,331	(1,429,685)
Safety net care pool receivable	(401,207)	(23,092)
Other receivables	(4,996)	17,024
Estimated third-party settlements	88,106	(88,106)
Prepaid expenses	(506,177)	12,136
Inventories	(19,667)	(32,635)
Account payable	(119,028)	524,698
Accrued liabilities	279,141	229,283
Claims payable	(22,531)	102,531
Estimated third-party settlements	8,049	(308,851)
Net cash used in operating activities	\$ (3,168,336)	\$ (3,891,090)

See Accompanying Notes.

**CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1. ORGANIZATION AND OPERATIONS

Cibola General Hospital Corporation (a component unit of Cibola County) (the “Hospital”) 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 owned by Cibola County as a “County Hospital” as defined under the Hospital Funding Act, NMSA § 4-48B-3 under the jurisdiction of the Cibola County Commission located in the City of Grants, County of Cibola, New Mexico.

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 (the “County”) and the Board of County Commissioners appoints four out of nine members to the Board of Trustees of the Hospital.

For accounting presentation purposes, the Hospital is reported in the financial statements of the County as a component unit in accordance with the requirements of Governmental Accounting Standards Board Pronouncement No. 39, *Determining Whether Certain Organizations are Component Units – an amendment of GASB Statement No. 14*. The Hospital does not have component units as defined by Governmental Accounting Standards Board (GASB) Statement Nos. 14, 39, 61 and 80. The Hospital primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in the Cibola County area.

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 resources 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.

**CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 money market accounts 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. Short-term investments include certificate of deposits with an original maturity of three or more months.

Patient Accounts Receivable and Allowances. 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.

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 market value price which materially approximates cost.

Property and Equipment. Acquisitions of property and equipment are recorded at cost when the useful life exceeds two years and \$5,000 in accordance with Section 12-6-10 NMSA 1978. Depreciation is provided over the estimated useful life of asset and is computed using the straight-line method. The estimated useful lives used to depreciate assets, by asset class, are as follows:

Land improvements	15 years
Buildings and leasehold improvements	10-40 years
Equipment	3-10 years

CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
- *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).

CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (ad valorem 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/Safety Net Care Pool. 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.

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. Budgets approved by the Hospital Board of Trustees are not legally binding.

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.

CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Net revenue from the Medicare and Medicaid programs accounted for approximately 53% and 44% of the Hospital's net patient service revenue for the years ended June 30, 2019 and 2018, 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 for fiscal years 2015, 2016, 2017, and 2018 and Medicaid cost reports for fiscal years 2015, 2016, 2017, and 2018 remain open at June 30, 2019 and are subject to adjustment.

Management believes that estimated settlement amounts accrued for at June 30, 2019 and 2018 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. The Hospital has accrued reserves for estimated settlements relating open cost reports for Medicare of \$400,000 and \$400,000 and Medicaid of \$524,049 and \$516,000 for the years ended June 30, 2019 and 2018, respectively.

CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 3. NET PATIENT SERVICE REVENUE (CONTINUED)

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:

	<u>2019</u>	<u>2018</u>
Gross charges		
Inpatient	\$ 16,645,714	\$ 16,440,891
Outpatient	<u>51,283,651</u>	<u>46,702,180</u>
Total gross charges	67,929,365	63,143,071
Third-party contractual discounts and allowances	<u>(36,663,206)</u>	(33,518,791)
Un-sponsored charges, including charity care	<u>(6,165,798)</u>	<u>(5,137,397)</u>
Net patient service revenue	<u>\$ 25,100,361</u>	<u>\$ 24,486,883</u>

Safety Net Care Pool Program (SNCP) - State statutes provide for a county-imposed tax of one-twelfth percent of gross receipts be permanently transferred to the State's "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 also requires that qualifying hospitals receiving payment from the Safety Net Care Pool file a quarterly report on all uncompensated health care costs with the New Mexico Human Services Department (HSD) and the County Commission. The HSD is required to submit a quarterly report to the New Mexico Legislative Finance Committee containing the previous quarter's Safety Net Care Pool Fund receipts and the disposition of funds.

All SNCP hospitals are required to complete an application to the State by December 31 for current year funding based upon prior year uncompensated care costs. State funding for the SNCP is paid out quarterly and is subject to adjustment. Prior SNCP overpayments to the hospital can be recouped. In 2019, the safety net care pool had a receivable in the amount of \$1,213,838 and revenues of \$2,094,092.

NOTE 4. CASH, CASH EQUIVALENTS AND INVESTMENTS

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 of FDIC coverage. The Hospital's policy is to require collateral in accordance with state statutes. As of June 30, 2019, the Hospital was not in compliance with state statutes as more fully described in audit finding 2019-007.

**CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 4. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

As of June 30, 2019 and 2018, the Hospital had deposits with a bank balance of \$23,169,654 and \$25,736,001, respectively, and a book balance of \$22,837,966 and \$25,197,876, respectively.

At June 30, 2019, the Hospital had investments with the following maturities:

2019	Maturities in Years				
	Fair Value	Less than 1	1-5	6-10	More than 10
Certificates of deposit	\$ 3,400,000	\$ 750,000	\$ 2,650,000	\$ -	\$ -

At June 30, 2018, the Hospital had deposits investments with the following maturities:

2018	Maturities in Years				
	Fair Value	Less than 1	1-5	6-10	More than 10
Certificates of deposit	\$ 5,735,592	\$ 4,944,240	\$ 791,352	\$ -	\$ -

Fair Value Measurements - The Hospital categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the Hospital's certificates of deposit are value at Level 2.

Deposit and Investment Policies - State statutes authorize the investment of the Hospital's funds in a wide variety of instruments, including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The Hospital is also allowed to invest in securities which are issued by the state or by the United States government, or by their departments or agencies, and which are either direct obligations of the state or the United States or are backed by the full faith and credit of those governments.

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.

CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 4. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Reconciliation to Statement of Net Position. The carrying values of cash and cash equivalents are included in the statement of net position as follows:

	<u>2019</u>	<u>2018</u>
Carrying value		
Deposits	\$ 13,150,927	\$ 10,045,960
Certificates of deposit	3,400,000	5,735,592
Money market	6,286,149	9,415,434
Petty cash	890	890
	<u>\$ 22,837,966</u>	<u>\$ 25,197,876</u>
Included in the following statement of net position captions		
Current assets		
Cash and cash equivalents	\$ 19,437,966	\$ 19,462,284
Investments	750,000	4,944,240
Non-current Assets:		
Investments	2,650,000	791,352
	<u>\$ 22,837,966</u>	<u>\$ 25,197,876</u>

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's statement of net position. The Hospital building and the Cibola Family Health Center building are owned by the County and utilized by the Hospital to provide patient care services, for the use of which, annual rental payment of \$338,000 is rendered by the Hospital to the County in quarterly increments of \$84,500. This amount is agreed upon by the respective County and Hospital's governing bodies and is subject to change upon renewal of the Agreement between the County and Hospital.

CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 5. CAPITAL ASSETS (CONTINUED)

Capital assets activity of the Hospital for the year ended June 30, 2019 was as follows:

	Beginning Balances	Additions	Deletions	Transfers and Adjustments	Ending Balances
Capital assets not being depreciated					
Land	\$ 128,778	\$ -	\$ -	\$ 32,222	\$ 161,000
Construction in progress	24,761	303,285	-	(7,787)	320,259
Total capital assets not being depreciated	<u>153,539</u>	<u>303,285</u>	<u>-</u>	<u>24,435</u>	<u>481,259</u>
Capital assets being depreciated					
Land improvements	32,222	-	-	(32,222)	-
Buildings and improvements	3,710,816	-	-	3,848	3,714,664
Equipment	10,451,449	547,002	(63,932)	(8,186)	10,926,333
Total capital assets being depreciated	<u>14,194,487</u>	<u>547,002</u>	<u>(63,932)</u>	<u>(36,560)</u>	<u>14,640,997</u>
Accumulated depreciation					
Land improvements	3,222	-	-	-	3,222
Building and improvements	2,272,964	821,390	-	-	3,094,354
Equipment	6,843,228	509,537	(53,494)	-	7,299,271
Total accumulated depreciation	<u>9,119,414</u>	<u>1,330,927</u>	<u>(53,494)</u>	<u>-</u>	<u>10,396,847</u>
Total capital assets being depreciated, net	<u>5,075,073</u>	<u>(783,925)</u>	<u>(10,438)</u>	<u>(36,560)</u>	<u>4,244,150</u>
Capital assets, net	<u>\$ 5,228,612</u>	<u>\$ (480,640)</u>	<u>\$ (10,438)</u>	<u>\$ (12,125)</u>	<u>\$ 4,725,409</u>

Capital assets activity of the Hospital for the year ended June 30, 2018 was as follows:

	Beginning Balances	Additions	Deletions	Transfers and Adjustments	Ending Balances
Capital assets not being depreciated					
Land	\$ 161,000	\$ -	\$ -	\$ (32,222)	\$ 128,778
Construction in progress	65,415	-	-	(40,654)	24,761
Total capital assets not being depreciated	<u>226,415</u>	<u>-</u>	<u>-</u>	<u>(72,876)</u>	<u>153,539</u>
Capital assets being depreciated					
Land improvements	-	-	-	32,222	32,222
Buildings & leasehold improvements	3,710,816	-	-	-	3,710,816
Equipment	9,372,053	1,300,164	(220,768)	-	10,451,449
Total capital assets being depreciated	<u>13,082,869</u>	<u>1,300,164</u>	<u>(220,768)</u>	<u>32,222</u>	<u>14,194,487</u>
Accumulated depreciation					
Land improvements	-	2,148	-	1,074	3,222
Building & leasehold improvements	2,039,246	210,112	-	23,606	2,272,964
Equipment	6,090,733	873,262	(185,930)	65,163	6,843,228
Total accumulated depreciation	<u>8,129,979</u>	<u>1,085,522</u>	<u>(185,930)</u>	<u>89,843</u>	<u>9,119,414</u>
Total capital assets being depreciated, net	<u>4,952,890</u>	<u>214,642</u>	<u>(34,838)</u>	<u>(57,621)</u>	<u>5,075,073</u>
Capital assets, net	<u>\$ 5,179,305</u>	<u>\$ 214,642</u>	<u>\$ (34,838)</u>	<u>\$ (130,497)</u>	<u>\$ 5,228,612</u>

CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 6. ACCRUED LIABILITIES

Accrued liabilities consist of the following at June 30:

	2019	2018
Accrued compensated absences	\$ 740,255	\$ 661,101
Accrued wages	380,748	225,826
Accrued payroll taxes	58,214	18,909
Other	7,855	2,095
Total accrued liabilities	\$ 1,187,072	\$ 907,931

A schedule of changes in the Hospital's accrued compensated absences for the years ended June 30, 2019 is as follows:

Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
\$ 661,101	\$ 579,821	\$ (500,667)	\$ 740,255	\$ 740,255

A schedule of changes in the Hospital's accrued compensated absences for the years ended June 30, 2018 is as follows:

Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
\$ 505,417	\$ 654,470	\$ (498,786)	\$ 661,101	\$ 661,101

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 \$1,855,593 and \$1,372,102 in the years June 30, 2019 and 2018, 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.

During fiscal years ended June 30, 2019 and 2018, the Hospital had \$409,906 and \$87,337 in ad valorem taxes receivable, respectively.

CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 8. COMMITMENTS AND CONTINGENCIES

Operating Leases. The Hospital has a five-year facility lease agreement with the County, which includes 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 parties agreed to extend the lease through June 30, 2019. Subsequent to fiscal year-end, the lease has been paid on a monthly basis through the audit report date. Management of the Hospital continues to discuss the arrangements under the facility lease with management of the County through the audit report date. The Hospital also leases various equipment under operating leases expiring at various dates through 2022. Total equipment lease expense in 2019 and 2018 was \$96,573 and \$136,578, respectively.

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 statutes 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.

Risk Management. The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; medical malpractice; and natural disasters.

Employee Health Coverage. The Hospital became self-insured on July 1, 2017 and utilizes an account code in their financial reporting system to account for and finance its uninsured risks of loss related to employee health claims. Under this program, the Hospital provides coverage for up to a maximum of \$40,000 for each claim. The Hospital purchases commercial insurance for claims in excess of this coverage. Settled claims did not exceed this coverage in the past fiscal year.

**CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 8. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Liabilities of the Hospital are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors.

The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

Changes in the balances of claim liabilities during the years ended June 30 as follows:

	2019	2018
Unpaid Claims and Claim Adjustment Expenses at Beginning of the Fiscal Year	\$ 102,531	\$ -
Incurred Claims and Claim Adjustment Expenses Provision for Insured Events of the Current Fiscal Year	1,896,992	1,804,371
Total incurred Claims and Claim Adjustment Expenses	1,999,523	1,804,371
Payments		
Claims and Claim Adjustment Attributable to Insured Events of the Current Fiscal Year	(1,919,523)	(1,701,840)
Total Estimated Unpaid Claims and Claim Adjust- ment Expenses at End of the Fiscal Year	\$ 80,000	\$ 102,531

Commercial Insurance. The Hospital continued to carry commercial insurance for malpractice and property insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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, 2019 and 2018. 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.

**CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 9. DEFINED CONTRIBUTION RETIREMENT PLAN

The Hospital's Defined Contribution Retirement Plan (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 standalone financial reports available for the public. Company matching contributions to the Plan totaled \$134,086 and \$292,640 in 2019 and 2018, respectively.

NOTE 10. CONCENTRATIONS OF CREDIT RISK

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, but does not believe that there are any significant credit risks associated with these government agencies. The mix of receivables from patients and third-party payors at June 30 was as follows:

	<u>2019</u>	<u>2018</u>
Medicare	27%	30%
Medicaid	31%	22%
Commercial insurance	17%	16%
All other payors	<u>25%</u>	<u>32%</u>
	<u>100%</u>	<u>100%</u>

NOTE 11. SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2019, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 2, 2019, which is the date on which the financial statements were available to be issued. See the litigation section under Note 8 related to pending litigation.

**CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 12. ACCOUNTING PRONOUNCEMENTS WITH FUTURE EFFECTIVE DATES

In January 2017, GASB Statement No. 84, *Fiduciary Activities* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The Hospital is still evaluating how this pronouncement will affect future financial statements.

In June 2017, GASB Statement No. 87, *Leases* was issued. Effective Date: For reporting periods beginning after December 15, 2019. The Hospital is still evaluating how this pronouncement will affect future financial statements.

In June 2018, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Hospital is still evaluating how this pronouncement will affect future financial statements.

In August 2018, GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The Hospital is still evaluating how this pronouncement will affect future financial statements.

In May 2019, GASB Statement No. 91, *Conduit Debt Obligations* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The Hospital is still evaluating how this pronouncement will affect future financial statements.

SUPPLEMENTARY INFORMATION

**CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
SCHEDULE OF REVENUES AND EXPENSES -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Operating Revenue				
Net patient service revenue	\$ 30,763,794	\$ 30,763,794	\$ 27,316,886	\$ (3,446,908)
Operating Expenses				
Salaries and wages	14,017,506	14,017,506	13,348,467	669,039
Payroll taxes and benefits	3,058,694	3,058,694	1,480,066	1,578,628
Purchased services	4,204,337	4,204,337	7,233,194	(3,028,857)
Supplies	2,596,077	2,596,077	2,431,356	164,721
Other Expenses	385,340	385,340	1,910,966	(1,525,626)
Utilities, insurance, rentals and repairs	2,875,885	2,875,885	2,723,134	152,751
Professional fees	1,502,958	1,502,958	766,060	736,898
Depreciation and amortization	<u>1,429,644</u>	<u>1,429,644</u>	<u>1,330,927</u>	<u>98,717</u>
Total operating expenses	<u>30,070,441</u>	<u>30,070,441</u>	<u>31,224,170</u>	<u>(1,153,729)</u>
Operating income (loss)	693,353	693,353	(3,907,284)	(4,600,637)
Non-operating Revenue, net	<u>499,720</u>	<u>499,720</u>	<u>1,977,628</u>	<u>1,477,908</u>
Change in net position	<u>\$ 1,193,073</u>	<u>\$ 1,193,073</u>	<u>(1,929,656)</u>	<u>\$ (3,122,729)</u>
Net position, beginning of year			<u>33,936,607</u>	
Net position, end of year			<u>\$ 32,006,951</u>	

**CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
SCHEDULE OF REVENUES AND EXPENSES -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Operating Revenue	\$ 28,885,101	\$ 28,885,101	\$ 26,043,309	\$ (2,841,792)
Operating Expenses				
Salaries and wages	13,264,208	13,264,208	12,849,974	414,234
Payroll taxes and benefits	3,073,593	3,073,593	2,997,444	76,149
Purchased services	4,786,582	4,786,582	6,635,931	(1,849,349)
Supplies and other	2,855,023	2,855,023	2,469,714	385,309
Utilities, insurance, rentals and repairs	2,859,454	2,859,454	2,971,175	(111,721)
Professional fees	1,124,882	1,124,882	1,054,118	70,764
Depreciation and amortization	1,296,012	1,296,012	1,175,365	120,647
Total operating expenses	<u>29,259,754</u>	<u>29,259,754</u>	<u>30,153,721</u>	<u>(893,967)</u>
Operating loss	(374,653)	(374,653)	(4,110,412)	(3,735,759)
Non-operating Revenue, net	<u>382,202</u>	<u>382,202</u>	<u>1,441,756</u>	<u>1,059,554</u>
Change in net position	<u>\$ 7,549</u>	<u>\$ 7,549</u>	(2,668,656)	<u>\$ (2,676,205)</u>
Net position, beginning of year			<u>36,605,263</u>	
Net position, end of year			<u>\$ 33,936,607</u>	

CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
JUNE 30, 2019

Bank Name / Account Type	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Petty Cash	Book Balance
Wells Fargo Bank, NA						
Operating	Checking	\$ 7,425,583	\$ -	\$ (332,578)	\$ -	\$ 7,093,005
Operating	Money Market	6,286,149	-	-	-	6,286,149
Payroll	Checking	-	-	-	-	-
Total Wells Fargo Bank, NA		<u>13,711,732</u>	<u>-</u>	<u>(332,578)</u>	<u>-</u>	<u>13,379,154</u>
TBK Bank						
Operating	Money Market	6,057,922	-	-	-	6,057,922
Total TBK Bank		<u>6,057,922</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,057,922</u>
Cash on hand						
	Petty cash	-	-	-	890	890
Total cash on hand		<u>-</u>	<u>-</u>	<u>-</u>	<u>890</u>	<u>890</u>
Total deposits		<u>19,769,654</u>	<u>-</u>	<u>(332,578)</u>	<u>890</u>	<u>19,437,966</u>
Wells Fargo Bank, NA	Certificate of Deposit	800,000	-	-	-	800,000
TBK Bank	Certificate of Deposit	800,000	-	-	-	800,000
U.S. Bank	Certificate of Deposit	1,800,000	-	-	-	1,800,000
Total investments		<u>3,400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,400,000</u>
Total deposits and investments		<u>\$ 23,169,654</u>	<u>\$ -</u>	<u>\$ (332,578)</u>	<u>\$ 890</u>	<u>\$ 22,837,966</u>

CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
JUNE 30, 2018

Bank Name / Account Type	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Petty Cash	Book Balance
Wells Fargo Bank, NA						
Operating	Checking	\$ 10,085,128	\$ -	\$ (539,015)	\$ -	\$ 9,546,113
Operating	Money Market	3,367,718	-	-	-	3,367,718
Payroll	Checking	-	-	-	-	-
Operating	Certificate of Deposit	499,847	-	-	-	499,847
Total Wells Fargo Bank, NA		<u>13,952,693</u>	<u>-</u>	<u>(539,015)</u>	<u>-</u>	<u>13,413,678</u>
Bank of New Mexico						
Operating	Money Market	6,047,716	-	-	-	6,047,716
Total Bank of New Mexico		<u>6,047,716</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,047,716</u>
Cash on hand						
	Petty cash	-	-	-	890	890
Total cash on hand		<u>-</u>	<u>-</u>	<u>-</u>	<u>890</u>	<u>890</u>
Total deposits		<u>20,000,409</u>	<u>-</u>	<u>(539,015)</u>	<u>890</u>	<u>19,462,284</u>
Wells Fargo Bank, NA	Certificate of Deposit	3,135,592	-	-	-	3,135,592
Bank of New Mexico	Certificate of Deposit	800,000	-	-	-	800,000
U.S. Bank	Certificate of Deposit	1,800,000	-	-	-	1,800,000
Total investments		<u>5,735,592</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,735,592</u>
Total deposits and investments		<u>\$ 25,736,001</u>	<u>\$ -</u>	<u>\$ (539,015)</u>	<u>\$ 890</u>	<u>\$ 25,197,876</u>

See Accompanying Notes.

**CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
SCHEDULE OF PLEDGED COLLATERAL**

JUNE 30, 2019

Deposit and Investment Account	Account Type	Wells Fargo Bank, NA		Wells Fargo National Bank West		Wells Fargo Bank South Central		TBK Bank		U.S. Bank		Total
Operating account	Checking	\$ 7,425,583		\$ -		\$ -		\$ -		\$ -		\$ 7,425,583
Repurchase agreement	Money Market Sweep	5,789,965		248,092		248,092		-		-		6,286,149
Operating account	Money Market	-		-		-		6,057,922		-		6,057,922
Certificate of deposits	Certificate of Deposit	800,000 *		-		-		800,000		1,800,000		3,400,000
Total amount of deposit in bank		<u>14,015,548</u>		<u>248,092</u>		<u>248,092</u>		<u>6,857,922</u>		<u>1,800,000</u>		<u>23,169,654</u>
FDIC insurance		<u>(1,300,000)</u>		<u>(248,092)</u>		<u>(248,092)</u>		<u>(500,000)</u>		<u>(250,000)</u>		<u>(2,546,184)</u>
Total uninsured public funds		<u>\$ 12,715,548</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ 6,357,922</u>		<u>\$ 1,550,000</u>		<u>\$ 20,623,470</u>
Collateral requirement - 50% (NMSA Section 6-10-17)		\$ 3,462,792		\$ -		\$ -		\$ 3,178,961		\$ 775,000		\$ 7,416,753
Collateral requirement - 102% (NMSA Section 6-10-10)		\$ 5,905,764		\$ -		\$ -		\$ -		\$ -		\$ 5,905,764
Collateral Pledged												
			Maturity		CUSIP Number							
FNMA FNMS (1)		7,145,230	2/1/2043		3138W1H67							7,145,230
FNMA FNMS (1)		96,367	6/1/2043		3138WYCX1							96,367
FNMA FNMS (1)		607,958	3/1/2042		31417BH04							607,958
FHLMC ARM Pool #1H26 (2)		-	7/1/2036		3128QLSL6			334,718		-		334,718
FHLMC GOLD Pool #V85 (2)		-	3/1/2049		3132LA2T8			1,171,855		-		1,171,855
GNMA2 Pool #BJ6805 (2)		-	11/20/2048		3617HUR21			1,557,504		-		1,557,504
Irrevocable Letter of Credit by Federal Home Loan Bank (3)		-	12/2/2019		528624			-		1,800,000		1,800,000
Total Pledged Collateral		<u>7,849,556</u>		<u>-</u>				<u>3,064,077</u>		<u>1,800,000</u>		<u>12,713,633</u>
Amount over (under) collateralized for requirement		<u>\$ (1,519,000)</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ (114,884)</u>		<u>\$ 1,025,000</u>		<u>\$ (608,884)</u>

Location of collateral:

- (1) BNY Mellon, New York, NY
- (2) Federal Home Loan Bank, Dallas, TX
- (3) Federal Home Loan Bank, Cincinnati, OH

*The Hospital owns four certificates of deposit carried at \$200,000 each. Each certificate of deposit is on deposit at a bank not affiliated with Wells Fargo Bank NA. Therefore, each certificate of deposit is backed by \$200,000 in FDIC insurance

See Accompanying Notes .

**CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2018**

Deposit and Investment Account	Account Type		Wells Fargo Bank, NA		Bank of New Mexico		U.S. Bank		Total
	Checking	Money Market							
Operating account			\$ 10,085,128	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,085,128
Operating account			3,367,718	6,047,716	-	-	-	-	9,415,434
Certificate of deposits		Certificate of Deposit	3,635,439	800,000	1,800,000	-	-	-	6,235,439
Total amount of deposit in bank			<u>17,088,285</u>	<u>6,847,716</u>	<u>1,800,000</u>	<u>(500,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>25,736,001</u>
FDIC insurance			(500,000)						(1,250,000)
Total uninsured public funds			<u>\$ 16,588,285</u>	<u>\$ 6,347,716</u>	<u>\$ 1,550,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,486,001</u>
Collateral requirement - 50% (NMSA 1978 Section 6-10-7)			\$ 8,294,143	\$ 3,173,858	\$ 775,000	\$ -	\$ -	\$ -	\$ 12,243,001
Collateral Pledged									
Pledged U.S. Treasury or agency bond held by the Bank of New York Mellon from Wells Fargo, held in the name of the Hospital									
		Maturity		CUSIP Number					
		1/1/2026		3128PTUX1					1,006,037
		4/1/2036		3138WGXA7					2,171,797
		5/1/2031		3140F4X35					8,129,671
Pledged municipal bonds held by Independent Bankersbank; held in the name of the Hospital									
		8/15/2020		362550MN2					301,074
		8/1/2019		364010RH3					351,057
		10/15/2018		388240E22					500,410
		10/15/2019		388240FA6					500,425
		4/15/2019		388240FR9					496,970
		7/15/2018		545562QE3					150,042
		1/1/2025		153136BK1					467,726
		12/1/2026		246213AS1					305,343
		8/15/2026		414005BE7					518,780
Irrevocable Letter of Credit No. 525816 (expires 6/3/19) provided by FHLB (a Federal Home Loan Bank)									
		6/3/2019							1,250,000
Total Pledged Collateral			<u>11,307,505</u>	<u>3,591,827</u>	<u>1,250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,149,332</u>
Amount over (under) collateralized for requirement			<u>\$ 3,013,362</u>	<u>\$ 417,969</u>	<u>\$ 475,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,906,331</u>

**CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
SCHEDULE OF INDIGENT CARE COSTS AND FUNDING REPORT
FOR THE YEARS ENDED JUNE 30, 2019 - 2017**

	June 30,		
	2019	2018	2017
A. Funding for Indigent Care			
A1 State appropriations specified for indigent care	\$ -	\$ -	\$ -
A2 County indigent funds received	-	-	-
A3 Out of County indigent funds received	-	27,857	336,295
A4 Payments and co-payments received from uninsured patients qualifying for indigent care	-	-	-
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 1 (if applicable)	<u>3,139,831</u>	<u>986,924</u>	<u>(1,737,399)</u>
Total Funding for Indigent Care	<u>3,139,831</u>	<u>1,014,781</u>	<u>(1,401,104)</u>
B. Cost of Providing Indigent Care			
Total cost of care for providing services to:			
B1 Uninsured patients qualifying for indigent care	789,690	244,678	435,733
B2 Patients qualifying for coverage under EMSA	-	-	-
B3 Cost of care related to patient portion of bill for insured patients qualifying for indigent care	4,331,695	273,005	320,610
B4 Direct cost 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 Indigent Care	<u>5,121,385</u>	<u>517,683</u>	<u>756,343</u>
Excess (Shortfall) of Funding for Charity Care to Cost of Providing Indigent Care	<u>\$ (1,981,554)</u>	<u>\$ 497,098</u>	<u>\$ (2,157,447)</u>
C. Patients Receiving Indigent Care Services			
C1 Total number of patients receiving indigent care	297	282	367
C2 Total number of patient encounters receiving indigent care	452	209	766

CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
SCHEDULE OF CALCULATIONS OF COST OF PROVIDING INDIGENT CARE
FOR THE YEARS ENDED JUNE 2019 - 2017

	June 30,		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Uninsured patients qualifying for indigent care			
Charges for these patients	\$ 789,690	\$ 516,198	\$ 917,776
Ratio of cost to charges	<u>45.4%</u>	<u>47.4%</u>	<u>47.5%</u>
Cost for uninsured patients qualifying for indigent care	<u>\$ 358,519</u>	<u>\$ 244,678</u>	<u>\$ 435,944</u>
Patients qualifying for coverage under Emergency Medical Services for Aliens (EMSA)			
Charges for these patients	\$ -	\$ -	\$ -
Ratio of cost to charges	<u>45.4%</u>	<u>47.4%</u>	<u>47.5%</u>
Cost for Patients qualifying for coverage under Emergency Medical Services for Aliens (EMSA)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cost of care related to patient portion of bill for insured patients qualifying for indigent care			
Indigent care adjustments for these patients	\$ 789,690	\$ 575,959	\$ 675,295
Ratio of cost to charges	<u>45.4%</u>	<u>47.4%</u>	<u>47.5%</u>
Cost for uninsured patients qualifying for indigent care	<u>\$ 358,519</u>	<u>\$ 273,005</u>	<u>\$ 320,765</u>
Direct costs paid to other providers on behalf of patients qualifying for indigent care			
Payments to other providers for care of these patients	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COMPLIANCE SECTION



**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***

Board of Trustees
Cibola General Hospital Corporation
Grants, New Mexico and
Mr. Brian Colón, Esq.
New Mexico State Auditor
Santa Fe, New Mexico

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 (a component unit of Cibola County) (the "Hospital"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements and the Schedules of Revenues and Expenses – Budget to Actual of the Hospital, presented as supplementary information, and have issued our report thereon dated December 2, 2019.

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 to expressing our opinions on the financial statements, but not to 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses to be a material weakness as item 2019-001.

Board of Trustees
Cibola General Hospital Corporation
and Mr. Brian Colón, Esq.
New Mexico State Auditor

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses to be a significant deficiency as item 2019-002.

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, non-compliance 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 non-compliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Findings and Responses as items 2019-003, 2019-004, 2019-005, 2019-006, 2019-007, and 2019-008.

The Hospital’s Response to Findings

The Hospital’s responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Hospital’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
December 2, 2019

**CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019**

Audit Findings:

2018-001	Financial Close and Reporting (previously labeled as “Material Audit Adjustments”)	Repeated and modified
2018-002	Lack of Supporting Documentation	Repeated and modified
2018-003	Lack of Internal Controls over Journal Entries	Resolved
2018-004	Lack of Internal Controls over Inventory	Resolved
2018-005	Lack of Internal Controls over Receivables and Revenues	Resolved
2018-006	Lack of Internal Controls over Cash	Resolved
2018-007	Lack of Internal Controls over Accounts Payable and Expenses	Resolved
2018-008	Lack of Internal Controls over Payroll and Self-Insurance from Service Organization	Resolved
2018-009	Indigent Care Schedules	Resolved
2018-010	Policies and Procedures	Resolved
2018-011	Per Diem and Mileage Act	Resolved
2018-012	Stale Dated Checks	Repeated and modified
2018-013	Credit Card Policy and Use	Resolved
2018-014	Capital Asset Dispositions and Year End Inventory	Repeated and modified
2018-015	Late Audit Report	Repeated and modified

**CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified not considered to be material weakness(es)? Yes
- Non-compliance material to financial statements noted? Yes

**CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS

2019-001 (PREVIOUSLY REPORTED AS 2018-002) LACK OF SUPPORTING DOCUMENTATION AND INSUFFICIENT AND INCORRECT DETAIL (REPEATED AND MODIFIED)

TYPE OF FINDING: Material Weakness

CONDITION

During the fiscal year 2019 audit, the following deficiencies were noted:

- The Hospital was unable to provide a list of Clinic patient accounts receivable at June 30, 2019, as the report was not run on this date. Clinic patient accounts receivable, net of allowance, make up \$468,191, or 9%, of the total patient accounts receivable (net of allowance) balance of \$5,082,161. We noted the Clinic patient accounts receivable, as measured at the end of each month, was fairly consistent during the fiscal year and comparable to the June 30, 2019 balance. Additionally, at the onset our of audit work, management provided a detailed Clinic patient accounts report as of September 10, 2019 as additional evidence to support the assertion that the balance at June 30, 2019 was materially correct.
- The capital asset depreciation schedule was not generated as of June 30, 2019. We were able to manually rollback the depreciation schedule from the September 30, 2019 to June 30, 2019 to ensure that capital asset accumulated depreciation was fairly stated.
- The initial patient accounts receivable allowance calculation had certain calculation errors and excluded certain Medicaid balances. After discovering these errors, we requested and received a corrected calculation resulting in an audit adjustment of \$55,679.
- The chart of accounts is not sufficiently designed to aid in the financial close and reporting and monitoring processes between the Hospital and Clinic. Contractual adjustments are not divided between clinic and hospital operations. Clinic patient accounts receivable, net of allowance is reported as a single account, and does not appropriately break the allowance out into its own account.
- We were unable to tie out the net patient service revenue per the subledgers (\$32,785,541) to the general ledger (\$25,100,361) thus increasing the risk of misclassification of revenues and / or expenses.

The Hospital has made limited progress in implementing procedures to resolve this finding in the current year.

CRITERIA

The Codification of Statements on Auditing Standards (SAS AU) paragraph 110.03 states that the financial statements are management’s responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements.

**CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-001 (PREVIOUSLY REPORTED AS 2018-002) LACK OF SUPPORTING DOCUMENTATION AND INSUFFICIENT AND INCORRECT DETAIL (REPEATED AND MODIFIED) (CONTINUED)

EFFECT

The Hospital's financial statements may be misstated.

CAUSE

The Hospital uses outdated accounting software. To make up for the outdated software, the Hospital uses many manual spreadsheets in its monthly and year-end financial close and reporting. Clinic operations use separate accounting software from Hospital operations and certain reports were not run on June 30.

AUDITOR'S RECOMMENDATION

We recommend the Hospital continue to further develop month-end and year-end closing process to help ensure the amounts on the trial balance are properly supported with documentation. We also encourage the Hospital to transition from using excel spreadsheets to software packages that can provide this information without lots of manual input and transfer of data. Lastly, we understand that management plans to upgrade its accounting software in fiscal year 2021 which will allow for the Clinic and Hospital accounting information to be in the same general ledger and subledger package. We encourage management to continue on the course to migrate to the new accounting software as the current software has significant limitations to timely and accurate financial close and reporting.

MANAGEMENT'S RESPONSE

Corrective Action: In December 2018, Management entered into a definitive agreement with Cerner Corporation to replace all clinical and accounting software with a fully integrated solution. The go-live implementation has been delayed until January 2021 to align with contract terminations for legacy systems. Compensating controls will be used for the audit of fiscal year 2020.

Estimated Completion Date: January 31, 2021

Responsible Party: Chief Financial Officer

**CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-002 (PREVIOUSLY REPORTED AS 2018-001) FINANCIAL CLOSE AND REPORTING (REPEATED AND MODIFIED)

TYPE OF FINDING: Significant Deficiency

CONDITION

During the fiscal year 2019 audit, certain adjustments were necessary to fairly state the financial statement including:

- An adjustment in the amount of \$72,645 was necessary to fairly state capital assets, net of accumulated depreciation, with an offset to net position.
- An audit adjustment of \$409,906 was necessary to fairly state the ad valorem receivable and revenue at year-end.
- An audit adjustment in the amount of \$106,853 was necessary to fairly state accrued compensated absences and related taxes at year-end.
- An audit adjustment of \$80,000 was necessary to properly state claims payable and claims expenses at year-end.
- An audit adjustment of \$55,679 was necessary to fairly state the allowance for doubtful accounts and net patient revenue

The sum of all audit adjustments increased net position by \$82,812.

The Hospital has made progress in implementing procedures to resolve this finding in the current year.

CRITERIA

The Codification of Statements on Auditing Standards (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

EFFECT

The Hospital's financial statements may have been misleading to the user if left unadjusted.

CAUSE

The Hospital did not reconcile all accounts or ensure that the documentation provided for audit agreed to the trial balance.

AUDITOR'S RECOMMENDATION

We recommend the Hospital further develop the month-end and year-end closing process to help ensure the amounts on the trial balance are properly supported with documentation.

**CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-002 (PREVIOUSLY REPORTED AS 2018-001) FINANCIAL CLOSE AND REPORTING (REPEATED AND MODIFIED) (CONTINUED)

MANAGEMENT’S RESPONSE

Corrective Action: In last year’s audit it was determined the hospital was required to discontinue treatment of all real property previously purchased with over \$5m of hospital funds as hospital property. The required entry to deed these to Cibola County were made last year but this calculation error was made and we will correct it on the 6/30/2019 balance sheet.

Management was not previously advised of Cibola County’s unpaid property taxes and the amount due the hospital once those debts are collected by the county. Although we are uncomfortable including in income revenue that has proven uncollectable for many years (as evidenced by our reserve policy on patient accounts), we will reluctantly comply with this government mandated accounting treatment.

We agree and will work with our payroll vendor to correct month-end entries for benefits and payroll. We also agree and will post the adjustment to properly state claims payable and claims expenses at year-end and will work with our health benefit manager to receive more timely reports at year end.

Estimated Completion Date: June 30, 2020

Responsible Party: Chief Financial Officer, Board of Trustees

**CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-003 (PREVIOUSLY REPORTED AS 2018-012) STALE DATED CHECKS (REPEATED AND MODIFIED)

TYPE OF FINDING: Other Non-Compliance

CONDITION

The Hospital had seventeen stale dated checks for a total of \$3,018 at June 30, 2019.

The Hospital has not made progress in implementing procedures to resolve this finding in the current year.

CRITERIA

New Mexico statute 6-10-57 NMSA 1978 requires that checks be canceled after one year it becomes payable.

EFFECT

The Hospital is not in compliance with New Mexico state statutes.

CAUSE

The Hospital is aware of the stale dated checks, however, due to other priorities, has not dedicated resources to remove the stale dated checks from the bank reconciliation.

AUDITOR'S RECOMMENDATION

The Hospital should remove the stale dated checks from the bank reconciliation and remit all stale dated checks in accordance with State statute.

MANAGEMENT'S RESPONSE

Corrective Action: The stale dated checks will be cancelled, the reason for their status will be determined, and appropriate corrections will be made. A quarterly review process will begin in January 2020 to ensure future issues are resolved timely.

Estimated Completion Date: January 31, 2020

Responsible Party: Chief Financial Officer

**CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

**2019-004 (PREVIOUSLY REPORTED AS 2018-014) CAPITAL ASSET DISPOSITIONS AND YEAR-END INVENTORY
(REPEATED AND MODIFIED)**

TYPE OF FINDING: Other Non-Compliance

CONDITION

The Office of the State Auditor was not informed of capital asset sales or dispositions. In addition, the capital asset inventory count and certification by the Trustees at or near year-end was not completed for fiscal year 2019.

The Hospital has not made progress in implementing procedures to resolve this finding in the current year.

CRITERIA

2.2.2.10(U) NMAC requires that at least 30 days prior to any disposition of property included on the agency inventory list a written notification of the official finding and proposed disposition duly sworn and subscribed under oath by each member of the authority approving the action be sent to the Office of the State Auditor. In addition, 2.2.2.10(W)(2) NMAC require agencies to conduct an annual physical inventory of chattels and equipment on the inventory list at the end of each fiscal year in accordance with 12-6-10 NMSA 1978.

EFFECT

The Hospital is not in compliance with state statute and the administrative code.

CAUSE

The Hospital does not believe they fall under these statutes and codes.

AUDITOR'S RECOMMENDATION

The Hospital should ensure that the Office of the State Auditor are notified prior to disposition of capital assets and an annual inventory is performed by year-end as noted by certification by the Board of Trustees.

MANAGEMENT'S RESPONSE

Corrective Action: In February 2019, the Hospital engaged legal counsel to resolve the state auditor's office determination that Cibola General Hospital is a component unit of the county subject to this and other expensive requirements mandated by state law. If the courts rule that our 60 years of independence is ended and we are subject to these rules, we will comply with this and all other state mandates that require us to divert financial resources from patient care to achieve compliance with government mandates.

Estimated Completion Date: June 30, 2020

Responsible Party: Hospital Board, Chief Financial Officer

**CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-005 PROCUREMENT

TYPE OF FINDING: Material Non-Compliance

CONDITION

The Hospital does not follow the requirements of the State Procurement Code which includes certain processes to procure goods and services and employing an individual credentialed as a State certified Chief Procurement Officer.

CRITERIA

Per the recitals of relevant statutes in the 2014 Hospital Management Agreement entered into with Cibola County, “Cibola General Hospital is a general acute care hospital owned by the County as a “County Hospital” as defined under the Hospital Funding Act, NMSA Section 4-48B-3 under the jurisdiction of the Cibola County Commission located in the City of Grants, County of Cibola, New Mexico.” Per the terms of the Management Agreement, Article 5.10 “New Mexico Procurement Code Compliance. Cibola General Hospital Corporation shall comply with the New Mexico Procurement Code, with allowances for the utilizations of cooperative purchasing through Quorum Health Resources.”

Additionally, the Hospital, categorized as a County Hospital as noted above, also receives a Mill Levy and, as required under NMSA Section 4-48B-3 “...is subject to the laws of this state regarding the expenditures of public money and the auditing requirements of same and to the provisions of any rules or regulations as are required.”

13-1-74 NMSA 1978 states: “Procurement” means (A) purchasing, renting, leasing, lease purchasing or otherwise acquiring items of tangible personal property, services or construction; and (B) all procurement functions, including but not limited to preparation of specifications, solicitation of sources, qualification or disqualification of sources, preparation and award of contract and contract administration.

Competitive Sealed Bids: As per 13-1-102, all procurement shall be achieved by competitive sealed bid pursuant to Sections 13-1-103 through 13-1-110 NMSA 1978, except procurement achieved pursuant to the following sections of the Procurement Code [Sections 13-1-28 through 13-1-199 NMSA 1978]:

- A. Sections 13-1-111 through 13-1-122 NMSA 1978, competitive sealed proposals;
- B. Section 13-1-125 NMSA 1978, small purchases;
- C. Section 13-1-126 NMSA 1978, sole source procurement;
- D. Section 13-1-127 NMSA 1978, emergency procurements;
- E. Section 13-1-129 NMSA 1978, existing contracts;
- F. Section 13-1-130 NMSA 1978, purchases from antipoverty program businesses; and
- G. the Educational Facility Construction Manager at Risk Act [13-1-124.1 NMSA 1978].

EFFECT

The Hospital did not comply the State of New Mexico’s procurement code and may have not obtained the best price for the items received during the year.

**CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-005 PROCUREMENT (CONTINUED)

CAUSE

The Hospital does not believe they fall under these statutes and therefore has not adopted state procurement policies.

AUDITOR’S RECOMMENDATION

Policies and procedures should be put in place to ensure compliance with State procurement requirements. The Hospital should ensure that an individual obtains state certification as a Chief Procurement Officer and that all individuals involved in purchasing are trained in the Procurement Code requirements.

MANAGEMENT’S RESPONSE

Corrective Action: The Hospital CFO will review the referenced sections of the state procurement code and develop a plan to educate staff on the applicable requirements. An employee will be identified to receive state certification as a Chief Procurement Officer with steps to be taken by June 30, 2020 to achieve this status.

Estimated Completion Date: June 30, 2020

Responsible Party: Hospital Board of Directors, Chief Financial Officer

**CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-006 (PREVIOUSLY REPORTED AS 2018-015) LATE AUDIT REPORT (REPEATED AND MODIFIED)

TYPE OF FINDING: Other Non-Compliance

CONDITION

The Hospital did not submit its fiscal year 2019 audit by the regulatory due date of October 15, 2019.

The Hospital has not made progress in implementing procedures to resolve this finding in the current year.

CRITERIA

2.2.2.9(A) NMAC establishes a due date of October 15 for submission of all hospital audit reports to the Office of the State Auditor.

EFFECT

Without the audit report being delivered on time, the Board of Trustees, the County, and the public do not have the financial data available to make funding decisions. The public did not have the financial data available for review.

CAUSE

Due to the late completion of the June 30, 2018 audit, the current year audit was started late which resulted in insufficient time to complete the audit by the regulatory due date of October 15, 2019.

AUDITOR'S RECOMMENDATION

We recommend the Hospital work closely with its auditors to create a time schedule that will enable the Hospital to be compliant with the New Mexico Office of the State Auditor's deadlines and the New Mexico State Audit Act moving forward.

MANAGEMENT'S RESPONSE

Corrective Action: The Hospital is confident we can comply with the filing requirements for future periods now that we have acquiesced to be audited by the same firm employed by the County. For 2020, we hope to have a contract approved by the state auditor (assuming we are still determined to be a Component Unit of Cibola County) well before the audit is due, allowing adequate time for this process.

Estimated Completion Date: October 15, 2020

Responsible Party: Board of Directors, Chief Financial Officer

**CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-007 COLLATERALIZATION OF BANK ACCOUNTS

TYPE OF FINDING: Other Non-Compliance

CONDITION

The Hospital has a checking and sweep money market account at Wells Fargo Bank, NA. State of New Mexico governmental collateral requirements require 50% of the uninsured checking account be collateralized and 102% of the uninsured money market sweep account be collateralized. The sum of these accounts and related Federal Deposit Insurance Corporation (FDIC) insurance and pledged collateral at Wells Fargo Bank, NA resulted in under collateralization of \$1,519,000. The Hospital also had a checking account with TBK Bank that had ineligible pledged collateral (Southern California Edison Bonds – not included in the Schedule of Pledged Collateral) and resulted in under collateralization of \$114,844.

CRITERIA

New Mexico State Statute Section 6-10-17, NMSA 1978, requires the Hospital to collateralize an amount equal to fifty percent of the balance not covered by FDIC insurance for depository accounts and one hundred and two percent of the balance not covered by FDIC insurance for repurchase (sweep) agreements.

EFFECT

The deposits were not sufficiently collateralized and, therefore, the Hospital was not in compliance with the State's cash collateralization requirements.

CAUSE

The Hospital did not have sufficient collateral over deposits with one of their financial institutions.

AUDITOR'S RECOMMENDATION

The Hospital should arrange to have sufficient collateral for bank deposits in excess of the FDIC insurance limits.

MANAGEMENT'S RESPONSE

Corrective Action: The Hospital has always maintained 100% cross-collateralization. Now that the auditor has taken the position that our accounts require 102% coverage, we have reached out to gain the extra collateral and will maintain this level as long as we are found to be a component unit of Cibola County.

Estimated Completion Date: December 31, 2019

Responsible Party: Chief Financial Officer

**CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-008 ANTI-DONATION CLAUSE OF THE NEW MEXICO CONSTITUTION

TYPE OF FINDING: Non-Compliance

CONDITION: The County Hospital disbursed \$542 for Christmas presents during the year ended June 30, 2019. This is a violation of the New Mexico state Constitution.

CRITERIA

New Mexico Constitution Article IX, Section 14 states, “neither the state, nor any county, school district, or municipality, except as otherwise provided in this constitution, shall directly or indirectly lend or pledge its credit, or make any donation to or in aid of any person, association or public or private corporation. A donation within the meaning of this provision is a “gift”, an allocation or appropriation of something of value, without consideration.” This section is commonly referred to as the “Anti-Donation Clause”.

It is the position of the New Mexico Office of the State Auditor that the County Hospital, as a component unit of the County, receiving public monies and serving the public under County authority, is subject to this criteria and other state laws.

EFFECT

Non-compliance with the State Constitution subjects County Hospital officials to penalties as required by state statutes.

CAUSE

Leadership of the Hospital wanted to provide Christmas gifts Hospital staff; however, they did not consider that as the County Hospital, their funds are subject to governmental laws.

RECOMMENDATION

We recommend the County Hospital review the Anti-Donation Clause to ensure the County is not benefiting a particular individual or organization without an exchange transaction (i.e., receiving something in return). After such review, all necessary changes or adjustments should be approved, instituted, and included in the County Hospital’s policies. We also recommend finding another way to provide gifts, such as through local non-profits which are not subject to the public monies law.

MANAGEMENT RESPONSE

Corrective Action: Management has reviewed the New Mexico Constitution Article IX, Section 14 with the Management and Board. Christmas gifts will no longer be funded with public funds while we are being treated as a component unit of the County.

Due Date of Completion: December 31, 2021

Responsible Party: CEO

**CIBOLA GENERAL HOSPITAL CORPORATION
(A COMPONENT UNIT OF CIBOLA COUNTY)
EXIT CONFERENCE
JUNE 30, 2019**

An exit conference was held on November 29, 2019, with the following attending:

Hospital Board of Trustees

Bob Tenequer, Chairperson

Hospital Administration

Thomas Whelan, Chief Executive Officer

Jim Hermes, Chief Financial Officer

Jaramillo Accounting Group LLC

Audrey J. Jaramillo, CPA, CFE, Managing Partner

Scott Eliason, CPA, Partner

Shawn Mortensen, CPA, Manager

Jaramillo Accounting Group (JAG) assisted in the preparation of the financial statements presented in this report. 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.